



## **Viet Nam-New Zealand Track 1.5 Bilateral Dialogue Hanoi 9-10 June 2008**

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### **Section I: New political and security architecture in East Asia**

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Asia is going through a period of economic growth, political change, and regional consciousness in a way that it has not known before. A number of trends are happening at the same time: globalisation; resurgence of power in China and India; better public policies leading to rising standards of living; and the absence of serious conflict in the region, or the risk of serious conflict with one or two exceptions, make this period a good time to develop more solid regional structures, to preserve the peace and create the conditions for better economic growth.

The end of World War II, the period of decolonisation, and the war in Viet Nam, were periods of immense political and economic change in the region.

Discussion of regional architecture is not a new phenomenon in Asia. In the 1950s, part of the US-led attempt to resist the spread of communism in Southeast Asia, after the CCP had taken over in Beijing, led to the formation of SEATO, the Southeast Asia Treaty Organisation, based in Bangkok. The lack of success in SEATO led, in an indirect way, to the creation of ASEAN, which, 41 years on, is the major regional body for SEA. North Asia has not had any formally constituted regional organisation, but the incipient dialogue emerging from the six-party talks on the Korean Peninsula may develop into a more permanent forum, particularly on security issues.

South Asia has, since 1985, had the South Asian Association for Regional Cooperation (SAARC), founded in 1985.

The end of the Cold War did bring a sense of change to the region. The Asia Pacific Economic Council (APEC), established in 1989, was the first attempt to create economic linkages across the Pacific. Its leaders met for the first time in 1993 in Seattle. ASEAN expanded its membership between 1995 and 1999 to admit Cambodia, Laos, Myanmar, and Viet Nam. And, in more recent years, ASEAN has deepened its relations with non-ASEAN members, particularly those in North Asia, with Australia and New Zealand, and with India.

### **What are the drivers behind these developments?**

As in the case of Western Europe, the two principal drivers have been security and economic development, the one going with the other, and the second hardly possible in the absence of the first.

Looking at the security environment, with the exception of individual hotspots in East Asia such as the Taiwan Straits and the Korean Peninsula, the end of the Cold War has created a geo-strategic situation that has enabled East Asian states to feel more comfortable in their own environment, and, more importantly, more comfortable dealing with other states from outside the region. In this latter category are Australia and New Zealand, which both have long-standing engagement with Asia, and India, which itself has gone through a revival of its interest in forging stronger relationships with other Asian states, notably China and Japan.

On the economic front, the arrival of the full forces of globalisation in the region has led to a conscious policy in China, and more recently in India, to participate in the global economy in a way that was inconceivable 30 years ago. At the same time, Japan, although faltering dramatically in the early 1990s, has retained its place as the second largest economy in the world.

The United States, the largest economy in the world, and one where the importance of Asia has been central to its growth, went through a sustained period of economic growth up to 2007. The US has been an engine pulling a number of other economies behind it. Add to that the changes in global supply chains and logistics made possible by globalisation, and the economies of East Asia have found themselves progressing at extraordinary rates. Viet Nam is a notable example of this proposition. In general

terms, East Asia has benefited from an enormous increase in labour supply much better integrated to the global economy, low inflation until recently, high domestic savings rates which have stimulated domestic growth, and growth in export markets in the US and China in particular.

### **Regionalism, and building regional models**

It is not, therefore, surprising that against this background of benign economic and security situations, plus greater integration into the global economy, East Asian states have begun to look at better models for cooperation amongst themselves, and with outside partners. ASEAN, having been a successful political model in its infancy, went through a period of less intense focus in the 1980s, and then reasserted itself in the 1990s, including through expanding its membership.

It remains the leading regional organisation, *faute de mieux*. But it is also the logical base on which any regional organisation should be based.

The question of how to build a bigger web around ASEAN was addressed very early on in its history. The Dialogue Partner relationship, for instance, began as early as 1975 when Australia and New Zealand attained that status. In 1990 Mahathir, then Prime Minister of Malaysia, supported the establishment of an East Asia Economic Caucus, which would have involved the then membership of ASEAN plus Japan, China, and Korea. In 1999 ASEAN suggested the study of a possible East Asia Economic Community.

The adoption of the ASEAN Charter, which one must assume will happen this year, gives ASEAN another reason to build outwards. The move to a rules-based structure, which the Charter implies, and the empowerment of the ASEAN Secretariat, equip ASEAN better than in the past to take centre stage in the development of regional structures around East Asia.<sup>1</sup>

A number of questions arise, clearly, as this process moves ahead. The first question concerns the purpose of the network. In the political field, it is to provide Heads of

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<sup>1</sup> The Shanghai Cooperation Organisation, which groups China, Russia, Kazakhstan, Kyrgyzstan, Turkmenistan, and Uzbekistan, with India, Iran, Mongolia, and Pakistan having observer status, is not regarded as part of the East Asia architecture.  
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State and/or Heads of Government, depending on where the executive power is concentrated in each state, with the opportunity to discuss issues in a setting where each member can enjoy the same prerogatives. At present, the APEC Summit and the EAS meet that purpose in the wider setting – i.e. East Asia plus significant others. The ASEAN summit exists for ASEAN, and the ASEAN Plus setting for North Asian countries meeting with ASEAN. Looking at the EAS, one can see that leaders want to have discussion of trans-national issues such as avian flu, crime, water resources, energy security, and sustainability which are becoming globally more pressing, and which have not been easy of discussion in other forums.

Is there a conflict between APEC and the EAS? There need not be in that APEC is essentially concerned with economic matters, and the EAS's agendas can be more wide-reaching. APEC allows membership of "economies" so both Taiwan and Hong Kong, both integral parts of the PRC, have APEC membership. Hong Kong is also a member of EMEAP. This may not be easily transferable to any new regional organisation.

In the economic sphere, APEC is a significant institution which has played an important role in the past in spurring on the *international* trade liberalisation agenda. The specialised forum of the East Asia Central Bankers, EMEAP<sup>2</sup>, which does not involve all members of ASEAN at present, works in the specialised field of central banking, particularly on payment and settlement systems, on financial markets, and on banking supervision. (Its activities are analogous to other regional central bank organisations).

CEPEA, the Comprehensive Economic Partnership in East Asia, is an initiative developed and led by the Japanese government. First proposed at the EAS in 2006, it has now developed to be a possible model for greater economic and trade integration in the EAS area. A study group is currently working on how this process might take place.

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<sup>2</sup> Executive Meeting of East Asia-Pacific Central Banks

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ERIA, the Economic Research Institute for East Asia, is an initiative to develop common institutions in East Asia, similar to the Organisation for Economic Development (OECD), the long-standing institution based in Paris.

The security and defence field is one area where East Asia currently lacks a structure of any size and significance. This is largely because countries in East Asia have not felt confident enough to enter a region-wide organisation. A number of countries do have defence partnerships with others: notable in this regard is the role of the United States. The Five Power Defence Agreement, in which the participants are Malaysia, Singapore, Australia, New Zealand, and the United Kingdom, is a product of history which has gradually over time transformed itself, and has been able to reduce concerns felt by states such as Indonesia and Thailand.

The ASEAN Regional Forum (ARF) was set up in 1994 as a way of developing confidence amongst members in the security and defence field. Its membership goes beyond the EAS membership, notably in that it includes the United States. It has made some preliminary efforts in the fields of preventative diplomacy and conflict management.

At present, the Shangri-la Dialogue, an annual conference organised in Singapore by the London-based International Institute for Strategic Studies with the support of the Singapore Government, is the only regional event where defence and security issues are discussed. The initiative is recent (2002), but is drawing good support from participants, as is seen by the turnout at its meetings. Participants include non-regional players such as the United Kingdom and the United States.

The most recent initiative in the defence and security area has come from ASEAN. The ASEAN Defence ministers met in 2007 and suggested that it would be appropriate for ASEAN to have a process of outreach to non-members in their area of responsibility which would mirror the processes in the economic and political fields. This "ASEAN Defence Ministers' Meeting Plus" concept was referred to in the press statement following the meeting in Singapore in November 2007.

There is a greater willingness than in the past in East Asia to contemplate a security dialogue and cooperation in that area of inter-state activity which might be called the

“non-threatening”. This can be seen in areas like disaster relief, humanitarian assistance, and in some other areas designed to bring a cooperative setting to combat activities like piracy and trans-national crime, where cooperation across borders between security and police forces has improved. There is less sign of a willingness to cooperate at the “harder” end of regional security, such as developing alliances (the SEATO experience has left some bad memories.)

## **Participation**

In each of the three areas discussed above – political, trade and economic, defence and security – it is clear that East Asia wants to develop greater regional networks, reaching out beyond the core ASEAN and North Asian membership.

A critical question then is which other states should be invited to participate. Different answers have been given in different frameworks. The ARF<sup>3</sup>, for instance, has extended to a membership of 27, some of which are not core countries in East Asia (which is not to say that they do not have interests in what is being discussed). One could say that a reason why the ARF has moved laboriously is because its wider membership has made it difficult to make progress on a substantive agenda. It does not seem a likely model for future expansion and authority.

A key requirement posed by ASEAN to allow non-members into the ASEAN Plus category (and also into the EAS) has been to require long-standing involvement in the region as shown by dialogue partner status and accession to the Treaty of Amity and cooperation. By that definition, Australia, New Zealand and India, as well as China, Korea, and Japan have passed the test. For other states the choice may not be so straightforward.

The United States remains outside the EAS process, although they participate in the ARF, and, of course, are leaders in APEC. It is too early to say whether US participation in any emerging East Asia regional structures will be a policy goal for Washington, whatever the administration in power, or a policy objective of East Asia countries. Certainly, in the defence and security fields, the projection of power by the United States across most of Asia remains a key factor in geo-strategic terms.

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<sup>3</sup> ASEAN Regional Forum

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At present, therefore, the qualification of non-ASEAN states to participate in regional architecture is developing without too much of a master plan. The number of participants runs from 27 in the ARF – too many to be effective as a core East Asian piece of the structure – through to 16 in the EAS, which appears to be an acceptable number.

Finally the key requirement of any regional grouping which gathers leaders is that it is one where leaders are comfortable with the setting, the procedures, the substance, and the style of the meeting, and any follow-up work which they require to have done. The EAS has thus far won that sort of support.

## **Conclusions**

- East Asia is more integrated than it has been for many decades in the global economy
  - Economic development accompanied by a reasonable security environment have engendered a sense of confidence in dealing with states outside East Asia
  - In this climate, it is natural that governments look at creating regional organisations which have real purpose. ASEAN is the predominant player.
  - If Europe is a point of comparison, then it is likely that in East Asia also overlapping institutions will co-exist until a choice is made on a pre-eminent forum for leaders.
  - The role of the United States is still not clear.
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Views expressed in this paper are personal to the author and are not to be taken as representing the full delegation or the Asia New Zealand Foundation

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