

## East Asia's economic integration: informality and ambiguity face geopolitical tension

Ambiguity and informality sound like shaky foundations for a region's economic integration. The European Union's integration, for instance, was founded on solid, binding, state-led commitments to liberalize trade and investment. Yet a recent essay\*\* shows just how constructive ambiguous, informal, business-led agreements have been to East Asia's economic regionalization – and how a tense new turn in the US–China rivalry is testing that.

East Asia has emerged as a robust economic hub over three decades of rising trade and investment flows. Regionalization there is ambiguous and informal. It flexes to fit the fragmented global value chains (GVCs) producing outputs that are not manufactured from scratch in one place. Cross-border firms in GVCs depend on each other for all stages of production, including logistics, digital services, technology and information. The reason behind loose and trust-based interfirm relationships in East Asia is not cultural but economic: to lubricate those GVCs cheaply via a kind of informal coordination.

This way, for instance, ethnic Chinese business networks function as informal institutions of contract enforcement, while Japanese keiretsu (business groups) and Korean chaebol (sprawling conglomerates) coordinate market players to share technology or enter long contracts that might otherwise be too risky. Government officials often play ambiguous roles with simultaneous personal stakes in industries, especially in resource extraction.

Formal, governmental agreements have followed interfirm ones. They still build in ambiguity. This century has dished up a veritable “noodle bowl” of trade agreements – regional, bilateral and “plurilateral” (subsets of international organisations). While officially liberalizing, these leave wiggle room on national interests like security. The original ASEAN Free Trade Agreement (AFTA), signed in 1992, was even jokingly referred to as “agree first, talk after”. But weak, ambiguous commitments may be a serious first step towards binding ones. Only by leaving discretion for domestically sensitive areas did the Regional Comprehensive Economic Partnership (RCEP, signed in 2020) pull off liberalized customs rules. And the other mega-regional pact, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP, signed 2018), salvaged its derailed predecessor, the Trans-Pacific Partnership, by suspending its more contentious parts.

Under escalating US–China rivalry since 2017, all this flexible architecture looks resilient so far but is still vulnerable. What started as a trade war between the two giants over market access has morphed into a tech war over security in strategic assets like semiconductors. As US export controls and blacklists aim to block China from advanced technologies, some supply chains have reshaped. The Taiwan Semiconductor Manufacturing Company is often in the spotlight. It has diversified by investing in the US and Japan. However, key nations like Japan itself, South Korea and Vietnam now walk a tightrope between economic ties to China and security ties to the US. Recent US legislation to lure strategic manufacturing onshore, like the CHIPS and Science Act (2022), further complicates things. East Asia's regional flexibility will be vulnerable if either side clamps down on ambiguity and overlapping economic relationships by its partners.

\*\* The full essay “The Ambiguous Architecture of Economic Integration in East Asia” authored by Natasha Hamilton-Hart is available at 31–40 in the Roundtable on Diplomacy and Ambiguity: Constructing Interests in Cooperation. *Asia Policy* 18(4) (October 2023) 1–70 <https://doi.org/10.1353/asp.2023.a911615>

