

Chapter 2

Japan's Leading Role in East Asian Regionalism— Toward Building an East Asian Community

Due to the diversity of their political systems, their levels of economic development, and cultural, religious, ethnical, as well as historical backgrounds, it has long been considered difficult to form an international regime among East Asian countries, particularly in the field of security. Although this situation remains unchanged, a consensus of opinion about the necessity of region-wide cooperation has begun to emerge in East Asia in recent years.

At a Ministerial Meeting of the Association of Southeast Asian Nations (ASEAN) held in June 2003, its 10 member countries agreed to create an ASEAN Economic Community by 2020. At the ASEAN Summit held in October the same year, leaders from the member states signed the Declaration of ASEAN Concord II, in which they pledged to establish an ASEAN Community comprising three pillars: economic, political and security, and sociocultural cooperation. In the field of political and security cooperation, they will seek to establish an ASEAN Security Community by strengthening cooperation in maintaining maritime order and countering terrorism.

It is fair to say that a basic agreement to create a “community” covering the entire East Asian region has virtually been reached. In November 1999, at the third ASEAN+3 (Japan, China, and South Korea) Summit held in Manila, the East Asian countries underscored their commitment to build upon existing consultative and cooperative processes in various areas, including political and security matters. At the fourth ASEAN+3 Summit in November 2000, the participating heads of state considered the possibility of holding an “East Asian Summit” meeting and, at an ASEAN Ministerial Meeting held in July 2004, the Japanese government clarified its position on the question of creating an East Asian Community (EAC) by introducing “Issue Papers” for use as an exposure draft to facilitate further discussions on the future direction of the ASEAN+3 process.

In the interests of security, it is also essential for Japan to actively promote the creation of an EAC. Since the Japan-US Joint Declaration on Security was issued in April 1996, the Japan-US alliance has been positioned as a vehicle for maintaining stability in the region. Since the terrorist attacks on September 11, 2001, the United States has shifted the focus of its security strategy, and this has enhanced the Japan-US alliance’s importance in regional security. The United States attaches great importance to the role played by its allies, and, in cooperation with its staunchest allies in East Asia, is realigning its military presence and

command structure so that it can deploy a “more agile and more flexible force” to contend with uncertainties and contingencies such as terrorist attacks.

However, unless Japan, the pivot of the United States’ alliances in this part of the world, provides the countries in this region with an enlightened political leadership, the United States will find it difficult to deploy its forces in a “more agile and more flexible” manner. It is particularly vital for Japan to mend its unstable diplomatic relations with China, which is concerned about the strengthening alliance between Japan and the United States. Japan must also strengthen strategic dialogue and policy consultations with East Asian countries with unexpected threats in mind. Taking these factors into account, Japan must show leadership toward building the EAC and search for a strategic convergence of US alliances in the region and a future EAC from the security point of view.

1. Development of the ASEAN+3 Mechanism and the Process of Forming an “East Asia”

(1) The Asian Currency and Financial Crisis and the Emergence of ASEAN+3

ASEAN commemorated its 30th anniversary in 1997. For the ASEAN Summit held in December that year, it had invited the heads of Japan, China, and South Korea to hold the first ASEAN+3 summit meeting. During a tour of Southeast Asian countries in January 1997, Prime Minister Ryutaro Hashimoto had touched on the need to strengthen policy dialogues between leaders of Japan and ASEAN countries and had proposed holding regular summit meetings. His proposal was by and large well received by the ASEAN leaders. But some of these countries were wary of the idea of holding regular summit meetings between the group and Japan, fearing that Beijing might see it as a move to create a possible counterweight to China’s growing presence in the region. Malaysian Prime Minister Mahathir bin Mohamad, who had visited Japan in March the same year and welcomed the idea of holding a summit meeting between Japan and ASEAN, said that he would like to see an ASEAN summit meeting immediately followed by a summit meeting between ASEAN and three countries—Japan, China, and South Korea—and then one-on-one meetings between Japan and the member countries of ASEAN. Japan supported the idea of holding an ASEAN+3 summit meeting. Yukihiko Ikeda, Japanese

foreign minister at that time, called on Chinese Foreign Minister Qian Qichen to participate in an ASEAN+3 summit meeting. In April, Prachuab Chaiyasan, Thailand's minister of foreign affairs, indicated that an ASEAN+3 summit meeting would be held the day after an ASEAN summit meeting scheduled for December the same year.

The first ASEAN+3 Summit in December 1997 should have symbolized the bright prospects for East Asian countries in the early 21st century. However, in July 1997, the plummeting exchange rate of the baht, the Thai currency, triggered a wave of currency and financial crises across the whole of Asia. In its wake, taking the exchange rates at the end of June 1997 as 100, the currencies of Southeast Asian countries plunged to post-crisis lows: the Thai baht fell by 55.5 percent, the Indonesian rupiah by 85.4 percent, the South Korean won by 54.9 percent, and the Malaysian ringgit by 46.4 percent. The fall in the exchange values of their currencies wreaked havoc with the economic growth of these countries, and their real growth rates plunged across the board in 1998: Thailand was down 11 percent, Malaysia 7 percent, Indonesia 14 percent, and South Korea 6 percent year on year. As a result, the first ASEAN+3 summit meeting failed to come up with any bright prospects. Although they devoted much of their time to discussing the currency and financial problems, they failed to agree on a prescription for tiding them over the financial crisis. Confronted with slim prospects for an early recovery in their economies, pessimism that economic difficulties might persist for some years yet reigned over the meeting. They also failed to reach a conclusion about the idea of regularly holding ASEAN+3 summit meetings.

The financial crisis continued unabated in the months that followed and began to take a toll in political and social areas. In May 1998, President Suharto, who had held office in Indonesia for more than 30 years, was forced to resign. An ASEAN that was anxious to get a toehold to escape the economic crisis pinned its hopes on assistance from Japan. In September 1998, Nguyen Manh Cam, Vietnam's deputy prime minister and foreign minister, indicated to Japanese Foreign Minister Masahiko Komura that he would formally invite the leaders of Japan, China, and South Korea to an ASEAN summit meeting scheduled for December. What Japan could do to help Southeast Asian countries overcome their economic difficulties became a major topic of the second ASEAN+3 Summit in Hanoi. With a view to assisting Asian countries in their economic difficulties, the Japanese government had unveiled in October

the “New Miyazawa Initiative” that would provide a package of support measures totaling US\$30 billion. At the summit, ASEAN expressed high expectations that Japan would act as the prime mover to help pull ASEAN members out of the economic quagmire and great appreciation for the large-scale assistance to Southeast Asian countries envisaged in the New Miyazawa Initiative. Meanwhile, Japanese Prime Minister Keizo Obuchi promised that his government would implement the initiative as quickly as possible and would make ¥600 billion (approx. \$5 billion) available in a new special yen loan facility to these countries for three years. The summit participants also supported the idea of regularly holding ASEAN+3 summit meetings, while the vice president of China at that time, Hu Jintao, proposed dialogues at the level of vice finance ministers and central bank deputy governors among the ASEAN members and China, Japan, and South Korea. The ASEAN+3 mechanism was thus established as a vehicle for carrying out measures to cope with the Asian currency and financial crisis.

(2) East Asian Economic Cooperation Making Progress

Concrete progress in cooperation among the ASEAN+3 countries was made first in the financial area. In accordance with Hu Jintao’s proposal, an ASEAN+3 Finance and Central Bank Deputies’ Meeting was held for the first time in Hanoi in March 1999, at which it was agreed to strengthen a surveillance mechanism to monitor the short-term capital flows that had triggered the 1997 financial crisis. The following month, at an ASEAN+3 Finance Ministers’ Meeting in Manila, unanimous support was given to Japan’s bid to “internationalize” the yen. Moreover, Japanese Finance Minister Kiichi Miyazawa announced Japan’s decision to add Vietnam to the list of recipients of the New Miyazawa Initiative. In March 2000, at an ASEAN+3 Finance and Central Bank Deputies’ Meeting held in Brunei, it was agreed to set up a framework for regional financial cooperation to ensure against the recurrence of the currency crisis. At a Finance Ministers’ Meeting held in May in Chiang Mai, Thailand, they agreed to work toward an expanded ASEAN Swap Arrangement (the Chiang Mai Initiative). Under this agreement, the ASEAN Swap Arrangement concluded by five founding members of ASEAN in 1977 was expanded to include all 10 members, and its repurchase facility was increased from the original \$200 million to \$500 million. They also agreed to conclude bilateral swap arrangements among the members of ASEAN, Japan,

China, and South Korea. By the end of 2003, Japan had concluded such bilateral arrangements with China, South Korea, Thailand, the Philippines, Malaysia, Indonesia, and Singapore, for a total facility worth \$36.5 billion.

Among these arrangements, the swap arrangement signed by the Bank of Japan and the People's Bank of China in March 2002 has political significance for the promotion of regional cooperation. Under the other swap agreements with East Asian countries, Japan is unilaterally obligated to lend US dollars to these countries in case of need. In the case of the swap arrangement Japan signed with China, the two countries agreed to lend to one another a maximum of \$3 billion worth of yen or renminbi subject to certain conditions. The former is of what may be called an emergency-response type, under which Japan will exchange dollars it holds in local currency when a country strapped for hard currency requests them. The latter (that signed with China) is a reciprocal agreement and not one that obligates Japan to lend dollars unilaterally. The cooperation between Japan, the holder of the world's largest hard currency reserves, and China, the second largest, demonstrates their commitment to stabilizing currencies in the East Asian region. What is more, the Japan-China swap arrangement calls for mutually lending yen or renminbi, not dollars, and this will encourage the use of East Asian currencies such as the yen and the renminbi in this region. In June 2002, China also concluded a swap arrangement with South Korea for lending up to \$2 billion, and the financial cooperation among the three countries—Japan, China, and South Korea—has thus been strengthened.

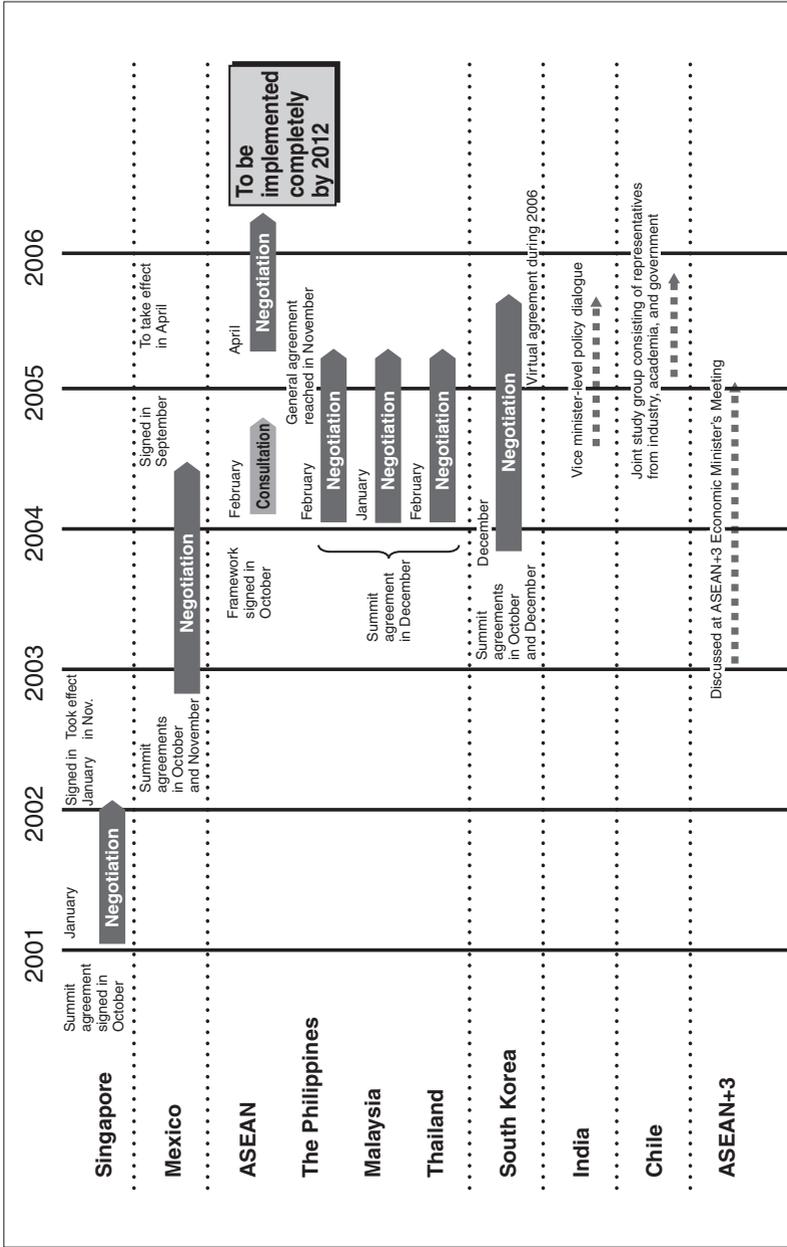
Cooperation in merchandise trade has also developed rapidly in recent years. ASEAN countries are actively seeking to conclude bilateral free trade agreements (FTAs) among themselves and with extra-ASEAN countries. In December 1999, Prime Minister Goh Chok Tong of Singapore proposed an FTA to Japanese Prime Minister Keizo Obuchi. At a summit meeting held in October 2000, the prime ministers of the two countries agreed to begin formal negotiations for an FTA in January 2001, and in January 2002 the two countries signed not only an FTA but also a Comprehensive New-age Economic Partnership Agreement that covers wide-ranging areas such as investments and protection of intellectual property. In September 2004, Japan also signed an FTA with Mexico. At a press conference following the signature, Prime Minister Junichiro Koizumi stated that Japan would like to press ahead with negotiations with Asian countries by drawing on this successful experience and

indicated that his government would be actively pushing for bilateral FTA negotiations with the Philippines, Thailand, Malaysia, and South Korea. In November 2004, Japan and the Philippines reached a general agreement to conclude an economic partnership agreement (EPA) centered around an FTA. As far as an FTA with South Korea is concerned, the two countries organized eight meetings (between July 2002 and October 2003) of a Joint Study Group composed of representatives drawn from the government, business, and academia to appraise the possibility of establishing a bilateral FTA. On the basis of a report submitted by the group, Japan and South Korea began negotiations for a Japan-South Korea FTA in December 2003 and have since been working with a view to signing it by the end of 2005.

While Singapore has been actively involved in negotiations for bilateral FTAs, ASEAN as a whole is also pushing for a regional free trade area. In October 2003, the ASEAN members agreed to complete by the year 2020 the integration of their economies into an ASEAN Economic Community by creating an ASEAN Free Trade Area (AFTA). ASEAN plans that envisaged the creation of a free trade area were advanced in the "ASEAN Vision 2020" that had been adopted at the second informal ASEAN Summit held in the midst of the currency and financial crisis in December 1997 in Kuala Lumpur, as well as in the "Statement on Bold Measures" that had been adopted in December 1998 at the ASEAN Summit held in Hanoi. The ASEAN Vision 2020 highlighted the realization of an AFTA and an ASEAN Investment Area, and the intensification and expansion of subregional cooperation as schemes for achieving economic integration. The AFTA is a vehicle for liberalizing multilateral trade and will expand economic scope covering more than 500 million people.

Accelerating the movement of ASEAN toward economic integration was the prompt response made by China. At a summit meeting held between ASEAN and China in November 2000, Chinese Premier Zhu Rongji proposed the establishment of an FTA, and in 2001 the leaders of China and ASEAN agreed to establish an ASEAN-China Free Trade Area within 10 years. At the ASEAN-China Summit in November 2004, they signed a Framework Agreement that set forth specific procedures to be taken for the realization of the FTA. Since January 2004, the ASEAN-China FTA has been implemented ahead of schedule with respect to over 560 agricultural products. It is fair to say that China and ASEAN gave priority to the formation of a regional free trade area rather than to bilateral agreements.

Figure 2.1. Japan and economic partnership agreements (as of Dec. 2004)



Source: Data from the Japanese Ministry of Economy, Trade and Industry, *Keizai renkei no torikumi jōkyō ni tsuite* (The Status of Economic Partnership), Dec. 2004, p.6.

At the sixth ASEAN+3 Summit held in November 2002, an East Asia Study Group (EASG) consisting of government officials from the participating countries submitted a report recommending the formation of a regional “East Asian Free Trade Area” as a vehicle for promoting cooperation among the countries of East Asia. At a summit meeting of Japan, China and South Korea held prior to the sixth ASEAN+3 Summit, Chinese Premier Zhu Rongji said that creating a free trade area covering Japan, China, and South Korea was significant and proposed the creation of a “Northeast Asian Free Trade Zone” as a preliminary step toward an “East Asian Free Trade Area.”

(3) Expanding and Deepening East Asian Cooperation

As economic cooperation between East Asian countries has grown closer and become institutionalized, ASEAN+3 members have begun to discuss how “East Asian Cooperation” should be pursued and what form it should take. At the second ASEAN+3 Summit held in December 1998, South Korean President Kim Dae-jung proposed the establishment of an East Asia Vision Group (EAVG), consisting of eminent intellectuals from ASEAN, Japan, China, and South Korea, to discuss possibilities and measures to be explored or taken to promote cooperation among East Asian countries, not only in the economic field but also in the political, security, social, and cultural fields. The meeting agreed to establish the EAVG and, at the third ASEAN+3 Summit in 1999, the participating heads of state issued a Joint Statement on East Asia Cooperation, the first ever statement issued jointly by ASEAN+3, which identified the areas of cooperation that ASEAN+3 would pursue. Among them is cooperation in economic, monetary and financial fields, social and human resources development, culture and information, and scientific and technical development. Another is cooperation in the fields of political and security issues and transnational issues. In November 2000, President Kim Dae-jung proposed the establishment of an EASG consisting of government officials drawn from member countries to study how concrete progress should be made towards East Asian cooperation, and the leaders of the participating countries agreed to commission the EASG to study measures to be taken to elevate the annual summit meeting of ASEAN+3 into an East Asian Summit.

In accordance with the Joint Statement on East Asia Cooperation, steps were taken to institutionalize ASEAN+3. In line with the agreements mentioned above, an ASEAN+3 Economic Ministers’ Meeting was held in Yangon,

Myanmar, in May 2000 followed by an ASEAN+3 Finance Ministers' Meeting held the same month in Chiang Mai, Thailand; an ASEAN+3 Labor Ministers' Meeting was held in Kuala Lumpur, Malaysia, in May 2001; an ASEAN+3 Agriculture and Forestry Ministers' Meeting was held in Medan, Indonesia, in October 2001; an ASEAN+3 Tourism Ministers' Meeting was held in Jogjakarta, Indonesia, in January 2002; an ASEAN+3 Energy Ministers' Meeting was held in Osaka, Japan, in September 2002; and an ASEAN+3 Environment Ministers' Meeting was held in Vientiane, Laos, in November 2002. In addition, in the area of security, the first ASEAN+3 Ministerial Meeting on Transnational Crime (AMMTC+3) was held in Bangkok, Thailand, in January 2004. At the AMMTC+3, the participating ministers reaffirmed they would take a comprehensive and coordinated approach in addressing the various areas of transnational crimes including those related to terrorism. At a Senior Officials' Meeting that was held prior to the AMMTC+3 meeting, they appointed the lead shepherd countries from ASEAN that will lead the fight in each of eight areas—terrorism, illicit drug trafficking, sea piracy, people smuggling as well as trafficking in women and children, arms smuggling, international economic crime, money laundering, and cyber crime—and Japan, China and South Korea would support the effort. At the ASEAN+3 Foreign Ministers' Meeting that was held for the first time during the ASEAN Post Ministerial Conference in July 2000, foreign ministers discussed East Asian security issues such as the situation on the Korean Peninsula and in the South China Sea, and adopted a Joint Statement of ASEAN+3 in Support of the Sovereignty, Territorial Integrity, and National Unity of Indonesia. On the nuclear issue of North Korea also, the sixth ASEAN+3 Summit held in November 2002 released a chairman's press statement calling on North Korea to visibly honor its commitment to give up nuclear weapons programs.

Meanwhile, cooperation among Japan, China, and South Korea has made headway as part of East Asian cooperation. During the ASEAN+3 Summit held in 1999, leaders of these three countries met for about an hour and agreed to hold a tripartite meeting, which will be chaired by each in rotation and take place during an annual ASEAN+3 summit meeting. At their second meeting held in 2000, Japanese Prime Minister Junichiro Koizumi proposed a tripartite foreign ministers' meeting to expand and deepen the process of consultation and cooperation among the three countries. The leaders of these three countries also agreed, in principle, to hold economic ministers' meetings and finance

ministers' meetings. Though the major thrust of the tripartite cooperation is in the economic field, its ultimate aim is to achieve a framework of "cooperation for prosperity" in Northeast Asia. At the tripartite summit meeting held in Bali, Indonesia, in October 2003, the leaders of these countries issued a Joint Declaration on the Promotion of Tripartite Cooperation among Japan, the People's Republic of China, and the Republic of Korea, the first ever such declaration by the three countries. While characterizing the tripartite cooperation focused on economic cooperation as an essential part of East Asian cooperation, the declaration clearly states that the three countries will strengthen security dialogue and facilitate exchange and cooperation among their defense or military personnel.

2. Power Politics over an East Asian Community

(1) China Steps Up "East Asian Diplomacy"

One of the most important factors boosting the mood to strengthen East Asian cooperation in recent years has been a shift of emphasis in China's foreign policy. China had not exactly been keen on multilateral cooperation: it had long considered that multilateral cooperation generates less influence overseas than does bilateral cooperation. Although China has been involved in multilateral cooperation since the mid-1980s, its cooperation was directed mostly to the economic and cultural fields. As multilateral cooperation has made headway in Asia, since the mid-1990s China has begun to become active in multilateral talks on security issues through various forums such as the ASEAN Regional Forum (ARF) and the "Shanghai Five" initiative (security cooperation with Russia and three Central Asian countries). However, these were intended as a refutation to the "China threat" theory that was inflamed by missile firing exercises it had carried out around the Taiwan Strait in the fall of 1995 through the spring of 1996, and to the strengthening of the US-led alliances such as the Japan-US alliance and the North Atlantic Treaty Organization.

The fifth plenary session of the 15th Central Committee of the Communist Party of China (CPC) held in October 2000 adopted "three major historical tasks of the 21st century." These were: to propel the modernization drive as the "central task"; to achieve national unification; and to safeguard world peace and promote common development. Deleted from it were the words "opposition to hegemony" that were directed toward the hegemony of the

United States and the Soviet Union in the 1980s and at that of the United States in the post-Cold War era. The Tenth Five-Year Plan for National Economic and Social Development, submitted by Premier Zhu Rongji to the fourth session of the ninth National People's Congress (NPC), held in March 2001, pointed out that China would make a new contribution to the promotion of common development by actively participating in international affairs and by safeguarding international peace. At a press conference held after the fourth NPC, Foreign Minister Tang Jiaxuan also reaffirmed that China would pursue active diplomacy to achieve the three major historical tasks.

One concrete step China has since taken in its pursuit of active diplomacy has been its active and positive engagement in multilateral cooperation among Asian countries. In June 2001, China created the Shanghai Cooperation Organization with the participation of the Shanghai Five members plus Uzbekistan as a regional cooperation organization covering Eurasia. In addition to the financial cooperation that it has extended within the framework of ASEAN+3, the positive attitude China has shown for the conclusion and early implementation of FTAs has stood out in recent years. With regard to the territorial dispute over the Spratly Islands—the most important security issue pending between China and some Southeast Asian countries—in May 2000, China began the process of multilateral negotiations to work out a code of conduct in the South China Sea, and as a first step concluded a Declaration on Conducts of the Parties in the South China Sea with ASEAN countries in November 2002. At a summit meeting held in September 2004, President Hu Jintao and President Gloria Macapagal-Arroyo of the Philippines reaffirmed their readiness to continue discussions to study cooperative activities like joint development of the South China Sea, including the Spratly Islands. Encouraged by the improvement in relations between China and ASEAN, they agreed to elevate the basic framework of their relationship to a “Strategic Partnership” in 2003. What China calls “Strategic Partnership” is a framework modeled on the relationship China had applied or had tried to apply to its major power relationships such as with the United States and Russia in the past. The application of the “Strategic Partnership” framework to its relations with ASEAN suggests that China has attached greater importance to its relationship with ASEAN.

There is no gainsaying the fact that at work behind China's bid to strengthen its political and security cooperation with East Asian countries is an aim to stem

the hegemonic tendencies of the United States and lessen the possibility of increasing US pressure on China. An article carried in the April 2, 2002, issue of *People's Daily (Renmin Ribao)*, the official organ of the CPC, expressed the view that regional cooperation had a certain effect in restraining superpower unilateralism. In addition, a report released by a project team of the China Institute of Contemporary International Relations, which strictly toes the Ministry of State Security line, emphasized the important role played by East Asia, in particular by ASEAN, in spurring the development of global multipolarization. China, which classes the Taiwan issue as its "internal" affair, has avoided clarifying its position with regard to Taiwan's possible involvement in East Asian cooperation. But it may be said that China intends to restrict Taiwan's diplomatic room for maneuver by strengthening its political and security cooperation with East Asian countries and by broadening its initiative in East Asian cooperation. *People's Daily* stressed that, at an ASEAN+3 Ministerial Meeting held in July 2004, ministers had unequivocally reaffirmed the commitment of their governments to uphold the one-China policy.

Reflecting its position, China characterizes its "East Asian Diplomacy" (*dongya waijiao*) as being as important as its relations with major powers. At the 16th National Congress of the CPC held in November 2002, President Jiang Zemin declared that China would continue to cement friendly ties with its neighbors and to make efforts in building good-neighbor relationships and partnerships with them. At the ASEAN+3 Ministerial Meeting in July 2004, Foreign Minister Li Zhaoxing proposed to step up discussions about the future courses of action with a view to strengthening East Asian cooperation, such as the formation of an EAC; to accelerate the integration of the economies of Northeast and Southeast Asian countries; to hold an East Asian Summit on political and security issues at an appropriate time; and to further promote comprehensive East Asian cooperation.

Of China's new policies that attach importance to its East Asian diplomacy, the most striking is that it acknowledges the important role of Japan in promoting East Asian cooperation. Such a course of action by China was already confirmed in the Japan-China Joint Declaration on Building a Partnership of Friendship and Cooperation for Peace and Development, released in November 1998. It declared that "further strengthening and developing the friendly and cooperative relations" between Japan and China would serve as a positive contribution to the peace and development of the Asia-Pacific region and the

world as a whole. Both countries agreed that the effect of the Japan-China partnership would not be confined to the bilateral relations and would extend not only to economic development but also to the peace and security of the entire region. During his visit to Japan in October 2000, Chinese Premier Zhu Rongji expressed hope that the partnership would strengthen its cooperation with Japan within the framework of East Asian cooperation, help East Asian cooperation take a substantive step forward, and make due contribution to the rise of Asia. There still are signs of a strong anti-Japanese sentiment in China, but its leadership attaches importance to East Asian diplomacy and acknowledges the importance of the role and influence Japan can play or exert as a prime mover in East Asian cooperation. The then Chinese vice foreign minister, Wang Yi, also expressed his hope that the two countries would step up East Asian cooperation through the partnership.

(2) ASEAN Seeks Japan-China Cooperation

In the course of promoting East Asian cooperation, ASEAN has been clearer than China in indicating what it expects from Japan's leadership. At a press conference held prior to the Japan-ASEAN Commemorative Summit in December 2003, Prime Minister Goh Chok Tong of Singapore said that Japan should fulfill a leadership role in building an EAC and urged Japan to make active engagement with ASEAN countries, not only in the economic field but also in the political and security fields. Malaysian Prime Minister Abdullah Ahmad Badawi also said that Japan was a key player in this region. One factor that had raised expectations among ASEAN countries for the Japanese leadership in building an EAC was the decisive role Japan had played in helping these countries ride out the 1997 currency and financial crisis. They appreciated in particular the New Miyazawa Initiative that had extended \$21 billion worth of assistance in 1998.

Another factor was the rapidly growing Chinese presence in East Asia, where ASEAN members could not dispel fears about its influence on their future. While acknowledging the strong presence China has in this region by calling it "a huge elephant," Goh Chok Tong, then prime minister of Singapore, made no bones about his wariness of China's future influence by saying that "even if it treads softly, it can still shake the ground." An article written by an Indonesian Foreign Ministry official that appeared in the August 16, 2004, issue of the *Jakarta Post*, pointed out that memories of past Chinese

intervention in the domestic affairs of many countries in the region have conditioned them to be cautious in developing relations with China. Such memories and wariness about China's future intentions have caused Southeast Asian countries to entertain hopes for leadership from Japan to act as a counterweight to China's growing presence and as a catalyst to accelerate the movement toward the creation of an EAC. The leadership they want from Japan is not confined to the economic area but extends to the political and security areas too. In October 2003, China signed the Treaty of Amity and Cooperation in Southeast Asia (TAC), the first major extra-regional power to do so, and ASEAN strongly urged Japan to sign the treaty. However, while welcoming the signing of the treaty by China as a move contributing to East Asian stability, Prime Minister Koizumi was noncommittal with regard to Japanese participation. According to Marty Natalegawa, a spokesperson for the Indonesian Ministry of Foreign Affairs, the Japanese delegation was considering whether signing the treaty would limit the latitude of Japan's strategic cooperation with the United States.

However, this is not to say that ASEAN is not receptive to China's active engagement in building an EAC. The *Jakarta Post* article mentioned earlier also pointed out that Chinese economic growth has become a driving force in the development of the regional economies and stressed the necessity of a "closer engagement" with China. While wary of the growing Chinese presence, ASEAN and China issued a Joint Declaration on Strategic Partnership for Peace and Prosperity in October 2003 in response to China's proposal for the formation of a "Strategic Partnership." The joint declaration characterized China's signing of the TAC document as demonstrating that the political trust between the two sides had been notably enhanced. Aware of the strategic importance of ASEAN-China relations to peace, development, and cooperation in East Asia, the two sides declared the formation of a "Strategic Partnership." In the belief that China's active involvement will be a plus to the EAC's formation and in the hope of leadership from Japan, ASEAN is urging the two countries to coordinate their policies for the formation of an EAC. The *Business Times* of Singapore urged Japan and China to take on a leadership role as the core nexus for regional integration and to coordinate their policies toward this end. Alluding to the difficulties of making substantive improvements in the relations between Japan and China because of differences in the perception of the wartime history between them, *Lianhe Zaobao*, a Chinese newspaper in

Singapore, pointed out that utilizing strategic improvements in diplomatic relations to pursue common benefits was nothing new. In August 2004, the Network of East Asian Think-tanks (a track-two international body established in September 2003 following the suggestion of the EAVG and the EASG made at the sixth

The heads of state lined up for a commemorative picture at the Japan-ASEAN Commemorative Summit (December 2003). (Kyodo Photo)

ASEAN+3 Summit) met for the second time in Bangkok. Participants, particularly those from ASEAN, expressed concern over the slow progress of cooperation between Japan and China toward building an EAC. Lam Peng Er, a senior fellow at the National University of Singapore who had participated in the meeting, stressed the importance of policy coordination between Japan and China while expressing concern over the current state of the bilateral relationship.

Japan also began to take a positive stance on building an EAC. At the Japan-ASEAN Commemorative Summit held in Tokyo in December 2003, the leaders released the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New Millennium and a Japan-ASEAN Plan of Action that will serve as a guideline for Japan-ASEAN cooperation. The Tokyo Declaration clearly states that Japan gives its “full support” for ASEAN’s efforts towards regional integration, and will “seek to build” an EAC. At the summit meeting, the participating heads of state agreed that Japan and ASEAN would play a central role in deepening East Asian cooperation. In response to ASEAN’s call on Japan to join TAC, Japan indicated its willingness to do so by stating that its accession to TAC would further strengthen trust, peace, and stability in Southeast Asia, and signed the instrument of accession to TAC in July 2004. The Japan-ASEAN Plan of Action proposed more than 100 projects to be implemented in the near future and announced that the two sides would implement, by 2006, 17 short-term measures proposed by the EASG in November 2002.

3. An East Asian Community and Japan

(1) Pivotal Japan-China Cooperation

Factors holding the key to the creation of an EAC are the development of cooperation between Japan and ASEAN, actions that will be taken by major regional powers (Japan and China), and the relations between these two regional powers. Therefore, Japan's future efforts for the EAC must include policy coordination with China toward that end.

On the economic front, the combined gross domestic product (GDP) of Japan and China is equivalent to more than 80 percent of that of the entire East Asian region. As a step toward building an EAC, Japan has been seeking to conclude wide-ranging EPAs with Southeast Asian countries that are based on bilateral FTAs with these countries and cover rules for direct investment, liberalization of services trade, and improvement of customs clearance procedures. Meanwhile, China aims at fostering the autonomy of East Asia, attaches importance to building a consensus throughout the entire region rather than comprehensive bilateral agreements. It has so far limited the coverage of an FTA with ASEAN to the liberalization of trade. Given such differences in policy aims between the two regional powers, efforts should be made to hammer out a common road map toward the creation of an EAC. Moon Chung-in, chairman of South Korea's Presidential Committee on Northeast Asian Cooperation Initiative, called on Japan, China, and South Korea to conclude a Northeast Asian FTA at an early date as a process preliminary to creating an East Asian FTA. One estimate shows that a Northeast Asian FTA would have the effect of pushing up the real GDP growth rate of these three countries. Add ASEAN to this and the real GDP growth rate of the entire region would rise higher still. Given such prospects, an agreement among these three countries on this approach is essential to strengthening economic cooperation among the countries of the region. On the monetary front, reciprocal currency swap arrangements have already been signed, but serious negotiations for an FTA among these countries are yet to begin. A recent survey of Japanese firms conducted by the Japan External Trade Organization found that 43.8 percent of them regarded a Japan-China FTA as having the most potential for business opportunities—far higher than the numbers for a Japan-South Korea FTA (3.9 percent) and a Japan-ASEAN FTA (8.9 percent).

Standing in the way of policy coordination between Japan and China are the

current relations between the two countries, often described as “cold politically while warm economically.” For both Japan and China, the other’s market has taken on an importance of such a magnitude that one can no longer ignore the other. In 2003, the bilateral trade volume between the two countries jumped 43.6 percent compared with the year before, to \$132.6 billion. This represents a 130-fold increase from that of 1972, when the two countries normalized their diplomatic relations. Japan has been China’s biggest trading partner for the past 11 years. However, owing to the spread of severe acute respiratory syndrome (SARS) in China, the country’s growth rate from foreign direct investment in 2003 slowed sharply, rising just 1.4 percent (on a fulfillment basis) year on year. Meanwhile, direct investment from Japanese firms to the Chinese market increased 20.6 percent in 2003 compared with the previous year, to an all-time high of \$5.05 billion. China has become Japan’s second largest trading partner after the United States and has become the largest exporter to Japan, surpassing the United States for two consecutive years. In 2003, China accounted for 19.7 percent of Japan’s overall merchandise imports.

Despite the increasing economic interdependence, diplomatic relations between the two countries remain strained. Mutual official visits by the heads of state have stopped since the visit of the then Chinese premier, Zhu Rongji, in October 2000. Amid the region-wide efforts to build an EAC, only the diplomatic relations between Japan and China have been fragile. However, this is not to say that no efforts are being made to break this impasse. The drift of the debate on what is widely known as the “New Thinking” on China’s relations with Japan, which had raged in China from late 2002 to early 2003, called for a breakthrough in the cold diplomatic relations and recognized the critical importance of their cooperation in East Asian affairs. However, the “New Thinking” has come under vocal attack since the article that ignited the debate—“Some New Thinking on Relations with Japan: Worries of the Peoples of China and Japan” by Ma Licheng of *People’s Daily*—was published. Since it appeared in *Strategy and Management (Zhanlue yu Guanli)*, debate has arisen over the Internet and more than 5,000 Web sites participated. A majority of them opposed the idea with scathing criticism dominating the bulletin board service sites, creating the impression that the general public in China is not receptive to the “New Thinking.” To make matters worse, in August 2003 a fatal accident (the so-called 8/4 incident) caused by toxic chemicals the Imperial Japanese Army dumped during the Second World War occurred in

Qiqihar, Heilongjiang Province, killing 1 person and injuring 43 people. In September, it was reported that a group of Japanese tourists bought prostitutes in Zhuhai. In October, a group of Japanese students and a Japanese teacher at Northwest University in Xi'an performed a skit that many watching found offensive. These successive incidents tarnished Japan's image in the eyes of the Chinese people, prompting some to attack Japanese students who had had nothing to do with the skit and triggered anti-Japanese demonstrations in Xi'an. According to a poll conducted by the *China Youth Daily* (*Zhongguo Qingnianbao*), 83.2 percent of the respondents said that the 8/4 incident had changed their image of Japan for the worse.

This is not to say that Japan had not made any efforts to break the diplomatic stalemate between the two countries. Prime Minister Koizumi delivered a speech entitled "Asia in a New Century—Challenge and Opportunity" at the Boao Forum of Asia on Hainan Island in April 2002. In that speech, he expressed the view that the dynamic economic development of China presented challenges as well as opportunities, not threats, for Japan, and that Japan and China could strengthen their "mutually complementary bilateral economic relations." In a meeting with Chinese Premier Zhu Rongji during the forum, Prime Minister Koizumi proposed the establishment of a Japan-China Economic Partnership Consultation to detect at an early stage economic issues arising between the two countries and to prevent disputes, and the two leaders agreed to do so. On the diplomatic front, too, they agreed to consider steps to be taken to facilitate an early realization of mutual official visits by the heads of states of the two countries that had been suspended for quite some time. In May 2003, at a Japan-China summit meeting held in St. Petersburg, Prime Minister Koizumi

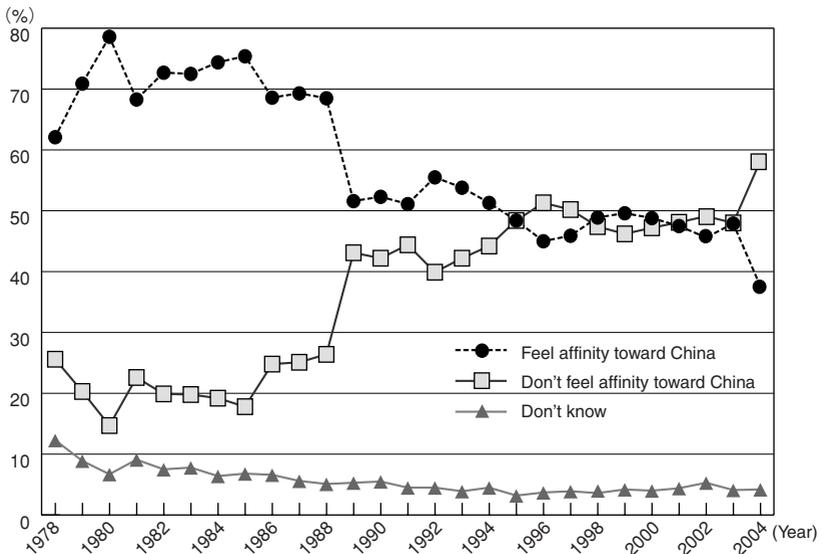
reaffirmed his perception of China he had revealed at the Boao Forum a year earlier and said that he would like to make efforts together with China toward building a new Japan-China relationship.

On the security front, the then Japanese minister of state for defense, Shigeru Ishiba, paid a visit to China in September 2003

Heavily guarded by armed Chinese riot police, a bus carrying members of the Japanese football team leaves the Beijing stadium where the final match of the Asian Football Confederation Asian Cup 2004 was held. (Kyodo Photo)

during which he agreed with his Chinese counterpart to arrange mutual port calls by naval vessels at an early date and to promote exchanges of high-level defense officials between the two countries. However, at a deputy chief-level meeting between defense officials from Japan and China in January 2004, Gen. Xiong Guangkai, deputy chief of the General Staff of the Chinese People's Liberation Army (PLA), expressed concern over Prime Minister Koizumi's visit to the Yasukuni Shrine and took a dim view of the possibility of his country's naval vessels visiting Japanese ports by stating that such visits should await improvements in the diplomatic atmosphere between the two countries. Moreover, a series of events—the territorial dispute over the Senkaku Islands, the development of a natural gas field by China in the East China Sea, and the hostile boos hurled at the Japanese soccer team by Chinese spectators at the Asian Football Confederation Asian Cup 2004 held in July–August—fanned anti-Chinese sentiments in Japan. According to a public opinion poll on foreign affairs conducted by Japan's Cabinet Office in October 2004, 58.2 percent of the respondents said that they did not feel affinity toward China, up 10.2

Figure 2.2. Japanese feelings of affinity toward China (1978–2004)



Source: Data from the Public Relations Office of the Cabinet Office, *Gaiko ni kansuru yoron chosa* (A Public Opinion Poll on Foreign Affairs).

Note: Polls have been taken in October every year.

percent from the previous year, and the ratio of those who felt warmly toward China had dropped to 37.6 percent.

In order to form an EAC, it is imperative for both Japan and China to make efforts to break the frigid diplomatic stalemate. For Japan's part, Yohei Kono, speaker of the House of Representatives, visited China in September 2004 to look for clues to improve diplomatic relations between the two countries. In Beijing, he issued

Prime Minister Koizumi (left) shaking hands with President Hu Jintao (right) at a Japan-China summit meeting held in November 2004 (Kyodo Photo)

a statement saying that the two countries should “choose cooperation, not confrontation” through dialogue and called on them to make greater efforts to improve their relations. He also pointed out that close cooperation between the two countries is the motive force for the development of East Asia. The Chinese government sent a signal to Japan that China too was keen in improving its relations with Japan by giving him a red-carpet welcome normally reserved for heads of state. At the start of a conversation with the visiting speaker, President Hu Jintao indicated to him that the Chinese government placed great emphasis on the bilateral relationship and stressed that China would actively promote better diplomatic relations from a strategic standpoint. While acknowledging that the diplomatic relations between the two countries are undergoing difficulties, President Hu Jintao indicated that he would seek to break the present stalemate by saying that he did not relish seeing the current situation continue.

However, one can hardly say that closer Japan-China diplomatic relations are being actively pursued from a strategic standpoint. The strategic standpoint is one that defines the creation of an EAC as a benefit common to Japan and China, and one that is aimed at promoting cooperation and policy coordination toward the creation of an EAC, not only in the economic field but also in the political and security fields. The revival of the long-stalled mutual official visits of the heads of state is the first step toward that goal. Sharing the strategic standpoint, namely, the creation of an EAC, and working for policy

coordination from that perspective would create opportunities for mutual communication and contribute to the improvement of Japan-China relations.

(2) The United States and an East Asian Community

In August 2004, US President George W. Bush unveiled a plan to realign the US armed forces overseas with a view to deploying a “more agile and more flexible” force in response to contingencies involving terrorists or weapons of mass destruction (WMD). The United States is expected to step up military exercises with Southeast Asian countries and to expand and strengthen a network that will facilitate the deployment of US forces to these countries in the case of an emergency. The United States attaches great importance to the role to be played by its allies in this context, and will realign its military presence and command structure in cooperation with its staunchest allies in East Asia, like Japan. The strengthening of its alliances thus far planned in the region, such as the Japan-US alliance, and the regional cooperation in East Asia are compatible.

The United States has long been studying the new course of action to be followed in this region. Adm. Dennis C. Blair, then commander of the US Pacific Command, said that the United States should develop regional, multilateral approaches to common security challenges, and pointed out the necessity for multilateral policy coordination, including military cooperation in East Asia. As examples of common security challenges, he noted transnational issues (such as terrorism, drug trafficking, piracy, and the proliferation of WMD), disaster relief as well as search and rescue operations. Thus the course of action contemplated by the United States is aimed at improving East Asian countries' ability to take cooperative action themselves. It is also aimed at engineering a strategic convergence of multilateral cooperation (such as Japan-US-Korea cooperation, ASEAN+3, and the ARF) and bilateral alliances. At the first AMMTC+3 in January 2004, the participating ministers sought to institutionalize their efforts in this area, and policy coordination with the United States is essential to improve the effectiveness of these efforts.

It may be said that the necessity to work out a strategic convergence of alliances and multilateral cooperation in East Asia has increased of late. At work behind such development is the progress made in expanding the US-led network of alliances since the terrorist attacks on September 11, 2001, which was spurred by a sense of crisis over the threat of terrorism and the possibility of WMD falling into the hands of terrorists. In May 2003, President Bush proposed a

Proliferation Security Initiative (PSI) as a preventive measure to counter the proliferation of WMD. The PSI is a framework designed to facilitate policy coordination and collective actions among participating countries. Its main objectives are: (a) to carry out interdiction training exercises to enhance the capability of participating countries to jointly impede and stop the transport and transmission of WMD; (b) to share information among partners; and (c) to consider practical steps against WMD proliferation within the framework of the existing international and national laws of each participating state. In September 2003, the principles of PSI activities were affirmed in the form of the Statement of Interdiction Principles, and an exercise called “Pacific Protector” was carried out in mid-September off the coast of Australia with the participation of relevant agencies from the United States, Japan, Australia, France, and so on. Such multilateral policy coordination and joint actions based on US alliances are aimed at engineering a workable linkage among the various deterrence and response systems that had in the past been strengthened on a bilateral basis. And by taking the form of a coalition of the willing, it has become possible to induce extra-alliance actors to participate. At the end of May 2004, the Russian government declared its intention to join the PSI and sent its observers to the PSI maritime interdiction exercise called “Team Samurai 04” that was held in Sagami Bay and in Yokosuka Port, Japan, toward the end of October the same year.

However, differences over measures to counterterrorism and piracy still persist among Southeast Asian countries and the United States. Early in 2004, the United States indicated to Southeast Asian countries its willingness to participate in maritime patrols in the Malacca Strait in cooperation with Singapore, as a measure to counter maritime terrorism in the region. Minister for Defence Teo Chee Hean of Singapore acknowledged that defending maritime safety against terrorism was an intensive and complex task, and explained to the countries in the region the necessity to garner cooperation from the US Navy. However, Malaysia and Indonesia opposed the idea. In July the same year, the Indonesian Navy announced that it would start a coordinated patrol of the strait jointly with Singapore within the month and declined the idea of US-led maritime patrols.

There are differences among Southeast Asian countries over the use of US military force in their territorial waters, and this is all the more reason for having dialogue to ultimately hammer out a strategic convergence of US alliances and multilateral cooperation in East Asia. This is not to say that there is no

willingness on the part of East Asian countries to have such strategic dialogues. At the 10th ARF meeting held in June 2003, Chinese Foreign Minister Li Zhaoxing proposed an ARF Security Policy Conference (ASPC) as a standing body of the ARF. This was the first proposal China had ever made to create a multilateral security forum in the Asia-Pacific region in which vice defense ministers as well as foreign ministry officials of the countries in the region were to participate. Acting on this proposal, the ARF Ministerial Meeting held in July 2004 formally decided to establish the ASPC, and held the first meeting of the ASPC in Beijing on November 4–6 of the same year. At that meeting, the participants discussed international and regional security situations and the role to be played by their national defense forces in combating nontraditional security threats like terrorism and drug trafficking. The positive stance China has taken in the process of creating the ASPC is not exactly free of geopolitical calculation to restrain the US presence in the region. Deputy Chief of the General Staff Xiong Guangkai, leader of the Chinese delegation, obliquely restrained the United States by pointing out the existence of “power politics” in the region. And the *PLA Daily* (*Jiefangjun bao*), an organ of the PLA, also indicated its wariness of US unilateralism in its article published the day after the first meeting of the ASPC closed, in which it emphasized the necessity to observe the basic principles of international law and the importance of international cooperation. However, despite these views, the delegates participating in the ASPC meeting basically agreed to strengthen cooperation in combating nontraditional security threats such as terrorism. With the atmosphere thus growing ever more favorable to multilateral strategic dialogue, this is the time for the participating countries to get actively involved. The United States is a member of the ARF, and China can ill-afford to mount a frontal attack on the United States at the ASPC. Japan is one of the staunchest allies of the United States, and an actor holding the key to the success—or failure—of the collective effort to create an EAC. For its part, Japan has already made it clear that it is seeking to build an EAC. In the absence of Japanese political leadership in East Asia, it would be difficult to build an EAC. Differences among the countries of this region over the involvement of the United States in East Asian affairs makes the role of Japan—both as a key US ally in the region and as a pivot of the proposed EAC—all the more important, and it should endeavor to engineer a strategic convergence of the two.

