

The Gerrymandered Asia-Pacific: China, Japan, and US Envision Regional Integration

The truism that political geography is often manufactured is much in evidence in the Asia-Pacific. With the economic balance of power shifting eastward, the vaunted “Pacific Century” inevitably begs the question: who comprises this region? The demise of the Cold War and the United States’ focus on more pressing matters at home due to the subprime crisis and other regions due to the global war on terror has left a lacuna for Asian countries to fill. In particular, the region’s economic infrastructure for trade, aid, and investment is now up for grabs in an undeclared contest for the heart of this pivotal region. Here, I focus on how the three main protagonists offer contrasting views of regional economic integration—while gerrymandering its geography in the process.

Chinese and Japanese variations on an “ASEAN plus” theme have made the Association of Southeast Asian Nations—nominally a grouping of secondary states in the region—a clear political-economic beneficiary in the process of Asian regionalism. On the other hand, the United States has long championed the oxymoronic principle of “open regionalism” that extends the geographical remit of the Asia-Pacific to virtually all countries sharing shores with the Pacific Ocean. Simply put, America’s anxieties centre on regional exclusion.

CHINA

China is keenest on maintaining emphasis on ASEAN+3 processes including the ten Southeast Asian members plus China, Japan, and South Korea. Initially forged during the sidelines of the Asia-Europe Meeting (ASEM) as these countries discovered their common interests, ASEAN+3 is arguably the most organic grouping in terms of shared culture and economic concerns. Indeed, China’s active diplomacy in proposing an ASEAN-China Free Trade Area to ASEAN in 2001 (which came into effect this year) reflects its increasingly sophisticated economic diplomacy. Again demonstrating that

economic regionalism frequently overlaps security concerns, China set the template for those wanting to follow in its footsteps for signing a free trade with ASEAN—the emerging centre of a hub-and-spoke regional arrangement.

Having joined the ASEAN Regional Forum (ARF) for discussing security issues, China was the second country outside the region to sign on to the Treaty of Amity and Cooperation (TAC) after TAC was opened to non-ASEAN states. As we shall see, it is important to note that Australia and New Zealand, South Korea, and India have followed suit using the ARF → TAC → FTA progression China established with ASEAN.

Meanwhile, the Asian financial crisis of 1997/98 and the subprime contagion of 2008 have raised awareness of ASEAN+3’s shared regional concerns. The Asian financial crisis reminded that regional production chains of “Factory Asia” could be disrupted if a constituent part or region was severely affected by balance of payments problems. Thus, subsequent ASEAN+3 efforts have aimed to reduce such vulnerabilities: First, the \$120 billion Chiang Mai Initiative Multilateralisation (CMIM) pools East Asian countries’ considerable foreign exchange reserves so they may be used to help crisis-hit states in the future. The recent establishment of an ASEAN+3 Macroeconomic Research Office (AMRO) in Singapore will help reduce reliance on external bodies like the International Monetary Fund (IMF) for performing surveillance on member countries to head off incipient trouble. Second, the Asian Bond Market Initiative (ABMI) aims to help channel regional savings to regional investment instead of relying on external markets for intermediation. During the Asian crisis, excessive reliance on Western markets engendered difficulties for many Southeast Asian firms since they borrowed in foreign currencies as their local ones declined in value. Making regional savings more readily available should again help this cause, and recent increases in Asian bond issuance indicate rising demand.

Comparatively speaking, ASEAN+3 is arguably the most logical grouping under consideration here. China’s comfort in negotiating via the “ASEAN Way” of non-interference and consensus-building is evident. Moreover, China has the least historical baggage amongst Japan and America. It



has used the voyages of the venerated Muslim Admiral Zheng He between 1405 and 1433 to highlight how China has no real history of colonialism unlike Japan and America despite having a preponderance of political-economic might now as then. Meanwhile, ASEAN countries are accommodative enough to airbrush out Taiwan despite the ROC's significant trade and investment in Southeast Asia. Lastly, a definitional trump card China alone can play is that of continuing sympathy for Third World causes.

JAPAN

Japan occupies the middle range between China and the US in terms of accommodating now-important ASEAN voices and the plausibility of its regional vision. It also bears repeating that Japan remains ASEAN's largest trade partner. Its vision of an East Asia Summit proposes extending ASEAN+3 into ASEAN+6 via the inclusion of Australia, New Zealand, and India. (As previously noted, these three countries already have extant FTAs with ASEAN.) Conventional wisdom suggests Japan's expansive notion of East Asia to include what are usually regarded as South Pacific and South Asian nations is meant to dilute China's influence within ASEAN+3, especially given ASEAN's willingness to accommodate PRC idiosyncrasies. Like Japan and unlike most of ASEAN+3, these are democracies. In contrast to its near neighbours, Japan has long had good relations with Australia—Australia's largest trading partner was Japan for thirty-six years until being surpassed by China in 2007, and India—still a major recipient of Japanese foreign aid and a mooted party to an economic partnership agreement (EPA) despite their minor bilateral trade. In contrast to China, Japan prefers bilateral deals to “minilateral” ones and has EPAs with several ASEAN members.

time. As a case in point, Japan's proposal to create an Asian Monetary Fund during the outbreak of financial crisis in 1997 was scuttled at American unhappiness over removing the influence of Washington-based lender the IMF. Still, American distractions on the home front and in the Middle East have enabled Japan to pursue a more independent economic policy by shepherding the CMIM and ABMI which are designed to lessen Asian reliance on US-based emergency funding and financial markets, respectively. Moreover, Prime Minister Yukio Hatoyama's occasionally strident rhetoric concerning American economic orthodoxy and the US-Japan security alliance reflect a long-dormant sentiment that, perhaps not coincidentally, is surfacing just as China is set to overtake Japan as the world's second largest economy.

Despite being the largest regional benefactor as war reparations turned to foreign aid in East Asia, Japan still elicits mixed reactions from its neighbours. By their own admission, Japanese authorities acknowledge that aid is primarily for achieving strategic objectives before promoting development. Crucially, the euphemistically titled Greater East Asia Co-Prosperty Sphere which Japan branded its World War II occupation of several other ASEAN+3 countries has never been erased from regional memory by generous aid. From prime minister's visits to the Yasukuni Shrine enshrining war criminals to unresolved discomfort over “comfort women,” Japan has not yet developed a systematic mea culpa for its WWII activities. While its renewed efforts to support ASEAN+3 initiatives alike CMIM and ABMI do signal continued and welcome interest in its own backyard, its attempts to include Australia, New Zealand, and India in an East Asia Summit raise suspicion that, alike with its foreign aid policy, Japan still views its interests as paramount even if it significantly undermines those of others.

UNITED STATES

The United States brings up the rear in the regional sweepstakes, beset as it is by homegrown woes that result in an incoherent policy in East Asia. Not only does it carry the heaviest baggage, but it also has the most ambitious yet questionable vision of the Asia-Pacific. Despite styling himself as “America's first Pacific President,” Barack Obama has repeatedly delayed trips to Indonesia—where ASEAN is headquartered—to handle domestic issues alike the passage of a health care bill.

Stirrings of American regional consciousness in Asia can be traced to then-Malaysian Prime Minister Mahathir's proposal to form an “exclusively Asian” East Asian Economic Group (EAEG) in 1991 composed of today's ASEAN+3. In his autobiography, then-US Secretary of State James Baker admits, “I took a moderate line on



Inevitably, discussion of Japanese regional initiatives brings up US-Japan postwar ties. Japanese diplomacy has had to factor in the response of Washington for quite some

[Mahathir's] idea in public...In private, I did my best to kill it." Then, as now, US regional ambitions to combat exclusion have been channelled via the Asia-Pacific Economic Cooperation (APEC). Originally conceived as a consultative intergovernmental body, the US has since tried to reinvent APEC as a vehicle for trade liberalisation. However, these attempts have repeatedly failed. From other APEC members' initial reluctance to turn APEC into a preferential trade arrangement to shelved initiatives alike the Early Voluntary Sectoral Liberalisation (EVSL) and the stillborn Free Trade Area of the Asia-Pacific (FTAAP), ill-fated US-led initiatives are thick on the ground.

Still, the United States persists with its quest to advance an inclusive liberalisation agenda. Its latest effort involves expanding the Trans-Pacific Partnership (TPP) FTA comprising APEC member economies Brunei, Chile, New Zealand, and Singapore. America aside, Australia, Peru and Vietnam have also participated in talks exploring membership in the Trans-Pacific Partnership. Just as promoting trade liberalisation in APEC was meant to outflank Mahathir's EAEG proposal by expanding the remit of the "Asia-Pacific," America's interest in "open regionalism" envisions other APEC economies joining the Trans-Pacific Partnership to pre-empt East Asian closure, as unnatural a regional grouping TPP's four founding members constitute. Still, this initiative's prospects are limited for a number of reasons. First, there already is a congressional logjam of unsigned FTAs with Colombia, Peru, and South Korea given sour public sentiment over the trade agenda. Second, while trade liberalisation along traditional lines may fit American interests, they alone do not hold interest for many Asian countries. In APEC, many economies have been keen on the economic and technical assistance (ECOTECH) agenda for the commonsense reason that building the capacity to facilitate liberalisation should precede liberalisation itself. Third, America's selective interpretation of trade liberalisation via its unwillingness to enable so-called "Mode IV" WTO clauses concerning temporary migration of service providers to appease domestic labour constituencies dismays labour exporters alike the Philippines and Indonesia.

Finally, the United States has not acquitted itself well in the transition from the Asian financial crisis to the subprime debacle. In the former event, it prescribed a formula of fiscal prudence, deregulation, and privatization to cure Southeast Asia's woes via harsh conditionalities from the IMF involving belt tightening and fiscal austerity. With the shoe on the other foot during the latter event, however, America has spent unprecedented sums accompanied by reregulation, and nationalization. By not acknowledging its double standards, the United States further underlines the conviction of many Asian countries that the US does not devote meaningful attention to their interests. In effect, America has established itself as the "other" in a manner inimical to spurring regional cooperation. ■

Emmanuel Yujuico

Dr Emmanuel Yujuico is from the Philippines. He is a Research Fellow of LSE IDEAS Southeast Asia International Affairs Programme and is currently working on topics relating to the establishment of an ASEAN free trade area by 2015 for goods, services (especially regional mobility for skilled professionals), and investment (particularly the Asian Bond Market Initiative and the ASEAN Stock Exchange Alliance).