

# SEVENTH EAST ASIA CONGRESS

6-8 December 2009  
Kuala Lumpur, Malaysia



## SESSION SEVEN

“Positioning East Asia in the Post-Crisis  
World”

by

Dr. Nguyen Vu Tung  
Deputy Director-General  
Institute of Strategic Studies and Foreign  
Policy  
Diplomatic Academy of Vietnam  
Vietnam



Draft Only. Not to be quoted or reproduced without the express permission of the author. The assessments and views expressed in this paper are entirely the author's own.

## **POSITIONING EAST ASIA IN THE POST-CRISIS WORLD**

Let me first of all sincerely thank ISIS Malaysia for the invitation for me to speak in this session, as well as the great hospitality I enjoy in this trip, like the previous ones.

I believe that the knowledge we share in this Congress is of great importance as and when we are engaging in a process of constructing an East Asian community.

I am presenting my paper with one caveat: I am not an economist. Indeed, I have some difficulties following several papers dealing with financial and monetary issues.

My general observation, which I think, is in light with what were discussed in the previous sessions, is that East Asia as a region, a community, or an entity in international relations has been becoming a fact of life and a reality.

I would like to identify East Asian region to the frameworks of ASEAN plus Three (APT) and the East Asian Summit (EAS). The identification of East Asia to APT/EAS would serve as a logical point of reference to discuss the question of positioning East Asia in the post-crisis world that I am assigned to discuss, because basically it is about relations between and among East Asian nations and economies and East Asian region with other parts of the world.

I want to add that in the post-crisis, East Asia will emerge more visibly with its economic and strategic importance and weight being increasingly felt, with regional cooperation being more on upward trends.

Along this line, I would like to make three points.

My first point is that: The crisis and the post-crisis era open up new opportunities for East Asia to deepen the process of economic integration in the region. It is believed that the Asian Crisis of 1997-1998 witnessed

the formation of the APT. And the crisis this time sees more cooperation among regional countries participating in the EAS framework.

I agree with the observation that the crisis has shown that East Asia is still dependent on other regions, namely North America and Europe for economic developments. Export-oriented growth is still the nature of the development strategy of many regional economies, and the US market is a very important market for some if not all East Asian economies. East Asia economies did not originate the crisis but are vulnerable to the sharp contraction of demand from North America and Europe. The IMF statistics suggest that real GDP declines by 6.2 per cent in Japan, 7.5 in Taiwan, 4.0 in South Korean, 10.0 in Singapore.

To minimize the negative impacts of the crisis, the strategy is to forge closer economic relations among regional economies in order to “reduce its dependence on extra-regional markets.” In other words, East Asian economies deepen regional economic integration and trade more with each other, while not becoming inward-looking or even protectionist.

To be more specific, East Asian economies will continue the export-led growth strategy and more importantly, will trade more with each other.<sup>1</sup> In this regard I agree that the classic East Asian model of development has to be revised. I would add that East Asian region has come up with “a new version” of the East Asian model in which inter-regional exports and investments will be of higher importance. (Even the stimulus packages that were designed to boost domestic consumption can also benefit other economies in the region through trade and investment, as the case of China has shown.)

Indeed, as statistics have suggested, trades with China have become greater than that with the US in the case of Japan, Korea, Australia, and Taiwan.

---

<sup>1</sup> Mohamad Ariff, “US-East Asia Trade: Is East Asia Ready for a Rebalance?” Financial Crisis, (September 16, 2009).

In addition, the production network influenced by Japanese, and to lesser extent, Korean firms has become a factor for economic integration in East Asia.

Moreover, concerted efforts by these economies will open up for East Asian economic cooperation aimed at bettering economic regional governance, and providing a new boost to economic integration schemes laid out in the frameworks including the Chiang Mai Initiative (later becoming Chiang Mai Initiative Multilateralization) and various FTAs signed among the East Asian economies.

At the same time, China, Japan, and Korea have committed not only to forge closer economic relations in Northeast Asia but also to work with ASEAN members to expedite the process of CMIM and strengthen the regional surveillance mechanism. According to Hadi, this series of coordinated actions will have wide-ranging implications for regional cooperation arrangements in East Asia.<sup>2</sup>

Regional cooperation toward boosting regional trades and deepening integration, together with the vitality, resilience, and dynamism of individual economies of East Asia has contributed to quick recovery of East Asian economies.<sup>3</sup> Individual economies including China, Japan, Indonesia, Malaysia, Vietnam, and others have been badly affected by the crisis. Yet these economies are considered to be doing relatively well in coping with the crisis. East Asia has even been considered to be “a leading center of global recovery,”<sup>4</sup> although most of the credit goes to the Chinese economy.

---

<sup>2</sup> Hadi Soessastro, “East Asia’s Response to the Global Economic Crisis,” *Financial Crisis*, December 23, 2008.

<sup>3</sup> Lee Shien Long, Singapore PM: “Asia Gearing for Post-Crisis World,” *Asia News Network*, December 1, 2009.

<sup>4</sup> Peter Drysdale, “East Asia and the Global Financial Crisis,” *International Organizations*, December 25, 2008.

With new efforts at boosting regional economic cooperation and integration, East Asia will further show that the crisis did not mark “the end of East Asian model” of growth.<sup>5</sup> Instead, the East Asian model will have a new version in which regional trade and investments will be further promoted while the region still attaches great importance to strengthening economic relations with the rest of the world and remains committed to open trade.

Therefore, in the post-crisis world, East Asia will continue to economically grow. And East Asia will become a stronger economic entity in relations with other regions.

My second and related point is that economic interactions between and among East Asian economies will continue to produce spill-over effects to the process of constructing East Asian regionalism and community. The economic boundary of East Asia therefore will be more clearly defined, and within this boundary, more activities will take place.

Based on a higher level of economic interactions, hence inter-linked interests, the process of community building will have a stronger impetus in the social, political and security spheres.

The crisis of 1997 brought about APT. This crisis, I believe, has created better conditions for the construction East Asia as a region. East Asia will emerge more visibly in the post-crisis world by defining its relations with other regions and proactively forging ties among the states and economies within the region.

Again, I must say that we still have to seek agreements on many questions related to the institutional arrangements to present it and the geographical boundary that defines it, the cooperative projects that East Asian nations want to (or do not want to) engage in.

---

<sup>5</sup> Hal Hill, “The Financial Crisis and What’s in Store for Southeast Asia,” *Financial Crisis and Governance*, April 18, 2009.

I understand that answer to these questions may not be easy to find, but with time and especially with increased interactions among the actors, we would have more ideas and choices to form East Asia as a region according to our likings.

After all, the very idea that we can shape the future of the region, which was even unthinkable during the Cold War, is now becoming more realistic, and this is very encouraging to us.

In short, in the post-crisis era, East Asia continues to be characterized by peace.

My third point relates to the more important role that East Asia will play in the international groupings that are emerging and becoming more important in the post-crisis world. I am referring to the role East Asia could play in G-20.

It is a general consensus that G20 is a “steering committee for the world economy.” In term of APT, East Asia is represented in G-20 by China, Japan, Republic of Korea, and Indonesia and the country that serves as ASEAN Chairman. In term of EAS, East Asia is presented more by Australia and India. So number-wise, East Asia counts for more than 20% of the members of G-20 and therefore is possibly capable of forming a sub-group or caucus within the G-20. Also, these East Asian economies, especially Japan, China and India, are enjoying greater economic weight as compared with other economies. According to ADB 2008 Study of Emerging Asian Regionalism, by 2020, China will produce 44%, while Japan and India will respectively account for 15% and 17% of Asia’s economic output.

Therefore, East Asia will have a role to play in G-20 to lead the world out of the crisis, ensuring a sustained recovery, and constructing a new structure for global economic governance. Hadi Soessastro has emphasized: “East Asia’s strategic participation in the G-20 is aimed not only at securing its role in global economic governance, but also at

increasing its effectiveness in projecting the region's strategic efforts towards global economic recovery."<sup>6</sup>

In short, I would like to stress that in the post-crisis world, East Asia will emerge stronger, because of (i) the relevance of the export-oriented growth strategy, with a new focus on economic cooperation and integration among regional economies, which leads to (ii) a stronger and more active process of constructing East Asia to become a region, and as a result, (iii) a more important economic and political role for East Asia in the governance of the global economy and politics. East Asia will be recognized by greater peace, prosperity, and higher international status.

Of course, the making of East Asia as such depends to a great extent on regional states being "willing and able to" agree on cooperative projects and their implementation, an area in greater needs for renewed collective and individual efforts. In this connection, I have no illusion that our common objectives can be achieved overnight and without difficulties.

---

<sup>6</sup> Hadi Soessastro, "East Asia, the G20 and Global Economic Governance," Governance, Institutions, International Organizations, March 8, 2009.