

## EAST ASIA COMMUNITY BUILDING AT A CROSS ROAD: RCEP AS ATTRACTOR

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Regional community building evolves in a probabilistic way rather than deterministically. While the occidental approach provides valuable lessons to other regions as one can learn from the progress and setback in the community building of Western Europe, it cannot be the only possible path in a world where human histories diverged for thousands of years and started to reemerge only a few millennia ago. Alternative or supplementary paths may have lain dormant in East Asian histories, ignored because of poor economic performance of the region up until recently but are being discovered with the growing proofs that East Asia is capable of sustaining a progressive economic growth.

Given the multitude of competing or supplementary regional initiatives involving East Asia a consolidation is needed with a view to forge coherence among the various initiatives. In attempting such a consolidation alignment with global developments is necessary. Recognizing the sheer size of East Asia a regional arrangement in this region will only enjoy adequate support, if it contributes to the strengthening of global commons.

The world has changed in dramatic ways at the time when East Asia community building is intensifying compared to what it was when the European Community was established in the late 1950s before the arrival of wide-bodied jet airplane, cellular telecommunication technology and internet, genetic engineering and before the realization that anthropogenic acts can catalyze a climate change with severe impacts on life. It will also have to internalize the dynamics in the participating countries or economies particularly in respect of institutionalization and leadership.

The world of the second decade of the 2000s is a much freer world in terms of freedom granted to goods, services, capital and people to move across national borders. While some issues of liberalization remain pertinent regional and global agendas do need redefinition.

Firstly, how much farther should market access improvement be attached a great importance in multilateral and regional talks? It appears not only unrealistic to expect a uniform policy environment as implicitly striven under the Washington Consensus in a world of differing

physical geographies and resource endowments, physical and cultural anthropological histories, and political ideologies. A uniform policy environment may revenge in that it deprives the world of creative and innovative surprises which essentially are the essence of progress. History would end in the absence of such surprises. The world should allow elements of uniformity, similarity and diversity to co-evolve. Admittedly dealing with residual tariff issues, non-tariff barriers, behind-border measures, financial regulation and measures on trans-border flows of people in a world that allows differences is an extremely complex endeavor. However it is not completely alien. While agreeing on tariff cuts for instance multilaterally or regionally governments also accept the residual tariff rates which may differ greatly from one economy to another. Furthermore, more attention needs to be paid to how reduction of barriers to trade in goods and services, capital account liberalization, policies on trans-border flows of people and financial deregulation has produced positive or negative impacts on participating economies. The survey by ERIA on the completion of the ASEAN Economic Community (AEC 2015) for instance is a necessity in order to aid governments to decide on steps to be taken to secure a timely completion of the associated Blue Print. Of equal importance, however, is a study on how the AEC 2015 has produced positive impacts on the member economies and the extent to which the gap between them has narrowed at the same time.

The most important ingredient of growth and convergence is perhaps the adoption and diffusion of technology progress. It occurs in punctuations. An episode may look meagre in terms of the number of new technologies introduced while another episode witnesses a swarm of technology changes. The critical importance of technology change is reflected in international development talks. Less developing members of a group usually expect an improved access to technology progress as a result of membership in the group. Developed members on the other hand usually agree to facilitate such an improved access. In UN-sponsored talks, regional grouping, and bilateral agreements technology transfer is common feature. However, provisions on technology cooperation are vague in most cases. While trade negotiators have meticulously developed formulas of tariff cuts and arrived at agreements at great details in terms of depth and scheduling agreements on technology cooperation rarely include measurable commitments, if at all. The ASEAN Economic Community 2015 (AEC 2015) for example has a blueprint on the reduction of barriers to trade and supporting facilitation measures. No such blueprint is available for

technology cooperation, however. A similar asymmetry is found in the ASEAN-Plus FTAs or Partnerships.

Issues relating to the flow of technologies from a developed origin to a less-developed ones are enormously complex. In one or other forms governments do practice “technology protectionism”. Protection of Intellectual property Rights (IPRs) is rising rather than diminishing while protection of trade and investment is on the decline. Governments practice in a number of cases a denial strategy when it comes to “strategic technologies”, providing partly the ingredients for “middle-income trap”. Even without “technology protectionism” developing economies are faced with enormous constraints in their attempts to move up the technology ladder. They are faced with a severe gap in education attainment, particularly in science and engineering as one can learn from UNESCO’s World Science Report. Research and development (R&D) resources are very limited. R&D workforce in developing economies is very thin and is concentrated in government institutions. The same applies to Gross Expenditure on R&D (GERD). Given the constraints, developing economies are of little interest in international R&D collaborations. According to the Royal Society’s Report on Science Collaboration cases are very rare in which institutions from developing economies actively participate. Addressing these complex issues of technology sharing is an imperative, if regional agreements are to produce meaningful convergence. In a similar way in which trade and investment liberalization is translated into measurable pre-commitments, commitments on technology flows should also be made somehow measurable.

Narrowing the development gap is a continuous item in regional and international talks on economic cooperation. The Millennium Development Goals (MDGs) is the 1st in a long series of decadal goals that the UN has declared with view to giving and recreating momentums for a less unequal world. In East Asians regional agenda it also has been accepted as generic element. However, the realities of inequality remain daunting. With the rise of emerging economies in East Asia in the wake of the liberalization and deregulation of the last three decades or so, inequality worsens as reported in last year’s Asian Development Outlook. Inequality in wealth is even worse according to fragmented studies on wealthy. Admittedly, rising inequality is not an East Asian disease. It is global in nature as reported Immanuel Saez and Thomas Piketty in recent years. The challenge of making development more inclusive is, therefore, a global

challenge. Nevertheless, East Asian economies seem to have fared less impressively than many other economies when it comes to social protection as reported in ILO's World Social Report. East Asian social policy is of indirect nature through growth and full employment and wage increases that come along with them. A stronger social protection seems to be needed to secure a support to the market-driven growth of East Asia, however cautious one should be in preventing social protection from going out of hand and, therefore, in penalizing hard work.

To reflect zeitgeist addressing the issues of sustainable development has become a required task. That the carrying capacity of the earth is limited is more or less a shared understanding among policy makers, scholars or even global citizens at large. The reduced ice coverage, temperature rise and sea level rise have become a public knowledge and so is the connection between them with anthropogenic interventions. Localized erratic weather, extreme temperatures, fresh water shortage, energy crises, wild fluctuations in commodity prices seem to have strengthened the belief in the warnings that scientists intensify day by day. On the need to turn around from a lifestyle of abundance that technologies of the last 10 years have brought about, toward a lifestyle of parsimony or homostatic lifestyle people and governments are deeply divided. Commitment to an adaptation program is delayed for reasons that are compelling at first glance such as the need to at least maintain the level of consumption in high-income economies, to raise consumption level in developing economies at an accelerated pace and the lack of mechanisms to discipline free riders. Governments are caught up in a kind of Prisoner's Dilemma as regards pre-commitment. As a result governments resort to pragmatic commitments of a very incremental nature. The incremental and pragmatic steps including enlightened corporate adaptations and civil society initiatives require political leadership to cumulate into meaningful waves of change.

Of even greater importance for the making of East Asian regionalism are the domestic changes in each of the economies of East Asia and the resulting shifts in regional balance. An exhaustive survey of these changes is impossible to conduct partly because of the rapid pace at which they are occurring and regional changes. Just a few examples are enough to illustrate the enormity of the changes facing the region. The continuous progression of China as the fastest growing economy of the region is adding the gravity of China, raising questions about how China is going to exercise its cumulating power while dealing with bilateral, regional and global issues. China

has tirelessly expressed its intent to pursue a peaceful rise. Yet, suspicion persists among its neighbors far and near. Crafting mutual confidence is truly a herculean task confronting East Asia. Of less spectacular nature are changes in other countries. Indonesia for instance has democratized and decentralized to a very great extent, but remains in big deficit as far as the bearing of fruits of democracy are concerned such as clean and competent government, progressive growth of higher-skill intensive industries and services, stronger inclusion as reflected in the coverage and level of basic health, educational attainment, formal employment, and social protection or “modernity” in short. Myanmar is another good example. Its changing direction is heartening. Sustaining the impulses of opening and democratization will require a conducive regional environment and concrete support from neighbors in making enabling Myanmar to reconstruct its path with innovative elements and make the change rewarding to people. One can go on and on discussing the domestic dimensions of changes in East Asia. Down the road an extremely complex picture will arise. The endemic disputes on territories in the South China Sea and East China Sea which in recent times have tended to escalate make it even worrisome. These disputes have darkened the overall economic policy environment in the region.

Regional community building is clearly evolutionary in nature. Western Europe of the early 20<sup>th</sup> Century experienced the rise and fall of integration initiatives before the lessons were learned from the devastating war. Developing economies also were euphoric about regional integration and cooperation, yet it is only decades later that they found the resolve to agree on bold initiatives. East Asia is also bound to undergo a similar cycle of ups and downs. Alternatives ideas will be competing for the strongest support among politicians, diplomats, scholars, business people and people at large. It will take a long while until a consolidated framework can be agreed upon. Bilateral agreements, sub-regional agreements, trans-pacific agreements will be competing for adherence. TPP and RCEP will make up only part of the picture, if a bigger part.

It is too early to speculate on how RCEP will be evolving within the somewhat chaotic environment of regionalism in East Asia. Its potential architecture has been discussed implicitly on different occasions such as the EAFTA Study, the CEPEA Study, the TPP Study and many other studies. However useful such studies may be, the life of a regional scheme depends on a much more diverse set of ingredients of which political consensus is the core. It is also with a

view to facilitating such consensus that the agreement on RCEP was struck. It still is a relatively bare skeleton. To be able to fulfill expectation it will have to meet some requirements.

First of all, the conception of RCEP will need the simultaneous support from its future participants. In spite of ASEAN centrality mechanism will have to be found to engage China, Japan, and Republic of Korea at the conception stage. Perhaps a one-and-half track format of working group can help. Secondly, it is high time that East Asian regionalism is made truly comprehensive. Given that East Asia has pushed liberalization very far forward through unilateral, regional and multilateral initiatives, high priority will need to be attached to measures of inclusion or measures to narrow the development gap in East Asian vocabulary. In scattered ways East Asia has been awash with such measures. However, the very wide gap persists, underlining the importance of an innovative approach. East Asian in the context of RCEP will need to agree on measurable pre commitment on capacity building and facilitation. A much wider room will need to be provided for functional cooperation which aims at the spreading of the ingredients of sustainable, inclusive growth to member economies. As far as areas of priority are concerned RCEP working groups can tap on the ubiquitous studies by the ADB, ERIA and other think tanks. What is important to underline is that RCEP architecture will have to “triangular” in nature, attaching balanced attention to liberalization, facilitation and capacity building. Finally, time is of the essence. In fact RCEP is racing with other undertakings in securing political support. An agreement needs to be reached as soon as possible, though its implementation can be stretched to a longer transition.