

INTRODUCTION BY MR JUSUF WANANDI

Strategic Developments in the Asia Pacific and Their Impact on Future Economic Dynamism of the Region *

The Asia Pacific region has been a relatively peaceful region for the last 25 years or so. There are still potential flash points, such as the problem of nuclear proliferation on the Korean Peninsula, which could cause real problems of nuclear proliferation for East Asia if not kept under control. The nuclear test by the Democratic People's Republic of Korea (DPRK) on September 9, 2006 has made it more difficult problem to overcome the problem. At the same time, however, it has led to the adoption of more unified and stringent policies on the part of the five other members of the six party talks, including China and South Korea, as well as the international community. Hopefully, the parties concerned will not over-react and will take into consideration the possibility of future sales of nuclear material by the DPRK to rogue regimes or groups of radical people. The cross-Straits relations between China and Taiwan also could cause great tensions since there are no direct talks between the two parties to come to a *modus vivendi* about their future. In the meantime Chen Shui-bian's Democratic Progressive Party (DPP) regime in Taiwan has been weakened due to the scandals around him, creating potential political instability there. It appears, however, that China does understand that the resolution of reunification could be a long-term effort, and that she has to win the hearts and minds of the Taiwanese people. This understanding is contained in Hu Jintao's Four Points Guidelines of early March 2005. There has been the problem of the Spratly counterclaims between China and some Association of Southeast Asian Nations (ASEAN) neighbors, but this problem has been stabilized and a code of conduct is being formulated between ASEAN and China.

A potential source of greater instability is the fragile bilateral relations between China and Japan. The relationship is at its lowest today due to history (the visit of Prime Minister Koizumi to the Yasukuni Shrine), a sense of rivalry for future East Asian leadership, and some overlapping maritime boundary problems in the East China Sea. This is the first time in history that both countries are powerful at the same time. It is imperative that they find a *modus vivendi* for the future. There are other countervailing factors that help maintain stability in the relationship, such as deeper and strengthened economic relations. China has become Japan's biggest trading partner, replacing the United States of America (USA), with over 200 billion of trade between them. Japan's

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foreign direct investment into China has also been at its highest ever, while people-to-people relations have always been intense. About 4 million Japanese visit China annually, and around 70 thousands Chinese students are studying in Japan; over 300 sister-ship relationship between cities, municipalities and prefectures; and over 800 flights a week between China and Japan. Both governments have agreed to substantially increase the exchange of students and youth, learning from Germany and France, which after 25 years now involves more than 10 million youth. But Japan and China have to make a conscious decision about their future relations, if they are serious about an East Asia Community (EAC) to be established and to be able to overcome their differences.

There have been good signals from new Prime Minister Abe towards China and South Korea despite the earlier negative expectations from some analysts. The timing of the visit, and the fact that he first visited China and South Korea, has been well received by the international community and the East Asian region. Despite his ideology Prime Minister Abe is pragmatic in his approaches, and that augurs well for the regional efforts to establish an East Asian Community.

The most important East Asian challenge for the future is the relationship between China and the USA, between an aspiring great power and the existing single superpower. For the time being, the proposal of former Deputy Secretary of State Robert Zoellick for China to become a major responsible stakeholder of the international system is the basis for a more stable relationship in the future between the two great powers. But two things have to be adhered to for this proposal to be long-lasting. One is on the Chinese side, namely that being a stakeholder means international responsibilities for China that it should live up to. The second is on side of the US side, the creator of post World War II international system and its institutions to allow China, who has accepted the system as a whole, to also adjust it partially to accord to her national interest. This means that the US also has to adjust and accept inputs from China. Both sides have to be able to compromise for this proposition to succeed. It is still too early to say whether Zoellick's proposal will work. It is rather disappointing for East Asia that on the politico-strategic side nobody has been appointed to succeed Zoellick.

On the other hand, Department of Defense and Secretary Rumsfeld as well as Treasury Secretary Paulson has made further steps towards better relations. But opponents are many and the decline of President Bush authority will make it more difficult to maintain an even relation between the two.

The North Korean proliferation problem should be the obvious and important issue to test the proposal's validity, especially since the six party talks is under Chinese leadership, especially under the difficult situation following the test. Some analysts believe that this is the first time that the Chinese have put their feet down on the DPRK,

and that they will be more forthcoming in the implementation of the relevant United Nations (UN) Resolutions.

Some thought that the basic underlying factors for change and movement in the Asia Pacific could be brought back to the intersection of economic and political spheres. In the economic sphere, the main factors are China's economic development and the evolution of US innovation system.

China's growth depends ultimately on incorporating its under-employed labour in central and western parts of the country into the international economy, while the ultimate basis on which the US retains its position as the single superpower and the world's richest economy and society is the success of its educational and innovative system.

The optimistic outlook of the region suggests that all the problems mentioned earlier will one way or other be solved in the future because of capabilities of the Asia Pacific region to overcome them, but there could be too many distractions that could endanger peace, stability and dynamism of the region.

The region should not repeat the mistakes of the past 3 decades pre-World War I in Europe, when everything looked rosy in economic development and international trade was at its highest, but there was no trust between the big powers, especially between an emerging Germany, and other great powers in Europe. It ended with the first World War that caused enormous casualties, and the rise of extremism (Nazi-ism and Communism) and World War II.

To make it different this time and for the future, the politics among the states, especially among the great powers, should be right.

Another important reason why the relationship between the great powers in East Asia should be firmly stabilized is due to the integration of economies (and to a lesser extent of politics) among all the stakeholders. The economic integration amongst the great powers is already deep and large so that any negative developments in their relationship can have a negative impact on each other and on the whole region.

The dominance of the US has relatively declined due to the rise of others (China, India and East Asia as a whole), and because some of her soft power has also declined due to mistakes in responding to the new threat of international terrorism. However, US dominance in East Asia is still real and critical in defining its future developments. To be able to cope with these new strategic developments of East Asia, regionalism and regional institutions building could be the answer to complement US presence and role in the region. It could be a combination of US leadership as the single superpower and the East Asian region in a "concert of powers".

The idea of an East Asian Community (EAC) is a long-term idea, but has strongly emerged after the financial crisis of 1997. East Asian economic integration has been

mainly driven by market forces. It has reached a stage, however, in which the role of states and governments is needed to move the process further.

The understanding of East Asia regionalism is important to be able to appreciate the strategic development of East Asia Summit (EAS).

First, it is not a European Union. Stress will not be on rules and institutions, although some of them will be established if so needed in the future. Diversity is recognized and the first steps will be on getting to know each other and cooperation in the economic field as has been step by step implemented by the market forces. It is recognized as a long term project, with a pragmatic approach. But some real progress have been made in the Chiang Mai initiative for the prevention of another financial crisis in the region. Also in free trade agreements (FTAs), starting with bilaterals (Asean-China, Asean-Japan and Asean-Korea).

There are now two vehicles for this cooperation. One is the ASEAN Plus Three, and another one is the EAS, consisting of 16 members: ASEAN Plus Three plus India, Australia, and New Zealand. The relationship between these two vehicles is still fluid and should be consolidated in the near future. The EAS has shown that the idea of an EAC is an open one.

The US is still considering its policies towards EAC, either to get involved directly through EAS membership or to re-invigorate Asia-Pacific Economic Cooperation (APEC) so that this could embed the EAC. An EAS with the involvement of the US or a reformed APEC will be an acceptable vehicle. It is important for the US that she could rest assured not to be excluded from the region, or that the Pacific is not going to be split by the establishment of EAC.

In all these developments, ASEAN's role remains crucial as the driving force or catalyst of East Asian's community building, because China and Japan cannot do this at this stage. ASEAN can do this together with the Republic of Korea (ROK), which as a middle power has the same interest as and can help increase ASEAN's capabilities to fulfill the role.

A longer term challenge for the region is the progress of domestic developments of member countries and how they will unfold. The last two decades have seen tremendous development of domestic politics, although not all results in real democracies. Myanmar might be the only exception to the trends. The case of Thailand is obviously a setback, and we yet have to see how the interim government is going to govern and the constitutional reform committee's new constitutions to be proposed to be able to judge further developments. But developments in general have been positive and have expanded the political space and civil liberties in all countries, as can be seen in the case of ROK, Taiwan, the Philippines, Thailand, Malaysia, Singapore, Cambodia, Indonesia and also socialist countries such as China, Vietnam and Laos. With a rising middle class this progress will continue. Civil liberties in China and Vietnam have greatly improved,

although political development has been slow and good governance had to be pursued with more vigour.

The social safety net, education, and health care have improved also in the region as a whole, although education has not always been even, and needs new attention for future competition. These are the policies that could balance the impact of globalization and to establish a basis for social justice. The improvements in the political and social fields are important efforts for a sustainable development into the future.

As a consequence of these developments and the dynamism of the regional countries, more actors are coming to the fore. They are not only states and governments but include other actors and stakeholders such as legislative councils/parliaments, business, the media, academe and think tanks, as well as nongovernmental organizations (NGOs) and civil societies.

If problems of resource and energy security, water, and environment on top of the above could be handled jointly by the region, then one can be more optimistic about the future of the region.

These efforts are necessary to guarantee and maintain stability, peace and economic development of the region for the longer-term.