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Analysis

APEC, East Asia and Reinventing America's Trans-Pacific Relations?

Peter Drysdale *

Renewal of America's partnership with Asia was never more important than it is today. But the scale and structure of the changes that are taking place in Asia require more than trying to restore an old order, however well it served American and global interests over the past six decades and more. Arguably what is needed is reinvention not renewal of America's relations with Asia.

Huge changes are taking place that call for an entirely new way of thinking about trans-Pacific relations. Even measured in current exchange rate terms, East Asian output (at 24 per cent of the world's total) will not be far behind that of North America in 2020 (at 29 per cent). But the adjustment to China's massive growth will soon force significant appreciation of the Chinese exchange rate. By 2020 this will make East Asia likely a bigger economy than that of North America, conservatively accounting for 31 per cent of world output compared with an American share just under 18 per cent, measured in then current exchange rate terms.

China's economic rise, and its integral role in the continuing rise of Asia, is just one dimension of the change that is taking place in America's relations with Asia. Its impact on politics, security, the environment and every dimension of America's international affairs is structural and

fundamental, not just incremental. It is an event that has no precedent in American experience, through all its history heretofore 'a rising power'. It will require entirely new ways of thinking, most especially in America, about America's and Asia's place in the world if it is to be managed with any degree of confidence and success.

There are powerful political as well as economic reasons that make the institutionalization of regional arrangements in East Asia so important in the years immediately ahead. The intensity of intra-regional economic relations that is projected in East Asia cannot be secured without a confident political framework. The strategic context in which the region now has to shape its political relations with the world has changed dramatically since the end of the Cold War.

The Cold War period was characterized by a stable alliance framework. Within that framework policy makers had a clear vision of national interests and priorities.

Despite the 'war on terror', this system no longer exists and no similarly stable system has yet replaced it. In the post-Cold War period, friends and enemies are not clearly identifiable. Strategic and economic interests compete for attention. And the rise of new economic powers such as China is not automatically accommodated within the structure of established security relations. Attention on what America needs to do about this is presently (at best) diverted by other issues or (at worst) in disarray.

China's rise is a challenge for established powers like Japan and the United States as they

Paper of the Month

The paper of the month for August was **International Capital Flows and Business Cycles in the Asia Pacific Region** by A/Prof. Soyoung Kim et. al.

Latest News

The Singapore Centre for Applied Policy and Economics (SCAPE) will jointly host an EABER Conference in the East Asian integration series in Singapore during October on 'Intra-Asian Trade and Factor Flows'.

The 32nd PAFTAD Conference, The Impact of International Arrangements and Organizations on Development in Asia and the Pacific, will be held on 17-19 December, 2007 in Hanoi, Vietnam.

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contemplate the strategic and military implications of China's economic potential.

China itself has the challenge of coming to terms with its new status in international political affairs. The Chinese leadership clearly understands that the current international system is of enormous benefit to China economically. But economic success also brings with it political change. Modernization for many in China is not merely an economic goal, but a political and social goal.

There are three broad options that can be contemplated in the international political and security order, including in East Asia and the Pacific. The first is one in which hegemonic power and order prevails. The second is the re-emergence of a new balance of power. A third could be the construction of some kind of new concord of powers in East Asian and Pacific affairs. However much some might hanker after it, hegemonic power is in retreat. Moreover, any system that relies on power balance alone in the East Asian and Pacific theatre is likely to see Japan and the rest of East Asia, including Australia, straddled between their two most important relationships in the region - the relationship with China and the relationship with the United States - in some critical circumstances at great cost to themselves and to the region.

The strategic focus must clearly be on constructing an effective and durable concord of powers in the region.

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The East Asian economic cooperation structures, such as ASEAN + 3 and the East Asian Summit process that are already in place, are the first crucial, if tentative, steps in building a durable concord among powers in the region. East Asian economic arrangements will need to be greatly reinforced if they are to be effective in mollifying the political tensions around the political and security implications of managing the rise of China over the years ahead.

It is in this sphere that there is the best prospect of defining a common set of regional interests and a common purpose. It is also in this sphere that there is the best prospect of building convergent institutional and political forums and processes across the Pacific.

These endeavors are central to an East Asian political concord which does not threaten arrangements that secure the constructive engagement of America. The challenge for both East Asia and America, then, is to develop a strategy that connects the structures of East Asian cooperation to complementary trans-regional cooperation arrangements, importantly APEC and other regional dialogues.

The prevalent conception is of competing regional architectures in Asia and the Pacific, organized separately around the established power in North America and the rising power in East Asia, but this conception will eventually yield only tension and instability.

It is timely to define ways forward and a strategy for APEC, premised on the emergence of an East Asian Community, that will serve both America's and Asia's interests better than any that are presently separately in contemplation.

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