

Prof. Donald E. Weatherbee
Russell Distinguished Professor Emeritus, University of South Carolina
Hearing on 4 February 2010
“Testimony before the U.S. – China Economic and Security Review Commission”
“China’s Activities in Southeast Asia and the Implications on U.S. Interests”

The China – ASEAN – U.S Triangle

In the first year of the administration of President Barack Obama, the United States has made a significant effort to broaden and deepen its engagement with the Association of Southeast Asian Nations (ASEAN). This is the multilateral grouping of ten Southeast Asian countries, which is coming up on its 43rd birthday. It is likely that candidate member East Timor will be added to the grouping by at least 2015, the aspirational date for an ASEAN Community. For economic purposes, ASEAN is subdivided into the ASEAN 6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) and the less developed CLMV countries (Cambodia, Laos, Myanmar, and Vietnam). Politically, ASEAN speaks on regional issues with a single voice, which for decision-making purposes reflects a lowest common denominator consensus.

When Secretary of State Clinton arrived in Bangkok in July 2009 for her first encounter with her ASEAN counterparts, she announced, “We’re back.” It is not, however, that the U.S. really ever left. The new administration inherited a solid foundation on which U.S. regional interests can be furthered. Since 2005, the framework for cooperation has been the “Joint Vision Statement on the ASEAN – United States Enhanced Partnership” and its 2006 “Plan of Action,” which led in 2008 to the “Comprehensive Development Assistance Program for ASEAN.” All of these initiatives, however, had a low political profile and could not overcome the growing perception in Southeast Asia that the Bush administration’s focus on the “war on terror” had led to an American neglect of its broader array of political, economic, and social interests in Southeast Asia. The perception of a decline of American interest and influence in Southeast Asia was accompanied by ASEAN leaders’ critical awareness of the rise of China, in particular its heightened role in the Southeast Asian international political economy. ASEAN’s most eminent diplomat, Tommy Koh, warned that the United States “is losing the competition for influence in Southeast Asia. The winner, at least for the time being, is the People’s Republic of China.” For more than half a century, the United States had been the predominant extra-regional great power, a posture which now seems challenged while the U.S. is preoccupied elsewhere.

It was to redress the perception that the U.S. was abandoning its historic role as a crucial player in the regional balance of power that Secretary Clinton’s “we’re back” exclamation was addressed. Her words were followed in rapid order by a number of actions. Perhaps the politically most important for ASEAN was the August 2009 American accession to ASEAN’s “Treaty of Amity and Cooperation in Southeast Asia” (TAC), a decision for which ASEAN had long pressed the United States. American security allies in ASEAN (Thailand and the Philippines) and the wider Asian region (Australia, Japan, New Zealand, and South Korea) had long been signatories. Although the Bush administration in the “Enhanced Partnership” had assured ASEAN that the U.S. respected the spirit and principles of the TAC as a code of conduct governing regional relations, it had never formally acceded to it. Accession has now put the United States on the same political platform as

China and ASEAN's other dialogue partners. Importantly, accession is a necessary ticket of admission to the East Asian Summit (EAS) with ASEAN plus Australia, China, India, Japan, New Zealand, and South Korea. This is also known as the ASEAN plus 6. President Obama has stated the U.S. wants to participate in the EAS. It also would be necessary for a possible expansion of the ASEAN plus 3 (China, Japan, and South Korea) to an ASEAN plus 4.

Other initiatives included Secretary Clinton's call on the ASEAN Secretariat during her February visit to Indonesia, the first by an American Secretary of State. She has announced that the United States will be the first ASEAN dialogue partner to establish a resident mission to ASEAN with a resident ambassador. Presently the Deputy Assistant Secretary of State for Southeast Asia is concurrently Ambassador for ASEAN Affairs. The U.S. and ASEAN have agreed to establish an Eminent Persons Group (EPG) to examine areas for greater collaboration and cooperation. President Obama's "Leadership Meeting" with his ASEAN counterparts on the sidelines of the November Singapore Asia-Pacific Economic Cooperation (APEC) summit was another significant move towards a closer ASEAN – U.S. relationship. Although President Bush had earlier met with the leaders of the seven ASEAN states that were members of APEC, this was the first meeting of an American president with all of the ASEAN heads of government. Although not officially titled a summit, it is expected that it will lead to real summitry as an ongoing element of the official U.S. – ASEAN partnership. China had its 12th annual summit with ASEAN in October 2009.

The willingness of the American president to sit down in an ASEAN setting with Myanmar (in U.S. official parlance, Burma) represented a departure from the previous policy of attempting to isolate the Burmese junta. The review of policy towards Myanmar that began in February 2009 resulted in the beginnings of a dialogue officially signaled by Assistant Secretary of State Kurt Campbell and his deputy Scot Marciel's visit to Myanmar in November. While to date no concrete political results can be demonstrated in terms of democratizing the junta or guaranteeing free and fair elections – let alone freeing Daw Aung San Suu Kyi – it diplomatically signals a pragmatic step away from the failed policy of sanctions without engagement.. Beginning with Secretary of State Madeleine Albright's denunciation of ASEAN for including Myanmar in its 1998 expansion to ten members, ASEAN and the United States have been out of step with each other as to how to approach Myanmar. To the ASEAN 6, the American preoccupation with its democracy agenda in Myanmar was outweighed by the fear that an isolated Myanmar would enlarge China's geostrategic window into Southeast Asia. ASEAN refused to allow the United States to deal with it on an ASEAN minus 1 basis. By decoupling the Myanmar problem from Washington's appreciation of ASEAN, a major irritant in the relationship has been treated. This, of course, does not allay ASEAN's and Washington's concerns about the tight China – Myanmar connection. Myanmar has become a vital link in China's search for energy security. Oil and natural gas pipelines originating from Myanmar's Andaman Sea coast will fuel South China development. The oil pipeline, on which construction has begun, will carry the 80 percent of China's crude oil imports that now go via the Malacca Strait and South China Sea.

The Obama administration's demonstration of a higher level and greater intensity of American political engagement with ASEAN has been welcomed by leaders in Southeast Asia. Although to this point the policy acts are largely symbolic, ASEAN leaders see the U.S. as beginning to adapt to a changing great-power environment in Southeast Asia in which the two major variables are China's

ultimate ambitions and the U.S. commitment to a sufficient balance. The latter is a matter of policy choices made in Washington, not Beijing. While the U.S. raises its political visibility in ASEAN and continues to wield a robust military/security presence, it will have to accept China's growing economic role in the region, which the United States cannot realistically expect to match. The question is whether China will be able to translate its economic strength into a political clout that would be damaging to America's broader interests in the region.

There can be no question but that China's strategies towards ASEAN are led by trade, aid, and investment. It has been argued that American interests are endangered by a new pattern of economic transactions centered on China. In addition to economic cooperation agreements, China and ASEAN states have signed a number of strategic partnership agreements in other areas of their relations. One view is that the evolving pattern of state-to-state engagements between China and Southeast Asia – both bilateral and ASEAN – is leading to a China-centric web of mutual interdependencies. In testimony five years ago before this Commission, Prof. Marvin Ott of the National War College argued that China's focus was on establishing a preeminent sphere of influence designed to bind Southeast Asia to China. The analogy has even been drawn to Chinese traditional suzerain-vassal statecraft, with Southeast Asian states once again paying tribute to the imperial throne. While much of the recent commentary and literature about China's new economic role in Southeast Asia has been exaggeratedly alarmist, it cannot be gainsaid that since the crash of 1997-1998 in Southeast Asia and especially since the most recent global downturn, China has been viewed from Southeast Asia as an important, willing, sympathetic, and generous economic partner. China is seen as an alternative to a weakened U.S. economy as the engine of recovery and growth. China has promoted the Chiang Mai Initiative Multilateralization (CMIM) agreement, signed by the ASEAN plus 3 finance ministers in December 2009, as a regional riposte to the IMF. The CMIM transactions will have no strings attached or conditionality (and we would add no real oversight or accountability). Behind the economic and commercial goals of the growing ASEAN and China transactional nexus, there is a political narrative. For China, it is recognition of its regional great-power status. For ASEAN, it is a hedging strategy in relation to future U.S. policies. It is not ASEAN bandwagoning towards China.

China's growing economic presence in Southeast Asia has recently been spotlighted by the coming into force on 1 January 2010 of the China – ASEAN Free Trade Area (CAFTA). While perhaps to some observers outside the region the CAFTA seems to introduce a new element in regional economic relations, it has been years in the making. Pushed hard by China, which wanted to open Southeast Asian markets to competitive Chinese agricultural products and manufactures, ASEAN agreed in 2002 to an ASEAN – China Comprehensive Economic Cooperation Framework Agreement. This led in 2004 to a merchandise agreement that was implemented in 2005. It provided for an "early harvest" group of items for immediate tariff reductions and "normal" and "sensitive" tracks for liberalization of trade to zero tariffs for the ASEAN 6 by 2010 and the CLMV countries by 2015. An Agreement on Trade in Services was signed in 2007, and a China –ASEAN Investment Agreement was signed in August 2009, completing the FTA. As the 2010 date approached, negotiations of the details went slowly as each ASEAN country sought to cushion vulnerable domestic interests. With CAFTA in place, more than 7,000 product categories making up more than 90 percent of traded items between ASEAN countries and China now have zero tariffs. The protected sensitive items are to have their tariffs reduced to 50 percent by 2015. In its

provisions, the CAFTA is WTO-lite, without environmental safeguards, labor standards, and other non-directly-trade-related items that are part of American WTO-plus FTAs.

In terms of market size, the CAFTA ranks only behind the European Community and NAFTA. Its inclusion of 1.9 billion people makes it the world's largest trade agreement in terms of population. In 2008, two-way trade between China and ASEAN was either \$231 billion (China's number) or \$192 billion (ASEAN's number), depending on who was counting. This made China ASEAN's third largest trading partner after Japan and the EU. The United States now ranks fourth, with two-way trade with ASEAN in 2008 at \$181 billion. As late as 2006, the U.S. was ASEAN's largest trading partner. From 2003 to 2008, China – ASEAN trade grew at a rate of 24.2 percent annually. From a 4 percent share of ASEAN trade in 2000, China's share in 2008 was 11.3 percent. In the same period, the U.S. share of ASEAN trade dropped from 15 percent to 10.6 percent. With CAFTA fully in place, it can be expected that China's trade will continue to grow at a faster rate than that of ASEAN's other trading partners and its market share will increase. It could possibly displace Japan as number two in 2010. In ASEAN, China is already the largest trade partner of Malaysia and Vietnam and the second largest trade partner of the Philippines, Thailand, Singapore, and Myanmar.

With CAFTA has come a Chinese push for ASEAN countries to use the Renminbi (RMB) as the settlement currency unit, rather than the U.S. dollar. The regional internationalization of the RMB (although not convertibility) is already seen in the CMIM. Banks in Malaysia have created RMB trade settlement facilities. It is not just Chinese influence that would make RMB settlement attractive. There is growing concern that the worth of dollar reserves held by ASEAN countries is dropping because of excessive American deficit financing. The RMB question cuts both ways for ASEAN, however. The undervalued RMB and China's unwillingness to revalue have made ASEAN exports less competitive in global markets and Chinese imports – which will increase with CAFTA – more competitive in ASEAN domestic markets. Vietnam has already found it necessary to devalue its currency and other ASEAN countries, especially Thailand, may have to follow suit.

It is too early to tell what the long-term impact of the CAFTA will be. From the Chinese side, the claim is win-win. On the ASEAN side, the jury is out. The indicators are that if it is in fact a win-win outcome, it will be China wins more – ASEAN wins less. There is an expectation that ASEAN's balance of trade, which already is slightly in China's favor, will become less balanced as the small trade deficits run by some of the ASEAN states become greater. The fear, however, that ASEAN suddenly will be flooded by cheap Chinese goods seems exaggerated since the tide of China's imports has been steadily increasing as tariffs have been progressively reduced in the last half-decade. The devastating impact that the "early harvest" had, for example, on small agriculture in ASEAN's border regions with Yunnan is not an ASEAN-wide predictor for the future. The low-hanging fruit has already been plucked. There may be an upward statistical spike once smuggled goods become accounted for, but those goods had already been in the market. Nevertheless, the ASEAN countries will have more adjustment and adaptation issues in their domestic production bases than China. Already, expression of concerns about the domestic impact of the CAFTA has been loudly voiced in Indonesia, ASEAN's largest market. Industrial, agricultural, and fishery sectors that might lose in a domestic competition with cheaper Chinese imports warn of job losses, with figures bandied about of 1.8 million, 2.5 million, and even as high as 7.5 million workers. The

Indonesian government has “informally” told its ASEAN partners that it wants to renegotiate 280 items, asking for a delay in implementing CAFTA zero tariffs. The problem is that if Indonesia wins some respite for particular domestic interests, other ASEAN countries may seek to unravel parts of the agreement. Business interests in Malaysia, the Philippines, and Thailand have also raised objections to parts of the CAFTA. Although no official ASEAN representation on the subject has been made, China has informed ASEAN that it understands that ASEAN needs a period of transition and cooperation in the full implementation of the CAFTA, and that it is ready to accommodate and cooperate in this.

The attention given to CAFTA has obscured the fact that it is only one of ASEAN’s multilateral FTAs. The same day that the CAFTA came into force, the ASEAN – India FTA became effective, after six years of negotiation. Three days after the CAFTA went into force, so did the ASEAN – Australia – New Zealand FTA. A Japan – ASEAN FTA has been in effect since 2008 (officially called a Comprehensive Economic Partnership). In May 2009, the ASEAN – Republic of Korea FTA was implemented. A proposed EU – ASEAN FTA has stalled on issues of getting the 26 EU countries and the 10 ASEAN countries to a common position, including human rights. The EU has adopted a new strategy of negotiating with willing individual ASEAN states. Besides the overarching regional FTAs, there are multiple bilateral FTAs in force or being negotiated between ASEAN countries and external partners, what has been called a “noodle bowl” of FTAs. ASEAN has had a tougher post-CAFTA approach to trade negotiations. In part, this is because it had the CAFTA leverage on negotiating partners who did not want to be in a less favorable position than China. This was particularly true of the India negotiations. Secondly, the fashioning of the CAFTA was an ASEAN learning experience.

ASEAN’s participation in external multilateral FTAs is paralleled by its own internal economic integration that saw the ASEAN Free Trade Area (AFTA) come fully into force for the ASEAN 6 on 1 January 2010 with the elimination of all intra-ASEAN import duties for the ASEAN 6 (2015 for the CLMV countries). With the progressive lowering over the preceding decade of intra-ASEAN trade barriers, intra-ASEAN trade in 2008 was more than 25 percent of all ASEAN trade. The AFTA and its attendant investment and services agreements are key steps towards the achievement of an ASEAN Economic Community (AEC) by 2015. From ASEAN’s vantage, the AEC will strengthen the grouping’s position and voice in regional economic affairs.

The United States bilateral FTA with Singapore is the only one it has with an ASEAN country. This is a WTO-plus arrangement unique to the region. There have been failed American negotiations with Malaysia and Thailand. The United States has bilateral Trade and Investment Framework Agreements (TIFA) with every ASEAN country except Laos and Myanmar (the Singapore – U.S. FTA was preceded by a TIFA). A TIFA is a consultative mechanism to facilitate and liberalize trade and investment. It is a necessary first step towards an FTA. As part of the “Enhanced Vision” framework, in 2006 the United States and ASEAN signed a TIFA. Although there have been talks about moving towards an ASEAN – U.S. FTA, no progress has been made. One stumbling block has been Myanmar, since the U.S. sanctions regime makes it impossible to include Myanmar and ASEAN is not going to exclude Myanmar. Even if the problem of Myanmar could be finally resolved, there would remain the issue of U.S. insistence on a WTO-plus instrument. Also, in the absence of the American president’s fast track authority, it is likely that Congress would pick the

provisions apart and require renegotiations that ASEAN would probably reject. Nevertheless, the idea of a U.S – ASEAN FTA is alive. It has been reported that it was tabled from the ASEAN side at the Singapore “Leadership Meeting,” and Senator Lugar, the ranking Republican on the Senate Foreign Relations Committee, has introduced legislation encouraging United States officials (the U.S. Trade Representative) to initiate FTA negotiations with ASEAN.

China’s trade policy toward ASEAN is to integrate ASEAN into its regional market. China’s assistance and investment strategy is to gain access to resources through infrastructure development with loans and grants tied to Chinese state-owned companies. A major new assistance blueprint to enhance China – ASEAN cooperation was rolled out at the April 2009 ASEAN – China foreign ministers meeting in Beijing. China will establish a China – ASEAN Investment Cooperation Fund totaling U.S. \$10 billion for cooperation on infrastructure construction, energy, resources, information, and communications. In addition, China will offer a credit to ASEAN countries amounting to \$15 billion. When first announced, it was stated that \$1.7 billion of the credit would be on preferential terms. The preferential terms were increased to \$6.7 billion by the October ASEAN – China summit. It was agreed that these initiatives would promote the furtherance of Mekong Basin development including more road connections to the ASEAN Highway and double-tracking the Singapore – Kunming railway line. This will give China greater access to Southeast Asian markets and resources. China’s emergence as a major financial and contracting partner with ASEAN in the Mekong development schemes has alarmed Japan. In some respects, the northern tier of ASEAN is part of “greater Yunnan.” At a November 2009 Mekong summit in Tokyo of Japan’s prime minister and his Thailand and CLMV countries’ counterparts, Japan offered a “Hayotama initiative” of ¥ 500 billion (\$5.5 billion) in fresh development assistance for ASEAN’s Mekong basin countries. In mid-2009, the United States launched its own Lower Mekong initiative that has not yet gone beyond workshop exploration of areas of cooperation.

China’s foreign direct investment in ASEAN is state directed to secure state ends and largely deployed through state companies. In the 2006-2008 period, China was ASEAN’s fifth largest source of FDI. Its total FDI figure of \$3.6 billion is dwarfed by Japan’s \$25.7 billion or even the U.S.’s \$12.7 billion over the same period. For China, however, it is not how much, but how it is targeted. It can be expected that, with the new China – ASEAN Investment Agreement and new programmatic funds backed by China’s abundance of financial reserves, the pattern of China’s strategically and politically important investment will be accelerated. For example, on 11 January 2010, Malaysia announced plans for a joint venture with the State Grid Corporation of China (SGCC) for a massive investment in hydropower projects on rivers in the East Malaysian state of Sarawak. The announcement can be seen as follow-up to China’s President Hu Jintao’s state visit to Malaysia in November 2009, when Malaysia’s Prime Minister Najib expressed his government’s desire for greater Chinese involvement in Malaysia’s infrastructure development. The plan calls for a complex of dams on Sarawak’s rivers and associated industrial development including an aluminum smelter. It is estimated that the SGCC’s investment spread out over the years will be \$11 billion. The project will raise the same kinds of protests over environmental destruction and forced displacement of indigenous people that plagued the building of Sarawak’s Bakun dam, begun in the 1990s, but only coming on line this year. The Malaysian government will turn a deaf ear to the environmental and human concerns of dam building, like the governments in Laos and Cambodia where Chinese hydropower projects exist and are building.

Cambodia is a prime example of “RMB diplomacy.” As well as being Cambodia’s second largest trading partner (Vietnam the largest), China is Cambodia’s largest source of economic assistance and investment. In 2008, Chinese direct investment was \$4.3 billion, or nearly 40 percent of the total FDI received by Cambodia. South Korea was the next largest investor. Of course it is hard to separate out investment from assistance since aid in the form of concessional loans is often tied to Chinese state-owned companies for project implementation. With Chinese assistance and investment comes an ever larger Chinese presence and influence. The major projects have focused on infrastructure and electrical generating capacity. Road projects give China access to resources including its interest in oil and mineral exploration and exploitation. It remains to be seen whether the lifting in June 2009 of the prohibition of U.S. Export-Import Bank-backed loans to Cambodia will spur American FDI.

The pace of China’s economic penetration of Cambodia is accelerating. In December 2009, China’s Vice President Xi Jinping was in Phnom Penh for the signing of 14 new economic assistance agreements between China and Cambodia. The package was valued at an unprecedented U.S. \$1.2 billion, exceeding by far the \$880 million in loans and grants that China has provided Cambodia since 2006. As a member of the Cambodia Development Cooperation Forum (CDCF), the international assistance consortium that meets every 18 months, China since 2007 has become the largest aid source. At the December 2008 CDCF pledging session, China pledged \$257 million of the total \$951.5 million, followed by the EU’s \$214 million and Japan’s \$113 million. Caught in the presidential transition, the U.S. did not pledge, but the 2009 USAID figure for Cambodia was \$62 million. Vice President Xi’s Phnom Penh visit followed by two days Cambodia’s forcible deportation, at China’s insistence, of 20 ethnic Uighur refugees who had been under UNHCR protection. Although both countries deny any connection between the signing of the economic package and the extradition of the Uighurs, it is clear that Cambodia was not going to allow its obligations under the United Nations Refugee Convention – to which it is a signatory – to put a shadow over the signing ceremony for the new agreements. In China, the government of Hun Sen has an enabler, not concerned with issues of human rights, corruption, environmental degradation, the rule of law and the other kinds of non-traditional and human security issues with which Cambodia’s U.S. and other Western CDCF partners are concerned. The Chinese economic embrace of Cambodia is unconditional. Opening a Chinese-built bridge in October 2009, Prime Minister Hun Sen praised China for strengthening Cambodia’s “political independence.” By placing no conditions on projects, he said, “China respects Cambodian decisions . . . they talk less, but do more.”

It is wrong to think of the relative positions of the United States and China across their multidimensional relations with ASEAN and its member states as a race. Editorial comments about “catching up” with China mistakenly tend to view the U.S. and China as being in a zero-sum competition and are narrowly based on data that can be quantified, like trade statistics. The developing U.S. – Indonesia “Comprehensive Partnership,” which has ASEAN implications, is not trade based. Clearly, the Chinese are outdistancing the U.S. in trade with ASEAN. As a state trader having a murky market pricing system China has certain advantages over the U.S. However, U.S. trade has steadily increased, but not as fast as China’s. But what does that mean for ASEAN? To put it in perspective, 89 percent of ASEAN’s trade is not with China. More than a third of ASEAN trade is with the EU, Japan, and the United States. China is an important trading partner for ASEAN, but not the only trading partner. ASEAN international economic strategy is to maximize

its access to the global economy. Rather than seeing ASEAN being passively drawn into a China-centric web of economic entanglements, it is perhaps more accurate to view ASEAN as being at the hub of its own expanding global network. China is one of the spokes, not the hub.

In Southeast Asia's multilateral setting, the direction that evolving wider regionalist structures and institutions takes will be more important to U.S. long-run interests than how ASEAN views the relative positions of the U.S. and China. The new proposals are designed to be integrative, whereas the U.S.-driven APEC is a consultative mechanism which may have reached a dead end. The 2008-2009 global downturn has given new impetus to rethinking the appropriate regional multilateral architecture for cooperation and integration to strengthen East Asia's place in the global economy. There are essentially two competing visions: an East Asia vision and an Asia-Pacific vision. These two visions have been iterated in different proposals, with a major difference being how exclusive or inclusive any new multilateral architecture might be. For the United States, the difference is critical. Both Secretary of State Clinton and Assistant Secretary of State for East Asia and the Pacific Kurt Campbell emphasized in January 2010 that Asia-Pacific institutions must include all key stakeholders such as the United States.

First off the block, so to speak, has been the proposal for developing the current ASEAN plus 3 process into a more integrated and structured East Asian Community constructed around an East Asia Free Trade Area (EAFTA). While the current discussion has been officially undertaken since 2003, its roots go back to former Malaysian Prime Minister Mahathir's anti-EU, anti-NAFTA East Asian Economic Group (EAEG) proposal nearly two decades ago. It was strongly opposed by the United States. The ASEAN plus 3 grouping, however, has taken on some of the EAEG's trappings. A next move would be to begin with harmonizing the existing ASEAN plus 1 FTAs with China, Japan, and South Korea. ASEAN plus 3-sponsored studies have shown that the economic benefits of such an EAFTA would be greater than the existing system of regional FTAs. ASEAN still is concerned that if the current ASEAN plus 3 should lead to a broader integrative regional institution, ASEAN's own stand-alone significance would be diminished. This appears to be what led Indonesia's Foreign Minister Marty, in his first policy speech, to call for urgent action to create ASEAN's own community by 2015. "For Indonesia," he said, "there cannot be an East Asia Community or an Asia-Pacific without an ASEAN Community as its core constituent." It was thought that a fatal political flaw in the proposal was the political hostility between China and Japan. Recent developments, such as the emergence of a China – Japan – South Korea summit process and the East Asia orientation of Japan's Prime Minister Hayotama, now suggest otherwise. One of the external influences on the ASEAN plus 3 processes will be the quality of the Japan – U.S. relationship.

Both Japan and Australia have put on the table different visions for a more inclusive process of East Asian community building, which would dilute Chinese influence. They both were sounded out at the October 2009 EAS. Japan's new initiative goes back to the 2007 ASEAN plus 3 summit which approved Tokyo's appeal for a feasibility study for a Comprehensive Partnership in East Asia that would include the members of the EAS. It is this notion of building on the ASEAN plus 6 that is at the heart of Japanese Prime Minister Hayotama's East Asia Community project. Although Prime Minister Hayotama agrees that the U.S. should be associated with the construction of the new regional architecture, he has been vague as to how. In 2008, Australian Prime Minister Kevin Rudd

advanced a rival vision for an Asia-Pacific Community by 2020 that would include the United States and have a broad agenda to deal collectively with political, economic, and security challenges. The difference between Rudd's concept and APEC is that it would explicitly address political and security issues and it would provide a focused East Asia forum including the United States. China views both the Japanese and Australian proposals coolly. China has always been lukewarm towards the EAS and has not encouraged American participation in East Asian affairs. It has made it clear that whatever other frameworks develop, the core of its regionalist relations will remain the ASEAN plus 3.

The United States objects to any closed regionalism. Drawing a line down the middle of the Pacific Ocean, whether ASEAN plus 3 or plus 6, could jeopardize American traditional ties with friends and allies in East Asia and distort trans-Pacific economic relations. In response to the regionalizing economic forces at work in East Asia, the United States has advanced a new trade agenda for APEC. At the urging of the Bush administration, since 2006 APEC has had a possible Free Trade Area of the Asia-Pacific (FTAAP) on its agenda. At the 2009 APEC summit, the leaders said they were continuing to explore building blocks towards an FTAAP. More immediately, the United States has given new energy to regional free trade by the Obama administration's decision to join the Trans-Pacific Strategic Economic Partnership. This was originally an FTA linking Brunei, Chile, New Zealand and Singapore – the P-4. Negotiations in 2010 with Australia, Peru, the United States, and Vietnam hope to make it the P-8. Its trans-Pacific reach may breathe life into the FTAAP. Furthermore, the lure of an FTA that includes the U.S. may bring other ASEAN countries into an arrangement outside ASEAN, the ASEAN plus 3, or the ASEAN plus 6. The U.S. in a P-8 is, if you will, a kind of shot across the bow of exclusive regionalism. Realistically, however, as the integrative lines grow tighter and more complex, it will be Congress that will have the last word as to policy limits on the U.S. desire to be part of an inclusive Asian economic regionalism.

Neither the Hayotama or Rudd proposals for an East Asian or Asia-Pacific Community appear to have the kind of support necessary to move them in the near future beyond the “discussion” stage. ASEAN, institutionally unable to give its own leadership in directing Asia-Pacific regionalism, certainly does not want to have its claimed “centrality” disappear in structures it cannot shape. An ASEAN plus 3 based East Asian Community is different. The new engagement by the United States with ASEAN and an emerging special relationship with Indonesia (which has an implicit veto in ASEAN) are important in that regard as demonstrations that exclusive regionalism has its costs as well as benefits. This will require more than symbolic gestures by the United States. It will require active participation of the U.S. in East Asian regionalism through structurally tightening its bonds to ASEAN and winning a seat at the East Asian Summit.

What I have called the China – ASEAN– United States triangle is embedded in the growing network of bilateral and multilateral interdependencies with ASEAN in which both China and the U.S. seek to maintain and consolidate their regional interests. ASEAN hopes that the growing region-wide interdependencies will mediate China – U.S. regional relations through the joint interest of all in a peaceful and economically growing strategic environment. Regardless of what overarching future multilateral East Asia or Asia-Pacific regionalist architecture might evolve, for Southeast Asia, ASEAN will be the core of Southeast Asian external relations.