

# East Asian New Institutional Regionalism : Who Will Drive the East Asia Summit, ASEAN, Japan or China ?

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## Abstract

The focus of this paper is to use the East Asia Summit (hereafter EAS) as a case study to explain the development of new institutional regionalism in East Asia. It is divided into two parts. The first part analyses the evolution and the reasons for the creation of the EAS. The second part focuses on the Association of Southeast Asian Nations' (ASEAN), China's, and Japan's leadership roles in promoting the new institutional regionalism in East Asia. The main thesis of this paper is to argue that the trilateral collective leadership of ASEAN, China and Japan is critical in determining the shape and direction of East Asian new institutional regionalism in the 21<sup>st</sup> century.

The trilateral collective leadership model with ASEAN as the *primus inter pares* (first among equals) supported both by China and Japan is likely to continue in the immediate and intermediate future. As long as both China and Japan support this 'trilateral equilibrium' model, ASEAN can continue to drive the EAS, as it is a positive sum model which will contribute to the maintenance of regional systemic stability and order in East Asia. Thus it can be argued that the present trilateral collective leadership model is best suited for the East Asian circumstances. The hegemonic stability model of the North American Free Trade Area (NAFTA) under the tutelage of the US and the power-sharing co-leadership model (France and Germany) of the European Union (EU) cannot be replicated in East Asia. However, in the long term, China has the potential to replace ASEAN and Japan as the *primus inter pares* in shaping the international political and economic order in East Asia, as with the growing economic power of China and India, the center of economic gravity will not only shift from the West to the East, but also from Southeast Asia to Northeast Asia.

**Key words :** Summit, regional, leadership, trilateral, institution

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## Introduction

The theoretical and methodological underpinning of this paper is to show possible linkages between ideas and institutional change. Many great ideas spurred the formation and transformation of the global economy throughout history. The idea to reach out by Christopher Columbus and Vasco da Gama in the 15<sup>th</sup> century fundamentally changed the global political and economic order since they discovered the Americas and Asia, giving birth to the global expansion of European capitalism and imperialism in the 19<sup>th</sup> century. The revolutionary ideas of Marx, Lenin and Mao brought about profound revolutionary change to the global political economy in the 20<sup>th</sup> century.<sup>1)</sup> The roles played by these leaders were critical in bringing about the great transformation in both Russia and China,<sup>2)</sup> and so was the idea of a united Europe envisioned by the founding fathers of the EU<sup>3)</sup> which brought a war-torn Europe permanent peace.

Mark Blyth has presented the following five hypotheses as conceptual tools for studying the correlation between economic ideas and institutional change:

1. In periods of economic crisis, ideas (not institutions) reduce uncertainty
2. Following uncertainty reduction, ideas make collective action and coalition - building possible
3. In the struggle over existing institutions, ideas are weapons
4. Following the delegitimization of existing institutions, new ideas act as institutional blueprints
5. Following institutional construction, ideas make institutional stability possible.

This paper analyses the rise of new East Asian 'institutional regionalism.' Studies of regionalism can be analyzed from the financial, security, strategic, political, environmental and institutional perspectives.

Since East Asian new institutional regionalism is driven mainly by states, i. e. through inter-governmental projects, studying institutional regionalism is important because institutional ideas shape institutional behaviors. Thus the study of institutional regionalism can help us, for example, understand the different member states' motivations to participate in the regional grouping. In the case of East Asia, the idea of achieving wealth and power has been the central concern of East Asian states since World War II. For China, the idea of 'enrich the nation and strengthen the army' has always been the central tenet of the ruling elites since

the onslaught of the Western powers during the Opium Wars (1839-1842).

Furthermore, institutional regionalism can create new norms, rules and identity for community building and economic integration. These can be the bases for governance and legitimacy of a regional grouping in a particular region. Institutionalization of norms and rules provide the parameters for states to follow and interact, thus minimizing erratic behavior by member states. Moreover, from the development perspective, one can argue that without regional institutions, there can be no long-term regional sustainable development. Besides, regional institutions provide goals and visions to aspire states to work together for the common good and welfare of people in a particular region. In the longer term, institutions provide stability for regional order and thus minimize conflict and anarchy in that particular region.

The focus of this paper is to use the EAS as a case study to explain the development of new institutional regionalism in East Asia. It is divided into two parts. The first part analyses the evolution and the reasons for the creation of the EAS. The second part focuses on ASEAN's, China's, and Japan's leadership roles in promoting the new institutional regionalism in East Asia. The main thesis of this paper is to argue that the trilateral collective leadership of ASEAN, China and Japan is critical in determining the shape and direction of East Asian new institutional regionalism in the 21<sup>st</sup> century.

From the perspective of the evolution of East Asian regionalism, the First, Second, Third and Fourth EAS<sup>4)</sup> held in Kuala Lumpur, Malaysia, on December 14th 2005 and thereafter in Cebu, the Philippines on 15th January 2007, as well as in Singapore on 21st November 2007, and finally in Thailand on 25th October 2009 marked a significant development in the rise of new East Asian institutional regionalism.<sup>5)</sup> The fact that the first EAS was hosted successfully by Malaysia was particularly meaningful as the EAS revived the original idea of the East Asian Economic Grouping (EAEG)<sup>6)</sup> which was first initiated by then Malaysia's Prime Minister Dr. Mahathir bin Mohamad in 1990. Mahathir's EAEG idea did not take off due to strong US opposition, lack of support from both China and Japan, as well as skepticism by ASEAN (particularly Indonesia and Singapore). Subsequently, the EAEG became the East Asian Economic Caucus (EAEC) which was symbolically endorsed by ASEAN in 1993. Despite this initial setback, the idea of forming an EAEG continued to linger in the East Asian leaders' minds. In December 1995, ASEAN endorsed the idea of reviving the EAEG, and at the first 1996 Asia-Europe Meeting (ASEM) the idea of ASEAN Plus Three (China, Japan, South Korea) process became alive. The first ASEAN Plus Three Summit in 1997 marked a significant development in the rise of the new East Asian institutional regionalism. This was the first time in the history of East Asian development that the leaders of the thirteen states met to discuss common issues and problems facing the region. At the December 2004 ASEAN Plus Three Summit, the East Asian leaders decided to have the first EAS to be held in Malaysia in 2005. Viewed from this historical perspective, one can argue that the first EAS was a logical outcome of the East Asian states' desire to create a new developmental regionalism<sup>7)</sup> in East Asia. The formation of the EAS was also an extension and the culmination of more than three decades of economic growth in East Asia.

### Raison d'être for the Creation of the EAS

First, the EAS was a logical outcome of the East Asian states' desire to create a regional institution to promote common interests and share views on the future development of East Asia. They hoped the EAS will lead to deepened interdependence among the East Asian states so as to strengthen regional peace, development, stability and identity.

Second, the birth of the EAS could be interpreted as a response to the Asian Financial Crises (1997/1998), as the East Asian states recognized the need to pull their resources together to face future challenges and crises affecting their common interests.

Third, the creation of this East Asian grouping was partially a response to the challenges of a global trend toward regionalism. It can therefore be argued that the EAS is a mechanism to handle the dynamic changes of the forces of globalization, in particular economic globalization.

Fourth, the creation of the EAS could be regarded as a hedge against the failure of the Doha Round of Trade Negotiations since 2001.<sup>8)</sup> It can also strengthen its economies of scale for trade bargaining vis-à-vis the EU and NAFTA.

Finally, the rise of China was an important driving force for the first EAS meeting.<sup>9)</sup> The fact that China was the chief focus of attention during the meeting is a testimony to the above argument.<sup>10)</sup>

### Goals of the EAS

The Kuala Lumpur Declaration on the East Asia Summit stated that its signatories had: 'First, —established the East Asia Summit as a forum for dialogue on broad strategic, political and economic issues of common interest and concern with the aim of promoting peace, stability and economic prosperity in East Asia.'

'Second, that the efforts of the East Asia Summit to promote community building in this region will be consistent with and reinforce the realisation of the ASEAN Community, and will form an integral part of the evolving regional architecture.'

'Third, that the East Asia Summit will be an open, inclusive, transparent and outward-looking forum — with ASEAN as the driving force working in partnership with the other participants of the East Asia Summit.'

'Fourth, that the 'focus, among others — will be — on the following :

'Fostering strategic dialogue and promoting cooperation in political and security issues to ensure that — their — countries can live at peace with one another and with the world at large in a just, democratic and harmonious environment ;

Promoting development, financial stability, energy security, economic integration and growth, eradicating poverty and narrowing the development gap in East Asia, through tech-

nology transfer and infrastructure development, capacity building, good governance and humanitarian assistance and promoting financial links, trade and investment expansion and liberalisation; and

Promoting deeper cultural understanding, people-to-people contact and enhanced cooperation in uplifting the lives and well-being of — their — peoples in order to foster mutual trust and solidarity as well as promoting fields such as environmental protection, prevention of infectious diseases and natural disaster mitigation.<sup>11)</sup>

Thus the basic principles of the EAS follow the ‘ASEAN Way,’ i. e. equality, partnership, consultation and consensus. It is not based on the EU model of rule-based formal regionalism.

### Issues and Challenges

The exact evolving pattern of the future of the EAS is at the moment not yet clearly defined. Many questions can be raised. For example, what is the nature and features of the EAS? Is the EAS a forum of a talking club, or ‘norm brewery’<sup>12)</sup> or a ‘community brewery’? Will the EAS become the most important regional institutional mechanism, and replace ASEAN in dealing with East Asia’s most pressing international political and economic issues in the region? Does the EAS need to have a permanent secretariat? How can a viable EAS organizational structure be created? What is the formal and informal relationship between the East Asian states and their dialogue partners? How important and relevant will the EAS be in the context of the global political economic architecture? Can the EAS create a successful model for Third World developing countries to emulate?

What will be the optimum membership for the EAS? Will the EAS include the US and Russia? Can the EAS mechanism function effectively without US participation? What will be the future leadership roles of the US since the Obama administration had acceded to the Treaty of Amity and Cooperation in Southeast Asia (TAC) on 22<sup>nd</sup> July 2009?<sup>13)</sup>

In geographical terms, the EAS goes beyond East Asia and includes South Asia and Oceania. In terms of membership, its size is likely to fall between ASEAN Plus Three and APEC.<sup>14)</sup> ASEAN adopted an open approach as it believed that US membership is important because it can serve as a useful counter dominance strategy to rising China. However, some argued that with its inclusion, the EAS might become a US dominated Asia-Pacific grouping and would thus undermine the East Asian identity of the EAS. Thus the EAS would then be subsumed under the US-Japan-Australia-led APEC grouping. The inclusive school of thought prevailed over the exclusive school of thought, as the final 2005 Declaration of the EAS stated that it will be an ‘open, inclusive, transparent and outward-looking forum’ — with ASEAN as the driving force working in partnership with the other participants of the East Asia Summit.<sup>15)</sup> In the words of China’s Premier Wen Jiabao ‘The EAS should not be closed, exclusive or directed against any party.’<sup>16)</sup>

One of the challenges for the EAS is how to coordinate ASEAN’s related institutions and their multiple networks, that is ASEAN Ten Plus One and ASEAN Plus Three in such a

way that their various functions are not duplicated. The ASEAN Regional Forum (ARF) for instance can focus on security issues whereas the EAS can concentrate on community building.<sup>17)</sup> The challenge for ASEAN is to ensure that the creation of a centrality of any future structure will not shift from Southeast Asia to Northeast Asia, and to set the pace and keep the momentum of the EAS summits. The strategy is to move from ‘confidence building’ to problem-solving and finally to community-building for East Asia.

### Leadership

What is regional leadership?<sup>18)</sup>

To be a regional leader, one needs to fulfill the following conditions :

1. have a strong belief, desire, political will and determination to lead the region
2. have leadership vision and intellectual leadership capability
3. be the largest power and have the most affluent economy in the region
5. be the chief paymaster
6. command respect and acceptance by other member states and the international community.

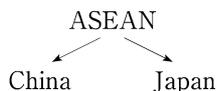
Leadership is an important factor in the shaping of the EAS’ future and the building of an East Asian Community (EAC). If leadership is analyzed from the realist perspective, one would conclude that it would eventually be the rising powers in Northeast Asia who would take centre stage in setting the agenda for the EAS.

However, if we analyze leadership from the issues perspective, it is possible that a particular state can be assigned to be the leader of a certain urgent issue irrespective of the size and strength of that state. The EAS, can for example, reach a consensus to accept Japan as a regional leader in the areas of technology and the environment since Tokyo is the most advanced country in these fields compared to other East Asian states. Similarly, China can assume leadership in setting the agenda for trade bargaining on behalf of East Asia vis-à-vis other trading blocs, due to its immense strength and clout garnered from its status as the “World’s Factory.”

If we consider the principle of equality, then any of the EAS participants would have an equal chance to be the chairman of the EAS. Thus the idea of a ‘rotational leadership’ can apply to the situation in East Asia, as was the case for ASEAN when from the very beginning of the ASEAN Declaration in Bangkok in 1967, the principle of equality and partnership<sup>19)</sup> has always been practiced.

Who should then provide leadership for the EAS? Should ASEAN, Japan or China be the EAS driver or will another potential sublime contender emerge?

## a) ASEAN's Regional Leadership: the Flying Garuda Model



At the center of this leadership model, ASEAN is the *primus inter pares*. From ASEAN's perspective, the Association wants to be in the driver's seat, providing the leadership and setting the agendas for the EAS. During the first EAS, it was agreed that the chairmanship of the annual EAS meeting shall be only rotated among the ten ASEAN capitals. It had also been agreed by the First Summit that the 2<sup>nd</sup> Summit be held in Cebu, the Philippines,<sup>20)</sup> although China offered to be the host of the 2<sup>nd</sup> EAS Summit in Beijing. Initially, Beijing had the intention to be a regional leader of the EAS, but has been content to let ASEAN be in the driver's seat. Beijing's reluctance to be a regional leader is a wise political and diplomatic strategy as apprehension among its neighbors (particularly Japan) and the West is avoided. Thus, one can argue that the EAS is actually an extension of the 'ASEAN Club' which sets the rules of the game for the newcomers to follow. Suffice it to say, ASEAN's assigned managerial role derives as much from its unparalleled institutional experience in East Asia as from the lack of an alternative source of leadership acceptable to all.<sup>21)</sup>

ASEAN's leadership claim is based on the following factors: first, ASEAN is the only viable relatively successful regional institution in Southeast Asia. ASEAN has brought relative peace, stability and economic growth to the region and its regional leadership role has been accepted, endorsed and supported by the major powers including the US and the EU. Second, ASEAN has emerged as a regional developmental model for other regions in Third World economies. Third, ASEAN has emerged as the 'hub' of regional debates over norms and mechanism for cooperation in East Asia.<sup>22)</sup> Fourth, the advantage to put ASEAN in the driver's seat is to ensure that Sino-Japanese competition over the EAS leadership can be contained. ASEAN thus may become both a useful auxiliary buffer as well as a mediator in the EAS.<sup>23)</sup>

The competition for leadership among ASEAN, Japan and China has resulted in a stalemate as no strong hegemon has emerged to lead the region for community building and economic integration. Neither China nor Japan is willing to accept each other as leader of East Asia, due to the underlying lack of mutual trust and suspicion born out of their historical interactions and ill will from World War II. Due to the Sino-Japanese leadership competition for regional aspirations and ASEAN's skillful diplomacy, ASEAN by default has been accepted by the major powers (including the US) to lead the EAS. As Singapore's Foreign Minister George Yeo aptly put it:

'In all these arrangements, ASEAN plays a major role, not because we are powerful, but because we are not. Because ASEAN is completely non-threatening, we can deal with all the major powers in a fair and equitable way.'<sup>24)</sup>

**Impediments:**

How effective can ASEAN be in the EAS' driver's seat? So far, evidence has shown that

ASEAN has not been pushing strongly enough for regional economic integration projects. Indonesia, which is supposed to be the most important leader in the ASEAN grouping as it has the largest territory and population in Southeast Asia and is endowed with rich natural resources, has not been able to spearhead the ASEAN regional economic integration schemes assertively. In fact, Indonesia's regional leadership credibility has suffered since the downfall of Suharto in May 1998 and its ensuing serious and often ongoing economic, social and political malaise. Its weak state capability and lack of strong political will and inefficient bureaucracy have made it difficult for itself to lead ASEAN let alone the EAS. Though Indonesia's President Yudhoyono has the intention and the goodwill to improve Indonesia's regional leadership image, domestic structural constraints hinder him from effectively assuming the regional leadership role. The government's inability to react effectively to address the December 2004 Tsunami disaster relief efforts as well as its failure to control the persistent regional haze pollution problems created domestically are good instances of Indonesia's weak state capability.

At present no single ASEAN member can be the regional driver for the EAS, although ironically, Singapore, the smallest state in East Asia, has been able to provide regional 'intellectual and visionary leadership' by Lee Kuan Yew, Goh Chok Tong and currently Prime Minister Lee Hsien Loong who was the first ASEAN leader to propose, for example, the idea for a special ASEAN emergency meeting to deal with the Tsunami disaster in Indonesia in 2004.

Despite its shortcomings, one of ASEAN's accomplishments as a leading regional grouping in Southeast Asia has been its success in maintaining peace and stability in the region. These achievements have been recognized, supported and appreciated by the major external powers including the US, the EU, Russia, India, China, Japan, and international institutions such as the UN, the World Bank, IMF, etc. ASEAN will continue to be a regional leader setting the agenda for the development of East Asia in both the short and intermediate terms. However it is doubtful ASEAN will be the regional leader in the long haul due to the following inherent impediments :

At the regional level within the ASEAN grouping, there are no signs yet indicating the emergence of a strong, visionary, dynamic and capable regional leader appearing on ASEAN's radar screen, particularly from the most influential state, i. e. Indonesia. Moreover, most of the ASEAN member states are also constrained by weak national resilience and cohesion. No strong regional resilience can be generated when domestic resilience and cohesion is weak. Thus the likely outcome is a 'weak collective leadership' under ASEAN's tutelage.

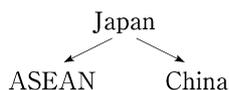
From the perspective of 'developmental regionalism,' the early phase of regional cooperation in Southeast Asia was initiated by external powers, mainly by the US, and the UK. It focused primarily on security and strategic matters against the backdrop of ideological struggle between the free world versus communism in the Cold War era from the 1940s to the 1980s. Despite the growth of regionalism since the beginning of the 1960s particularly since the formation of ASEAN on 8<sup>th</sup> August 1967, regional norm, identity and cohesion remain

weak in Southeast Asia, if not elusive. Nationalism still prevails over regionalism.<sup>27)</sup> Moreover, regional endeavors in Southeast Asia are very much state-driven from the top with very minimum support from the people at the bottom. Thus regionalism and institutionalism are lopsided without broad underpinning and local populace support.

In terms of economic strength and military might, ASEAN is much weaker than the Northeast Asian states. In the long run, with the emergence of Pax-Sinica, one can therefore argue that in the context of Immanuel Wallerstein's world system theory, China will be the 'core,' with its neighbors forming the 'semiperiphery' and Africa, Latin America and the Middle-East the 'periphery.'<sup>28)</sup>

Suffice it to argue, institutional regionalism in Southeast Asia continues to suffer from weak regional structural capabilities limited by ASEAN's ability to respond to crises effectively.

#### b) Japan's Regional Leadership: Flying Geese Model



Can Japan be a 'captain' sailing the East Asian ship?

From the power perspective, Japan's regional leadership is based on the fact that for more than three decades, Tokyo has been the most important economic power in East Asia, extolling the 'Flying Geese Model' of market integration in the region.

Japan has a longer record of regional leadership than China. At the height of Japan's economic power in the 1980s, Japan's claim for regional leadership was more credible than that of China as the latter had only just began the process of transformation from a centrally planned socialist economy to a market economy, initiated by the 'transformational leadership' of Deng Xiaoping in the late 1970s. Seen from the historical perspective too, i. e. since 1945, Japan had a longer tenure of regional leadership in East Asia than China who was a late-comer and had begun to challenge Japan's established regional leadership only after China's former Prime Minister Zhu Rongji's first floated the idea of economic regionalism between China and ASEAN in the form of the China-ASEAN Free Trade Area (CAFTA) in 2000. This marked the beginning of a new chapter in China's 'Flying Dragon' model of the rise of nascent new East Asian economic regionalism.

Japan's foremost regional leadership competition with China is primarily based on the notion of 'Techno-Regionalism.'<sup>29)</sup> Its technological achievement, knowledge and skill are overall superior to China's. Japan's automobile industry, precision machineries, digital consumer electronics, robot industry and electrical household appliances are known market winners in the global trade competition; besides, Japan can also be a regional leader in environmental protection.<sup>30)</sup>

As far as institutionalism is concerned, Japan's state sponsored institutions, such as the Japan Foundation, for instance, is ahead of China in promoting both academic exchanges at institutions of higher learning as well as cultural exchanges. Furthermore, Japan has taken

the lead promoting culture and intellectual work. It has been offering and providing more scholarships, research funds and facilities to East Asian students to study at Japanese higher institutions than China. In addition, Japan being a democracy, it has the edge over China's one party authoritarian state to attract talented foreign students to study in Japan. Tokyo has also more credentials than China regarding its human rights record and the existence of a strong civil society. This is lending more credence to be accepted by the international community as a respectable regional leader, since regional leadership recognition has to be earned, respected and accepted by other East Asian states. From this perspective, Japan has earned a greater mandate and more respect than China's one party authoritarian state.

Leadership carries responsibility. In other words, regional leadership involves heavy financial costs. One of the regional leadership responsibilities is to be a regional paymaster. Tokyo has been a leading paymaster, as it has provided grants, aid and economic assistance through its ODA. In fact, China has been the largest recipient and beneficiary of such economic grants, aids, loans and assistance since the beginning of the 1980s to the 1990s. It is also important to note that Japan's ODA programs which extended to China for more than two decades, played a significant role in contributing to sustain China's impressive economic takeoff, modernization and market integration with the world economy. Japan has also been the largest financial contributor to the operations of the Asian Development Bank (ADB) since its inception in 1966, besides being the leading nation advocating the creation in 1989 of Asia-Pacific Economic Cooperation (APEC), a regional institution for promoting trade and investment in the Asia-Pacific region.

Japan's reputation, recognition and respect by the West and the international community as an East Asian regional leader is better than China's. This is evidenced by the fact that Japan is a member of the G7, - a 'rich man's club' of the advanced industrialized economies.

#### **Impediments :**

Japan has lost its economic dynamism throughout the 'Lost Decade' of the 1990s. Its 'flying geese' model proved to be successful for East Asia in the 1970s and 1980s but its dynamism began to decline during the 1990s when Japan suffered a decade of economic stagnation until it started to recover in late 2002. Japan again has been facing a serious economic downturn in 2008/2009, and as a consequence, the credibility and attraction of its 'flying geese' model as a suitable model for economic growth for East Asia has weakened.

Although Japan has been a driving force for market integration since the 1970s, Japan's regional diplomacy has been characterized, at times, as ambivalent in dealing with its neighbors in East Asia. Tokyo's recent diplomacy has been hampered by the inability of its leadership to project itself as a dynamic nation with a strong vision for East Asia in the 21<sup>st</sup> century. Since Koizumi stepped down as Prime Minister, Japan has been constrained by a lack of strong leadership, as from 2006 to 2009, Tokyo saw four Prime Ministers, i. e. Abe, Fukuda, Aso and now Hatoyama of the Democratic Party of Japan (DPJ). Without a strong, stable, dynamic and visionary leadership, how can Japan be expected to lead East Asia in building an East Asian Economic Community?

The lack of a strong coherent regional foreign policy is in part a manifestation of Japan's

domestic structural problems with both the economic and political reforms in the 1990s. Similarly, certain negative mindsets such as “sakoku protectionism” still persist and dominate the various food, automobile, textile and chemical sectors. The Japanese markets are based on closed business networks, which prevent businesses from adjusting fast enough to the rapidly changing global markets. To be a regional leader, Japan needs a long term strategic vision and policy.<sup>32)</sup>

Moreover, Japan’s credibility as a regional leader is questionable unless Tokyo takes all the necessary steps to resolve the historical issues between Japan, China, South Korea and North Korea. Politically and militarily, Japan seeking great power status and its future regional leadership intentions is viewed with suspicion, particularly by China. Will it go nuclear as a result of North Korea’s second nuclear test in May 2009? Given its past history, any attempts by Japan to rearm will be viewed with anxiety and suspicion by the neighboring states.

The Japan-US alliance, has also cast some doubt whether Japan can, without US endorsement, act as an independent regional leader. Although Hatoyama has won the August 2009 general election, Japan’s foreign policy towards the US remains unchanged, i. e. accepting the US/Japan Alliance as a cornerstone of its foreign policy. The question therefore arises whether Japan can make the transition from its junior partner mentality to one of acting independently as a strong dynamic regional leader, as Japan has been locked in the US-Japan security structure since 1951. It makes it therefore difficult for Japan to change its deep-rooted dependency mindset. This dependency syndrome resulted at times in Japan’s ambivalent regional diplomacy towards East Asia.

Last but not least, Japan has a smaller population base than China. Its aging and shrinking population<sup>33)</sup> therefore would result in lower domestic growth than China.

Overall however, Japan still has a better edge over China in the regional leadership competition due to the following reasons:

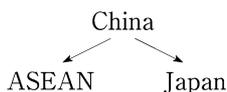
First, Japan has better credentials than China to be a regional leader because of its long tenure of regional leadership since the Fukuda Doctrine (1977). Southeast Asian states still feel psychologically more comfortable dealing with Japan than with China.<sup>34)</sup> There is no reason for Southeast Asia to discard an old partner and replace it with a new and as yet uncertain Chinese ‘strategic’ partnership, particularly because of China’s long term intentions toward the region, especially the sovereignty disputes in the South China Sea.

Second, Japan has been leading in promoting soft power (cultural, social and academic exchanges) and had a longer history of cultural diplomacy than China.

Third, Japan has been taking the lead, promoting regional financial cooperation for East Asia when it proposed the creation of an Asian Monetary Fund (AMF) in September 1997.<sup>35)</sup> The announcement of the New Miyazawa Initiative,<sup>36)</sup> in October 1998 too was another good example of Japan’s leading regional financial leadership. Tokyo was also an important actor supporting the creation of the Chiang Mai Initiative (currency swaps)<sup>37)</sup> in 2000. Moreover, its substantial financial contributions to the region via its ODA programs, give Tokyo an edge over Beijing. On 6<sup>th</sup> June 2009, for example, Hatoyama announced that Japan decided to offer more than Yen 500 billion in aid over the next three years to the five Mekong River region

countries (Vietnam, Laos, Cambodia, Myanmar and Thailand<sup>38)</sup>). In short, Japan has already taken steps to secure a leading regional role in the making of an East Asian community.<sup>39)</sup>

### c) China's Regional Leadership: Flying Dragon Model



As a result of China's impressive economic growth since the 1980s, China's policy towards East Asia has subtly shifted from initially promoting 'ideological regionalism' of the Maoist era in the 1950s and 1960s to economic regionalism since Deng Xiaoping embarked upon economic modernization and reform in the late 1970s. China's policy toward ASEAN has also changed from the initial stage of hostility and skepticism in the 1960s to one of *modus vivendi* in the 1970s and 1980s and finally to strong endorsement in the 1990s. In the 1970s to the 1980s, China preferred to adopt bilateral rather than multilateral strategies when interacting with the ASEAN states, particularly over sovereignty conflicts in the South China Sea. By dealing with ASEAN en bloc, China's bargaining position seemed to be at a disadvantage vis-à-vis the sovereignty disputes with its neighbors. But when China became more successful in its economic achievements, Beijing's confidence increased when dealing with ASEAN as a group in economic, security and diplomatic issues. When the ARF was mooted in 1993, China viewed it with skepticism, worrying that ASEAN might use it as a multilateral security forum with the support of the US and Japan, thereby marginalizing Beijing's influence in Southeast Asia. However, after joining the ARF as a full dialogue partner in 1996, China became more positive towards ASEAN multilateralism. Since the Asian Financial Crises in 1997/1998, China has seized the opportunity to take a more active leadership role pushing for new regional cooperation agendas. It came as a great surprise to many regional analysts, when in November 2000, the then Prime Minister Zhu Rongji took the unexpected initiative to propose a regional free trade area with ASEAN. Japan then was caught off-guard. The implication of the CAFTA proposal triggered off new regional multilateral negotiations and arrangements by other East Asian states, in particular motivating the then Prime Minister Junichiro Koizumi in January 2002 to propose a 'Japan ASEAN Comprehensive Economic Cooperation Partnership.' This regional economic activism has further strengthened the growth of the new economic institutional regionalism, thereby stimulating the development of East Asian consciousness and identity in the whole region. China's admission to the W. T. O. in December 2001 has further accelerated not only its domestic economic reforms but also strengthened the development of new developmental regionalism in East Asia. Thus China's regional policy has shifted from an 'ideological cum strategic-security concern' in the 1950s and 1970s to emphasis on enlightened economic pragmatism since the 1980s.

Can China project to the world that it has no intention to seek hegemony in Southeast Asia? China's rise is inevitably viewed by its smaller neighboring states, particularly Vietnam, with anxiety and worry over Beijing's potential long term hegemony. By adopting a low

profile and less assertive policy towards the EAS, China can assure its neighbors that Beijing is not, and will not pose a threat to any other states, particularly its smaller neighbors.

By letting ASEAN set the regional agendas and not allowing China's own agenda to dictate its interactions with the EAS, Beijing can show that it is a responsible regional power and a trustworthy 'stake holder' with global significance and vested interests in promoting regional cooperation schemes for a common good. This is in line with its peaceful foreign policy which is aimed at promoting harmony in East Asia under Hu Jintao's leadership. In the long term however, China, has the potential to replace ASEAN and Japan to shape the international political and economic order in East Asia. Due to the continuing rise of its economy and power for at least the next two decades, China will emerge as the economic superpower in East Asia, replacing Japan as the most important economic player in the region. Given the fact that China's high growth of 9% in 2008 has vastly outstripped Japan's negative real GDP growth of minus 0.7% in the same year, China is expected to take over Japan to become the world's second largest economy before the end of 2010.<sup>41)</sup> With the rapid growth of China's economy, the 'Flying Dragon' model has now gained greater credence and has emerged as a viable alternative to Japan's Flying Geese model in terms of economic development in various developing states such as North Korea, Vietnam, Laos, Cambodia, and Myanmar. The chances of China's Flying Dragon Model to be accepted as an alternative sustainable developmental model for its neighbors appears to be higher than for Japan's 'Flying Geese' Model.

Either way, China would continue to let ASEAN take on a center stage role in the EAS, as China wants to concentrate on internal economic development while externally adopting a 'good neighbor' policy and be a good partner in promoting regional cooperation and regionalism in East Asia. China clearly identifies East Asia as the most important region for its future development. Without China's strong support, the future of East Asia's new institutional regionalism is likely to be beset with problems preventing it from reaching its full potential. The last decade of China's association with the Southeast Asian states has shown that Beijing indeed behaves like a responsible partner in promoting shared common interests and a shared future with its neighbors. China's support clearly aids in strengthening a common East Asian identity. Similarly, the way China demonstrated transparency in its handling of the avian flu, H1N1 and other natural disasters shows that China identifies its own destiny with the common future of the other East Asian states.

What is China trying to achieve by supporting the EAS? Beijing is aiming

1. to expand Hu's philosophy of harmony into the East Asian region
2. to dispel the 'China threat theory'
3. to project China as a responsible rising regional power
4. to promote soft power, such as Confucian cultural power
5. to build a harmonious and prosperous East Asian community in the long term.

What are China's strategies?

1. Projecting a non-regional hegemonic leadership image

Through ASEAN assuming the centre-stage of the EAS leadership role, China demons-

trates that it has no desire to assume the leadership role.

2. Practicing multilateral, pragmatic and flexible, diplomacy

China's blend of diplomacy projects itself as a responsible indispensable good neighbor, friend and partner.

3. Dispelling the 'China threat theory' and replacing it with China's 'peaceful opportunity' strategy in international relations

Through such moves, China's role in the EAS can best be described as adopting a responsible leadership strategy in East Asia, while projecting itself as an important indispensable heavy-weight player.

**Impediments :**

In essence, China's limitations can be summarized as follows :

First, China is still an unevenly developing economy, mainly focused in the eastern coastal areas, whereas vast regions in the western, southwestern and northern parts remain poor and underdeveloped, with inadequate infrastructure and facilities for the population. China would need abundant resources and time to transform these poor regions into affluent economies. Although China has a large GDP, the income and quality of life for the average Chinese is still far below Japan's.<sup>42)</sup>

Second, the current Hu/Wen leadership is psychologically and mentally not yet ready to push for regional leadership in East Asia. The main thrust of China's leadership strategy is internal development rather than external diplomacy. Its omni-directional acquisitions of overseas resources and 'pipeline' diplomacy<sup>43)</sup> are means to serve internal developmental needs to transform China into a modern affluent economy.

Third, overall, the quality of technology as well as the skill of its workforce is still below Japan's.

Finally, for China to compete with Japan as a regional leader, and be accepted by other East Asian states, Beijing has to engage in both political and economic reforms. China is still a long way from becoming a 'liberal' state, which entails the practice of good legal governance, social justice, openness, accountability and transparency according to acceptable international norms.

## Conclusion

The present trilateral collective leadership model provides the best fit for the current East Asian circumstances. As long as both China and Japan support this 'trilateral equilibrium' model, ASEAN can continue to drive the EAS, as it is a positive sum model which will contribute to the maintenance of regional systemic stability and order in East Asia. The hegemonic stability model of NAFTA under the tutelage of the US and the power-sharing co-leadership model (France and Germany) of the EU cannot be replicated in East Asia. However, in the long term, China has the potential to replace ASEAN and Japan as the *primus inter pares* in shaping the international political and economic order in East Asia, as

with the growing economic power of China and India, the center of economic gravity will not only shift from the West to the East,<sup>44)</sup> but also from Southeast Asia to Northeast Asia.

#### Notes

- 1) See Karl Marx and Friedrich Engels, *The Communist Manifesto* (London: Penguin Classics, 2002).
- 2) Konrad Adenauer, Sir Winston Churchill, Alcide de Gasperi, Walter Hallstein, Robert Schuman, Jean Monnet, Paul Henri Spaak, Altiero Spinelli were regarded by many as the principal architects of European integration. See [http://europa.eu/abc/history/1945-1959/index\\_en.htm](http://europa.eu/abc/history/1945-1959/index_en.htm).
- 3) Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge: Cambridge University Press, 2002), pp. 35-45.
- 4) The participants of the First, Second, Third and Fourth EAS consisted of ASEAN Ten Plus Six (Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia), ASEAN Plus Three: China, Japan, Republic of Korea and three additional members of the EAS: India, Australia and New Zealand (Russia was an observer in the First EAS).
- 5) Bruce Vaughn, East Asia Summit (EAS): Issues for Congress, CRS Report for Congress, January 11, 2006.
- 6) See *Asian Economic News*, August 11, 2003, [http://www.findarticles.com/p/articles/mi\\_m0WDP/is\\_2003\\_August\\_11/ai\\_106468031/print](http://www.findarticles.com/p/articles/mi_m0WDP/is_2003_August_11/ai_106468031/print).
- 7) See Bjorn Hettne, "Developmental Regionalism," in Mats Lundhal and Benno J. Ndulu, (eds) *New Directions in Development Economics: Growth, environmental concerns and government in the 1990s* (London: Routledge, 1996), pp. 159-175.
- 8) David Hale, "The East Asian Summit," December 12, 2005, <http://www.asiamedia.ucla.asp?parentid:35738>.
- 9) Malaysia and China were the two main states which pushed for the formation of the EAS.
- 10) David Hale, "The East Asian Summit," December 12, 2005, <http://www.asiamedia.ucla.asp?parentid:35738>, *ibid*.
- 11) "Kuala Lumpur Declaration on the East Asia Summit, Kuala Lumpur, 14 December 2005," <http://www.aseansec.org/18098.htm>.
- 12) Hiro Katsumata, "Establishment of the ASEAN Regional Forum: constructing a 'talking shop' or a 'norm brewery?'" *The Pacific Review* 19:2 (June 2006), pp. 181-198.
- 13) See "United States Accedes to the Treaty of Amity and Cooperation in Southeast Asia," U.S. Department of State, Bureau of Public Affairs, Office of the Spokesman, (Washington) July 22, 2009, <http://www.state.gov/r/pa/prs/ps/2009/july/126294.htm> and "US signs Treaty of Amity and Cooperation (TAC)," Phuket, Thailand, July 22, 2009, <http://www.aseansec.org/PR-42AMM-US-Signed-TAC.pdf>.
- 14) APEC is a 21 member states regional grouping whose members are (according to date when they joined): Australia, Brunei Darussalam, Canada, Chile, People's Republic of China, Hong Kong, (China), Indonesia, Japan, Republic of Korea, Malaysia, Mexico, New Zealand, Papua New Guinea, Peru, The Philippines, Russia, Singapore, Chinese Taipei, Thailand, The United States Vietnam, see [http://www.apec.org/apec/member\\_economies.html](http://www.apec.org/apec/member_economies.html).
- 15) See "Kuala Lumpur Declaration on the East Asia Summit, Kuala Lumpur, 14 December 2005," <http://www.aseansec.org/18098.htm>, *ibid*.
- 16) *The Straits Times*, December 13, 2005.

- 17) At the Third EAS Summit (21 November 2007), the leaders endorsed the EAS to build a united prosperous East Asia and East Asian Community, see “Chairman’s Statement of the 3rd East Asia Summit Singapore, 21 November 2007,” (<http://www.apfc.nccu.edu.tw/apfcfolder/Kuala%20Lumpur%20Declaration%20on%20the%20East%20Asia%20Summit,%20Kuala%20Lumpur,%202014%20December%20.pdf>).
- 18) For a study on the theory of leadership, see Roger Gill, *Theory and Practice of Leadership* (London: Sage Publications, 2006), and Keith Grint, *Leadership: Limits and Possibilities* (New York: Palgrave MacMillan, 2005).
- 19) One of the goals of the Bangkok Declaration was to ‘accelerate economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership.’ See “The ASEAN Declaration (Bangkok Declaration) 8 August 1967,” (<http://www.aseansec.org/1212.htm>).
- 20) See “Kuala Lumpur Declaration on the East Asia Summit, Kuala Lumpur, 14 December 2005,” (<http://www.aseansec.org/18098.htm>), *op. cit.*
- 21) Ralf Emmers, “Key Roles for US and China in the Region,” *Straits Times*, January 10, 2007.
- 22) See Amitav Acharya, “The Strong in the World of the Weak: Southeast Asia in Asia’s Regional Architecture,” in Michael J. Green & Bates Gill (eds) *Asia’s New Multilateralism: Cooperation, Competition and the Search for Community* (New York: Columbia University Press, 2008) p. 186.
- 23) To mitigate, for example, Sino-Japanese rivalry over territorial disputes in the Senkaku islands.
- 24) *The Straits Times*, January 19, 2007, p. 6.
- 25) Indonesia’s population in July 2009 was estimated to be 240, 271, 522. See, Central Intelligence Agency, *The World Factbook*, (<https://www.cia.gov/library/publications/the-world-factbook/geos/id.htm>).
- 26) From the very beginning since its inception on August 8, 1967, ASEAN was founded on the basis of weakness rather than strength. See Shee Poon Kim, “A Decade of ASEAN, 1967-1977,” *Asian Survey* 17:8 (August 1967) p. 755. See also Russell H. Fifield, “ASEAN: Image and Reality,” *Asian Survey* 19:12 (December, 1979), pp. 1199-1208.
- 27) The recent spat between Thailand and Cambodia over the appointment of former Thai Prime Minister Thaksin Shinawatra as economic adviser by Cambodia’s Prime Minister Hun Sen is a good example. See Craig Guthrie, “Cambodia rattles Thailand’s chain,” *Asia Times*, November 10, 2009, ([http://www.atimes.com/atimes/Southeast\\_Asia/KK10Ae01.html](http://www.atimes.com/atimes/Southeast_Asia/KK10Ae01.html)) and *The Straits Times*, November 10, 2009, ([http://www.straitstimes.com/BreakingNews/SEAsia/Story/STISStory\\_452363.html](http://www.straitstimes.com/BreakingNews/SEAsia/Story/STISStory_452363.html)).
- 28) For Immanuel Wallerstein’s concept of ‘center,’ ‘semiperiphery’ and ‘periphery,’ see David N. Balaam, Michael Veseth (eds) *Introduction to International Political Economy* (Upper Saddle River, N.J.: Pearson Prentice Hall, 2005), pp. 82-83.
- 29) See Hidetaka Yoshimatsu, “Global Competition and Technology Standards: Japan’s Quest for Techno-Regionalism,” *Journal of East Asian Studies*, 7 (2007) pp. 439-468.
- 30) Yoichi Funabashi, “No one model for new global economy,” May 6, 2009, East Asia Forum, (<http://www.eastasiaforum.org/2009/05/06/no-one-model-for-new-global-economy/>).
- 31) Professor Ippei Yamazawa expressed this view to the writer at the International University of Japan in 2003 during an interview in Urasa, Niigata.
- 32) Takashi Inoguchi argues that Japan needs a grand strategy in the 21<sup>st</sup> century. See Takashi Inoguchi, “Japan in search of a grand strategy,” *Asia Times*, March 27, 2009, (<http://www>).

- atimes.com/atimes/Japan/KC27Dh01.html), see also (<http://www.eastasiaforum.org/2009/03/14/japan-desperately-needs-a-grand-strategy>).
- 33) By 2055, Japan's population will shrink from the current 127 million to 90 million. See Lee Kuan Yew, "Changes in the Wind," *The Straits Times*, October 13, 2009.
- 34) In a 2008 opinion poll on Southeast Asian's image of Japan, 93% responded favorably considering Japan as a trustworthy friend. See H.H. Michael Hsiao and Alan Yang, "Soft Power Politics in the Asia Pacific: Chinese and Japanese Quests for Regional Leadership," *The Asia-Pacific Journal* 8:2 (2009), p. 7, (<http://www.japanfocus.org/-Michael-Hsiao/3054>).
- 35) See Phillip Y. Lipsky, "Japan's Asian Monetary Fund Proposal," *Stanford Journal of East Asian Affairs* 3:1 (Spring 2003), pp. 93-104; Henry C. K. Liu, "The case for an Asian Monetary Fund," *Asia Times*, July 12, 2002, ([http://www.atimes.com/atimes/Asian\\_Economy/DG12Dk01.html](http://www.atimes.com/atimes/Asian_Economy/DG12Dk01.html)).
- 36) 'The New Miyazawa Initiative' provided a loan of US\$30 billion to assist Asian countries to overcome their financial difficulties. See "A New Initiative to Overcome the Asian Currency Crisis — New Miyazawa Initiative" (<http://www.mof.go.jp/english/if/e1e042.htm>). Just before the First EAS Summit, Japan's then Foreign Minister Taro Aso in his speech to the Foreign Correspondents' Club of Japan on 7<sup>th</sup> December 2005, on "Asian Strategy As I See It: Japan as the "Thought Leader" of Asia" mentioned that Japan provided US\$21 billion in cash to assist countries hit during the 1998/1999 financial crises. See (<http://www.mofa.go.jp/announce/fm/aso/speech0512.html>). See also Rich Bowden, "Battle Looms over Inaugural East Asia Summit," December 11, 2005, (<http://www.worldpress.org/Asia/2192.cfm>).
- 37) See Helen E. S. Nesadurai, "Southeast Asia's New Institutional Architecture for Cooperation in Trade and Finance," in Vinod K. Aggarwal, Min Gyo Koo (eds) *Asia's New Institutional Architecture: Evolving Structures for Managing Trade, Financial, and Security Relations*, (Berlin: Springer-Verlag, 2008), pp. 169-172. See also Yung Chul Park and Yunjong Wang, "The Chiang Mai Initiative and Beyond," *The World Economy* 28:1, pp. 91-101 and Pradumna B. Rana, "Monetary and Financial Cooperation in East Asia: The Chiang Mai Initiative and Beyond," ERD Working Paper No. 6, February 2002, Asian Development Bank, ([http://www.adb.org/Documents/ERD/Working\\_Papers/wp006.pdf](http://www.adb.org/Documents/ERD/Working_Papers/wp006.pdf)).
- 38) *The Straits Times*, November 7, 2009, ([http://www.straitstimes.com/print/Asia/Asia/Story/STISStory\\_451304.html](http://www.straitstimes.com/print/Asia/Asia/Story/STISStory_451304.html)).
- 39) See H.H. Michael Hsiao and Alan Yang, "Soft Power Politics in the Asia Pacific: Chinese and Japanese Quests for Regional Leadership," *The Asia-Pacific Journal* 8:2 (2009), p. 7, (<http://www.japanfocus.org/-Michael-Hsiao/3054>).
- 40) In 2004, China had already surpassed Japan to become the world's third largest trader. See (<http://www.rieti.go.jp/en/china/04032301.html#table>).
- 41) In 2008, Japan's GDP was US\$4.9 trillion whereas China's was US\$4.4 trillion. It has been forecast that in 2009, Japan's GDP will be US\$4.62 trillion, whereas China's will be US\$4.68 trillion. See *Lian He Zaobao*, June 24, 2009.
- 42) China's Gross National Income (GNI) was US\$2940. - - in 2008, whereas Japan's was US \$ 38'210. - - (<http://siteresources.worldbank.org/DATASTATISTICS/Resources/GNIPC.pdf>).
- 43) Suisheng Zhao, "China's Global Search for Energy Security: cooperation and competition in the Asia-Pacific," *Journal of Contemporary China*, Issue 55 (2008), pp. 207-27, (<http://www.japanfocus.org/-Suisheng-Zhao/2978>). See also Linda Jakobson and Zha Daojiong, "China and the Worldwide Search for Oil Security," *Asia-Pacific Review* 13:2 (2006), pp. 60-73.

- 44) See, Kishore Mahbubani, (1<sup>st</sup> edition) *The New Asian Hemisphere: The Irresistible Shift of Global Power to the East* (New York: Public Affairs, 2008).