

February 26, 2005

East Asia Community and the United States

By MATSUDA Iwao

While it is fashionable to talk about an emerging East Asia Community, the biggest problem seems to me that we don't know what it will look like. There is no commonly shared definition of "an East Asia Community". Is it going to look like the European Community? Or is it going to follow the NAFTA model? We don't know yet.

All we can say is that East Asian countries are in a process to deepen the regional cooperation. The East Asian Community at this point is a dynamic political and economic cooperation process rather than building an institution. Why then, does the vision of an East Asia community capture the minds of so many political and intellectual leaders in the region?

East Asia is going through historic geopolitical changes due to the rise of China. The surge of political interest in the vision of "an East Asian community" suggests that the region is in search of a new order to accommodate China's growing power and influence and to maintain regional peace and stability. It is not an easy enterprise. Asian countries suffer from domestic political difficulties in economic liberalization, large gaps in developmental stages among regional economies, and mutual distrust and historical antagonism between Japan and China. Despite these difficulties, however, there is a growing consensus that, eventually, East Asian countries will come up with some form of a regional community.

Although the U.S. position on Asian regional forums that do not include herself had been strongly negative, but it recently became more neutral under the current Administration. It has struck a markedly different note by encouraging liberalization at all levels; bilateral, regional and global. More fundamentally, however, Washington should have more reasons to be positive in embracing regional forums even if the United States is not formally a member, because such forums would still serve US interests by making an East Asia more mature and integrated. I would like to point out following three aspects:

First of all, East Asian economic integration will help reduce regional tension and lighten America's security burden in the region. Economic integration will engage regional powers in stable regional interdependence where one's prosperity is in the interest of others, and make them more predictable and reliable to each other. Besides, successful economic development of less-developed countries in Asia through integration in regional economic dynamism will considerably enhance political

stability by, for example, reducing the possibility of making these countries hotbeds of terrorism.

Secondly, various functional cooperation emerged in ASEAN+3 framework such as cooperation on non-traditional security, environment, natural disasters, infection diseases etc. would enhance an own regional collective capability to deal with region-oriented issues. These bundles of functional cooperation would promote regional cohesiveness and stability which would also serve the interest of the United States.

Thirdly, Japan's future economic prospects substantially depend on its capability to benefit from East Asian economic dynamism. It is in the interest of the United States to encourage Japan, its primary ally in the region, to proactively take up competitive challenges from Asia and to promote reform of its economic structure so that it can turn Asian challenges into new opportunities. The experience of FTA negotiations, if not alone, has certainly affected Japan's agricultural policymakers; they are considering the direct income support so that Japanese farmers do not need to rely on tariff protection.

Furthermore, if Japan becomes more open, embedded, and trusted in the region, it can be a more effective and valuable U.S. ally. Acknowledging and encouraging Japan's leadership in the region does not mean reducing U.S. power and influence in the region. Rather, it will enhance the effectiveness of U.S. alliances in dealing with diverse threats and uncertainties in post-Cold War Asia.

The process of exploring an East Asia Community is a force for positive changes.

Once Washington gains greater confidence about East Asian regional integration, the United States can also take several steps to promote both its interests and healthy developments in Asia.

The first is to exercise leadership in strengthening global institutions. As the only global economic superpower, many hope that the United States will lead the world in completing the Doha WTO Agenda and will refrain from resorting to protectionist measures in its own trade policy. I should add that Japan should also play a significant role in this regard. The United States can also lead efforts to strengthen international policy coordination with Beijing that China's increasing significance in the global economy warrants.

The second is to manage key bilateral relations in East Asia with constant attention. Stable U.S. relations with regional powers are crucial to increasing its awareness of the region's concerns and priorities and to fostering broad understanding within the United States that Asian integration can help promote U.S. interests.

Third, Washington can support building blocks of regional integration that can serve as a model of advanced rules beyond the WTO and reliable implementation on which to build larger institutions.

East Asian countries do not have a consensus on the right sequence of FTA developments. In order to achieve a better region-wide framework, countries with longer experience of a market economy and stronger institutions should be encouraged to take the lead in developing the contents of regional frameworks. At the same time, FTAs with ASEAN members should be used to encourage integration within ASEAN. The U.S. can make a unique contribution by negotiating high standards in its own bilateral FTAs with Asian economies, as it has already done with Singapore, and developing innovative rules that can in turn be adopted by other countries. In this context, I would like to propose that Japan and the United States should seriously consider a bilateral FTA to set the standard for a high-level FTA that can be a building block for not only East Asian integration but also global integration. A Japan-US FTA would also signal that East Asian integration will not lead to an East Asian fortress.

As Asia tries to make an adjustment to a rising China, an active U.S. support for improving global and regional institutions, promoting Asian development and fostering Asian regional cooperation would enhance its influence in the region and elsewhere. Seen in this light, the rise of China and the trend toward intra-regional economic integration in Asia are opportunities, not threats, for the United States and Japan.

(This is the text of a statement delivered by Mr. MATSUDA Iwao, Member of the House of Councilors, at the Asia Pacific Agenda Project (APAP) Tokyo Forum on February 26, 2005.)