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East Asian Regionalism: End of ASEAN Centrality?

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Synopsis

The growing economic convergence of East Asia as reflected by the move to form an East Asian free trade area is a significant development. ASEAN's enabling role has however been understated. While ASEAN's centrality will be affected, this is not the end for ASEAN.

Commentary

China has announced that China, Japan and South Korea have agreed to begin negotiations in November on a Free Trade Agreement. The proposed pact, when concluded, will create one of the world's biggest free trade areas as the three countries together account for 20 percent of world GDP and 19 percent of exports.

The goal of an East Asia FTA (EAFTA) has long been mired in historical mistrust amongst the three former enemies, notwithstanding their growing ties. Their agreement to start formal talks for an FTA is a psychological breakthrough. Chinese analysts described it as a "milestone development". How will this EAFTA affect Southeast Asia and should ASEAN be concerned?

East Asia FTA and ASEAN

From the viewpoint of ASEAN as the more established regional grouping, this development will help bring about East Asian integration and further ASEAN's interest. The agreement by China, Japan and Korea to forge an East Asia FTA reflects the growing economic convergence of three major countries in an essentially tense region. An FTA amongst the three economies will have a direct impact on ASEAN as they are major trading partners, and already have bilateral free trade arrangements with ASEAN. An East Asia FTA will therefore help realise ASEAN's vision of an East Asian Community. This vision has been carefully nurtured through the ASEAN + 3 process which involved the three Northeast Asian economies in ASEAN's annual summit meetings.

An important and often neglected aspect is ASEAN's role as enabler of this growing convergence in East Asia. In the late 1990s, there was a clear gulf between the three major economies in Northeast Asia. In contrast, Southeast Asia's economic convergence was gathering pace and the ASEAN Free Trade Area (AFTA) being virtually realised. ASEAN's economic convergence underpinned closer political ties and regional stability in Southeast Asia. Conversely, the lack of economic integration in Northeast Asia was a potential hindrance to regional stability; a regional crisis there could spill over into Southeast Asia.

It was ASEAN that created the opportunity for the three Northeast Asian countries to meet amongst themselves to foster mutual confidence. ASEAN took the initiative of inviting the three countries to its annual summits, beginning in 1997. The so-called ASEAN+3 summit allowed the ASEAN leaders to meet their counterparts from China, Japan and Korea together and separately. Over time, the gradual mingling of the Northeast Asian leaders within the ASEAN framework encouraged them to meet among themselves.

ASEAN's two major spinoffs

Two major developments spun off from this. Firstly, China took everyone by surprise with an announcement at the ASEAN+1 summit in 2000 that it was prepared to have a free trade arrangement with ASEAN. That offer also triggered a competitive push for freer trade with ASEAN from Japan, and then Korea. Secondly, having broken the ice, the three Northeast Asian countries explored ways to forge closer economic integration amongst themselves. By 2008, the three were comfortable enough to form their own forum - outside the ASEAN framework - sometimes referred to as the Northeast Asian Trilateral Summit. By 2011, they demonstrated their growing faith in regional integration with a Trilateral Cooperation Secretariat (TCS) in Seoul. The choice of Seoul probably reflected the desire of China and Japan for a more neutral ground as the three countries gingerly moved forward as a fledgling economic grouping.

ASEAN will benefit from this growing economic convergence in Northeast Asia. It fits into the ASEAN vision of a regional architecture for East Asia, and eventually the larger Asia Pacific. This vision is evolving, with more than one route to its realisation. Within East Asia, there is firstly the ASEAN+3 process towards an East Asian community. China prefers this, presumably because it would easily be the natural leader.

Secondly, there is the alternative route of the East Asia Summit (EAS) which Japan prefers because it involves the United States, its treaty ally, as well as Russia and they will therefore dilute China's dominance. The EAS also includes India, Australia and New Zealand, which complete the chain of ASEAN's trading partners in the western Pacific and Indian Ocean.

Across the broader Asia Pacific, the Asia Pacific Economic Cooperation (APEC) is losing steam and could well be overtaken by the emerging free trade process called the Trans Pacific Partnership (TPP), which the US leads. China is reportedly concerned about the TPP whose potential rise is said to have prompted Beijing to quicken its push for an East Asian FTA with Japan and Korea.

Whether it is the EAFTA, EAS or the TPP route to the ASEAN vision of a regional architecture, one thing is clear: the free trade process that ASEAN began with its own FTA in the 1990s has triggered a proliferation of FTAs in a region that is widely touted as the centre of the new Asian century.

Whither ASEAN centrality?

Whilst ASEAN can claim some satisfaction with being the facilitator of free trade areas and closer economic integration in East Asia, it also harbours some trepidation. There is the possibility of being sidelined by a larger and more powerful East Asia FTA. That may mean the gradual erosion of "ASEAN centrality", the group's oft-repeated mantra. Such fears are not necessarily unfounded, but need it end this way?

To be sure, the road to an East Asia FTA may be long and winding, given the deep-seated intra-regional animosities. Like AFTA, the EAFTA could eventually emerge despite the obstacles. However, Northeast Asia's intra-regional baggages could prove more difficult to overcome. An East Asian FTA may still rely on a facilitating role by ASEAN, which means more room for ASEAN centrality.

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