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**Asia-Pacific vs. East Asian Economic Cooperation:
Issues, Perspectives and Prospects**

Purpose: Information

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Inspired by the competitive challenge (especially for Japan) arising from the economic integration taking place in Western Europe, in 1965 Japanese professor Kiyoshi Kojima and his colleague Hiroshi Kurimoto encouraged by Saburo Okita to make the first Pacific Free Trade Area (PAFTA) proposal. Although the establishment of PAFTA failed to occur, the post-War Pacific cooperation movement was launched. Since then, the Pacific Basin Economic Council (PBEC), intellectually the Pacific and Trade Development (PAFTAD) conference, and the tripartite grouping of the Pacific Economic Cooperation Council (PECC) has been created subsequently to promote Pacific regional economic cooperation. In 1989, the first intergovernmental economic cooperation forum in the Pacific region, Asia-Pacific Economic Cooperation (APEC), was established. In 1993, APEC launched its first informal economic leaders' summit and has successfully put itself under the spotlight. Today APEC has 21 member economies and accounts for nearly 60% of world economic output and almost half of the world trade.

In spite of having APEC, the Asia-Pacific region for many is still regarded as a region without regionalism. Although APEC is a government officials' gathering, APEC's cooperation has no comparison with such institutional arrangements as the EU, NAFTA and MERCOSUR, which have formal and institutionalized mechanism for regional cooperation. Yet, as the Asia-Pacific regionalism is still vague, the Asian governments indeed have embarked on "institutional" cooperation or integration in a variety of forms to support market-driven economic integration owing to such major factors as the 1997 Asian financial crisis, the success of NAFTA, the expansion of the EU, the gridlock in WTO talks, deepening of economic interdependence, and the rise of China. In particular, emerging East Asian regionalism based on institutional economic integration like "ASEAN plus X FTAs (such as ASEAN+1 and ASEAN+3)" has drawn a lot of attention since the late 1990s. Against the background, various concerns about the relationship between Asia-Pacific and East Asian economic cooperation have increasingly come up.

The impacts that might be generated by the rise of East Asian economic cooperation are not only static, economic, and domestic, but also dynamic, political, and global. In particular, given overlapping members and geographic areas between Asia-Pacific and East Asian economic cooperation, increasing issues, concerns, and perspectives have revolved around the following poles.

Competitive or Complementary

Assuming East Asian economic cooperation among governments does continue to move forward, even at a modest pace, it raises the issue of what emerging East Asian architectures and policy initiatives will mean for the existing trans-Pacific architectures for policy dialogue and initiative, particularly APEC (Drysdale, 2005, p. 14; Capie, 2004, p. 161). From the perspective of achieving the objective of free and open trade and investment, ongoing East Asian economic cooperation could either complement or conflict with APEC's Bogor Goals, depending on the circumstances. In theory, if FTAs in East Asia are consistent with WTO rules, the objectives of the Bogor Goals, and the principle of open accession, East Asian economic cooperation can be the building block for APEC's Bogor Goals.

None the less, increasing institutional cooperation embarked by East Asian government may conflict with APEC's goal of open regionalism in some sense. Particularly, inconsistent regulations in increasing FTAs associated with labors, environments, trade in services, and technical barriers, may contribute to so-called "spaghetti bowl effect" (Bhagwati, 1995), which in turn would generate barriers in achieving the Bogor Goals (Park, 2005). As Asian countries have strived for constructing another regional cooperation mechanism, including ASEAN + X FTAs and East Asia Summit, some are concerned about the potential rivalry between East Asia and Asia-Pacific regions.

The Role of the US

Traditionally the US policy towards Asia is mainly based on bilateral approaches; however, this doesn't mean that the US doesn't care any development or formation of regional architectures in East Asia or Asia Pacific. In 1990, the US ever strongly opposed the proposal for an East Asian Economic Group (EAEG) that excludes the US initiated by Malaysia. On the other hand, the US considered APEC as a platform linking its Asian allies and attempted to treat APEC as a potential organization for regional security as APEC developed rapidly in the early 1990s (Lasater, 1996, pp. 14-16). During the 1997-98 Asian financial crisis, the US firmly vetoed the idea of the Asian Monetary Fund (AMF), mooted by some in Japan and the region.

The response from the US to East Asian economic cooperation or institutions has been mixed and changed over time (Tay, 2005). As Cossa points out, for a considerable time it seemed that the US did not pay much attention to East Asian economic cooperation, emerging regionalism, or its exclusion (Cossa, 2005). Some thus argue that the US has taken a position of benign neglect (Capie, 2004, p. 160). Yet, more recent soundings from some in the US begin to question or wary of its exclusion from the EAS and potential regional architectures. The following scenarios are particularly of concern to the US: an East Asian regional architecture to be emerging in opposition to the US or to the APEC process; the regional cooperation scheme seems to be dominated by a single country, potentially building a competitor to the US; East Asian economic cooperation becomes inward-looking or discriminatory toward outsiders (Borthwick, 2005a, pp. 105-06). Certainly, it is still difficult to discuss US attitude toward an East Asian community that has yet to be defined. But, who remains in the driver's seat and how an East Asian community relates to the region's other multilateral organizations and initiatives like the ARF and APEC will also be a key factor affecting Washington's attitude. In other words, the future of East Asian cooperation and architecture doesn't lie exclusively within Asian hands. Given the role of the US in the region, what it does and how it responds are important and critical to the evolving regional cooperation (Tay, 2005, p. 24). Or, as Capie (2004, p. 159) argues, "Washington's attitude to proposals for any East Asian regional institution will be critical in determining their prospects."

Prospects of an East Asian Community

It seems clear that East Asian governments are heading steadily if slowly toward the creation of an East Asia FTA as well as a regional community, i.e., East Asian Community. But, a number of significant obstacles as well as challenges in the way of achieving East Asian Community have been identified. Among others, the extraordinary diversity of the region could be first and foremost a potential obstacle. Given the diversity, the cultural, linguistic, political divisions as well as economic disparity run through East Asia and in turn increase the difficulty of building a sense of community. And, in fact, the sense of building an East Asian Community has existed almost exclusively at the elite level, as Capie (2004, p. 158) observes.

In addition, conflicting interests among East Asian countries could constrain the extent to which cooperation take place. For instance, industrialized or rich economies may not share the same ideas in trade/investment liberalization and financial/monetary cooperation as developing or poor economies perceive.

As a consequence, bilateral arrangements like FTAs or EPAs seem to be a preference for East Asian governments. Yet, some like Stubbs (2002) worries about the possibility that they may divert governments from the task of developing the East Asian Community.

Nevertheless, those challenges have yet to derail the rise of East Asian economic cooperation. The process has gained a momentum that East Asian countries find it hard to resist. In other words, progress towards East Asian Community would be evolutionary rather than revolutionary. In short, the final configuration really depends on the evolutionary process. It may end up with a combination of bilateral agreements and sub-regional arrangements.

The Future of APEC

APEC's future development has been concerned by member economies in different contexts since its inception. The recent emergence of East Asian economic cooperation further raises the issue by worrying about the role of APEC. In particular, with the creation of the East Asian Summit in 2005, APEC members are increasingly concerned about the future role of APEC.

None the less, from some perspectives, the development of East Asian economic cooperation is like a two edged sword that can either harm or empower APEC. Some still believe that as the solely official Asia-Pacific cooperative mechanism, APEC still has its comparative advantages and attractions regardless of its many problems waiting to be resolved (Capie, 2004, pp. 164-165). For example, APEC has the competency to deal with various regional issues (such as trade facilitation, economic and technical cooperation, and human security) that are beyond the mandate of single-purpose institutions. Second, APEC is able to conduct timely and high-level policy dialogue and coordination. Besides, APEC is unique, active, and experienced to integrate the private sector into intergovernmental cooperation. Similar perspectives thus believe that APEC has a special place among regional fora and any East Asian regional architecture won't replace APEC in the foreseen future. Even so, to some extent the future of APEC also depends on strong leadership of the US given the significant role of the US in both East Asian and Asia-Pacific regions.

In conclusion, it may be too early to know for sure how emerging East Asian economic cooperation will be regionally institutionalized and how existing trans-Pacific architectures for economic cooperation will respond. However, the relationship of Asia-Pacific versus East Asian economic cooperation would greatly depend on the development of four issues investigated in this paper. Based on those relevant perspectives, some prospects could also be preliminarily made. First, East Asian economic cooperation could either complement or conflict with current Asia-Pacific economic cooperation based on open regionalism, depending on the circumstances. Once East Asian economic arrangements evolve into a regional architecture designed merely for Asians, taken in conjunction with the evolution of the Free Trade Area of Americas (FTAA), a fundamental split and rivalry between East Asia and the American rim of the Pacific would likely to take place. Second, given the role of the US in both regions, what it does and how it responds are important and critical to the evolving regional cooperation. In particular, as the US began to question or wary of its exclusion from the EAS and potential East Asian regional architectures, Washington's attitude and related policies will be critical in determining their prospects of both regions. Third, it is clear that there are still sets of interrelated challenges and obstacles in building a sense of community in East Asia and on the road towards East Asian Community. In other words, progress towards East Asian Community would be evolutionary rather than revolutionary. The final configuration really depends on the evolutionary process. It may end up with something other than East Asian Community. But, that would accordingly determine the relationship with Asia-Pacific economic cooperation. Last but the least, the development of East Asian economic cooperation can either harm or empower APEC. Based on its uniqueness and comparative advantages, APEC could further consolidate its niches and significance as a regional architecture by reforming or reconfiguring itself. As a result, it is indeed a great opportunity for APEC to rethink and redefine its role and status in the Asia-

Pacific region. How APEC transforming itself would in turn affect the development of East Asian economic cooperation as well.

Anyhow, regional economic cooperation in the Asia Pacific has developed its own platform and East Asia is making toward construction of a functional regional economic zone. All in all, it would be in both regions' interest to complement with each other rather than conflicting or excluding mutually. In so doing, it would be very urgent and critical to initiate efforts to properly embed the emerging East Asian process into broader Asia Pacific and even global contexts (Bergsten, 2005, p. 9). Yet, this would be difficult to occur until regional powers come to terms.

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Asia-Pacific vs. East Asian Economic Cooperation: Issues, Perspectives, and Prospects

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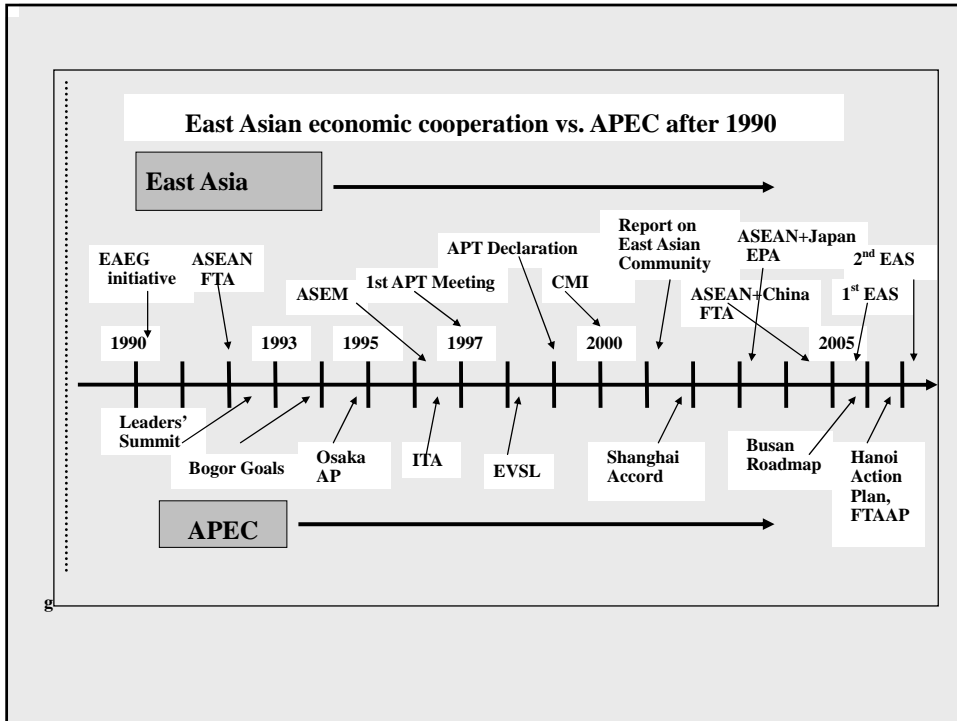
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Introduction

- Asia-Pacific economic cooperation began in 1960s: PAFTAD, PBEC, PECC, APEC
- Asian governments have embarked on “institutional” cooperation or integration since 1990s.

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- Various concerns about the relationship between Asia-Pacific and East Asian economic cooperation
 - This presentation aims to explore their relationship by identifying some critical issues and perspectives in this regard.
 - Based on that, hope to provide future prospects in the conclusion.
- VISION
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Asia-Pacific vs. East Asian Economic Cooperation: **Issues and Perspectives**

- Given overlapping members and geographic areas between Asia-Pacific and East Asian economic cooperation, increasing issues, concerns, and perspectives have revolved **around the following poles:**
 1. **Competitive or Complementary**
 2. **The Role of the US**
 3. **Prospects of an East Asian Community**
 4. **The Future of APEC**

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1. Competitive or Complementary

- This could be addressed by different perspectives.
- Consistent with WTO rules, the objectives of the Bogor Goals, and the principle of open accession → complementary
- Inconsistent regulations in FTAs, “spaghetti bowl effect,” some FTAs later than the deadline set by the Bogor Goals → stumbling blocs

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- Concerned about the potential rivalry between East Asia and Asia-Pacific regions—a line down the middle of the Pacific
- Ongoing East Asian economic cooperation could either complement or conflict with APEC's Bogor Goals, depending on the circumstances.

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2. The Role of the US

- Although traditionally the US policy towards Asia is mainly based on bilateral approaches, US is concerned about regional architectures in East Asia or Asia Pacific.
 - Ever strongly opposed the proposal for an East Asian Economic Group (EAEG)
 - Considered APEC as a platform linking its Asian allies in the early 1990s
 - US firmly vetoed the idea of the Asian Monetary Fund (AMF)
- In the beginning, the US took a position of **benign neglect** toward East Asian economic cooperation or institutions.

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- Yet, more recent soundings from some in the US begin to question or wary of its exclusion from the EAS and potential regional architectures.
- The following scenarios are particularly of concern to the US (Borthwick, 2005a, pp. 105-06):
 - an East Asian regional architecture to be emerging in opposition to the US or to the APEC process;
 - the regional cooperation scheme seems to be dominated by a single country, potentially building a competitor to the US;
 - East Asian economic cooperation becomes inward-looking or discriminatory toward outsiders.

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- To counter proliferating FTAs in East Asia, recently the US has tried to invigorate APEC and even proposed to transform APEC into a free trade area of Asia Pacific (FTAAP).
- As many argue, Washington's attitude to proposals for any East Asian regional institution will be critical in determining their prospects.

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3. Prospects of an East Asian Community

- East Asian governments are heading steadily if slowly toward the creation of an East Asia FTA as well as East Asian Community.
- A number of significant obstacles as well as challenges in the way of achieving East Asian Community have been identified.
- **pronounced diversity**, the sense of building an East Asian Community existed almost exclusively at the elite level.
- **conflicting interests** among East Asian countries could constrain the extent to which cooperation take place.

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- As a consequence, **bilateral arrangements** like FTAs or EPAs seem to be a preference for East Asian governments thus far.
- Nevertheless, those challenges have yet to derail the rise of East Asian economic cooperation.
- It will take considerable time. The eventual entity may not be formally called an 'East Asian Community.' It may end up with a combination of bilateral agreements and sub-regional arrangements.
- The final configuration really depends on the evolutionary process.

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The Future of APEC

- APEC's future development has been concerned by member economies since its inception. The recent emergence of East Asian economic cooperation further raises the issue by worrying about the role of APEC.
- Some still believe that as the solely official Asia-Pacific cooperative mechanism, APEC still has its comparative advantages and attractions, such as
 - APEC has the competency to deal with various regional issues.
 - APEC is able to conduct timely and high-level policy dialogue and coordination.
 - APEC is unique, active, and experienced to integrate the private sector.

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- Even so, to some extent the future of APEC also depends on strong leadership of the US given the significant role of the US in both East Asian and Asia-Pacific regions.
- The development of East Asian economic cooperation is like a two edged sword that can either harm or empower APEC.

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Conclusion and Prospects

- In conclusion, it may be too early to know for sure how emerging East Asian economic cooperation will be regionally institutionalized and how existing trans-Pacific architectures for economic cooperation will respond.
- However, the relationship of Asia-Pacific versus East Asian economic cooperation would greatly depend on the development of four issues investigated above.

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- Anyhow, regional economic cooperation in the Asia Pacific has developed its own platform and East Asia is making toward construction of a functional regional economic zone.
- All in all, it would be in both regions' interest to complement with each other rather than conflicting or excluding mutually.
- In so doing, it would be very urgent and critical to initiate efforts to properly embed the emerging East Asian process into broader Asia Pacific and even global contexts.

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Thanks!

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