



Supplying Demand or Demanding Supply? An Alternative Look at the Forces Driving East Asian Community Building

November 2007

Shaun Breslin

Shaun Breslin is a professor of Politics and International Studies at the University of Warwick in the United Kingdom, and coeditor of the Pacific Review. He is the author of Mao: Profiles in Power and China in the 1980s: Centre-Province Relations in a Reforming Socialist State and is coeditor of New Regionalisms in the Global Political Economy: Theories and Cases and Microregionalism and World Order among other books and articles. In addition to his academic duties, he has served as special adviser to the UK Houses of Parliament on relations with China.

Introduction

Interest in regionalism reached a high point in the mid-1990s, when a whole range of initiatives, including the creation of the NAFTA, the consolidation of Mercosur, the reorientation of the Southern Africa Development Community, and the replacement of the European Economic Community (EEC) with the European Union were seen as presaging a “world of regions.”

A decade or so on the promises of this “second wave” of regionalism (the first being the original European project of the 1950s) appears to have stalled, and fears of a world of competing regions has failed to materialize.

Explaining why some countries join regional organizations and others do not remains a fruitful arena for both academic and policy debates—particularly when it comes to the ongoing evolution of regional relations in East Asia.

A Region Is a Region Is a Region?

In truth, we shouldn’t be surprised that there is more than one form and definition of *region*. That a “security region” might be different from an “economic region” was clearly manifested in the differences between the European member states of the NATO and the EEC, respectively, for much of the second half of the 20th century. And in this respect, when we look at Asia, the fact that China seeks regional security cooperation with neighboring states to the north and northwest (through the Shanghai Cooperation Organization) whilst simulta-

neously promoting economic cooperation with ASEAN, Japan, and South Korea is not particularly atypical.¹

But even focusing on economic regionalism (and leaving aside the study of security regions), there are still a number of competing initiatives that might lay the foundations for the future creation of a regional community in Asia.

Crucially, these different initiatives reflect a lack of consensus over what East Asia actually is—which countries are part of the region and which are not. For example, on one hand, there is a “narrow” understanding that equates East Asia with the geographic proximal states of the Association of South East Asian Nations (ASEAN), plus China, Japan, and Korea. On the other hand, there is an alternative “wider” vision that adds India, Australia, and New Zealand to this list.² A still wider trans-Pacific definition includes the United States.

It is argued here that the recent promotion of the “wider” vision of East Asia has been a result of fears in certain quarters that a narrower vision of the region had started to take shape—and, more important, a result of fears that China could come to dominate this emerging region. Put another way, some regional elites have answered the apparent demand for mechanisms to enhance regional cooperation by supplying an alternative form of regional cooperation built on an alternative conception of which countries constitute the region.

Lesson Learned?

It is not surprising that the European integration project looms large in analyses of and predictions for regional integration elsewhere in the world. After all, the European Union is our best example of what happens when states agree to move first toward formal economic integration and then some wider form of political integration (and, of course, also as an example of the many obstacles along the way). Indeed, some scholars of the early phases of European integration saw such regionalism as a model for the future transcendence of the state in international relations—and then later declared that integration theory was dead when these forecasts failed to materialize.³

Europe clearly remains an integral part of any attempt to construct theories of regional integration. However, a number of scholars have suggested that the focus has often shifted from Europe as *an* example of regionalism to *the* example—the archetypal case or benchmark that all other regional projects are judged against to consider whether they have the hallmarks of “real” regionalism. In response, students of the “second wave” of regionalism did not just compare new regional projects with the early European experience, but also compared the non-European examples to each other. Whilst the resulting studies contained many varied conclusions, an underlying theme was the extent to which the interests of nonstate actors—particularly major transnational corporations—influenced the evolution of regional organizations. In particular, there is a strong focus on the extent to which government policies toward regionalism are responses to the interests of business communities.

One of the most important works in this tradition was Walter Mattli’s *The Logic of Regional Integration* published in 1999. Mattli’s research was very much informed by the European experience—not just the development of the European Union, but earlier successful and failed attempts to promote integrative projects in the 19th century. But it also went beyond the European cases, considering the motors of integration in East Asia and the Americas. At the risk of oversimplification, Mattli argued that there were two key prerequisites for a regional project to succeed: supply and demand. In short, regions are most likely to come into being and subsequently “work” when the demand from nonstate economic actors seeking the economic gains that

a regional market could provide is met by the supply of integrating institutions by political leaders who foresee a domestic political (electoral) benefit from consequent economic growth. This idea of a market-led demand and supply does have some salience in explaining the emergence of regional cooperation in East Asia and, in particular, relations between ASEAN and China. However, in terms of both demand and supply, there is more to the equation than just market access, and in what follows, one should consider Mattli’s ideas to the demand drivers of regional integration in East Asia, and why there is an oversupply of regional alternatives.

Demand for Regional Governance: Changing Perceptions in ASEAN and China

In an era when some are suggesting (and perhaps fearing) a new regional order built on China’s engagement of Southeast Asia (Shambaugh 2004–05, Snitwongse 2003, Kim 2004), it is worth remembering how new this is. Until fairly recently, the relationship between China and others in East Asia was characterized by mutual distrust and sometimes outright hostility. China didn’t even have diplomatic relations with a number of regional states until the early 1990s,⁴ perceived ASEAN as a natural ally of the United States and therefore a potential rival to Chinese interests, and had the occasional military standoff with regional states over competing territorial claims in the South China Sea.

Moreover, China shied away from multilateral organizations. Of course, Beijing was more than happy to join the United Nations in 1971 and take the China seat from the Republic of China on Taiwan. But membership of the United Nations did not threaten Chinese sovereignty—indeed, through the veto power on the Security Council, sovereignty was in many ways enhanced. But it was a different story when it came to those organizations that established norms and rules of global governance—organizations that China could not participate in from the same position of power it had in the United Nations. For example, China only joined the World Bank and the International Monetary Fund (IMF) in 1980,⁵ and even then Chinese leaders were wary of organizations that were considered to represent Western (for which usually read US) interests. So in combination, it was not surprising that participating in a regional multilateral organization in Asia was not on Chinese agendas until very recently.

So what explains the change in approach? Shambaugh (2004-05) points to 1989 and Tiananmen as the turning point from the Chinese side. The lack of condemnation that characterized the response from Southeast Asia was in stark contrast to the response from the United States and other Western states. At a time where China faced the real possibility of international isolation—both political and economic—the fact that ASEAN did not simply follow the US “master” was very much welcomed in Beijing. Not only did the Southeast Asian response (or more properly, the lack of a response) alleviate the fear of total alienation from the international community, it also showed that ASEAN was not simply an Asian outpost of US foreign policy. If not yet a potential ally of China, ASEAN was at least not an automatic enemy in times of turmoil.

So 1989 marked an important turning point in shifting Chinese perceptions of ASEAN’s relationship to the United States. But it is a long way from simply not fearing conflict to actively promoting partnership and collaboration. And in terms of the demand for more formalized forms of regional governance, the financial crises of 1997 were arguably more significant. Four issues warrant particular attention here.

First, although China survived the immediate crises more or less intact, there was a secondary impact. In brief, the collapse of currencies across the region meant that it was suddenly much cheaper to export goods to the United States and Europe—the very same places to which China was trying to export. With export growth in China proving to be the primary engine of economic growth, and the main provider of new jobs, China’s leaders feared that this unwarranted competition threatened not just the Chinese economy, but might also lead to social and political instability. Almost for the first time since abandoning autarky after the death of Mao, the potential dangers of participating in the global economy came to the forefront (even if it was only a minor reduction in the rate of growth). It also became clear that China’s economic fortunes had become inextricably linked with the wider regional economy as a whole. It was thus increasingly deemed to be in “the national interest” to seek a new mechanism to ensure economic security through cooperation and collaboration.

Second, the fact that China did not devalue the Renminbi to restore price competitiveness of exports won considerable praise.⁶ Had China devalued, the likelihood that the regional economy would be plunged into a further wave of devaluations and deeper crises was very high. However, simply not pressing the destruct button promoted the idea that China was a responsible economic actor. As Snitwongse (2003: 38) notes, China actually contributed much less than Japan in terms of assistance, but nevertheless emerged from the crises with the “lion’s share of appreciation.”

Third, the crises generated a new demand for regulatory mechanisms to discourage rapid capital flows and currency attacks from across the region. For the best part of a decade, regional economies had grown quickly, thanks in part to deregulation and the speed at which investment could flood into the region. In 1997 this deregulation became a problem rather than the solution, as money just as quickly flowed out of the region and there was a consensus that something needed to be done to ensure that this did not happen again.

Fourth, the policy responses of the international financial institutions (IFIs) such as the IMF were largely perceived within the region as representing Western (for which again read largely US) preferences and interests. Governmental direction, control, and ownership had been important features of economic growth in Southeast Asia. This was not the state ownership, planning, and distribution of Communist Party states that replaced the market, but rather strong state intervention to regulate and direct the market in pursuit of government-defined developmental objectives. When added to the developmental successes of other “capitalist developmental states” like South Korea and Taiwan, this strong state and interventionist model of development seemed to provide a powerful alternative to the neoliberal strategy of privatization and the withdrawal of the state from as much economic activity as possible.

When what the World Bank had termed the *East Asian Miracle*⁷ turned to crisis in 1997, it was not surprising that much attention focused on the very same issue of government intervention. To be sure, some focused on whether there had been *too much* liberalization in the region—whether financial liberalization had gone too far too quickly

allowing “hot capital” to be withdrawn from crisis states with incredible ease (and at incredible speed). But for others (indeed, probably for the majority) the focus was on governments that distorted free economic flows through such practices as managing exchange rates and on governments that interfered in the economy to benefit government officials, their families, and their economic contacts, and on banks that lent money to those with the right personal connections. In short, the basic problem was “crony capitalism”—the evolution of opaque decision-making processes where a group of insiders from government and business ran the country and the economy to enrich themselves.

It is easy to fall into the trap of thinking in terms of a single Western response to the crises—the idea that “the West” responded by imposing Western neoliberal prescriptions as the way out of the problem. The reality is that the response was much more diverse. For example, there was considerable concern among Japanese and some European authorities that imposing far-reaching liberalization on Indonesia might result in political collapse and possibly even civil conflict. Furthermore, it is not even possible to talk of a single IMF response to the crisis, as policy changed once the impact of original reforms became clear. Ironically, the IMF was accused in some quarters of being insufficiently neoliberal by using public funds to support corrupt and bankrupt Asian financial institutions, and by not forcing through fully liberalizing reforms of exchange rate and banking structures. But despite the reality of diversity and a degree of pragmatism (and the fact that only Indonesia, Thailand, and South Korea asked them for help) the IMF became something of a symbol of neoliberal reform—financial bailouts would only be forthcoming in return for privatization, deregulation, budgetary cutbacks, and ever greater transparency in all financial affairs.

The cover of the paperback version of Francois Godement’s *The Downsizing of Asia* (1999) shows a Korean demonstrator carrying a banner with the slogan “IM Fired.” As we have seen, many observers would point to the domestic cause of the demonstrator’s woes. Nevertheless, such a focus on the external rather than the internal was common across the region. The response of the IMF to the crisis was in part seen as the “West” finally getting its own back on recalci-

trant East Asian developmental states through the promotion of “proper” Western forms of capitalism (Higgott 1998). Perhaps more important, it was seen as a symbol of how the United States defends its interests and projects its power via the major IFIs. As Susan Strange once put it, the “international organization is above all a tool of national government, an instrument for the pursuit of national interest by other means.”

In short, through its own bilateral actions and through its proxy Bretton Woods agencies, the US hegemon was able to impose its preferences across the world. And these preferences were perceived as damaging the region—damaging the economy through inappropriate IMF conditionalities, but also for Godement challenging Asian identity—forcing the abandonment of a distinctly different and Asian model of development. As such, rather than subject themselves to the US-dominated global organizations, many in the region began to think that regional solutions and regional-level organizations were increasingly attractive alternatives. This desire to resist US hegemony in parts of Southeast Asia and in some sectors of South Korea dovetailed with longstanding Chinese concerns over the nature of the unipolar world order. This shared position has been an important component in the move toward greater regional cooperation—but so too has Japan’s stance on US hegemony and the potential of a rising China.

The Demand for Regionalism: Toward ASEAN Plus Three

So the crises generated a clear demand from state elites for regional institutions—and regional institutions that went beyond existing ASEAN arrangements. This was manifest in the early days of the crisis in Japanese proposals to construct an independent Asian Monetary Fund (AMF) largely bankrolled by Japanese money inspired by a sense of Asian “solidarity” (Lipsy 2003: 95).⁸ But somewhat ironically this attempt to build an organization that was not subject to US power floundered largely because of US power and hegemony, and the concern of some US policymakers that Japan was using the crisis to establish leadership in the region at the expense of the United States.⁹

But although the AMF proposals gave way to the Manila Framework that actually strengthened the IMF’s position (in the short run at least), the demand to go beyond the ASEAN

framework to build new mechanisms of regional governance was not simply abandoned. In the wake of the collapse of the AMF idea, leaders of ASEAN states met with the leaders of China, Japan, and South Korea in an “informal” forum in Malaysia in December 1997. This first meeting of what has become known as ASEAN Plus Three (APT) marked an important watershed in East Asia’s regional governance. The APT leaders adopted a joint statement on East Asian Cooperation in 1999 and, under Chinese initiatives (as opposed to Japanese leadership of the AMF plan), began to look more seriously at strengthening financial cooperation.

In the subsequent finance ministers’ meeting in 2000, the idea of a regional bulwark against unregulated capital flows reemerged in the form of the “Chiang Mai Initiative.” Building on existing ASEAN arrangements, this set in motion the creation of a network of currency swap arrangements whereby regional states agreed to support one another in any future crisis by using their financial resources to help their neighbors. Given that Japan and China were the two largest holders of foreign currency reserves in the region (and indeed, not just the region) the logic of going beyond ASEAN and including the “plus three” members is not difficult to grasp.

The Chiang Mai Initiative clearly falls institutionally far short of formal EU type regionalism. Nor is it totally independent from the Western/US-dominated IFIs in that a country can only activate 20 percent of the funds available to it without the approval of the IMF. Nevertheless, it does provide an increasing degree of independence from the IFIs (originally only 10 percent, APT leaders agreed to raise the threshold to 20 percent before IMF approval was needed in 2005).

The Demand for Regions: Identifying the Region

The Chiang Mai Initiative also represents a convergence of supply and demand for regional institutions and a powerful indication that a “cognitive region” is emerging—that regional leaders accept that they are part of a region, and that there is a shared understanding of which countries are part of that region, and which are outside it. Unlike the original plans for the AMF, Australia is not part of this APT process.¹⁰ In this respect, it has echoes of Mahathir Mohamad’s understandings of the membership (and parameters) of Asia in his call to establish an East Asia Economic Group in 1990.

Though Mahathir had a slightly different membership in mind,¹¹ this was an Asia that did not include either the Indian subcontinent or the Anglo-Saxon nations of Australasia. This Group was subsequently “downgraded” to a caucus representing “Asian Asia’s” interests with the Asia Pacific Economic Cooperation (APEC)—an organization that not only included New Zealand and Australia but also those states in the Americas with a Pacific coastline including, of course, the United States. Although there was much that divided the members of this new East Asian Economic Caucus (EAEC), there was a loose consensus that there was something that distinguished them from the other non-Asian members of APEC. Indeed, the EAEC is sometimes partly jokingly referred to as “East Asia Except Caucasians.” As with the EAEC and as with many regions, when it comes to the glue that binds the APT together, it appears that agreeing on what one is not and what one is against—for example, not the West and against Western-dominated IFIs—can be a powerful force for joining together (even when one doesn’t know what one is, knowing what one is not can be enough to form a tie that binds).

ASEAN Plus One(s)

APT remains an important mechanism for bringing regional elites together. Most of the focus is on the high-level leaders’ summits, and the finance ministers’ meetings. But alongside these high-profile summits, there is also extensive collaboration on a range of issues such as transnational crime; social welfare and development; and, after the SARS epidemic, infectious diseases. But in some respects it has been eclipsed in terms of meeting demands for regional institutions by individual ASEAN+1 processes with China, Japan, and South Korea.

The promotion of integration through a multiplicity of bilateral processes is an important feature of regional integration in East Asia. For example, although the Chiang Mai Initiative institutionalized meetings of APT finance ministers and established a framework for agreeing on currency swaps, the swaps themselves are negotiated bilaterally. Country A negotiates with Country B, Country B with Country C, and Country C with Country A. APT creates a regionwide umbrella for action; the result is that the countries of the region are all linked, but the processes are bilateral. As with financial regionalism, trade regionalism is driven by bilateral free trade negotiations between ASEAN

and each of the Three individually, and bilaterally amongst the Three. Once complete, these agreements will provide what Dent (2006) has called “lattice regionalism”—a network of bilateral ties that crisscross and combine to integrate economic activity across the region.¹²

The preference for bilateral processes is in many ways simply a reflection of the difficulties of coming to agreement in multilateral fora. The failure to reach agreement at the WTO might be an extreme example of the pitfalls of seeking multilateral consensus, but nevertheless hints at how negotiations become more complex the greater the number of actors (and interests) involved.

But in the East Asian case, the preference for bilateralism also results from strategic competition and the balance of power among key players in the region. For example, initiatives to establish a China ASEAN Free Trade Area (CAFTA) are partly explained by Chinese desires to engage the region—if not yet to establish Chinese leadership, then certainly to enhance China’s political relationship with ASEAN and to neutralize Japanese leadership ambitions.

Such competition for regional influence and possibly leadership suggest that regional integration is doomed to fail. But ironically, it can act as a spur to regionalism, as neither China nor Japan is prepared to allow the other to gain an advantage—something that is not lost on other regional leaders. For example, Richard Stubbs (2002: 443) notes that in the wake of the failure to establish an AMF in 1997, Japanese leaders were reluctant to go along with the formalization of APT meetings for fear of further antagonizing the United States. But once China had agreed to get involved, this “forced Tokyo’s hand. Beijing was interested in building on the economic ties that were developing with Southeast Asia and the Japanese government could not afford to let China gain an uncontested leadership position in the region.” Similarly, Japanese officials have not hidden the fact that their renewed desire to establish free trade agreements in the region was heavily influenced by Chinese proposals to establish the CAFTA.

Of the six free trade negotiations and agreements, the China-CAFTA has garnered the most attention—largely because it reinforces the fears of those who think that China will

inevitably come to assert itself over the region and establish a hegemonic position. At first sight, CAFTA appears to be a classic example of Mattli’s supply-and-demand type region. The creation of a free trade area is promoted as a means of generating growth in both ASEAN and China by allowing greater market access and reducing transaction costs to stimulate investment and trade. The resulting economic growth might benefit market actors, but should also, if the theory goes to plan, help to legitimate the political elites involved by ensuring sustainable long-term economic growth.

Chinese eyes are also increasingly looking to ASEAN states as potential places to invest in. Chinese outward investment might be relatively small on a global scale and of course remains dwarfed by the amount of investment that goes into China. But it is growing every year¹³ with roughly half of the total going to the region (though the single biggest recipient by far is Hong Kong, and much of this is subsequently reinvested elsewhere). After Hong Kong, the major recipients are either Thailand or Singapore (depending on which set of statistics is used), Malaysia, and Indonesia. Investment in the Philippines, Vietnam, Cambodia, and Laos remains relatively low in both the number and value of projects, but in the last three cases is on the rise.

At the risk of oversimplification, we can identify four types of Chinese investment in the region.

1. Investment in Singapore is largely based on attempts to buy into those higher levels of the production process that China currently lacks—particularly in business services.
2. Since the late 1990s, investment in manufacturing capacity increased, especially in Thailand and Cambodia, primarily in labor-intensive and low value-added projects.
3. Investment in infrastructure projects has been an important part of supporting other priorities in the region—for example, by creating a land-link between Yunnan and Thailand through investments in Laos.
4. China’s outward investment policy (not just in the region) is largely driven by resource requirements. There has been considerable interna-

tional attention to the implications of increased Chinese demand for oil in particular. While China's engagement of Africa has recently been the main focus of attention, resource issues are also highly significant in Asia. According to official Chinese sources, a third of all Chinese investment (again not just in the region) is in extraction industries—and even higher when refining is added. Indonesia has already become a key site of China's resource-based investment in oil, gas, and coal-based electricity generation, with Vietnam, Laos, and the Philippines actively touting for Chinese investment in extraction and energy industries.

We should not be carried away. With the exception of Vietnam, China is still relatively low on the list of each country's table of leading investors, and Chinese investment remains relatively minor. Nevertheless, at least because of China's position in global production networks, China's voracious appetite for resources suggests that outward investment in the region will become evermore significant—and one hopes—evermore transparent and calculable in the future.

China and ASEAN:

Beyond (Current) Economic Rationality

So while this mutual engagement appears to be based on sound economic rationality, there is more to the CAFTA than a simple case of governments supplying what business communities demand. For example, we need to address the relationship between governments and nonstate actors. There clearly has been lobbying on governments from nonstate actors to develop the CAFTA. Even in China, where policymaking is largely the reserve of a relatively tight and close political elite, official business associations are increasingly getting involved at the margins of the policy process through lobbying. However, the extent of business lobbying is relatively low compared to in the West, and these groups are still at an early stage of carving out a niche for themselves in these policy processes. When it comes to Chinese initiatives on the CAFTA, it is not so much Chinese political elites responding to business demand as state elites providing both the demand and the supply.

From the other side of the relationship, there is considerable concern in some parts of Southeast Asia that the CAFTA will actually lead to enhanced competition from China. Creating a

free trade area will give Chinese consumers easier access to Southeast Asian markets and allow cheaper Chinese imports to undermine local producers. Furthermore, for those who are trying to export to the same markets that China exports to, China is a problem, not the solution. CAFTA might not make any practical difference to the terms of this competition and to their own interests, but there is nevertheless a resentment that lost opportunities have led to some reluctance (at best) to cooperate with a country that is seen to have created so many problems for regional exporters.¹⁴ As such, from the ASEAN side, CAFTA initiatives are actually contra the demands of some business interests (and prejudices).

So why have ASEAN leaders nevertheless sought to establish the CAFTA and more deepen relations with China? The answer is partly that they have privileged the views of those who want to export to China over those who fear Chinese competition. The answer is also partly because they are thinking about the future—and a longer-term future that sees China's continued rise as an inevitable fact of economic life in Asia. If China is going to become economically dominant in the region, it makes sense to do whatever is possible to ensure that regional economies get as much as they can out of this rise. Hitching themselves to the regional engine of growth is thus considered to be the sensible thing to do—even if some in the region might lose out in the short run.

So the negotiations over the CAFTA, and wider policy toward China, are not just driven by considerations of economic rationality today. Rather, they are also built on conceptions of China's economic future, which are in turn built around (and feed) assumptions of China's future regional power (and China actively promotes this vision of its future). Just as financial markets discount future economic shocks—for example, oil price rises—but deal with them before they occur, ASEAN leaders have discounted China's future economic rise.

Nor is it just a matter of throwing in the towel and doing whatever is possible to “bandwagon” the emerging regional power. Though China's rise might be inevitable, the exact nature of the China that rises is not set in stone. Engaging China through closer regional arrangements not only might bring economic gains, but might also allow

the region to influence the way in which China evolves. Better to enmesh China in a regional order (Shambaugh 2003-04, Kim 2004) and try to get it to accept some of the norms and practices of the region, than let it develop independently without any regional influence.

Noneconomic issues also loom large in Chinese demand for regional integration. In the mid-1990s, Taiwanese President Lee Teng-hui embarked on a new “vacation diplomacy” where he or his ministers would take a holiday in the region and meet regional officials. For example, in 1994 Taiwanese representatives informally met government officials in Malaysia, Singapore (in January), Indonesia, and Thailand (in February). China’s new policy of engaging Southeast Asia has helped ensure that Taiwan’s emerging semi-official links with the region have not gone any further—by engaging the region, China has neutralized Taiwan’s regional strategy.

China is also keen to neutralize any possibility of Japan emerging as the regional leader. In truth, there have been no clear signs of overt Japanese leadership strategies since the demise of the AMF proposals. But Beijing is aware that despite much of the hyperbole over China’s rise, Japanese investment and the Japanese market are still key drivers of economic growth in the region. A proactive engagement of Southeast Asia thus ensures that Beijing is ahead of the game, and that an exclusive Japan-centric region is a nonstarter. And as with most Chinese foreign policy issues, it is difficult to move far away from relations with the United States and the above-mentioned concern with US hegemony. From a Chinese viewpoint (and not just a Chinese viewpoint alone) the contemporary unipolar world order is dominated by a single hegemonic power. China’s engagement of Southeast Asia can be partly explained by a wider strategy of neutralizing the United States as a potential regional leader—and the distrust of the United States that emerged in the wake of the financial crises provided a great opportunity. At the moment, simply ensuring that ASEAN is not an agent of proxy of the United States in Asia is a considerable gain—in the future, building a bloc of like-minded states who actively oppose the dominance of Western ideas, norms, and policies might become an attainable agenda.

The Over-Supply of Regions in Asia: ASEAN+3 and the East Asia Summit

China’s engagement of Southeast Asia has been referred to as a “charm offensive” (Lautard 1999) designed to ameliorate concerns about its growth. Indeed, this position has been articulated in the “peaceful rise of China” hypothesis, first explained by Zheng Bijian at the Bo’ao Forum for Asia in 2003. Rather than being a threat, China’s rise is the guarantee of regional economic stability and development—a rise that will benefit the world, but will benefit the rest of Asia most of all (Ahn 2004). But, while the “peaceful rise” was promoted as an antidote to the “China Threat” approach, for many it focused attention on 崛起 (rise) rather than 和平 (peaceful), reinforcing concerns about the implications of China’s development. Ironically, the “peaceful rise” might have accentuated those very concerns about China’s rise that it was meant to dispel in the first place.

As we have seen, the idea of inevitable rise has informed policy in the region, and informed the evolution of China-ASEAN relations. One strategy is to ensure that regional economies are linked to this inevitable rise through economic integration. Another is to socialize China through the same economic integration and other forms of regional partnerships—to bring China into international society and to get it to accept existing norms. However, concerns about China’s rise and its implications for emerging regional orders brings us to the idea of an oversupply of potential regional futures in Asia.

The formalization of APT collaboration and the movement toward a regionwide network of trade agreements (albeit as a consequence of multiple bilateralisms rather than a single multilateral process) led to a growing understanding that East Asia had finally defined itself. Just as long as nobody asked about the thorny question of Taiwan’s status, here we had a group of states that were increasingly coming together on a regular basis in formal meetings with one another on a range of issues. Moreover, patterns of investment and trade had established an informal “region of production” that more or less corresponded with the APT members—though admittedly with differential levels of activity in some of the later developing ASEAN states. The potential of a future evolution or spillover into a more formal regional organization of some form or another was far from

impossible and, indeed, policymakers began to talk about the possibility of creating an East Asian Community.

And yet when the first East Asia Summit (EAS) took place in 2005, it did not map onto the APT vision of region that the Chinese government proposed. Nor did it take place in Beijing as Chinese leaders wanted, but instead in Kuala Lumpur.¹⁵ Instead, the EAS represented a broader vision of region that included India, Australia, and New Zealand. Not a return to the region as Asia-Pacific articulated by APEC that included those American states with a Pacific seaboard, but neither a signal of a more narrow “East Asian” conception of region represented by APT. Informal economic activity and formal collaboration had appeared to create a shared cognition within the region of which countries were part of the region, and which were not. But the EAS threw this “consensus” out of the window and reignited debates over what the region actually was. To be sure, the EAS did not bring the United States back into understandings of what the region is (or should be) but it nevertheless resumed the debate over what, or where, Asia is. Deciding how to move forward is hard enough at the best of times—just ask those involved in the evolution of the EU—but it is more or less impossible if you cannot agree on who should be moving in the first place.

Conclusion: The Future of the EAS

Returning to the idea of regions working when supply and demand are in equilibrium, the promotion of the wider vision of region in the EAS represents a deliberate attempt to create an oversupply of region. And just as Chinese policy toward regional integration is partly designed to neutralize the power ambitions of others, the EAS represents an attempt to neutralize Chinese power. This new vision of Asia is constructed to prevent the emergence of a Sinocentric APT regional organization, or even Chinese domination of an ASEAN+1 region. This idea is aptly captured by the statement of Jetro Chairman, Osamu Watanabe (2005), to an audience in Washington:

There was a difference of opinion among member countries on the concept and framework of the new summit and the East Asian community: It is my understanding that China and some ASEAN

members insisted that the building of an East Asian community should be discussed *only* among the ASEAN Plus Three members. Japan and the other ASEAN members—out of concern that such a limited framework would allow China to expand its influence over East Asia—made the point of including India, Australia and New Zealand in the community. [original emphasis]

Like APEC before it, the EAS is an “anti-region” supplied in order to prevent the emergence of a regional community in Asian East Asia—Asia without Caucasians and East Asia without the Indian subcontinent. As the supply of this region is not in equilibrium with the demand for region—and not just in China—it is unlikely to evolve into a form of region that “works” and evolves into a functioning regional community of any sort. It might succeed in preventing the consolidation of other regional forms for which there is a demand, but under this “supply-and-demand” understanding, then the emergence of a new regional community from the seeds of the EAS seems less than likely.

Bibliography

- Bhagwati, Jagdish, "Reshaping the WTO," *Far Eastern Economic Review*, 162 (22) January/February 2005: 25-30
- Dent, Christopher, *New Free Trade Agreements in the Asia-Pacific*, Basingstoke: Palgrave, 2006
- Haas, Ernst, *The Obsolescence of Regional Integration Theory*, 1975
- Higgott, Richard, "The Asian Economic Crisis: A Study in the Politics of Resentment," *New Political Economy*, 3 (3): 333-356, 1998
- Kim, Samuel S., "Regionalization and Regionalism in East Asia," *Journal of East Asian Studies*, 4 (1), 2004
- Lipsy, Phillip, "Japan's Asian Monetary Fund Proposal" *Stanford Journal of East Asian Affairs*, 3 (1): 93-104
- Mattli, Walter, *The Logic of Regional Integration*, Cambridge: Cambridge University Press, 1999
- Shambaugh, David, "China Engages Asia: Reshaping the Regional Order," *International Security*, Vol. 29, No. 3, 2004-05, pp. 64-99
- Snitwongse, Kusuma, "A New World Order in East Asia?" *Asia-Pacific Review*, Vol. 10, No. 2, 2003, pp. 36-51
- Stubbs, Richard, "ASEAN Plus Three: Emerging East Asian Regionalism?" *Asian Survey*, 42 (3): 443, 2002
- Watanabe, Osamu, "Integration of East Asian Economies: A Role for the United States and Japan." Speech at the Center for Strategic and International Studies, Washington, DC, December 14, 2005. Available at <http://www.jetro.go.jp/en/jetro/profile/speeches/2005/dec14.pdf>

Endnotes

- ¹ Indeed, if the world has a future of regions, it is likely to be one where states are members of multiple regional organizations rather than members of single exclusive bodies.
- ² Taiwan is not part of either vision. Beijing will allow Taiwan to participate in international organizations that do not infer statehood. For example, the WTO is an organization of authorities that have control over customs legislation. This does not have to be a "state" and does not infer statehood—thus Taiwan was allowed to become a member (albeit only after the PRC entered) in 2001, and joins Hong Kong and Macao as customs territories under the rather odd title of "The Separate Customs Union of Taiwan, Penghu, Kinmen, and Matsu." As regional cooperation is moving ahead through summits of representatives of states, Taiwan is not included, and any inclusion would guarantee a Chinese departure. For the sake of ease, "China" and "Chinese" in this brief refers to "the People's Republic of China."
- ³ The obstinate refusal of European states to wither away and the lack of emulative projects elsewhere led Haas to publish *The Obsolescence of Regional Integration Theory* in 1975—a theory that he himself had done much to promote in the first place.
- ⁴ Relations were formally established with Singapore in 1990, with Brunei in 1991, and reestablished with Indonesia and Vietnam in the same year.
- ⁵ "China" was actually a founding member of the Bretton Woods institutions, but that China was the Republic of China under the leadership of the Guomindang.
- ⁶ Somewhat ironically, China's decision to devalue the Renminbi in 1994 is taken by some as the start of the road to the 1997 crises, as other regional states found it increasingly difficult to compete with Chinese exporters.
- ⁷ This was the title of a 1993 World Bank report on the region—though it controversially placed a much greater emphasis on the adoption of markets as a source of the miracle (rather than

government intervention in these markets) than most other observers deserved.

⁸ Lipsy (2003) also shows that Japan originally proposed a membership of China, Hong Kong, Japan, South Korea, Australia, Indonesia, Malaysia, Singapore, Thailand, and the Philippines.

⁹ It also seems that Chinese officials, whilst being no supporters of US hegemony, were also less than delighted by the prospect of a Japanese-led regional organization.

¹⁰ (nor is Hong Kong which, as a special administrative, is represented in diplomatic fora by the Chinese government despite having a separate customs and financial system).

¹¹ Although initially hesitant about including China, Mahathir proposed the then ASEAN Six plus Japan, South Korea, and Vietnam. As this was conceived of as an economic grouping promoting Asian interests, it also included the economic territories of Hong Kong and Taiwan (referred to as Chinese Taipei).

¹² Jagdish Bhagwati refers to the plethora of crisscrossing bilateral free trade agreements on a global level as a spaghetti bowl. For Bhagwati it's a negative phenomenon as it creates a chaotic crisscrossing of preferences, with a plethora of different trade barriers applying to products depending on the countries in which they originate. This is a fool's way of doing trade.

¹³ Exactly how much money is going from China to the region is open to question. For example, UNCTAD's figures for gross Chinese outward investment exceed those produced by the Chinese government by a factor of eight!

¹⁴ Indeed, some have even argued that competition from China to win investment to produce the same goods for export to the same markets helped undermine economic growth and was a trigger for the financial crises of 1997.

¹⁵ The scheduled 2006 meeting in the Philippines was postponed to January 2007, and the third summit is planned for the fall of 2007 in Singapore.

The Stanley Foundation

The Stanley Foundation is a nonpartisan, private operating foundation that seeks a secure peace with freedom and justice, built on world citizenship and effective global governance. It brings fresh voices and original ideas to debates on global and regional problems. The foundation advocates principled multilateralism—an approach that emphasizes working respectfully across differences to create fair, just, and lasting solutions.

The Stanley Foundation's work recognizes the essential roles of the policy community, media professionals, and the involved public in building sustainable peace. Its work aims to connect people from different backgrounds, often producing clarifying insights and innovative solutions.

The foundation frequently collaborates with other organizations. It does not make grants.

Stanley Foundation reports, publications, programs, and a wealth of other information are available on the Web at www.stanleyfoundation.org.

The Stanley Foundation encourages use of this report for educational purposes. Any part of the material may be duplicated with proper acknowledgment. Additional copies are available. This report is available at <http://reports.stanleyfoundation.org>.

The Stanley Foundation
209 Iowa Avenue
Muscatine, IA 52761 USA
563-264-1500
563-264-0864 fax
info@stanleyfoundation.org