THE ROOTS OF STUNTED REGIONALISM IN NORTHEAST ASIA:
Bilateralism as an Obstacle to Multilateralism
in Regional Financial Cooperation
since the Asian Financial Crisis

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1. Introduction: THE PUZZLE

2. Hypothesis • Theoretical Framework

3. Financial Crises impacting Regional Financial Cooperation

4. Investment in the Push for Bilateralism

5. Methodology and Research Plans
THE PUZZLE:
“WHY HAS INSTITUTIONALIZATION AND LEGALIZATION BEEN LIMITED IN EAST ASIAN REGIONAL FINANCIAL COOPERATION?”

• PAST LITERATURE:
  - LACK OF COMMON REGIONAL VISIONS
  - TURBULENT HISTORY
  - POLITICAL TENSIONS
  - SECURITY INSTABILITY
  - ECONOMIC DISPARITY
  - ALTERNATIVE EXPLANATIONS?
Central Themes and Questions

1. WHY DOES BILATERALISM PREVAIL IN EAST ASIA?

2. DOES U.S.-CHINA ECONOMIC AND POWER RIVALRY / TRADE CONFLICT AND RESOURCE POLITICS HINDER OR PROMOTE MULTILATERALISM?

3. HOW DOES EXTERNAL PRESSURES FROM THE U.S. INFLUENCE MULTILATERALISM?
   - U.S. and the EU preventing the weakening of the dollar, arguing for renminbi appreciation

4. To what extent do U.S.-Japan relations continue to be important in maintaining U.S. influence and status quo in the region?

5. How will South Korea manage in engaging with China and in maintaining strong economic ties to the U.S?
THE PUZZLE:
“WHY HAS INSTITUTIONALIZATION AND LEGALIZATION BEEN LIMITED IN EAST ASIAN REGIONAL FINANCIAL COOPERATION?”

- HYPOTHESES AND ARGUMENTS:

1) BILATERALISM PREVAILS
2) U.S. TRADE IMBALANCES WITH EAST ASIAN STATES
3) SECURING FINANCIAL LIQUIDITY (SELF-HELP)
4) CONTEST WITHIN THE REGION (TRADE • FINANCE • INVESTMENT)
5) LACK OF REGIONAL POLITICAL LEADERSHIP REQUIRED FOR INTEGRATION (BINDING NATIONAL INTERESTS)
HYPOTHESIS:
BILATERALISM VS. MULTILATERALISM
U.S. TRADE IMBALANCE WITH EAST ASIAN STATES <CHINA>

UNIT: 1 Mil. USD

DATA SOURCE: U.S. Foreign Trade Statistics (2009年10月現在)
NOTE: All figures are in millions of U.S. dollars
U.S. TRADE IMBALANCE WITH EAST ASIAN STATES

UNIT: 1 Mil. USD

DATA SOURCE: U.S. Foreign Trade Statistics (2009年10月現在)
NOTE: All figures are in millions of U.S. dollars
U.S. TRADE IMBALANCE WITH EAST ASIAN STATES

⟨SOUTH KOREA⟩

UNIT: 1 Mil. USD

DATA SOURCE: U.S. Foreign Trade Statistics (2009年10月現在)
NOTE: All figures are in millions of U.S. dollars
SECURING NATIONAL FINANCIAL LIQUIDITY
(FOREIGN EXCHANGE RESERVES / ASSETS)

**Rank** | **Country/Monetary Authority** | **Foreign exchange reserves (Millions of USD)**
--- | --- | ---
— | World (sum of all countries) | 8,753,689
1 | People’s Republic of China | 2,273,000
2 | Japan | 1,052,600
- | Eurozone (EU member states which have adopted the euro, incl. ECB) | 696,912
3 | Russia | 447,776
4 | Saudi Arabia | 396,467
5 | Republic of China (Taiwan) | 347,190
6 | India | 297,374
7 | South Korea | 270,000
8 | Hong Kong | 240,100
9 | Brazil | 238,000
10 | Germany | 194,167
11 | Singapore | 182,038
12 | Algeria | 145,963
13 | Thailand | 135,600
14 | Italy | 112,967
15 | Switzerland | 107,375
16 | France | 104,616
17 | Iran | 99,560
18 | Malaysia | 98,100
19 | United Kingdom | 83,935
20 | United States | 83,375
21 | Libya | 79,000
22 | Denmark | 76,806
23 | Mexico | 76,459
— | European Central Bank (ECB, not owned by any single EU member) | 73,719

**Chinese foreign assets and estimated US holdings ($bn)**

Source: Council on Foreign Relations estimates
## INVESTMENT PUSHING FOR BILATERALISM
(Sovereign Wealth Funds)

<table>
<thead>
<tr>
<th>Country</th>
<th>Abbreviation</th>
<th>Fund</th>
<th>Assets $Billion</th>
<th>Inception</th>
<th>Origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates</td>
<td>ADIA</td>
<td>Abu Dhabi Investment Authority</td>
<td>627</td>
<td>1976</td>
<td>Oil</td>
</tr>
<tr>
<td>Abu Dhabi</td>
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<tr>
<td>Norway</td>
<td>GPF</td>
<td>Government Pension Fund - Global</td>
<td>445</td>
<td>1990</td>
<td>Oil</td>
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<tr>
<td>Saudi Arabia</td>
<td>SAMA</td>
<td>SAM Arabic Foreign Holdings</td>
<td>431</td>
<td>n/a</td>
<td>Oil</td>
</tr>
<tr>
<td>China</td>
<td>CIC</td>
<td>China Investment Corporation</td>
<td>288.8</td>
<td>2007</td>
<td>Non-commodity</td>
</tr>
<tr>
<td>Singapore</td>
<td>GIC</td>
<td>Government of Singapore Investment Corporation</td>
<td>247.5</td>
<td>1981</td>
<td>Non-commodity</td>
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<tr>
<td>Kuwait</td>
<td>KIA</td>
<td>Kuwait Investment Authority</td>
<td>202.8</td>
<td>1953</td>
<td>Oil</td>
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<tr>
<td>Russia</td>
<td>RNWF</td>
<td>National Welfare Fund</td>
<td>93.3</td>
<td>2008</td>
<td>Oil</td>
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<td>China</td>
<td>NSSF</td>
<td>National Social Security Fund</td>
<td>146.5</td>
<td>2000</td>
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<td>Hong Kong</td>
<td>HKMA</td>
<td>Hong Kong Monetary Authority</td>
<td>139.7</td>
<td>1998</td>
<td>Non-commodity</td>
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<td>Singapore</td>
<td>TH</td>
<td>Temasek Holdings</td>
<td>122</td>
<td>1974</td>
<td>Non-commodity</td>
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<tr>
<td>Libya</td>
<td>LIA</td>
<td>Libyan Investment Authority</td>
<td>65</td>
<td>2006</td>
<td>Oil</td>
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<tr>
<td>Qatar</td>
<td>QIA</td>
<td>Qatar Investment Authority</td>
<td>65</td>
<td>2003</td>
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<td>Australia</td>
<td>AFF</td>
<td>Australian Future Fund</td>
<td>49.3</td>
<td>2004</td>
<td>Non-commodity</td>
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<td>Algeria</td>
<td>RRF</td>
<td>Revenue Regulation Fund</td>
<td>47</td>
<td>2000</td>
<td>Oil</td>
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<tr>
<td>Kazakhstan</td>
<td>KNF</td>
<td>Kazakhstan National Fund</td>
<td>38</td>
<td>2000</td>
<td>Oil</td>
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<td>Ireland</td>
<td>NPRF</td>
<td>National Pensions Reserve Fund</td>
<td>30.6</td>
<td>2001</td>
<td>Non-commodity</td>
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<tr>
<td>Brunei</td>
<td>BIA</td>
<td>Brunei Investment Agency</td>
<td>30</td>
<td>1983</td>
<td>Oil</td>
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<td>France</td>
<td>SIF</td>
<td>Strategic Investment Fund</td>
<td>28</td>
<td>2008</td>
<td>Non-commodity</td>
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<tr>
<td>South Korea</td>
<td>KIC</td>
<td>Korea Investment Corporation</td>
<td>27</td>
<td>2005</td>
<td>Non-commodity</td>
</tr>
<tr>
<td>United States</td>
<td>APF</td>
<td>Alaska Permanent Fund</td>
<td>26.7</td>
<td>1976</td>
<td>Oil</td>
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<tr>
<td>Alaska</td>
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<tr>
<td>Malaysia</td>
<td>KN</td>
<td>Khazanah Nasional</td>
<td>25</td>
<td>1993</td>
<td>Non-commodity</td>
</tr>
<tr>
<td>Chile</td>
<td>SESF</td>
<td>Social and Economic Stabilization Fund</td>
<td>21.8</td>
<td>1985</td>
<td>Copper</td>
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<tr>
<td>United Arab Emirates</td>
<td>ICD</td>
<td>Investment Corporation of Dubai</td>
<td>19.6</td>
<td>2006</td>
<td>Oil</td>
</tr>
<tr>
<td>Dubai</td>
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</tr>
</tbody>
</table>


NOTE: All figures are in billions of U.S. dollars

RESTRICTIONS:

- RELATIVELY SMALL SCALE IN AMOUNT
- IMF CONDITIONS
- NEVER BEEN USED
OTHER AREAS OF FORESEEABLE REGIONAL COOPERATION

• ENVIRONMENT
• PUBLIC HEALTH
• CULTURAL EXCHANGE
• EDUCATION / SCHOLASTIC PROGRAMS
• IT (technology transfers and buyouts, accompanied by competition)
METHODOLOGY

• CASE STUDIES: TESTING THE THEORIES AND HYPOTHESES

-POWER STRUCTURES: BILATERLISM VS. MULTILATERALISM (THEORETICAL ANALYSIS)

-EXTERNAL PRESSURES: THE US IMPACTING EAST ASIAN REGIONALISM (QUALITATIVE ANALYSIS) – SUB-CATEGORIES IN TRADE, FINANCE

-THE IMPACT OF GLOBAL IMBALANCES ON CHINA’S SWFs AND THE INTERNATIONAL FINANCIAL MARKETS (QUANTITATIVE ANALYSIS)

-LEADERSHIP: SINO-JAPANESE RIVALRY (QUAL/QUANTITATIVE)

* CONTROLLED COMPARISON (CHINA, JAPAN, KOREA) & PROCESS TRACING
RESEARCH PLANS

• RESEARCH IN BOSTON

• FIELD RESEARCH (CHINA, JAPAN, KOREA: 2010-2012)

CHINA: BEIDA, TSINGHUA, CASS
JAPAN: TODAI, KEIO, JIIA, METI, MOFA, BOJ
KOREA: BOK, MOFAT
THANK YOU