

BRIEF NOTES ON TRANSPACIFIC PARTNERSHIP AND COMMUNITY BUILDING IN EAST ASIA

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1. Balance Between Openness and National Policy Differential

Economists find arguments for both cross-border openness and a certain level of protection in favor of domestic production. Over the last 70 years since the end of World War II the world has witnessed three-tier waves of trade and investment opening: unilateral, regional and multilateral. Whatever the yardstick, world trade and investment today have enjoyed a breadth and depth of openness which were unimaginable forty years ago when governments of developing countries were pursuing development behind protection wall in favor of import substitution. Today we take openness for granted and the positive contribution of its continuation to progress. Yet, the worsening revealed inequality around the globe, the growing difficulties involved in pushing openness forward and the old Franz List's argument in favor of learning effects of protection compel us to imagine a possible world where member economies consciously maintain a certain low level of protection as catalyst for innovation. Seen from technology perspective all countries are developing as reflected in the speed at which technology leadership shifts from one economy to another in recent times.

2. TPP and the East Asian Community

TPP is only one of the many architectural options for Asia Pacific regionalism. While there is no undisputable law on the progression of Asia Pacific regionalism the hypothesis that the Asia Pacific as a vast region in many senses of the words – physical geography, human population, economic potential and real wealth and political and cultural diversities – consists of enormous Eastern and Western sub-regions is widely shared implicitly or explicitly.

NAFTA makes up the greatest part of the Eastern sub-region with the US economy as core. The Western sub-region was disintegrated with the arrival of Western colonialism in the 15th century. Its re-making is progressing at an accelerated speed, particularly since the adoption of AFTA in 1992 and the launching of the APT initiative which in the meantime has resulted in the branching of FTAs through ASEAN and the forging of financial co-operation in East Asia. However, some debris is yet to be settled, including territorial disputes and ideological views. Asia Pacific as a vast region is unlikely to function well, if the

Eastern sub-region carries the disputes along. Cohesion within East Asia is a necessary condition for a functioning Asia Pacific regionalism.

3. East Asia Concert

East Asia has rightly been pictured as the brightest spot in the world economy. Yet, each of its member economies are confronted with enormous challenges of varied kinds. Japan is showing a diminishing innovativeness on the one hand and growing strains stemming from aging. China will still have to prove its effectiveness to deal with the transition from low to medium income which essentially means a shift from a factor-driven growth to innovation-driven growth at a time when the innovation-based economy of the world is getting crowded. ASEAN is faced with similar challenges. Given the challenges maintaining a stable policy environment is of utmost importance to all countries and economies in East Asia. Where solution is unlikely to be reached agreeing to disagree and to defuse tension is the only realistic option.

Regional and sub-regional initiatives should implicitly be tasked to help defuse tension that may arise unexpectedly out of hitherto unimagined circumstances. East Asian leaders have adhered to such strategy for decades with handsome dividend and there is no compelling reason why such strategy should be abandoned at critical stage of economic development. East Asia has stumbled on the limits of the ASEAN+ approaches. ASEAN+ FTAs do not constitute a perfect substitute for an East-Asia-wide arrangement. The fact that the ASEAN-centered APT and EAS approaches are unable to progress further points out to the need for alternative strategies. RCEP offers an opportunity. To give it a better chance to succeed it should proceed as an East-Asian initiative rather than an ASEAN-centered undertaking. It should be understood as element of an East Asia concert, which is based on mutual respect and shared basic values and aims at advancing peace in the region as enabling condition for human progression. In RCEP windows should be opened to allow relative economic strengths of members to be weighed properly.

4. Evolutionary Stable Strategy

Where a hierarchy is lacking life strategizes toward an evolutionary stability. TPP now co-evolve with AEC, ASEAN + 1 FTAs, EAFTA, CMIM, CEPEA, and some other initiatives. No government can tell other governments which routes of integration to follow or not to follow. Even ASEAN is not mandated to require consultation before any of its members decides to join or not to join a particular regional initiative. ASEAN centrality is not binding when members decide on extra-ASEAN policies. East Asians

may criticize the TPP for being too ambitious in the same way Americans criticize East Asian initiatives for being too modest in ambition and too loose, yet neither can dictate what others should do. The outcome of the co-evolution is impossible to predict. In the end it will be the scheme that delivers the best results in terms of contribution to people welfare rather than boldness in agreement that is going to prevail with the greatest adherents.