A New Pathway for Regional Governance in East Asia: From Economic-driven Regionalization to Crisis-driven Regionalism[1]

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Abstract

This paper seeks to examine a puzzle concerning market-led regionalization and state-led regionalism. The puzzle provides a scene for analysis of regional governance in East Asia. There is no doubt that more actors, not only nation-states, have become involved in governing regional issues to various degrees. However, this is not regulated properly and therefore leads to the problems of unlimited trade and investment liberalization. The financial crisis and the SARS epidemic revealed the need to adjust the role of states and incorporate other actors in management of cross-border challenges. This paper does not simply argue for a revitalization of the scope of state activity, but a reenergizing of the capability of individual states to deal with regional-wide crises and other issues. Only capable states can steer the relationships with other actors effectively and therefore achieve a new form of regional governance.

Keywords: Regional governance, Regionalism, Regionalization, Crisis, East Asia

Introduction

Regional governance in East Asia has been experiencing an unprecedented and significant transformation since the first East Asian Summit was held at Kuala Lumpur in November 2005. For the first time, this Summit affirmed 'East Asia'[2] as an official and geographical term for an intergovernmental meeting. Meanwhile, the idea of 'East Asian community' (EAC) has been realized to a significant extent through the joint efforts of China, Japan, South Korea, and the Association for Southeast Asian Nations (ASEAN) over the last two years.[3] This leads to the possibility of a multilateral framework to determine and implement regional agendas.

In retrospect, this development has not been a smooth process. This region was

[1] This is a revised version of the paper presented at the Fourth International Convention of Asian Scholars in Shanghai on August 20-24, 2005.
[2] There are various interpretations of East Asia that include Southeast Asia as well as Northeast Asia. In this paper, I will focus on ASEAN+3 - China, Japan, South Korea and the ASEAN countries.
[3] India was also invited as a member of the East Asian Summit.

traditionally a hotbed of bipolar conflicts and economic underdevelopment before the 1980s. The domination of great powers, especially the United States, brought about a bilateral form of regional governance in managing both security issues and economic development. Shortly after the Cold War, there was an attempt to enhance East Asian regionalism, as proposed by former Malaysian Prime Minister Dr Mohammed Mahathir, but this ended in failure.[4] East Asia therefore subsided considerably as a sub-region within the Asia-Pacific. In terms of regional agenda, economic issues such as trade and investment liberalization were always overarching agendas and became the prime force to connect countries in the region. One can see a close linkage between marketization, economic interdependence, institutionalization, and regional governance. The establishment of Asia Pacific Economic Cooperation (APEC) was a noticeable institutional development. APEC exhibited a neoteric form of regional integration – market-led regionalization and soft institutionalism, which disentangled the intra-regional diversity. Economic liberalization in the 1990s forged intra-regional interdependence and therefore brought about market-led and soft governance on a voluntary basis. However, this arrangement curbed further integration due to unrestrained liberalization and the absence of state commitment.

The breakthroughs surprisingly occurred in the course of tackling regional crises – the Asia financial crisis (AFC) in 1997-98 and the SARS crisis in 2003. In other words, crisis re-energizes regional integration and sets forth a new form of regional governance in East Asia. Crisis in this paper is "a process of interaction occurring at higher levels of perceived intensity than the ordinary flow of events and characterized by significant implications for the stability of some systems or subsystem" (Young 1977:8). Crisis outbreaks challenge the legitimacy of existing arrangements, stimulate forces of change, and generate time pressures for policymakers to make responses (Calder and Yu 2004:198-199; Rodan et al. 2001:26). The financial and public health crises in East Asia on the one hand revealed the importance of collective action by all stakeholders (not only private sectors and state institutions but also societal actors) in a borderless region. On the other hand, the crises recreated the significant role of state in effectuating regional governance by working along other states, international organizations, and civil society organizations.

This paper is divided into four sections. It begins by exploring the concepts of regional governance, regionalism and regionalization. State served as the primary actor and regional governance was practiced on a bilateral state-to-state basis. This is followed by an examination of economic-led regionalization in East Asia during the last decade of the twentieth century. It is imperative for economic interdependence to transform regional governance through dispersing states' power and widening participation. However, this also generated the problem of leadership as well as over-marketization, which eventually led to financial crisis in 1997-1998. Next, the paper argues for the importance of crisis in recreating the significance of state capability to enhance regional governance through proper regulatory roles and effective management of multi-actor

[4] In order to counter-balance the domination of the United States and the European Union, he called for the establishment of an "East Asian Economic Group" (EAEG) to promote economic cooperation, develop a regional forum for discussion and facilitate a multilateral trade regime. Even though Malaysia modified this idea by using the term "Caucus" instead of "Group", the idea still aroused massive suspicions of building an exclusive East Asian bloc and hence did not receive any positive responses from regional powers, especially Japan and China.

relationship. The analysis concludes by striking a deliberate balance between market and state as well as between multilateral and bilateral approaches. The paper also discusses some future prospects for and challenges of regional governance in East Asia.

Regional Governance and East Asia

From Regionalism and Regionalization to Regional Governance

A review of the literature reveals that regionalism and regionalization are the most commonly adopted terms to describe the nature of regional integration. Regionalism refers to the efforts made by nation-states to establish a regional framework. The experience of European integration is the most essential example of regionalism (Keating 1998). The roles of states in accelerating regional cooperation were very significant in building region-wide institutions particularly from the 1950s to 1970s. In other words, regionalism is a state-led political project. Regionalization on the other hand refers to the market-driven process of regional integration. The increasing volume of international trade since the end of Cold War in late 1980s has brought about a new form of regional integration particularly in East Asia, which downplays the importance of formal institutionalization and promotes economic facets of regional cooperation. In other words, regionalization is a market-driven economic project.

The evolution of regional integration in various regions reveals a dilemma – whether it is political and state-led or a market-driven project. Although the forces of globalization have already eroded the previously unchallenged position of the nation-state in regional integration, the Asian financial crisis in 1997-98 also revealed the limitations of uncontrolled trade liberalization as a means to secure long-lasting economic prosperity. The changing international political and economic environments in fact complicate the process of regional integration. It becomes a multi-level, multi-actor, and multi-sector project. Therefore, the concept of regional governance is utilized to explore new patterns of regional integration.

Regional Governance

Regional governance is defined as the operation of regional networks including formal or informal actors or institutions from various levels in determining collective actions and ordered rule. The changing nature of state is an important component in regional governance. Jayasuriya (2004) endorses the concept of 'regulatory state' to emphasize the importance of harmonizing regulations or international standards for deepening regional integration. He lists four major features of 'regulatory state': (1) "a separation of policy from operation through contracting out of services"; (2) "a creation of new and autonomous regulatory institutions"; (3) "an increase in the role of the state as the regulatory of regulation"; and (4) "a shift from a discretionary to a rule-based mode of governance". (Jayasuriya 2004:6). He further examines how 'regulatory state' links with policy coordination in various levels and sectors. In this paper, Jayasuriya's definition will be adopted and utilized to explaining the importance of the 'transformed' state in steering other actors in handling cross-border challenges like financial turmoil and public health crises.

Regional Governance in East Asia: A Historical Review

Before the 1990s, the idea of regional governance in East Asia was weak. The participation of regional networks was very limited and largely conducted on a bilateral state-to-state basis during the Cold War period. State was the only relevant actor in regional networks. Non-state actors were marginalized. Up to now, there is still no regional organization in East Asia, except a sub-regional organization – ASEAN and a technical and development cooperation bank – Asian Development Bank (ADB). During the Cold War, the influences of ASEAN were relatively limited because ASEAN members[5] were almost strategic members of US bloc against the spread of communism. ADB focused on providing technical assistance and financial resources for development projects to member countries, but did not address many high-level regional agendas. The involvement of non-state actors such as civil society, except in the Philippines[6], was relatively weak in checking and balancing state institutions.

In realm of security, the balance of power in East Asia rested on the military presence of the United States. Owing to the absence of a multilateral security framework, non-communist East Asian countries intuitively placed significant value on their bilateral relationship with the United States.[7] From an economic perspective, Japan initiated bilateral official development assistance (ODA) to East Asian countries. Japanese economic assistance became a major source of investment to strengthen East Asian economic development in the 1970s and 1980s. The management of regional networks either in military or economic aspects during the Cold War demonstrated a very strong commitment by the great powers, especially by the United States with Japan.

Economic-led Regionalization

Undoubtedly, the end of the Cold War reshaped the pattern of regional integration in East Asia. Economic growth became the dominant national goal. No one will question the importance of economic interests in transforming the traditional form of regional integration in East Asia mentioned earlier. Although the United States with Japan still dominated the region, a multilateral attempt for further economic liberalization took place when APEC was established in 1989.[8] This development engendered a closer economic interface among East Asian members and encouraged a wider participation in regional governance by adopting the principle of soft institutionalism. However, APEC-type regionalism also brought about leadership problems as well as over-marketization within regional networks, eventually leading to the financial crisis in 1997-1998.

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[5] ASEAN was set up in 1967. The founding members of ASEAN were Thailand, the Philippines, Indonesia, Malaysia, and Singapore.

[6] In the Philippines, Peoples' Power (largely supported by Catholic Church) served as an important force to overthrow the authoritarian regime by President Marcos and re-built a new democratic country in 1986.

[7] In 1950s, the United States attempted to establish a NATO-like security framework in Southeast Asia. It was named as Southeast Treaty Organization (SEATO). However, the effectiveness of SEATO was not so considerably and it ended in failure.

[8] Since the APEC Settle Meeting in 1993, there has been holding annual leaders' summits.

Deepening intra-regional interdependence – Liberalization and Marketization

Regionalist projects in East Asia, including deepening intra-regional trade and regional economic cooperation arrangements, have flourished since 1990, with the domination of economic agendas. In the last two decades, increasing trade volumes have accelerated regional integration in East Asia (Kwon 2002:100). From Table 1a, we can observe that there was a remarkable increase in the total trade share of East Asia from 33.6% in 1980 to 50.1% in 1995 before the outbreak of the Asian financial crisis (AFC). The figures show that over 50% of intra-regional trade in East Asia was conducted with countries within the region. In accordance with the same source, Table 1b shows the extent of trade intensity in different regions. Trade intensity in East Asia, regardless of whether Japan is included or not, was higher than the North American Free Trade Area (NAFTA) and the European Union (EU). This proves that the degree of regional integration in East Asia increased significantly in the 1990s. Intra-regional trade has thus built strong connections and intensified interdependence among the nations of East Asia.

Table 1 Intra-regional Trade Share (%)

Region	1980	1985	1990	1995	2000	2001
East Asia-10, including Japan*	33.6	36.2	41.6	50.1	50.1	50.8
Emerging East Asia, Asia-9**	22.6	26.3	32.8	38.4	39.5	41.0
NIEs-4	8.5	9.5	12.3	14.0	13.6	13.2
ASEAN 4	3.5	4.9	3.9	5.2	7.9	7.9
NAFTA	--	36.6	36.8	41.9	46.5	46.3
EU 15	52.6	53.8	64.9	64.1	62.1	61.9

Source: Kawai Masahiro (2004) "Future Prospects for the East Asian Economy" adopted from http://www.mof.go.jp/english/others/ots022c.pdf (accessed on 10 May 2005).
Notes: *East Asia-10 Includes Emerging East Asia and Japan; **Emerging East Asia-9 includes NIEs-4 (Korea, Taiwan, Hong Kong and Singapore), ASEAN-4 (Malaysia, Thailand, Indonesia, and the Philippines) and China; -- Figure is not available because NAFTA is not yet established.

Table 2 Intra-regional Trade Intensity Index

Region	1980	1985	1990	1995	2000	2001
East Asia-10, including Japan*	2.31	2.02	2.08	1.99	2.06	2.22
Emerging East Asia, Asia-9**	3.02	2.66	2.66	2.19	2.23	2.44
NIEs	2.00	1.62	1.56	1.31	1.32	1.41
ASEAN 4	1.58	2.27	1.45	1.28	2.15	2.17
NAFTA	--	1.82	2.06	2.28	2.10	2.12
EU 15	1.39	1.55	1.45	1.66	1.73	1.67

Sources: Kawai Masahiro (2004) "Future Prospects for the East Asian Economy" adopted from http://www.mof.go.jp/english/others/ots022c.pdf (accessed on 10 May 2005).
Notes: *East Asia-10 Includes Emerging East Asia and Japan; **Emerging East Asia-9 includes NIEs-4 (Korea, Taiwan, Hong Kong and Singapore), ASEAN-4 (Malaysia, Thailand, Indonesia, and the Philippines) and China; -- Figure is not available because NAFTA is not yet established.

Domestically, East Asian states pursued economic development through national industrial and development policies. The developmental state model originated from

Japan and became the most essential development path in the region. The close relationship between the business sector and government institutions assisted economic growth. Since the 1990s, states also began a series of reforms in order to deregulate and privatize national enterprises. The ultimate objective of these reforms is to utilize resources more effectively by lessening the involvement of the state in public service delivery. Reducing the scope of state led to inflated influence for the private sector and marginalization of other actors.

Soft Institutionalism – Increasing Participation with Voluntary Action

As mentioned earlier, there was no regional organization in East Asia until the establishment of APEC. Unlike its counterparts in Europe and North America, APEC is based on the principle of soft institutionalism. It enhances the construction of mutual trust and confidence. Because there is great diversity in political systems, historical legacies and levels of development in the region, flexibility under soft institutionalization works very efficiently in absorbing new members. Although there are different levels of official meetings held in APEC including annual leaders' summits, the emphasis of APEC, as suggested from its origin, is to encourage private sector involvement through facilitating and strengthening business environments.

Moreover, APEC does not force but encourages members to implement any agreed frameworks. The 1994 Bogor Declaration stated clearly the timetable of trade liberalization for both developed members and developing members. Although APEC urged its members to accomplish the framework through Early Voluntary Sector Liberalization (EVSL), the implementation was still largely dependent on action plans submitted by individual states.

However, market-driven regional process favored the interests of private sectors and watered down the agenda of development cooperation. In addition, owing to the retreat of state through economic liberalization, private sectors, especially transnational corporations and investment funds, became very powerful in effecting regional economic growth. In the absence of effective regulatory efforts, no actors were strong enough to institute checks and balances on the expansion of private sectors.

It would be more accurate to describe APEC as a trans-regional organization, which consists of members from East Asia, Oceania, the Pacific islands and the Americas. APEC pursues on the one hand a wider participation among states and private sectors, while on the other hand inducing regional diversity in political systems and economic levels within an organization. Soft institutionalism, in the very beginning, is doomed to fail to implement any concrete agreements because the members are not able simply to replace their domestic economic interests with the so-called 'regional' interests.

In short, market-led regionalization in East Asia since the 1990s was not well suited to ensuring a lasting stability for regional development. Superficially, there was an increase in participation through the establishment of a soft regional institution – APEC. In fact, unlike the explicit US leadership during the Cold War, there was an absence of regional leadership to provide a clear-cut direction and monitor individual implementation of liberalization. Furthermore, the domination of private sector in regional agendas easily marginalized other societal interests. The problems of footloose capital as well as market failure still remained as impediments on social development. Market or private sectors should not or could not entirely replace the role of states in ensuring fair and open business and social environments for further development. Thus it is essential for us to re-examine the roles of states in the context of regional governance where the existing structure has been transformed through the outbreak of crises.

Crisis-driven Regionalism

Crisis and Regional Governance

Crisis is always regarded as a public contingency because of its catastrophic impact on government and all walks of life. Regional economic crisis brings a dramatic downfall in stock or property markets and hence leads to huge and unprecedented economic losses. Large scale cross-border spread of disease results in public panic and can even cause many deaths. However, the consequences of crisis can be largely restrained and even result in positive reform to the regional networks in concerned sectors.

Crisis generates policy pressure for stakeholders and leads to a shift of policy agenda within the regional network. A crisis forces state actors to narrow national focus and bring a whole-hearted united front to counter it (Lin 2002:21). Most importantly, the state needs to improve its capability to manage the crisis. In addition, crisis imposes severe time pressure on all stakeholders within the regional network (Calder and Yue 2004: 199). It requires quick and decisive responses from stakeholders. Any delays in policymaking would yield substantial negative effects for which no one can take full responsibility. Inevitably, these conditions will speed up the political decision-making process.

Crisis on the whole represents the forces of change to reshape the existing governance framework. Policy and time pressures reveal the need for the state to make quick and proper decisions to combat the crisis. The power of the state is therefore more important within the regional governance network. The intensification of crisis to a large extent reflects the inability of state institutions to impose proper regulation, seek external assistance to avoid further spread of the crisis, and mobilize other actors involved to work together against the crisis. As a result, it is necessary to empower state institutions further. This of course reshapes the pattern of regional governance and leads to a rediscovery of the significance of the capable state in managing crises.

The Asian Financial Crisis (AFC)

The AFC of 1997/1998 was a severe form of backlash from the "East Asian Miracle" (World Bank 1993). Springing from Thailand, the crisis promptly spread to other countries in the region. It created substantial policy and time pressures throughout the region. In the aftermath of the crisis, the economies in most East Asian countries suffered from persistent negative GNP growth because of the disruption of trade and investment from abroad (Yamazawa 1998). Growing numbers of unemployed people placed huge socio-economic burdens on governments and national agencies and led to an increase in public demand for political and economic reforms. The widespread discontent and dissatisfaction finally resulted in political turmoil.[9] The contagion effect

[9] The downfall of the 32-year Suharto regime in Indonesia is a typical example of a political event during the Asian financial crisis of 1997-1998.

of the economic crisis has, however, propagated a compelling message to the ruling elites in East Asia about the borderless nature of the region. Domestic market failures produce tremendous impact on regional neighborhoods.

In retrospect, the outbreak of AFC was not really a sudden event. To a very large extent o a very large extent, market-driven regionalization in East Asia, together with a declining developmental state, paved the way for this crisis because there was not sufficient supervision over transnational business activities. This brought about over-investment as well as a substantial amount of footloose capital flow to East Asia. Meanwhile, state institutions were relatively unequipped to carry out the necessary supervision (Haggard 2000). This destroyed the foundation of the financial markets and eventually led to a financial crisis.

The economic crisis revealed the indecisiveness and ineffectiveness of different actors in regional governance networks. Crisis-hit countries expected the regional frameworks such as APEC and ASEAN to propose appropriate bailout measures. Neither APEC nor ASEAN, however, performed their roles properly. This damaged their institutional credibility (Harris 2000: 530-535). A Special ASEAN Finance Ministers' Meeting was held in Manila in December 1997, but the meeting resulted in nothing more than some empty joint statements. Although the ASEAN Peer Surveillance (APS) framework was formulated for operation from October 1998, there were no measures in place to deal with the immediate period. In addition, there was an increasing skepticism about the 'ASEAN way'. Thailand and the Philippines began to question the principle of 'non-interference' during the period of crisis and suggested the concept of 'flexible engagement' (Haacke 1999). With its strong membership and flexibility, APEC was expected to take active steps to counter the financial crisis. However, in addition to its failure to provide any substantial anti-crisis measures, the 1997 APEC Vancouver Leaders' Summit even failed to prop up Japan's proposal for establishing an Asian Monetary Found (AMF) to provide additional assistance to crisis-affected countries. A watered-down Manila Framework[10] was concluded, but its size and scale was far smaller than AMF. Thus, regional organizations and frameworks failed to provide the aid required by needy countries.

International financial organizations such as the International Monetary Fund (IMF) were also ineffective in rescuing crisis-affected countries. During the crisis, the IMF was at the center of relief efforts for Thailand, Indonesia and South Korea. The IMF provided a series of advice and bailout packages to these countries in order to restructure their economies through reduction in government expenditure and further deregulation. There were, however, strong criticisms of the IMF solutions from academics[11] and crisis-hit countries because of limited resources and harsh conditionalities (Brouwer 2002).

Traditionally, the position of the United States in East Asia was unchallengeable in both the security arena and on economic issues. Thus, the US was also expected to

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[10] The Manila Framework was a compromised proposal formulated during the APEC 1997 Meeting. It did not have its own specific fund or Secretariat. It was to be carried out on a case-by-case basis mainly because the characteristics of currency instability were different. It was operated in close collaboration with the IMF.

[11] Steven Radelet and Jeffrey Sachs, for instance, have criticized the inefficient role of the IMF in managing the Asian financial crisis. They strongly believe that the crisis was not due to weak economic fundamentals but instead sprung from the financial panic generated by international creditors. See Radelet and Sachs (1998a; 1998b; 1999).

provide assistance necessary for regional stability. However, the biased role of the US during the crisis reflected its half-hearted attitude to providing help for East Asia. The idea of AMF was strongly opposed by the US because of the potential moral hazards (Yip 2001: 110). However the US obviously did not want to see any challenges to American economic hegemony, as well as underlining the authority of IMF, which always followed the so-called 'Washington Consensus'. East Asian countries were not only disappointed but even distrustful of the IMF as well as the US. They also realized, however, that there was a strong desire for 'Asians help Asia', and sought for a transformation of market-led regional governance.[12] This rising East Asian consciousness over the financial crisis strengthened the need for strong state capability to build a truly rule-based framework for regional financial and monetary governance (Hamilton-Hart 2004).

Owing to the absence of states' regulatory capability during the financial crisis, state institutions in East Asia were empowered to promote open and fair transactions through proper legislation. The governments of Japan, South Korea, Thailand, and Indonesia instituted reform measures under a better-developed legal framework so as to avoid the possibility of uncontrolled liberalization and to ensure financial openness. Meanwhile, the emergence of a new East Asian regional framework for preventing future crisis has been realized gradually since 1999. The establishment of the ASEAN+3 framework was an immediate result of the financial crisis. ASEAN+3 is institutionalized to embrace Northeast and Southeast nations together for the first time and explicitly excludes Anglo-American influences. The significance of ASEAN+3 is to reaffirm the role of states in regional governance. The inter-governmental network is again revitalized owing to the need for cooperation. Though ASEAN+3 is still not well established, this framework is working very hard through strong state commitment to promote mutual trust through policy dialogue in the form of an annual leaders' summit and ministerial meetings, to provide emergency bilateral financial support through the Chiang Mai Initiative[13], and to prevent future crises by intensifying regional surveillance mechanisms.

The SARS Crisis

The spread of Severe Acute Respiratory Syndrome (SARS) in 2003 affected the entire region in East Asia. SARS originated from a new coronavirus with a highly infectious nature. Table 2 shows that by July 2003, twelve countries or territories in East Asia had reported more than 7,000 probable cases to the WHO and more than 800 people were dead. The outbreak of SARS reminds us again that East Asian borders are more open than we think. Local disease turned into a large-scale regional challenge through 'greater mobility and transfrontier exchanges' (Sandler 2004: 99). Table 2 also shows that most cases of infection outside China and Hong Kong were imported from overseas because of increasing international travel and trade. Facing a borderless region, countries in East Asia showed some interest in controlling infectious diseases like SARS but were not sufficiently ready to adapt their domestic institutional structures to deal with this global transformation. The SARS crisis eventually brought about a change in national governance, which revitalized the role of state institutions in managing the health sector

[12] Interview with a Japanese official, April 1 2004.

[13] The Chiang Mai Initiative, a network of regional bilateral currency swap arrangements designed to shield regional currency from strong and unexpected depreciation, was established in May 2000.

as well as working along with international organizations such as the WHO.

Table 3 Probable SARS Cases in East Asia with Onset of Illness from November 2002 to July 2003

Areas	Total Cases	No. of Deaths*	Case Fatality Ratio (%)	No. of Imported Cases (%)
China	5327	349	7	Not applicable
China, HKSAR	1755	299	17	Not applicable
China, Macao	1	0	0	1 (100)
China, Taiwan	346	37	11	21(6)
Indonesia	2	0	0	2(100)
Malaysia	5	2	40	5(100)
Mongolia	9	0	0	8(89)
Philippines	14	2	14	7(50)
South Korea	3	0	0	3(100)
Singapore	238	33	14	8(3)
Thailand	9	2	22	9(100)
Vietnam	63	5	8	1(2)

Source: World Health Organization <www.who.int/csr/sars/country/table2003_09_23/en/print.html> (Accessed on 20 June 2005).

Notes: *Includes only cases where death was attributed to SARS. The author has only selected SARS-affected East Asian countries or territories in this research.

Owing to the geographic and demographic situation, infectious diseases such as smallpox, tuberculosis, cholera, and malaria were very severe in East Asia. With sound economic development and improvement in medical technology, these diseases were successfully contained and the death rates were also significantly reduced in the 1980s and 1990s (Peabody et al 1999). However, new diseases such as AIDS/HIV and re-emerging old diseases continued to endanger the health of East Asian people. This demonstrates clearly that better economic conditions and technological innovation in medical sector were necessary but still not sufficient to eradicate infectious diseases in the region. The programs for infection control in East Asia are dominated by state health institutions such as the Ministry of Health. There is no doubt that infectious disease control is a very sensitive public health issue and states have an inescapable responsibility to suppress the spread of diseases. In order to maintain social stability, some states tend to partially represent or even hide the actual extent of disease crises. China's AIDS/HIV containment has been largely impaired by the principle of stability, which even worsens the spread of AID/HIV. In addition, although most countries have communicable disease surveillance mechanisms, many national health authorities are not able to detect, report or analyze the data received in a timely manner (West Pacific Regional Office 2003). Furthermore, due to ongoing health reforms, states focus mainly on 'efficiency' and 'economy' of initiatives including infectious disease control. Limited resources for disease prevention eventually lead to passive responses to any infectious disease outbreak (Gu 2004).

Prior to the outbreak of SARS, the health system in China began to reform based on the principles of 'deregulation' and 'decentralization' so as to improve the efficiency of resource management. The delivery of public health services is no longer fully subsidized by central government. This has led to a sharp increase in individuals' medical expenditure. Although this may lessen the health expenditure burden on the central government, insufficient supervision by state institutions engenders serious gaps between the poor and the rich because the former are very likely excluded from the deregulated medical sector. During the SARS crisis, some SARS-suspected patients were reported to escape from the hospital because they were not able to pay the medical bills (Gu 2004). This resulted in a potential time bomb for massive SARS outbreak in different provinces and cities. Control of infectious diseases has also been principally decentralized to local authorities. It is the responsibility of local governments to report any suspected infectious diseases to central government. Unfortunately, local health authorities always underestimate the severity of any suspected diseases, leading to a time lag in public management of diseases. Economic development is the core of the national agenda in China. In order to avoid social instability and maintain persistent economic growth, provinces or cities might choose not to transmit information about the spread of SARS to the central level. Eventually, this leads to the countrywide spread, or even export, of infectious diseases like SARS. Worse still, the central government (especially the Ministry of Health) in China had relatively weak external linkages in infectious disease control during the early stages of the SARS outbreak. China's refusal to meet the requests of the WHO adversely affected efforts to contain SARS. China was not sufficiently capable in terms of medical and laboratory expertise to fully identify the seriousness of SARS and propose tight hospital control. This therefore amplified the risk of further community spread in several cities including Guangzhou and Beijing. From February 2003 to March 2003, SARA cases reported in China increased more than two times, and there was no sign of recovery.

The SARS crisis exposed the absence of institutional adaptability among state institutions to manage proper relationships between actors involved in the regional health governance network. Domestically, states like China were not able to transform their institutional structures to meet the challenges arising from a public health crisis. Internationally, China was reluctant to work along with international organizations like the WHO. Fortunately, state institutions eventually realized the importance of strengthening their capability to contain SARS. In the case of China, since mid-April 2003, Beijing showed an overarching determination to contain SARS through providing necessary information to the public, forming a centralized SARS unit, sacking two top officials, supplying extra-ordinary financial resources for SARS containment, and imposing tight hospital control. Externally, China allowed WHO's team to investigate SARS in the mainland and actively participated in a special summit with ASEAN. In fact, regional frameworks like ASEAN+3 and ASEAN, with strong encouragement from member states, began to change their passive attitude by actively involvement in the campaigns against SARS in April 2003. Table 3 shows a series of meetings under regional frameworks in East Asia which were held since April 2003.

Table 4 ASEAN/ASEAN+3 Meetings Related to SARS (April-July 2003)

Date	Location	Meeting
26 April 2003	Kuala Lumpur, Malaysia	The Special ASEAN+3 Health Minister Meeting on SARS
29 April 2003	Bangkok, Thailand	The Special ASEAN Leaders Meeting on SARS
29 April 2003	Bangkok, Thailand	The Special ASEAN-China Leaders Meeting on SARS
9 May 2003	Mataram, Indonesia	ASEAN+3 Labor Minister Meeting on SARS
15-16 May 2003	Pampanga, Philippines	ASEAN+3 Avian Forum of the Prevention and Containment of the SARS
10-11 June 2003	Siem Reap, Cambodia	The Special ASEAN+3 Health Ministers Meeting on SARS
2-3 July 2003	Metro Manila, Philippines	The Special ASEAN+3 Senior Labor Officials Meeting on SARS

Source: ASEAN Secretariat <www.aseansec.org/pis_sars_printable.html> (Accessed on 20 June 2005).

In short, the management of the SARS crisis reinforced the necessity of state institutions in managing the relationship between actors involved such as the WHO, private health service delivery agents, and local health authorities within the regional governance network. The key here is therefore the capability of state institutions in internal restructuring and maintenance of good external linkages. In other words, the regional governance network should be effectively managed by state institutions so as to realize a more beneficial regional agenda and uphold regional interests.

Conclusion

This paper has examined the driving forces of regional governance in East Asia since the end of the Cold War. The author has no intention of downplaying the significance of market-driven economic interdependence in regional integration. Private sector and non-official forces played an essential role in pushing state institutions to work along with other states through the principle of soft institutionalism. This paper's central argument, however, is that economic factors are no longer sufficient to bring a closer regional integration in this region because of the lack of regulation and commitment by states. The outbreak of the Asian financial crisis in the late 1990s and the SARS crisis in 2003 revealed the importance of the state, especially its capability to contribute to and consolidate regional governance. Governance networks can be steered by capable state institutions, which work to deepen regionalist projects in East Asia.

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