

# **Great Powers Relations and East Asian Regionalism<sup>\*</sup>**

Jusuf Wanandi

Vice Chairman, Board of Trustees, CSIS

## **Introduction**

The East Asian region has done well economically due to the active role of the private sector in the last two decades, but from the politico-security aspects it is faced with uncertainties the role and presence of the US military in the East Asian region has been the anchor of peace and stability since World War II.

While the bilateral alliances, especially the US-Japan one, have been the main instrument for the US presence and are still in place (being dependent on the air and naval forces of the Seventh Fleet), the political attention and presence of the US as the only global superpower and regional power has declined in relative terms.

The US, which is capable of paying complete attention to only one big problem or crisis at one time, is completely diverted to the conflict in the Middle East, especially Iraq and the Israel-Palestine conflict, as the situation and developments there remain fluid due to mistakes made by the Bush Administration in their fight against global terrorism. As a result, her soft power declined world-wide, including in East Asia.

This is not good for global stability and peace, and is also not good for East Asia. The withdrawal of the US from being the underpinning of the global and regional order will only open up uncertainties and instabilities as to who will be trying to fill in the vacuum and lacunas.

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The mistakes made by the Bush Administration will likely be corrected by a new Democratic Administration, but it will take some time and many new policy reforms before full credibility and leadership will be restored.

Thus, support and criticism towards the US to enable changes and corrections to happen in her policies and influence, including on East Asia, is a must for maintaining peace, stability and development in the region.

In the meantime, the region has seen new strategic developments and challenges which require some real responses. The most important and central part is the rise of China, and how the region will cope with such a huge and powerful rise. Thus far, this rise has been a peaceful one.

Further along, in the medium term, there is also India's rise, which will also have an impact on East Asia since the South Asia sub-continent alone will not be enough for India's power to be involved in and India has always been attracted to get involved in East Asia since history was written.

Other strategic issues are the normalization of China-Japan relations, which is still being worked out between them with the support of the East Asian region. This is the first time in history that both countries are powerful, and therefore it is critical to the region that they find a peaceful co-existence.

The most important issue for the region will be the future relations between China and the US. One is the only superpower, and the other is a future one. How they will relate to each other will determine the state of affairs in East Asia: peaceful or full of tensions with potentials for conflicts. These issues will be dealt with in the first section of this paper about the major powers.

The second section will deal with the shifts in the balance of power in East Asia, starting with the economic realm, and the consequences of the shift as well as the importance of

how it has happened. History has shown that this shift will not be an easy one. However, it is possible that this will be a peaceful one as happened in the early 20<sup>th</sup> century from the UK to the US, concluding with World War II. The challenge arises if one accepts that there will be more than one great power in the middle of the 21st century, with the US and China as the main candidates. Some *modus vivendi* will have to be found by both and the region. The European experience of the 19<sup>th</sup> and 20<sup>th</sup> century has shown that economics alone was not adequate to keep peace and stability and that politics should also be right. This should be a good lesson for the region.

The third section is on regional institution building in East Asia, which should be an important way to overcome a conflicting shift in the future, in complementing the new balance of power in East Asia, and strengthen the stakes every country has to preserve peace and stability in the future.

That is why it is so important that in this regional institution the US should also be a member. It also explains that ASEAN has a special role to play as the catalyst and being in the driver's seat, since the relations between two big powers in the region (China and Japan) have not been normalized.

The fourth section will be on the contribution of East Asia to global governance. East Asia should never be organized only for the region because it has always been an open region, and has been thriving due to its open regionalism. In addition, with the shift of power towards East Asia, it should only be natural that they have duties and obligations to support global governance and not become "free riders," which will no more be acceptable to the international community. In this section some of the duties and obligations that the region could contribute from now on will be explained. This should not be an exhaustive list.

### **The Major Powers in East Asia**

In the early 1990s, following the bursting of its bubble economy, Japan entered a decade-long period of recession and deflation—a period that was prolonged by inadequate

government policies, especially in the financial and banking sector. In the last few years, the economy has started to grow again, albeit slowly. But while Japan may have finally emerged from the recession, it still faces several constraints on its economy: the problems of demography and an aging society, inadequate productivity levels, low levels of foreign direct investment (FDI), poverty, and worsening income inequality. These are real issues that need to be tackled. It appears, however, that Japanese leaders have been paying a great deal of attention to foreign policy, and security, as well as to social issues such as education, but have not focused enough on the economy—especially in terms of continuing Prime Minister Koizumi's economic reforms.

In the end, Japan's leaders may be forced to take action to address the country's lackluster growth and aging population (much like Koizumi did with the nonperforming loans) because these are issues that will place heavy financial pressures on the voters. Moreover, Japan's economic needs could intersect with the ambitious security goals of some of the country's recent leaders: Japan needs to be economically stronger if it going to be able to play a more important role in East Asia.

Japan has felt compelled to do more to address political security issues because it understands the new strategic developments in the region. China's rise in East Asia is central, but there have been many other developments as well. East Asia has generally recovered from the economic crisis of 1997 and is becoming the most important economic region of the world. Meanwhile, the regional role of Japan's key ally, the United States, has shifted. America's attention has been diverted to the Middle East, and America's "soft power" in East Asia has declined somewhat because of its one-sided strategy toward the new threat of global terrorism. At the same time, the development of the North Korean nuclear weapons program and the increase in Chinese defense expenditures—the transparency of which is doubted—have placed Japan in a bind.

Japan has astutely decided to make use of the new global threat of terrorism to become a "normal" country with adequate defense capabilities and to implement its role within the context of its alliance with the United States. Japan has taken steps to strengthen its alliance with the United States, but at the same time is trying to develop its own policies.

This is especially true in terms of its stance on East Asia. Japan has been supporting the establishment of new regional institutions, with the long-term objective of creating an East Asia Community (EAC). This objective is at the heart of Japan's Asia policy.

Japan is committed to the idea of regional cooperation and community building because it views it as a way to overcome the challenges posed by China. In the meantime, despite the challenges it faces, Japan is still the region's largest economy in terms of GDP and is very important to the region in terms of trade, investment, finance, and technology. As long as it gets its policies right, it will remain one of the most important members of the region.

Japan also began hedging its dealings with China by signing the Australia-Japan Joint Declaration on Security Cooperation in March 2007. This new security relationship should be balanced with Japan's commitment to the EAC and should be transparent—particularly since Japan has been asking for transparency in terms of China's increased defense budget. Otherwise, Japan's intentions might be misunderstood, and the idea of an EAC might be jeopardized. Similarly, if not well explained, moves to promote the idea of an alliance of democracies in East Asia consisting of the United States, Japan, Australia, and India, might also be misunderstood by China.

With PM Fukuda, it can be expected that Japan's moves on new security relationship with Australia, and the idea of a democratic alliance with USA, Australia and India, will be implemented with restraint, and with a better appreciation of the strategy needed for Japan in East Asia. PM Fukuda is known for his balanced views strategically and with a better understanding of what Asia's aspirations are and Japan's role in those developments, that relates to Japan-China and Japan-Korea relations, but also ASEAN-Japan's relations. PM Fukuda will also pay attention to the domestic socio-economic issues, because it has become more urgent. The challenge for Japan might be whether he can long enough in power to be able to implement his policies.

The rise of such a big country as China has been unprecedented in human history as her economy grew by 9.5 percent annually for the last 25 years. This growth happened in some Western European countries in the 19th century, following the Industrial Revolution, and in Japan, Taiwan, and South Korea between the 1960s and the 1980s, but they are much smaller countries. Since 1978, China's GDP per capita has risen relative to that of the world leader, the United States, in almost exactly the same way that Japan's rose between 1950 and 1973, Taiwan's rose between 1958 and the late 1980s, and South Korea's rose between 1962 and the early 1990s. China's real income per capita has increased by 300 percent over this period. But China has achieved this from a much lower relative starting point. In 2005, China's income per capita relative to US levels is roughly where South Korea was in 1972, Taiwan was in 1966, and Japan was before 1950. For China, these are still the early days of the catching-up process.

India is even further behind on the "catching-up" curve since it began the process later than China. Relative to America's GDP per capita, India is where China was in 1986. Even in absolute terms, it is only where China was in 1993.

To appreciate the differences between India and China, one should look not only at their economic strategies, but also at their political development. Although both are the heirs of great civilizations, China's political development is inseparable from its state, while India's is inseparable from its social structure, and above all, from the role of the caste. India embraces the concept of "unity in diversity," while China follows the rule of a "unitary hard state," pursuing a single goal with determination and mobilizing the maximum resources toward its achievement.

China has largely replicated the growth pattern of other East Asian success stories, although its financial system remains weak and its economy more open to FDI than those of Japan and South Korea. Its growth is based on high savings, massive investment in infrastructure, universal basic education, rapid industrialization, an increasingly deregulated labor market, and an internationally open and competitive economy.

India's pattern of growth has been different—indeed in many ways unique—as it has been service-based. Savings are far lower than in China, as are its investments in infrastructure. India's industrialization is quite advanced, but this has developed under an import-substitution policy and still lacks competitiveness. The literacy rate is low, although elite education is well developed. India's formal labor market is among the most regulated in the world. Regulations and relatively high protection against imports continue to restrict competition in the domestic market.

China has accepted both growth and social transformation. India welcomes growth but tries to minimize social dislocations. The Chinese state sees development as both its goal and the foundation of its legitimacy. Chinese politics are developmental, while India's have remained predominantly patron-client in nature.

It is not difficult, therefore, to see why China's growth has been far higher than India's. China has not only saved and invested far more, it has exploited to a far greater degree the opportunities afforded by the global economy. Its population is also more skilled, while the social and economic transformation it has embraced is more profound.

China's development has been unprecedented because it has happened in a country with well over a billion people. This made China the largest nation ever to experience such tremendous growth for a period of more than 25 years. And it has the potential to continue at the same pace for the next 20 to 30 years, depending on how it responds to new challenges or even calamities that it might face in the future.

That is why it could potentially become as large as the US economy in terms of purchasing power parity (PPP) sometime around 2020, and could surpass the United States shortly thereafter. There might be corrections—economic and political—along the way, and because of that her growth could be deferred for some years or even a decade. Such a correction could also turn into a crisis. But in that case, the region, as well as the world, is likely to come to China's aid given that East Asian countries have become deeply integrated with China's economy. In short, unless there is a complete collapse of the country—which is at this juncture a remote possibility—China is bound to become a

major economic entity, although in per capita terms it will not be able to catch up with the United States until the middle of the century.

The Chinese people and the Chinese leadership have been upbeat about their achievements, and they are making use of them cleverly. However, they have to admit that the problems they are facing due to high growth and to the profound changes occurring in their society are also huge and complicated. These problems have indeed become their main concern. They include unemployment, income inequality between the coastal and inland regions, corruption and governance issues, state banks' nonperforming loans, inefficient state enterprises, the plight of the farmers, and last but not least, the challenges of political development.

The principal internal constraints on China's growth are institutional, namely the lack of the rule of law, uncertainty regarding property rights, the inefficiency of state enterprises, and the profound weakness of the financial system and IPR (intellectual property rights). Important symptoms of these weaknesses have been the reliance on foreign entrepreneurship and offshore financial and legal centers, particularly Hong Kong. Behind these weaknesses is something more profound, namely a political system that may not be suitable for an increasingly sophisticated economy and society. The political transition from a one-party state to a more democratic regime is problematic and difficult, as shown by Mexico's experience.

China has to confront not only domestic challenges but also external ones. China's extraordinary success in export markets has been a powerful engine for its growth. But it is questionable whether this can continue now that China has become such a huge player in world trade and given that its economy is already so open.

The challenges ahead for China are large by any standard. But it is a good bet that China will continue to grow rapidly for at least another two to three decades. This will require continuing and painful reforms. But the alternative—i.e., a slowing down of the country's economic dynamism—is not an attractive option for China's policymakers.



The Chinese leadership understands these domestic challenges, and they have tried very hard to overcome them. Especially with regard to the political development challenge, they are trying out schemes to give political space to the lowest level (i.e., villages) to elect representatives from among more than one candidate—and from among candidates who are not all from the Chinese Communist Party (CCP). But these steps are considered by many to be too slow and too timid.

The critical issue and challenge for China's leadership will arise when its economic growth and development need correction (e.g., a drop in the growth rate to very low levels such as below 5 percent). At that point, the question will be whether they are willing to take the necessary measures and whether they are able to do so within the limits of the political system. A key question will be whether unity among the leadership can be preserved to support such corrective actions.

India, too, is suffering from many constraints. Low savings in the public sector impose a significant limitation on capital formation. The country's political and legal systems, though well developed, are cumbersome and inefficient. Its political agenda lacks a focus on development. In addition, the growing supply of labor has not been matched by a rise in demand. As a result, overall employment has risen by only 1 percent per year over the past decade or so. Literacy remains low. For faster growth to be achieved there is a need for substantially higher savings and investment, greater inflows of FDI, and much more rapid industrialization.

India's relationship with East Asia has just started to deepen in the last several years as it has adopted its "Look East" policy, spurred both by an attraction to East Asia's economic growth as well as a desire to escape the constraints of South Asia. However, since India's economy has not really opened up yet due to political constraints, and since it is following a model of development that differs from the East Asian model, its involvement in the region will take more time to materialize. It will come, but further changes in India's domestic economy and regulations (and perhaps in its domestic politics as well) are the sine qua non of India's increasing involvement with East Asia. It may take another five to ten years for that to happen more profoundly.

India is now already involved in the East Asia Summit, and it could be useful to engage it more with the region. The summit, as a body dealing with strategic issues, should indeed be the right forum for India, since it has its footprint in the region historically and more will be expected of its participation in East Asia in the future.

### **The Shifting Balance of Power**

If East Asia continues to grow with Japan, China, and India driving its development, it will indeed become the most important region of the globe and the balance of power will certainly shift. That shift could occur sometime in mid-21st century, beginning first in the economic sphere, then in the political field and possibly also in the security field.

The end of the 19th century and the beginning of the 20th century showed that economic growth and dynamism alone were not adequate to create peace and stability in Europe and around the world when inadequate attention is paid to the political-security field. The result was World War I, followed by the emergence of extremism such as Nazism and communism, World War II, and the Cold War that ended in the waning days of the 20th century.

As has been said earlier (Introduction Chapter), the relationship between a rising superpower and an established one, such as that between China and the United States, is never an easy one. However, it does not necessarily result in confrontation, as shown by the relationship between Great Britain, the superpower of the 19th century, and the United States, its 20th-century successor. An important recent development has been the establishment of certain principles in the relations between the United States and China that originated with the suggestion by then Deputy Secretary of State Robert Zoellick to recognize Chinese stakeholdership in the global and international order and in its institutions. This is now being promoted by Treasury Secretary Hank Paulson. And, while still in its early stages, this new approach has started to work, especially on the North Korean nuclear proliferation issue. This principle will work if China takes its

responsibilities seriously and if the United States accepts some exception temporarily that can be agreed upon through dialogue.

Today, the economies of the world have again become interdependent and more integrated. But the political relations must also be handled correctly in order to maintain the peace and stability needed to ensure the sustainability of the world's economic growth and dynamism. International institutions and norms were established after World War II to maintain stable political relationships, but they need adjustment and reform.

The international system itself was placed in danger by the terrorist attack on the United States on September 11, 2001. It appeared as if there was going to be a clash of civilizations à la Samuel Huntington's treatise. Moreover, there was a danger that the United States, which was in a state of shock for a few years following the attack, would act as a "unilateralist" superpower and would go it alone. But balance, sensibility, and nuance appear to have been restored by the midterm US Congressional elections, held in November 2006.

Regional institutions in East Asia will also contribute to restoring balance in the global and regional order. They are becoming more important institutions as they have deepened their cooperation within a limited region and are able to achieve more in every field of activity.

In order for this shift in the balance of power to take place peacefully in East Asia, two basic things have to happen. First, the shift must occur gradually and should not be considered a zero-sum game by the established powers, mainly the United States and the European Union. They will continue to have an important role in global governance because East Asia alone cannot maintain global order and institutions. In the end, there need to be a concert of major powers to lead and influence the world.

Second, the new emerging powers, meaning those in East Asia, should also prepare themselves well. That means not only sharing stakeholdership but also responsibility. They have to prepare and adjust their own value systems to be compatible with what have become global values, namely the rule of law, good governance, democracy, human

rights, and social justice. They should accept that democracy and social justice are values and principles that are valid not only nationally but also globally. Implementation may be influenced by history, stages of development, and values, but the basic criteria should be the same for every country and society.

The change is not going to be easy, and that is why it should be done step by step and with patience on the part of East Asia. This process has already begun with the reallocation of votes in the International Monetary Fund toward new emerging economies—China, Korea, Turkey, and Mexico—to the detriment of some European Union members. It was demonstrated that even this simple “transfer” could be difficult. More difficulties have been and will be faced with efforts to adjust and reform the UN system in accordance with the new strategic changes occurring globally.

### **The Steps Ahead for Regional Community Building**

It is an obligation for East Asia to do its part in global governance. One of the objectives of an integrated East Asia is to be able to contribute to the global system, so as not to be accused of “free riding,” benefiting from and using the global system for national or regional interests only. On the other hand, the established powers, mainly the “West,” i.e., the United States and the European Union, should also be willing to share the responsibility for global governance and allow the “new forces,” mainly the emerging markets in East Asia, to learn and to prepare themselves for assuming more of that role. China, for instance, needs to understand that its relations with rogue states such as Iran, Sudan, and Myanmar will be viewed in light of its international obligations and its new role. However, some exceptions could be allowed. After all, China was not present at the creation of the global order and institutions after World War II, and although it is now willing to accept them wholly, it will need time to adjust. As the “new kid on the block,” China is still learning, but it is generally willing to follow the accepted rules.

The main challenge for East Asia is to know what should be done in the short term and what can be done in the longer term. This will depend on how quickly East Asian regionalism progresses and the regional community can be established.

Challenges abound to the realization of the idea of an East Asia Community. First, it should not be measured against the European Union, which is rules-based and driven by strong institutions. As countries in the East Asian region are so diverse, the EAC needs to get its members to trust each other through strengthened relations and cooperation. This will take time and can only be achieved through a gradual, long-term approach.

The first phase of cooperation should be in the economic field, because market forces have made the integration of the economies in the region a reality. Trade among East Asian economies now represents 55 percent of the region's total trade, which is almost equal to intra-EU trade (65 percent) and already higher than intra-NAFTA trade (45 percent). Also, inflows of investment into the region have been huge—not only into China, but also returning to ASEAN. In 2006, FDI into ASEAN amounted to US\$52.3 billion, while China's was US\$63 billion.

However, the next phase of integration needs proactive government involvement, because politics inevitably start to affect economic cooperation and could derail the entire process. This is precisely what happened in Europe “from the mid-19<sup>th</sup> century to the mid 20<sup>th</sup> century, culminating in World War I and World War II”, because Europe did not get the politics right, especially in dealing with a rising Germany. That resulted in stagnant trade and economic relations, and Europe experienced constant conflict for almost one century prior to the establishment of the European Union. It was the new regional order and institutions that helped to stabilize Europe during the Cold War, in addition to the presence of the United States through NATO.

Some progress has already been made in East Asia cooperation in terms of concrete measures through the Chiang Mai Initiative to help prevent a recurrence of the type of financial crisis that struck in 1997–1998. Similarly, there have been attempts to solidify economic cooperation through free trade agreements (FTAs) between ASEAN and China,

ASEAN and Japan, and ASEAN and South Korea, which hopefully will lead to an FTA that covers all of East Asia. However, there are many obstacles to realizing the goal of deeper regional cooperation.

One obstacle is the China-Japan relationship, which has been hampered by history, nationalism, competition for leadership in the region, and competing claims in the East China Sea. Prime Minister Abe's visit to China in October 2006 marked a new beginning, and hopefully relations will continue to improve under PM Fukuda. Economic relations between the two are doing well, and people-to-people relations continue to intensify, especially among the younger people. Prime Minister Abe undertook a new initiative to increase youth exchanges. And a binational committee of historians was established in late 2006 and tasked with studying recent history and presenting its research findings within two years. In addition, the two countries agreed to hold exchanges of leaders on a more regular basis. This began with Foreign Minister Li Zhaoxing's Tokyo visit in February 2007 and Prime Minister Wen Jiabao's visit in April 2007, while plans have been made for cooperation among the military to be deepened through visits and dialogues.

Another obstacle is the US relationship with the EAC. The United States has always played an important role in East Asia in terms of economics, politics, and security. Therefore, a modality must be found to involve it in the East Asia Community. At the same time, there is also the recognition that East Asia, which has been so integrated economically and to a certain extent also politically, needs to have a kind of a G-8 or a concert of powers that can discuss and make decisions on the strategic issues of the region with the aim of maintaining peace, stability, and development in the region. For this reason the United States should be invited to the East Asia Summit (EAS), and in so doing the EAS will be upgraded into a concert of powers for East Asia, a kind of a G-8 for East Asia. It should become the forum for strategic issues: economic, political and security matters. How ASEAN should be represented in this forum should be decided by them and with the consent of other members. It could be represented by the newly accepted idea of having an ASEAN "Troika" of past, present and next chairmen of ASEAN or it could be represented by the Chairman and the Secretary General of ASEAN.

The condition that members should sign the Treaty of Amity and Cooperation (TAC) has been the reason for the US reluctance to become involved. However, this should not pose a real hindrance for the US because the TAC is a treaty in form, but its content is more political than legal.

The East Asia Summit could take place either bi-annually, alternating with the APEC Summit, or it could be organized annually and be held back-to-back with the APEC Summit. APEC, as the main mechanism promoting increased cooperation between the western and the eastern parts of the Pacific should be maintained as an important regional institution to keep the idea of Pacific cooperation intact. To gain back the relevance that it has lost, however, APEC should maintain its core focus—i.e., economic cooperation—while placing greater stress on domestic structural issues or “behind-the-border” issues rather than only emphasizing trade.

There is also the consideration of including Russia and the EU at a later stage. Russia’s economic interests and interactions, including in the energy field, are mainly with the European Union. The European Union, for its part, already has a structure for engaging with East Asia in the Asia Europe Meeting (ASEM). With more economic interactions in the medium term, Russia’s membership could be entertained in the future. On the other hand, the EU’s pre-occupation with their own region will postpone her membership for the time being for EAS.

The ASEAN+3 should be the main institution for economic and functional cooperation in the region. In the implementation of its work program, it should be pragmatic and open to involving others that are relevant to the program on a case by case basis. For instance, all the members of the EAS could be included in responses to pandemic diseases, and Australia could be invited to participate in discussions of monetary and financial affairs.

In the security field, the ASEAN Regional Forum (ARF) could be the vehicle for the implementation of confidence-building measures (CBMs) and initiatives on human security or nontraditional security matters, including pandemic diseases and global terrorism. Meanwhile, the Six-Party Talks, if successful in addressing the nuclear

proliferation of North Korea, could be transformed into a mechanism to more broadly promote security cooperation on traditional “hard” security matters for East Asia. For that to happen it also should have ASEAN’s participation.

Another constraint, however, is ASEAN position in the “driver’s” seat of regional community building in East Asia. Many questions have been raised as to whether ASEAN could really lead the East Asian regional institutions, such as the ASEAN+3 and the East Asia Summit, despite representing only 10 percent of the entire East Asian economy. However, ASEAN has been put in the driver’s seat because the two natural leaders, China and Japan, cannot assume that role at this juncture. It is clear that ASEAN still needs to strengthen its capacity to be able to actually drive the community building process. In order to give more weight to ASEAN so it can more effectively play this role, ASEAN’s capabilities should be upgraded and South Korea might support ASEAN in carrying out the duties of the “driver”. Also, ASEAN must implement the various measures toward realizing the ASEAN Community that were outlined in 2003 in the Bali Concord II. At this stage, the leadership role of ASEAN consists mainly of organizing the meetings and chairing them, but actually ASEAN has allowed the “Plus Three”, namely China, Japan, and South Korea, to come up with initiatives and proposals to be discussed, decided on, and implemented. In other instances, working groups are co-chaired by ASEAN members and the Plus Three members. For the time being, this arrangement seems to be working, and this should be continued in the near future. The idea to start with some institutional support should be looked into, starting with a special sector in the ASEAN Secretariat, taking care of East Asian regionalism, with non-ASEAN members participation.

### **Contributions to Global Governance**

Despite the various constraints and limitations, in the near future East Asia should, through regional institutions such as ASEAN+3 and the East Asia Summit, strive to support important global norms and institutions. It has been obvious that East Asia should



and would like to participate in supporting the global order, its rules, obligations, and institutions. It has only just started to do so, and more needs to be done.

First, in terms of nonproliferation, East Asia has a real problem with North Korea. The Six-Party Talks have been the focus of regional efforts in Northeast Asia, and the greater East Asian institutions such as the ASEAN+3, the ARF, and the East Asia Summit have strongly supported these efforts, especially in giving political support to the Six-Party Talks and implementing the sanctions as laid down by the UN Security Council.

Second, in order to help maintain an open global trading system, East Asian countries should strive for a successful conclusion of the WTO Doha Development Round. At the November 2006 APEC Economic Leaders' Meeting in Hanoi, and again in the September 2007 Leaders Meeting in Sydney, APEC members reiterated their commitment to do so, and East Asia should also push very hard for this. The chances are slim, but given their dependence on open trade it is important for East Asian countries that these efforts be continued until every avenue has been exhausted.

A reliance on bilateral and regional FTAs alone will not be sufficient because the trade distortions, diversions, and discrimination they create can only be overcome by multilateral agreements. Time is running out and the fate of free trade for the next five years is in the balance because the US administration's ability to negotiate on trade issues is severely limited with a Democratic majority in Congress.

Third, there needs to be greater support and cooperation on matters of the global public good such as climate change, which has already shown its ugly face in East Asia. Some East Asian countries that have been experiencing fantastic economic growth have also become the most polluting, joined the ranks of the largest global polluters. Serious contributions from East Asia, the fastest developing part of the globe, have become a real necessity. The Cebu Declaration on East Asian Energy Security that was adopted at the second East Asia Summit was a good start. The implementation of its worthy principles is another matter, and ASEAN should push for this, starting with policies to promote more efficient energy use, with Japan serving as a model. It is also clear that an early US

commitment to these same efforts would hasten East Asia's readiness to support such initiatives.

Fourth, in tandem with environmental issues, there is the problem of energy security and resource availability. Some real efforts and studies are needed so that East Asia can overcome its problems, contribute to a more efficient global market, and prevent the outbreak of conflict over energy and other natural resources. The urgency of this issue was also recognized in the Cebu Declaration. If East Asia is serious about environmental issues and about the impact of natural resource limits on its economic development, then it really should come up with a new model of economic development that recognizes these limits to growth.

Fifth, as we have discovered with SARS, efforts on pandemic diseases are important in terms of human security, not only in our region but also globally. Diseases such as the avian flu have become a major challenge for the region. Again, there is agreement on the policies that the region should pursue together, but implementation and coordination remain a serious problem.

Sixth, there are many other human security and nontraditional security issues that are also important to look at, including international crimes such as human trafficking, money laundering, and drug trafficking. Nontraditional security issues are as important for the region as traditional "hard" security issues. And the region is also more willing to cooperate on these issues. This provides an opening for the ARF to become active and do something. It cannot stay forever as a "talk shop" if it wants to remain relevant to the future of East Asia.

Seventh, in relation to the sixth point, there is the threat of global and regional terrorism. This challenge necessitates regional and global cooperation, including from East Asia. This will be a long-term effort, and it goes hand-in-hand with measures to promote sustainable development and good governance. In terms of Islamic extremism, "moderate" Muslims should be able to overcome the harmful influences of the radicals on the Muslim community if they can show their community that "democracy" with

“social justice” can work in their societies and states so that there is no more need for the establishment of a theocratic Muslim state.

Eighth, the reforms of the United Nations, however complicated and difficult, should be supported, because the UN system is the only global institution we have. The UN has not always been effective, but it is for that precise reason that efforts should be made to improve and reform it. Having benefited from the UN system to a large extent, East Asian countries and regional institutions should give it greater support.

Other cases concerning global norms and institutions relate to problems of sovereignty and domestic issues, and must be dealt with by national governments. East Asian regional institutions are not ready at this stage to represent national governments. This could happen only if integration becomes much deeper and nations agree to surrender part of their national sovereignty on specific issues. On the economic side, they are willing to do so, such as on the Chiang Mai Initiative and FTAs, or on the need for a dispute settlement mechanism in trade and investment.

In the longer term, if East Asia becomes more integrated, some cooperation on developing global norms and institutions could happen. East Asia has to prepare itself for this future task. In practical terms, those participating in East Asian regional cooperation must also become active in the development of global norms and institutions.

Until recently, of all the East Asian countries only Japan had done its part on these global issues. In the last few years, China has started to be active as well and has taken some responsibility as a permanent member of the UN Security Council. South Korea has also done well in the last few years. Other countries have been participating in UN peacekeeping operations and in other activities, but this is still rather limited. More can and should be done by the East Asian countries individually and as a regional grouping in the near future.

More than only international obligations for global norms and institution, is the reality that regional efforts and problem solving are not adequate to solve and face many challenges who are also global in nature. So, in many challenges and problems, regional

efforts should rather complement and support global policies and norms, which have to be taken into serious consideration. This is the case for instance with the problem of security, economic development, climate change and energy, which needs to include global aspects to be able to solve them regionally.

## **Conclusion**

In conclusion, it can be said that on issues related to humanitarian matters or human security—especially as manifested in various nontraditional security issues such as the environment, migration, human trafficking, drug trafficking, money laundering, pandemic disease, and global or regional terrorism—where politics is in the background, cooperation in East Asia can be established and implemented quite readily. On the other hand, if sovereignty issues or intervention in domestic affairs are involved, then a lot of work is needed.

It remains to be seen how quickly this might happen following some real changes, such as in the case of the ASEAN Charter in East Asian regionalism. It could and has happened initially in the economic sphere and subsequently at the political and security level, but efforts to get it done are critically important.

It is also important that East Asian regional institution building should not only come from above, meaning from the governments, but that equal weight should be given to people-to-people efforts and cooperation. Without their support, as ASEAN has found out, cooperation will not come quickly or deeply. In ASEAN, the ASEAN People's Assembly (APA) is partly fulfilling the role of civil society representation.

ASEAN has been the model of East Asian Regional institution building, since history and diversity of the region has been a factor defining regional cooperation efforts. Cooperation, therefore, has been built based on human and people's relations and economic cooperation.

In the case of East Asia it has been mainly the businessmen, who took the initiative and promoted regional economic cooperation mainly through trade. It has been a process from below at the outset, and the government's role was only now becoming important because after a certain intensity of cooperation has been reached there is the need for rules and institutions, and this is where governments come in.

Concerning global responsibilities East Asia has started to fulfill their role, especially Japan who is an older player in the international scene. India has always been strong in peacekeeping and other global matters pertaining to disarmament and non-proliferation (although now her credibility has been dented due to her nuclear weapons acquisition and testing). East Asia also has found out that regional solution to challenges and problems that are part of the globe as well, only could be solved if the global aspects will be paid attention to.

Even China has started to play her role as responsible stakeholder, and stop her efforts for mercantilist policies to a certain extent, such as in the cases of Darfur, Myanmar (with ASEAN) and even Iran (at the UNSC). Also in peacekeeping and in regional institutions building she has been very active. But, of course, she could and should do more in the future. At the regional level China has very active and responsible policies. ASEAN also has been active at the UN level (anti-proliferation efforts and peacekeeping) and at the regional level.

There is a good prospect that concerning global responsibilities, East Asia should do as well as expected in most cases. Other things should still be developed by them, particularly where most members are newcomers to the role. But there is a need for East Asia to give attention to and to be educated on the global aspect of their responsibilities.

For ASEAN, the ASEAN Charter has become a must, because cooperation did not only happen in trade or other economic cooperation alone, but also in the political and even in the security fields and among its people. This is a natural outgrowth of the increased

intense cooperation, and is also necessary to be able to respond to the new strategic challenges in the region.

The idea of an ASEAN Charter has been preceded by the Bali Concord II 2003, to prepare for an ASEAN Community to be established, based on three poles of cooperation: economic, security and socio-cultural.

The idea of a community will be strengthened by having a Charter consisting of: principles, objectives, institutions and process of decision-making. The idea is to make ASEAN a more rules and institution-based entity, which will be able to cope with new fields of cooperation and having deeper cooperation. This will also gradually be done in the East Asia Community building. Where increasing cooperation needs such rules and institutions it should be established in the future. For the medium term, the East Asian regional institutions such as the APT and EAS should also have common principles on which to base its cooperation, namely rules and institutions to organize them more permanently and with the necessary transparency in decision-making.

Even China has recognized the need and the willingness of having principles such as democracy, human rights, rule of law and good governance, because they are common heritage of mankind in the progress of humanity, and is also recognized as a long-term goal.

In the implementation of those principles and rules, some influences from history, cultural values and stages of development have also been acknowledged, and a step by step approach is therefore the wise thing to do, while expanding the scope of them consistently.

In comparison with ASEAN which is much more ready for deeper integration, although remaining as sovereign states, the East Asian regionalism will be more firmly based on nation-states. That is why, while ASEAN could have a capital “C” in front of the word “Community”, the East Asian community should be temporarily be written with a small

“c”. While the EU is more strongly based on common principles, ideology and views (due to common history) the East Asian one will be lesser so, at least for some time to come. But things are going to develop and develop fast in East Asia, and the outcome can always be a surprise.