

The New Geopolitics of Northeast Asian Regional Integration

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Northeast Asia (NEA) is a natural economic zone that will likely become the world's most important center of production and innovation in coming decades. NEA economic integration can stimulate high-value economic connections, promote peaceful relations among NEA countries, including with Russia and eventually even North Korea, and increase the region's bargaining power in managing relations with the United States and other global powers.

Meanwhile, NEA is dealing with the unexpected reversal of America's seventy-year support for open, rules-based economic relationships. We don't know whether this shock will last or fade, but a simple return to the status quo ante is unlikely. Whether led by Mr. Trump or the left-wing reactions that he is generating, US policy will remain uncertain and nationalist for some time. Working with the United States alone or in global institutions will be difficult.

What are the implications for NEA integration? First, NEA countries will have reasons to prioritize regional integration in seeking economic gains and greater bargaining power. To be successful, they will need to suppress political tensions. Second, NEA will have strong incentives to diversify international relationships toward Europe and other advanced economies. Third, NEA will want to assume global leadership to preserve the rules-based trading system and to promote global policies (for example, on rules for technology trade) that serve its interests.

Three major economic integration initiatives are currently underway in NEA, and none is entirely consistent with the changing geopolitical order, as noted above.

- The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) negotiation, among 11 Asia-Pacific countries after the United States abandoned the TPP, is the region's most rigorous trade initiative. The CPTPP would create state-of-the-art rules in areas such as the digital economy and intellectual property rights. The negotiations are now led by Japan but would generate especially significant benefits if they included South Korea, Taiwan, and perhaps China.
- The Regional Comprehensive Economic Partnership (RCEP) negotiation is more directly relevant to NEA because at its core is a China-Japan-Korea (CJK) triangular trade agreement. However, recent negotiations have focused on a much less rigorous RCEP agreement that countries such as India would be willing to accept. The low ambition of such an agreement would mean that barriers among China, Japan and Korea would not be significantly reduced.
- The Chinese Belt and Road Initiative (BRI) and other related projects are ultimately aimed at deepening China's economic connections with Southeast Asia, Central Asia, and eventually Europe. These links will help China, but do little to promote regional integration in NEA, and may even divert trade away from it.

The current trade environment argues for more direct attention to NEA economic integration. The next CJK talks are scheduled for Tokyo in April; hopefully these will lead to accelerating progress. The new policies of the United States, which guaranteed the region's stability for many decades, could paradoxically help. With America absent, China may gain enough confidence to become less confrontational in its region. Early diplomatic efforts by President Xi Jinping after his reappointment in 2017 signaled a shift in this direction. The rationale for NEA economic integration is becoming stronger.