

## “To Bridge the Gap between Perception and Reality in the North East Asia”

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Three economic powers, Japan, China, and South Korea, crowded in the North East Asia, have formed, despite of their historical animosities, the ‘perfect trilateral trade harmony’ in which regional trading among the three accounts for about 55% of total trade of these three countries.<sup>1</sup> The close economic tie among the three has made them increasingly interdependent, and thus, it has accumulated momentum to seek for a further cooperation in the region, as shown in a talk of the Asian Community. Even in rather controversial political aspect of the regional cooperation, various regular dialogues have been launched through administrative and diplomatic channels. With a common understanding of facing urgent transnational issues, such as environmental protection and resources conservation, politics in the North East Asian seems aware of a greater profit from the joint approach. In other words, the three countries came to realize that a gain in the absolute game standpoint is much greater than a loss in the relative game.<sup>2</sup> Without mentioning to this change in the paradigmatic fashion among

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<sup>1</sup> “Northeast Asian Financial Cooperation: Status quo and Prospect”, Unpublished manuscript, Shanghai University Finance and Economics, Jianping Ding. 2008.

<sup>2</sup> “New Trend of China’s Diplomatic Relations”, Unpublished manuscript, Peking University, Wang Jisi, 2008.

the three countries, it would be difficult to explain for a pause of the Japanese Prime Minister's visit to the notorious Yasukuni Shrine in past two years, as well as the agreement for the joint exploitation in Diaoyu/Senkaku Islands between Japan and China.

So, where do we go from here? From realists' point of view, a deeper regional integration may be possible when China attains a hegemonic status in the North East Asia in the future, while liberalists will claim that, a cultural exchange and flow of people within the region, as well as, a shared problem such as the avian flu, generate institutions or more enhanced cooperation which will create the dynamics the government can not ignore. Constructivism is more in favor of an elite-led statist shortcut, which then may face an absence of citizen's voluntary participation in a political community as the European Union is suffering. However, as James Fearon and Alex Wendt express 'a danger of thinking in terms of schools of thought', a method-driven approach may incur essential problems to be kept untouched.<sup>3</sup> A problem-driven research must engage with a fundamental problem that coordinative difficulties in the region are derived from, and furthermore, it needs to set a goal, as well as, a direction which leads to the goal. In this regard, a recent poll conducted by the

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<sup>3</sup> "Rationalism Versus Constructivism: A Skeptical View", Unpublished manuscript, Stanford University and University of Chicago, James Fearon and Alexander Wendt. 2001.

East Asia Daily, one of the three major newspapers in South Korea, provides a raw material to address the strong distrust among people in the North East Asia.<sup>4</sup> The poll reports that, the greatest number of people(35.1%) chose Japan as the largest threat for Korea and only 3.3% picked Japan as ‘a country that Korea should form a friendly relationship for its own benefit’. This result is in well accordance with the 2006 survey in which over 60 % of people in China and South Korea had bad or rather bad image on Japan, while a considerable number of the Japanese had the same negative image on China (40%) and South Korea (30%).<sup>5</sup> The statistic result brings a clear evidence for the great gap between people’s perception and reality in the North East Asia. In spite of a large benefit that people in the three countries have enjoyed from the economic complementarity and interdependency in the region and also from the increased political channels for mainly non-traditional security, a perception of people have still been limited within a zero-sum frame and a traditional security mindset. An obstacle to the further regional cooperation in the North East Asia is the limited perception of people and its distance from de-facto collaborations.

An identification of the main problem in the North East Asian integration gives

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<sup>4</sup> <http://headlines.yahoo.co.jp/hl?a=20080816-00000931-san-int>.

<sup>5</sup> “Perception of Foreign Countries and Asian Consciousness in East Asia”, Unpublished manuscript, Waseda University, Shigeto Sonoda. 2008.

plausible procedures for the integration, which is in complete antithesis to the course of the European Union. While the foundation of the European integration was the aftermath of the Second World War in which a million of people suffered and consequently the process of forming the community can be considered as a catch-up with an understanding among people, or at least in accordance with people's wish for the regional stability, de-facto cooperation by means of economy and administrative channels in the current North East Asia has preceded the psychological provision among citizens for overcoming historically-based mutual animosity. This contrast in a relation between perception and reality reveals much more than just an egg-or-chicken-typed difference. Its significant implication is that a statist shortcut of the European integration cannot be applied to the present North East Asia where simply no sufficient number of people appreciates the fruits of deepen economic and administrative cooperation.

When people's perception is greatly preceded by the reality it is clear that something must be done to improve people's understanding. The aforementioned poll done by the East Asia Daily indicates, people are not against a deeper cooperation among the regional actors, but rather they fail to assess the positive impact of a stronger economic tie in the region. Hence, a remedy should be much simpler than trying to shape national

identity with a joint history textbook or settlement on territorial disputes. A more functional, utilitarian approach is adequate to produce the maximized number of consumers of economic benefit from the regional integration. In other words, a greater number of stakeholders who enjoy the gain of the further cooperation among the three countries will facilitate people's perception to reconcile with the de facto cooperation in the North East Asia.

In order for more citizens in the region to share economic benefit of the regional cooperation, domestic reforms will be required to some extent. In China, not only sustaining an economic growth that generates a greater number of the middle class, but also the growing fiscal disparity in province needs to be addressed with more progressive and redistributive tax system, such as an introduction of property tax. Furthermore, a delegation of rights to set taxes and issue debts to the local government will distribute shares of the economic growth more equally and extensively.<sup>6</sup> Korea, on the other hand, needs to enhance consumer's welfare by reforming its uncompetitive market structure. A dominance of large conglomerates that control imports, production, and distribution, supplies price discrimination and undiversified choices.<sup>7</sup> A prevention

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<sup>6</sup> "China's Public Financial Reforms", Unpublished manuscript, Peking University, Lin Shuanglin, 2008.

<sup>7</sup> "Rising Regionalism and Korea's External Economic Strategy for Future", Unpublished manuscript, Seoul National University, Taeho Bark, 2008.

of business in a small and middle scale hurts people's perception in a sense that only a few portions of companies experience the interdependent economic relationship within the North East Asia, and a large number of people are kept blind to Korea's economic dependence on this region. Finally, Japan, who will face the rapid aging population, is in need of investment liberalization and deregulation of its strict immigration policy. This shift will accelerate the growing sense of importance of the region for Japan and it will also foster identity as a member of the Asia in the Japanese.

A characteristic of the North East Asia is a divergence between the growing economic and political cooperation and negative perception of citizens to the regional actors. For perception to catch up with the reality, appropriate domestic reforms that enable the majority to enjoy the benefit of the regional integration should be the first priority. We all have to keep in mind that this is a region where 55 % of total trade of the regional actors is internally done and people talk about going into a war to each other. It is not a regional identity, but a widespread benefit of the regional integration that will change people's perception in the North East Asia.