US Role in the Leadership of Economic Integration in East Asia

CUI Ge^[a],*  

^[a]Lecturer, Asia-Pacific Research Center, Dalian University of Technology, Dalian, Liaoning, China.  
*I Corresponding author.  

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Abstract  
The leadership issue of East Asia Economic Integration has been greatly conditioned by the international system, especially by US. This paper expounds US role in the leadership issue of East Asia economic integration from both perspectives of East Asian countries and US. Plenty of East Asian countries rely on US as the leader in politics, an indispensable partner in economy, the “Umbrella” for security and the “Balancer” in geopolitical strategy. At the same time, Washington is concerned about another regional integration in East Asia like the European Union led by France and Germany. US tries to guarantee its leadership in this area through maintaining the complexion of ASEAN functioning as leadership, and China and Japan containing each other. Therefore, East Asia countries have to take into thorough consideration the response and interests of US while promoting regional economic cooperation.  

Key words: US; East Asia; Economic integration

The economic cooperation and integration in East Asia has been worked up in recent decades. The birth of ASEAN (Association of Southeast Asian Nations) dates back to August, 1967. Up to 1999, ASEAN had enrolled 10 members in Southeast Asia. As of 2006, the ASEAN region has a population of about 560 million, a total area of 4.5 million square kilometers, a combined gross domestic product of almost $1,100 billion, and a total trade of about $1,400 billion. In January, 2003, the FTA (free-trade area) of China and ASEAN started up, with free-duty in trade as the goal. In the past several years, ASEAN and China, Japan and ROC (Republic of Korea) paced up their negotiation on bilateral trade agreements; a comprehensive and mature framework of “10+3” (ASEAN + China, Japan and ROK), even extending to that of “10+6” (ASEAN + China, Japan, ROK, Australia, India and New Zealand), is in the process of formation. However, the development of Integration in East Asia also encountered series of problems, among which, how to handle the relation with US has a great impact on the speed, direction, pattern and quality of the course. It even determines whether the integration can be achieved or not. The paper will open with US strategic concern in the area in question, and address the impact and challenge that East Asia’s integration can bring to the US. The paper is going to focus on US’ eagerness to dominate the integration process and its attempt to include East Asia in APEC framework. What can be seen is that the affective factor takes its effect here: US keeps holding a subtle and complex feeling towards the issue and keeps making efforts to lead the game playing among East Asian countries. The paper will contribute suggestions on how to try for a win-win situation where both United States can retain the vested interests in this area and East Asia can smooth away difficulties on the road to integration.

1. US STRATEGIC CONCERN IN EAST ASIA

Geologically, the United States are far beyond East Asia. But it weighs as the most crucial one among the exterior influential factors in terms of the process of local economic integration. US views East Asia as one among its strategic emphasis and maintains a close tie with almost all the nations in this region in sense of economy, politics and security. From 1989 to 2005, the export to APEC states accounts for 73.22% of the total...
amount, among which, China, Japan, KOC and ASEAN ("10+3") share 24.38%; the import from APEC is 80.28% of totality, among which, "10+3" occupy 38.51%. Simultaneously, East Asia is one of significant link in US military security. Altogether there are seven hot issues posing threats to its global strategic security – the Middle East, Balkan, Kashmir, Korean Peninsula, Taiwan, South China Sea, and Iraq – three of which are in East Asia. For this reason, US adjusts its military deployment, enforce its alliance relations with Japan, Australia and Philippine, and develop its cooperation in the war against terrorism with Indonesia, Malaysia and Singapore.

Based on the interests mentioned above, US is afraid of being expelled from the affairs of this region and reluctantly accepts a self-determined union in East Asia, even merely an economic integration without any political intention. Politically and economically, US keeps actively intervening; in security, US plays a leading role and makes efforts in constructing multilateral security framework with itself as the core. US national strategic concern over East Asia is revealed through the viewpoint of Dr. Philip Saunders (2005), Senior Research Fellow at Institute for National Strategies Studies, National Defense University of US. He reckons US traditional national interests in East Asia falls into several categories: prevention of a dominant power emerging in this region, market access, freedom of navigation, regional stability and promotion of political freedom and democracy. Besides, such issues are also attracting more and more attention as technological advancement, and continuous growth of trans-Pacific trade, service and personnel mobility, which play important roles in safeguarding US from attacks of Mass-destructive Weapons (WMD) and terrorists, and coping with pollution and epidemics. In his view, now Pacific Ocean is a bridge rather than a barrier, which closely connects US interest and East Asia’s future. Washington should pursue its interest in this rapidly changing area. Saunders also mentioned that China’s foreign policy becomes more and more mature, manifested through tendency of multilateralism, proposal for fostering regional cooperation, establishing Shanghai Cooperation Organization (SCO), and promoting “ASEAN + China” pattern. It seems that China favors regional regime without the influence of US. At the same time, America’s vagueness on the issue of multilateral organization in Asia also increases the possibility of being excluded from the dominant role in Asia’s future. US’ interests and tendency of development in Asia shows that there are some specific apprehensions in security for US in the Asia-Pacific area, while expansion of China’s influence may affect US’ interests mentioned above. In fact, from the perspective of global strategy, US is unwilling to accept East Asia as a whole to rise and function as one pole. That’s why US always put pressures on its allies in East Asia in order to slow down the integration process.

(Zhang, 2003) What worries US the most is another European Union with “France-Germany” as the core appears in East Asia. US’ image of integration in this region should be an organization led by ASEAN, in which China and Japan mutually supervised, so that US can be successfully remaining its dominant role. Fundamentally, US is interested not in a cohesive Asian trading bloc, but in “Dividing and rule”. (Chen, 1999)

2. CHALLENGE TO US PROVOKED BY INTEGRATION

Some combined effects, resulting from the integration of East Asia, may pose challenges and threats to US’ interests in economy, politics and security in the region.

One of the prominent effects can be seen when more and more manufacturing industry in East Asia has been transferred to China, which leads to high centralization of import from original relative dispersion. Such concentration heats up US trade deficit to China and intensifies the conflict among different interest groups. And the highly-concentrated consumer products go against national economic security of US. Besides, many technology-intensive manufactures also aggregate to Yangtze River Delta, Pearl River Delta, Liaodong Peninsula and Shandong Peninsula from East Asia. Most of the final products in these industries are exported to US, which agitate fierce competition with similar products made in the United States.

Second effect caused by Integration of East Asia is discrimination that US has to face when trading with East Asia Economic Community. It is the universal problem brought by regional integration organization to non-members. According to earlier in-depth analysis of a wide range of possible pan-Asian and Asia-Pacific trade configurations (Scollay & Gilbert, 2001), it is estimated that the United States could immediately lose as much as $25 billion of annual exports as a result of the initial static effects of the tariff discrimination that would result from truly free trade in East Asia (on the “10+3” model). Therefore, a regional integration with exclusion of the United States obviously goes against its global strategy.

The third problem that troubles the United States is the tendency of integration of finance in East Asia. Unlike the European model, to which they sometimes profess to aspire, the Asians began the current phase of their intergovernmental economic cooperation in the financial sphere. In the wake of the financial crises of the late 1990s, and partly to avoid ever again being dependent on the Washington institutions (the International Monetary Fund [IMF], World Bank, and US Treasury), the Asians have built a network of bilateral swap agreements (subsequently relabeled the Chiang Mai Initiative [CMI]) to help insulate them from outside pressure in future crises. Though the swaps, whose total remains modest
Korea, Singapore and Hong Kong) and China’s “Opening Japan, “Asian Four Little Dragon” (Taiwan, Republic of China) with the rise of East Asia – the development of Vietnam War – both broke out in this region. Since Asia is far beyond its expectation. The two major wars rather than Asia as the focus. However, the input in East Asia brings to US is quite different from the US’ sophisticated and subtle approach. The global strategy and put forward the plan for establishing APEC. The grading of significance of East Asia induces US complicated attitude to its integration. America’s stand to integrity of East Asia resembles Britain’s to that of Europe: wait-and-see attitude, evasion, lukewarm relationship, even obstruction (Lin, 2007). US’ attitude undergoes a complicated and subtle change during the process of integration. As early as in 1990, Mahathir, the Premier of Malaysia, advocated setting up “the East Asia Economic Community” as a substitute for East Asia regional organization. Later it was repolished as “East Asia Economic Conference” and Japan was invited to play the leading role in this cooperative forum with exclusive nature. US was furious and deprecated that it was an attempt to divide US and Japan through scribing a line in the middle of the Pacific Ocean, which resulted in the abortion of “East Asia Economic Conference”. In September of 1997, Japan’s conception to establish an “Asian Monetary Fund” with 100 billion dollars met strong opposition and deterrence from US, Europe and IMF (Li, 2002). In August of 2004, Colin L. Powell (2004), former US State Secretary, pointed out there was no necessity to establish such an organization as East Asia Community. He also warned that even though states had their own rights to do what they want, their action shall not undermine US’ good and firm relations with its Asian friends. Powell’s remark reflected America’s wariness to new framework of the regional integration of East Asia. In March of 2005, Condoleezza Rice (2005), former State Secretary, emphasized openness of East Asia and Pacific Community, when she gave a speech about US policy on Asia in Sophia University of Tokyo. She mentioned that the future of Asia and Pacific Community relies on two themes: openness and selection. An open world, rather than a closed economic community is supported; a community opens to any state, rather than a club just for regional powers is supported. Every state has to make a decision whether they want to be members of such a community or not, and meanwhile, take corresponding responsibility. However, after the first East Asia Summit in December of 2005, US’ attitude seems more practical and realistic. In January, 2006, Michael Michalak (2006), US Senior official in APEC, commented, in his remarks on the progress of integration, that US does not think that “10+3” or East Asia Summit is going to undermine its interest, and it is unnecessary to take part in every meeting and dialogue held by East Asia states, while underlying the importance of pan-Pacific

(about $70 billion) despite a recent doubling, have been overshadowed by the huge buildup of national foreign exchange reserves in most countries in the region, some Asians hope this evolution will eventually produce an Asian Monetary Fund (whether they call it that or not), which would provide them with an alternative to the IMF. (Bergsten, 2007) Although at present, the pace of financial integration is far behind that of trade and investment, the authority and influence of IMF will be greatly degraded once Asian Monetary Fund comes into being. And this is unacceptable to US and Europe.

The last threat stems from the potential clash between China-led Asia and a US-led “West” for the leadership of the global economy. China itself is already the second or third largest economy in the world and will shortly become the second largest trading nation. Supported by a cohesive Asian bloc, it could ascend even more rapidly toward a high degree of influence in, and indeed leadership of, global economic norms and institutions. China and much of Asia are indeed already offering an alternative to US leadership of the global trading system, with their emphasis on low-quality FTAs (Free Trade Areas) driven largely by political considerations, and to the principles of the monetary regime of flexible exchange rates, through their active currency management to prevent reduction of their external surpluses (C. Fred Bergsten, 2007). Therefore, the challenge the integration of East Asia brings to US is quite different from the European Union did 50 years ago. When West Europe initiated its integration, the United States was still the dominant economy, as well as top military power, in the world. The European Union was already well into its unification process by the time the United States began to worry about foreign competition. However, the United States tend to be more conservative and aware of challenge provoked by regional integration in front of the emergence of integration of East Asia paralleled with the relative decline of the US economy. It is believed that the “Asian model” of trade agreements runs on a collision course with that of the United States.

3. US’S SOPHISTICATED AND SUBTLE FEELING ON INTEGRITY OF EAST ASIA

US keeps a special and close connection with East Asia in politics, economy and security. After World War Two, with the global strategy of “Confronting Soviet Union”, US has followed “the Europe-first pattern”, with Europe rather than Asia as the focus. However, the input in East Asia is far beyond its expectation. The two major wars that US engaged in during the Cold War – the Korean War and Vietnam War – both broke out in this region. Since 1970s, with the rise of East Asia – the development of Japan, “Asian Four Little Dragon” (Taiwan, Republic of Korea, Singapore and Hong Kong) and China’s “Opening and Reform” – US interests in politics, economy and security in East Asia has been increasingly grown and even show the possibility to surpass that in Europe. In 1980, for the first time, US trade with Asia-Pacific states – 114 billion dollars – surmounts that with Europe; in 1983, US export to East Asia accounts for 34.8% of its totality, compared to 25.7% to Europe. Former President Regan reiterated the importance of East Asia and Pacific in US global strategy and put forward the plan for establishing APEC. The grading of significance of East Asia induces US complicated attitude to its integration.
partnership and mechanism. In May, 2006, Christopher Hill (2006), former assistant State Secretary, explicitly represented that it is understandable for East Asia to make efforts to enforce the regional framework of integration, which is a reflection for internal economic and financial development. Although US policy becomes more and more pragmatic, due to the unclear goal and path of integration in East Asia, US still lingers on its observation and evaluation. America hopes to integrate East Asia into APEC and avoid a highly-integrated East Asia to threat or even share its leading role.

4. RECIPROCAL GAME BETWEEN US AND EAST ASIA IN THE PROCESS OF ECONOMIC INTEGRATION

Strategically, it is inappropriate and unpractical to directly and openly stimy even oppose the integration. US, for ensuring its interest in East Asia, applies interactive game with most of nations in the region.

First, geologically, US is outside from East Asia, and it is natural to exclude it from the integration. However, for US, there are countless ties with the countries in the region in security, politics and economy. US, therefore, zealously brings most nations of East Asia into the frame of APEC, so as to internalize the “trade diversion effect” caused by integration. President George W. Bush launched the second and more comprehensive US response in late 2006 by proposing that the Asia Pacific Economic Cooperation (APEC) forum “seriously consider” the creation of a Free Trade Area of the Asia Pacific (FTAAP), which would embed the Asia-only trade initiatives in a broader framework that included the United States itself and would thereby avoid (or at least sharply limit) any new discrimination against it (Bergsten, 2007). US’ long-term goal aims to develop APEC into FTAAP, while the states from East Asia have different interpretation. East Asian countries lies in uneven developing levels: there are both developed countries like Japan, Republic of Korea and most underdeveloped ones like Burma. Their respective interests do not allow them to achieve easy consensus with US in rules and regulations. Not much interest in the loose APEC do they have, let alone the FTAAP strongly advocated by US.

Second, American military cooperation and economic and trade bonds with East Asia are constantly mounting. US has been devoting great efforts to developing its ties with the ASEAN states by military aid, economic and trade cooperation, and on the pretext of conducting war on terror. Simultaneously, US zealously advances direct trade relations with various countries bilaterally. US has already signed Free Trade Pact with Republic of Korea and Singapore. The negotiation with Thailand is undergoing and ASEAN has been taken into account. US tends to find its way to work in the integration through bilateral trade. On the other hand, East Asia states maintain their openness: China do not oppose to any kind of bilateral trade agreement between US and East Asia, and US’ presence may even reduce East Asia states’ fear for China’s rapid development; Japan relies on America’s intervention to contain China from being the sole dominant power in the region; Republic of Korea also welcomes US’ presence, avoiding being marginalized in the integration; ASEAN also hopes to play a leading role and needs US to help them intensify efforts in preventing and cracking down on terrorism as well as to promote the economic prosperity. Therefore, US become an effective leverage to balance the regional powers.

Finally, US utilize the complicated factors among ASEAN, China, Japan, and Republic of Korea to hamper and undermine the influence and function of China in the process of integration. Japan is the most important power to fulfill US intention. Japan’s confronting with China, such as the maritime territory disputes in East Sea, historic problem left by WW II, and occasionally visiting Yasukuni Shrine, is almost all tolerated even connived by US. US carefully manipulates the complex relations between Japan and China: mutual supervision, and at the same time, avoiding escalation of conflicts. Besides, US intervention can be detected in such matters as, Taiwan issue, the territory wrangle between Republic of Korea and China, and South Sea issue between China and Southeast Asia countries. US is still not quite sure about the trend of rising China and indulges in hedging. Definitely, US’ restraint meets China’s counter-restraint. China’s role in De-nuclear in Korean Peninsula and anti-terrorism effectively works on US’ unwillingness to have direct conflict with China.

5. HOW TO ACHIEVE “WIN-WIN” FOR BOTH US AND EAST ASIA?

From the side of US, first, US should realize that the integration of East Asia is an unavoidable tendency, which cannot be completely reversed by hindrance and destruction. In fact, the integration emerges as a spontaneous tendency which experiences the construction of nation-states in 1950s-1960s, to the economic takeoff in 1970s-1990s, to the cooperation after the Financial Crisis. East Asian nations urgently need promote their status in world economy through regional integration, in order to safeguard their economic interests. As Francis Fukuyama (2005) said, whether it is liked or disliked, an intensive driving force for official and multilateral economic cooperation has already come into being in East Asia. The Asian consensus in favor of regional integration has already progressed beyond the point where the United States could block the initiative unless it devoted major resources to the task and was willing to bear the considerable costs that would result. Indeed, such a US effort at this time could create such a backlash in Asia that
it would accelerate integration and further encourage the Asians to shut the United States out, as well as alienating even its best friends in the region (Bergsten, 2007).

Second, US should reevaluate its strategic importance to East Asia and erase the unnecessary worry about being marginalized. For most nations of East Asia, even today, US still functions as a leader in politics, an indispensable partner in economy and an umbrella in security. Geopolitically, US is the most important “Balancer” in this region (Wu, 2003). Although East Asian nations recently closer their connection in economy, strengthen cooperation in politics and security, and develop regional regime, their reliance on US has not been decreased and they still value US as an indispensable partner in regional affairs. The small powers need existence of US to balance the big powers so that they are not easily to be dwarfed in the process of integration. The big powers like China and Japan also lack mutual trust, and they need US to be there to prevent the process of integration from being dominated by one single power.

Third, a strong and integrated East Asia is beneficial to security and stability of the region. As the most complicated area in geopolitical sense, Asia has drawn US into three major wars in the 20th century. Donald Henry Rumsfeld, the former Minister of Defense of USA, once argues, thanks to the disintegration of Soviet Union, that the military threat the United States had been confronted in Europe greatly reduced. The possibility of outbreak of wars in Europe has been far below that in Asia. In recent years, US has begun to adjust its global military strategy and gradually shifted the focus to Asia (Chen, 2007). The integration increases the connection among members and the cost of war, which decrease plenty of risks in conflicts among traditional intraregional rivalries (especially between China and Japan), and relieves US from the pressure of maintaining peace in this area. The stability of East Asia can help US save and divert funds and manpower to anti-terrorists in Afghanistan.

Fourth, US shall understand that integration of East Asia and Asia-Pacific Economic Cooperation (APEC) does not conflict with each other, but overlap and even parallel. The former can be viewed as a tentative regional pattern for a broader free trade area proposed by the latter, which is to provide precious experience for the operation of pan-Pacific FTA. Most East Asia states are members of APEC. After they enjoy the fruit of integration, they may be eager to have a larger one like FTAAP to further their development. However, FTAAP, now huge but inappropriate, is still beyond Asian states’ acceptance, since there exist many divergences in rules, regulations and how to process it. To carry out FTAAP or include East Asia into APEC too eagerly, may provoke East Asia’s suspicion about US’ intention to hinder the integration. America should actively take part in the process and play a constructive role if it does not want to be marginalized.

Finally, US should learn to accept “the rise of China”, as an undeniable fact. The cleverer way US chooses to cope with this issue is to guide China functioning as a responsible power in East Asia even in the world community, rather than agitating the horror of other Asian countries or containing China’s development. It is important to weigh which one - either the “cooperative and responsible China” or the “angry China” – is beneficial to the peace and stability of the world. US had better abandon the Cold War ideology and recognizes the rise of China as just part of the rise of Asia and China is a cooperative partner rather than a strategic opponent. US shall be proud of the achievement of its 30-year engagement policy to China and actively involve China into the world community and guide it to play a more constructive role. Qin Yaqing (2006), the professor from Tsinghua University, argues that “East Asian regionalism is not a zero-sum game between China and the United States” and that “there is a huge amount of room for the United States to play several roles in these areas (of the East Asian integration process).”

For the East Asian countries, keeping the integration’s openness is still the prior choice. In order to dispel US’ misgiving in the process, East Asia shall be more open on the basis of region speciality. In the Kuala Lumpur Declaration on the East Asia Summit of 2005, the participants declared that the East Asia Summit would be an open, inclusive, transparent and outward-looking forum in which they strived to strengthen global norms and universally recognized values with ASEAN as the driving force working in partnership with the other participants of the East Asia Summit. This is a good beginning. Even though US is not a member of East Asia geologically, it can still participate in quite a few of cooperation in some functional domains like energy or non-traditional security. Such collaborations not only preserve the openness of integration, but are conducive to efficiency of regional cooperation, so that a “win-win” situation can be achieved by both US and East Asia. Therefore, East Asia states shall adjust their thinking, following the track from “10 + 1”, to “10 + 3”, to “10 + 6”, even to “10 + 7”, which is to actively integrate US into East Asia and make US an official or semi-official or even special member in the integration.

Second, ASEAN is given the leadership at full play. What US really worries about the East Asia Summit is that China may dominate in the process, posing threat to America’s hegemony in this region, just as Japan tried to squeeze US out of Asia in the 1980s. In Nov, 2005, Green, senior director in charge of Asian affair in National Security Council, said that, despite of the continuous growing of the cooperation between US and China, there are still some factors of strategic competition in the relations of these two countries. China, with its rapid development and increasing importance, has already
become a variable in international relations paralleled with Islamic states and terrorism. In fact, for US, Japan remains the most ideal leader in the integration. However, due to the poor relationship between Japan and its neighbors and relative decline of power compared to China’s rise, it has been impossible for Japan to function as a single leader in the process. ASEAN becomes alternative option to weaken China’s influence and protect US interest. At the same time, ASEAN is willing to assume responsibility in balancing regional powers. Therefore, in the preliminary stage of integration, ASEAN functioning as a determinant leader will be an advisable choice.

Third, China shows that it doesn’t tend to exclude US in the process of integration. On Nov. 31, 2005, Kaitian Cui, former director for department of Asia, Ministry of Foreign Affair, said that the conception of East Asia Summit has been proposed just after Asia financial storm and the summit was open. There may be another one or two members in next year. Any state, which is willing to join in and contribute, is welcome as long as it meets the pre-condition ASEAN sets. We know US shows interest in the summit and we’d like to see US make constructive contribution. Besides, China needs to play a more constructive role and convince both US and other Asian countries that he is a “status quo” power, rather than a challenging one. China’s effort shall include welcoming US as a regional balancer, carefully and skillfully handling the East Sea issue with Japan, the South Sea disputes with Southeast Asian countries, etc. China also needs to bear more responsibility in world affairs like in Africa, Iran, and South America, to rebuild its image as a responsible rising power rather than one only focusing on mercantilism.

Fourth, Japan, as another potential leader in integration, needs to make efforts in handling the historic problems left by World War II. Without looking at history and introspecting wrongdoing, Japan can never emerge as a political power. Japan’s standpoint at present raises great doubt from Republic of Korea, China and ASEAN on its developing track. Germany is a good model for Japan to follow. One of the reason why Germany, the initiator of two World Wars, still functions as a core in European Union lies in the profound retrospection on the war crime it committed. Every German Premier who comes into power apologizes on the disaster it brought to the whole world. On the contrast, Japan’s behaviors, like Prime Ministers occasionally paying visit to the Yasukuni shrine and the false description on WW II in textbooks, greatly hurt the feeling of people from victim states, which results in difficulty for Asian countries to accept such a Japan as one of the leaders in the integration.

Finally, Japan and China, accounting for the majority of economic aggregate in East Asia, shall undertake the responsibility in the regional integration. Japan and China are the second and third largest economy of the world respectively. China ranks the first among Japan’s trading partners, while Japan holds the third to China. The competition and cooperation between them determine the tendency, even the success of integration. The obstacle for the cooperation is the difficulty to set up mutual trust, which results both from the unpleasant history and from geopolitical ideology. Without mutual confidence, the dream of economic integration in East Asia under leadership of Japan and China can only stay unfulfilled. Japan and China should abandon the thought of “Two tigers cannot live by sharing one mountain”. As neighbors, the two states inevitably have some disputes in maritime territory, but adjacent relations also provide advantages for investment, trade, and cultural exchange. The globalization and regional integration induce the interdependence between China and Japan. Dani Rodrik (2004) argues, in the long term, Japan will pursue independence and autonomy, free from the dependence on US. Then later, Japan has to enhance the comprehensive cooperation with China. Japan and China will gradually realize that the relations between these two states are far more than “zero and game”. Only through coordination and cooperation, can the mechanism of integration develop smoothly.

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