SESSION I

STRUCTURAL CHANGES IN ASIAN-PACIFIC INTERNATIONAL RELATIONS

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STRUCTURAL CHANGES IN ASIAN-PACIFIC INTERNATIONAL RELATIONS: IMPACT ON SOUTHEAST ASIA

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Foreword

The end of superpower contention and ideological competition marked a major turning point in the structure of international relations. The break-up of the Soviet Union, the political and economic turmoil in Russia remove the once pivotal power center, at least temporarily, from the major arena of world politics. The international landscape, once characterized by bipolarity, is being tranrformed. New emerging power centers, previously overshadowed by bipolarity, become more visible as well as more assertive. It can be argued that in strategic terms, the world is unipolar as the United States is still unchallenged as far as its hold on nuclear armaments and military technology. Nevertheless, in economic terms, the world can be said to have become tripolar for the past two decades as Japan and the European Communtiy became economic powerhouse along side the United States. The Gulf War clearly demonstrates the new power configuration. The quick military victory proved the superiority of U.S. military technology and power. However, financial support from allies, particularly Japan and Germany, as well as the broad international consensus received by the United States have to be also taken into account.

The end of the Cold War which started with the change in Soviet policy from confrontation to cooperation also points to the changing currency of power. Once the threat from superpower confrontation and iedological competition have dissipated, economic imperatives become more salient in policy considerations. Moreover, the diffusion of power through transnational interdependence that has been ongoing prior to the end of the Cold War has meant that military power no longer decide the outcome of all international issues. Interdependence also creates problems for the nation-state as its sovereignty becomes undermined by the growing permeability of its borders.

While US security umbrella was still vital to the survival of an ally, according to its wishes was deemed expedient. With the disappearance of a common threat, cohesiveness of the Cold War alliances is apt to lessen as other national interests take precedence. Especially as economic issues become increasingly important, economic conflicts and tensions among erstwhile allies are likely to come to the fore.

The end of the Cold War also means the end of order maintained by respective hegemon within its orbit. Old forces, be they ethnic, nationalistic, or religious, begin to reassert

themselves that lead to conflicts. The situation in the former Soviet sphere in Eastern Europe is a case in point, with the former Yugoslavia representing the most extreme case. The end of the Cold War also brings forth new issues that have been indetified as elements of the New World Order, namely human rights and environmental protection. Both issues have become subjects of contentions along the North-South divide and consequently complicate cooperative efforts among nations.

The change at the global level cannot help but impact on the Asia-Pacific region. While there is undoubtedly the linkage between the geostrategic and economic dimensions that shape the structure of international relations in the region, the configurations of the two dimensions do not appear to develop in tandem. For analytical convenience, geostrategic and geoeconomic developments will, therefore, be treated separately, albeit not exclusively of one another.

Geostrategic Developments

The settlement of the over a decade long Cambodian conflict, marked by the Paris peace agreement on October 23, 1991, is one of the most dramatic reflections of the impact that the end of the Cold War has had on the region. The Cambodian conflict, with its indigenous and sub-regional origins, was escalated by a broader conflict at the global level. The end of the Cold War and the consequent shift from conflict to cooperation among the great powers thus had positive impact on Cambodia. It made it possible for the five permanent members of the United Nations Security Council to agree on the framework for the settlement of the conflict. The Cambodian conflict became de-internationalized in the process.

However, while the end of the Cold War has brought about a more benign security environment to the region in that the threat from superpower conflict and nuclear confrontation has been removed, the region is faced with geostrategic uncertainties along with complicating security problems.

The uncertainties arise from the passing of the bi-polar structure while the shape of the new power structure is not yet clearly discernible. These uncertainties hinge on the future power dynamics and intentions of the great powers in the region, namely the United States, Japan, China and India. While Russia should not be dismissed completely, its deep economic and political malaise will keep it preoccupied with internal matters for some time to come and will thus be constrained from being politically or militarily assertive.

It is the very uncertainty of the geostrategic structure of the post Cold War era that explains the seeming contradiction in the ASEAN countries' position with regard to US military deployment in the region. ASEAN continues to advocate turning Southeast Asia into a Zone of Peace, Freedom and Neutrality (ZOPFAN). Nevertheless, the most vocal advocates of this idea, Malaysia and Indonesia, have been open to providing the United States with access to their naval facilities, albeit on a commercial basis. This can be constructed as reflecting the view that US military presence provides some assurance against other emerging regional powers.

This reliance on the United States to provide the necessary balance can only be thought of in short and medium terms. That the United States will maintain its presence in the

region is not open to doubt as it is important to US economic and strategic interests. This was underlined by President Clinton's statements during his visit to Japan and South Korea in July 1993 when he pointed out that Asia is rapidly supplanting Europe as the United States' most important partner in economic, strategic and political relations. Yet despite consecutive US administrations' assertion of American abiding security interest in Asia and the fact that commitments and alliances that were forged during the Cold War remain intact, doubts exist as regard the level of deployment and degree of commitment by the United States as far as Southeast Asia is concerned. One view sees the United States departing from most, if not all, fixed bases on foreign soil by the end of the century, as the US air and naval forces are predominant in Asia.[1] With the withdrawal from the basis in the Philippines, US deployment in the Western Pacific are now located entirely in Japan and South Korea which raises a question, at least in Southeast Asia, whether forward deployment will be as effective as bases. This question may be superfluous. One should also take into consideration American financial constraints, inward looking public, US posture in the Gulf War and Bosnia. From these, it can be inferred that US military drawdown will continue. American intervention, most likely without ground troops, can be expected in contingencies that involve vital interests or involve low risk. The United States will also be expecting greater burden-sharing from regional states:

> "Naturally, our security engagement must, and will, take into account changes in the regional and international environment, our own political and economic situation, and the ability of our allies and friend to share responsibility in shaping a new ear."[2]

Recently, the Clinton administration has made a significant change in the U.S. stand on security policy. Contrary to the previous administrations, it is open to taking part in the multilateral security cooperation framework as a supplement to its existing bilateral alliance arrangements.

The role of Japan in the emerging multipolarity is of great concern to regional states. Of particular importance to future stability is Japan's military role. Maintenance of US-Japan alliance is generally seen as desirable in that it serves as a guarantee against Japan's playing an independent military role. A rupture in the alliance would mean that Japan's already formidable economic influence will be reinforced by its military power. Japan's great military potential is well recognized, given the size of its economy and advanced technology. Japan's defence budget is already the third highest in the world despite the fact that only about 1 per cent of the GNP is allocated to defence. Japan's Maritime Defence Force, even without the possibility of an aircraft carrier project this decade, is developing into one of the world's top six navies.[3] There is no doubt that should Japan decide on self-reliance for defence, the power structure in the region will be changed in a significant way. Reactions from neighbouring countries can be expected in the form of arms build-up

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[1] Robert A. Scalapino, "The United States and Asia: Future Prospect," *Foreign Affairs* 70 (Winter) 1991/92, p. 37.

[2] Department of Defence, *Strategic Framework for the Asian Pacific Rim: Report to Congress, 1992* (Washington, DC: Government Printing Office, 1992), p. 12.

[3] "Strong Basis, Strong Future" *Jane's Defence Weekly*, 17 August 1991, p. 276. Cited by Chung-Min Lee, "What Security Regime in Northeast Asia?" *Adelphi Paper* 276, April 1963, p. 14.

that will be highly destabilizing.

Japan-US security relations come under stress partly because of the end of the Cold War which undermine the common threat perception, the major unifying force of the alliance. While the US-Russian relations change from acrimony to cooperation, Japan continues to be Russia's antagonist over the Northern Territory issue. As military threat declines on the United States side, acrimonious economic differences have come to the fore. Trade disputes between the allies are accompanied by increasing nagative attitudes towards one another.

There are a number of good reasons to discount Japan's taking up an independent military role at least in the foreseeable future. There is little to gain and much to lose for Japan to do so. China, in particular, has expressed concern with growing Japanese military capability. There is considerable unease in both Koreas and in Southeast Asia. Japan's present economic and political influence seems to serve its national interest well. Whereas policy that relies on military power can only be counterproductive, triggering arms build-up and possible alignment against Japan. The still strong pacifist sentiment in Japan should also be taken into account. It has been suggested that only a whole set of factors need come into play for Japan to take such a step: a break-up of U.S.-Japanese alliance; a substantial U.S. military withdrawal from the Western Pacific; the appearance of distinct regional threats to vital Japanese interests like insecurity of SLOCs; and a more aggressive Chinese policy towards China's neighbours. These are not likely to occur in the foreseeable future. For Japan, it is also better to rely on U.S. security umbrella against nuclear threats from China, Russia, and North Korea. Only in the case that North Korea acquires nuclear weapons, is there a possibility that Japan might consider going nuclear.

A rupture in the US-Japanese alliance arising from economic conflict would seem unlikely. Close economic interdependence between the two countries, although the cause of the conflicts itself, should also act as a damper. Real crisis between Japan and the United States has always appeared to be likely, but has never happened.[4] Moreover, the most dangerous period may have passed as the US recession is coming to an end.[5] As the United States draws down militarily, Japan's security role appears to be geared towards binding itself to multilateral bodies such as the United Nations. The passing of the Peace Keeping Operation Law in June 1992 seems to indicate the direction Japan is taking.

For its place in the emerging multipolarity, Japan has chosen a more active political role commensurate with its economic power. Japan's role in the international arena became much discussed after the Gulf War as a lot of pressure was put on Japan by the West to assume greater global responsibility. In May 1991 in Singapore, during his visit to the ASEAN countries, Prime Minister Kaifu announced that Japan would become more politically engaged on the world stage. Such a role could be seen in Japan's hosting of a meeting of Cambodian faction leaders in Tokyo in 1990; its footing of the bill for the United Nations peacekeeping operations in Cambodia; as well as its sending of a peacekeeping force there. That Japan will increasingly shape its own future can be seen in its growing readiness to take independent positions from that of the United States. Prime Minister Kaifu unilaterally resumed lending to China in 1990 after its suspension following the

[4] Bill Emmott, The Economic Sources of Japan's Foreign Policy," *Survival*, Summer 1992, p. 62.
[5] *Ibid.*

Tienanmen massacre. However, while Japan may be seeking a partnership with the United States in the international arena, it is not expected to become a globalist power as the United States. For one reason, it is sensitive to the apprehension of its neighbours. Moreober, its economy may have reached its zenith and a slower growth can be expected. This could translate into a foreign policy that will be strictly based on self-interest.[6]

Over the long run, however, there is a question whether Japan will find its economic power sufficient to guarantee its security in the shifting balance in the region as the United States draws down its military presence and China becomes ever stronger.

It is an inescapable fact that China will always loom large in the Asia-Pacific security calculus if only because of its sheer size both in terms of territory and population, and its central geographical position. It is to be expected that China will feel that all regional issues are its concern. More disturbing is the uncertainty over its long term intention and behavior as its Middle Kingdom mentality remains suspect. China's recent behaviors have also been a mix between cooperation and self-assertiveness. In the post-Tienanmen period when China wanted to spruce up its international image, its foreign policy behaviors can be characterized as cooperative and constructive. These include its support of the Permanent Members of the United Nations Security Council's framework for the resolution of conflict in Cambodia; its joining in sanctions against Iraq; its role in bringing North Korea to a negotiating table with the South. China's externally oriented economy also requires good foreign relations that has led to improve relations with neighbouring countries. Diplomatic relations have been established with South Korea and ties with Vietnam and Laos have been normalized. On the other hand, China's inflexible position with regard to its claims of sovereignty over the South China Sea and island groups that include the Spratlys, the Paracels and the Senkaku, appears to bode ill of her assertive nationalism. China's inroad into Myanmar economically and politically which are enhanced by massive arms transfer, also presents a worrisome picture of an expansionist policy.

The more recent developments that make consideration of China's future role even more urgent are her sustaining and impressive economic growth as well as her fast growing military budget and military modernization. China's economic growth accelerated to 12.8 per cent in 1992 from 7.5 per cent in 1991. According to recent IMF's calculations based on purchasing power parity, China now ranks as the third largest economy in the world. It is also estimated that even with a slower growth rate, China would be close to becoming the world's largest economy by the year 2010.

China's military budget has also been increasing in real term for the past three consecutive years: 12.5% in 1990, 15.3% in 1991, and 13.9% in 1992—a net increase of more than 50% since Tienanmen[7]. Arms acquisitions from Russia over the past couple of years are reported at almost US$2 billion.[8] Additional acquisitions that include fighter aircraft, submarines and air-defense missiles could mean a major readjustment in the strategic military beef up comes at a time when military threats to China has diminished and can only be construed that China's view of regional strategic future as threatening.

This view can be explained by external and domestic factors. At the systemic level,

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[6] *Ibid.*

[7] David Shambaugh, "China's security in the post-Cold War era," *Survival*, Summer 1992, p. 103.

[8] Tai Ming Chung, "Sukhois, Sams, Subs," *Far Eastern Economic Review* (FEER), 8 April 1993, p. 23.

[9] Tai Ming Chung, "China's Buying Spru," *FEER*, 8 July 1993, p. 24.

the end of the Cold War has deprived China of the important role it enjoyed in the "strategic triangle." China's view of the world becomes one that places it at a disadvantage. The fall of communism in Eastern Europe and the Soviet Union left it feeling isolated. The swift victory by the Western coalition over Iraq in the Gulf War helped to form Chinese perception of a unipolar world under the American hegemon. In the meantime, US-China relations became contentious over the issues of human rights, trade, and arms sales that include weapons of mass destruction.

Faced with a world whose structure has changed to China's disadvantage, it is logical to build both economic and technological strengths. The path chosen by the leadership is through participation in the interdependent world economic system. China's success in economic reform, nevertheless, has its price in the form of inflation, social and economic disparities and regional diversity that threaten to change the political system itself, Beijing is thus caught in a dilemma between building its strength to cope with the evermore assertive capitalist West and the consequent undermining of its independence by the very process of interdependence needed to strengthen itself. Over medium and longer terms, it is possible that in order to cope with social unrest and regionalism, Chinese leaders could embrace a robust nationalism.[10] For the Asia-Pacific region, the future is one that promises a stronger China whose economy will stand among the world's biggest and a China that has potential to be a destabilizing force, more so as its military power continues to grow.

Another talked about power center in the emerging multipolarity in the Asia-Pacific is India because of its size, its military potential that includes nuclear capability and the image of itself as leading regional power. As of now, India is not part of the Asia-Pacific "security complex." The concern that India might be so arose in the 1980s because of her naval build-up. However, Indian force structure lacks power projection capability and reveals the objective of sea-denial rather than sea-control in the Indian Ocean.[11] Indian naval build-up can also be expected to level off in the 1990s due to economic constraint. Conflict with Pakistan and domestic communal conflicts are further constraints on India. Efforts at economic development have also focused India's attention on the Asia-Pacific region. This would mean that India will want to have positive engagement with the countries in the region.

Despite the end of the Cold War, the uncertainties arising from the transition from bipolarity to multipolarity have prevented the Asia-Pacific region from fully enjoying the peace dividend. Another reason is that not all conflicts in the region are related to the Cold War. These include the internal conflict in Cambodia, the various territorial conflicts and other conflicts that have deep historical roots. The conflict on the Korean Peninsula may have its origin in the Cold War but has taken on a life of its own apart from the superpower conflict. With the security blanket provided by the psuerpower gone or in doubt, the trend is towards one of security self-reliance. While Europe and America see cuts in defence spending, the trend in East Asia is the opposite. China, Japan, South Korea, Taiwan and ASEAN countries have all undertaken major defence modernization programs. According to *SIPRI Yearbook 1992*, the Asian region became the world's largest arms im-

[10] Gerald Segal, "Watch Out for Expedient Nationalism in Beijing" *International Herald Tribune* (IHT), July 13, 1993, p. 6.

[11] See Paul George, *Indian Naval Expansion*, (Working Paper 32, Canadian Institute for International Peace and Security, February 1991).

porting area in 1988, surpassing the Middle East and Europe as a whole.

In Southeast Asia, the trend in defense expenditure of all ASEAN countries, with the exception of the Philippines, have continued to rise since 1973. There has, however, been a significant change since the mid-1980s when the governments began to consistently purchase major weaponry at or near state of the art, with special emphasis on air and naval forces. Besides the changing strategic environment due to the transition from bipolarity, the overlapping claims over territorial waters and the growing importance of off-shore resources provide added rationale for greater arms acquisition.

What has emerged in Southeast Asia is a situation in which the ASEAN countries increasingly deploy or plan to deploy weapon systems of increased range and capability and which are on the whole formidable. ASEAN has commonly been described as a security community in a sense used by Karl Deutsch that members will not fight each other physically, but will settle disputes in some other way. Nevertheless, the growing military capabilities can be destabilizing. While ASEAN has been successful in "crisis avoidance," conflicts, old and new, have yet to be resolved. These include disputes over land and maritime territories and off-shore resources, as well as conflicts related to ethnicity and migration. Conflict management could become more difficult if the growing military capability undermine confidence among the members.

Despite the move towards greater security self-reliance, it is well recognized that individual countries will not have the capability to counter a great power that intends to assert itself. At best, the ongoing military modernization and arms acquisition can serve as deterrence. Moreover, the present trend in military build-up could create or deepen suspicions among the ASEAN members themselves. These considerations form part of the background to ASEAN's move to build a multilateral framework for enhancing regional security.

ASEAN's present move can be seen as an adjustment to the post-Cold War strategic environment. During the Cold War, ASEAN sought to create a regional order that reflected its assumption that Southeast Asia was a self-contained sub-region. Following this line of thinking, regional security was to be served by a strategy of detachment and self-reliance which found expression in the idea of turning Southeast Asia into a Zone of Peace, Freedom and Neutrality (ZOPFAN). The instrument for the management of regional order were provided by the Bali Summit of 1976 in the forms of the Treaty of Amity and Cooperation and the Declaration of the ASEAN Concord. The perceived regional order was also to encompass all the countries of Southeast that included the socialist countries. This was to be realized only after the end of the Cold War when in 1992, Vietnam and Laos acceded to the two Bali documents and became observers in ASEAN. It is expected that Cambodia and Myanmar will follow eventually.

It became ever more evident that Southeast Asia was not a self-contained region. This was most evident when the conflict between Vietnam and Cambodia that culminated in Vietnam's invasion of the latter in December 1978 soon divided Southeast along the line of external great power alignments. In the post-Cold War period of transition to multipolarity, the dynamics of the relations among the growing number of actors is seen to unavoidably impact on the security environment of the Southeast Asian subregion. Moreover, the integration of the regional countries' economies with those of the Asia-Pacific further underlines the dysfunction of the strategy of detachment. Thus ASEAN has to

think of a new regional order that goes beyond Southeast Asia.

Without the Cambodian conflict to provide coherence, ASEAN has turned to its original focus to cooperation when it agreed to established ASEAN Free Trade Area (AFTA). ASEAN has also worked to strengthen its institutional framework, particularly its Secretariat and the role of the Secretary General to better support cooperation among member countries. Security cooperation among ASEAN was strengthened when the ASEAN foreign ministers, at their meeting in July 1993, endorsed the idea of joint meeting among senior ASEAN officials from their respective foreign and defence ministers to discuss security issues. Measures to enhance security and cooperation, particularly in the form of confidence building, in view of the arms build-up among members, have also been endorsed.

The most significant move in the way of adjusting to the post-Cold War environment is ASEAN's move to put security issues on its agenda as decided at the Summit Meeting in Singapore in 1992. Not only would ASEAN discuss security issues that concern them at the Annual ASEAN Ministrial Meeting (AMM), but the issues will also be taken up for discussion with its dialogue as well at the ASEAN Post Ministrial Conference (PMC). As the PMC does not include all actors with pivotal role to play in the post-Cold War era, most notably China and Russia, it is necessary to include them in some other forum. In the region that lacks a framework for security cooperation or dialogue, the PMC provides a convenient starting point. To bring in other actors, and thus engage all the powers positively, ASEAN has planned to hold the ASEAN Regional Forum (ARF) in 1994 which would provide a venue where ASEAN, its dialogue partners, as well as China, Russia, Vietnam, Laos and Papua New Guinea can discuss their security concerns. It is to be hoped that the ARF would provide the participating countries with a venue where their legitimate interests can be defined and recognized. While the strategic environment is still generally benign, time is right for engaging the actors in a habit of dialogue and consultation which can also serve as confidence building measures. In this way, it is hoped that they would be disposed against taking unilateral action. It needs to be recognized that while the PMC is a forum of the like-minded, the ARF will consist of countries with both divergent and common interests at different levels and on different issues. The dialogue process will be a difficult one but the end product could be a clearer shape of what the new Asia-Pacific order in the post-Cold War era might be like. Along with engaging the great powers through a multilateral dialogue, ASEAN is also looking for ways and mechanisms through which to cooperate with the United Nations in preventive diplomacy that include a proposal to form a regional peace keeping force.

From Geostrategic to Geoeconomics?

Economic picture in the post-Cold War Asia-Pacific region is strikingly different from the geostrategic one. What is particularly striking is the growing economic integration of East Asia. There is emerging in regional system encompassing Northeast Asia and Southeast Asia, evident in the direction of aid, trade and investment flows, with Japan leading in all areas. Japan's emergence as the number one foreign aid donor in the world is reflected in its US$2 billion earmarked for the ASEAN countries that contrasts sharply with the decline in US assistance. While Japan continues to lead as the main source of

foreign direct investment (FDI), in recent years, the Newly Industrialized Economies (NIEs) consisting of Hong Kong, South Korea, Singapore, and Taiwan have also become major investors in export oriented, labor-intensive manufacturing in Southeast Asian countries and China. It is expected that intra-Asian trade and FDI will continue to expand as rapidly as it has in the past and that within ten years the North-South trade in East Asia will be larger than the trans-Pacific commerce.[12] A number of factors contribute to this trend which is market driven. The salience of economics, replacing ideology, in policy formulation has removed the barriers that once existed. This can be seen in China's trade with South Korea that was ten times of that with North Korea even before the opening of diplomatic relations. The same can be said of economic interactions between China and Taiwan, and between Indochina and ASEAN countries. The market driven integration has also been promoted by the economic reform policies of many East Asian economies that involved adoption of export-led growth strategy that replaced import substitution, as well as restructuring which allows the private sector to play a much greater role in national production. Japan's lead in trade and FDI has also created a *de facto* yen bloc. Intra-Asian trade continued to expand rapidly in 1992, a consequence of the ongoing process of specialization within the region, the related FDI and relocation of production capacity mainly from Japan and the NIEs, and from the boom in the Chinese economy.[13]

Another significant economic phenomenon is the emergence of what has been termed "natural economic territories (NETs)" by Robert Scalapino[14] or "region states" by Kenichi Ohmae[15] which are economic entities whose boundaries do not necessarily fall within that of a particular nation state. In them, labor, natural resources, technology, capital and managerial skills are combined by the demand of the global market for goods and services. Examples of these can be seen in China's Guandong provinces—Hong Kong—Taiwan or the Singapore—Johore—Riau islands growth triangles. More such entities are evolving in the region.

This ongoing economic developments tends to fit into Miles Kahler's description of the strategic use of economic linkages, whether region-wide or at the sub-regional level. Economic imperatives have built bridges between former enemies. They should also tend to help reduce incentives to resort to violence in settling inter-state conflict. While there is no denying that interdependence can breed frictions and conflicts, the integrated economic ties can also dampen conflicts as vital interests of either side could suffer from a rupture. One argument for promoting successful and stable economic development of China along the present reformist path is that it would induce a responsible and benign international behavior. While the Chinese leadership may not be entirely happy with interdependence, there is no escaping the fact that for accelerated economic development, China needs foreign natural resources, technology, capital investment and foreign markets which can be better acquired by cooperation than coercion. While there is no guarantee that interdependence will bring about a benign China, a China that is beset with internal turmoil would certainly be more destablizing to the region.

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[12] Jeffrey E. Garten, "Trading Blocs and Evolving World Economy," *Current History*, January 1989, p. 16.

[13] Asian Development Bank, *Asian Development Outlook (ADO) 1993*, p. 10.

[14] Scalapino, op. cit.

[15] Kenichi Ohmae, "The Rise of the Region State," *Foreign Affairs* July 1993, No. 7.

Another contrasting picture from the geostrategic perspective is the position of the United States. While geostrtategic consideration favors continued US military presence, the United States have conflicts with most countries on commercial issues. Its place in the Asia-Pacific region from an economic perspective is different from the geostrategic one and reflects the changing currency of power. As the world moves from the "power game" to the "wealth game," the United States' once predominant position, is being challenged as its security blankets no longer have the same value to its allies. Thus in the economic realm, it is Japan that occupies a prominent place in the East Asian region. Japan's accumulated value of investments in East Asia is now about US$50 billion, while the stock of US investments in East Asia in 1990 was about half of Japan's. While intra-East Asian trade continues to expand, North America is no longer the principal market for Asian exports in the first half of the 1980s. Asia became its own most important market by 1986.[16]

Despite the relative decline of the U.S. position in the East Asian economy, it is estimated that by the end of the decade, US trade across the Pacific will more than double that across the Atlantic. That the Asia-Pacific is of importance to American economic well-being is clearly recognized by the Clinton administration and more American economic involvement can be expected. Juxtaposed against this positive attitude, however, are the trade tensions caused by huge Asian trade surpluses with the United States and its discriminatory measures and bi-lateral pressures targeted against East Asian countries. The United States is further relieved of a major constraint in dealing with its commercial grievances because the need to maintain a coherent front against the Soviet Union has been removed. If there are uncertainties in the geopolitical sphere, uncertainties likewise exist in the geo-economic sphere. The impact of such is not without security implications. The uncertainties rest on the future of the global trade regime as the United States put greater stress on fair trade as opposed of free trade. The impressive economic growth rate achieved by the Asia-Pacific countries was attributable to their open to international trade, made possible by the existence of a global trade regime that included an open American market. General political stability in the 1980s, particularly in the ASEAN countries, rested to a large measure on economic prosperity. A breakdown of this regime could, therefore, affect domestic stability of the regional countries.

Threats to the continued existence of the global liberal trading regime loom in the single market of the European Community, and the North American Free Trade Area (NAFTA). Should EC and NAFTA become trade diversion, the East Asian economies will definitely suffer.

Concerns about such possible development have manifested themselves in two directions. One is to prepare for the possibility of the formation of trade blocs by creating a regional grouping that would cushion the impact and/or serve as a leverage in dealing with another bloc. Such idea appears to be behind the proposal for the setting up of East Asian Economic Grouping (EAEG) and initially Asia-Pacific Economic Cooperation (APEC). It is to be noted that the original proposal for APEC did not include the United States nor Canada. That the two North American countries were eventually included suggests that there is a recognition that maintenance of a free trade regime is a better alternative. US-East Asian relationship is now so substantial that neither side could cut itself off except

[16] *ADO 1991*, p. 43.

at great expense to itself. Japan neither rejected nor accepted EAEG, and less than enthusiastic endorsement by other ASEAN member countries appear to signal a concern that it might spur a movement towards the formation of trade blocs. The ASEAN members endorsed EAEG after changing it to East Asian Economic Caucus (EAEC) and once an assurance was made that it was not incompatible with GATT to APEC.

Another direction that could be taken when faced with possible emergence of trade blocs is to try to ensure a region wide open economy. APEC, as an economic grouping that covers the entire region, provides a possible vehicle for such an objective. Its role is to promote economic cooperation through discussions and close consultation. However, its non-economic and implicit ratoinale reveals security agenda that show that security and economic issues are not necessarily exclusive of each other. As one destablizing factor of the region's security is possible US disengagement from the Western Pacific, APEC is seen as a means to anchor the United States in the region and focus its economic strength on promoting Asia-Pacific cooperation.[17] This would provide an alternative to the emergence of two competing trade blocs, one led by the United States, the other by Japan. The Asian countries, while recognizing Japan's role as the engine of growth, are reluctant to be in bloc led by Japan unless there is no other alternative. Greater US economic involvement in the region is also seen as a counter-balance to Japan's dominant position. APEC could also provide a framework for the stabilization of US-Japanese and US-Chinese relations, the breakdown of which could seriously affect the geostrategic environment of the entire Asia-Pacific region. For Southeast Asia, in particular, it is in their security interest, which has long been defined primarily in economic terms, that it tries to maintain the multi-polar system by supporting an institutional framework that encourages greater trade among themselves and others in the Asia-Pacific region and beyond. An alternative to wider trans-Pacific trade would be a less desirable narrow East Asian regionalism.

Towards a More Secure Asia-Pacific Region

For Southeast Asia, the post-Cold War era poses both opportunities and challenges. The strategic environment can be said to be generally benign as the superpower confrontation has come to an end. China is more preoccupied with building her economy and, therefore, prefers a non-conflictual external environment. Japan appears satisfied with her present status as an economic power. India is yet to be counted as a real player in the region. There is no denying, though, that conflicts exist among the countries in the region, great and small. However, there is little likelihood that these would lead to high intensity conflicts. If there is an area where the situation is most volatile, that would be the Korean Peninsula, due to North Korea's nuclear ambition. However, even there, a thaw did occur in the North-South relations. Such a scenario provides Southeast Asia with the opportunities and challenges to try to maintain and enhance the present trend.

The present benign environment is attributable, to a large extent, to the salience of economic issues in policy considerations of most states in the region. This is further en-

[17] Hadi Soesastro, Economic Developments in the Region: Their Security Impact," a paper presented at the Seventh Asia-Pacific Roundtable, Kuala Lumpur, 6–9 June 1993, pp. 12–13.

forced by the growing economic interdependence that results from the pursuit of an open economic system. In the Asia-Pacific, economic interdependence appears to have a stabilizing effect as in the case of improved relations between China and South Korea, as well as China and Taiwan.

Thus in both the security and economic scenes, the present prospect for enhancing cooperation is a good one. The building of regional security consultive framework in the form of ARF should be seen as complementary to APEC. These, however, are not the only vehicles. In the Asia-Pacific, there exist already many cooperative arrangements at different levels, official and non-official, and types that involve economic, political, military, social and cultural issues. At the least it can be said that the region is not short of experiences in cooperation that new organizations can draw on. Such cooperative arrangements can also serve to supplement a broader structure of cooperation. In any effort to enhance security in the region at this stage, it behoves one to take heed of Robert Scalapino's advice that "with many uncertainties lying ahead, . . . it must be a period of experimentation, with a variety of vehicles for dialogues and decision making employed, but with rigidity avoided."[18]

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[18] Robert A. Scalapino, "Security in Northeast Asia: Future Issues and Prospects for Cooperation," a paper prepared for the University of California Institute's for Global Conflict and Cooperation Conference, "Pacific Security Relations after the Cold War," Hong Kong, June 15–18, 1992, p. 4.