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## Analysis

### Thinking about the Asia Pacific Community

Hadi Soesastro and Peter Drysdale

The idea that regional architecture in Asia and the Pacific is not up to the tasks it now needs to serve has been around for some time. It has been inspired in part by worries about the untidiness in the competing structures — across the Pacific, of APEC, and within East Asia, of ASEAN +3 and the East Asia Summit (EAS). There has also been a hankering after ‘robust’ regional institutions modelled on the arrangements in Europe or North America, however unsuited they are to Asia Pacific circumstances.

What is different about the thinking that led to Prime Minister Rudd’s Asia Pacific Community proposal is that these worries are incidental to its main strategic motivation. The Rudd idea is grounded in the reality of the big shifts taking place in the structure of regional and world power. These shifts in the structure of power have two main implications.

First, Asia’s growth is changing the structure of the world economy and shifting global economic power, and ultimately, strategic weight towards Asia, in particular China and India. Economic and political changes in Asia and the Pacific challenge the primacy of some dimensions of American power. These developments underline the gap in the framework for regional political and security dialogue in Asia and the role that such dialogue could play in helping to manage the long-term change in the structure of Asian economic and political power and political security relations between Asia and America.

Second, the scale of Asia’s impact on the global economy means that there is urgency in energising regional efforts to deliver on Asia’s global responsibilities — in the financial and macro-economy, in trade policy and on climate change — and how that might be assisted through regional structures.

Until the collapse of world financial markets and world trade in the global financial crisis, the East Asian region, including Australia, was preoccupied with managing all aspects of the China boom — the pressure on energy, resource and food markets, the macroeconomic pressures,

the looming foreign direct investment and commercial presence — and beginning to think about its long-term political consequences. India too was more and more caught up in the wave. All was premised on the continuing strength of North American and European markets.

East Asian economies should have been more conscious of their role on the world stage and the need to reposition quickly to manage the global system consequences of their own economic success and the dangers presented to its sustainability that the huge imbalances had created on the way. East Asia bore no responsibility for America’s squandering the beneficence of East Asia’s success — the apparently never-ending supply of cheap credit negligently guarded by the private and public custodians of the developed world’s financial system. But in this and in many other global system-making or system-destroying economic and political affairs, East Asia had significant prudential responsibility and it failed collectively at every stage to exercise it.

The reason for this failure is simple.

Despite the emergence of East Asia as a major economic force in the world — China, Japan and the rest of East Asia through to Australia and New Zealand reaching out to India — the East Asian economies collectively could not step up to the mark because regional structures were still not up to the task of effective global participation. The stage was still set for the wrong play — reactive responses to regionalism in other parts of the world, the trivia of regional FTAs and ‘mickey mouse’ financial cooperation — and there was no platform on which to perform globally.

In East Asia, like elsewhere in the world, the risks that we now face in recovery from the global financial crisis, not only economically but also politically, are a consequence of failure in the architecture of governance, including regional architecture, that frustrated a coherent East Asian and international response to the big problems of the day in their global context.

## Paper of the Month

The most downloaded paper for the month of November 2009 is **International Human Resources Management of Japanese, American, and European Firms in Asia: The Roles of Headquarters and Subsidiaries** by Shibata & Doyle.

## Latest News

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AEPR Conference, April 2010, Tokyo.

China Update Book Launch, April 2010, Beijing.

APEC Roundtable Workshop, April 2010, Washington D.C.

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The global financial crisis and the emergence of the G20 has changed all this dramatically and propelled the G20's Asian members to assume a new role and their proper responsibilities in managing the world economic order. ASEAN is the fulcrum of Asian cooperation arrangements, including APEC, ARF, ASEAN+3 and the East Asian Summit (EAS) but, with the rise of the bigger powers in Asia, and the G20, this is changing.

coordinated with, and draw on the base of all of the established trans-Pacific and East Asian arrangements.

The starting point is to understand that, while they may have failed to connect Asia's regional with its growing global interests and responsibilities and they have other weaknesses, the regional arrangements we have in place are huge assets in going forward. APEC is entrenched as the primary trans-Pacific arrangement. ASEAN+3 and the East Asian Summit have assumed an important role in developing the Asian regional agenda. APEC, in its first twenty years, has provided a workable strategy in trade and economic diplomacy in East Asia and the Pacific supporting policies of liberalisation and structural reform, organised around the principle of open regionalism (a strategy well suited to the development, objectives and diversity of the Asia Pacific region). But after the Asian financial crisis and the global financial crisis, these regional arrangements (APEC, ASEAN +3, ASEAN+6) must now relate more strategically to the global arrangements (the G20 group). And there is a whole new political and security agenda to navigate within the Asia Pacific region.

Clearly, the Asia Pacific Community idea needs to relate to these established regional structures – APEC and East Asian arrangements – if it is to be both accepted and serve its underlying political-security purpose. It will only be worthwhile and practical if it limits dialogue to the major players. Hence, although it cannot encompass all APEC's membership, or all the membership of EAS, a dialogue on political and security affairs needs to represent both as they are presently constituted. It needs to link to, be coordinated with, and draw on the base of all of the established trans-Pacific and East Asian arrangements.

While none of the existing regional institutions addresses all of the key dimensions of regional cooperation that they now need to – providing a collective forum for regional leaders to address the full range of regional and global issues; dealing effectively with the consequences of economic integration, particularly its trade and investment but also its financial and macro-economic dimensions; addressing issues of political change and security; and educating the public and opinion leaders about the region – nor should any one organisation need to perform all these roles.

Each of these forums has evolved to serve some or other of these roles and they can all make an input across the range of issues that are now important.

This points to the need for a new heads of government meeting that transcends APEC and EAS (encompassing the Rudd and Hatoyama proposals) that can address the full range of regional and global issues, including issues that might arise in APEC, EAS, ARF or other regional forums and feed into the G20 and other global processes. This summit could eventually constitute an Asia Pacific Council, underpinning the continued development of the regional community. It would not need its own secretariat but draw on APEC and the ASEAN-based groups to develop issues for consideration.

There may be sensitivities in creating a new summit involving a limited number of countries, the 'larger' players in Asia and the Pacific. But so long as it is structured so that it is representative of all the regional arrangements, these sensitivities need not be important. The most practical proposal and most logical starting point is that this summit should begin by including the Asia Pacific members of the G20, and meet adjunct to the APEC summit. A dialogue among these countries does not entail creating an additional institution as G20 leaders will continue to meet beyond the current financial crisis, encompass the core players in APEC and EAS and meet in conjunction with the annual APEC summit. These are all important considerations in taking the next steps towards realising vision of an Asia Pacific and East Asian Community.

The clear message is that 'no one wants more meetings' and that there is 'no appetite for additional institutions.' But there is strong support for developing more effective alignment of regional strategic purpose, a sentiment that is at the core of the idea of an Asia Pacific Community.

If this is an idea that seeks to anticipate and shape our regional political and economic future, it is an idea that cannot be put on hold, take a decade to implement or wait until the United States signs on to EAS, an ASEAN-based, primarily Asian-oriented and still nascent grouping.

The next APEC meeting in Japan, provides an excellent opportunity to convene a side-dialogue of this group, including India, on these issues, likely just prior to the G20 meetings in Seoul, to lay the foundations for a representative Asia Pacific Council that can give leadership to taking the Asia Pacific Community idea forward.

*Dr Hadi Soesastro is a senior economist with CSIS in Jakarta and Peter Drysdale is Emeritus Professor in the Crawford School of Economics and Government at the Australian National University.*

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