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Groundhog Day for Bush administration's Asia Policy?

By MASAKI Hisane

As U.S. President George W. Bush inaugurates his second four-year term on Jan. 20, his new team of foreign and trade policymakers is receiving an increasing number of wakeup calls regarding the budding East Asian Community. Many American experts warn that unless the Bush administration jettisons its hands-off policy and pays sufficient attention to -- and, if necessary, thwarts -- the new dynamics of regional integration in East Asia, the U.S. will see its economic and strategic interests in the world's most dynamic economic region irreparably harmed. This growing alarm in the U.S. may put Japan in a bind. While competing with China over the leadership role in efforts to translate the idea of an East Asian Community into a future reality, Japan sees the continued presence and engagement of the U.S. -- its most important ally based on the bilateral security treaty -- in East Asia vital for regional peace, stability and prosperity.

Evolving East Asian Community-building plan

The proposed East Asian Community got a significant political boost in late November, when leaders from the ASEAN plus Three nations agreed in Vientiane, Laos, to hold the first East Asia Summit in Malaysia at the end of this year. China offered to host the second East Asia Summit in 2007. Japanese officials have hailed the Vientiane agreement as the first significant step toward realizing the East Asian Community. The ASEAN plus Three is made up of the 10 ASEAN members plus Japan, China and South Korea. As the fact that even the scope and agenda of the first East Asia Summit were not determined in Vientiane clearly suggests, however, the proposed community is about to set out on a voyage in uncharted waters. It remains uncertain how far the region will go in integrating itself -- and how fast. The region is immensely diverse in political systems, cultures and religions. Countries in the region are at various levels of development. The region is dotted by such Cold War-era potential flash points as the Korean Peninsula and the Taiwan Strait. Will the regional community come into fruition with relative smoothness and eventually go so far as to become the Asian version of the European Union with common foreign and security policies and a single currency? This is anybody's guess. At this moment, however, the proposed East Asian Community appears very likely to develop in several stages, with the first significant stage coming with the formation of a regional free-trade agreement, or FTA, in the years ahead.

Although there is no specific agreement yet on forming an FTA, a web of bilateral FTAs is now in the pipeline. Japan concluded its first FTA, with Singapore, in 1992. It also reached a basic FTA deal with the Philippines in the autumn of 2004, and is now in advanced stages of separate FTA negotiations with two other ASEAN members -- Thailand and Malaysia. Besides these ASEAN nations, Japan is in FTA negotiations with South Korea and hopes to reach a final deal by the end of this year. In April, Japan is also to formally launch FTA negotiations with the entire ASEAN grouping. It hopes to reach a final deal by 2012. China had a head start over Japan in strengthening ties with ASEAN. China agreed with the 10-nation grouping on opening FTA negotiations in 2002, a year earlier than Japan did. China has set 2010 as its conclusion target. In 2003, China signed ASEAN's 1976 Treaty of Amity and Cooperation, a few months before Japan did. Japan and China turned to ASEAN as a group and to individual ASEAN nations as stronger economic and political partners a few years ago, ASEAN has been able to play the two biggest East Asian powers off against each other. Yet, some ASEAN nations, most notably Indonesia, are less than enthusiastic about transforming the ASEAN plus Three framework into an East Asian Community. That's because they fear ASEAN might take a back seat to the "plus Three" - Japan, China and South Korea. Together, the three produce about 90 percent of the region's total gross domestic product, or GDP. ASEAN members fear not only being overshadowed by that figure but also being marginalized and inevitably without leverage or even a voice. Indonesia, ASEAN's most populous country, with about 200 million people, has acted as the region's leader since the group's inception nearly four decades ago. The question of whether and how Taiwan -- the prospering, democratic arch-foe of communist-ruled mainland China -- will be included in the proposed East Asian Community or at least in the possible future region-wide FTAs will have to be answered. Beijing, which regards Taiwan as a renegade province, has threatened to use military force, if necessary, to reunify the island with the mainland. If the East Asian Economic Community is created in the first significant stage of a community building process, it may be with a Taiwan that is considered nothing more than an economic entity, as is the case with the Asia-Pacific Economic Cooperation (APEC) forum.

Growing wariness in the U.S. of being excluded

Wu Jianmin, President of China Foreign Affairs University, said in an interview with the People's Daily, the Chinese government-run newspaper, in October that East Asia is a consumer market with huge potential because it has a population of about 2 billion, one-third of the world's total. He also noted the region's combined GDP accounts for about 20 percent of the world's total, that foreign exchange reserves held by the countries in the region make up about half of the world's total and that East Asia is the world's fastest-growing region. Wu said in the online edition of the newspaper, "These economic factors make the importance of the East Asian region prominent worldwide. Strengthening East Asian cooperation is not only advantageous to countries in the region but also conducive to world peace and prosperity." Wu, a former Chinese ambassador to France, also said, "The U.S. is fully aware of these positive factors. Its attitude toward establishing an East Asian Community has a big change from previous opposition." But

Wu seems too optimistic.

Indeed, these days there is a growing cacophony of alarm bells in the U.S. about the embryonic East Asian Community, which some American and other experts see as a development that would lead to the formation of a regional trade bloc that not only excludes the U.S. but also could reduce and even challenge U.S. influence in the region under the domination of China, a fast-ascending economic, political and military power with the world's largest population of 1.3 billion. There are some critics of the proposed East Asian Community in Japan as well, many of them nationalists. They share fears that such a regional community could fall under the sway of China, which they see as posing the biggest potential economic and security threats to Japan. Nationalistic and hostile sentiments are growing in both Japan and China against each other amid soured bilateral political ties. The perception of China as a country posing the biggest potential threat to regional security is also shared by many people in ASEAN nations, despite China's aggressive peace offensive in recent years.

Until now, U.S. administration officials have not made clear their opposition to the proposed East Asian Community, with the rare exception of Mitchell B. Reiss, Director of Policy Planning at the State Department who holds a rank equivalent to Assistant Secretary of State. Reiss was in Tokyo in late November immediately after the Vientiane agreement. In a lecture, he expressed concern about the creation of a forum for dialogue and cooperation that excludes the U.S. and said he will carefully watch how the summit goes off. He also made clear that his remarks are based on his personal views and do not represent the official stance of the Bush administration. The rapidly advancing dynamics in East Asia have so far flown under the Bush administration's radar. But the remarks by Reiss were interpreted by some in Japan as a sign that the Bush administration will begin to put the issue on its policy agenda during its second term.

James F. Hoge Jr., Editor of Foreign Affairs, is among a growing army of American opinion leaders sounding alarm bells about U.S. policy in Asia. In an article titled "A Global Power Shift in the Making," Hoge notes that the transfer of power from West to East is gathering pace and soon will dramatically change the context for dealing with international challenges -- as well as the challenges themselves. "Many in the West are already aware of Asia's growing strength. This awareness, however, has not yet been translated into preparedness," he said. Washington must take heed, Hoge intoned, warning that with Asia rising fast, its growing economic power is translating into political and military strength. Americans, he concluded, "risk being left out of future trade arrangements" in the region unless they adapt.

Bernard K. Gordon, professor emeritus at the University of New Hampshire, said in a commentary published by the Wall Street Journal (online edition) that in past years, the concept of an Asian Economic Community had little rationale in the region's economy. It lacked a heavyweight other than Japan, which was not much interested, and its interactions were mainly with the U.S. None of that now applies, and an "East Asian Economic Community" is now

pressed not only by relatively small states, but more importantly by China, South Korea and in different ways by Japan, too, he said. The agreement to hold the first East Asia Summit and other developments "reflect and promote a world of several trade regions, with ultimately political and strategic overtones," Gordon said, adding the U.S. needs to "slow a movement surely counter to American interests." Gordon said the Bush administration should shift the focus of its trade policy away from promoting FTAs, mainly with countries outside of Asia, to promoting multilateral free trade through the World Trade Organization. The Doha round of trade liberalization negotiations, launched in late 2001 under the aegis of the Geneva-based trade watchdog, remains virtually stalled due to sharp differences among the more than 140 WTO members, a major factor inspiring moves toward bilateral or regional FTAs.

Max Baucus, U.S. Democratic Senator from Montana and Ranking Member of the influential U.S. Senate Finance Committee, which also deals with trade matters, took the Bush administration to task for having so far failed to pay enough attention to the rapid advance of regional economic integration in East Asia. According to a news letter issued by Japan External Trade Organization, or JETRO, Baucus said in a lecture at the JETRO-sponsored symposium in Washington in early December that if the U.S. cannot benefit from the growth in East Asian markets, especially China, as a result of the continued U.S. indifference to the ongoing regional economic integration, it will suffer in the form of lost profits for American companies and lost jobs back at home. Baucus warned that the U.S. could suffer a trade crisis that would hit the American psyche as hard as the Soviets hit it in 1957 with the launch of Sputnik, the world's first artificial satellite. Baucus contributed an article written to the same effect and titled "America must not leave Asia in a trade blind spot" to the Dec.13 edition of the Financial Times.

The center of gravity is apparently shifting from Japan, the region's hitherto unrivaled economic power, to China, which is already ranked as the world's seventh-largest economy in terms of GDP. China is estimated to have superceded Japan as the world's third largest trading nation, after the U.S. and Germany, in 2004. Kurt Cambell, a former deputy assistant secretary of defense, is also concerned with the developments and their repercussions on the U.S. Cambell reportedly said, "Multilateral regional formations are proliferating with China ... as the hub, sometimes without America even in attendance." Hoge, the Foreign Affairs editor, also said that Asian nations are steadily integrating their economies into a large web through trade and investment treaties. "Unlike in the past, however, China -- not Japan or the United States -- is at the hub," he said.

China's dominance and loss of U.S. influence?

But concerns among American foreign policy and trade experts over a likely exclusion of the U.S. from the proposed East Asian Community are not limited to trade and economic aspects. They extend to strategic implications of a regional community, possibly dominated by China, for U.S. influence in the region. Chao Chien-min, a China watcher and political science professor at

Taiwan's National Chengchi University, was quoted in the online edition of the Wall Street Journal in late November as saying, "China is using its huge market as a bait to lure ASEAN countries away from the U.S. and Japan and build close relations. I think what Beijing has in mind is to forge good economic and trade relations now and then increase exchanges in other areas, particularly in the military and security arena." Chao's view seems to be shared by many American scholars, including Francis Fukuyama, professor of international political economy at John Hopkins University, who, according to the conservative Japanese daily Sankei Shimbun, said at a seminar in Washington in early December that creating an East Asian community that covers security while excluding the U.S. would be detrimental to Asian security and that China is hiding its expansionist ambitions by just parroting the economic significance of regional community building. Regardless of whether China harbors any hegemonistic ambitions in the region, as many experts believe, however, it seems to be true that the Communist-ruled country is seeking a more economically prosperous and politically powerful East Asia that could help create a multipolar international geopolitical landscape to replace the unipolar one dominated by the U.S. According to the Sankei Shimbun, Edward J. Lincoln, a senior fellow at the Council on Foreign Relations, said during recent panel discussions in Washington that if the proposed East Asian Community moves in the exclusionary direction, then the U.S. would not be able to sit idly by because any such move would have adverse effects on peace and security in the region.

James J. Przystup, professor at National Defense University, said in an interview published by the January 2005 edition of Gaiko Forum, a monthly magazine supported by Japan's Foreign Ministry, said the U.S. strategy in the Asia-Pacific is based on fostering "open regionalism" that includes the U.S. and free trade as well as the security framework with the Japan-U.S. security alliance as a main pillar. Przystup stressed the importance of Asia-Pacific Economic Cooperation (APEC), a forum made up of 21 Pacific Rim economies, including the U.S. The U.S. has ensured peace and prosperity in the Asia-Pacific. Therefore, the U.S. would strongly oppose any new move based on Asianism to exclude the U.S., he said in the Japanese-language version of the magazine. Przystup added that the U.S. has vehemently objected to similar moves in the past, like the Great East Asia Co-prosperity Sphere, which was led by Japan before and during World War II, and more recently the East Asia Economic Caucus proposed by then Malaysian Prime Minister Mahathir Mohamad in the early 1990s.

At the time, some wags called EAEC a "caucus without Caucasians." The EAEC proposal failed to materialize because of vehement U.S. opposition and because Japan balked at throwing its support behind the Malaysian initiative out of political consideration to Washington. Mahathir, who ruled the predominantly Muslim country for more than two decades, is widely known for often making fiery anti-American remarks. He is a high-profile critic of the U.S. war in Afghanistan and Iraq. Under Mahathir, Malaysia strenuously pursued pan-Asianism. East Asia-Latin America Forum, or EALAF, was established in the late 1990s as a loose grouping of Asian and Latin American countries. EALAF was renamed Forum for East Asia-Latin America Cooperation, or FEALAC, only a few years later after Malaysia insisted on such a name change,

claiming that Australia and New Zealand are not part of East Asia and that they have been allowed in the grouping only as members who can contribute to promoting cooperation across the Pacific. When the Asia-Europe Meeting, or ASEM, was inaugurated in 1996 as a dialogue forum between Asian and European countries, Japan's strenuous lobbying for inclusion of the two Oceanic countries failed due to objections among other Asian countries, including Malaysia. Mahathir stepped down as Malaysian premier in October 2003, and his confidant Abdullah Ahmad Badawi followed in his footsteps. Despite the change of government leaders, however, Malaysia remains keen on pushing an Asia-only grouping -- and naturally the East Asian Community proposal.

Is the EAEC proposal dead? Nominally, yes. But practically the Malaysian initiative has been resuscitated with a new name -- ASEAN plus Three. Many people in Asia may ask a simple question: Why does the U.S. say no to an Asia-only grouping of any kind despite itself nestling in a regional grouping like the North American Free Trade Agreement, or NAFTA? In addition, many people in Asia may argue that even if the U.S. is growing increasingly wary of the proposed East Asian Community, it shot itself in the foot. That's because the process of promoting regional economic integration through the ASEAN plus Three framework was necessitated and driven by what they perceived as a slow and lukewarm U.S. response to the 1997-1998 Asian currency and financial crisis, which wreaked havoc on the economies of many countries in the region. Japan played a leading role in salvaging the crisis-hit Asian economies through the \$30 billion financing plan dubbed "New Miyazawa Initiative." In the initial stage of the Asian crisis, China also won acclaim from other Asian countries for resisting pressure to devalue its currency - the yuan. Japan saw its initiative for the Asian Monetary Fund botched due to objections not only from the U.S. but also from China, which feared Japan's increased influence in the region at the time. Primarily through the ASEAN plus Three, Asian countries have expanded and deepened cooperation, especially in the currency and finance areas, including spreading a web of bilateral currency swap agreements under the May 2000 Chiang Mai Initiative and fostering Asian bond markets under the Asian Bond Market Initiative. Surprisingly, now China is eager to discuss setting up the Asian Monetary Fund.

Although Przystup did not refer to in the interview, the previous U.S. administration of Bill Clinton put strong pressure on Asian governments and successfully thwarted the Japanese initiative for the Asian Monetary Fund, the regional version of the International Monetary fund, during the 1997-1998 Asian currency and financial crisis. Przystup said that the ASEAN plus Three framework should be "ASEAN plus Four" and include the U.S. under normal conditions. Many of the 10 ASEAN member nations want to ensure their stability and prosperity under the current strategic framework (without seeing a greater influence of China). Therefore, Japan and the U.S. should take the leadership in pushing the region in that direction, he said.

lingering Japan-China rivalry

Some experts point out that until recently the U.S. has adopted a wait-and-see attitude toward the burgeoning idea of an East Asian Community, partly because it sees no chance of any such idea becoming a reality due to traditional rivalry and animosity between the region's two biggest powers - Japan and China. Uneasy Sino-Japanese relations have often been strained by disputes stemming from Japan's past aggression in mainland China. Bilateral political ties are now at one of the lowest points because of Prime Minister Junichiro Koizumi's repeated visits to Yasukuni Shrine, where some World War II Class-A war criminals, including Gen. Hideki Tojo, also a prime minister, are enshrined along with the nation's 2.4 million war dead. Beijing regards the shrine as a symbol of Japan's past militarism. The long-standing territorial fracas over the Senkaku Islands -- or the Diaoyu Islands in Chinese -- in the East China Sea is also simmering again. For ASEAN, too, stable relations between its two northern giants is favorable because "if two elephants run amok, grass will be trampled down," as some ASEAN officials once put it.

To be sure, there are some strong political winds blowing through the East Asian Community these days. But this does not mean the prospects for a true reconciliation between Japan and China -- widely believed to be a precondition for the success of the grandiose community-building project -- have brightened. Hoge noted that Asia's rise is just beginning and that if the big regional powers can remain stable while improving their policies, rapid growth could continue for decades. "Robust success, however, is inevitably accompanied by various stresses." Hoge said that the first and foremost of these will be relations among the region's major players, especially Japan and China. "China and Japan have never been powerful at the same time: for centuries, China was strong while Japan was impoverished, whereas for most of the last 200 years, Japan has been powerful and China weak. Having both powerful in the same era will be an unprecedented challenge," he said.

Asked about the kind of hurdles that stand in the way of East Asian Community progress in the interview with the People's Daily, China Foreign Affairs University's Wu said some people believe that the current standstill of Sino-Japanese relations would prove harmful. According to Wu, some delegates to the annual meeting of the Network of East Asian Think-tanks, or NEAT, in Thailand last summer pointed out China and Japan can draw lessons from the experience of Europe in improving bilateral relations. "France and Germany had had a hostile relationship for one thousand years or so. However, the two countries eventually became reconciled through bilateral cooperation and multilateral mechanisms after WWII," Wu said. "Solving bilateral problems through multilateral mechanisms is an experience worth study by both China and Japan."

Although Japanese government officials refrain from acknowledging their concerns about possible Chinese dominance of the proposed East Asian Community, at least in public, they apparently do not want to see that actually happen. And they have taken the thinly veiled gambits to gain the upper hand in vying for the leadership role during the community-building process. In a policy speech in Singapore in January 2002, Prime Minister Koizumi proposed an

"expanded East Asian Community," which he said should include Australia and New Zealand. This proposal was seen by some partly as the result of political consideration to Washington and also partly as an euphemistic expression of Japan's desire to see any regional community built on democratic principles. Koizumi invited ASEAN leaders to Tokyo at the end of 2003 for the first-ever Japan-ASEAN summit held outside ASEAN nations. While agreeing to promote the East Asian Community proposal, the Japanese and ASEAN leaders said in the Tokyo Declaration that potential community members should share such values and principles as "the rule of law," "human rights protection" and "democracy."

As the Japanese business daily Nihon Keizai Shimbun pointed out in an editorial on Jan. 4, the proposed East Asian Community should be promoted while keeping it open to major powers outside of the region, like the U.S., Russia and India, as a counterbalance to the unmatched overall power of China in the region. APEC, which includes such powers as the U.S. and Russia as well as Australia and New Zealand, may be one of the best available mechanisms for forging some kind of link between the proposed East Asian Community and the outside world.

Japan's strategy and unique role in Asia

As things stand now, the momentum toward creating an East Asian Community seems all but irreversible. So, the Bush administration should take a pragmatic approach to ensure its economic and strategic interests in the region, instead of using tough rhetoric. The U.S. has a reliable and credible ally in Asia -- Japan. Instead of putting pressure on Japan to either backpedal on or withdraw from the long and arduous community-building process, the U.S. should engage in close policy coordination with Japan. An East Asian Community dominated by China would spell the loss of U.S. influence in the region -- something both Tokyo and Washington never want to see. Faced with an ascendant China, lingering tensions across the Taiwan Strait and a possibly nuclear-armed North Korea, Japan is feeling as insecure as ever. Japan and the U.S. are now moving to strengthen security and defense ties based on the bilateral security treaty, including the development and deployment of a missile-defense system to counter the threats of missile attacks from North Korea, which has deployed an estimated 200 or so Rodong missiles capable of striking almost all of Japanese territory. They are expected to reach an agreement later this year on the realignment of U.S. military bases in Japan. Koizumi has advocated maintaining the U.S. deterrent along with easing the burden on Japanese locals living near American bases, especially on the island of Okinawa, as two basic principles for the negotiations. The U.S. is reviewing the role of these bases as part of its military's worldwide "transformation." The role the U.S. expects Japan to play will be that of a "power projection hub" to ensure stability in an "arc of instability," an area stretching from Northeast Asia to the Middle East via Southeast and South Asia. China is already alarmed by the U.S. military transformation now under way. As Foreign Affairs Editor Hoge and many other experts point out, there are suspicions in China about real U.S. motives for the sweeping overhaul of the military's global posture. "The ostensible rationale for these (American) bases is the war on

terrorism," Hoge said. "But Chinese analysts suspect that the unannounced intention behind these new U.S. positions, particularly coupled with Washington's newly intensified military cooperation with India, is the soft containment of China."

From now on, behind-the-scenes political maneuvering involving Japan, the U.S., China and ASEAN will very likely to be played out over the proposed East Asian Community. Japan may have a policy option to become Asia's Britain -- and not Asia's Germany. Britain is a key member of the European Union, although it has so far shied away from introducing the single EU currency -- the euro. Britain, particularly under current Prime Minister Tony Blair, has solidified its military alliance with the U.S. by joining the U.S. war in Iraq, creating deep schisms within the European Union. France and Germany have harshly criticized the Bush administration's launch of the Iraq War, severely straining trans-Atlantic relations. Bush is to visit Europe in February, a trip widely seen as the first of his serious attempts to mend fences with French, German and other European leaders critical of his policies. Britain has long professed the unique role it plays, that of a trans-Atlantic bridge between European democracies and the U.S. Japan may need to act as a trans-Pacific bridge to ensure that a future East Asian Community will be open, friendly and cooperative to the U.S. But a big challenge lies ahead for Japan before taking on that role. Japan needs to pursue a strengthened alliance with the U.S. and promote the East Asian Community simultaneously and make each compatible with the other.

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