

CHAPTER ONE

East Asian Cooperation: Path & Approach¹

Introduction

East Asian Cooperation (EAC) has existed for more than 10 years. In 2001, the East Asian Vision Group (EAVG) for the first time called on “East Asia moving from a region of nations to a bona fide regional community with shared challenges, common aspirations, and a parallel destiny.”² The recommendation was accepted by leaders of 10+3 countries by confirming “an East Asian community as a long-term objective that would contribute to the maintenance of regional and global peace, security, progress and prosperity.”³ Since then, progress has been made for East Asian cooperation, but the community-building has still a long way to go.

Europe has developed a unique model for community-building. East Asia is different from Europe and has to define its own model. Current East Asian economic integration has been built up mostly by market cooperation in following a multi-layered framework. EAC needs strong political will and a consolidated goal.

¹ This paper was written for China-ASEAN Think Tank Dialogue, Nanning, October 20-21, 2008.

² East Asian Vision report: Towards East Asian Community – Region of Peace, Prosperity and Progress, 2001.

³ Chairman’s Statement of the Ninth ASEAN Plus Three Summits, Kuala Lumpur, 12 December 2005.

With a multi-layered structure of regional cooperation, it is important that different efforts converge into an integrated roadmap. However, with the development of the East Asian Summit (EAS), the views on EAC seem to be more divided.

I. Emerging Regionalism

The foundation for East Asian regionalism has been built up mainly by regional economic integration. Currently, economic integration in East Asia has been deepened by a newly-developed production network. The network, based on exchange of trade, capital and technology, has profound impact on East Asian economic development since it has created a kind of “parallel development” for the economies in the region.

Economic integration in East Asia has been driven by: (1) Capital flow from more developed economies to less developed economies – firstly from Japan, then from the “four dragon” economies. Now, capital flows are more intersected among the economies, including those from developing economies to developed economies, which have facilitated capital and technology transfer and developed a vertical economic growth chain in East Asia. (2) Trade and FDI-friendly policy and open market strategy, i.e. liberalization of the markets by East Asian economies that have reduced transaction costs significantly and made the market-based economic integration easier. (3) China’s economic rise, due to its great size and huge market potential, has become a new factor for regional economic growth and restructured the pattern of regional economic integration. China has become an important hub, both as a market for capital inflow, and a market for imports of goods and services. Based on the restructuring, a new regional production and service network has gradually been established.

Economic integration has created more and more shared interests, which has helped to develop a regional spirit and consciousness. The spirit of East Asian regionalism has been nurtured under an “ASEAN+” framework since the Asian financial crisis in 1997. The major framework is “ASEAN+3” which is not

just an economic cooperation process. It also has political significance, i.e. helping to improve relations among the countries in the region. There are also the other frameworks – “ASEAN+1” and EAS – that serve as regional platforms for all members to engage and cooperate through dialogue and joint activities. However, EAC seems not to have a clear concept and identity yet.

II. East Asian Way

Current East Asian regionalism has shown its new characteristic feature that is more economic-centered, equally-participated and consensus-built.⁴ Different from the EU model, it develops in an “East Asian way” that has witnessed the following characteristics:

- (1) The institution will not develop into a regional organization with super-regional power. The regional cooperation is characterized more by a kind of “functional institution-building.”⁵ Gradualism and pragmatism are two important principles in the process of regional cooperation and integration. EAC building is based on shared interests, rather than a defined goal.⁶
- (2) ASEAN, based on its pioneer experience for regional cooperation, plays a key role in bringing East Asia together as a region and shaping its direction. ASEAN provides a unique way (the ASEAN way) to bring all countries in Southeast Asian together gradually and to turn the region into a united and integrated one. The valuable spirit of ASEAN is to realize regional reconciliation through a gradual process based on functional cooperation. The ASEAN process is not just economic cooperation

⁴ Dr. Prapat Thepchatree called it equality, consensus and comfort level, in *Towards an East Asian Community*, a paper presented at NEAT II, Bangkok, 2004, p. 5.

⁵ Simon Tay suggested that the emerging East Asian sense of community be founded on a functional interdependence and institutional identity without exceptionalism. Reader, Singapore Institute of International Affairs, 4(1), p. 32.

⁶ EAVG report has well identified the aims of peace, prosperity and progress through a gradual process.

and integration, but also social and security community-building. The ASEAN way will be a vital influence on the path and approach of EAC.

- (3) EAC building follows “open regionalism”, i.e. pushing forward intra-regional cooperation and integration, while encouraging individual members or the sub-group to develop bilateral or sub-regional cooperation with outside members. While it allows the multi-layered frameworks in the region, it also recognizes the existing bilateral alliance or other agreements. Thus, the EAC building process is not intended to create an exclusive or inward-looking regional identity.⁷
- (4) As the political motivation for East Asian cooperation is to improve regional relations and create peace for the long-term stability and prosperity of the region, rather than urging for a super-regional organization, the fundamental role of East Asian cooperation is to nurture more and more shared principles and rules for regional relations in a new international and regional setting.

III. Community Building

East Asian cooperation started from pragmatic need without a well-designed political goal, and to some extent, even without consensus building. Economic cooperation and integration provides a fundamental stake for East Asian regionalism.

Great diversity within the region is a key factor that needs to be addressed. EAC has to respect the differences while seeking for harmony, which means that it should not be setting up common values or principles for adoption by all members.⁸

⁷ Mark Hong argues that East Asian regionalism was driven by market forces and guided by principles such as open regionalism, flexibility and liberalization. ASEAN community-building in the context of East Asian regionalism, a paper presented at NEAT II, p. 11.

⁸ Some have argued that EAC should be based on common values such as human rights and representative democracy. See Hitoshi Tanaka, The “10+3” and East Asian Summit: A two-tiered approach to community-building. *East Asia Insights*, JECIE, No. 1, 2006.

EAC building is a comprehensive process that includes institutional-building in the economic, political and social areas. For the economic area, the most important progress should be achieved in realizing the East Asian FTA (EAFTA) and a regional financial architecture (further enhancement of the Chiang Mai Initiative and towards a regional financial fund). EAFTA should be rule-based and WTO-consistent, i.e. high level harmonization of the regional market. But in the political (and also security) area, the regional institution should be more flexible whose major role will be to help the members in the region for consolidation, reconciliation and cooperation, rather than super-intervention. In the social area, EAC needs to develop mechanisms for people to people exchanges, which will help to reduce the gaps and grievances and to develop a shared community spirit and culture. EAC needs public support.

East Asian institution-building has to overcome the difficulty of balancing the regional institutions and sub-regional formalities. For example, ASEAN's identity and role in East Asian institution-building must be respected, but ASEAN itself has to adjust to the new development in East Asia. As for East Asian political cooperation, it needs collective wisdom on how to define and establish East Asian political cooperation and security without hurting the existing relations both within the region and with those outside the region.⁹

The political significance of EAC is to realize regional political reconciliation and peace-making. Considering its great diversity, East Asia should find its own model for political unity with the principle of respecting the differences in political systems, social structures and culture.

The process of East Asian cooperation and integration plays a dual role in community-building: reconciliation among the

⁹ Hitoshi Tanaka proposed that an East Asian security forum be set up, not to function as an alternative to existing bilateral alliances, but to complement it. ARF should also continue to play a role. Tanaka: East Asia Community building: Towards an East Asia security forum. *East Asia Insights*, 2(21), 2007. JECIE, Tokyo.

countries, and cultivation of the members. EAC should play a positive role in mitigating the differences and reducing the tensions in the region, like the division and confrontation on the Korean Peninsula, Taiwan Straits relations, territory and island as well as Exclusive Economic Zone (EEZ) line disputes, and in helping to bring all members of the region into an integrated framework under its umbrella.

EAC faces many challenges. One of the factors for its progress is the real success of ASEAN community-building which gives ASEAN the confidence to continue to lead the region forward to be integrated into a larger regional architecture. Another is the China-Japan relationship. Although their relations have improved in recent years, they are not sharing a high-level strategy on regional community-building. As neither side will be accepted as the sole leader, their cooperation and joint efforts are crucial.¹⁰ EAC will not be built up if China and Japan fail to share common interests and strategy, and to consolidate each other in the areas of EAFTA, financial cooperation, security strategy and regional institution-building.

Economic integration continues to be the key factor for East Asian cooperation and EAC building. Currently, East Asian countries are still busy with bilateral or sub-regional FTAs both within the region and outside of the region. An EAFTA (ASEAN+3) feasibility study has been conducted by the joint-expert group, which called on an early start of the EAFTA process, but has not been accepted by the leaders as an immediate action-oriented agenda. Another feasibility study for CEPEA (East Asia Summit-based framework) has also been finished but seems to be difficult for leaders to accept right now. ASEAN seems to have no strong interest to lead East Asia to an integrated FTA in either ASEAN+3 or East Asia Summit before the AEC is realized.

At present, the main concern of the regional members is how to deal with the global financial crisis that has led to the economic

¹⁰ Simon Tay proposed that East Asian regionalism be led by issues since he argued that the region lacks a single leader who is both acceptable and able. Reader, p. 39.

slowdown. East Asian countries should strengthen their cooperation in macro-economic management and financial stability. In this case, financial cooperation should move faster in establishing a regional financial institution, for example, a regional fund for financial stability.

IV. China's Policy and Role

As a big regional power, China should have a strong regional strategy. The following factors should enable China to be positive towards EAC:

- (1) China has a vital economic stake in East Asia, with more than 60 percent of its foreign trade and capital inflow from the region. Based on a regional production network in East Asia, the Chinese economy has become an integrated part of the regional economy. A liberalized, secure and stable regional market is in China's interest, which encourages China to adopt an active policy in participating and promoting RTAs, for example, a China-ASEAN FTA, a proposed Northeast Asian trilateral FTA and an EAFTA. China is also interested in participating and promoting regional monetary and financial cooperation, like the Chiang Mai Initiative, and regional capital market development, though with caution for a high-level institutional arrangement at this early stage.
- (2) East Asia is a region that has vital geographical significance for China. The "good neighbor policy" has become a principal diplomacy for China to improve and strengthen its relations with neighboring countries. This helps to create a long-term peaceful environment for China's development and modernization. East Asian cooperation that brings countries in the region together as a community will best serve both China's economic and political interests.
- (3) Although regionalism in East Asia is not intended to create an exclusive bloc against any power, for example, the United States, it may help to create a more balanced structure of regional and

global relations. The East Asian voice may be better addressed if the East Asian identity via EAC will be realized.

- (4) China has a broad concept for regionalism since it is surrounded by different large geographical areas. Although China takes “10+3” (TPT) as the core course for EAC, it has a flexible attitude towards accepting and participating in the multi-layered frameworks, for example, EAS.¹¹ At the same time, China has made efforts in developing non-East Asian institutions, for example, SOC, the possible Northeast Asian security regime based on the success of Six-Party Talk.
- (5) China’s economic success has benefited from its global opening-up policy; thus China supports the WTO multilateral system. China also has a vital stake in the Asia-Pacific region, thus it is very interested to engage APEC and other Asia-Pacific initiatives, for example, in energy, financial cooperation, etc. From this perspective, China’s regionalism is flexible and open-minded.
- (6) China insists that East Asia should find its own way to cooperate. EAS does not intend to create an exclusive bloc by getting the US out. The US and East Asia have many channels for engagement and cooperation, for example, bilateral alliances and FTAs, APEC, ARF, as well as Six-Party Talk and the potential dialogue partner of SCO.

¹¹ The EAS has been identified by leaders as a strategic forum supporting EAC, but now it seems to have its own designs, like the Japan-proposed CEPEA, energy project etc. It is important that TPT and EAS are complementary.