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ASEAN Plus Three & Alternative Institutional Visions of Economic Co-operation:

Implications for APEC

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Introduction

In discussing the possible focus of this paper and how it might fit into the rest of the APIAN session, Richard Feinberg strongly suggested that I should include the word “institutional” in the title to highlight an emphasis on the precise institutional arrangements within the ASEAN Plus 3 grouping (APT). This, he suggested, would be much better than a more general discussion of the rationale and prospects of the arrangement, and would allow an easy discussion of what APEC might learn. He also suggested the inclusion of the word “economic” in the title, again making the discussion much more manageable in term of its coverage. I started off with the very best of intentions in sticking to these very practical limitations, but I think I have failed miserably in living up to Richard’s expectations! The institutional arrangements in APT seem to me to be a clear reflection of the rationale that seems to be emerging for this region arrangement. I certainly do not want to digress into some kind of discussion about the two-way relationships between form and function, but I have found it impossible to get away from the debates about exactly what the APT arrangement is trying to achieve and how this is reflected in a range of organisational matters. Similarly, the politics of the region keep popping up in every aspect of the APT phenomenon, but equally the political relations within and outside the region are also heavily conditioned by the ever more complex web of economic linkages. Perhaps I should say that the only perspective that makes sense to me is a political economy framework. So, I have done my best to follow what Richard has requested, but please forgive me if I digress occasionally!

The Origins of the APT: the Search for Regional Identity

The origins of the APT forum are usually traced back to the 1990s when Malaysia’s then Prime Minister Dr. Mahathir proposed the creation of an East Asian Economic Group (EAEG), designed specifically as an “Asians only” arrangement. The idea, at least in part was to offset what Dr. Mahathir saw as the growing influence of APEC and of the non-Asian nations within it, particularly the United States and Australia. Under pressure from a variety of sources, this proposal was soon modified into the East Asian Economic Caucus (EAEC), designed to encourage Asian nations to develop common positions within a variety of international fora, including APEC. IN this form, it was officially supported by ASEAN. At the same time, a regular summit between Europe and Asia, the Asia Europe Meeting (ASEM), was initiated with essentially the same membership from Asia.

The first actual APT Summit, involving the heads of government from ASEAN plus China, Japan and South Korea was held in December 1997 in Kuala Lumpur. It was no accident that this meeting was held so soon after the onset of the Asian financial crisis, and it is the crisis that is usually credited with providing the impetus for the new grouping. The mood at this first meeting, partly reflecting the hosts’ perception of how and why the crisis has struck the region, was decidedly anti-Western, or at least suspicious of Western influences in Asia. Dr. Mahathir’s view was quite clearly that Asia had to guard itself against the inherent instabilities that inevitably result from too close an integration with the US in particular, and must put in place an effective firewall

to ensure that there was no repeat of the tragic events of 1997. This was seen partly as an insulation from the influences of Western governments, but also of Western financial institutions, notably the hedge funds, and those multilateral agencies (notably the IMF) seen as being under the direct control of the West.

But this reaction to the Asian financial crisis was in turn a symptom of a wider suspicion of growing Western hegemony in the Asian region. A number of authors have argued that the political economy of Asia has been gradually transformed by its integration into the international system. Jayasuriya (2003), for example, has argued that the “embedded mercantilist” regimes in the region, which harness the power of national political and economic coalitions to create and sustain strategies to protect local businesses, have been increasingly threatened by policies of openness and reform. The role of APEC here has been crucial, through the creation of open regionalism and other trade liberalisation measures. In the post-crisis environment, the West and its growing influence were blamed for much of the damage that was done to previously booming Asian economies (see also Beeson, 2004). Thus, the birth of the organisation can be seen as one example of the impact of what Richard Higgott has called “the politics of resentment”:

The ambivalent relationship that has always existed between the states of East Asia and the United States, and the US-led international institutions, has been brought into sharp relief by the collapse of the East Asian currencies and the subsequent process of international financial institutional intervention. As time progresses, the nature of the bailout seems increasingly ambivalent and problematic for many Asian policy-makers. They do not like it, but it is difficult to know what they would have done without it. The authority of the IMF would have been accepted more readily by the State policy elites of East Asia if the interventions had indeed rapidly restored market confidence and stability. But they have not. Rather, for many in the region, the crisis appears to have presented the IMF with the opportunity to force open East Asian economies.’

(Higgott, 2000, p. 274)

The consequences of this seething resentment are still working themselves through in various ways, and later I will argue that some of this passion may have abated somewhat now. But Higgott and others argue that one result has been a widespread disillusionment with multilateral institutions such as APEC, which are often regarded as Western-dominated:

‘The crisis demonstrated the limits of APEC. As a body capable of making decisions of regional utility it was paralysed by the crisis. The United States drove through the IMF reform packages at the Vancouver Summit. In so doing, the crisis has made the gap across the Pacific greater rather than smaller and the inherent tensions more transparent.’

(Higgott, 2000, p. 279)

The second APT summit, held in Hanoi in November 1998, began the process of taking a longer-term strategic view of regional co-operation. South Korean President Kim Dae-jung proposed the establishment of an East Asian Vision

Group, specifically charged with developing mid- and long-term proposals for the future of the region and of regional co-operation. This trajectory was taken a stage further in Manila in 1999, using the theme of regional co-operation. This meeting was important because there was an agreement to establish co-operative mechanisms in areas such as economy, security, culture and development planning. This in turn paved the way for a series of more specifically targeted meetings of ministers of finance, foreign affairs and so on.

This process was taken a stage further in 2000 at the summit in Singapore. Here Chinese Premier Zhu Rongji played a prominent role, suggesting collaboration on the development of the Mekong Basin, in communications, IT, human resource development, agriculture and tourism. China also took the initiative in offering to host meetings of ministers of agriculture and forestry. But equally important was the contribution of the host, Singapore Prime Minister Goh Chock Tong, who focussed on the need to develop two key ideas – the establishment of closer institutional links between Southeast and Northeast Asia, and the possibilities of an East Asian free trade and investment area (Soesastro, 2001).

Since then, regular summits have been held, the most recent in December 2004. In the process the networks linking the members of APT have gradually been broadened and deepened. But, as several commentators have noted, the underlying process has involved the search for a regional identity that transcends historical, ethnic, cultural and religious divisions. During the colonial era there was a frequently expressed view in the region that the notion of Asia had no real meaning or foundation. The notion of Asia, it was argued, was essentially a European construct defined basically by only an essential non-European “otherness”. However, more recently the rapid growth of much of Asia and pride in what has been achieved has given rise to what some writers have called the “Asianisation of Asia”. Stubbs (2002), for example, has argued that there are some important underlying structural factors that have supported the consolidation of Asian regionalism:

- While there are important differences between various parts of Asia, there are some important common threads in recent history – the experience of colonialism, of Japanese regional expansion in the 1930s and 1940s etc.
- There are certain common cultural traits that are very different from those found in Europe or North America – the emphasis on family, community and harmony, acceptance of hierarchy, respect for authority and so on.
- More recent developmental trajectories have also involved the development of some common institutional structures and a particular approach to development. The role of the interventionist or developmental state has been one of the hallmarks of this distinctive approach.
- A very distinctive form of Asian capitalism has emerged that is quite distinct from systems found in Europe or North America. Essential elements here are

the existence of business networks of various kinds and the fostering of strong government-business linkages. The time horizons adopted tend to be more long-term, and there is a strong emphasis on production rather than consumption. Relationships are usually determined more by social obligations and trust developed over an extended period rather than by legally binding contracts.

- More recent patterns of foreign investment and trade have resulted in much higher levels of regional ties and flows. Both China and Japan now have much stronger economic ties with the rest of Asia than with the outside world, and the same is now true for South Korea.

Thus, one can see the emergence in the modern era of a distinct and relatively cohesive notion of Asian regional identity. This is often overshadowed, as we have seen recently, by more narrowly defined imperatives of nationalism and national interest, but the reality of Asian cohesion should not be underestimated and APT is a reflection of this growing sense of identity. At the same time, it would be foolish to underestimate some of the inherent structural problems facing the emerging grouping. These include:

- The great diversity still found in the region, notwithstanding some of the common threads that I have identified.
- Nationalism is still a very real factor in the region, often stoked by politicians seeking short-term advantage or support.
- Some countries in the region are diverted from the task of building a regional organisation by a range of domestic problems and conflicts.
- There is a strong sense of competition rather than co-operation among some Asian nations. The regional leadership aspirations of both Japan and China are a clear example here.
- As Stubbs and others have suggested, the attitude and influence of the US on the development of APT is an unknown but potentially important. It may be, as some have speculated, that the US will come to see the APT forum as a chance for China to exert an undue amount of influence in the region, hence the US may try to limit the extent of regional co-operation. I will return to the position and role of China a little later.

Given some of these unresolved issues, a number of writers within the region have suggested the kind of strategy that APT should adopt in future. Ali Alatas (2001), the former Foreign Minister of Indonesia has put forward a list of such suggestions:

- In the initial stages at least, APT should not be too ambitious in its agenda. It should concentrate on economic, social and technical co-operation and avoid more contentious issues such as security.
- Membership of the forum should be open ended. Since, in his view the major area for focus is on economics and trade, both Chinese Taipei and Hong Kong should be considered for membership, and in the longer term so should Australia and New Zealand.
- As in APEC, “open regionalism” should be a basic principle.
- APT should not see itself as a competitor to APEC, but as complementary. Care should be taken not to antagonise the US.
- There should be an emphasis on tangible and practical outcomes. Important initiatives such as the creation of an Asian Monetary Fund and of an East Asian Free trade Area should be given priority.
- Longer term vision is also important, and the work of the East Asian Vision Group should be supported strongly.
- The group should continue to be ASEAN driven. This can lessen the problem of competition between China and Japan for regional leadership.

Issues of Organisation and Procedures

Ali Alatas’ suggestion that APT should continue to be based around ASEAN raises some practical issues about organisation and the way in which APT runs its affairs. It should come as no surprise that given the central role of ASEAN as the original basis of the forum the whole process is based around ASEAN norms. In this respect, APT and APEC are remarkably similar. There is a similar reliance on consensus as a means of making decisions. There is also an inherent suspicion of creating a strong secretariat, hence there is also a marked absence of bureaucratic capacity or direction from the centre. The group has now established 48 mechanisms that co-ordinate 16 areas of joint activities. As with APEC, much work has been going on behind the scenes to achieve practical results and build up habits of collaboration. In this area then, APT and APEC are virtually identical, and share a range of strengths and weaknesses that are familiar to us.

The Role of China

Many commentators are now arguing that China is in fact setting the pace for integration in the region, and is driving the whole APT process for its own gain in

economic and political terms. Brad Glosserman (2004), for example, has written that:

China is driving regional integration. ASEAN nations are eager to seize opportunities created by the PRC's explosive economic growth; they also fear that a failure to forge a closer relationship will mean that they will be left behind. Beijing is aware of its growing leverage, and has used economic agreements to overcome Southeast Asian concerns about the impact of China's rise. Aggressive yet savvy diplomacy has been the hallmark of Beijing's foreign relations with its neighbours to the south.

As well as participating in APT activities, China has also been promoting greater cooperation between ASEAN and China, and in late 2004 as part of this process an ASEAN-China summit was held immediately after the regular APT meetings. At this summit, an action plan was signed to promote strong strategic relations between China and Southeast Asia. This will involve regular security dialogues and confidence building measures in defence and military affairs. Particularly important was a declaration aimed at resolving difficult issues in the South China Sea. As well, a range of economic and financial areas for co-operation was agreed.

In an important new article, David Shambaugh (2005) has argued that the underpinnings of relationships in East Asia are undergoing profound reform, largely as a result of the rise of China as an economic and political power. He suggests that China's proactive regional posture and influence in multilateral institutions is a key element in this process of regional transformation. He argues that China's new posture is based on four basic principles:

1. Participation in regional organisations.
2. Establishment of strategic partnerships and deepening of bilateral relations.
3. Expansion of regional economic ties.
4. Reduction of distrust and anxiety in the security sphere.

Shambaugh suggests that China has become increasingly aware that regional organisations are not hostile to it, nor do they impose any real limits on its freedom of action. Rather, China can now exert a great deal of influence in these fora, and this can help in constraining US actions and influence in Asia. Thus the ASEAN method of consensus building is very comfortable for China's mindset and the achievement of its goals. He also suggests that China's closer relations with the rest of Asia reflect an agreement to pursue co-operative security and conflict management. In this, China is relying to a much greater extent than in the past on its regional influence through "soft power". There are important implications for APEC here, but they are largely related to the complex and difficult issue of longer-term relations between China and the US. But, these are not just matters of security and political influence. Nor in the modern realities of Asia is everything dependent on state actors. As Shambaugh has noted:

The final feature of the evolving Asian system is oriented not around security affairs or major power relations, but around the increasingly dense web of economic, technological, and other ties being forged among Asian nations in the era of accelerating globalisation. The core actor in this area is not the nation state, but a plethora of non-state actors and processes that operate at the societal level. These multiple threads bind societies together in complex and interdependent ways...Regional interdependence is a rapidly accelerating trend, it serves as powerful deterrent to conflict, and it is conducive to peace and stability.

(p. 97)

From APT to an East Asian Summit

I have tried to outline some of the major issues raised by the development of the APT, and the implications for APEC. One issue that was important in the late 1990s in the wake of the Asian crisis was the desire to create an exclusively Asian regional grouping, and this has been one of the tensions in the relations between APEC and APT. But now we may be witnessing the emergence of a much broader Asian grouping through the agreement to hold an East Asian summit later this year. It has already been agreed that India will be invited to the meeting, and perhaps Australia and New Zealand. The Australian government is now seeking a face-saving formula for reversing its earlier pledge not to sign the ASEAN Treaty of Amity and Co-operation, now that it has been made clear that signing is a prerequisite for obtaining an invitation. New Zealand has already signalled its willingness to sign the treaty. Thus we may be entering a new phase in the evolution of the APT framework. But the key unanswered question is the role that the Pacific nations, and in particular the US, will play in this new configuration. Sorting out this issue will be central to the relations with APEC, and indeed the future role of APEC in Asia.

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