

## Is East Asia Integrating?

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If a guest at Bangkok's Shangri-La Hotel, site of last summer's ASEAN (Association of Southeast Asian Nations) Regional Forum (ARF), a Pacific Rim security working group, had wandered into the two sections of the forum, he or she might have believed that two entirely different meetings were taking place. In the area of the hotel where delegates from Japan, Thailand, China, and other ARF members were gathering, the mood was festive. Diplomats embraced, forum photographers snapped cozy group shots, and scrambling aides handed out communiqués touting “breakthroughs” in regional security that had been achieved at the meeting. Even the North Korean security guards, known as some of the toughest in Asia, flashed small smiles, perhaps because they realized their good fortune in being transferred from barren Pyongyang to a luxury hotel in Thailand.

By contrast, in the journalists' area of the Shangri-La, where reporters gathered to file stories and exchange gossip, the mood was dour. Two veteran wire service reporters who had attended numerous Asian conferences complained that no concrete solutions were ever achieved at these meetings and wondered whether efforts to achieve Asian regionalism were hopeless. Several photographers napped on the hotel floor, and none of the writers from the region's major news outlets bothered to watch the closed-circuit broadcasts of the delegates' wing. The most animated discussion took place among three journalists who argued about which of the previous night's dinner performances—Madeleine Albright crooning Bob Hope tunes or Australian foreign minister Alexander Downer impersonating Elvis—had been the highlight of the dismal forum.

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In truth, neither the forced optimism of the ARF delegates nor the affected cynicism of the local media hacks accurately captured current trends in Asian regionalism. East Asia—for purposes of this discussion, the nations between Burma and New Zealand—is clearly developing closer economic, security, and political ties. Cooperation earlier on prosaic issues that do not make the region's front pages, issues that might lay the foundation for macroscopic ties, form many of these links. Moreover, some Asian leaders who believe that the region can one day become as intertwined as the European Union (EU) are willing to spend their personal capital to push the Pacific Rim in this direction. The triumphalist ambitions that these leaders have, however, for an Asian free-trade zone, for example, remain far beyond the horizon. In fact, these pan-Asian dreams may never be reached because Japan, one of the Pacific's most important states, remains unconvinced about regionalism and the majority of ordinary Asians remain wary of stronger ties with their neighbors.

## **History's Enduring Legacy**

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In many respects, East Asia was the region least able to forget World War II. In fact, for decades throughout the Pacific Rim, Japan continued to engender hatred. Internal strife and a series of wars, many of which were the result of decolonization, the Japanese occupation, and Mao Zedong's rise to power in China, consumed Southeast Asia for thirty years. Most notably, the Japanese army left Burma, a former British colony, with a political-military culture that quickly developed into an all-consuming fascism reminiscent of wartime Japan.

Over the past 15 years, however, East Asia has begun to overcome some of its old animosities. Unsurprisingly, in an area of the world that obliterated all previous standards for rapid growth, this newfound regionalism began in the private sector. As the Asian economic "tigers" and "tiger cubs" embraced export-oriented growth, they produced a class of younger businesspeople who grew up exploring the region, jetting between Singapore's Changi Airport, Seoul's Kimpo Field, and Bangkok's Don Muang Airport to forge initial ties between their businesses and other Asian corporations. Across East Asia, regional business practices, university curricula, airports, and even the standard media diet (e.g., *The Asian Wall Street Journal*, *Far Eastern Economic Review*) became more homogeneous.

By the early 1990s, many Asian businesses were managed by this new generation of regionalist cosmopolitans, men and women who had come up through the ranks of large, often family-run corporations that now focused on neighboring countries. Accordingly, the new managers began to rely

heavily on Asian export markets and Asian capital investment, although the United States remained a major consumer of East Asian goods. Taiwan became one of the largest investors in mainland China, making Taipei–Hong Kong the world’s busiest air route (inasmuch as Taiwan has no direct air links with China). By 1996 Malaysia, Indonesia, and Singapore, former colonies once oriented toward Europe, shipped more than half of their exports to East Asia. Even tiny Brunei delivered a staggering 91 percent of its exports within the region.<sup>1</sup> As exports boomed, East Asian nations realized they required a regional grouping focused on trade. In 1989 they founded the Asia-Pacific Economic Cooperation (APEC) forum, which included the United States, Canada, Peru, and other Western Hemisphere nations.

Yet, despite burgeoning economic integration, Asian politicians did little to foster regionalism. ASEAN, a regional group founded in 1967 by five states and eventually enlarged to include 10 nations, adhered doggedly to a face-saving policy of noninterference in members’ affairs. Accordingly, no regional political organization developed in Northeast Asia, and ASEAN did little other than host lightweight summits centered around innumerable games of golf.

Paradoxically, it took the Asian financial crisis, which erupted in 1997 and wreaked havoc on the region, to prompt new political and security alliances. Notably, although the crisis shattered East Asia’s economic boom, impoverishing whole sectors of societies, the United States was slow to provide assistance. When the United States did help, it too often dictated to Asia, fostering what New Zealand prime minister Helen Clark called “terribly bitter feelings” across the Pacific Rim. Frustrated, several East Asian leaders, most notably Malaysia’s Mahathir bin Mohamad, grew mistrustful of Washington, turning instead to former enemy Japan, which provided more than \$30 billion to its neighbors in crisis.

Meanwhile, the shortsighted solutions to the crisis proposed by the International Monetary Fund (IMF) led some Asian leaders to believe that Washington controlled multinational financial institutions. Because only five years before many Westerners had been “learning Japanese and Korean so they could speak the language of their future bosses,”<sup>2</sup> some Asians jumped to the conclusion that the West was both overstating the depth of the crisis and using financial institutions to prolong Asia’s pain. Yet, because Asians were grossly underrepresented in the IMF and the World Bank, they had little recourse within the existing global financial infrastructure. Embittered, several prominent Asians suggested that the Pacific Rim establish its

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own economic and political infrastructure to put the Asia-Pacific region on an equal footing with the West.

## **The Ties That Bind**

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Since 1997, Asia has slowly begun to create this infrastructure. Yet, much of the development has escaped notice in the local and international media, which have focused on the most ambitious, and most unlikely, regional plans, many of which may never come to fruition. Behind the scenes, however, East Asia is taking smaller, more concrete steps toward regional political, security, and economic ties.

Energy sharing has been one of the most notable examples of regional cooperation. In January 2001, the leaders of Indonesia and Singapore opened a vital underwater gas pipeline between their nations. During the next 20 years, this pipeline is expected to channel more than \$8 billion worth of natural gas from Indonesia's West Natuna fields to Singapore. Because wealthy Singapore has virtually no natural resources, Indonesia viewed its natural gas and other resources as tools to be used for political gain. The pipeline thus was a sizable accomplishment, reflecting an increasing maturity in the political relationship between the two countries. Other gas deals are in development. Malaysia plans to build a pipeline to West Natuna and is encouraging Bangkok to develop gas fields in the Gulf of Thailand. Similarly, Thailand and Burma have begun extracting gas from eastern Burma's Yadana deposits.<sup>3</sup> China's expanding economy will also require vast infusions of foreign energy, likely prompting Beijing to attempt to tap into Southeast Asia's gas fields. Meanwhile, in Northeast Asia, Japan has inked several deals to purchase the majority of Brunei's oil.

These negotiations in the sale and distribution of energy have fostered greater cooperation on issues of naval security. As the Strait of Malacca is among the world's busiest sea-lanes, China's rising exports and increasing demand for oil have led its navy and its diplomats to pay more attention to the region's shipping lanes and the accessibility of the region's ports. Since 1998, Beijing has stepped up its diplomacy toward old foes Cambodia and Vietnam, both of which possess key ports. For example, in November 2000 Jiang Zemin made the first visit by a Chinese leader to Phnom Penh in 37 years. One month later, Jiang signed a historic agreement with Vietnam that resolved disputed borders. In return for courting these two Southeast Asian states, Beijing hopes to gain access to Vietnam's Cam Ranh Bay port and Cambodia's Sihanoukville port.

China has also boosted naval ties with Thailand and Burma, reportedly installing advanced maritime surveillance systems along Burma's coast and

selling it crafts equipped with Rangoon guided missiles. Meanwhile, a Japanese research group has developed a plan under which a Japanese-Thai consortium would dig a canal through southern Thailand that would allow ships to bypass the Strait of Malacca.

In part because China and other states have realized the need to cooperate on the high seas, China, South Korea, Japan, and the countries of Southeast Asia have launched a series of “ASEAN Plus Three” meetings in which the Northeast Asian powers and ASEAN’s member states discuss regional security issues, such as shipping, refugees, and narcotics. As a result of these meetings, East Asia has made some progress on drug suppression—no small task given that Burma, an ASEAN member, is one of the world’s leading producers of opium and amphetamines. Beijing has agreed to cooperate with ASEAN on drug eradication and has stepped up its crackdown on the production of amphetamines in Yunnan, a province in southwestern China. Although Beijing has rejected using multilateral forums such as ASEAN Plus Three to discuss disputes over sea-lanes and possession of islands, such as the Spratly Archipelago, it has been working with ASEAN to develop a code of maritime conduct for the South China Sea. Significantly, there have been no major exchanges of fire in the vicinity of the Spratlys since the middle of 2000.

**There will be no Asian Maastricht, at least not in this decade.**

Asian states have also built on the relationships developed at ASEAN Plus Three meetings by negotiating bilateral agreements on a range of subjects. For example, China has signed long-term, security-oriented “cooperation agreements” with Thailand, Indonesia, Malaysia, and Vietnam, among others, the majority of which call for frequent consultations among foreign ministries, cooperation on certain defense issues, naval port calls, and promises of humanitarian assistance in the event of natural disasters.

At the same time, Japan, which was the only G-7 member to rely solely on multilateral trade agreements, has inked a bilateral agreement on free trade with Singapore and has opened discussions on a bilateral agreement with South Korea. Singapore has also signed a free-trade agreement with New Zealand and has helped build a network of interconnected roads throughout mainland Southeast Asia. Referring to this project, Singapore’s prime minister, Goh Chok Tong, told reporters he looked forward to the day when one could “use a Ferrari to speed all the way from Singapore to Kunming,”<sup>4</sup> a city in southwestern China. (Several leading Asian trade ministers have remarked that, with Asian integration, growing intra-American

and intra-European ties might in the future limit Asia's ability to continue its export-oriented growth.)

## What's Asian for 'Maastricht'?

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In small ways, then, Asia is developing what Robert Scollay calls "a spaghetti bowl of overlapping ties." Extrapolating from these small steps, some Asian leaders have suggested that the region is ready for its "Maastricht," its seminal meeting to produce a free-trade agreement or other breakthrough for the Pacific Rim. Last fall, Chinese prime minister Zhu Rongji proposed that China and ASEAN explore a free-trade relationship, and the ASEAN nations have commissioned a task force to study this possibility. In spring 2001, 13 Asian states implemented a series of arrangements to exchange currency among their central banks, a move designed to inoculate the region against future financial crises. In fact, some analysts have suggested that the currency exchanges could form the basis for an Asian Monetary Fund.

**As Asia becomes more democratic, leaders are increasingly constrained by popular will.**

Yet, there will be no Asian Maastricht, at least not in this decade. Even as ASEAN's leaders strive to speak with a more unified voice, many ordinary Southeast Asians are becoming more contemptuous of their fellow ASEAN members. Since the financial crisis began in 1997, the differences between ASEAN's haves—Singapore, Malaysia, and Brunei—and its have-nots have become much more pronounced.

While Singapore's economy has grown by as much as 10 percent per quarter in the postcrisis period, Indonesia, the Philippines, and several other ASEAN members have struggled through socioeconomic collapses. Even eternal optimist Goh admitted last year, "For the moment, we recognize we have a two-tier ASEAN."<sup>5</sup>

Consequently, though the financial crisis in the Pacific Rim has turned some Asians against the West, it also has pitted Southeast Asians against each other. In several large Southeast Asian states, polls have shown rising popular distrust of regional links and increasing popular opposition to free trade. As Asia becomes more democratic, leaders are increasingly constrained by this popular will. Indeed, because of opposition to freer trade, populist leaders, such as Thailand's Thaksin Shinawatra and the Philippines' Joseph Estrada, rose to power on pledges to reverse economic cooperation. Once in office, these nationalist populists made good on some of their promises. In just his first three months, Thaksin implemented a "Buy

Thai” campaign, blamed foreign investors for contributing to Thailand’s fiscal woes, and considered instituting capital controls.

This distrust, populism, and nationalism have macroscopic consequences. Southeast Asian states have pushed back the date for establishing an ASEAN free-trade area (AFTA) and are insisting that key sectors, such as automobiles, be excluded from AFTA’s tariff reductions. Analyzing AFTA by comparing it to Mercosur, Tom Holland noted insightfully that, unlike members of Mercosur, the ASEAN states simply do not “recognize that the fiscal and monetary policies of an individual country are the concern of its neighbors, and that subjecting policies to regional scrutiny and, perhaps, discipline is one way to build economic stability.”<sup>6</sup> The delay in implementing AFTA has created the impression that Southeast Asia is a region in disarray. The revelation that direct foreign investment into Southeast Asia has fallen by more than 60 percent in the past year is no surprise.

**Many ordinary Asians believe regionalism will lead to Chinese dominance.**

Moreover, despite Beijing’s overtures toward ASEAN’s leaders, many ordinary Asians believe regionalism will lead to Chinese dominance. Philippine former president Estrada neatly summed up these sentiments when he bluntly remarked, “I think China wants to take over Asia.”<sup>7</sup> Some of this fear is thinly disguised racism aimed in part at the nearly 40 million Chinese living overseas in Southeast Asia who control roughly \$200 billion, an inordinate percentage of the region’s wealth. Historically, these overseas Chinese have been targets of violence perpetuated by ethnic Malays, Thais, and Filipinos during economic downturns.

Yet, the popular fear of the Middle Kingdom, which has a checkered history in the region, is predicated as much on common sense as on racism. During Jiang’s visit to Phnom Penh, hundreds of demonstrators massed in the streets—no small feat in a country where demonstrations have been put down by brutal force—to protest Beijing’s support of the murderous 1970s’ Khmer Rouge regime. Nor is Beijing shy about meddling in other states’ internal affairs today. Recently, China applied significant pressure on Bangkok to prevent Falun Gong from demonstrating in Thailand. Further, China’s military is a looming presence. While China is promoting cooperation on the high seas, it is also rapidly modernizing its defense forces—for 2001 it increased its military spending by 17.7 percent. Although the Spratlys have been calm, several leading scholars believe Beijing’s navy is engaging in “slow-intensity conflict” around the archipelago, refraining from precipitating pitched battles while subtly increasing air and sea patrols in the South

China Sea and building permanent outposts on atolls near the Spratlys.<sup>8</sup> Indeed, the *Saigon Giai Phong* newspaper, the state-sanctioned voice of the Vietnamese Communist Party, reported that China violated Vietnamese territory in the South China Sea at least 300 times last year.<sup>9</sup> Moreover, China is a major economic threat to both Southeast and Northeast Asia. It now receives 60 percent of the direct foreign investment in Asia and has intensified competition with textile producers like Indonesia and Vietnam.

**In Japan it is the leadership that is wary of fostering closer security and economic ties.**

Responding to the fears of their constituents, ASEAN's leaders have taken action. As recently as this spring, ASEAN officials met in Ho Chi Minh City to map out a secret strategy on future ties with China and commissioned a confidential report to be prepared on the impact of China's impending membership in the World Trade Organization. Several Southeast Asian leaders have appealed to the United States not to turn its back on the region. In

Washington this May to confer with the new Bush administration, Singapore trade and industry minister George Yeo told reporters that Asia would "become a nightmare" without the help of the United States.<sup>10</sup>

In addition, several nations have cultivated relationships with India and Russia, regional heavyweights that could counterbalance China. Vietnam's state oil and gas companies have close ties to Russia, and the Russian navy jointly with Vietnam controls Cam Ranh Bay, the use of which Moscow obtained during the Cold War. Last year, India's then-defense minister George Fernandes jetted around East Asia signing bilateral accords at a breakneck pace, often arriving in national capitals close on the heels of Jiang Zemin or Zhu Rongji. As a reward for New Delhi's diplomacy, a Singapore consortium last summer helped launch a \$650 million information technology park in the southern Indian state of Kamataka.

The Japanese government's doubts about regionalism could impede potential breakthroughs, such as an Asian free-trade zone. Unlike in Southeast Asia, where until recently some leaders often advocated free trade against the wishes of their constituents, in Japan the leadership is wary of fostering closer security and economic ties. Like an Asian Britain, Japan is torn between its near neighbors and the United States, its closest military ally. Its resurgent nationalism, which has gained momentum with the election of Junichiro Koizumi, who harbors some right-wing leanings, has made it even more difficult for Tokyo to reach out to Asia. Japan cannot simultaneously revise its constitution to make its Self-Defense Forces (SDF) into an



army—a move both Koizumi and several Bush administration hawks have suggested—and develop closer security ties with Beijing, Seoul, or Bangkok. In a move that suggests how China would react to a revamping of Japan's SDF, Li Peng, chairman of China's National People's Congress, canceled an April 2001 visit to Tokyo after Koizumi hinted that Japan should revise its constitution.

In addition, Japan's economic mandarins, although willing to pay lip service to greater regional ties, in fact shy away from freer intra-Asia trade. Although Japan has negotiated a bilateral trade arrangement with Singapore, the two countries have few competing industries, Japan having excluded its most protected sectors from the deal. Moreover, Japan consistently refuses to open its agricultural markets to Asian trading partners; remains extremely wary of any trade deal with South Korea; and has implemented higher duties against exports from China, such as mushrooms, leeks, and other agricultural products, and tatami mats. Meanwhile, many Japanese producers are planning to exploit a weaker yen—Japan's currency has fallen more than 15 percent against the U.S. dollar in the past two years—to regain some of the share of world manufacturing that they have lost to South Korea, Taiwan, and China.

### **Smile and Say 'Integration'**

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The small steps toward regionalism that Asia has taken in the past decade should be applauded. Because East Asian states have begun communicating with each other, both formally and informally, the potential for war in the South China Sea has diminished, the region is better protected against capital flows and currency devaluations, and leading Pacific businesses have truly become multinationals.

To assume that these successes are paving the road toward an Asian Union is to ignore current trends in Asian geopolitics and trade. Small steps never led to real unity in the Arab League, the Andean states, or sub-Saharan Africa. In the Middle East, cooperation foundered on rivalries among leaders of several regional powers. In sub-Saharan Africa and, to a lesser extent, South America, ordinary citizens' animosity toward their neighbors, heightened by economic difficulties, prevented the few open-minded leaders from effectively making peace and promoting intraregional trade. Though it is truly far more successful than Africa, northern South America, or the Middle East, East Asia suffers from the same problems that afflicted these other regions. Moreover, the United States, which has been the guarantor of regional stability, intends to increase its presence in East Asia by shifting more troops to the Pacific and by signing bilateral trade agreements with key

Asian states. Washington is unlikely to foster closer intra-Asian ties that do not involve the United States. As Yeo has noted, few Asians want the United States excluded from regional geopolitics and trade.

Given all of these factors, East Asia is more likely to continue its current unhurried, plodding rate of progress. Like ASEAN's interactions, East Asian regionalism will bring some mild successes (e.g., more bilateral trade deals), glowing group shots of key leaders, and lower golf scores for top diplomats. This steady progress could deliver significant tangible benefits in the long run. Unlike the EU, which evolved during the static Cold War era, however, East Asian regionalism at its present pace easily could be overtaken by the region's rapidly changing economic, military, and political balances of power.

## Notes

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6. Tom Holland, "Latin Lesson," *Far Eastern Economic Review* (December 28, 2000).
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