

## Asian interests and the myth of 'balance'

ASEAN Leaders Meet in Kuala Lumpur

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The East Asian Summit process, the proposed Asian energy grid, and the Shanghai Cooperation Organisation are three pillars of the emerging strategic architecture in Asia. There is no need for the region to turn to outside powers in the name of "balance of power."

THIS WEEK, the leaders of several Asian countries — India, China, Korea, Japan, and the ASEAN states — will meet in Malaysia for the first-ever East Asia Summit (EAS). Australia and New Zealand, which, like India, are on the periphery of East Asia, have also been invited to the summit since they are considered vital to the economic geography of the region. Many years in the making, the EAS is still something of an unknown quantity. The countries participating know the event is important, even if they are not quite sure why. The only country that is quite clear about the importance of the summit is the United States, which, rightly, sees great strategic significance in the fact that it will not be there. The U.S. has a considerable and growing military presence in the continent stretching all the way from Turkey and Iraq in the west to the Kyrgyz Republic in the north and Okinawa in the east. Its armed forces are fighting two wars on the soil of Asia. Yet, people forget the fact that the U.S. is not in Asia.

When Mahathir Mohammed of Malaysia first proposed an East Asian Economic Caucus in the 1990s, Washington strongly objected to the idea. Japan, under trade pressure from the U.S. through Super 301, initially hinted at support for the concept but quickly backed off. The proposal soon withered. There were sound economic reasons for the Malaysian proposal failing to get traction at the time: China and India were not major players and Asian countries traded more with the outside world than with each other. Nor was Dr. Mahathir's political agenda an attractive one. The Cold War had ended, there was talk of "multipolarity" and little concern in Asia that the continent would need an organisation to restrain the exercise of American power. Into this institutional vacuum, the U.S., and Australia stepped in with APEC, a forum linking East Asia with the Americas, thereby diluting the concept of Asia.

In the intervening decade and a half, the entire strategic scenario in Asia has changed. There are three distinct elements involved. First, patterns of trade — and the nature of trading arrangements — in Asia and the world have radically altered. Despite the onset of the World Trade Organisation with its emphasis on 'most favoured nation' status, there has been an explosion in preferential trading areas (PTAs) around the world. Asia has its share of bilateral PTAs but there is nothing at the multilateral level to match what Europe, North America, and South America have done. At the same time, intra-Asian trade has risen dramatically. The trade of each Asian country with the group of 'Developing Asian Countries' increased at a much faster rate than its trade with the rest of the world during 1991-2000, notes Ramesh Chand of the National Centre for Agricultural Economics and

Policy Research in a recent monograph, *Free Trade in Asia* (Academic Foundation, 2006). China has supplanted the U.S. as South Korea's most important trading partner. India's trade with the DAC went up from 11.8 per cent of its total trade in 1990 to 24 per cent by 2000 (The only major exception to this trend is China, due to the sheer volume of its trade worldwide). This neighbourhood bias in trade suggests Asia is following the same path as Europe did in the run-up to its formal integration as a trading bloc.

Secondly, the growth of China and India and the discovery of oil and gas in Central Asia have transformed the Asian energy scene since some of the largest producers and consumers of hydrocarbons are now located in the continent. However, the dynamics of the world oil and gas markets are still driven by benchmarks set by Europe and North America. The price volatility of recent months — which is more the product of speculative activity on western mercantile exchanges than a reflection of actual supply-demand mismatch — provides an incentive for major Asian producers and consumers to come together and see what can be done to ensure greater stability in the energy market.

Thirdly, a host of new threats and security challenges have arisen in the run-up to 9/11 and its aftermath that require a collective Asian approach. These include terrorism, the stationing of outside military forces in the region, the development of new weapons of mass destruction and doctrines, the notions of 'regime change' and 'preventive war', as well as issues of maritime security and disaster relief.

Each of these three underlying changes — on the trade, energy, and security fronts — poses challenges and presents opportunities that require separate institutional mechanisms. It is not a coincidence that the past year has witnessed serious efforts by several Asian countries to push in this direction.

On the security front, the Shanghai Cooperation Organisation is evolving into a broad-based entity linking China, Russia, and the Central Asian countries with India, Iran, and Pakistan — which joined as observers earlier this year. There is also the Russia-India-China initiative that has involved frequent consultations on strategic issues. At its last summit, the SCO called on the U.S.-led coalition forces in the region to specify a timeframe by when they will leave. At the same time, the organisation has begun speaking of developing regional capabilities to deal with the threats posed by terrorism. Joint military exercises between China and Russia, as well as China and India, and India and Russia have been held. The Russians are now speaking of trilateral military exercises involving these three countries. Could the SCO be the harbinger for a pan-Asian confidence-building body based on a new security concept of mutual respect and cooperation rather than the outdated, dangerous idea of "balance of power"? For this to happen, India, China, and Russia have to work closely together but Japan and South Korea too will have to be brought within the ambit of the SCO.

On the trade front, the EAS process will likely provide answers about the precise institutional shape greater Asian cooperation will take. Along with the creation of an Asian free trade area with developing country safeguards, there is need for Asia to develop its own financial institutions. The absence of such institutions led to the 1997 Asian financial crisis and to its deflationary denouement, as countries like Indonesia and South Korea were forced by the International Monetary Fund to accept irrational conditionalities.

Finally, the energy front has seen two sets of promising meetings between major Asian producers and consumers this year, held at the initiative of the Indian Ministry for Petroleum

and Natural Gas. On the agenda are not just financial and inventory-related measures to stabilise prices but, more importantly, the creation of pan-Asian pipeline grids. The [proposed \\$22 billion grid](#) — unveiled in New Delhi at the end of November — will allow gas to be moved around the region more easily, avoiding geopolitically sensitive maritime choke points like the Straits of Hormuz, Malacca, and Taiwan. Pan-Asian energy grids will also give a major boost to regional political cooperation and inter-dependence.

In the light of developments in these three directions, the evolution of an Asian strategic architecture is only a matter of time. The one fly in the ointment is the U.S., which would like to scuttle all such exclusively Asian initiatives.

For years, Washington has thrived on Asian insecurities, often fuelling suspicions and rivalries between countries. The more there is a perception of insecurity — China versus Japan, China versus India, Japan versus Korea, India versus Pakistan, not to speak of ‘minor’ insecurities — the greater the role for the U.S. as a “balancer.”

While it is understandable for the U.S. to advocate the concept of ‘balance,’ what is inexplicable is India’s decision to do so as well. In [a speech to the India Economic Forum on November 28](#), Foreign Secretary Shyam Saran offered the U.S. India’s help in this ‘balance of power’ game. “If we are looking at Asia in the coming years, there is no doubt that there is a major realignment of forces taking place in Asia,” Mr. Saran said. “There is the emergence of China as a global economic powerhouse. There will be increased capabilities that China will be able to bring to bear in this region and even beyond. India also is going to be a major player in Asia ... I think India and the United States can contribute to a much better balance in the Asian region.”

Though Mr. Saran acknowledges India’s “strong engagement” with China, he adds: “We believe that in terms of managing the emerging security scenario in Asia we need to bring more and more countries within the discipline of a mutually agreed security paradigm for this region. I think both the U.S. and India can contribute to that.” China, presumably, is the main country needing the “discipline” of a “security paradigm” to which India and the U.S. can “contribute.”

It doesn’t take a lot of analysis to recognise that these ideas run counter to the new spirit so evident in Asia. Taken together with other recent shifts in Indian foreign policy, they suggest India’s commitment to Asia may be less robust than its commitment to the United States.

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