

Positioning East Asia in the Post Crisis World

An Indonesian Perspective

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Post-Crisis : East Asia To Position Itself?

In an era when the world is still suffering
from an economic downturn

- though it seems to have hit the bottom -
and the solution to this problem is seen to be
in the hands of the economies of Asia,
it is only logical that the question is asked:

*How should East Asia position itself
in the post-crisis world?*

When the global crisis is over,
how should East Asia strategically position itself
- economically and politically?

Shifting Center of Gravity

There is a strong view that today the world's economic center of gravity is shifting from the Atlantic to the Pacific, specifically from the Western powers to the Asian powers, most of which are in East Asia.

A new world order is in the making and the emerging economies of East Asia certainly have a significant niche in that new world order.

East Asia as a collective whole could be the dominant force in that new world order.

But let us see the realities.

East Asia is not a single unit.

The individual economies of East Asia
- notably Japan, China, South Korea and also Indonesia,
the region's foremost proponent of regional integration -
are still driven by nationalism and narrow self-interest.

There are ongoing attempts to unite East Asia
through ASEAN-driven processes - the ASEAN Plus Three
process and the East Asia Summit, which includes India,
Australia and New Zealand.

Also covering the East Asian region
are two processes : the ASEAN Regional Forum and
the Asia-Pacific Economic Cooperation Forum.

That makes for a multilayered, multifunctional regional architecture.

The nature of the Post-crisis World

will depend a great deal on how the current crisis is resolved.

Had the crisis ***not*** originated in the United States, countries would have cried out for help from the US and Wall Street, and like the US Cavalry in cowboy movies, this money machine would come riding to the rescue. But this time, the US is among the besieged economies and cannot be the rescuer.

The crisis is still there but the downturn seems to have hit bottom and we are seeing the first rays of recovery, which, however, is excruciatingly slow and is dependent primarily on both the G-8 and the giant emerging economies, two of which are in Asia: China and India, with Indonesia bringing up the rear.

It has become clear that
the G-8 cannot do the job :

the reality is that it has to be the G-8 plus the emerging economies that must play the role of rescuer.

Thus the G-20 was elevated to the Summit level and became the world's premier forum for economic decision-making.

An economically integrated and politically coherent East Asia could be the dominant force in the G-20, but the East Asian regional architecture is multilayered and multifunctional and its borders are not clear. In a word, it is messy.

There are attempts to remedy the situation.

Australia's Prime Minister Kevin Rudd in June last year proposed a process of consultation toward an Asia Pacific Community,

an overarching forum that would include the United States.

And at the APEC Economic Leaders' Meeting in Singapore

last month, Japan's new Prime Minister,

Yukio Hatoyama, proposed an East Asia Community

that also included the United States.

Neither proponent gave sufficient details about the exact features of the overarching regional forums he was proposing.

They left that for future discussions.

Meanwhile, for his part,
President Obama is reportedly interested
in joining the East Asia Summit.

If that is going to happen,
it will be almost impossible
to keep Russia out of the East Asia Summit :
it has been knocking at the door of this Summit
since the time it was formed.

*The situation is even messier now,
if you consider these developments.*

Compounding the situation

are the following additional realities :

(1) The global crisis erupted at a time when many countries in the region *are grappling with disintegrative forces that are willing to resort to violence.*

Moreover, in Southeast Asia, there is a terrorist movement aimed at establishing a Muslim Caliphate in this part of the world; in Northeast Asia, there is the phenomenon of a bellicose North Korea that is cause for anxiety in the whole region.

(2) The regional countries have to deal with
*domestic economic volatility as a result
of the impact of the global economic downturn.*

(3) Besides, many of them have barely recovered from the recent food security crisis and the energy security crisis.

(4) And in a few years they will begin to increasingly feel the impact of climate change.

While it is being claimed that the downturn is over,
there is no denying that the recovery is fragile,
fraught with uncertainties, and will take a long time.

There is still the question
of whether the global economic situation
will form a “V” or a “W”.

At any rate,
the formation of a new international economic order
must not be left to chance.

And everyone must get on board because it is now very clear
that there can be no decoupling from the global economy.

Every economy in the world today is a stakeholder
whose voice must be heard.

Some of the emerging East Asian economies
are already in the G-20.

But those still outside feel that they have been left out
and have accused the G-20 of not being inclusive enough.

That is why Indonesia has proposed that ASEAN,
through its rotating chairmanship,
should become a permanent fixture and
not just an occasional guest in the G-20 forum.

It is well and good that the G-20
is now developing the rules to govern
the international economic and financial system.

“The objective,”

says US Treasury Secretary Timothy Geithner,

“is to design an economic framework

where we’re going to have

a more balanced pattern of growth globally,

less reliant on a buildup of unsustainable borrowing...

and not just here (in the US), but around the world.”

It is usually in a crisis like this that nations are more willing to take bold joint initiatives that create durable international institutions and arrangements. Thus the UN and the Bretton Woods institutions were built in the course of the global crisis of the Second World War.

ASEAN was born during the last stages of the war in Indochina in the late 1960s and amidst other regional disputes and tensions.

East Asia today is unstable and
its regional architecture is messy.
But it is clearly part of the solution
to the global problems of our time.

*Logically, the global architecture needs
to be reformed in such a way that the economies
of East Asia will have a greater say in global decision-making
on socio-economic issues.*

By the same token and in the same manner
the Bretton Woods institutions
have to be reformed or new arrangements
that are more responsive to the needs and aspirations
of the region have to be formed.

This will entail
the shaping of a firmer geopolitical architecture
in the region with the role of the United States and Russia
more clearly defined,
at least in the minds of the regional nations.

Economically the Northeast Asian nations are more mature. The combined economies of Japan, China and South Korea are several times bigger than the combined economies of ASEAN.

Although ASEAN economies have done creditably in the face of the 2008 global meltdown, they still have to fully recover from the debilitating effects of the Asian Crisis of 1998 and the economic debacle due to international terrorism. ASEAN also remains uneasy over the rise of China as a world power, since there is no way of predicting whether China will remain a benign power in the coming decades.

There are tensions across the Taiwan Straits.
The Korean peninsula continues to be a major flashpoint.
The projected National and theatre Missile Defense System
still raises the concern of regional nations.
The unspoken rivalry between China and Japan
is real and dysfunctional to the region.
And Japan's relation with the rest of the region
remains uneasy as long as it does not cast off
the burden of history and
fully acknowledge
its responsibility for the Pacific Ocean theatre
of World War II.

But at the same time,
East Asia is changing.

The global crisis is compelling East Asia to become less dependent on exports for growth. They are also looking for or developing new export markets, apart from the traditional ones. Economies like those of China, India and Indonesia - the countries with big population - continued to grow in the face of the global crisis because of their huge consumer markets.

Meanwhile the American consumer
has rediscovered thrift.

It is now China and other East Asian countries
that have the purchasing power and the capital.

In this, they are joined

by the oil-exporting countries of the Middle East.

So while the burden of saving the global economy and
nursing it back to health still falls largely on the shoulders
of the major industrial countries,

the emerging market-nations,

especially those in East Asia, must also do their part.

*They should therefore welcome US President Obama's initiative at forging a
more effective framework in the Asia-Pacific and working with East
Asian countries to promote stability and prosperity in the future.*

But before this can happen,
three vital and urgent concerns must be addressed:

First, the formulation and implementation of
*a coordinated response to the ongoing global economic and financial
crisis that will restore the confidence of people everywhere
in the global financial architecture.*

At the same time, a judicious financial expansion
must be carried out to prevent the atrophy of the real
sector,
thereby sustaining production and trade.

Second, the implementation of effective measures
to address the tensions on the Korean peninsula.

The United States must now attend to this issue more vigorously
and consistently than it has ever done.

And the regional powers must prepare themselves
for a worst-case scenario if North Korea suddenly implodes
following a messy and bloody succession struggle.

And third,

both the United States and East Asia, especially the ASEAN
subregion, must now devise a common strategy to match the
shifting strategy and tactics of international terrorists.

That terrorists are still capable of inflicting carnage
in this part of the world is poignantly underscored by the
terrorist attacks in Jakarta last July.

The only reason ASEAN
is not inconsequential is the fact that
without ASEAN, their Northeast Asian neighbours
- China, Japan and South Korea –
cannot work together.

But ASEAN must now start earning the centrality
that it is so insistent on –

by abandoning rigidities and becoming more flexible,
especially with regard to the principle of non-interference.

That is the only way it can move faster, and
it must move faster, otherwise it will never be competitive.

In the old economy, the big ate the small.

In today's knowledge-based economy,
the fast eat the slow.

Between now and 2015,
the deadline for its transformation
into an ASEAN Community,
there is a window of opportunity
for ASEAN to get its act together.
If it fails to achieve that, it will remain
in a lopsided relationship
with its neighbours to the Northeast.

The East Asian regional architecture
will remain messy, and the region's contribution to global
stability and prosperity
- even in the G-20 process –
will be much less than what it could be.

On the other hand,

*a well-integrated East Asia that boasts an ASEAN Community
that has found its stride can play a very significant and
constructive role in the G-20.*

It can also be a major partner of the United States
in addressing global problems.

And on the whole it can be a blessing to all humankind.²⁴