Advancing U.S.-East Asia Policy

Remarks by
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Let me begin by saying that I am extremely pleased to be here. I want to commend Clyde Prestowitz for his commitment to better understanding the economic forces that are shaping today’s world and also want to extend my thanks to a former staff member of mine, Steve Clemons, who is now helping to drive things forward at ESI. It is always a pleasure to participate in ESI events, as your institution remains one of the most influential think tanks on trade and economic issues in the world.

The last year has clearly witnessed significant events in East Asia. As a result of the financial crisis there, we have watched a region that was considered by many to be the most dynamic and promising in the world come to the very brink of collapse. For many analysts, continued political stability and economic growth is still very much in question. Oddly enough, where once there was a model, we now apparently have a myth. How do we make sense of this in terms of policy?

Let me suggest first of all that the demise of East Asia is greatly exaggerated. We should not be complacent in our efforts to be competitive. It would be counterproductive to abandon our efforts to improve education, increase R&D, and invest in our future.

For, In spite of problems to be faced across East Asia, most of the countries possess the foundation for continued economic growth in the future. For many, an infrastructure already exists that will allow continued industrial investment. Savings rates are high and interest rates are low. Education levels are outstanding, and a skilled labor force is available for any firm wishing to locate in a particular region. Perhaps most important of all, there is a commitment to economic development among governments and their citizens that is strong and pervasive. In spite of the problems of which we hear -- and there are indeed many -- the region still represents an immense opportunity in terms of economic growth and corporate profitability. We should not forget this as we look ahead.

But the Asian financial crisis has raised a host of questions. Let me mention three.
First, although economic integration of some form in the region may be inevitable, substantive decisions must be made concerning its purpose and structure.

Second, military integration in the region is not inevitable, and serious consideration must be made as to how this should be accomplished.

Third, and most importantly, we must ask what institutions in East Asia -- political, military, and economic -- best serve the national interests of the United States.

At the very least, the East Asia financial crisis should force us to reconsider U.S. goals and strategies in the region.

For far too long we have relied upon policies that are both inconsistent in purpose and contrary to U.S. long-term national interests. We should not accept the status quo. My primary goal today is to make some observations about where the U.S. might go in terms of our policy in the future.

Given the wealth of knowledge and experience in the room, I assume that these observations will be controversial. It is my hope, however, that they will provoke discussion and debate.

Let me suggest that the main problem we face in East Asia is that relationships between countries -- the U.S. included -- are not nearly as developed as they should be. What we see in East Asia at this time -- in distinct contrast to the relationship that exists between the U.S. and Europe -- is a series of multiple bilateral relationships instead of stable multilateral relationships.

This arrangement has several concrete implications. First, it prevents the United States and its East Asian counterparts from addressing military or economic issues in a coherent, consistent fashion.

Second, it prevents the formation of institutions that would facilitate policy coordination and conflict resolution.

Third, it promotes the perception of isolation and fragility among countries and, therefore, sustains the regional status quo of instability and insecurity. As there is no common identity, there is no collective action.

Finally, it forces the U.S. to play the role of intermediary in the region, and forces reactive -- as distinct from strategic -- policy responses over time.
This dynamic must change if we are to achieve ongoing military and economic stability in East Asia and the rest of the Pacific Rim. The primary objective in terms of U.S. policy would be a serious commitment to the creation of far more extensive and comprehensive consultative mechanisms in the region. Given their political legitimacy, APEC and ASEAN could act as starting points for discussions. The U.S. would continue to be catalytic and assertive, but would be prepared to assume a more equal and neutral role in order to enhance institutional alliances and structures.

Most importantly, U.S. activity in the region would be far less Japan-centric and would instead emphasize full, forward-looking engagement with all East Asian countries. From this point on, with only limited exceptions as considered necessary, we should pursue multilateral solutions to existing military and economic problems.

Let me give a brief overview of what these relationships might look like.

Military:

A fully developed military relationship among East Asian countries would consist of continued but lessened U.S. involvement in the region. The primary goal of this very gradual decrease of our military dominance in East Asia would be to allow security alliances to evolve among previously uncertain neighbors. Rather than the U.S. being at the center of all military interaction, it would encourage cooperative multilateral relationships designed to engender national confidence and establish viable crisis management procedures. The arrangement would potentially allow for specific sub-regional concerns in the Northern and Southern Pacific Rim under the umbrella of an overarching cooperative security arrangement. The U.S. role would ultimately devolve from that of a predominant guarantor to that of a fraternal partner sharing equal security obligations and commitments.

As there is a virtual absence of meaningful cooperative security measures among military organizations in East Asia, ASEAN could serve as an acceptable starting point for fostering cooperative security in the region. ASEAN has initiated steps in recent years to organize informal multilateral discussions among military components of member nations to promote mutual understanding of security concerns and exchange military information. These have acted as significant confidence building measures. The U.S. should encourage and accelerate the institutionalization of such measures to foster cooperative military policies and practices among ASEAN members. And we should push to include high-level defense ministry officials in these institutions as soon as possible.
Economic:

A fully developed economic relationship among East Asian countries would consist of a clearly articulated, shared vision about what political economic goals should be pursued now and in the future. Specific arrangements would be negotiated -- or "managed" -- to provide appropriate and mutually advantageous outcomes to all countries involved. Essential to multilateral economic integration is, therefore, the identification of quantitative indicators that can be used to demonstrate tangible progress in important areas such as deregulation, government procurement, investment, and other forms of market liberalization. Fundamental to the interaction would be the recognition that participation requires access, responsibility and reform, and that the United States can no longer assume the individualistic role of market of last resort.

The primary mechanism in terms of economic integration and growth in East Asia could be an expanded, more dynamic APEC.

At previous meetings of APEC, leaders from participant countries envisioned the creation of a community of economies that shared a vision of scientific, technological, and economic cooperation. At recent meetings, APEC members have begun to identify principles relating to trade, investment, and regulatory issues that should be followed. In many cases, they have also included timetables for implementation. It is a formula for potential regional cooperation that should be encouraged.

The United States can assist in these activities by signalling politically that APEC would be the primary regional vehicle for discussions with all East Asian countries on science, technology, trade, and economic issues. Agreements would be WTO-compatible, and should be additive in terms of economic and trade liberalization. The U.S. could pursue its goals through pressure, negotiation, and, when appropriate, conciliation, but always with the understanding that similar rules applied to dissimilar systems have dissimilar results. The key, therefore, is the identification of mutually accepted and collectively advantageous rules, allowing all countries on the Pacific Rim to become stakeholders in APEC's success. Again, most significantly, the U.S. would push for the adoption of quantitative indicators of progress on mutually agreed upon economic and trade objectives for all member countries.