

## **Chapter Eight:**

### **Comparison and Conclusion**

#### **Introduction:**

This comparative and concluding chapter aims to provide an integrated understanding of transnational sub-regional cooperation in the East Asia Pacific. In the beginning of this thesis, we have disclosed the reason why contemporary region-building theory cannot fully applied to East Asian countries. East Asian economies' uniqueness was introduced, and their several attempts to establish a solid regional bloc were evaluated. Yet, this region remains scattered and reputed as being in the early stage of pursuing regional integration. Haunted by the fear of being left out in the international economic system, both academia and governments have raised an urge to seek alternative ways of shaping East Asia region as a whole. And transnational sub-regional cooperation was brought up in response to that.

This research aims to investigate if transnational sub-regional cooperation can contribute to regional integration in the East Asia Pacific. But before one can answer that, it is even more crucial to find out what accounts for the establishment of sub-regional economic zones, the practice of transnational sub-regional cooperation. It is believed that a long living, prosperously progressing, and effectively expanding SREZ would make a difference to its member states, its sub-region, and eventually, to its East Asia Pacific region.

In this thesis, I have carefully chosen SIJORI, TRADP, and SC SREZ

to form the subjects for comparative studies. Their significance for further analysis was demonstrated in Chapter One. The literature review in Chapter Two has introduced the gaps between the literature and the reality: SREZs in East Asia, based on same rationale, have performed differently in the end. Yet, no integrated study was made to offer an explanation. Chapter Three was about methodology and data-collection methods adopted in this research. From Chapter Four to Chapter Six, these three case studies form the main subjects for comparison. I have made efforts to build up a comprehensive understanding of each sub-regional cooperation case before making comparison to avoid being trapped in single-cause reductionism. It was based on the same concern that background information regarding to regional integration in the East Asia Pacific, including its origin, its transformation, and its limitation were greatly introduced in Chapter One. After all, transnational sub-regional cooperation is one of many arrangements made to achieve the goal of binding East Asian countries as a whole. It would help researchers to well-construct the research methods if the problem for analysis has been clarified.

This research has taken out the EGPIB factors from the theories to form criteria which were applied to examine three case studies. In the literature, it seems to have a habit of labelling SIJORI a “successful sub-regional cooperation case” and TRADP “a failed one’. However, that does not seem to be appropriate. They are labelled for they have or have not achieved the goal set for themselves. Nevertheless, given that these two cases were set up for different goals, there is operational difficulty defining what is successful, and what is not. Therefore, it was proposed in this thesis that one could assess a SREZ’s

progressing through observing whether it has generated spill over effect. It was furthermore defined that spill over effect referred to a SREZ's expansion in three aspects: geographic, economic, and political.

In addition to finding out the factor that accounts for SREZ's establishment and transformation, another concern in this thesis is how far micro-regionalism and micro-regionalisation could have affected transnational sub-regional cooperation. Chapter Seven was the further analysis on how micro-regionalism and micro-regionalisation interact with each other in the most dynamic SREZ in the East Asia Pacific, i.e. SC SREZ. The findings from SC SREZ's experience will now be compared with SIJORI and TRADP's for the purpose of generating a comprehensive understanding of the dynamics of these two forces.

Before starting to compare the divergence and the similarities of the case studies in this research, a brief review of transnational sub-regional cooperation's origin will help us to strengthen our concept of SREZ's nature.

### **The Origin of Transnational Sub-regional Cooperation.**

Most scholars including Dosch (2003:30-36) and Khoman (1992:xix) agree that the contemporary understanding of regionalism is greatly influenced by the establishment of the EU, the first and the most successful example of regional integration in the world. But what worth noting is that in EU's case, the urgency for Western European countries to form a solid bloc was not just to maintain an

intensive economic tie between member states. More importantly, the drive for seeking collective power was to confront the Russian-led grouping during the Cold War, and also to ensure that no single super power would raise up after the Second World War to threaten the regional security and stability. Liu (2003a: 24) points out that “during the high politics-centred Cold War era, the efforts of forming regional groupings were directed by the assumption of alliance, and its reasoning was therefore rooted in the form of intergovernmental cooperation”. In other words, it was due to both economic and political concerns that Western European countries have come to realise the urgency of bloc-building rooted in the forms of intergovernmental cooperation. And by signing the Treaty of Rome among member states in 1957, a policy-led framework for regional integration was finally brought into existence.

Based on EU’s experiences, Liu (2003a:19) claims that economic, security and political motivations are the most critical factors to boost region-building process. “The direction of regional cooperation often begins with the identification of working issues where they can easily be seen as in the common interest”, said he. For Western European, in addition to commerce, wars have played an important role in binding the region as a whole. However, such European integration model is not well-adopted by East Asian countries since there was no political pressure serious enough to draw their attention to carry out comprehensive cooperation in the region. Instead of being articulated by political goals, Liu claims that the development of regionalism in East Asia is driven more by the motive of seeking economic interest and is still in an early stage so that it cannot be the key factor for integration.

If the current EU model based regional bloc building theories cannot apply to East Asia, how can East Asian integration be explained? Is it possible for East Asian countries to overcome the current political conflicts and to promote integration in this region? In particular, can transnational sub-regional cooperation surmount the political divergence between the economies and promote closer integration in East Asia as a whole? In order to answer these questions along with general research questions, three sub-regional cooperation cases were selected for further study and comparison. The main effort of this research is to identify what factor holds the key of sustaining an on-going SREZ. Furthermore, could micro-regionalism - which works in similar principles to regionalism - be an alternative to pave the way for pursuing the regional integration in East Asia.

There are many sub-regional cooperation cases in East Asia. However, SIJORI, TRADP and SC SREZ stood out for good reasons. It is agreed that regional integration cannot be achieved without endorsement from the regional powers. It was essential to select three sub-regional cooperation projects which embrace influential economies for case studies. In order to explore the questions raised above, I have therefore chosen SIJORI, TRADP and SC SREZ, with best chance generate spill over effect, as the subjects for comparison in this thesis.

### **The Divergence and Similarities**

The choice of case studies in this thesis was motivated by the following reasons:

the East Asia Pacific comprises three parts including Northeast Asia, Taiwan Strait, and Southeast Asia. As mentioned earlier, three cases studied in this thesis embrace those influential economies in these sub-regions. If these economies' experiences of sub-regional cooperation are pleasant and successful, the effect may spill-over to other countries, supporting the region-building process. In other words, these three cases may be the convincing evidence for other economies wanting to pursue regional integration.

In Southeast Asia, the most significant organisation is the ASEAN. SIJORI happens to include the essential member states of ASEAN: Singapore, the most developed country in the area; Malaysia, who aims to be the leader of ASEAN; and Indonesia, who possesses the largest territory among all other members<sup>1</sup>. The TRADP has embraced China, Japan, and North Korea, the most powerful countries in Northeast Asia in terms of politics, economics and security<sup>2</sup>. As for the Taiwan Strait area, both Taiwan and Hong Kong have shown world top 20 business competitiveness, while Southern China has created an enormous volume of trade<sup>3</sup>. In short, these three cases are significant, representative, and worth studying.

---

<sup>1</sup> Singapore's growth competitiveness is ranked world top 10. Its business competitiveness and the quality of the national business environment are also ranked world top 10 (World Economic Forum, 2005; and Porter, 2005).

<sup>2</sup> With the greatest territory and population, China is expected to be a regional hegemony. Meanwhile, Japan is regarded as the regional economic superpower. Its growth competitiveness is ranked world number 9 in 2004 and number 11 in 2003; while the business competitiveness is number 8 and the quality of the national business environment is number 11 in the world (World Economic Forum, 2005; and Porter, 2005). Although North Korea has performed poorly in economic development, the possession of the nuclear weapons has increased its power on the regional affairs.

<sup>3</sup> Taiwan's growth competitiveness is ranked World Top 5 since 2003. Its business competitiveness and the quality of the national business environment are both ranked world top 20. The growth competitiveness of Hong Kong is world 21 in 2004 and 24 in 2003 (World Economic Forum, 2005; and Porter, 2005).

What are the variables resulting in difference progress of these three sub-regional cooperation cases? From Chapter Four to Six, we have shown that the clash between micro-regionalisation and micro-regionalism has greatly affected the development of each case. In the SIJORI case, micro-regionalisation and micro-regionalism were equally strong. Besides, these two forces appeared to reinforce each other very well. SIJORI was not only the first case study but also the smallest transnational sub-regional case in this thesis. The involved economies, especially the leading one-- Singapore, are relatively small in comparison with the economies in the other sub-regional economic zones. The authorities appeared to be satisfied with what they had achieved so far and they seemed to lack a strong desire to expand the project to a larger scale or a deeper level. In other words, the superior micro-regionalism over micro-regionalisation is not necessary in this case as there was no intention to expand the sub-regional cooperation among the states. The self-contentment has on one hand well-combined the two forces; on the other hand, brought the project to a “stand still” in terms of further development.

As for the Tumen River Area Development, it was proposed to facilitate regional integration by outwitting the political conflicts and focusing on economic complementarities of the contiguous states. Somehow, a reverse function was working at the same time that territorial disputes and political confrontation of the major states were intensified with the proceeding of the project. The project has therefore been paralysed. Such conflict has resulted in the fact the programme in the end becomes a microcosm of rivalries rather than

cooperation. The clash between micro-regionalisation and micro-regionalism was especially prominent in this case. The rich economic complementarities of the surrounding states have raised interests for enhanced economic cooperation. But private-led micro-regionalisation was needed in order to raise capital for the project. But the continuous intervention of the governments and the international organisation by upholding micro-regionalism has to some degree eliminated any potential success for the cooperation processes.

Differ from the SIJORI or the TRADP, the coverage of SC SREZ is vast. Meanwhile, micro-regionalisation is much more vigorous than micro-regionalism in this case. As for China, its main concern for the project was to divert the profits to develop the inland. Being aware that political confrontation with Taiwan would hinder the SC SREZ from attracting investment, both local governments and the central governments have decided to level down their intervention to the project. Nevertheless, weak micro-regionalism has resulted in the project being limited to economic activities only rather than the full-scale cooperation. It was not until micro-regionalism was strengthened by micro-regionalisation that the SC SREZ achieved wider and deeper cooperation and moving towards integration between the participants.

As mentioned in the beginning, the main purpose of this thesis is to examine the extent of transnational sub-regional cooperation in the East Asia Pacific. Can it surmount the political dispute and create interests for the participated economies? Can it promote closer integration in the East Asia Pacific region as a whole? If micro-regionalism, can be an alternative to pave the way for pursuing



regional integration in East Asia, does it achieve the goal on its own force or by cooperating with another force, micro-regionalisation for example? But before we can answer these questions, we must understand what accounts for the establishment of SREZs? Only when a SREZ is solidly formed and kept progressing, can we expect it to generate spill over effect to other aspects and issues. Once we have defined the factor, then we will be able to assess whether transnational sub-regional cooperation can be the basis for future regional integration.

### **Who Holds the Key?**

There are certain conditions which are said to guarantee the success of SREZs: “hard resources” (i.e. economic complementarity) and “soft resources” (i.e. cultural connection). Most scholars have pointed out that economic complementarity, geographical proximity, as well as political commitment and policy coordination are the basic conditions. Other key elements for success highlighted in literature include genuine decentralisation, availability of soft facilities, development of infrastructure, and the number of participants. In the actual practice of all SREZs, all these hard resources and soft resources can also be classified as vital factors, essential factors, and major factors according to their roles in the course of sub-regional cooperation. There has been active discussion of these elements’ names. Yet, not a single study is found discussing which element is the most important factor that accounts for SREZ’s firm establishment and proper transformation.

Here in this thesis, I have generated all relevant elements and propose

EGPIB factors as an ideal type to investigate how well a SREZ can be affected by these factors. In this section, EGPIB and micro-regionalism, and micro-regionalisation will be discussed together to gain an integrated picture of SREZs' progress. As "Business networks" is defined micro-regionalisation in sub-regional cooperation, it is taken into account when analysing the rest EGPI factors. In short, the focus on this section is to find out who holds the key to a SREZ's establishment, transformation, and long-lasting progress.

*(1)Economic Complementarity*

Economic complementary is the main reason for a SREZ to take shape. The participants enjoy comparative advantages through exploiting economic complementarity. In SIJORI's case, it follows the flying geese pattern where Singapore plays as a leading engine passing capital, technology and knowledge to the lower tier economies, Johor and Riau for example. Similar to that, in SC SREZ, there are two geese flying ahead of Guangdong. As discussed earlier in the chapters of case studies, when it comes to economic complementarity, one must ask two questions: what resources do member states have? Have their desire for others' resources been satisfied?

In SIJORI and SC SREZ' cases, the participants met each other's hunger for technology-intensive and capital-intensive manufacturing. In the pre-probe interview designed for businessmen in the SC SREZ, all of them pointed out that the number one reason for them to participate in the SC SREZ was to take advantage of the cheap labour fare. Supposedly, the main principle of transnational sub-regional cooperation is understood as the high tier infuses

capital and technologies to the low tier while the low tier offers cheap hard sources such as land, labour, and raw materials as return. The operation of the SIJORI and the SC SREZ has both followed such principle. However, TRADP was not quite the case.

Since all participants in the TRADP were underdeveloped, there was no single economy who could take the leadership, playing the role of the high tier. In addition to that, the resources they have overlapped seriously. Under such condition, the relationship between participants in TRADP is competition but not cooperation. And this was one of the major reasons causing the failure of the TRADP.

Instead of having micro-regionalism working in this sub-regional cooperation, the interaction between participants are at central government level. As discussed in the case study, except China has putting a little concern in this project, the rest of the major participants do not show much interesting in participating in this programme. For example, Russia cares more about its “European status”. As for North Korea, its major enemy is in the south. In SIJORI and SC SREZ’s cases, it was central governments that set a free space with favourable treatment to attract foreign investment. However, in TRADP’s case, central governments often bind this programme with other issues to boycott certain member states. In sum, this is really a representative case where micro-regionalism and micro-regionalisation are equally weak.

If we look at the SC SREZ again, even the authorities claim that SC SREZ is still full of competitiveness, we do see a decline in trade volume. One possible reason is because the economic complementarity is not as strong as it was before Guangdong has moved from under-developed economy to developing economy. At present, the local authorities are eager to transform its industries to high technology based industries. They cannot tell businessmen what to do, but they force businessmen to go with them by setting strict policies on releasing land, labour force and other raw materials that businessmen require.

Given that Taiwan businessmen once built Dongguang city to fully satisfy their desire for cheap land and labour force, some of the interviewees said they would not mind building another city. It seems SC SREZ may be undermined because of the fact that increasing micro-regionalism clashes with micro-regionalisation. Nevertheless, business networks are spread to other sub-regions. In a way, micro-regionalisation is therefore strengthened.

It is very likely once when business networks start all over again in a new sub-region, the authorities in the new place would step back, granting lots of space and preferential clauses for businessmen to enjoy the local resources. However, one day when the sub-region is developed to a level that businessmen can no longer provide high tier technology, capital, and knowledge, they probably have to build another city again. This is a possible pattern and that is why, there are debates between governments and the scholars whether it is business networks “expanding to a wider range” or “moving away”.

To sum up, it is economic complementarity that initiates a SREZ. Once economic complementarity is no longer available, that is probably the end of the SREZ, but as just said, could also be a new life to another SREZ. As for the involvement of micro-regionalism and micro-regionalisation, they are both important but weight differently in the course of sub-regional cooperation. From comparing three cases, it shows that not just local governments' support are important, the endorsement of the central governments, either in a active way or a passive way, would also determine how far a SREZ could go. The development of a SREZ can be divided into three phases. In phase one, it requires central governments' involvement in terms of releasing the policies and setting out a good environment for investment. Once a SREZ is officially launched, it will need strong micro-regionalisation to maintain its competitive advantages. Usually at this phase, the engagement of micro-regionalism is limited to logistics. However, when it comes to the third phase where the SREZ is thinking of transformation, it will need coordination, communication, as well as cooperation from both micro-regionalism and micro-regionalisation to make joint decision.

*(2)Geographical proximity*

Scholars assert that geographical proximity is another crucial factor in establishing a SREZ. However, it does not seem to be the primary concern to businessmen. For example, in SIJORI's case, if Singapore really cares much about reducing transportation cost, it would have stuck its cooperation with Johor only. However, concerning to keep a stable water supply, Singapore was eager to have Riau joined the growth triangle.

Similar case can be found in SC SREZ. Taiwanese share the same dialect and similar life habit with people in Fujian province. In addition, Fujian is much closer to Taiwan in terms of geographical proximity. However, most Taiwanese still choose to invest in Guangdong. This contradicts to what scholars, Summers (1991) for example, say: it is believed that under ration choice principle, many economies would prefer to trade with neighbouring countries so that transportation and communication costs can be minimised.

However, our research shows that geographical proximity can be an important factor but not the crucial factor for enterprises investing in a SREZ. The TRADP case shows that the lack of capital is the main problem paralysing the programme. During the fieldwork research in SC SREZ, businessmen also claimed geographical proximity was not their main concern. In fact, it was not even on their top five reasons to invest in SC SREZ.

*(3)Political Factors:*

There is political tension between participants in all three SREZs studied in this empirical thesis. Among them all, the political confrontation is believed more complicated and serious in TRADP and SC SREZ than that in SIJORI. The only difference is that whilst China is keen to break the cross-strait status quo by approving Anti-session Law to against Taiwan, the Republic of Korea recognises its incapability to deal with the unification at the moment and wish to leave the matter unresolved for the time being. Unlike SC SREZ holds an open attitude to the investors, businessmen who participate in the TRADP could hardly get the access of the information to estimate the feasibility investing in the region. Some

of my pre-probe interview respondents and interviewees claimed that they had to do some research before infusing their money in SC SREZ. However in the case of TRADP, even its advocator - UNDP's academic assessment - are unable to grasp the full picture of what is really happening, when information are withheld for political sensitivity reasons by its main players, especially North Korea. Therefore, it is understandable that investors would not be comfortable with investing large sums of capital in this area.

#### *(4) Infrastructure development*

Infrastructure development is also a very important condition which conduces smooth development of a SREZ. One of the reasons why the SC SREZ grows prosperously is generally believed that "Five Opens" and "One Leveling" were introduced at the time: water supply, power supply, roads, navigation lines, and telecommunications were opened, and land was approved for construction. The area is ready for any large-scale investment at any time. As for another successful SREZ in Southeast Asia, SIROJI, the basic infrastructure is almost well-developed especially in Johor. Relatively speaking, some infrastructure projects are still required in the Batam Industrial Park and in the Bintan Integrated Development Project area though. On the contrary, as for the TRADP, the most languid SREZ in the East Asia Pacific, there is not really infrastructure recognised. As mentioned earlier in this chapter, Taiwan businessmen once built a city in SC SREZ. That is to say, infrastructure insufficiency may not necessarily scar business networks away. Sometimes with the presence of strong micro-regionalisation, infrastructure development can be dealt smoothly without the presence of micro-regionalism.

### **Inspiration from the SREZs**

What other inspiration for East Asian integration can we obtain from the transnational sub-regional cooperation experiences of the three selected case studies? Take the SIJORI and the SC SREZ for instance. Both sub-regional cooperation projects were launched about the same time even though there is no definite timeline when the SC SREZ started to take shape. They were considered active cases in the East Asia Pacific in comparison with the TRADP. Although SIJORI and the SC SREZ were very similar in terms of both having a strong historical connection between their participants and focusing mainly on industrial transferring from the upper tiers to the lower tiers, they had performed differently in their progress. SIROJI failed to expand its scale and cooperation level while the SC SREZ has shown a strong spill-over effect boosting the project to broader areas. In addition to the self-content reason, another possible reason related to the fact is that the centre of economic integration has shifted from Southeast Asia to Northeast Asia ever since the Asian financial crises, so that SIJORI could not achieve expansion. Are there any other possible factors affecting the development of transnational sub-regional cooperation that we can learn from the SIJORI and the SC SREZ's experiences?

In this research, the EGPIB factors was utilised to examine the cases as well as to explain the cases. As addressed in the beginning of the research, there is no profound study to explain why transnational sub-regional cooperation based on same concept would progress so differently in the end. This thesis is now able to



provide explanation by taking my two case studies as the examples.

After conducting EGPIB factors to examine the progress of these two cases, the possible reason resulting in different progress are as follows. First, the fundamental difference is that SIJORI aims to bring up the relatively backward areas and narrow regional disparities; while the SC SREZ starts by developing coastal areas before expanding to other area. Second, the SC SREZ is supported with abundant cultural resources. The great number of overseas Chinese networks with same linguistic and ethnic identities has infused large amount of foreign capital. Third, as foreign capital can only be successfully redirected to broader areas with effective policies, it is easier for a centralised state to implement policies. Fourth, China has favourable geographical location which enables it to start different types of SREZs with neighbour states, which may facilitate regional integration. On the contrary, as for the participants of the SIJORI, the number of transnational SREZs they can take part in is limited. Fifth, unlike the SC SREZ, the economic activities within SIJORI are not dynamic enough for regional economic integration.

The number of the participants is also a determining factor for a SREZ. The logic for transnational sub-regional cooperation is that it can create more complementary advantages with three participants rather than just two in a cooperation project. However, a large number of member states participating in a SREZ does not always bring great benefits. From TRADP's experience, it demonstrates that the more participants, the more conflicts over interests would occur. In addition, policies would be raised to hinder the development of a SREZ.

SIJORI and TRADP are the extreme cases that the former was successful with only three members while the latter one involves up to six members and under performance expected. Therefore, the pragmatic way of a SREZ is to involve fewer members in the initial stage and expand it to a larger scale afterwards.

The close relationship between Hong Kong and Guangdong, as well as that between Singapore and Johor highlights ethnic ties which could go beyond political boundaries or economic factors and favour cross-national integration. In SC SREZ and SIJORI, the population shared a common ethnic identity and speak the same dialect. Such factors have constituted an abundant pool of labour force which settles the fundamental need of the SREZs. The fieldwork research has furthermore demonstrated that a cluster of businessmen admitted that similar living style and same languages were the reasons they had been holding on to SC SREZ even though they were already aware of the fact the profit they could make from this sub-region had been declining.

### **Conclusions for the Thesis**

This chapter has utilised three comparative methods, including individualising comparison, variation-finding comparison, and universalising comparison to explore the issues concerning to a SREZ's establishment, transformation, and its contribution to regional integration in the East Asia Pacific.

Regional integration has become an irresistible trend. Both Europe and America have successfully increased their power over economic issues and other

matters through different regional mechanisms. Thus, East Asia risks being pushed aside on the international arena if pragmatic cooperation is not seriously considered and implemented.

It takes less time and costs to establish a sub-regional economic zone than to build up a regional economic bloc. Moreover, it is capable of keeping East Asia competitive in response to global transformation without high-level political commitment and institutional arrangements. From literature reviews and the research done so far, it seems sub-regional cooperation are complementary and parallel to regional cooperation. Take the SC SREZ for instance: the growing cost for land and labour is negative force to Taiwan and Hong Kong but positive force for China. In other words, it has become an operating barrier for enterprises from either Taiwan or Hong Kong to run their business; nevertheless, it has stimulated the expansion of trade and investment in the Southern coast provinces of China.

Like the case just mentioned above, the three ends of the growth triangle are brought together. Even though each of them may represent only a part of their own countries, the interests they have earned from the sub-regional projects are still perceived as the increased national profits. Thus, through the transnational economic networks, the economies carrying out sub-regional cooperation are being tied into the regional or even global capitalist economy. It may not dramatically or immediately change the political status quo in the region but could gradually tie the regional states together by forming an atmosphere for further integration on wider and deeper issues.

This empirical thesis started with discussing the different theories such as regionalism and open regionalism that has been applied in the East Asia Pacific to build up a solid bloc. However, the failure of APEC and flaws of ASEAN have shown that none of these theories could succeed in promoting regional integration in the East Asia Pacific as a whole. If none of the existing mechanism could play the role of building up East Asia as an integrated bloc, why did East Asian countries not ever try to establish informal institutions other than APEC or ASEAN to cope with regional cooperation problem?

Since the uneven development and historical animosity amongst these nations have increased the difficulties in carrying out a comprehensive cooperative agreement in the East Asia Pacific, transnational sub-regional cooperation has emerged as an alternative as it can bypass political confrontation, cultural animosities and other informal disputes which may result in trade barriers. In other words, the informal nature of SREZs with less political commitment can outwit these predicaments, and may furthermore, help to resolve those political and cultural problems.

Transnational sub-regional cooperation has adopted some fundamental concepts from regionalism, and micro-regionalism was introduced as a consequence. Regionalism which sets national-level conditions for regional integration is different from sub-regional cooperation which focuses on local-level activities among the involved economies. Moreover, transnational sub-regional cooperation seems to be more flexible that SREZs can appear in various

forms. And this statement has been proven authentic by the case studies in this thesis.

To what extent can transnational sub-regional cooperation achieve in paving the way for future integration in the East Asia Pacific region? Has transnational sub-regional cooperation succeeded in surmounting the political divergence and boosting wider or deeper cooperation between member economies? Has it promoted closer integration in East Asia as a whole? In order to answer these questions, three representative cases were selected for further exploration with anticipation to determine what factor accounts for the establishment and the transformation of transnational sub-regional cooperation-- an alternative route for pursuing regional integration in East Asia.

It is based on the understanding from the EU and the NAFTA that regional integration cannot be achieved without the endorsement of the regional powers. I therefore chose SIJORI, TRADP and SC SREZ, the most significant cases in East Asia, as case studies to find out whether sub-regional cooperation has succeeded in bringing closer relationships between the participants, and thus creating a positive environment for further integration.

From comparing three cases, it shows that micro-regionalism, a policy-led force, does have the potential for promoting region-building in East Asia. However, instead of achieving the goal directly by its own force, it needs the cooperation of micro-regionalisation, a market-led force. In addition to that, I have compared three cases and found out the most dynamic SREZ is the SC

SREZ. The SC SREZ, with micro-regionalisation working progressively, has presented a stronger spill-over effect than other two cases. Being biggest sub-regional economic zone in the East Asia Pacific, it has created the greatest volume of trade in the region. Moreover, it has motivated many other sub-regional economic zones to emerge along China's coastline. Therefore, being a growing sub-regional cooperation project and the most influential SREZ in East Asia, SC SREZ was worth going for further exploration.

In short, this thesis investigates the dynamics of transnational sub-regional cooperation and the extent to which it relates to economic integration in the East Asia Pacific. The research is mainly based on three case studies, plus the application of the comparative method. Each case study would begin with a section of historical review. In addition to the historical approach, official documents and economic data will be adopted for analysis.

In order to collect first hand data and dig out information not mentioned in the literature, I undertook fieldwork in the SC SREZ for a closer observation. The fieldwork includes the pre-probe interviews and in-depth interviews with the government officials, the private sectors, as well as professional scholars. Making direct contact with the actors involve in this sub-regional cooperation, it provided valuable insight into this research and a first-hand observation of the trend of integration in East Asia from the participants' perspective. The reasons why I did not choose to have the field research in either TRADP or SIJORI are as follows: TRADP is a very ambitious project with lots of actors participating in it. Nevertheless, the progress has been so slow that its data may not be able to

make strong contribution to understanding a SREZ's relation to regional integration. Similar to that, SIJORI has successfully achieved most of its goals; yet, its scale remains limited and the development has gradually come to a standstill. Information gathered from the interviews in this area may be less significant in comparison to those obtained from other sub-regional zones.

In sum, this thesis utilises the above three cases to present an integrated picture of transnational sub-regional cooperation in the East Asia Pacific. The comparison of three cases has shown the flaws and the limitation of each transnational sub-regional cooperation. For instance, self-contentment has resulted in the SIJORI not expanding its scale. And the complex barriers including security concerns and political discord have distracted members of TRADP from their attention on economic cooperation. As for the SC SREZ, it is the most prosperous sub-regional cooperation programme in the East Asia Pacific in terms of the political tension being declined and the formal cooperation agreement and arrangement were signed between the participants. However, the pressure from micro-regionalism is forcing the SREZ to upgrade its industries to a higher level.

To conclude, this empirical thesis has explored the problems and prospects that help to explain why transnational sub-regional cooperation is worth studying. To begin with the research, the first part of this thesis reviewed the history of region-building process and evaluated the traditional region-building theories from regionalism, new regionalism to open regionalism. Then I have estimated all these theories' application in the East Asia Pacific. The second part of this

thesis discussed the factors resulting in the emergence of sub-regional economic zones and the nature of transnational sub-regional cooperation. It is now understood that the reason why transnational sub-regional cooperation came to exist was that traditional European experience based integration model could not be applied directly to the East Asia Pacific. The third part shortly introduced EGPIB factors, as well as the theories used to examine the transformation of the cases. The fourth part concerned the relevance of this research to comparative political study.

This thesis can contribute to the understanding of the establishment and the development of the transnational sub-regional cooperation in the East Asia Pacific. From exploring three selected cases, it has been demonstrated that economic complementarity is the most important determinant for forming a sub-regional economic zone. Followed by that, micro-regionalisation and micro-regionalism are both important in maintaining a growing sub-regional economic zone. The process can be divided into three phase: in phase one, it requires micro-regionalism to set a good environment for investment. In phase two, it is abundant micro-regionalisation that keeps the market running. As for the phase three, it needs both forces to decide whether it's time for the SREZ's transformation. Finally, a sub-regional economic zone which closely follows the flying geese pattern is more likely to maintain its progressing.