



**Asian Regionalism:
New Challenges, New Visions, Pedestrian Progress**

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Abstract

After a decade of rising regionalist aspirations and a flurry of community-building initiatives, the past year and a half has seen a slight shift in the momentum and direction of Asian regionalism. While the signing of regional free trade agreements continues and discussions on regional cooperative mechanisms proceed, the perceptions and political goals of many in the region have been recalibrated in the face of new challenges and new opportunities. By far, the biggest challenge was the global economic crisis, which had a mixed impact on Asian regionalism. New opportunities arose with the election of new political leaders in Australia, Japan, and the US, each of whom placed regional initiatives high on their political agenda. On the ground, however, progress on achieving tangible cooperation in regional frameworks, both trans-Pacific and East Asian, has been meager at best. The global economic crisis gave rise to the G20 that, while elevating the symbolic weight of Asian economies in global governance, has also created institutional competition for regional frameworks. Regional economic integration faces emerging and unresolved challenges, while effective frameworks for multilateral security cooperation remain elusive.

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Introduction

After a decade of rising regionalist aspirations and a flurry of community-building initiatives, the past year and a half has seen a slight shift in the momentum and direction of Asian regionalism. While the signing of regional free trade agreements continues apace and discussions on regional cooperative mechanisms proceed unabated, the perceptions and political goals of many in the region have recalibrated in the face of new challenges and new opportunities. By far the biggest challenge was the global economic crisis, which had a mixed impact on Asian regionalism. On one hand, it spurred calls for regional action, much in the way of the financial crisis that hit Asia hard in 1997-98. Moreover, the relatively swift recovery of Asian economies seemed to highlight the fact that world economic power is shifting to East Asia. On the other hand, the crisis revealed the extent to which East Asia remains deeply integrated with the global economy, in both trade and finance, and it called into question the relevance of regional solutions for dealing with global challenges.

New opportunities arose with the election of new political leaders in Australia, Japan, and the US, each of whom placed regional initiatives high on their political agenda. Kevin Rudd and Yukio Hatoyama laid out competing grand visions for regional architecture that engaged Asian diplomats and policy analysts in lofty and abstract debates about institutional design and the proper membership and pacing for community-building. The change in the US had an even greater impact on regional dynamics. After years of Bush administration policies that were perceived, fairly or not, as showing a lack of US interest in regional engagement, the Obama team took every opportunity to deliver the message that “the US is back” in Asia. Its outreach to ASEAN has been particularly effective, raising the hopes and expectations of those who would like to see greater US involvement in regional community-building.

On the ground, however, progress on achieving tangible cooperation in regional frameworks, both trans-Pacific and East Asian, has been meager at best. The global economic crisis gave rise to the G20 that, while elevating the symbolic weight of Asian economies in global governance, has also created institutional competition for regional frameworks. Regional economic integration faces emerging and unresolved challenges, as the noodle bowl of bilateral free trade agreements (FTAs) grows more tangled and the impact of Chinese economic competition intensifies. Meanwhile, effective frameworks for multilateral security cooperation remain elusive, although recent developments in the ARF have given rise to some cautious optimism about its potential for practical security cooperation on some issues.

Economic Challenges and Policy Responses: The Global Economic Crisis

The contours of Asian regionalism over the past 18 months have been shaped primarily by the severe global financial crisis that erupted in fall 2008. The crisis originated in the US, with the collapse of the sub-prime mortgage market in 2007 and the demise of Lehman Brothers in September 2008. However the financial crisis quickly spilled over to Asia and the rest of the

world, creating the worst synchronized world recession since the 1930s. The fact that the crisis dealt such a swift and sharp blow to the economies of East Asia took many by surprise. Asian banks were far less exposed to the direct impact of the global financial shock because they had not invested in the toxic assets nor engaged in many of the risky financial practices of their counterparts in the US and Europe. Yet the unfolding economic crisis impacted the region especially hard through trade. The sharp economic downturn of the US and Europe reverberated through the Asian supply chain, leading to plummeting exports and industrial production. From peak to trough, Asian exports tumbled by over 30 percent, and real GDP fell by more than 8 percent in Japan and about 7 percent in other emerging Asia markets (excluding China, India and Indonesia), which is not far from the 8.3 percent contraction in GDP experienced during the Asian financial crisis of 1997-1998.

“Decoupling” Myth Exposed

The crisis and its aftermath have reshaped understandings and aspirations surrounding Asian regionalism in several profound ways. First, it shattered the myth that Asia was “decoupling” from the US and the global economy. The decoupling thesis had been gaining currency in Asian policy circles as rapidly rising levels of intra-regional trade over the past decade seemed to suggest that Asian economies were decoupling from the global economy to form an autonomous zone of economic dynamism. The argument rested on two premises – first, that the declining share of exports to the US and other Western markets indicated that the region was increasingly self-reliant as a source of demand; and second, that China’s rapidly growing base of middle-class consumers would serve as the primary engine of growth and cushion against a US slowdown or global recession.

The precipitous declines in Asian exports and economic growth in the wake of the crisis exposed the shortcomings in the decoupling argument. Not only did China’s market fail to cushion the blow of the global slowdown, but China’s intra-regional imports initially contracted more sharply than US imports of East Asian goods (-17 percent for China compared to -6 percent for US in the fourth quarter of 2008). The central fallacy of the decoupling argument was to ignore the implications of East Asia’s increasingly networked trade, which actually served to *increase* linkages to the global economy. Growing levels of intra-regional trade have been driven by production networks engaged in cross-border trade in parts and components, in an increasingly fragmented regional chain of production. More than two-thirds of trade within Asia consists of intermediate goods, much of which is destined for assembly in China and export outside the region. Only about 20% of East Asian trade has its final demand in Asia. This heavy dependence on US and global export markets was the key reason why Asia was not immune to the contagion of the global financial crisis.

Policy Responses: More Global than Regional

Political decoupling was also called into question by the global economic crisis. Policy responses to the economic crisis were primarily global and unilateral rather than regional. This contrasts with the Asian financial crisis of the previous decade, which generated a flurry of regional policy responses and institution-building, ranging from Japan’s proposed Asian Monetary Fund and its offspring the Chiang Mai Initiative, to Japan’s Miyazawa Initiative for

regional economic recovery, to the institutionalization of ASEAN Plus Three summitry. By contrast, the major change in financial architecture brought about by the recent economic crisis was the rise of the G20 and its displacement of the G8 as the “premier forum” for global economic management. Half of G20 membership is comprised of Asia-Pacific nations, with the “Asia 6” (Japan, China, India, Korea, Indonesia, and Australia) drawn from East Asia Summit (EAS) countries, and an additional four Asia Pacific countries that are members of APEC (US, Russia, Canada, and Mexico). The three G20 summits convened between September 2008 and September 2009 became center stage for global discussions on responding to the crisis and reforming international financial regulations, overshadowing not only the G8 but also APEC and ASEAN-centered regional dialogues. Further, there was no attempt to coordinate a regional strategy within the G20 or in regional-based forums. Major Asia Pacific economies including the US, China, Japan, and Korea each put forth large stimulus packages, but they did so in an uncoordinated fashion, without devising collective targets or discussing the regional and global impact of their policies. Other than reiterating G20 pledges to refrain from trade protectionism, no serious effort was made to devise a collective regional strategy of fiscal or monetary response to the crisis.

Regional financial mechanisms were also overshadowed by global policy responses. Most revealing was South Korea’s response to the financial turmoil in fall 2008. Rather than drawing on its swap arrangements through the Chiang Mai Initiative, which amounted to \$23 billion, Korea instead turned to the US Federal Reserve for a \$30 billion line of credit, with the government announcing that “the Korea-US swap line will be used prior to other liquidity supplies.” The Fed also extended \$30 billion swap lines to Singapore, Australia, Japan, Brazil, Mexico, Canada, and several European central banks, which played a significant role in stabilizing these key regional financial markets. The liquidity provisions of the Chiang Mai Initiative, on the other hand, were not utilized by any of its ASEAN plus 3 members. In part this was due to the availability of credit from the US Federal Reserve, although a more significant factor was the massive foreign exchange reserves that East Asian countries have built up as unilateral strategies of insulation against a liquidity crisis.

Nonetheless, despite the limited relevance of regional financial institutions like CMI, the crisis did spur East Asian efforts to strengthen regional financial mechanisms and other areas of economic cooperation. Several ASEAN leaders called for expanding and strengthening the CMI, and the “Plus Three” countries of Japan, China, and Korea responded to these calls in ways that satisfied but also unsettled ASEAN. In an unprecedented trilateral summit held in Fukuoka, Japan in December 2008 – unprecedented because it was held apart from any ASEAN meetings – the three leaders announced that they would work together to accelerate the planned “multilateralization” and expansion of the CMI, with Japan, China, and Korea contributing 80 percent and ASEAN countries contributing 20 percent for a combined pool of reserves totaling \$120 billion. They also announced the creation of additional swap lines between China-Korea and Japan-Korea, raising the ceilings of swap lines to roughly \$30 billion each, seemingly in an effort to match the credit line offered by the US Fed. ASEAN countries had a mixed reaction to this new trilateral cooperation – on the one hand, they welcomed progress on expanding the CMI and better relations among their Northeast Asian neighbors; yet they quietly expressed anxious concern about being left out and potentially marginalized in discussions on regionalism among the three powers.

The awkwardly named “Chiang Mai Initiative Multilateralization” (CMIM), which came into effect in March 2010, is the one tangible accomplishment and sign of progress toward regionalism that can be clearly linked to the global financial crisis, although its relevance is open to question. Japan and China managed to overcome their rivalry in formulating their relative contributions, which implicitly determines their voting weights and control over the institution. The compromise solution has both Japan and the combination of China and Hong Kong contributing \$34.4 billion each, or 32 percent each of the total \$120 billion. Critics point out however that the emergency liquidity available to CMIM borrowers, even in the new pooled arrangement, still falls well short of what would be needed to stem a liquidity crisis like the one experienced in the 1997-1998 Asian Financial Crisis. Moreover the link to the International Monetary Fund (IMF) remains in place, meaning that borrowers can only access 20 percent of funds before being subject to IMF authorization and conditionality, much to the dismay of ASEAN countries. ASEAN plus 3 countries have committed to establishing a regional surveillance unit to bolster the CMIM and pave the way to removing the IMF linkage, but they remain deadlocked over the details. Still, although the practical importance of the CMIM is debatable, the symbolic importance of the CMIM is significant, as the most advanced regional project and a framework that has generated genuine cooperation between Japan and China.

On trade, the crisis shifted the debate in Asian policy circles from “decoupling” to “rebalancing.” Proponents of rebalancing argue that Asian economies need to rebalance growth by relying less on exports and more on domestic demand. However stimulating domestic demand would require stronger social safety nets, since Asian consumers cannot be enticed to reduce their savings in favor of consumption as long as they remain concerned about retirement. Given the difficulties of discussing social safety nets in such a diverse region, much of the “rebalancing” discussion was diverted back to trade and FTAs, a relative comfort zone for many Asian governments. Taking a regional perspective, advocates argue that the best way to deal with global imbalances is to build up regional demand through a region-wide FTA. In this view, economic integration through an ASEAN plus 3 or ASEAN plus 6 FTA would unleash regional economic growth and reduce dependence on the US and European markets. In short, rebalancing became a new way to talk about decoupling – if East Asia had not yet successfully decoupled from the West, it could do so by rebalancing growth through region-wide FTAs.

Despite these calls for a region-wide FTA, however, very little progress was made on the ground. East Asian economies remain politically divided over their preference for either an ASEAN plus 3 or ASEAN plus 6 FTA. Meanwhile the noodle bowl of regional FTAs grew more tangled as a raft of bilateral and “ASEAN Plus 1” FTAs came into force, each with widely varying scope and coverage of trade and services, rules of origin, lists of exceptions, and other provisions.

Economic recovery brings mixed forecast for regional integration: some sun, some clouds

By mid-2009 signs of economic recovery had appeared in the region. China in particular emerged from its slowdown with rapid industrial recovery and a healthy appetite for regional imports. Optimists heralded these “green shoots” of economic recovery as further signs of the bright prospects for Asian regionalism and regional economic integration. Yet there are clouds

on this sunny horizon. As China surges in competitiveness, driven in part by import substitution and an undervalued currency, it has grown less dependent on imports from ASEAN. The *Asian Wall Street Journal* recently reported that Chinese exports to the six major ASEAN economies grew at an average annual rate of 14 percent from 2006-2009, while its imports from ASEAN grew by only 5.7 percent. According to official Chinese trade data, ASEAN's trade surplus with China shrunk dramatically from \$14.2 billion in 2007 to only \$400 million in 2009, with China actually running a trade *surplus* with ASEAN of \$400 million in the fourth quarter of 2009. Moreover, the World Bank reports that economic growth in developing East Asia, excluding China, was an anemic 1.3 percent for 2009, which means that the glowing assessments of China fueling economic recovery in the region are premature.

China's surging exports to ASEAN has caused economic dislocation and growing political opposition to further economic integration. Opposition has been loudest in Indonesia, where manufacturers have pressured the government to delay implementation of the ASEAN-China FTA, which went into force on Jan. 1, 2010. In response the Indonesian government formally requested to renegotiate parts of the trade pact to delay tariff eliminations on 228 products categories, including steel, chemicals, furniture, and textiles. It has also resorted to nontariff barriers to limit Chinese imports of sensitive goods. Complaints over "unfair" Chinese currency and trade policies are mounting in regional op-ed pages, casting some measure of doubt on the more optimistic scenarios of East Asian economic community.

The "Vision Thing": New Leaders, New Architects

Against the backdrop of global economic recession and recovery, newly elected political leaders in key Asia-Pacific states sought to shape the debate over Asian regionalism by putting forth new proposals and grand visions for a new regional architecture. Both Australian Prime Minister Kevin Rudd and Japan's Prime Minister Yukio Hatoyama laid out ambitious visions for the creation of a regional "Community" that would encompass both economic and security issues. Their competing proposals reignited the debate over definitional questions of regional community-building – who should be in, who should be out, and what kind of norms and structures are best suited to meet the challenges of such a large, politically and economically diverse region. The new Obama administration entered the fray by launching its own active regional diplomacy designed to deliver the message "the US is back" in Asia.

Australia

Prime Minister Rudd unveiled his vision for an "Asia Pacific Community" in a June 2008 speech that expressed strong dissatisfaction with the evolution of regional multilateral architecture, which had produced a patchwork of regional organizations, each with different memberships, narrow scope, and limited effectiveness. In his diagnosis, "none of our existing regional mechanisms as currently configured" are capable of engaging "in the full spectrum of dialogue, cooperation and action on economic and political matters and future challenges to security." His proposed solution to this problem was to create a single overarching regional body that "spans the entire Asia-Pacific region, including the United States, Japan, China, India, Indonesia and the other states of the region" that would combine economic, environmental, and security issues.

Rudd's Asia Pacific Community (APC) idea was met with a decidedly lukewarm response in the region. Singapore in particular has been a vocal critic, complaining about Rudd's lack of prior consultation with ASEAN governments and his failure to give adequate recognition to ASEAN's central role in regional architecture. Rudd dispatched special envoy Richard Woolcott on a "listening tour" of the region to consult with other governments on the concept, but ASEAN remained cool to the idea, while China dismissed the proposal saying that "conditions aren't ripe" to pursue the APC. In the face of this negative feedback, Rudd revised his ideas and adopted a more flexible approach to improving regional architecture. He abandoned the idea of creating a new structure, observing at the Shangri-La Dialogue at Singapore in May 2009 that "it is clear that no one wants more meetings" and "there is no appetite for additional institutions." Instead he focused on options that would expand and upgrade existing regional bodies, such as adding India to APEC along with a security mandate, or expanding the EAS to include the US and Russia, or creating an "Asian G8" that would meet on the sidelines of the G20.

Prime Minister Rudd convened a meeting of regional experts and government officials in Sydney in December 2009 to try to build consensus toward one of these options that would meet Australia's aim of creating a more coherent and unified regional architecture. Yet Australia's initiative has not gained much traction in the region. Interestingly, several leading intellectuals in ASEAN, such as Hadi Soesastro and Jusef Wanandi, embraced some of Rudd's ideas for out of impatience with ASEAN's slow institutional development. But Rudd has failed to win over any ASEAN governments. Indonesia, which initially had appeared warm to the idea, has recently decided to stand firm with Singapore in oppose to the plan. According to the *Sydney Morning Herald*, President Yudhoyono told Rudd in early March 2010 that Jakarta's priority lay in strengthening ASEAN, and Indonesian Foreign Minister Natalegawa told an Australian newspaper that Jakarta was "trying to avoid another layer, an out-of-nowhere construction not in concert, not in synergy with what we have."

Japan

The debate over regional architecture heated up further when Japan's new Prime Minister Hatoyama floated his own concept for an East Asian Community soon after taking office in September 2009. Within days of the inauguration of the new Democratic Party of Japan (DPJ) government, Hatoyama traveled to New York for the UN General Assembly meetings, where he first raised his EAC idea during a meeting with Chinese President Hu Jintao. In his speech to the U.N., Hatoyama announced a "new Japan" that was ready to play a more proactive role, and floated his vision for creating an "East Asian community" that would be built on cooperation in trade, finance, currency, energy, environment, and disaster relief. The proposal was (and remains) exceedingly vague in its specifics and was wrapped in the gauzy rhetoric of Hatoyama's concept of "yuai" or fraternity. Interestingly, the idea of Japan taking the lead in forging an EAC did not originate with Hatoyama and the DPJ. Prime Minister Koizumi had first put forward the idea during a visit to ASEAN countries in 2002, and Tokyo convened a summit with ASEAN in December 2003 to build towards such a union. Yet Hatoyama's proposal was launched in a different political context and a changed regional environment, and it sparked a very different response.

Hatoyama's EAC idea met with a rather warm reception in East Asia and a very cold one in Washington. Meeting with his counterparts at the Mekong-Japan summit, and with the Chinese and Korean leaders at the Trilateral Summit in Beijing, Hatoyama asked for and received support for his initiative. China and Korea welcomed the initiative as a sign of the new DPJ's willingness to work toward historical reconciliation, while ASEAN appreciated Hatoyama's assurance that ASEAN would be at the core, and it viewed the initiative as signaling of new Japanese energy and engagement in forging regional cooperation. However the US was quite unhappy with its being excluded in the initial proposal. US officials were concerned that Hatoyama's initiative was rooted in the DPJ's campaign pledge to establish a more independent stance from the US while drawing closer to East Asia. It also did not go unnoticed in Washington that Hatoyama had first announced the EAC concept in a meeting with Chinese President Hu Jintao, without any prior consultation with Washington.

The confusion about Hatoyama's intentions was exacerbated by a series of contradictory statements coming from Tokyo. Foreign Minister Katsuya Okada, while observing in a press conference that "many people have many different ideas," went on to suggest that the envisioned community would encompass the EAS countries but would not include the US. Subsequently Hatoyama appeared to reverse himself to insist that the Japan welcomed US involvement, although involvement was left undefined. In the midst of contentious discussions on the future of the Futenma base relocation plan, the US made it clear to Japan that it had no intention of being excluded from Japanese-led efforts at regional institution-building. Assistant Secretary of State Kurt Campbell responded sharply to Hatoyama's proposal during an October visit to Beijing by insisting that the US is "going to be part of this party." "We are an active player and we're going to want an invitation" to any regional grouping.

The United States

The reaction of the Obama administration to Japan's seemingly exclusionary vision of EAC helped to spur and further shape its regional diplomacy, which had been active from the start. Hillary Clinton took her inaugural trip abroad as Secretary of State to the East Asia and pledged more active engagement with the region and better relations with China. Most important, she included a visit to ASEAN headquarters in Jakarta, where she announced that the US was planning to accede to the Treaty of Amity and Cooperation (TAC). In July 2009 during her first ASEAN ministerial meeting, she signed the TAC and declared that the "United States is back" in Asia. This became the recurring theme of speeches and remarks made by Obama administration officials in the first year, with Secretary Clinton framing a major Asia-Pacific policy speech in Hawaii in January 2010 around this message.

President Obama himself delivered this message during his visit to Asia for the APEC Leaders Meeting in November 2009. In a speech in Tokyo, he stressed the importance of multilateral organizations in the region, saying "I know that the United States has been disengaged from these organizations in recent years. So let me be clear: those days have passed." Calling the US an "Asia Pacific nation" and declaring himself "America's first Pacific President," Obama said that the US "expects to be involved in the discussions that shape the future of this region," and he pledged to "participate fully" in regional organizations. He added

that US wants to engage with the EAS “more formally,” suggesting that it might seek membership in the grouping.

The Obama administration’s more active engagement with ASEAN was warmly embraced in Southeast Asia, in particular by Singapore and Indonesia, where op-ed pages were filled with glowing assessments of Obama’s policies towards ASEAN and Asia. In addition to signing the TAC, the US announced a more flexible approach to dealing with the military rulers of Burma, signaling that US-ASEAN engagement would no longer be held hostage to this one country. President Obama then convened the first US-ASEAN summit with all 10 leaders on the sidelines of the APEC Leaders Meeting in Singapore in November 2009, and issued a joint declaration endorsing the central role that ASEAN plays in regional multilateralism. The statement “reaffirmed the importance of ASEAN centrality” in the process of building regional architecture that is “inclusive, promotes shared values and norms, and respects the diversity within the region.” The message of “ASEAN centrality” was reiterated by Secretary Clinton in her Asia-Pacific policy speech in Hawaii in January 2010, and has been especially welcomed by ASEAN governments at a time when the G20 and Australia’s APC proposal are perceived as threats to ASEAN’s traditional role as driver of regional community-building.

In other areas, however, the Obama administration’s words of commitment and engagement were not met by much concrete action. The limitations of US policy on Asian regionalism were most clearly visible in trade policy, where the executive branch is severely constrained by rising skepticism towards free trade policies in public opinion and in Congress. US efforts to negotiate FTAs with regional partners in Asia, which had produced concluded agreements with Singapore and Australia, a signed but unratified agreement with Korea (KORUS), and fitful negotiations with Thailand and Malaysia, essentially ground to a halt with the election of Democratic majorities in Congress in 2006. The Obama administration has been strikingly ambivalent on trade policy, and its hesitation to push for a seemingly strong win-win deal like KORUS has concerned many in the region who continue to hope for American leadership in regional economic integration. President Obama heard an earful of these concerns and complaints by East Asian leaders during his APEC trip in November. He responded by announcing the launch of negotiations for a Trans-Pacific Strategic Economic Partnership. TPP, as it has come to be known, would be a full-fledged FTA among the United States and seven other Asia-Pacific countries – Singapore, Chile, New Zealand, Brunei, Australia, and Vietnam. Critics have derided TPP for its small size and its redundancy with existing US FTAs (with Singapore, Chile, and Australia). However the intent of TPP is as much strategic as commercial. By engaging in TPP negotiations, the US hopes to shape the debate over regional trade integration, and to give a boost of credibility to APEC’s “long-term goal” of creating a Free Trade Area of the Asia Pacific, or FTAAP.

TPP is very much a child of APEC. The original P3 agreement among Singapore, Chile, and New Zealand was launched by leaders attending the APEC forum in Los Cabos, Mexico, and was subsequently joined by Brunei at the following APEC Leaders Meeting. TPP is seen by its advocates as an ideal vehicle for building a trans-Pacific, comprehensive, “gold standard” FTA that would exert strong gravitational pull on other APEC members to join, diverting attention and negotiating resources away from rival economic frameworks that exclude the US. However TPP negotiations are likely to be a long, complicated process, and Congressional

approval in the end is by no means assured. The Obama administration will be hampered in negotiations by the lack of Trade Promotion Authority (TPA), which expired in 2007, and will be difficult to get from an increasingly polarized Congress. Meanwhile, the KORUS agreement continues to sit on the shelf, despite the clear economic and strategic advantages that would come from the creation of the largest free trade area outside of NAFTA. In short, it is still not clear whether the US is really “back” in the forefront of Asian regionalism when the name of the regional game is trade.

APEC presents an opportunity for the US to demonstrate engagement and leadership when it hosts APEC in 2011. Japan, which hosts APEC this year, and the US have been repeating the mantra that they are working very closely together to deliver a “one-two punch” for dynamic back-to-back APEC years. Whether the US and Japan have the vision and political will needed to revitalize APEC remains to be seen. It will take considerable lifting power to forge an agenda that departs in meaningful ways from recent years, which has seen APEC devolve into a talk shop on best practices on various issues and, since 2008, an echo chamber for G20 discussions on trade and finance.

Traditional Drivers in the Slow Lane

The active diplomacy of these three governments in some ways took the spotlight away from China, ASEAN, and Korea, which had been the prime drivers of regionalism and community-building earlier in the decade. China and ASEAN worked towards completing FTAs with each other and with other regional economic partners, but they were not in the forefront of launching or shaping new initiatives, other than seeking to counter Australia’s proposals. ASEAN remains the central hub of the emerging network of regional FTAs, and it has jealously guarded its role as the lynchpin for regional multilateralism. But ASEAN was internally focused on the process of ratifying its Charter, establishing its Human Rights Commission, and dealing with the disruptions caused by Thailand’s domestic political turmoil on ASEAN’s calendar of meetings and summits in 2008-2009.

Korea, which had been a driver in the “East Asian Vision” process launched in 1999 that laid out the vision for an East Asian Community, demonstrated a strong rhetorical commitment to regionalism; it remained active in the Trilateral Cooperation process with its Northeast Asian neighbors, and President Lee announced with much fanfare a “New Asia Initiative” aimed at strengthening ties to Southeast Asia. Yet Korea’s primary diplomatic focus shifted to the global rather than its regional diplomacy. Given its role as Chair of the G20 in 2010 and as one of the “troika” of countries managing the G20 process, President Lee seized the opportunity to catapult Korea into the ranks of the leading world powers on discussions of financial and economic management as well as climate change and green technology, and positioning Korea as a “bridge” between advanced economies and smaller Asian emerging market economies.

Asian Regionalism “On the Ground”: Progress or More of the Same?

While leaders and intellectuals in the region engaged in lofty debates on alternative grand visions for regional architecture and “community,” existing frameworks for regional cooperation continued to muddle through, with mixed results.

APEC Adrift, Still

APEC notched its 20th anniversary in 2009, but celebration was decidedly muted in light of its lackluster record in recent years and its struggle to emerge from the shadows of the new G20. APEC Leaders' Meetings in Peru in November 2008 and in Singapore in November 2009 were most notable for reiteration of pledges on trade and finance that many of the same leaders made in the days or weeks before at the G20 Summits held in Washington (in November 2008) and Pittsburgh (in September 2009). This year will present the same problem, with G20 host Korea determined to hold the G20 Summit in the days prior to Japan's hosting of APEC in Yokohama in November.

APEC's 2009 Singapore year was especially disappointing. Unlike Peru in 2008, which came at the gloomiest moment of the global financial crisis and was President Bush's last major international event, Singapore was viewed as an opportunity to lay solid groundwork for the back-to-back hosting years by Japan and the United States. But the results were broad, vague, and meager. Singapore was determined to attack the "noodle bowl" aspect of FTAs by seeking ways to harmonize rules of origin, but the issues involved are extremely complex and APEC work yielded little progress. Singapore also continued the trend of adding agenda items and buzzwords to APEC every year, like shiny baubles on a Christmas tree. It had planned to include climate change discussions in APEC as a lead-up to the December UN meeting in Copenhagen, but it dropped the issue in the face of strong behind-the-scenes opposition from China. Instead it chose instead to emphasize "inclusive" and "sustainable" growth, with dialogue geared towards economic recovery and reforms to spread growth to all sectors of society in environmentally friendly ways. Admirable goals to be sure, but not an agenda designed to yield concrete collective initiatives.

Meanwhile, the major trade initiative on the APEC agenda continues to be FTAAP, an ambitious but perhaps unreachable goal. APEC recognized FTAAP as a "long term goal" in 2006, and since then has been studying possible pathways toward its creation, such as enlarging, docking, or merging existing FTAs, or negotiating FTA "building blocks" on a chapter by chapter basis, or taking a traditional "single undertaking" approach. The Trans-Pacific Partnership (TPP) may provide breakthrough in these discussions, since it offers an incremental, bottom-up approach that could be gradually enlarged to an APEC-wide FTA. Nonetheless TPP negotiations will take place outside the APEC framework, and a host of conceptual and political obstacles will make meaningful on-the-ground progress toward FTAAP difficult to achieve in the current APEC framework in the near future. Smaller steps toward meaningful reform of APEC's institutional framework would perhaps have a larger impact on facilitating harmonization and other useful areas of economic cooperation, but the resistance of some members to institutional reform has discouraged more activist members from pursuing them.

ASEAN Plus Three and the East Asian Summit Dialogues

The timing of Thailand's assumption as Chair of ASEAN in July 2008 for an unprecedented 18-month tenure dealt an unlucky blow to ASEAN-plus dialogues. Thailand's domestic political turmoil caused a series of cancellations, postponements, and venue changes

for ASEAN meetings, just as the region was facing the debilitating economic fallout from the global financial crisis. As a result, both ASEAN Plus 3 and the EAS underwent a two-year hiatus, with no summits held in 2008. ASEAN already had a crowded agenda focused on securing final ratification of its charter and moving forward to implement the charter's provisions, including drawing up the terms for a controversial human rights body. Coping with the economic crisis and ASEAN's organizational difficulties simply added to the distraction.

In terms of tangible accomplishments, the ASEAN Plus 3 Finance Ministers process continues to outpace all other regional projects in substantive cooperation and institution-building. As discussed above, the economic crisis spurred action by this grouping to accelerate the planned expansion and multilateralization of the Chiang Mai Initiative, although crucial components of the plan, such as establishing an Independent Surveillance Unit, have yet to be achieved. Meanwhile Japan's proposal for an OECD-like regional policy institute, the Economic Research Institute for ASEAN and East Asia (ERIA), was successfully launched by the East Asian Summit countries. Designed to provide policy analysis and recommendations for economic integration among the 10 plus 6, ERIA is receiving positive reviews for its contributions. However the centerpiece of the trade agenda of both groupings is a region-wide FTA, and on this front very little progress is discernable. Political rivalry continues to drive discussion of the competing proposals, with China pushing for an East Asia Free Trade Area (EAFTA) among the 10 plus 3 countries, while Japan strongly advocates a larger Comprehensive Economic Partnership for East Asia (CEPEA) that would include the 10 plus 6 EAS countries. Leaders at the EAS in November agreed to consider these trade proposals "in parallel," but both appear to be on the slow track.

ASEAN Regional Forum (ARF): Inching Forward?

In contrast to the flurry of regional economic initiatives over the past decade that seem to herald deepening economic regionalism, on the security side the political difficulties of building trust and common interests around security issues have been much more apparent. The 27-member ARF continues to be recognized as "the main forum for multilateral security dialogue and cooperation" in the Asia-Pacific region, but almost since its inception it has faced the questions of relevance and effectiveness. The main challenge has been the very diverse political outlooks and interests of participants, with the majority of ASEAN members preferring a cautious and go-slow approach, which frustrates the more activist countries that seek robust dialogue and practical measures to deal with concrete security problems. These divisions have kept ARF on a slow path that has not evolved much beyond the initial stage of confidence building to work on preventive diplomacy (as envisaged in the 1995 ARF Concept Paper). Further, the presence North Korea and Burma in the consensus framework of the ARF ensures that any discussion of regional security or humanitarian issues related to these countries is taken off the agenda.

The sluggishness of ARF led to proposals to transform the Six Party Talks into a regional mechanism for dealing with security challenges, but the rising optimism (in some quarters) around these proposals three or four years ago have diminished considerably as the six party process has faltered. Frustration with the ARF was also a primary motivating factor behind Australia's proposal for constructing a new regional structure that would deal more effectively

with security challenges. The failure to gain traction on these proposals leaves the ARF firmly in place, at least for now, as the primary venue for forging regional security cooperation.

The ARF's activities over the past two years have not fundamentally altered the low expectations attached to the organization, but they do provide a glimmer of hope. First, the growing involvement of defense officials in the ARF process has yielded some value in dialogue, as well as some support for concrete exercises for practical security cooperation. One proposal under consideration would launch an ad hoc Defense Minister's meeting every two or three years, which would further integrate defense officials into the ARF process.

Second, in recent years the ARF has focused on nontraditional security issues, driven in large measure by reactions to regional crises – Sept. 11 and the Bali bombings of 2002 gave rise to a focus on counterterrorism; a series of piracy and armed robbery incidents in the Malacca Straits early in the decade generated interest in working on practical contributions toward maritime security; and the 2004 Indian Ocean tsunami followed by Cyclone Nargis in 2008 led to a new focus on disaster relief. As these “human security” agendas have developed, ARF members have begun to show a new, albeit limited, willingness to engage in practical security cooperation in these areas. Disaster relief in particular has been the focus of a number of desktop and field exercises over the past two years. Australia and Indonesia co-hosted a Disaster Relief simulation exercise in Indonesia in May 2008. Then in May 2009, the US and the Philippines co-hosted an operational exercise in the Philippines to demonstrate of a coordinated regional relief effort following a hypothetical typhoon. The “Voluntary Demonstration of Response” (VDR) was a five-day civilian-led and military supported demonstration of a coordinated regional relief effort, including joint search and rescue operations. It was the first ever field exercise conducted under the auspices of ARF, and it may point the way forward for more practical security exercises on disaster relief and other nontraditional security issues. It must be noted however that aside from the more activist ASEAN states – the Philippines, Indonesia, and Singapore – ASEAN as a whole remains cautious and at times resistant to proposals for organizing multilateral exercises under the ARF banner.

Nevertheless, these modest steps have sparked a mild resurgence of optimism among US officials and other activist ARF governments about the prospects of developing the practical security value of the ARF. US officials are especially encouraged by the current negotiations towards an ARF “voluntary model arrangement” for bilateral military cooperation in the event of a disaster contingency. Similar to a status of forces agreement, the ARF “model arrangement” would be a draft template that could be pulled off the shelf in a disaster emergency and used to negotiate quickly a bilateral legal agreement for the rapid deployment of military assets and capabilities in a disaster relief effort. The model arrangement is expected to be completed in time for the July ARF ministerial, and field tested in a March 2011 exercise in Indonesia.

About the Author

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