

Battle of the Asian Summits

Asian states want to hedge against protectionism in the U.S. and EU with stronger regional trade strategies.

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Nov. 21, 2005 issue - The world's attention will be focused on Busan, South Korea, this week, where the heads of state of some of the world's most dynamic economies will gather at the Asia-Pacific Economic Cooperation annual meeting. But that summit is likely to be trumped by two others coming in December. In Kuala Lumpur, the leaders of 16 Asia-Pacific countries, from Japan to India and from South Korea to Australia, will hold the first-ever summit of what is being called the East Asian Community, with the United States notably not invited. Later that week in Hong Kong, the 148 members of the World Trade Organization will try to agree on the next steps in the Doha Round, an effort to liberalize global trade. Those two meetings will highlight tensions between regional and global approaches to trade and finance. And the outcomes will provide a clearer picture of how the winds will be blowing in the global economy over the next decade.

In Kuala Lumpur, Asian leaders will celebrate the economic dynamism of China, India and perhaps Japan as well. They will try to harness this momentum to build much closer regional cooperation, even in the face of serious obstacles such as gaps in economic development between countries (for example, South Korea vs. Indonesia), different political systems (China vs. India) and political tension (Taiwan, Kashmir, North Korea and growing rivalries between Beijing and Tokyo).

On balance, the forces of Asian unity seem ascendant. The economies of Japan, South Korea and Taiwan have become highly intertwined with China's. Trade between the Middle Kingdom and Southeast Asia is growing by 20 percent a year. In addition, many Asian governments want to hedge against protectionism in the United States and the EU with a stronger regional trade and investment strategy.

Will we be seeing the emergence of just the sort of defensive Asian economic bloc that was proposed by the then Malaysian Prime Minister Mahathir Mohamad in the mid-1990s? Probably not, because most Asian nations are too tied into the world economy to risk confrontation. But some keen observers of Asia, such as Kishore Mahbubani, dean of the Lee Kuan Yew School of Public Policy in Singapore, have hinted that the East Asian summit may one day be seen as the real beginning of the Pacific Century, the moment when Asian leaders recognized that political and economic power is shifting from West to East and came together to demand a bigger Asian role in managing global affairs.

The discussions just a few days later in Hong Kong will have a totally opposite aim—to deepen *global*, and not regional, multilateralism. Last week, trade officials were furiously working in London and Geneva to make some progress in reaching trade agreements in such areas as agriculture, industry and services. At the weekend it appeared that very little progress had been made, as the United States and EU struggled over how far to lower farm subsidies and tariffs, and many developing countries stalled on their own trade liberalization. Trade deals are often reached at the last minute, however, so the outcome is still uncertain.

Trade ministers in Hong Kong will be up against a powerful trend of more and more bilateral and regional trade agreements. In part this stems from the failed effort of the WTO to get global trade negotiations off the ground in Cancun, Mexico, in 2003. But these smaller agreements are much easier to negotiate than global deals. Within Asia, there are now well over 15 bilateral or regional trade agreements, and seven others are in the works. Worldwide, there are more than 150 such deals in force, and many more on the drawing board.

From the standpoint of global commerce, the best outcome for the Kuala Lumpur and Hong Kong meetings would be if both ended on a high note, presaging a healthy balance between regional and global economic dynamism and cooperation. But no one should cheer if the East Asian leaders conclude with a rousing declaration about regional community building, as seems likely, and the WTO ministers leave Hong Kong empty-handed, as seems all too possible. This confluence of results would be a recipe for further Balkanization of the global trading system, with more deals that favor some and discriminate against others, and with a patchwork of rules so numerous and complex that they invite circumvention.

A breakdown in Hong Kong could give protectionists everywhere an excuse to become more vocal. It could disengage East Asia from the global efforts to fight challenges such as environmental degradation and nuclear proliferation in North Korea and Iran. Ironically, an unsuccessful WTO meeting would be a disaster for East Asia, too, because no region depends more on open global trade and, in particular, exports to the West. Message to all leaders with a stake in global economic progress: cheer the peaceful rise of an open-minded East Asia by all means, but recognize that the really big stakes are riding on the success of negotiations in Hong Kong.

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