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Macroscopic by [Anthony Rowley](#)

The uniting powers of Northeast Asia may be a counterweight to the might of the United States of America

- The crowning achievement for Sino-Japan relations would be a trade agreement between the world's second and third-biggest economies, plus South Korea

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COMMENTS:



[Anthony Rowley](#)

It is possible to detect a new dynamic in Northeast Asia as 2019 opens, one that could have significant economic consequences.

Northeast Asia has long been denied its economic potential by being in a state of diplomatic deep freeze. There is a good chance that the thaw between Japan and China will spread to the Korean peninsula and maybe to Russia in 2019.

The post-war order symbolised by US economic dominance was already under challenge before Donald Trump became president of the world's largest economy in 2016. But he has undermined national power in a way that suggests that US influence will continue to diminish even after he leaves office.

Despite assertions to the contrary, the world's second-biggest economy (China) is not yet ready, or able to assume the role of a global hegemon. Even the role of Asia's regional hegemon is not yet fully within reach.

Instead, new alliances among Northeast Asian powers will begin to take shape in 2019. This trilateral alliance will comprise Japan and China, plus South and North Korea. Their growing closeness will make it impossible for giant neighbours to ignore their joint potential. The embryonic Northeast

Asian economic bloc will inevitably draw other Asian nations into its orbit.

The process of uniting Northeast Asia in what initially can be seen as a survival pact or "marriage of convenience" has already begun in the two Koreas. South Korean president Moon Jae-in has been a conscious motivating force behind this, while Trump's diplomacy has been more an accidental catalyst.

Seoul and Pyongyang have taken tentative steps to link their rail systems to form a trans-peninsula network between the two Koreas with China and the Eurasian continent. This is of enormous potential significance, as Moon and North Korean leader Kim Jong-un have both realised.

But of course the two lead players in Northeast Asia will be Japan and China, where some surprising developments are likely to emerge. Both Tokyo and Beijing have watched the self destruction of US economic influence in Asia with shock and disbelief, mixed with a sense of opportunity.

Japan's prime minister Shinzo Abe especially has been conducting diplomacy with more skill than Trump's "Art of the Deal" in Asia. Abe's diplomacy can be deployed to very good effect in Japan's relations with China.

The new year could, as veteran Japan analyst Jesper Koll said, "bring an inflection in Japan-China relations." Following their successful 2018 summit, Abe and Chinese President Xi Jinping are committed to improved bilateral relations and assert a more credible joint leadership role in Asia," Koll said.

For China, “nothing would demonstrate a true commitment to accountable Asian leadership better than joining the multilateral TPP free trade agreement,” Koll said. “For Japan, bringing China into the TPP would irrevocably elevate its status as global leader and protector of multilateral rule making.”

This may sound fanciful, but Tokyo is in a strong position to deal with Beijing. Access to the Comprehensive and Progressive Trans Pacific Partnership, or CPTPP (as the former TPP is now known), would offer China access to markets beyond the US, and Japan’s major trade agreement with the EU even more so.

As this column has suggested before, there is a chance too that [Japan may begin to cooperate with China’s Belt and Road Initiative \(BRI\)](#) before long if certain conditions are fulfilled.

Abe has already said that Japan is ready in principle to join China in building overseas infrastructure projects.

Japan will require that the infrastructure provided is of high quality and that China agrees to do thorough prior due diligence in respect of each project. Such requests may appear somewhat unpalatable (patronising even) to China, but meeting them would enhance the international reputation of the BRI.

Japan can also bring China into a grand infrastructure alliance that include India, Australia, Indonesia and others via the Asia-Africa Growth Corridor (AAGC) proposal – and even into some form of infrastructure cooperation with the US through the Trilateral Partnership scheme.

China has formidable (state) financial resources, with huge manufacturing capacity in raw materials and equipment that infrastructure projects require in abundance. A combination of Sino-Japanese resources in this critical area of international activity could be world beating.

It is even possible for Japan to join the China-led Asian Infrastructure Investment Bank (AIIB) in 2019, especially if Japan were to agree to a Chinese becoming the president of the Asian Development Bank (ADB), in return for a Japanese is allowed to head the AIIB.

The crowning achievement for Sino-Japan relations would be a trade agreement between the world’s second and third-biggest economies, plus South Korea. A trilateral agreement has in fact been under active discussion for some time.

As for Russia, the shifting balance of power in Northeast Asia in favour of an emerging trilateral economic bloc will provide added incentive for Moscow to reach agreements that lead to joint economic development in the Russian Far East.

Trump trauma has provided an incentive to accelerate agreements and this is where we can expect to see progress in 2019.

If any, or all, of these happen, Trump's trade war may lose its ability to hurt Asia economically and the balance of power is likely to tilt in Asia's favour.

Anthony Rowley is a veteran journalist specialising in Asian economic and financial affairs

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