

## Regional issues in context



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*To appreciate how issues today had developed from the past is also to understand how they are likely to develop in the future.*

MANY people can be so absorbed by specific issues as to neglect the larger picture that created them. Thus much misunderstanding persists of the issues themselves.

This failure to see the wood for the trees also affects many professional analysts or “country watchers”.

Putting issues in the news in their proper context is crucial.

In the late 1980s, economic growth in East Asia had become both contagious and self-evident. Talk of the coming 21st century as “the Century of Asia and the Pacific” had been gathering momentum.

After Japan’s stellar economic performance from the 1970s, rapid growth would visit the East Asian “tigers” – Hong Kong, Singapore, South Korea and Taiwan – then the other countries of South-East Asia and then China.

Few countries at the time could see that never before in history had both Japan and China, old rivals with their historical baggage still in hand, achieve economic ascendancy at the same time like now – but Malaysia was one of them.

Since economic strength meant diplomatic and political clout, tensions between Tokyo and Beijing could grow to unmanageable proportions with potentially devastating effects throughout the region.

Something had to be done to anticipate and contain any such fallout.

In December 1990, on the occasion of the visit to Malaysia by Chinese Premier Li Peng, Prime Minister Datuk Seri Dr Mahathir Mohamad proposed the formation of the East Asia Economic Grouping (EAEG).

This would comprise all the countries of South-East Asia and China, Japan and South Korea working together towards a more integrated regional economy.

Since economics was less controversial than politics, the EAEG would skirt political sensitivities while a culture of working together as a region could in time overcome them.

Such regional cooperation that acknowledges and encourages regional integration could also pre-empt and minimise any economic crisis.

But that was not to be. Australia and the US had not been included and opposed the EAEG, the latter also pressuring Japan to reject it.

Within Asean, Indonesia's Suharto rebuffed it because as senior regional leader he had not been consulted, while a West-leaning Singapore still preferred Occidental leadership to anything so distinctly Asian.

Singapore then proposed a watered-down East Asia Economic Caucus (EAEC), this compromise being a subset of the larger Asia-Pacific Economic Cooperation (Apec) grouping largely to assuage US insecurities. After the EAEG died, the EAEC withered away.

By 1997 a financial and economic crisis struck East Asia, devastating the economies of Indonesia, Thailand and South Korea in particular.

There was no regional grouping or bank to help deflect, absorb or otherwise mitigate it.

South Korea then stepped up the drive to form an Asean Plus Three (APT) grouping, with the EAEG's same 13 countries. The crisis also gave China an opportunity to demonstrate regional leadership: it suspended its planned currency revaluation, thereby helping to cushion the shock of the crisis.

Throughout the whole long-drawn saga, the unspoken issue for some countries was the impending economic dominance of China that they could not accept.

Thus they opposed the EAEG, as if China's economic dominance could be restrained in the absence of a regional grouping. The reality would have been quite the reverse: with South Korea and Japan balancing China, and Asean countries at the fulcrum.

Meanwhile an underlying Western presumption shared by West-leaning Asians is that once China achieves economic ascendancy, it would mimic the West in acquiring overseas colonies and generally throwing its weight around.

That remains a heavily constructed hypothesis at odds with the history of China and the region.

China had been a great maritime power before, but had never embarked on naval conquest in a region where naval power trumps all other strategic options.

And through the years of talk on the EAEG, EAEC and APT, China's economy kept on growing.

Then came China's massive projects resulting from, and further empowering, that growth: the New Silk Road Economic Belt ("One Belt, One Road") linking Asia and Europe overland, the Maritime Silk Road at sea, and the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank to fund them.

In contrast only Indonesia's still formative and insular "maritime highways" idea, just a tiny fraction of China's proposals in scale albeit grandly positioning Indonesia as a Global Maritime Fulcrum, appears to be the only response from the region.

Why has the rest of South-East Asia, or East Asia in general, become mere passive spectators to China's bold plans? Why have other countries not offered their own thought contributions in response to China's proposals?

Indonesia has, through different presidential administrations, clung to its informal position as first among equals in Asean. It has foraged for opportunities lending it such a profile, though not always elegantly or consistently.

On President Joko Widodo's first visit to Beijing for an Apec summit last November, one month after he became president, he asked that the AIIB be moved from Beijing to Jakarta. That was a non-starter.

He recovered some equilibrium last month on state visits to Japan and China. On the day of his arrival in Tokyo, an interview was published in Japan in which he said China had no legal basis to its South China Sea claims.

That was three days before his arrival in Beijing, where the news had preceded him. One day after his arrival there, a bilateral agreement had been fleshed out for full-scale economic cooperation.

Now that much of the dust has settled on which countries would, or would not, be founding members of the AIIB, the challenge of projecting possible futures begins.

The positives include there being more international support for the multilateral lending institution than expected, a good mix of countries in Asia and Europe, and that the bank will proceed unimpeded.

However, the negatives include the voluntary absences of the US and Japan, two major economies that would have made the bank more multilateral, better resourced and further enriched with the collective experience of multilateral lending.

Playing somewhere in the background is the Western-oriented anxiety that a militarily powerful China may one day edge the US out of the region.

That prospect goes against the grain of China's deep policy pragmatism and interests.

US military dominance in East Asia is often credited for keeping the peace in the region.

That peace has meant unfettered transportation and travel that has benefited the region, most of all China, in its imports of fuel and raw materials and its exports of manufactured goods.

China has had ample opportunity to learn from the tragic errors of not just the Soviet Union but also neighbouring North Korea, where overspending on military assets

only wrecks the economy. The same applies to the US itself in profligate spending on questionable foreign wars.

China's focus on infrastructure for facilitating trade is clear, its economic priorities echoing those it has had for centuries. Since Sultan Mahmud Shah of 15th-century Malacca at least, Malay rulers have had no problems with a powerful China.

Such a China had prioritised economic growth and cooperation without meddling in local affairs except to provide protection against hostile outside powers.

There are still no indications that modern China would deviate significantly from such a position, other than perhaps "protection" today including cushioning the shocks of economic crises.

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