

EAST ASIAN COMMUNITY: IMPLICATIONS FOR SOUTHEAST ASIAN REGIONALISM

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DECLARATION

I declare that the dissertation entitled "EAST ASIAN COMMUNITY: IMPLCIATIONS FOR SOUTHEAST ASIAN REGIONALISM", submitted by me in partial fulfillment of the requirements for the award of the Degree of **Master of Philosophy** of Jawaharlal Nehru University, is my original work. This dissertation has not been submitted for any other degree of this University or any other university.

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PREFACE

Regionalism is not only a geographical concept but a dynamic process encompassing an amalgam of economic, political and socio cultural linkages. This definition of Regionalism gets explicitly manifested in the origin and evolution of East Asian Community which brought the four diverse regions of the world namely Southeast Asia, Northeast Asia, South Asia and South Pacific on a common platform. The urge for regionalism in Southeast Asia is not sudden but is a consequence of gradual efforts made in order to formulate their own co-operative mechanisms of regional self help. But these efforts were not without strong reasons, peculiar to the region.

First and foremost lies the fact that all nations in Southeast Asia (except Thailand) had long suffered the yoke of colonial rule. The increasing interdependence in the region with the economic globalization as backdrop had accelerated the pace of regional grouping. Along with it, the push of historical events (particularly, the Asian financial crisis in 1997), the continuous development of East Asian cooperation, emergence of China supplemented by the growing trend of regionalism in the rest of the world contributed to the emergence of East Asian Community. Therefore it is no coincidence that the East Asian countries reached a common understanding on East Asian Community.

The cultural, religious, language and racial groupings in the EAS are diverse. There is also great disparity in the size and level of development in the economies and in the populations of the nations involved. Plainly the level of support within the EAS for such an ambitious role for the EAS is mixed. The outcomes of EAS 2006 may provide some indication for the role and shape of East Asian community building. Strengthening East Asian cooperation is not only advantageous to countries in the region but also conducive to world peace and prosperity.

This study is divided into six chapters. The first and the introductory chapter begins with an attempt to examine the concept of regionalism and the factors responsible for its emergence in Southeast Asia. It also gives a brief fact file of the participating countries

and the contentious problems faced by them. An attempt has also been made to elucidate the role played by regional summits and political arrangement towards the realization of East Asian Community.

The second chapter tries to analyse the economic dimension of the emerging East Asian Community. The economic factor forms the core of the regional co operation, has been traced from the historical past to the present times in the context of the region concerned. By laying down a brief narrative of history of regional co operation in economic sphere, an attempt has been made to demonstrate the linkages between the past initiatives and the present phenomena of East Asian Community.

The third chapter has tried to highlight the political dimension of the East Asian Community. In order to do so, a brief account of contentious issues which influence the political relations of participating nations in particular and region as a whole have been provided. At the same time, a meaningful comparison has also been drawn between emerging East Asian Community and other similar existing forums in the world to assess the inherent and hidden potentials underlying East Asian Community.

The fourth chapter has outlined the strategic dimension of East Asian Community. In this chapter, the geo strategic importance of the region has been discussed in light of the emerging security framework in the 21st century.

The fifth chapter deals with the implications of the emerging East Asian Community for the regionalism in the Southeast Asia. An attempt has been made to gauge the depth and impact of East Asian Community on the region in political, economic and strategic domain.

The final chapter deals with major findings of the study.

Chapter I

Introduction

Region-building is on the move in East Asia. The past decade has seen lots of initiatives and movements, especially in the economic realm. Yet, to date there is still no blueprint for East Asia to deepen cooperation and integrate into an East Asian community. The future of East Asian regionalism remains at best fuzzy. There are many different initiatives and ideas afloat but there is no clear overarching vision. To understand where East Asia is heading, a conceptual and more theoretical understanding of regionalism is required.

Region is a contested concept and defining regionalism can be as problematic. The idea of region as simply a geographical concept has been increasingly challenged as new definitions emerged taking into consideration developments in global social theory such as social constructivism. For instance, Andrew Hurrell borrowing Benedict Anderson's description of nations as imagined communities sees region as a social and political construct. Regions are created and recreated in the process of global transformation, or as Hurrell further elaborates, "it is how political actors perceive and interpret the idea of a region and notions of regionness that is critical"¹.

This way of looking at a region is particularly useful in examining East Asian regionalism. Following therefore from Hurrell's definition of a region, regionalism is then seen as a process-oriented concept that encompasses different phenomena happening at the various stages of its formation.² These include regionalization which is often market-driven, follow by emergence of regional consciousness, and then deliberate regional inter-state cooperation leading to regional integration. Regionalism is therefore not only a geographical concept but a dynamic process encompassing a concentration of economic, political and socio cultural linkages.

¹ Hurrell, Andrew (1995), "Regionalism in theoretical perspective", in Fawcett, Louise and Hurrell, Andrew (eds.) *Regionalism in World Politics: Regional Organization and International Order*, Oxford University Press: New York.

² Ibid.

In the light of above conceptual paradigm, when we talk about the East Asian community building, we must come out of the European shadow, because East Asia is different from Europe. East Asia has different history. and its current situations are quite different from Europe. East Asia also has different interests. The East Asian region has 13 countries with a population of about billion, which is one third of the world population. It is a consumer market with huge potentials. The GDPs in East Asia account for about 20 percent of the total GDPs of the world. East Asian countries have foreign exchange reserves about half of the total reserves in the world and they have the fastest economic growth rates. These economic factors make the importance of the East Asian region prominent worldwide.³

Further, Nations in Southeast Asia had long suffered from submitting to the whims of external powers. All in Southeast Asia, except the fortunate Thai nation, were colonized. After the Second World War, foreign interference in their internal and regional affairs continued as part of their Cold War struggle against China and Soviet Union.

With high hopes in the aims and objectives of the UN Charter, several Southeast Asian nations took part in the Bandung Conference of 1955 in Indonesia, which came up with the Declaration on the Promotion of World Peace and Cooperation, based on the principles of peaceful coexistence. And while the US was escalating its direct involvement in the Viet Nam War in 1967, Indonesia, Malaysia, the Philippines, Singapore and Thailand founded the Association of Southeast Asian Nations (ASEAN).⁴

The ASEAN Declaration of 8 August 1967 (which is sometimes referred to as the “Bangkok Declaration,” for it was issued after a ministerial meeting of the five founding members in Bangkok), emphasized the desire to end external interference and to take primary responsibility in regional affairs.⁵ The so-called regional formation of East Asia took place through a process that differs from that we have

3 Yoshimatsu. Hidetaka (2000), “State-Market Relations in East Asia and Institution-Building in the Asia-Pacific”. *East Asia: An International Quarterly*, 18(1): 18-20.

4 Wahid. Abu N.M (1997). *The ASEAN Region In Transition: A Socio-Economic Perspective*, Aldershot: Ashgate.

5 Ibid.

seen in Europe, for example. The key point here lies in the existence of network-based economic integration. Phrased differently, on the strength of the Plaza Accord worked out by economic ministers in 1985, the business networks of companies from Japan and East Asia experienced regional expansion, with all the economies of this region effectively integrated in a relatively short period of time⁶.

A closer examination of the situation, however, reveals that this regional integration was not advanced solely on the strength of the market. At the foundation of these developments, in other words, were a number of political arrangements. One of these arrangements is the regional design of the United States. In particular, Washington subscribes to the "hub and spoke" system of building up a security structure in the region with the U.S. at the hub, to serve as a bastion of bilateral security. The preservation of peace by the U.S. was an extremely important condition for the foundation of this arrangement.

The second such arrangement is the "growth politics" of Japan. More precisely, it was also an important point that Japan succeeded in forging accelerated growth, to be followed by advances into the region in the form of economic cooperation and Japanese companies' direct investment, as the political-based extensive expansion of that growth.

Finally, functioning well up until the Asian economic crisis was a development-fueled political approach in which South Korea, Taiwan and the countries of Southeast Asia stabilized politically, advanced their economies and improved people's livelihoods, and then went on to reach even further stabilization on their political scenes. It was against the backdrop of these conditions, therefore, that this type of network-based integration progressed⁷.

The idea of an East Asian community is not a new one. Since the 1990s, it has gained considerable influence among regional policy makers. The initiation of the ASEAN 3 process as well as the Chiang Mai Initiative (CMI) indicate that Northeast and Southeast Asians have begun to formulate their own co-operative mechanisms of

⁶ Bergsten, Fred. (2000), 'Towards a Tripartite World', *The Economist*, July: 20-22.

⁷ Ibid.

regional self-help. However, the rapid proliferation of bilateral and sub-regional preferential trade agreements in recent years does not correspond to the logic of building a collective East Asian identity⁸.

Talk of respect for sovereignty and amicable cooperation as the hub, a framework that in a certain sense can be viewed as shallow, obviously leaves margin for debate over what lasting good such an arrangement will bring. Be that as it may, at least two major reasons can be identified for making efforts to establish the East Asian Community.

As the first reason, let's use the case of Indonesia as an example. Indonesia is a country with a population of 210 million, where some 2.5 million persons enter the labor market every year. Just how does the country generate that many jobs, and how does it manage to achieve such a level of economic growth?

Simply stated, the keys to generating jobs and economic growth lie in how to attract business networks already existing in the region and promote industrial agglomeration. To succeed in that quest, there are really few viable choices other than forging economic partnerships or establishing the East Asian Community. This, then, can be seen as one of the reasons for the establishment of this regional community⁹.

The second important point concerns the issue of how to engage China. Viewing China's economic scale by the yardstick of purchasing power parity, China has already surpassed the economic scale of Japan in the mid 1990s. Even when computed at the current exchange rate, it will not be long before China's economic magnitude moves past Japan. By 2050, in fact, the scale of the Chinese economy may very well approach that of the United States. If this scenario plays out, there will naturally be a major shift in both the regional and global power balance. This will lead to the question of how to engage China. This stand as the single greatest challenge for

8 Salathong, Jessada. (2006), "ASEAN and the Integration of the East Asian Community" paper presented on 19 Aug 2006 at the Summer Seminar, Graduate School of Asia Pacific Studies, Waseda University: Japan.

9 Ibid.

Asia in the 21st century, and with regard this issue two major basic trains of thought can be identified.¹⁰

The first assessment is based on the belief that China, in the medium to long term, does in fact have hegemonic intentions, and if given the opportunity will attempt to establish an inwardly focused regional order. The second line of thought is that China is essentially a defensive country. That is, viewed from a historical perspective as well, as long as the surrounding region has remained stable the Chinese have never made any particular attempts to force their rules on the outside and gain acceptance for their own ways of doing things. Since China has not traditionally taken the offensive in that way, this line of thought regards the country as a largely defensive presence. As such, these two viewpoints appraise the future of China in considerably different terms. The specific points targeted in such evaluations can be categorized into three major categories¹¹.

The first category concerns hegemonic intentions. Accepting the view that China is intent on establishing hegemony and replacing the United States as the leading power sometime in the future and then Beijing can be expected to raise the level of spending needed to maintain that stance in opposition to the regional security system currently engineered by the U.S. With regard to monetary order, trade investment rules and other areas as well, it would be wise to expect that China will attempt to force its own rules on its neighbors. Based on this thinking, it should be possible to form judgments on China's intentions over the medium to long term.¹²

As the second category, examining China's foreign policy or diplomatic activity, two different patterns can be seen. One is that of accepting sets of rules, and the other is that of unilateral actions. For example, in the case of the South China Sea, China accepted the collective standards for behavior proposed by ASEAN. In 2002, specifically, China and ASEAN reached consensus on a strategic partnership, with China agreeing not to take unilateral action. Under this accord, it appears China is advancing talks with the Philippines and Vietnam on means of undertaking joint

10 Mitchell, Mark. and Vatikiotis, Michael. (2000), "China Steps in Where U.S. Fails," *Far Eastern Economic Review*,: 20-22.

11 Ibid.

12 Ibid.

exploration of ocean floor resources. In contrast to that stance, however, Beijing is acting unilaterally when it comes to the East China Sea.¹³

For the third category, regardless of what intentions China may or may not harbor, in the event of that nation's swift emergence as an economic power its neighbors in the region can naturally be expected to mount certain responses to the outcome. Such actions will not be limited to the state or government level, with various different reactions also emerging at the social level as well. On the government level, for instance, Myanmar has seemingly already transformed itself into a satellite state of China. This differs from Thailand, a country that can be seen as both intentionally and systematically adopting policies geared to strike an excellent balance between Japan and China¹⁴.

Indonesia, meanwhile, does not appear to be adopting an overly strategic stance toward China -- a factor that may very well reflect its relative distance from China across ocean waters. Indonesia seems rather to be following a stance that is considerably opportunistic in nature, and taking whatever it can get. In this way, the conditions clearly differ from country to country. Nevertheless, compared to the time when China remained largely closed to the outside world, as well as the era when its economic development was not all that significant, the emergence of China has prompted shifts in the measures of the governments of Southeast Asia in various different ways¹⁵.

At the same time, the past 20 years or so have also brought rapid changes in the ethnic Chinese of Southeast Asia. Many of the people in this category are now capable of speaking Chinese, English and the local languages, with increasing numbers coming to excel on the global and/or regional fronts. As a result, changes have occurred in the very nature of the issues surrounding such overseas Chinese. The indigenization of these ethnic Chinese populations, a theme that emerged as a major challenge in the 1960s and '70s, has been essentially over for some time now. Today, efforts in this vein by the individual nations have shifted to devising means to better retain within

13 Ibid.

14 Buzan, Barry. (2003), "Security architecture in Asia: the interplay of regional and global levels." *The Pacific Review* 16(2): 143-174.

15 Ibid.

their own borders the regional- or global-scale businesses of these ethnic Chinese. In that context, the rise of China is a matter of considerable complexity, with the question of how to deal with the situation comprising one of the key reasons that the various different countries have come to think in terms of the East Asian Community.

How, then, should Japan work within these dynamics to become involved in the building of the East Asian Community?¹⁶

To address this issue, three major points need to be touched upon:

The first is that Japan should treat the East Asian Community as one phase of its search for the most effective means of engaging China. The most important factor here is that there are global rules, like those of the World Trade Organization (WTO), that seek to curb China from taking unilateral action to the greatest degree possible. Therefore, if regional rules can be drawn up through the medium of the East Asian Community, they should be steadily increased, with China encouraged to accept those directives. The basic thinking in this respect, therefore, is to expand actions that are in fact based on such rules to the greatest extent feasible.

The second key for Japan in engaging the East Asian Community is to think of the community itself as a means of contributing to the growth of this region. Policy-wise, this route is already being pursued in various shapes and forms. When considering the future of the East Asian Community, it will be critical to bring on board, for example, Vietnam, Thailand, Indonesia, the Philippines and even Myanmar (if the necessary policy requirements can be put into place). Then, spearheaded by the Japanese private sector, with backup from the government, efforts will be needed to further deepen and expand the existing networks to develop industrial agglomeration.¹⁷

The third important factor here is the question of how best to engage the United States within the moves to realize the East Asian Community. In reality, however, ASEAN is not the only hub in East Asia. There is one other hub -- that of the United States. Why is this? Simply stated, the hub of security in this region is first and foremost the

16 Yamazawa, Ipei. (2001). 'Asia-Pacific Regionalism and Japan's Strategy', *Japan Review of Internal Affairs*: 203-22.

17 Ibid.

U.S., with another major system existing with Washington as the hub, and a group of bilateral security and military base treaties signed by America with Japan, South Korea and the Philippines serving as the spokes. If this being accepted as the case, the key to success may be defined as Japanese efforts to advance various other systems for regional cooperation that rely on the U.S. as the hub. The role of the U.S. further depends on how the engagement with China is engineered.

Working within this extremely obscure realm, it will be vital for Japan to adopt a stance of engagement through which China can be drawn into these rules. At the same time, there is also a need for "deterrence" as such. Obviously, the most important aspect of this deterrence lies in the Japan-U.S. alliance, meaning that it will grow increasingly crucial to determine how to persuade Washington to act as the hub and assume a role of leadership in the formation of a new order for this region.

At these two focuses, ASEAN and the United States act as separate hubs, in an image in which orderly systems are formed for each network-format issue¹⁸. In a manner of speaking, therefore, Japan needs to think in terms of both the East Asian Community, and the Japan-U.S. alliance, as the key policy measures for dealing with the situation at hand.

In Kuala Lumpur on 14 December 2005 the leaders of nations within East Asia took what has been hailed as a significant step towards the forging of an East Asian Community. This was signified with the signing of the Kuala Lumpur Declaration on the East Asia Summit (EAS), which outlined its principles and purposes, areas of cooperation and primary modalities. It was Malaysia's former Prime Minister, Dr Mahathir Mohamad, who in 1990 first raised idea of an East Asian Economic Grouping (EAEG). Using a boxing analogy, Mr. Abdullah described East Asia as a heavyweight forced to fight as a featherweight. The Malaysian leader called for the ten-member Association of South-East Asian nations to sign a formal pact with China, Japan and South Korea to work towards the formation of an East Asian Community, using the European Union as its benchmark.

18 Soesastro, Hadi. (1998), "ASEAN during the Crisis". ASEAN Economic Bulletin, 15 (3):373-381.

Vaguely reminiscent of wartime Japan's Greater East Asian Co-Prosperty Sphere, it was seen as a more viable Asian forum (exclusive of the US) than the unwieldy 21-member APEC (Asia Pacific Economic Cooperation) forum. Initially envisaged as a loose, informal consultative forum for discussion of issues of common concern in the region and to promote greater co-operation, it initially met with a less than enthusiastic response. This was in part due to the negative reaction of the USA, which feared it would undermine APEC, and of Japan, which did not wish to alienate the US. In part, however, this was also due to the manner in which the idea was first announced without the requisite consultation and consensus building within ASEAN itself. Indonesia's President Suharto - an influential figure within ASEAN at the time - initially downplayed the idea on this basis.

However, after the heady days of the Asian Miracle in the early 1990s, the 1997-98 Asian financial crises struck to undermine local economies and to reinforce the necessity for regional economic cooperation - even perhaps for some kind of 'EU-like' economic union in the longer term. This post-cold war period has also seen the gradual reduction of US presence in the region, a resistance to US unilateralism and a rethinking of US foreign policy, underscoring the need for solutions for regional security issues to come from within the region itself.¹⁹ Repeated dry season haze problems in Southeast Asia; threats to maritime security through piracy; illegal worker flows; the threat posed by avian influenza and a SARS virus outbreak; devastating natural disasters such as the tsunami and the Pakistan/Kashmir earthquake; and, of course, the post-Sept 11 'war on terror' environment have pressed home the need for regional cooperation as never before. Furthermore, with deepening globalization and with the 'rise' of China and India coupled with Japan as currently the world's second largest economy, this grouping begins to take on significant proportions demographically and economically - as a market covering half of the global population, as a driver of the global economy and as a balance for the USA (and NAFTA) and the EU.

¹⁹ Than. Mya (2001). ASEAN Beyond the Regional Crisis: Challenges and Initiatives, Institute of Southeast Asian Studies: Singapore.

The EAS has evolved gradually. The initial EAEG concept gained official ASEAN support at the fourth ASEAN Summit in Singapore in 1992. It was repackaged as the East Asian Economic Caucus (EAEC). The ASEAN Regional Forum (ARF, begun in 1994). Asia-Europe Meeting (ASEM, begun in 1996) and informal meetings since 1996 between ASEAN and its China, Japan and Korea dialogue partners (which came to be known as the ASEAN+3 process) have gradually brought regional players into closer working relationship²⁰. Agreement to set up the EAS was forged at the ASEAN summit in Vientiane in early December 2004. Also in Vientiane, Asean+3 nations signed some 35 bilateral or multilateral agreements - seen as the building blocks for an eventual East Asian Free Trade Area. After some previous reluctance, Australia acceded to Treaty of Amity and Cooperation (ASEAN's non-aggression pact) on 10 December 2005, paving the way for it to also join the EAS.

Still there are several factors responsible for founding each:

The most fundamental foundation of East Asian community seems to be the increasing interdependence in the region. Once this process started, it is like a moving train. Economic development of each country and the regional stability is now a common interest in the region, protection of which provides an incentive to bind the region together. There are mainly three factors that enable the East Asian countries to reach a common understanding.

First, with the economic globalization as backdrop regional grouping pace is accelerating. In today's world there are the North America Free Trade Zone and the Pan-American Free Trade Zone in America, the European Union in Europe and the African Union in Africa. Even the only superpower in the world feels inadequate in front of the economic globalization and needs to look for support in regional grouping. Therefore it is no coincidence that the East Asian countries reached a common understanding on East Asian Community. It is the need of the regional grouping development, the result of Asian people's thinking and action pushed by regional grouping development and the inevitability of history.

²⁰ East Asia Study Group. Final Report of the East Asia Study Group, submitted to the ASEAN+3 Summit in Phnom Penh, Cambodia, on 4 November, 2002.

The second factor is the push of historical events in the East Asian region. Particularly, the Asian financial crisis in 1997 awakened the East Asian countries. If there had been a mechanism in place like the euro the impact wouldn't have been so big. After experiencing the crises the East Asian countries realized the lagging-behind grouping construction in the region, which is not seasoned with the trend of economic globalization. They feel painfully the necessity of cooperation in East Asia.

The third factor is the continuous development of East Asian cooperation and the strengthening of the function of the "10+1" and "10+3" mechanisms.

The fourth factor which should be taken into consideration is China's rise. This is generally a positive factor in bringing the region together. Most of all, China's rise probably provides a new foundation for regional economic growth for the future which has been absent, i.e., the market. Past economic developments in the region, i.e., Japan, four dragons, and the ASEAN, have not provided big enough markets for East Asian products. Seen in this light, the proposed China-ASEAN FTA probably is a rational choice, benefiting both China, ASEAN, and, possibly, the entire region.

The fifth factor that provides foundation to the East Asian community is the regionalism in the rest of the world. Regionalization in the other parts of the world, e.g., Europe and North America, is putting a lot of pressure on East Asia to live together and promote its interest in the world affairs as a region.

Aside from these factors, a change of a great significance to the region is the end of the cold war²¹. Although North Korean issue is still there, there is no longer an issue that divides the region into two camps. Even the North Korean issue can be regarded and treated as a regional affair. In other words, there still remain some specific issues but none of them is fundamental enough to divide the region, which is a very positive factor toward regional community building. In this respect, the East Asia Summit could make a significant contribution to the achievement of the long-term goal of establishing an East Asian community.

21 Kumar, Nagesh. (2004). *Towards and Asian Economic Community: Vision of a New Asia*, RIS and ISEAS: New Delhi and Singapore.

The East Asia Summit (EAS) is a pan-Asia forum to be held annually by the leaders of 16 countries in East Asia and the region, with ASEAN in a leadership position. The states participating have their own problems and challenges as can be seen from the summarised narrative given ahead.

Starting from Brunei, it is a country located on the island of Borneo, in Southeast Asia. Apart from its coastline with the South China Sea it is completely surrounded by the state of Sarawak, East Malaysia. Brunei, the remnant of a very powerful sultanate, regained its independence from the United Kingdom on 1 January 1984. The country has been under hypothetical martial law since a rebellion in the early 1960s was put down by British troops from Singapore. Brunei claims territory in Sarawak, such as Limbang, and it is one of many nations to lay claim to the disputed Spratly Islands. Several small islands situated between Brunei and Labuan, including Kuraman island, are contested between Brunei and Malaysia. However, they are internationally recognised as part of the latter²².

The Kingdom of Cambodia, formerly known as Kampuchea is a country in Southeast Asia with a population of almost 15 million people, with Phnom Penh being the capital city. Cambodia is the successor state of the once-powerful Hindu and Buddhist Khmer Empire, which ruled most of the Indochinese Peninsula between the eleventh and fourteenth centuries. The country borders Thailand to its west and northwest, Laos to its northeast, and Vietnam to its east and southeast. In the south it faces the Gulf of Thailand. The politics of Cambodia formally takes place according to the nation's constitution (enacted in 1993) in a framework of a parliamentary representative democratic monarchy, whereby the Prime Minister of Cambodia is the head of government, and of a multi-party system. Executive power is exercised by the government. Legislative power is vested in both the government and the two chambers of parliament, the National Assembly of Cambodia and the Senate.²³

The Indonesian archipelago, comprising 17,500 islands, is the world's largest archipelagic state situated in Southeast Asia. With a population of over 200 million, it

22 Funston, John. (2001). *Government and Politics Southeast Asia*. ISEAS:Singapore.

23 Ibid.

is the world's fourth most populous country and the most populous Muslim-majority nation, although officially it is not an Islamic state. Indonesia is a republic, with an elected parliament and president. The nation's capital city is Jakarta. The country shares land borders with Papua New Guinea, East Timor and Malaysia. Other neighboring countries include Singapore, the Philippines, Australia, and the Indian territory of the Andaman and Nicobar Islands. It has been an important trade region since at least the seventh century, when the Srivijaya Kingdom formed trade links with China. Indonesian history has been influenced by foreign powers drawn to its natural resources. Under Indian influence, Hindu and Buddhist kingdoms flourished from the early centuries. Muslim traders brought Islam, and European powers fought one another to monopolize trade in the Spice Islands of Maluku during the Age of Exploration. Following three and a half centuries of Dutch colonialism, Indonesia secured its independence after World War II. Indonesia's history has since been turbulent, with challenges posed by natural disasters, corruption, separatism, a democratization process, and periods of rapid economic change.²⁴

Across its many islands, Indonesia consists of distinct ethnic, linguistic, and religious groups. The Javanese are the politically dominant and largest ethnic group. As a unitary state and a nation, Indonesia has developed a shared identity defined by a national language, a majority Muslim population, and a history of colonialism and rebellion against it. Indonesia's national motto, "*Bhinneka tunggal ika*" ("Unity in Diversity" lit. "many, yet one"), articulates the diversity that shapes the country. However, sectarian tensions and separatism have led to violent confrontations that undermine regional stability. Despite its large population and densely populated regions, Indonesia has vast areas of wilderness that support the world's second highest level of biodiversity. The country is richly endowed with natural resources, yet poverty is a defining feature of contemporary Indonesia.²⁵

Malaysia is a federation of thirteen states in Southeast Asia. The name "Malaysia" was adopted in 1963 when the Federation of Malaya (Malay: *Persekutuan Tanah Melayu*), Singapore, Sabah and Sarawak formed a 14-state federation. Singapore was

24 Taylor, Jean Gelman (2003). *Indonesia: Peoples and Histories*, Yale University Press: New Haven and London.

25 Ibid.

expelled from the federation in 1965 and subsequently became an independent country. Although politically dominated by the Malays, modern Malaysian society is heterogeneous, with substantial Chinese and Indian minorities. Malaysian politics have been noted for their allegedly communal nature; the three major component parties of the Barisan Nasional each restrict membership to those of one ethnic group. However, the only major intercommunal violence the country has seen since independence was the May 13 racial riots of 1969 that occurred in the wake of an election campaign that was dominated by racial issues.²⁶

The politics of Malaysia takes place in a framework of a federal parliamentary monarchy, whereby the Prime Minister of Malaysia is the head of government, and of a pluriform multi-party system. Executive power is exercised by the government. Federal legislative power is vested in both the government and the two chambers of parliament, the Senate (*Dewan Negara*) and the House of Representatives (*Dewan Rakyat*). Since independence, politics has been dominated by the Barisan Nasional (National Front) coalition led by the United Malays National Organisation (UMNO). Although Malaysian politics has been relatively stable, critics allege that "the government, ruling party, and administration...are intertwined with few countervailing forces."²⁷

Laos officially the Lao People's Democratic Republic, is a landlocked communist state in southeast Asia, bordered by Myanmar (Burma) and China to the northwest, Vietnam to the east, Cambodia to the south, and Thailand to the west. Laos traces its history to the Kingdom of Lan Xang or *Land of a Million Elephants*, which existed from the fourteenth to the eighteenth century. After a period as a French colony, it gained independence in 1949. A long civil war ended when the communist Pathet Lao came to power in 1975.²⁸ Private enterprise has increased since the mid-1980s. Laos has been ranked among the lowest countries in terms of economic and political freedom. Despite this, the economy of Laos grew at 7.2% in 2006, 35th fastest in the world. Eighty percent of the employed here practice subsistence agriculture. The

26 Funston, John. (2001), *Government and Politics Southeast Asia*, ISEAS:Singapore.

27 Ibid.

28 Stuart-Fox, M. (1999), *A History of Laos*. Cambridge University Press:London.

country's ethnic make-up is extremely diverse, with only around 70% belonging to the largest ethnic group, the Lao.

Myanmar is the largest country by geographical area in mainland Southeast Asia. As the "Union of Burma", Myanmar achieved independence from the United Kingdom on 4 January 1948. It became the "Socialist Republic of the Union of Burma" on 4 January 1974, before reverting to the "Union of Burma" on 23 September 1988. On 18 June 1989, the State Law and Order Restoration Council adopted the name "Union of Myanmar". Myanmar is bordered by the People's Republic of China on the north, Laos on the east, Thailand on the southeast, Bangladesh on the west, and India on the northwest, with the Andaman Sea to the south, and the Bay of Bengal to the southwest. One-third of Myanmar's total perimeter, 1,930 kilometres (1,199 mi), forms an uninterrupted coastline.²⁹

Myanmar's diverse population has played a major role in defining its politics, history and demographics in modern times. Its political system remains under the tight control of the State Peace and Development Council, the military government led, since 1992, by Senior General Than Shwe. The Burmese military has dominated government since General Ne Win led a coup in 1962 that toppled the civilian government of U Nu. Part of the British Empire until 1948, Myanmar continues to struggle to mend its ethnic tensions. The country's culture, heavily influenced by neighbours, is based on Theravada Buddhism intertwined with local elements.

The Philippines, is an island nation located in Southeast Asia, with Manila as its capital city. The Philippine Archipelago comprises 7,107 islands in the western Pacific Ocean. The country reflects diverse indigenous Austronesian cultures from its many islands, as well as European and American influence from Spain, Latin America and the United States. Filipinos are mostly of Austronesian descent. Filipino minorities include American, Spanish, Chinese, and Arab ancestry. A former Spanish and United States colony, the Philippines has many affinities with the Western world including Spain and Latin America due to three centuries of Spanish colonial rule.³⁰

²⁹ Steinberg, David L. (2002), *Burma: The State of Myanmar*. Georgetown University Press:US.

³⁰ Kurlansky, Mark. (1999), *The Basque History of the World*. Walker & Company: New York.

Singapore is an island nation located at the southern tip of the Malay Peninsula. It lies 137 kilometers (85 miles) north of the Equator, south of the Malaysian state of Johor and north of Indonesia's Riau Islands. At 704.0 km² (272 square miles), it is considered one of the few city-states in the world. The main island was a fishing village sparsely populated by indigenous Malays and Orang Lauts when it was colonized by the British East India Company in 1819. The British used the position as a tactical trading outpost along the spice route. Occupied by the Japanese Empire during World War II, it reverted to British rule in 1945 and was later part of the merger which established Malaysia in 1963. Two years later, it was expelled from the Federation, and became an independent Republic in Aug 1965. The new republic was admitted to the United Nations a month later.³¹

Since gaining independence, Singapore has seen its standard of living rise dramatically. Foreign investment and government-led island-wide industrialization have created a modern economy based on electronics and manufacturing, featuring entrepôt and financial trade centering around the country's strategic location. In terms of GDP per capita, Singapore is the 18th wealthiest country in the world. The geographically small nation has a foreign reserve of S\$212 billion (US\$139 billion). The Constitution of the Republic of Singapore established the city-state's political system as a representative democracy while the country has official United Nations' recognition as a parliamentary republic. The People's Action Party has won control of Parliament in every election since self-government in 1959.

Thailand is a country in South East Asia. To its east, lie Laos and Cambodia; to its south, the Gulf of Thailand and Malaysia; and to its west, the Andaman Sea and Burma. Its capital and largest city is Bangkok. Since the overthrow of the absolute monarchy in 1932, Thailand has had 17 constitutions and charters. Throughout this time, the form of government has ranged from military dictatorship to electoral democracy, but all governments have acknowledged a hereditary monarch as the head of state.³²

31 Mauzy, Diane K. & Milne, R. S. (2002). *Singapore Politics: Under the People's Action Party*. Routledge:London.

32 Funston, John. (2001), *Government and Politics Southeast Asia*. ISEAS:Singapore.

Vietnam is the easternmost nation on the Indochinese Peninsula. It borders China to the north, Laos to the northwest, and Cambodia to the southwest. On the country's east coast lies the South China Sea. With a population of over 85 million, Vietnam is the 13th most populous country in the world. The country is listed among the "Next Eleven" economies; according to government figures GDP, growth was 8.17% in 2006, the second fastest growth rate among countries in East Asia and the fastest in Southeast Asia.³³

The People's Republic of China is the largest country in East Asia. With over 1.31 billion people, it has the largest population of any country in the world. At 9,640,821 km² (actual administered territory) or 9,676,801 km² (including claimed territory of Taiwan), it is the world's third or fourth largest country in terms of total area. Its capital is Beijing. The Communist Party of China (CPC) has led the PRC under a single-party system since the state's establishment in 1949.³⁴

Japan is an island country in East Asia. Located in the Pacific Ocean, it lies to the east of China, Korea and Russia, stretching from the Sea of Okhotsk in the north to the East China Sea in the south. The characters that make up Japan's name mean "sun-origin", which is why Japan is sometimes identified as the "Land of the Rising Sun". Since adopting its constitution in 1947, Japan has maintained a unitary constitutional monarchy with an emperor and an elected parliament, the Diet. A great power, Japan is the world's second largest economy by nominal GDP after the United States of America. It is a member of the United Nations, G8, G4 and APEC, with the world's fifth largest defense budget. It is the world's fourth largest exporter and sixth largest importer.³⁵

South Korea officially known as the Republic of Korea is an East Asian state on the southern half of the Korean Peninsula. To the north, it is bordered by North Korea (Democratic People's Republic of Korea), with which it was united until 1945. To the west, across the Yellow Sea, lies China and to the southeast, across the Korea Strait, lies Japan. Approximately one-half of South Korea's population lives in or near the

33 Karmow, Stanley. (1997). Vietnam: A History. Penguin (Non-Classics):India.

34 Murphey, Rhoads. (1996). East Asia: A New History. U. of Michigan Press:US.

35 Totman, Conrad.(2002). A History of Japan, Blackwell:UK.

capital Seoul, the second most populous metropolitan area in the world. While the government officially embraced Western-style democracy from its founding, presidential elections suffered from rampant irregularities. It was not until 1987 that direct and fair presidential elections were held, largely prompted by popular demonstrations. South Korea has been a vibrant multi-party democracy for two decades.³⁶

The Commonwealth of Australia is a country in the southern hemisphere comprising the mainland of the world's smallest continent, the major island of Tasmania and a number of other islands in the Southern, Indian and Pacific Oceans. The neighbouring countries are Indonesia, East Timor and Papua New Guinea to the north, the Solomon Islands, Vanuatu and New Caledonia to the north-east, and New Zealand to the south-east. On 1 January 1901, the six colonies became a federation, and the Commonwealth of Australia was formed. Since federation, Australia has maintained a stable liberal democratic political system and remains a Commonwealth Realm.³⁷

The Republic of India is a sovereign country in South Asia. It is the seventh-largest country by geographical area, the second most populous country, and the most populous liberal democracy in the world. Bounded by the Indian Ocean on the south, the Arabian Sea on the west, and the Bay of Bengal on the east, India has a coastline of over 7500 kilometres. It borders Pakistan to the west; China, Nepal, and Bhutan to the north-east; and Bangladesh and Myanmar to the east. In the Indian Ocean, India is in the vicinity of Sri Lanka, Maldives, and Indonesia. Gradually annexed by the British East India Company from the early eighteenth century and colonised by the United Kingdom from the mid-nineteenth century, India became a modern nation-state in 1947 after a struggle for independence that was marked by widespread use of nonviolent resistance as a means of social protest.³⁸

With the world's twelfth largest economy by market exchange rates and the third largest in purchasing power, India has made rapid economic progress in the last decade. Although the country's standard of living is projected to rise sharply in the

36 Cumings, Bruce. (1997). *Korea's place in the sun*. W.W. Norton: New York.

37 Smith, L. (1980). *The Aboriginal Population of Australia*. Australian National University Press: Canberra.

38 Dixit, J.N. (2003). *India's Foreign Policy 1947-2003*. Picus Books: New Delhi.

next half-century, it currently battles high levels of poverty, illiteracy, persistent malnutrition, and environmental degradation.

New Zealand is a country in the south-western Pacific Ocean comprising two large islands (the North Island and the South Island) and numerous smaller islands, most notably Stewart Island/Rakiura and the Chatham Islands. In Māori, New Zealand has come to be known as Aotearoa, which is usually translated into English as *The Land of the Long White Cloud*. New Zealand is notable for its geographic isolation, being separated from Australia to the northwest by the Tasman Sea, approximately 2000 kilometres (1250 miles) across. Its closest neighbours to the north are New Caledonia, Fiji and Tonga. Political power is held by the democratically-elected Parliament of New Zealand under the leadership of the Prime Minister, who is the Head of Government.³⁹

The most significant contribution of EAS in this regard is that it provided a common platform for discussions to such a wide range of diversified nations. The first summit was held in Kuala Lumpur on December 14, 2005 and subsequent meetings were held after the annual ASEAN leaders' meetings. Russia participated in the first EAS as an observer and has expressed desire and even requested to become a member. Their position as a future member is supported by China. Russia has applied for membership and as of 2005, attends on observer status. Timor-Leste is a candidate ASEAN member seeking membership within five years (from 2006) presumably new members of ASEAN would also join the EAS. Pakistan and Mongolia have been proposed as future members by Malaysia. Papua New Guinea has been proposed as a future member by Australia. The United States has now stated that it hopes to have some role in the future of the EAS. The European Union has indicated it wishes to have a role as an observer. However, ASEAN has decided to freeze new "membership" of EAS for at least two years (which would seem to cover the second and third EAS).

39 Smith. L. (1980), *The Aboriginal Population of Australia*. Australian National University Press: Canberra.

The final report in 2002 of the East Asian Study Group, established by the ASEAN+3 countries, was based on an EAS involving ASEAN+3, therefore not involving Australia, New Zealand or India. The EAS as proposed was to be an ASEAN lead development, with the summit to be linked to ASEAN summit meetings however the issue was to which countries beyond those in ASEAN the EAS was to be extended to.

The decision to hold the EAS was reached during the 2004 ASEAN+3 summit and the initial 16 members determined at the ASEAN+3 Ministerial Meeting held in Laos at the end of July 2005. Credit for advancing the forum during the 2004 ASEAN+3 summits has been attributed to both the People's Republic of China and Malaysia⁴⁰.

Meetings held and scheduled are:

Meeting	Country	Location	Date	Note
First	Malaysia	Kuala Lumpur	December 14, 2005	Russia attended as an observer.
Second	Philippines	Cebu City	January 15, 2007	Rescheduled from December 13, 2006.
Third	Singapore	Singapore	November 21, 2007	Scheduled

The presence of non-East Asian countries. While India is included in Asia it is normally identified as part of South Asia not East Asia. Australia and New Zealand are usually included in Oceania rather than Asia, although some differ and the distinction can be unclear, and they may be seen as part of the Asia Pacific. The involvement of countries not seen as traditionally part of East Asia, especially Australia and New Zealand but to a lesser extent India as well, was seen as controversial by some. The inclusion of Australia and New Zealand was considered problematic as these nations were said to be neither geographically nor culturally part of Asia. Former Malaysian Prime Minister Mahathir bin Mohamad, credited with raising the idea of an East Asian caucus, was especially critical of the involvement of Australia and New Zealand. Australia's presence was only confirmed after Australia reversed its previous policy and agreed to execute ASEAN's Treaty of Amity and Cooperation. The

40 Brooks, Douglas, et al (2005). Growth, trade and integration: Long-term scenarios of developing Asia. Asian Development Bank: Manila.

presence of India was met by "quiet resistance" from China. This stance may have reflected, in part, the perception that the presence of India would act to lessen Chinese influence in the EAS, as discussed further below.

Although not strictly East Asian all three countries did have a notable history with ASEAN. In 1974 Australia became ASEAN's first dialogue partner. New Zealand became a dialogue partner in the following year, 1975. Summits with ASEAN for both countries were first held in 1977.⁴¹ Australia and New Zealand as the two Closer Economic Relations (CER) countries have also developed close ties with ASEAN and have been negotiating a CER-ASEAN free trade agreement since 2004. The linkages between ASEAN and India are more recent. India did not become a full ASEAN dialogue partner until 1995. Nevertheless India's "look East" policy has placed particular emphasis on building relationships in the Asian region⁴².

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Japan-China and Japan-South Korea ties were strained ahead of the first Summit because of Japanese Prime Minister Junichiro Koizumi controversial visits to the Yasukuni shrine, which honors 14 Class-A war criminals alongside Japan's other fallen soldiers. These visits are perceived by China and South Korea as symptomatic of a Japan that has not come to terms with its role in World War II, a conclusion disputed by Japan. The most recent (at the time) visit by Prime Minister Koizumi was on 17 October 2005, so the issue was still fresh by the EAS in December. As a result the traditional Japan-China-South Korea meeting on the sidelines of the ASEAN+3 meeting (which preceded the EAS) was cancelled by China and South Korea.

What exactly did this first meeting achieve? - a 'productive exchange of views' by leaders in a retreat setting without senior advisers, focusing on energy cooperation, the response to avian flu, counter terrorism, maritime security, challenges to socio-economic development, the removal of obstacles to trade and investment, community building and the setting up of a framework for multilateral cooperation. The East Asia

41 East Asia Vision Group (2001), Towards an East Asian Community -- Region of Peace, Prosperity and Progress Report submitted to the ASEAN+3 Summit in Brunei Darussalam.

42 Asher, Mukul and Srivastava, Sadhna. (2004). "Towards an Asian Economic Community: Vision of a New Asia". in Nagesh Kumar (Ed.). India and the Asian Economic Community, RIS and ISEAS: New Delhi and Singapore.



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Summit Declaration on Avian Influenza Prevention, Control and Response was adopted: ASEAN's role as the driving force behind the EAS was asserted with the ASEAN Secretariat to serve in practical coordination and implementation; and, it was agreed to meet annually.

The difficulties in the relationship between the "Plus Three" members (ie Japan, China and South Korea) of ASEAN+3 together with the positioning of parties due to the presence of the non-East Asian countries, India, Australia and New Zealand, resulted in limitations in what could be achieved at the inaugural EAS. The role of the inaugural EAS then became a confidence building and familiarisation exercise. The Kuala Lumpur declaration and the Avian Influenza Prevention, Control and Response declaration were signed by the 16 leaders during the first EAS.⁴³

After the confidence building of the inaugural EAS the 2006 EAS will help to define the future role of the EAS, its relationship with ASEAN+3 and the involvement of Russia in EAS. However in the face of Tropical Typhoon Utor the summit was postponed until January 2007. It has been re-scheduled for January 15, 2007, approximately a month after the original scheduled date. The meeting of EAS foreign ministers in Kuala Lumpur on 26 July 2006 identified energy, finance, education, avian flu and national disaster mitigation as the priority issues for the 2006 EAS. The Philippines, the host of the 2006 (now 2007) EAS, has also said the failure of the Doha Round will be on the agenda.⁴⁴

In April 2006 Japan announced a proposal for an East Asian Economic Partnership Agreement (also known as the Comprehensive Economic Partnership for East Asia (CEPEA) or the Nikai Initiative in reference to Toshihiro Nikai, the then Japanese Economic Minister) consisting of the current members of the EAS. Japan, the promoter of the concept, described it as an "East Asia OECD". Initially this was linked with a timetable for discussions to commence in 2008 and to conclude in 2010, which met with some scepticism. By August 2006 this had been refined to a Japanese proposal championed by Japanese Trade Minister Toshihiro Nikai consisting of: a

43 ASEAN (2007). 'Joint Statement on East Asia Cooperation'. [Online: web] Accessed 28 January, 2007. URL: <http://www.aseansec.org/4919.htm>

44 Ibid.

fund of US\$80 million to \$100 million to initiate a comprehensive economic partnership (CEP) with East Asia, modelled on the OECD; and an institution to be named the East Asia Economic Research Institute for ASEAN and East Asia (ERIA) in an ASEAN country to research the benefits of a proposed Free Trade Agreement between the 16-members of the EAS; and an East Asian Free Trade Agreement (EAFTA) between the EAS members.

Responses were mixed. Following the discussions of EAS Foreign Minister in Kuala Lumpur on 26 July 2006, to establish the agenda for the second EAS, it appeared that the proposal as it then stood did not have sufficient support to be included as an agenda item for the second EAS. Although the Philippines, which was the host for the second EAS, said trade would be on the agenda but in terms of the then present difficulties with the Doha Round. Nevertheless even after the meeting of the EAS Foreign Ministers, Japan appeared keen to continue to discuss the idea in terms of a Free Trade Agreement between the members of the EAS.⁴⁵

India came out publicly in support of a pan-Asia Free Trade Agreement. New Zealand expressed its support, as has Malaysia. Australia described the proposal as "interesting". Indonesia gave guarded support to the proposal linking it with the proposed East Asian Community and Asian Values. ASEAN gave its support to the Japanese proposal to research the proposed EAFTA. Ong Keng Yong, the secretary-general of ASEAN has suggested that "it can be done", referring to an EAFTA, and estimated it would take 10 years.⁴⁶

Nevertheless China, South Korea and ASEAN were also said to have indirectly expressed scepticism about the idea. The difficulties with the ASEAN - India FTA do not augur well for a larger FTA. Japan also had to defend itself from the allegation that the proposal was advanced as a mechanism to counter China. China appears to prefer the narrower grouping of ASEAN+3 for a future Free Trade Agreement. New Zealand has expressed confidence that China will support the proposal, especially if the research shows a benefit to East Asia from an EAFTA.

45 ASEAN (2006). 'Chairman's press statement of the 6th ASEAN+3 Foreign Ministers Meeting', [Online: web] Accessed 27 July, 2006, URL: <http://www.aseansec.org/17601.htm>

46 Ibid.

The United States of America has proposed a FTA within the members of APEC which may be in response to the suggestion of an FTA between the members of the EAS. Japan has suggested that the EAFTA could be used as a building block for the larger APEC FTA. The US is aggressively coming out against such a move concerned about a line down the middle of the Pacific while Asian economies are concerned about the US's ability to deliver a broad based FTA.

In September 2006 Toshihiro Nikai was replaced as Minister of Economy, Trade and Industry (Japan) by Akira Amari. Nikai's successor has pursued the Nikai initiative - Comprehensive Economic Partnership for East Asia (CEPEA). In November 2006 India and China announced plans to double bilateral trade by 2010. The growing relationship between the world's two most populous nations was seen as a potential source of stability and co-operation for the region. The two countries joint declaration of 21 November 2006 agreed to "cooperate closely" in the context of the EAS.⁴⁷

Further the change in leadership in Japan with Shinzo Abe's election to the Prime Ministership of Japan in September 2006 brought about some thawing in Japan's relationship with both China and South Korea. These changes suggested the potential for different dynamics in the second EAS to the tensions in the first. It is proposed that an agreement to standardise rules for bio-fuels and agreements on stockpiling fuels will form part of the 2006 EAS.⁴⁸

There are many outcomes of the second EAS:

Energy - The EAS members signed the Cebu Declaration on East Asian Energy Security, a declaration on energy security and biofuels containing statement for members to prepare, non-binding, targets.

Trade and the Comprehensive Economic Partnership for East Asia (CEPEA) - To deepen integration, they agreed to launch a Track Two study on a Comprehensive Economic Partnership in East Asia (CEPEA) among EAS participants. According to

47 ASEAN (2007). 'Joint Statement on East Asia Cooperation'. [Online: web] Accessed 28 January, 2007. URL: <http://www.aseanasec.org/4919.htm>

48 Ibid.

some press reports the debate as to whether there will be a trade grouping based on ASEAN+3 or the EAS.

The United States has subsequently stated that it opposes any trade group in the region not involving itself. The preference of the United States appears to be a trading group based on APEC. The members of EAS agreed to study the Japanese proposed Comprehensive Economic Partnership for East Asia (CEPEA). Establishing East Asian Community becomes common understanding.

Next, let's examine the type of architecture that has actually been erected in the name of the East Asian Community vision⁴⁹. In the first place, what types of values comprise the foundation of this architecture? For example, the requirement for membership in the recent East Asia Summit was status as a signature party of the Treaty of Amity and Cooperation in Southeast Asia. The essential points of this treaty, meanwhile, are respect for sovereignty and amicable cooperation. The call for amicable cooperation on the groundwork of respect for sovereignty is a statement of the most basic philosophy in the quest for community. It is important to understand, therefore, that this call comprises the original foundation for the East Asian Community vision.

However, the type of architecture which is actually in force is quite different. Structured with ASEAN+3 as the framework, currency cooperation is being conducted as a group of bilateral swap treaties--namely, Japan-China, Japan-Thailand, Japan-South Korea, South Korea-Thailand, South Korea-China, China-Thailand and China-Singapore. For trade cooperation, in the case of Japan the present approach includes both the kind of bilateral agreements entered into with Indonesia, Thailand and Malaysia, as well the Japan-ASEAN treaty. From an overall perspective, however, the actual approach to trade partnerships is being advanced as the ASEAN+1 framework of Japan-ASEAN, ASEAN-China, ASEAN-South Korea and ASEAN-India. The East Asia Summit structure, meanwhile, consists of ASEAN plus

49 Kesavapany, K. (2005), "A New Regional Architecture: Building the Asian Community", public lecture delivered on 31 March, 2005 in New Delhi, excerpted in New Asia Monitor.

the three countries of Japan, South Korea and China, as well as the additional trio of India, Australia and New Zealand -- in other words, ASEAN+3+3.⁵⁰

APEC is effectively comprised of ASEAN+3, with the United States, Taiwan and others additionally coming onboard as "α." In the same way, the ASEAN Regional Forum (ARF) also adopts the ASEAN+3+α format. The upshot, therefore, is that the architecture currently used to bring the East Asian Community into existence does not comprise the caliber of strict and intrusive coalition, like that of the European Union, in which a basic treaty is signed and an extremely long list of conditions must be fulfilled to gain membership. It makes more sense to categorize the East Asian Community as a functional network-format mechanism extending across the individual regions, while retaining ASEAN as the hub.

Now the issue is how to proceed:

Firstly, there is a need to enhance the existing interdependent relations and common interest through various devices including, for instance, FTA arrangements. It would be ideal to find a way to coordinate all of these multi-layered arrangements in the region eventually into one, i.e., an East Asian FTA. FTA seems to present a new path to the open regionalism, which is different from APEC. APEC is open regionalism based on unilateral liberalization. FTA is different from a common market, and it is also different from a custom union. The key factor here is whether China and Japan will compete or cooperate in this process.⁵¹

Secondly, East Asian Community must be based on regional institutions. Therefore, it will be very important to move the current 10+3 process into the East Asia summit, bring all of these separated and multi-layered FTAs into one East Asian FTA, and further promote the Chiang Mai initiative into a common regional financial architecture. Also it would be important to establish some kind of security forum or institution.⁵²

50 Stubbs, Richard (2002), "ASEAN+3: Emerging East Asian Regionalism?", *Asian Survey*, 42 (3):440-455.

51 Thomas, Nick (2002), "Building an East Asian Community: Origins, Structure, and Limits?", *Asian Perspective*, 26(4): 91.

52 Ibid.

One complicating issue is how to find a way to accommodate the U.S. in the East Asian regional community, perhaps not as a member but as an important partner. ARF is a possible conduit, but ARF seems to be too broad. It seems that the U.S. has gradually accepted that a regional integration in East Asia will not hurt its interests. Besides, it should be easier to convince the U.S. of the importance of an East Asian community because of China's rise. Handling China would be a difficult task if individual East Asian countries have to address separately, but it would probably be easier if tackled as a region.

A lot, therefore, seems to depend on China's behavior in the future. Its economic future remains worrisome, but it seems most people still are optimistic about it. Economists seem to believe that high growth is possible for the next decade or two, because of China's unique potential and a lot of favorable factors surrounding China.

Another issue is the so-called new face of China's foreign policy. This new face is based on two basic factors: one is the domestic-centered thinking, or preoccupation with the domestic situations on the part of Chinese leaders, and the other is the stability of the outside environment which is helpful for China to realize its transition and modernization. "Asian Community" emerging. This, then, represents one of the key directions behind this concept acquiring a firm following.

The EAS is just one regional grouping and some members down play its significance, the Australian Prime Minister John Howard has stated that the EAS was secondary as a regional summit to Asia-Pacific Economic Cooperation (APEC) which has on his view a premier role. Not all members of EAS are members of APEC. China has stated its preference for both EAS and ASEAN+3 to exist side-by-side.

The relationship between APEC, ASEAN+3 and the EAS remained unresolved heading into the 2007 APEC meeting. Following the meeting Malaysian Prime Minister Abdullah Badawi described ASEAN+3 as the primary vehicle and implied APEC was the lesser of the three. At the same time a Malaysian commentator writing in a Singaporean newspaper described concentric circles for the three with ASEAN+3

at the centre and APEC at the outer, also suggested the Nikai Initiative, with its regional OECD like plans, might overtaking the remaining role for APEC.

However, the EAS has its challenges and critics. Relations in North-East Asia are in a 'state of disrepair'. Myanmar's repression of democratic movements has been a challenge to ASEAN's principles of non-interference and consensus building. Asymmetries within ASEAN such as wide economic disparities and levels of development as well as extra-ASEAN bilateral trade pacts tend to pull the region apart. Furthermore, the EAS has to stay manageable with ASEAN truly in the 'driver's seat'. It has to have real 'teeth' so as to not be just a talkfest - a criticism of APEC. Furthermore it will, at least in the near term, not replace the ASEAN+3 process, adding to possible overlapping with the plethora of regional organisations spanning East Asia and beyond.⁵³

Prominent amongst its critics is no less than Dr Mahathir, who maintains that India is not an East Asian country and nor are New Zealand and Australia - the attendance of the latter possibly serving to project 'United States views' into the summit. He suggests it should have been called an East Asian Australasian Summit, thus indicating his continued support of the original EAEG/EAEC or ASEAN+3 approach.

The shape of the East Asia Community remains something to be defined in the future. Some have linked the EAS with a future broader Asian Economic Community like the European Community. However some commentators see this as overly optimistic vision and it is plainly in the very distant future if it is to occur - the European Community has taken decades to reach its current shape.⁵⁴

On any view community building is not a short term project. However after the second EAS the Indian Prime Minister Dr. Manmohan Singh was confident that the EAS would lead to an East Asia Community. China had also apparently accepted this was the case. If achieved the Comprehensive Economic Partnership for East Asia (CEPEA) would be a tangible first step in the community building process.

⁵³ Chalermpananupap, Termsak (2002). 'Towards an East Asian Community: The journey has begun', [Online: web] Accessed 24 October, 2005

⁵⁴ Ibid.

For the moment currency union, as distinct from the Asian Currency Unit, is not even being pursued within ASEAN, much less the broader members of the EAS.

The cultural, religious, language and racial groupings in the EAS are diverse. There is also great disparity in the size and level of development in the economies and in the populations of the nations involved. Plainly the level of support within the EAS for such an ambitious role for the EAS is mixed. The outcomes of EAS 2006 may provide some indication for the role and shape of EAS in East Asian community building. Strengthening East Asian cooperation is not only advantageous to countries in the region but also conducive to world peace and prosperity. The US is fully aware of these positive factors. Its attitude toward establishing an East Asian community has a big change from previous opposition. Further, establishing an East Asian Free Trade Area has strong potential to create economic underlay and encourage development of economic and business linkages that are vital for forming an East Asian Community. Japan and China have both been committed to establishing an East Asian Free Trade Area as an efficient means for transforming the APT nations into an East Asian Community. This economic dimension of the East Asian Community forms the subject matter of next chapter.

Chapter II

The Economic Dimension of East Asian Community

Since the Asian financial crisis, there has been growing positive sentiment towards formalising regional co-operation in East Asia, beginning with financial cooperation as part of the response to the crisis and more recently in the formation of bilateral and regional trade arrangements. The impetus varies between regional trade arrangements (RTA) but a number of motivating factors may be behind this trend. These factors include regional response to the aftermath of the Asian financial crisis, the China challenge and the slow progress in WTO and other regional agreements and co-operation schemes and as a response to widening and broadening economic integration in Europe and North America.¹

Thus, it can be said that economic integration in East Asia has proceeded smoothly as seen in the expansion of cross-border trade and investment within the region. However, this is not a case of institution-led integration but the result of active cross-border investments by multinational companies and the subsequent expansion of interregional trade. That is to say, economic integration in East Asia has been driven by economic reality, not by institutions. Various motivations underlie this effort, namely, the need to establish a regional (institutional) identity in view of other existing regional arrangements; the need to amplify an East Asian voice on regional and global issues; and the need to promote regional peace and prosperity through cooperation, given the region's own internal dynamics.²

The above trend had its genesis in the past. The Asian region has a distinct Asian identity shaped by history and cultural exchanges over several centuries. There have been vibrant flows of goods and services as well as labour and capital amongst Asian countries

¹ Wahid, Abu N.M (1997). *The ASEAN Region In Transition: A Socio-Economic Perspective*, Aldershot: Ashgate.

² Ibid.

sustained over several centuries. In the ancient time, the famed Silk Routes provided the channels for such exchanges. During the nineteenth century, the colonial powers provided the framework for extensive and liberal trade within Asia in goods and services as well as massive movements of labour and capital.³

Even during the first half of the 20th century the intra-regional trade ratio was over 50 per cent in the region. These trade and investment flows were disrupted by political and military factors during the colonial period and in the post-war Asia. Along with the trade there was a vibrant exchange of ideas. As evident from the historical narrative, ideological influences spread across the nations binding them in ties of religion. Hinduism and with it the art of governance of Chanakya found its way across to much of Indonesia, Malaysia and Thailand. The sweep of Buddhism is well known.

Religion has been a strong unifying factor for with the religious beliefs comes a way of life and as religious influence spread so did the cultural ties. Pagan, Borobudur and Angkor Wat are only but a small testimony to the vast trading and cultural network that Asia had in ancient times. Hence a broader overarching framework alone will allow optimal utilization of Asia's resources and synergies for their mutual common benefit. Asian developing countries had made a number of attempts at regional economic cooperation in the 1970s with UN-ESCAP's initiative. These include the Bangkok Agreement⁴ which suffered from its limited coverage of membership as well as products covered, preference margins not being deep enough and its scope not extending to the non-tariff barriers.

Successful experiences with regional economic integration in the industrialized countries since the mid-1980s in Europe and North America have also prompted Southeast and South Asian countries to adopt economic integration strategies. For instance, although set up in 1967, ASEAN had limited co-operation in economic areas until 1992 when it

3 Beri, K.K. (1994), *History and Culture of Southeast Asia (Modern)*, Sterling Publishers (P) Limited: New Delhi.

4 Bangkok Agreement was established in 1975 which covered exchange of tariff concessions between five member governments viz. Bangladesh, India, Lao PDK, South Korea and Sri Lanka. In 2000, China also joined the Bangkok Agreement.

decided to set up the ASEAN Free Trade Area (AFTA). Similarly SAARC came into being in 1985, it adopted a programme of economic cooperation on its agenda only in 1991 with the formation of Committee on Economic Cooperation (CEC). The East Asian Crisis of 1997 highlighted the importance of regional economic cooperation. The ASEAN countries expedited the programme of implementation of ASEAN Free Trade Area (AFTA) and moved on to further deepen the economic integration.⁵

The crisis also led to launch of several regional initiatives such as the Chiang-Mai Initiative which involves ASEAN+3 (Japan, China, and South Korea) countries. Besides this the ASEAN's policy of engaging key Asian countries namely Japan, China, India and South Korea as dialogue partners have provided much needed cohesion in the Asian region as is clear from the numerous schemes of regional and bilateral free trade arrangements that are at different levels of implementation. However, it can be argued that the sub-regional or bilateral attempts at regional co-operation that have been initiated such as those under the framework of ASEAN and SAARC or the dialogue partners while desirable are unlikely to exploit the full potential of the regional economic integration Asia and hence are sub-optimal.⁶

This is because the extent of complementarities are limited at the sub-regional levels because of similar factor endowments and economic structures within a neighbourhood. It is clear from the fact that trade of ASEAN or SAARC countries with the East Asian countries is much larger than their intra-subregional trade. It is for this reason that the success achieved so far from the sub-regional or bilateral attempts at cooperation have so far been meagre. At the broader Asian level, on the other hand, the diversities in the levels of economic development and capabilities are quite wide thus providing for more extensive and mutually beneficial linkages. The diversity in economic structure provides its own indigenous capacity and markets for dynamic industrial restructuring within the region on the basis of 'flying geese' patterns. Hence, Asia needs an overarching Asia-

5 Wahid, Abu N.M (1997), *The ASEAN Region In Transition: A Socio-Economic Perspective*, Aldershot: Ashgate.

6 Than, Mya (2001), *ASEAN Beyond the Regional Crisis: Challenges and Initiatives*, Institute of Southeast Asian Studies: Singapore.

wide scheme of economic integration to fully exploit the full potential of efficiency seeking industrial restructuring or to exploit the synergies that exist in the region. Among other factors the twin scourges of SARS and terrorism have also promoted East Asian regionalism.

Before the financial crisis, economic integration was essentially market-led. The crisis saw the gathering of a momentum for a policy-led integration and proved to be a major catalyst in East Asia's search for an institutional identity. It also demonstrated the ineffectiveness of APEC and ASEAN as neither was in the position to help the crisis-hit countries. Furthermore, there was resentment with the way the International Monetary Fund (IMF), in conjunction with the US government, handled the crisis by imposing a set of solutions that only served to exacerbate the situation. Countries in East Asia thus looked to the emerging ASEAN Plus Three (APT) process as the best vehicle for developing a strategy for dealing with future crises.⁷ In May 2000, on the sidelines of the annual meeting of the Asian Development Bank (ADB) in Chiang Mai, the finance ministers of the APT agreed to pool their hard currency resources. The hope is that this Chiang Mai Initiative (CMI) will become the cornerstone of East Asian cooperation. In addition to reiterating the need for strengthened policy dialogues and regional cooperation activities, the CMI called for:

- An expanded ASEAN Swap Arrangements (ASA) that would include all ASEAN countries and a network of bilateral swap and repurchase agreement (BSA) facilities among ASEAN countries, China, Japan, and Korea.
- Use of the APT framework to promote the exchange of consistent and timely data and information on capital flows.
- Establishment of a regional financing arrangement to supplement existing international facilities.

⁷ Than, Mya (2001), *ASEAN Beyond the Regional Crisis: Challenges and Initiatives*, Institute of Southeast Asian Studies: Singapore.

- Establishment of an appropriate mechanism (the EWS) that could enhance the ability to provide sufficient and timely financial stability in the East Asian region.⁸

The CMI is seen as a significant step as it is the first concrete agreement among ASEAN countries, China, Japan, and Korea to strengthen cooperation in the financial area. The CMI is also seen as a launch pad from which to broaden and deepen their cooperation and coordination to ensure financial stability. East Asia has definitely moved ahead rather significantly in terms of monetary and financial cooperation. This was seen as a first step in ASEAN's transformation as a regional organization.⁹

APT framework is the appropriate grouping for regional financial cooperation because this group has begun to develop a common vision for East Asia. The annual APT summits provide a basis for strong political support.. With the development of the ASEAN Plus Three (APT) process, it can be said that ASEAN has taken the lead in establishing the foundation for eventual East Asian economic integration. In addition, APT members do share a common understanding of the need to organize themselves in a regional arrangement.¹⁰

The JEG Report listed some of the reasons to do so. These include: (a) greater ability to meet the challenge of globalization as well as the emergence of economic blocs in the Americas, Europe and elsewhere; (b) greater economic benefit from the region-wide arrangement compared to those from sub-regional arrangements such as ASEAN (AFTA) or the bilateral ASEAN+1 FTAs; (c) fuller realization of East Asian production networks and the potentials of intra-regional trade as well as make East Asian production more internationally competitive; (d) more active involvement of smaller and less developed East Asian countries, preventing them from becoming marginalized by the proliferation of sub-regional and bilateral FTAs, and drawing them into the mainstream of trade and

8 Than, Mya (2001), *ASEAN Beyond the Regional Crisis: Challenges and Initiatives*, Institute of Southeast Asian Studies: Singapore

9 Ibid.

10 Stubbs, Richard (2002), "ASEAN plus Three: Emerging East Asian Regionalism?", *Asian Survey*, 42(3): 440-455.

investment development and growth in East Asia; (e) market consolidation to achieve economies of scale and overcoming the “spaghetti bowl” effect; (f) reducing political and military conflicts in the region as well as increase East Asian “voice” in international organization and fora.¹¹

APT members could voluntarily divide the tasks of organizing the working groups, and in that sense provide issue-specific leadership in the process.

The APT process attracted the involvement of the heads of state. The first (informal) APT Summit was held in December 1997 in Kuala Lumpur. The Asian financial crisis appears to have provided the impetus for this Summit. Although the process has been and is essentially driven by ASEAN, the agenda setting was not monopolized by ASEAN. In the Second APT Summit in Hanoi in November 1998, Korea’s President, Kim Dae-jung, made his mark by proposing the establishment of an East Asia Vision Group (EAVG) to craft out a mid- to long-term vision for the cooperation.¹²

The Third APT Summit in Manila in November 1999 was held under the banner of “East Asian Cooperation”. The meeting discussed various ways to promote cooperation and to cope with the new challenges of the 21st Century. APT heads of state adopted the “Joint Statement on East Asian Cooperation” suggesting cooperative measures in various areas including security, economy, culture, and development strategy. This agreement led to the launching since 2000 of a series of APT meetings of finance and economic ministers, in addition to those of foreign ministers.¹³

In May 2000, at the APT Finance Ministers Meeting, discussions on the need to build a regional financial framework led to the adoption of the so-called Chiang Mai Initiative (CMI). This initiative aims at creating a network out of existing currency swap arrangements of ASEAN and bilaterally between ASEAN members and the other Three countries.

11 Stubbs, Richard (2002), "ASEAN plus Three: Emerging East Asian Regionalism?", *Asian Survey*, 42(3): 440-455.

12 Kikuchi, Tsutomu (2002), "East Asian Regionalism: A look at the "ASEAN plus Three framework", *Japan Review of International Affairs*, 16(1): 23-45.

13 Ibid.

In the Fourth APT Summit in Singapore in November 2000, Chinese Prime Minister Zhu Rongji came up with suggestions that the APT should focus on the following areas of cooperation: the development of Mekong River Basin transportation and communication infrastructure, IT (information technology), human resources development, agriculture, and tourism.¹⁴ China also took the initiative to convene an APT agriculture and forestry ministers, and offered to host an agricultural technology and cooperation business forum. Korean President Kim Dae-jung proposed the establishment of an East Asia Study Group (EASG), consisting of officials, with the mandate to assess the recommendations of the EAVG, and from that assessment, sort out a practical number of concrete measures that should be given high priority and are relatively easy to carry out. Its other task is to explore the idea and implications of an East Asian Summit.

The Singapore Summit concluded with a public statement by Prime Minister Goh Chok Tong, highlighting the “two big ideas” that emerged from the discussion, namely the development of institutional links between Southeast Asia and Northeast Asia, and the setting up of a working group to study the merits of an East Asian free trade and investment area. In response to suggestions of transforming the APT Summit into some kind of East Asia Summit, he recommended a gradual evolution. He noted, however, that what was important was that the leaders of the thirteen countries were starting to think as “East Asian.”

At the Fifth APT Summit in Brunei Darussalam in November 2001, leaders endorsed the Report by the EAVG, including the development towards an East Asian Economic Community, among other means through the creation of an East Asian Free Trade Area. In addition, through the ASEM framework, in January 2001 the finance ministers have launched the so-called Kobe Research Project. The project is designed to facilitate inter-regional research cooperation on issues of monetary and financial cooperation in East Asia, taking into account the lessons learned from the European integration experience

¹⁴ Kikuchi, Tsutomu (2002), "East Asian Regionalism: A look at the "ASEAN plus Three framework", *Japan Review of International Affairs*, 16(1): 23-45.

However, this meeting and the agreements reached were overshadowed by China's "surprising" proposal for an ASEAN-China Free Trade Agreement.¹⁵

The Sixth APT Summit in Phnom Penh in November 2002 was also overshadowed by global terrorism issues as well as the signing of the Framework Agreement on ASEAN-China Comprehensive Economic Cooperation, which provides the basis for negotiating an ASEAN-China Free Trade Agreement (ACFTA).

The above development shows that the APT process appears to have moved its main attention away from financial cooperation to developing FTAs in the region, seen as building blocks for an eventual region-wide free trade area, the East Asian Free Trade Area (EAFTA). It is in this light that Japan's proposal to establish an Economic Research Institute for ASEAN and East Asia (ERIA) has been welcomed. The premise for establishing this institute is that ASEAN has a critical role to play in community building in East Asia (being in the driver's seat) and strengthening ASEAN's capacity and supporting its efforts to realizing the ASEAN Economic Community would contribute to East Asia community building. ERIA will be established as a regional institution. Japan has pledged to provide substantial finances for ERIA. ERIA should interact with and provide intellectual inputs to the EAFTA Working Groups. This will help create a strong foundation for the process to form an EAFTA, a core element in East Asia's desire to create an East Asian community and a concrete manifestation of East Asia's efforts to develop its institutional identity.¹⁶

Indeed, the EAVG Report made the suggestion that among the key priorities of the EAS could be to create regional institutional infrastructures for an East Asian FTA (EAFTA) combining all the EAS participating countries to provide a seamless market to the Asian businesses and industry which could be achieved by adopting a building block approach, and consolidating the existing bilateral and sub-regional FTAs in the region. The EAFTA could aim to liberalize barriers to intra-regional trade in goods and services and

¹⁵ Ibid.

¹⁶ Koh, Tommy, "Progress towards an East Asia free trade area". *International Herald Tribune*, 14 December, 1999.

investments in phased manner latest by 2020 with provisions for safeguards for sensitive products, special and differential treatment, and dispute resolution for countries at different levels of development.¹⁷

On the EAFTA proposal, the EASG was of the view that it will help boost intra-regional trade and investment. Its establishment may take the form of encompassing the bilateral and sub-regional FTAs. It also stated that the establishment of an EAFTA should take into account the differences in economic development of East Asian countries. The Report of the EASG placed the formation of an EAFTA as “a long-term goal, taking into account the variety of differences in developmental stages and the varied interests of the countries in the region.

This suggestion was taken up at the APT Summit in Vientiane in November 2004. Leaders exchanged views on the establishment of an EAFTA and welcomed the decision by the APT Economic Ministers to set up an expert group to conduct a feasibility study of EAFTA. A Joint Expert Group (JEG) for Feasibility Study on EAFTA was established in 2005 and submitted its Report in July 2006 for consideration by APT ministers and leaders.¹⁸

The Report made the following general observations:

The rationale for EAFTA lies firmly in both economic and political interests of all East Asian countries. The economic benefits from EAFTA exceed those from AFTA, any ASEAN+1 FTA, or any other bilateral and sub-regional arrangement. An EAFTA would increase awareness of a common destiny, institutionalize dialogues and contacts and increase mutual understanding and cooperation.

The initial conditions in East Asia form an important foundation for an EAFTA. As East Asian countries have been undergoing continuous trade and investment liberalization, an EAFTA with trade and investment as its core is highly desirable.

Results of a simulation analysis show that East Asian countries will benefit from EAFTA, as they can expect an increase in both production and economic welfare. At a minimum,

¹⁷ Ibid.

¹⁸JEG Report(2006), *Towards an East Asia FTA: Modality and Road Map*, for Feasibility Study of EAFTA was submitted to APT Economic Ministers and APT leaders in July 2006.

EAFTA would increase overall GDP of East Asian countries by 1.2% and increase economic welfare by US\$ 104.6 billion.

East Asia should strive for a high quality FTA by being comprehensive in scope, removing trade and investment barriers, strengthening capacity and fostering open regionalism. It will lead to further deepening of economic integration, enhancing the competitiveness of production networks, and progressively reduce development gaps among East Asian countries.¹⁹

The Northeast Asian countries (China, Japan and Korea) are not likely to pursue a FTA. APT leaders, therefore, should consider the third option, namely to launch an “independent process” to form an EAFTA. This process can take into account all existing and ongoing East Asian FTAs, but need not be constrained by them. An independent process for the formation of an EAFTA could have the following sequence of actions:

APT leaders to declare the launch of this process at the 2006 APT Summit in Cebu, the Philippines.

Working groups to be formed in 2007 to prepare for the EAFTA negotiations and be given two years to undertake joint studies on the various elements of the agreement.

EAFTA negotiations to begin in 2009 and to be concluded in 2011.

EAFTA to be completed in 2016 and no later than 2020 for the CLMV countries (Cambodia, Laos, Myanmar, Vietnam).²⁰

The proposed timeline for achieving EAFTA appears consistent with the target dates to realizing the ASEAN Economic Community (2015) and the ASEAN+1 FTAs with China, Japan, and Korea, and as suggested by the EAVG would be achieved ahead of the APEC Bogor Goal.

Different approaches to forming EAFTA have been suggested. One approach is through {3 x (ASEAN+1)}, namely by building on the separate free trade agreements between ASEAN and the Plus Three countries (China, Japan, Korea). The second is to first develop an arrangement in Northeast Asia (China, Japan, Korea), and subsequently link it

19 JEG Report(2006). Towards an East Asia FTA: Modality and Road Map, for Feasibility Study of EAFTA was submitted to APT Economic Ministers and APT leaders in July 2006.

20 Ibid.

to ASEAN. The third is an ASEAN+3 process. Although no efforts have been made to forge an agreement amongst East Asian governments on which approach to take, ASEAN is already negotiating FTAs with the Plus Three countries. Perhaps, as suggested earlier by the EASG, these bilateral FTAs between ASEAN and its Dialogue Partners are seen as the most promising building blocks towards the creation of an EAFTA.²¹

These initiatives began with the approaches by China. Prior to this, ASEAN on its part did not regard free trade areas (FTAs) as a major element in its international economic diplomacy. ASEAN's own economic integration has been the priority following the decision in 1992 to form an ASEAN Free Trade Area (AFTA), which was followed by initiatives in the fields of investment (AIA, the ASEAN Investment Area) and services (AFAS, the ASEAN Framework Agreement on Services), and a few other measures. Beyond AFTA, it has directed its trade liberalization efforts at the multilateral level, in particular the WTO's Doha Development Agenda. At the regional level, ASEAN members of APEC attempt to continuously improve their Individual Actions Plans (IAPs) under the region's modality of *concerted unilateral liberalization towards free and open trade and investment in the region in 2010/2020*. APEC, as distinct from WTO, is a voluntary and non-binding process, and ASEAN members were comfortable with this. The idea of EAFTA is seen as an important element in an East Asian community. An EAC, however defined, will be much more far reaching than EAFTA.²²

As it is now defined, the EAS differs from the APT in that it is largely a forum for dialogue on strategic issues. The process is said to be "leaders-led," meaning that it can have a flexible and broad agenda in accordance with what the leaders deem relevant. This forum is no less important for community building as political and strategic developments in the East Asian region cannot be taken for granted. Dialogues in the EAS could lead to agreements to take actions on specific problems such as on dealing with the avian flu. The EAS need not necessarily develop institutions or mechanisms to

21 Liu, Fu-Kuo (2003), "East Asian Regionalism: Theoretical Perspectives," in Fu-Kuo Liu and Philippe Requier (eds.) *Regionalism in East Asia: Paradigm Shifting?*, Routledge-Curzon: London.

d? the new East Asian regionalism", *International Relations*

implement them. Instead, it can assign the tasks to existing bodies such as the ARF, APT, ESCAP, the ADB, or even APEC. There is, however, still a great deal of confusion about what an East Asian Community entails. Its meaning has not been clarified amongst regional countries.²³

In East Asia the desire to form a Community may have its origin in the concept of “regional community building” which can be seen as a post-Cold War approach in Asia to create a regional order. This regional order goes beyond the traditional concept of a balance of power. During the Cold War, a regional order was imposed upon East Asia, and that regional order was largely influenced by the East-West divide. In the post-Cold War era, East Asia drifted to craft a regional multilateral order that promotes peace and prosperity through mutual trust and respect and in the spirit of cooperation. Asia Pacific Economic Cooperation or APEC is the first product of this post-Cold War era which involves East Asian economies.²⁴ In fact, East Asian economies form the core members of APEC. From the outset East Asian participants recognized the importance of involving the United States in the process. Although the United States is not an Asian power, its critical role in the region’s security earns her a legitimate place in East Asia. In addition, her economic involvement in the region is huge. The term “Asia Pacific” has been created to capture this geopolitical and geo-economic reality, and is used to justify the incorporation of the United States into this process. APEC’s main challenge was to show that the “soft” approach of regional community building can produce concrete results. It should be noted, however, that APEC has been designed as just one of the pillars of a regional order for the Asia Pacific.²⁵

A different development is taking place in Southeast Asia today. ASEAN, the oldest regional cooperation arrangement in East Asia, has decided to embark on a process towards the creation of an ASEAN Community. In 2003, the ASEAN leaders declared that “An ASEAN Community shall be established comprising three pillars, namely

23 Ravenhill. John (2002), “A three bloc world? the new East Asian regionalism”, *International Relations of the Asia-Pacific*, 2(2): 167-95.

24 Jayasuriya. Kanishka (2000), “Asia-Pacific regionalism in the form of ‘minilateralism’”, *The Strait Times*, Singapore, 18 November, 2000.

25 *Ibid.*

political and security cooperation, economic, cooperation, and socio-cultural cooperation that are closely intertwined and mutually reinforcing for the purpose of ensuring durable peace, stability and shared prosperity in the region.” They also agreed to realize the ASEAN Community by 2020. Each of the three pillars is being pursued through an action plan that is elaborated in the so-called Vientiane Action Program (VAP).

The ASEAN Economic Community (AEC) as described in the Declaration “is the realization of the end-goal of economic integration ... to create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a freer flow of capital ...”.²⁶ Furthermore, the AEC shall establish ASEAN as a single market and production base. In August 2006 ASEAN Economic Ministers proposed that the target date for achieving the AEC be brought forward from 2010 to 2015.

The East Asia Vision Group (EAVG), set up by the leaders, recommended in its 2001 Report, *Towards an East Asian community*, that East Asia should move “from a region of nations to a bona fide regional community where collective efforts are made for peace, prosperity and progress. The economic field, including trade, investment, and finance, is expected to serve as the catalyst in this community-building process.”

In the field of economic cooperation, the vision is that of a progressive integration of the East Asian economy, ultimately leading to an East Asian economic community. Economic integration is to be pursued through the liberalization of trade and investment, development and technological cooperation, and information technology development.²⁷ In trade, it recommended the formation of an East Asia Free Trade Area (EAFTA), and the liberalization of trade should be well ahead of the Bogor Goal set by APEC. In investment, it proposed the establishment of an East Asian Investment Area (EAIA) by expanding the Framework Agreement on ASEAN Investment Area (AIA) to cover East

26 Kumar. Nagesh (Ed.) (2004), *Towards an Asian Economic Community: Vision of a New Asia*, RIS and ISEAS: New Delhi and Singapore.

27 East Asia Vision Group (2001), *Towards an East Asian Community -- Region of Peace, Prosperity and Progress*, The ASEAN Plus Three Summit, Brunei Darussalam.

Asia as a whole. In the area of finance, the recommendation towards greater financial integration was to adopt a staged, two-track approach, namely for the establishment of a self-help arrangement (e.g. an East Asian Monetary Fund) and for coordinating a suitable exchange rate mechanism amongst countries in the region.²⁸

The EAVG has also listed the various motivations for the development of an East Asian community. Three considerations have stood out:

First, the need to establish a regional (institutional) identity, in view of the fact that other regions (Europe and the Americas) have established or are developing their own regional arrangement.

Second, the need to amplify an East Asian voice on regional and global issues, in view of East Asia's increased stakes in regional and global developments.

Third, the need to promote regional peace and prosperity through cooperation, given the region's own internal dynamics.

Despite this compelling rationale, difficulties and obstacles in creating an East Asian community have also been recognized.

Three problems have been identified as the foremost are:

First, the great diversities amongst countries in the region, and especially the large gaps in levels of economic development.

Second, the lack of a mechanism (and tradition) for regional cooperation in Northeast Asia.

Third, the prevailing politico security problems in the region (China-Taiwan, the Korean Peninsula, and to a much lesser extent the South China Sea).

The search for an institutional identity in East Asia, as in other regions, tends to be dominated by ideas about regional trade structures, in particular FTAs. In a region as diverse as East Asia it will not be easy to establish a regional-wide free trade arrangement. There are suggestions that perhaps such a regional arrangement can result from the development of bilateral or sub-regional trading arrangements as its building

²⁸ East Asia Vision Group (2001). Towards an East Asian Community -- Region of Peace, Prosperity and Progress, The ASEAN Plus Three Summit, Brunei Darussalam.

blocks. Recent initiatives to form bilateral FTAs may be inspired by that idea. Still another route, is through financial cooperation. The route that is currently being taken, namely along the pragmatic, develop-as-you-go approach, is perhaps the politically preferred one. However, there needs to be a clear vision and strategy as to how the APT process can be strengthened by the bilateral initiatives.²⁹

ASEAN appears to have become more inclined to develop bilateral initiatives. A region-wide initiative does not seem to be the preferred option. Perhaps there are concerns in ASEAN that in a region-wide arrangement it would be overwhelmed by the much larger Northeast Asian region. The combined GDP of the three Northeast Asian countries is currently about 13 times larger than ASEAN's GDP. At the ASEAN Economic Ministers Meeting in September 2002, Singapore Trade and Industry Minister, George Yeo, stated that "it has long been a position of ASEAN that we deal separately with China, with Japan, with Korea in order to secure a certain position for ourselves."³⁰

Indeed, ASEAN's strategy seems to have been reinforced by the favorable response from a number of its economic partners. All of a sudden ASEAN has been brought to the lime light (again). ASEAN will definitely exploit this opportunity in order to be able to come out from the back stage, where it has been pushed to since the financial crisis. As has been reported, Singapore's Prime Minister Goh Chok Tong is now talking about the ASEAN jumbo jet that has one wing in the making in the East, through agreements with China and Japan. India's proposal provides the second wing.³¹

In addition to going bilateral, it appears that there has emerged an ASEAN understanding that any economic cooperation arrangement today, be it bilateral, sub-regional or inter-regional, cannot have a narrow agenda. Any FTA initiative today will have to be of a "new age" type. It is going to have a broad, comprehensive agenda that covers a host of

29 Leinbach, T.R. and Ulak. R (2000). *South East Asia: Diversity and Development*, Upper Saddle River: New Jersey.

30 Hund, Markus (2003), "ASEAN Plus Three: Towards a New Age of Pan-East Asian Regionalism? A Skeptic's Appraisal", *The Pacific Review*, 16(3): 383-417.

31 Ravenhill, John (2002), "A three bloc world? the new East Asian regionalism", *International Relations of the Asia-Pacific*, 2(2): 167-95.

non-border measures in addition to border liberalization efforts. It is clear that ASEAN has to formulate a comprehensive and coherent AFTA Plus as the basis for developing external, bilateral, and inter-regional linkages.

ASEAN must have a strategy for creating both an ASEAN Economic Community and the East Asian community. They have to be pursued in parallel. In essence, it needs to assure that:

- (a) bilateral initiatives become building blocks towards an East Asian community;
- (b) the various bilateral and sub-regional arrangements will strengthen economic reform efforts within the ASEAN economies.³²

This strategy has to be supported by other East Asian countries. In fact, it should be adopted as an East Asian strategy.

The ASEAN-Japan bilateral initiative, as proposed by Prime Minister Koizumi in January 2002, has also led to a Joint Declaration on Comprehensive Economic Partnership, signed at the Sixth APT Summit in November 2002. The declaration proposed the comprehensiveness not only of sectors but also of *countries*, although allowing for the development of bilateral economic partnerships between Japan and individual ASEAN countries. In addition, it stipulated the following guiding principles: reciprocity and mutual benefits, special and differential treatment (and additional flexibility to the new ASEAN members), to begin in areas where implementation is feasible.

In the *Normal Track*, the listed products will have their respective applied MFN tariff rates gradually reduced or eliminated in accordance with specified schedules and rates (to be mutually agreed upon) over a period from 1 January 2005 to 2010 for ASEAN 6 and China, and from 1 January 2005 to 2015 in the case of the newer ASEAN members. In regard to the *Sensitive Track*, the respective MFN tariff rates will be reduced (and eliminated) in accordance with the mutually agreed end rates and end dates or timeframes. Products under this program are divided into 3 categories for tariff reduction and elimination:

32 Ravenhill, John (2002), "A three bloc world? the new East Asian regionalism", *International Relations of the Asia-Pacific*, 2(2): 167-95.

- a) Category 1: products with MFN tariff rates higher than 15% for China and ASEAN 6, and 30% or higher for the newer ASEAN members.
- b) Category 2: products with MFN tariff rates between 5% and 15% for China and ASEAN6. and between 15% and 30% for the newer ASEAN members.
- c) Category 3: products with MFN tariff rates lower than 5% for China and ASEAN 6, and lower than 15% for the newer ASEAN members.³³

China is the first country that concluded a framework agreement with ASEAN as a group. This could provide a strong incentive for ASEAN to act as a group in developing similar agreements with Japan and Korea or other countries. If ASEAN can become a strong hub and introduce some consistency in its various bilateral agreements, it can turn them into a comprehensive, region-wide agreement. This will make the bilaterals a redundancy. It is one way to make the building block approach operational.³⁴

For the newer ASEAN members the timeframe is stretched out to 1 January 2010. Vietnam had begun the process before 1 January 2004, while Laos, Myanmar and Cambodia before 1 January 2006. Cambodia's elimination of tariffs will be slower than that by Laos and Myanmar (by one year).

It is puzzling and also rather disturbing that several ASEAN countries have embarked on bilateral FTA negotiations with the same country that ASEAN has concluded or will conclude an agreement. Thailand is negotiating a bilateral FTA with China, the Philippines. Thailand, and Malaysia are separately also interested in concluding a bilateral FTA with Japan. Thus a further fragmentation is currently being observed in East Asia.

East Asia may become an interesting laboratory to test whether monetary and financial, rather than trade and investment, cooperation can become the main drivers for regional economic integration. The prevailing wisdom, inspired mainly by the European experience, suggests a sequencing with trade cooperation far preceding monetary and

33 Wong, John and Chan, Sarah (2003), "China-ASEAN Free Trade Agreement: Shaping Future Economic Relations". *Asian Survey*, 43(3): 507-526.

34 Ibid.

financing cooperation. The argument for focusing on trade cooperation is that the benefits from monetary and financial cooperation increase with the level of trade integration. The counter argument is that joining a monetary union could have significant multiplier effects on trade.

Along with the above developments, a “new monetary regionalism” is emerging in East Asia, the origins of which can be found in the debate on the creation of an Asian Monetary Fund (AMF) in late 1997 and the agreement between the ten ASEAN countries and China, Japan and Korea to adopt the so-called Chiang Mai Initiative (CMI) in May 2000.³⁵ Monetary regionalism aims at enhancing the region’s ability to weather financial crises. This could be seen as the region’s response to the challenges of globalization. The first regional surveillance process was established in November 1997, the Manila Framework Group (MFG) which can be seen as a significant exercise in the recognition of the “East Asianness” of the region. The idea of a regional financing facility was first proposed by Japan. ASEAN responded with a proposal to invite the leaders of China and Korea, and this became the first APT (informal) summit. This recognition led to the stepping up of moves within the Japanese government to build a mechanism for a regional financing facility.³⁶

The idea of a regional mechanism to stabilize Asian currencies began to be launched in Japan in the autumn of 1996, before the crisis struck. This arose from the 1994 Mexican crisis. With their combined foreign reserves, countries in Asia could respond to such a crisis if a mechanism exists. Instead, the Manila Framework, adopted by a subset of APEC economies in November 1997, was seen as a substitute for the setting up of a regional monetary institution. As the crisis unfolded, the Japanese government provided large amounts of funds to the crisis-affected countries, mainly through bilateral arrangements. By November 1998 the amount of this funding reached US\$ 44 billion. As

35 Narine. Shaun (2003), “The Idea of an “Asian Monetary Fund”: The Problems of Financial Institutionalism in the Asia-Pacific,” *Asian Perspectives*, 27(2): 84-88.

36 Ibid.

its regional approach failed to materialize, Japan stepped up on its bilateral cooperation through the New Miyazawa Initiative that was launched in October 1998.³⁷

As part of this Initiative, Japan entered into currency swap arrangements with Malaysia and Korea, which guaranteed the provision of foreign currency reserves in the case of a crisis but without any linkage to IMF conditionality. The second phase of this New Miyazawa Initiative was announced in May 1999. One of its elements is the active use of private sector funds. Another element is to build a regional fund-raising system. Proposals for a regional monetary fund did not die down. They were raised not only from within East Asia, but also by Europeans and even from the US. Thus, strengthening the surveillance mechanism is a key task for further financial cooperation and integration.³⁸

Japan has provided a de facto leadership in the implementation of the CMI as a key provider of financial resources. China may not want to grant leadership to Japan in any regional initiative in East Asia. This is the most serious roadblock to the further development of the CMI as well as the APT process in general. There is also this strong underlying competition between China and Japan also in developing bilateral trade arrangements with ASEAN.³⁹ The region's preoccupation with the large number of FTAs definitely diverts attention away from the efforts to promote monetary and financial cooperation and integration. More importantly, however, they may also divert governments from the task of developing the APT process and the building of an East Asian community. Korea can play a critical role in the development of an East Asian community by assisting ASEAN. Korea has been the most consistent member of the APT to promote regional economic cooperation towards an East Asian community through an overall regional, multilateral efforts. But the agenda should go beyond bilateral ASEAN-Korea cooperation to focus on the East Asian region as a whole, and be based on East Asian perspectives.⁴⁰

37 Yamazawa, Ippei (2001), 'Asia-Pacific Regionalism and Japan's Strategy', *Japan Review of Internal Affairs*, 17(2): 34-68.

38 Ibid.

39 Zhao, Quansheng (2003), "China Must Shake off the Past in Ties with Japan," *The Straits Times*, November 7, 2003.

40 Ravenhill, John (2002), "A three bloc world? the new East Asian regionalism", *International Relations of the Asia-Pacific*, 2(2): 167-95.

The East Asian Community could be eventually expanded to cover other Asian countries in an Asian Economic Community. It has been shown that economic integration in East Asia or JACIK could enable the region to resume its rapid growth and help it emerge as the center of gravity in the world economy. The simulations made suggest that such a grouping would enhance welfare of the partners as well of the rest of the world, hence would be a win-win for the world economy. Another notable initiative in Asia is BIMSTEC (Bay of Bengal Initiative for Multi sectoral Techno economic Cooperation) involving five South Asian countries viz. Bangladesh, Bhutan, India, Nepal, and Sri Lanka and two Southeast Asian countries viz. Myanmar and Thailand. Hence, it is seen as a bridge between South and Southeast Asia. BIMSTEC also adopted a Framework Agreement for an FTA to be implemented within ten years at its first Summit held in Bangkok in July 2004.⁴¹

Further, at the initiative of Prime Minister Dr Thaksin Shinawatra of Thailand, the Asian Cooperation Dialogue (ACD) was launched on 18-19 June 2002 at Cha-Am, Thailand. Similarly the Chinese President Jiang Zemin had launched the Boao Forum for Asia in 2001 at Boao, in Hainan province of China, as a pan-Asian economic forum. The Prime Minister Dr Manmohan Singh of India has been making case for an Asian Economic Community combining Japan, ASEAN countries, China, India and South Korea as an 'arc of advantage' across which there will be large-scale movement of people, capital, ideas and creativity....Such a community would release enormous creative energies of our people'. It is clear therefore, that there is a widespread recognition in Asia for the relevance of broader regional economic integration.⁴² This realization is based on the assumption that regional cooperation by generating intra regional demand could supplement the external demand and reduce the vulnerability of the region due to over dependence on outside regions. It could also help in exploiting the existing capacities in the region fully.

41 Kesavapany, K. (2005), A New Regional Architecture: Building the Asian Community, public lecture delivered in New Delhi on 31 March, 2005, excerpted in New Asia Monitor, April 2005.

42 Ibid.

The Asian region combines some of the fastest growing economies in the world. Together they form a huge market that is growing faster than any other region in the world and could form a vibrant regional grouping that would be roughly of the size of the EU in terms of GDP, will have larger magnitude of trade than NAFTA and international reserves bigger than those of EU and NAFTA put together. The formation of a broader Asian grouping will also help the region to play a more effective role in shaping the emerging world trading and financial system responsive to its needs can be made out from the following figure.

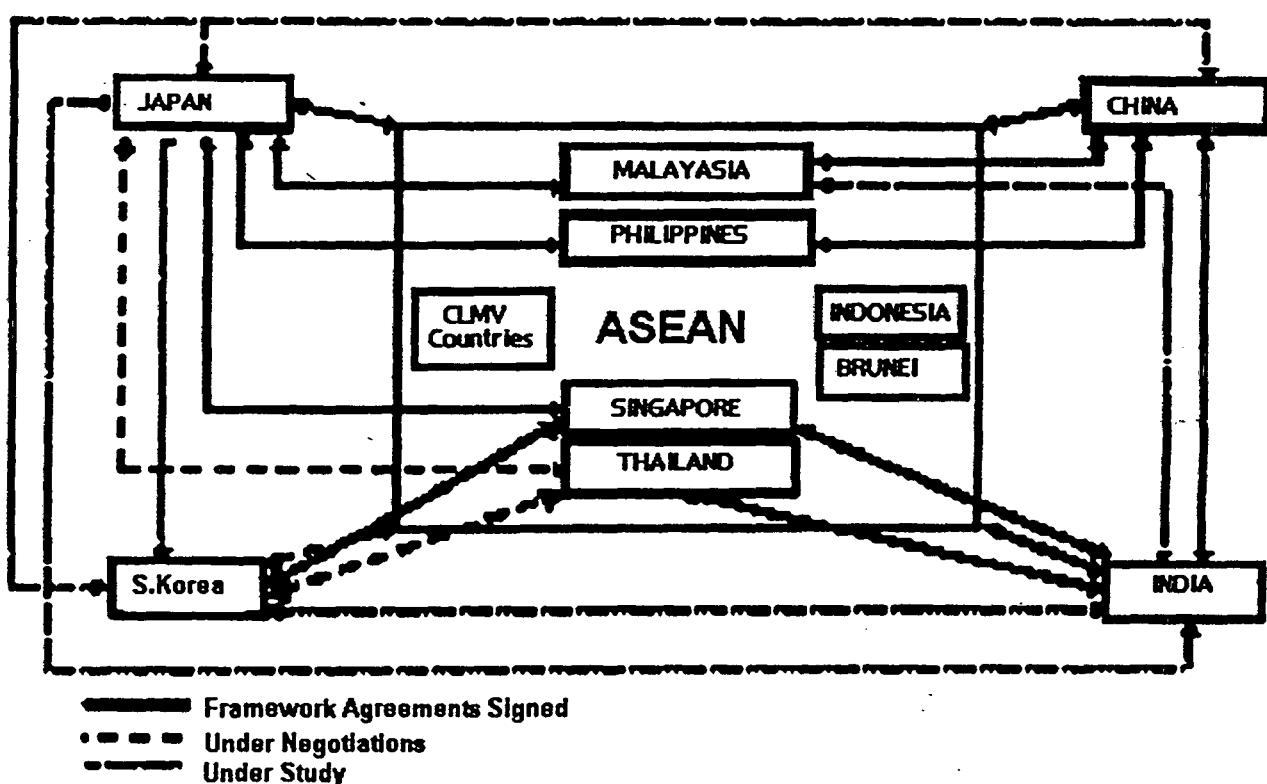


Figure 1: Emerging East Asian Community⁴³

⁴³ Chalermpananupap, Termsak (2002), 'Towards an East Asian Community: The journey has begun', [Online: web] Accessed 24 October, 2005
 URL: <http://www.hku.hk/cas/cap/programmes/card5/papers/termsak>

There is a growing consensus that Asia needs a regional institution for mobilizing these resources for its own development besides for achieving stability of real effective exchange rates and for an orderly response to external shocks. It is argued that even a moderate proportion say 5 per cent of combined JACIK reserves i.e. US\$ 100 billion will be adequate to make a beginning with the Reserve Bank of Asia. An institution with a reserve of US\$ 100 billion at its disposal, it can create an Asian monetary unit of account¹⁵ or an Asian SDR. The Asian SDR or an Asian Currency Unit (ACU) can be used increasingly as a unit of account and as reserve asset in the region. Besides providing a mechanism for exchange rate stability, and facilitating trade transactions within the region, the Asian SDR can also provide a channel for funding development of regional public goods and other huge infrastructure development projects without putting pressure on the Government budgets in the member countries. On the basis of such a reserve, an instrument like an Asian SDR can be created and used to finance infrastructure and IT investments in the region.⁴⁴

Major investments in development of regional public goods and regional infrastructural projects such as Asian Railway, Asian Highway, Asian satellites, Asian information infrastructure (such as a broad band cable) need to be made. Such projects would not only facilitate trade and other economic exchanges within Asia but would also generate a lot of demand for the idle capacity for engineering and construction industry in Asia. Regional economic integration is also likely to strengthen Asia's role in global economic governance. Although Asian countries hold two thirds of world's foreign exchange reserves, the decision-making powers in the Brettonwoods institutions, for instance, is dominated by the western countries.⁴⁵ By forming credible schemes of regional economic integration, Asia will be able to seek its due place in the global economic governance and contribute to building a more democratic and multi-polar world economy.

Asian economic integration by increasing the interdependence of countries in the region will ensure peace and stability. That is why Prime Minister Dr Manmohan

44 Narine, Shaun (2003), "The Idea of an "Asian Monetary Fund": The Problems of Financial Institutionalism in the Asia-Pacific." *Asian Perspectives*, 27(2): 84-88.

45 Lawrence, Susan V. and Lague, David (2004). "Marching Out of Asia", *Far Eastern Economic Review*, August 26, 2004.

Singh has argued that the Asian economic community would constitute an 'arc of advantage and prosperity and stability and closer economic integration'.⁴⁶

Relevance of India for the East Asian Economic Integration:

India's economic integration with East Asia can be a win-win for the economic integration in Asia. With a US\$ 700 billion economy growing at 7-8 per cent per annum and even faster growing and sizeable (300 million strong) middle class, India brings its own dynamism to the emerging Asian regionalism. 'India has the potential to show the fastest growth over the next 30 and 50 years' With two major dynamos viz. China and India propelling regional growth, the Asian dream will be realized faster. As a part of the Look East Policy, India has consciously integrated its economy with East Asia since the early 1990s. Asia in India's trade is approaching nearly a third thus making it a more important trade partner compared to the EU or the United States.⁴⁷

To further strengthen her economic links with East Asian countries India is evolving FTAs with ASEAN and +3 countries. India signed a Framework Agreement on Comprehensive Economic Cooperation with ASEAN at the Bali Summit involving an FTAs to be implemented in ten years. This is complemented by bilateral agreements signed with Thailand and Singapore. India's strengths in software and services fruitfully complement the hardware and manufacturing prowess of East Asia and together could produce a formidable strategic combination. With the growing recognition of these complementary strengths by corporations, India is increasingly getting linked with the East Asian production networks. Indeed East Asian companies have begun to exploit India's strengths in R&D, software and design by locating their global R&D centers in India. For instance, Samsung's R&D Centre in India, recently announced successful development of a hybrid mobile phone that works across GSM and CDMA environments. Hyundai uses its Indian operations as a sourcing base for compact cars.⁴⁸

46 Naidu, G V C. (2005), "India and the East Asian Summit", *Strategic Analysis*, 29(4): 711-715.

47 Dixit, J.N. (2003), *India's Foreign Policy 1947-2003*, Picus Books: New Delhi.

48 Naidu, G V C. (2005), "India and the East Asian Summit". *Strategic Analysis*, 29(4): 711-715.

Asia coalescing the emerging web of FTAs linking Japan, ASEAN, China, India and Korea into a region-wide or an East Asian RTA could be a core of such an East Asian Community. The East Asian Community could be eventually expanded to cover other Asian countries in an Asian Economic Community. Furthermore, regional Keynesianism based on cooperation in finance and monetary policy has the potential to help the region recover hundreds of billions of dollars of potential output lost due to underutilization of capacity and pull the major economies such as Japan out of prolonged recession.

Several principles have been set forth regarding regional cooperation in East Asia. These principles are "open regionalism," "functional approach," and "respect for and realisation of universal values and rules such as democracy."⁴⁹

Firstly, an East Asian community (EAC) must be open to those nations with willingness and capability to contribute to its formation. Furthermore, regional cooperation to realise an EAC should be based on the principles of openness, transparency, and inclusiveness.

Secondly, it is realistic to focus regional cooperation in "functional" fields at the present, rather than trying to build comprehensive institutional frameworks from the outset. A region-wide community can be created in the future by combining the frameworks established in each individual functional sector, such as energy, the environment, and non-traditional security issues.

Thirdly, member countries need to overcome their differences over political systems and principles to commit themselves to establish an EAC as a grouping bound by a common fate.⁵⁰ Thus, the nations of the region should start the integration process in a correct manner from the outset, so that an EAC would be based on universal values and global rules such as democracy and open-market economy. This would help secure understanding and support both within and outside the region.

ASEAN should not feel insulated from the process and continue to occupy the driver's seat at the EAS. The commitment of the U.S. in the region, especially on security aspects, must be maintained. Rapidly developing China must play an important role in

49 Yusuf. Shahid. (2003), "Innovative East Asia: The Future of Growth", World Bank & Oxford University Press: London.

50 Ibid.

the development of an EAC in an open, transparent, and inclusive manner. Japan and India can play a vital role in providing fundamental conditions to achieve these intricate goals by establishing norms for the construction of an EAC.

The many overlapping proposals and studies could lead to greater confusion in the region. More importantly, they divert attention away from the real efforts to implement various initiatives towards deeper integration that are already on the agenda of APT as well as of ASEAN and APEC. Greater efforts should be made to undertake serious and systematic deliberations on how to translate the concept of community building in East Asia into concrete actions. Some suggestions in this regard can be:

First to establish is a clear idea as to where East Asia should be heading. Both the idea of an EAFTA and the vision of an EAC have been placed on the agenda of the APT process. It may well be that EAFTA will become the critical stepping stone towards the longer term goal of establishing an EAC. This process, however, is not a linear proposition. To move towards a Community requires its members to surrender a rather substantial part of sovereignty. As the things stand now, this is still a tall order for the region. Moreover, members of a Community must share such common values as democracy, transparency, rule of law and respect for human rights. It can immediately be derived from this that forming an EAFTA is the more feasible objective.⁵¹

The second question is in regard to the process to pursuing this objective. It should be noted at the outset that both the APT and the EAS are processes towards regional community building. The APT cooperation started as an initiative for monetary and financial cooperation in the wake of the Asian financial crisis. The grouping adopted the Chiang Mai Initiative (CMI) in 2000, aimed at fostering regional financial stability and resilience and building on the earlier similar agreements among ASEAN economies. In addition to creating a network of bilateral swap and repurchase facilities to assist beleaguered central banks facing liquidity crunches, the grouping also created a regional monitoring and surveillance of macroeconomic and financial

51 Kumar, Nagesh (Ed.) (2004). *Towards an Asian Economic Community: Vision of a New Asia*. RIS and ISEAS: New Delhi and Singapore.

fundamentals and policies of member economies to pre-empt another currency attack. The more recent initiative is the development of the Asian Bond Market.⁵²

As reviewed earlier, the agenda of APT was defined by the EASG on the basis of the Report by the EAVG. APT's agenda towards an East Asian community contains short-term, and medium and long term measures.⁵³

Short term measures: All the recommended measures will be implemented by the 10th Anniversary of ASEAN Plus Three cooperation in 2007. Four short-term measures are being implemented: comprehensive human resources development program for East Asia; network of East Asia Think Tanks (NEAT); East Asia Forum; and East Asia Business Council.

Medium and long term measures: These include a high level conference on investment and SMEs; convening of the East Asia Summit; experts group to study the feasibility of an East Asia FTA; regional financial facility; regional marine environmental cooperation; framework for energy policies and strategies and action plans.⁵⁴

However, the first East Asia Summit was convened not in accordance to what both the EAVG and the EASG had in mind. The participants still have too diverse and conflicting views on what the group should and could accomplish. There was no common understanding even amongst the thirteen APT countries. Australia, India, and New Zealand were eager to be brought in, only to find out that their involvement is largely seen as counterbalancing China. This created the image that EAS is a process to contain China's ambitions in East Asia. The original proposal was to transform the APT to an EAS process was to replace the ASEAN-driven APT process with one in which all members have equal roles

Rather than demonstrating what leaders have asserted, namely that they have a lot in common, the EAS exposed the deep rift and the rivalries within the group. Serious efforts must now be made to overcome this problem. The Kuala Lumpur Declaration on EAS reflects the state of play in the region. It confirms the members' lowest

52 Ibid.

53 Stubbs, Richard (2002), "ASEAN plus Three: Emerging East Asian Regionalism?", *Asian Survey*, 42(3): 440-455.

54 Ibid.

common denominator. They are prepared to be engaged in a forum for dialogue, not only on economic issues but also on political and strategic issues. They want the Summit to be “an open, inclusive, transparent and outward-looking forum.”

Senior Minister Goh Chok Tong of Singapore has his vision for East Asia. Five main points which can be drawn from his recent speech are:⁵⁵

First. East Asian integration must continue to be largely market-driven, namely driven by “the commercial logic of the market that sees in diversity, potentially profitable synergies.” Because of this, the prime responsibility of all governments, irrespective of political system, is to create national conditions that will facilitate and not hinder market flows.

Second. East Asian integration will necessarily require a more active role for states. This suggests that various other functional cooperation efforts will need leadership from governments.

Third. since regional integration is a strategic imperative for the entire region, the way each state orders its domestic policies can no longer be of purely domestic concern. This suggests that the concept of absolute sovereignty must be abandoned.

Fourth. ASEAN’s role in the driver’s seat mandates it to reconcile and to assuage the tensions between the mayor players and their competing interest. Therefore, “ASEAN integration is a vital and irreplaceable part of the entire East Asian project.”

Fifth. the architecture of East Asian integration consists of flexible and multiple overlapping networks, rather than institutionalized bureaucracy (like the EU). It is “an architecture of variable geometry and flexible boundaries”, and in some fashion the US should have a part in it. This is an even broader vision of an East Asian community that appears to have been outlined with the EAS in mind.⁵⁶

Thus. for the prosperity and growth of the region. it is necessary to secure a successful model of economic development. which is the benign circle of introduction of foreign investment from outside the region, and intensification of intra-regional trade. For this formula to continue working, the region, comprising countries with diverse political systems and beliefs, must avert collision of naked national interests and initiate an

55 ASEAN (2005), ‘Chairman’s press statement of the 6th ASEAN+3 Foreign Ministers Meeting’, [Online: web] Accessed 27 July, 2005. URL: <http://www.aseansec.org/17601.htm>

56 Ibid.

institutionalized stabilising mechanism to resolve problems peacefully. Its attractiveness as a foreign direct investment (FDI) destination depends more and more on the conflict-solving capabilities of the region as a whole. The region don't have the luxury of letting rising nationalism and political differences lead to serious conflicts. This political dimension has been keenly analysed in the next chapter.

Chapter III

The Political Dimension of East Asian Community

Regionalism in Asia, although it is underdeveloped, is complicated enough. In comparison with Europe, Asia as a whole, and East Asia as a sub-region, is deficient in regional integration and most lateral cooperation. The spread of regionalism today is phenomenal, but not unprecedented. In the 1930s, we have witnessed the contagion of regionalism as disguised imperialism. In response to the Great Depression, major powers built bloc economies in order to secure their market. The United States, Britain, France and so on were hasty in increasing import tariff at home as well as their subordinates respectively, which led the vicious cycle of trade shrink. Such attempts were often called beggar-thy-neighbor policy, and the result was the mutually exclusive enclosure of formal and/or informal empires. The intensification of economic rivalry in the 1930s provided such an important, but paradoxical, lesson that free trade system cannot be guaranteed by laissez-faire policy, and that international regulation was needed to secure international trade and capital liberalization. After World War II, globalism as opposed to regionalism was the legitimate theme in international affairs.

In security arena, the United Nations, especially the Security Council, was supposed to provide collective security system. In economic arena, the Bretton Woods Agreement provided IMF and World Bank in monetary system, and although ITO was aborted, GATT worked as trade system in the post-war era. Within global system, regionalism was only allowed as the second-best option when global system does not work efficiently enough or as long as complementary to global welfare¹.

Needless to say, such strong resentment against regionalism was based on a bitter experience of exclusive/protectionist regionalism in pre-war days. GATT Article 24 on tariff regions illustrates this point. In the 1960s, there was another spread of regionalism in the form of economic integration. One reason of this was need for

¹Buzan, Barry. (2003), "Security architecture in Asia: the interplay of regional and global levels," *The Pacific Review*, 16(2):143-174.

economic development in Latin America and post-colonial Africa. The United Nations declared that the 1960s was to be the Decade of Development. Latin American countries were main targets of the project. In addition, new states became independent in Africa, and economic development was badly needed. Regional economic integration was regarded to be most promising. Free trade associations were established in Latin America and the Caribbean region. In Africa, colonial institutions changed into post-colonial economic unions in former French and British colonies. On the basis of increasing expectations towards regionalism, there was a success of European economic integration. Regional economic integration seemed to make economic development and growth easier and faster through the formation of a larger market.²

Unlike European experience, however, those projects attempted in the 1960s in such developing regions as Latin America and Africa turned out disappointing at best. Some attempts of trade liberalization were stagnated, and some others were simply collapsed. The key to the success in economic integration in Europe was not in economic rationale, but in political commitment. In the course of pursuing or maintaining economic integration, conflicts of interest almost inevitably take place between participating countries as well as within. Political determination to integration is needed in order to overcome economic conflicts. Such commitment lacked in the leadership in developing countries.³

In fact, East Asia is currently one of the few regions in the world without a formal institution for cooperation. Regionalization today has become a main trend of the world side by side with globalization. Regionalization in general has experienced two waves since WWII. The first wave started in 1960's the second wave took place in mid and late 1980s and has lasted till now. The first regional economic grouping in Asia was ASA (Association of Southeast Asia) established by Malaysia, Thailand and

2 Buzan, Barry. (2003). "Security architecture in Asia: the interplay of regional and global levels." *The Pacific Review*, 16(2):143-174.

3 Clemons, Steven C. (2001). "The Armitage Report: Reading Between the Lines." *Japan Policy Research Institute*.20:1.

the Philippines in 1961, then Singapore and Indonesia joined in 1967 and the Association was renamed as ASEAN (Association of Southeast Asian Nations).⁴

To state differently, ASEAN was formed on the basis of similar desire shared by political leaders in the region. Not comparable to wars in Europe in scale, but equally threatening to the region, a conflict took place in Southeast Asia in the first half of the 1960s. The direct cause was the decolonization of British Southeast Asia to form Malaysia. The Philippines claimed sovereignty over North Borneo under British rule. Indonesia was opposed to the formation of Malaysia, and took confrontation policy. Forced independence of Singapore from Malaysia in 1965 further complicated the regional conflict. Political change in Indonesia made its foreign policy less militant and more accommodating, which provided momentum towards a creation of a new regional institution for reconciliation. Thailand played an important role of catalyst. Even before Indonesia and Malaysia normalized diplomatic relations, yesterday's mutual antagonists, i.e., Indonesia, Malaysia, the Philippines and Singapore, created ASEAN with their intermediary, viz. Thailand in 1967.⁵

Initially ASEAN countries did not acknowledge their common goal was the establishment of no-war community, but kept insisting that the objective of the organization was regional cooperation in economic and social fields. Nonetheless, they concluded the Treaty of Amity and Cooperation (TAC) in Southeast Asia in 1976. The essence of the treaty was commitment to peaceful settlement of mutual conflicts as the basis of good neighborhood. TAC soon became the foundation of ASEAN, because there was not any legal basis of ASEAN such as a treaty of the establishment of ASEAN. But regional cooperation in Asia in that period and the decade after did not make much important result. The question that needs to be answered is that why did East Asia fail to develop interests in regional cooperation and integration compared with other regions?

4 Christensen, Thomas J. (2001), "Posing Problems without Catching Up: China's Rise and Challenge for U.S. Security Policy," *International Security*, 25(4): 5-40.

5 Christensen, Thomas J. (2001). "Posing Problems without Catching Up: China's Rise and Challenge for U.S. Security Policy," *International Security*, 25(4): 5-40.

Factors pertinent to the region such as enormous diversities and differences among the countries as well as political and security antagonism have been raised as answers to the question. For a long time, regional integration and cooperation were seen to be difficult in East Asia.

The region is characterised by enormous diversities in terms of the scale of land and population, the degree of economic development and cultural backgrounds including religions and languages. Moreover, the region has experienced serious political tension and military conflict, which are still seen in the Korean Peninsula and the Taiwan Strait. These factors constituted imperative impediments to any attempts towards regional integration and cooperation. In fact, the Association of Southeast Asian Nations (ASEAN) was the only formal regional institution in East Asia until the Asia-Pacific Economic Cooperation (APEC) was established in 1989.⁶

After the early 1990s, moves towards regional integration and cooperation gained momentum in East Asia. In 1994, the ASEAN Regional Forum (ARF) was established as the first forum discussing security affairs in the Asia Pacific region. In 1996, East Asian countries institutionalised a dialogue with European countries through the Asia- Europe Meeting (ASEM). More importantly, East Asian countries began the ASEAN+3 (APT) summit meeting in December 1997, which comprised of the ASEAN members, China, Japan and South Korea. Under the APT framework, these countries have expanded cooperative actions to various fields including foreign affairs, economic cooperation and financial and monetary cooperation. Regional integration in East Asia, which will lead to a three-block configuration in the world, constitutes a most important change in the world's economic architecture.⁷ In the end of the third decade, ASEAN launched a new goal to create ASEAN Security Community, Economic Community and Social and Cultural Community.

For a long time, regional affairs in East Asia were more or less managed by interactions among the major powers: the United States, China and Japan. In particular, the United States had been the dominant power in East Asia in political,

6 Lawrence, Susan V. and Lague, David. (2004) "Marching Out of Asia," *Far Eastern Economic Review* :12-16.

7 Kikuchi, Tsutomu (2002), "East Asian Regionalism: A Look at the 'ASEAN+3' Framework". *Japan Review of International Affairs*, Spring:1-23.

economic and military dimensions. The country developed bilateral security relationships with several regional countries including Japan, South Korea, Taiwan and the Philippines⁸. The US centered bilateral political and security practices dissuaded them from developing multilateral arrangements. Moreover, the United States sustained industrialisation and economic growth of most East Asian countries by providing its huge market for their products. On the East Asian side, the small and medium countries hoped that the United States continuously exerted certain influence in the region as a balancer to two regional powers: Japan and China. They welcomed the regional situation under the firm grip of the United States.

Most East Asian countries exhibited rapid industrialisation and impressive economic growth after the 1980s, and their capability and economic interdependence rose greatly until the early 1990s. However, the dominant influence of the United States in East Asia continued even in the 1990s. Washington did not welcome moves towards stronger economic integration in East Asia. This was apparent in its response to the East Asian Economic Caucus (EAEC) concept that Malaysian Prime Minister Mahathir proposed in 1991.

The EAEC did not develop due to various factors including Japan's passive attitude and the conceptual vagueness. Among these factors, the most critical was an outright hostility from the United States that feared 'drawing a line down the middle of the Pacific'. When Japan proposed the Asian Monetary Fund (AMF) in autumn 1997, not only did the US government oppose the proposal directly but it also encouraged China to adopt an opposition stance.⁹

Thus, the presence of the United States and its commitments had a primary influence on conditioning regional affairs in East Asia. In this sense, regional issues including integration in East Asia were explicable in terms of the neorealist perspective, which posits that the relative distribution of power in the international system provides the most crucial explanatory variable for the development of regionalism. Economic relations have replaced Cold War politics as the main determinant of state interaction in the region. Throughout Northeast and Southeast Asia, trade and investment

⁸ Ibid.

⁹ Soesastro, Hadi. (1998), "ASEAN during the Crisis", ASEAN Economic Bulletin, 15 (3) :373-381.

liberalization has been accepted as the key to accelerated integration into the regional economy. Nonetheless, ideologies, political systems and traditional social structures impinge on the degree of liberalization and the extent of its social and political impact.¹⁰

With the end of the Cold War, globalization has emerged as the dominant mode of interaction among nations. In Northeast and Southeast Asia, there have been intense debates on the merits of global integration. These debates continue to have ideological underpinnings, because globalization is also expected to bring about equity in the distribution of the benefits of growth. It claims to have the ultimate goal of realizing a better quality of life for everyone, including the vulnerable sectors of the population. The extent to which this goal is achieved is the basis for judging whether globalization is more acceptable than the competing schools of thought that challenge it - nationalism, protectionism and socialism. The dependence of Southeast Asia on Northeast Asia in economic development has intensified the propensity for formal commitments. Even after the Southeast Asian economies recovered from the Asian financial crisis, they were still lacking in dynamism.¹¹

In particular, the older ASEAN members could not support the economic development of the newer ASEAN members. Accordingly, they needed economic and technical cooperation from the Northeast Asian countries, and tried to exploit the APT framework for this objective. In this sense, the 'ASEAN+3' is virtually the 'Three Plus ASEAN' as Singapore's Senior Minister Lee Kuan Yew correctly pointed out. The dependence of the ASEAN countries on the Northeast Asian countries led to a shift from informal to formal commitments because the latter pay more respect to formal institutionalisation¹².

In brief, informal commitments to regional cooperation under the virtual APT nesting were advanced even before the formal APT framework was established. Informality

10 Higgot, Richard (2000), "ASEM and the Evolving Global Order", in Chong-wha Lee(ed.), *The Seoul 2000 Summit: The Way Ahead for the Asia-Europe Partnership* (Seoul: Korea Institute for International Economic Policy):11-47.

11 Wang, Yungjong (2002), "Prospects for Financial and Monetary Cooperation in East Asia", *Panorama*, Singapore, No.2 :35-53.

12 Ibid.

played a catalytic role in inducing a reluctant state to join the cooperative framework and mitigating opposition from countries outside the region. At the same time, the development of regional cooperation under the APT framework was sustained by the shift of the policymakers' preferences from the informal to formal settings. Loose informality played a critical role in fostering the APT cooperative initiatives, and the further development of the initiatives was sustained by the inclusion of more formal commitments. The development of the initiatives was also inspired by political leadership shown by two regional powers: Japan and China¹³.

In the East Asian region, the market economies are led by Japan and include South Korea, Singapore, Taiwan, Hong Kong, Malaysia, Thailand, the Philippines, Brunei Darussalam and Indonesia. The transitional economies are China, Vietnam, Cambodia, Myanmar and Laos. North Korea is basically an autarkic economy, despite its attempts to slowly open up its economy to foreign investment. Throughout Northeast and Southeast Asia, trade and investment liberalization has been accepted as the key to accelerated integration into the regional economy. What is problematic for them is Western-led pressure to globalize political, social and environmental standards.

Compared to other regions, East Asia has much more diversity of religions, cultures, ideologies and social systems. It is inevitable that responses to globalization by countries of the region are influenced by their history, level of economic development and political system. Moreover, the impact of globalization on poverty is affected by the prevailing social structure. The elements of such social structure, which include control of productive factors by landed or political elite, impinge on social equity and human development considerations. In the backdrop of these developments, Regionalization process in East Asia reactivated comparatively late, but they have displayed remarkable characteristics and push forward fairly fast. Some outstanding characteristics of regionalization in East Asia are¹⁴:

13 Moffett, Sebastien and Fackler, Martin. (2004), "Marching on to a New Role," *Far Eastern Economic Review*, 18-21.

14 Dittmer, Lowell. (2002), "East Asia in the "New Era" in World Politics." *World Politics*, 55(1): 47-57.

1) Regionalization in East Asia is mainly a regionalization of the emerging countries, all but Japan are developing economies. As it is well known, the two most important regional communities today--EU and NAFTA---are both centered with developed countries. Thus, the two strongest economies of Europe, Germany and France, form the core of EU, and the strongest developed country in the Americas and the world, the US. is the major initiator and promoter of NAFTA. While regionalization in East Asia was first promoted by ASEAN---the community of emerging nations, and at present it is still proceeding with ASEAN in the center. ASEAN is undoubtedly playing an important and irreplaceable role in the process of regional cooperation in East Asia. With the initiative of ASEAN, the cooperative relation with 3 major economic powers of the region--- China, Japan and S. Korea (the so-called 10+1 mechanism) was formed¹⁵.

2) Another important characteristic of regionalization in East Asia is that the process and contents of regional cooperation lay prime emphasis on the guiding principles of Equality, Mutual Benefit, Negotiation and Unanimity. This has much to do with the fact that most of the countries in this region were colonies or semi-colonies before the war, even after they won independence politically in the post-war years, they still suffer inequality and dependency economically and technologically (hence politically too) in international affairs. Naturally, in regional cooperation, they cherish the above-mentioned principles as of prime importance. So far, in regionalization of East Asia, there is no "leader" in its real sense. It is true, in the present 10+3 mechanism, 10 acts as "host" and 3 acts as "guest", in other words, the 10 nations which hold less economic weight in the region are the core of the process while the 3 big economies are invitees. There might be some change in the future with the progress of the regional cooperation. For example, S. Korea raised at the 2001 Summit Meeting the idea of transforming 10+3 Summit Meeting into East Asia Summit Meeting by eliminating the host-guest status. But there will not be a leader of dominating role. Different economies may play different part and contribute differently, yet they are all on equal basis and have equal say for common good in this community of cooperation¹⁶.

15 Dittmer, Lowell. (2002), "East Asia in the "New Era" in World Politics," *World Politics*, 55(1):47-57.

16 Ibid.

3) Finally, it may be mentioned that regionalization in East Asia is an “open regionalization” which stresses coordinated development with other regional communities and global economic and political organizations, and pays much attention to inter-regional cooperation¹⁷.

Although ASEAN has had a robust existence for three and a half decades, East Asia is crucially in need of multilateral mechanisms, which are essential for global integration as well. East Asia, in particular, is lagging far behind Europe or North America in this regard. Several reasons can be mentioned to account for this. When compared with Europe, for example, Asian countries, for the most part, place greater emphasis on state first, ideology and practice. They lack experience with and history of integration the way that the European countries have had through the centuries, and there are huge differences in size and power, as well as levels of development among them, and the differences in the systems of economy and politics. .

In fact, there exists skepticism over establishing a sustained cooperative institution at the regional level due to pre-existing confrontation and distrust in the region throughout the past centuries. Thus, the position of China and Japan in East Asian regionalism is characterized as competitive leadership. Each of them has not given enthusiastic support for the initiatives that the other took, nor have they presented cooperative initiatives for East Asia jointly. Intensive rivalry for realising their respective regional leadership ambitions has virtually led to deeper integration in East Asia. This style of rivalry contains a danger of falling into escalated competition. However, regional leadership shown by Japan and China might continue to produce benign outcomes in the near future with two reasons¹⁸.

First, gaps in basic ideas about economic development between Japan and China do not constitute a serious obstacle to their collaboration. As seen in support for the Asian members to promote economic and technical cooperation at APEC, Japan has

17 Ibid.

18 Judis, John B. (2001), “The Decline of Principled Conservative Hostility to China: Sullied Heritage.” *New Republic*: 19-25.

been sceptical about a swift trade and investment liberalisation, and stressed the need of economic and technical cooperation as a prerequisite to liberalisation. These stances are consonant with those of China, which has given priority to the state-led economic development. The stress on economic development and technical cooperation is particularly important because most East Asian countries hope to combine market liberalisation and integration with economic and technical cooperation. ASEAN, which amasses less developed Indochina countries, have strong incentives in this respect. This relationship between China and Japan makes a contrast to US-Japan co-leadership at APEC.

Second, there is a bit difference in manner of leadership between Japan and China. Both states do not hope to show structural leadership in East Asia. Japan is lacking sufficient material resources for showing structural leadership especially in the military domain. China is unlikely to show structural leadership because it is still conscious of Deng Xiaoping's injunction not to be a leader due to the fear of a reaction to its historic and potentially future dominance. Accordingly, their commitments are directed towards assisting the development of regional integration through coordination leadership. Japan has imperative fragility in domestic politics, which disturb it from adopting bold policies and measures for the region swiftly.

However, it retains capabilities to formulate new rules and institutions by utilising its long experiences of institution-building and development assistance. China has not retained sufficient experiences and expertises in creating regional rules and institutions due to its limited commitments to regional affairs in the past. However, its government has shown the will and capabilities to lead regional integration by adopting difficult but necessary policies for the region rather timely.

In the early 1990s, some Chinese leaders advocated the 'double locomotive model' for economic cooperation in East Asia: Japan is the front locomotive to pull and China is a rear locomotive to push. This model for regional cooperation seems to gain high validity, but the position is reverse. While China takes the lead in launching various cooperative initiatives, Japan substantiates such initiatives from behind. But now the East Asian countries are seeking a new era of far reaching cooperation which spans economic, political, social and cultural aspects. The turmoil of a few years ago

in the regional economy exposed the risk of self survival of individual countries and is compelling regional cooperation in East Asia. As such, a rather wide consensus has been fostered among East Asian countries on the need to promote greater cooperation within the region. East Asia's emergence in the world economy has been achieved without the aid or benefit of any formal institutions or regional cooperation¹⁹.

With growing inter-dependence in the region, East Asian countries began to recognize their regional neighbors as trading partners and providers of investment. There is the recognition that cooperation in economic, social and political areas among East Asian nations is crucial to maximize the growth potential of the region. There is much common ground within East Asia so that the region can facilitate cooperation efforts. East Asian countries share similar cultural norms, values, and social structures and transnational environmental problems. These commonalities differentiate the region from the rest of the world²⁰.

However, the region also contains diversities in the types of political and economic systems. The relationships among East Asian countries have been marred by political threats, potential threats, disputes and rivalries. Notwithstanding such obstacles, recent events, such as the Asian financial crisis of 1997 and '98, have demonstrated the primary policy objectives of East Asia states lie in achieving economic cooperation and development. Significantly, the launching of ASEAN+3 summit meetings happened to coincide with the Asian economic crisis of 1997-'98. In the wake of the financial crisis East Asian countries had to carry out reforms to strengthen its economic and financial system. In addition to each country's reform efforts, East Asian countries realized the need for institutionalizing regional economic cooperation to prevent the recurrence of future crises²¹.

Infact, a major shift of security frameworks took place in the post-Cold War era, mainly after the collapse of the Soviet empire in 1990. A bipolar world became a unipolar one - that is, the United States remained as the only superpower. Under these

19 Hund. Markus. (2003), "ASEAN+3: Towards a New Age of Pan-East Asian Regionalism?: A Skeptic's Appraisal," *The Pacific Review*, 16 (3):383-417.

20 Albrow Martin (1996), *The Global Age: State And Society Beyond Modernity*, Policy Press: Oxford.

21 Duara. Prasenjit (2001), "The Discourse of Civilization and Pan-Asianism". *Journal of World History*, 12(1): 99-130.

new circumstances, each country's security framework had to begin taking the "U.S. factor" into consideration²².

Another major development is the "rise of China". In terms of regional and even global security, a key issue confronting all powers in the Asia-Pacific region is how to manage the relationships with, and between, the two ascendant powers, the United States and China. Virtually all regional controversies, such as cross-strait relations between Taiwan and the PRC, the resolution of the tensions on the Korean Peninsula, and the evolving nature of the U.S.-Japan security alliance (and the future direction of Japanese foreign policy) are all closely linked to major-power relations, particularly the ongoing dynamics of China and the United States. In terms of security perspectives, the old realist school of zero-sum games, namely "I win, you lose." and vice versa, has remained the dominant paradigm in the region. Thus, given the post-Cold War developments in the Asia-Pacific region, some people suggest that if the influence of the United States' and Japan declines, China may enter into the power vacuum²³.

The major powers' respective strategic concerns can easily evolve in diametrically opposed directions, thereby promoting a polarized division of the world into enemies versus allies, as was the case during the Cold War. As Barry Buzan²⁴ argues, it is also important to look internal developments within China and the U.S. During the early stage of the George W. Bush administration, American priorities in East Asia have shifted to emphasize the United States' relationships with its allies in the region, most notably Japan. In fact, Deputy Secretary of State Richard Armitage was one of the first people to argue that the U.S. should pay more attention to the U.S.-Japan alliance.

There were three factors at that time (the late 1980's through most of the 1990's) encouraging bilaterally-oriented arrangements:

22 Mitchell, Mark. and Vatikiotis, Michael. (2000). "China Steps in Where U.S. Fails," *Far Eastern Economic Review*.: 20-22.

23 Mitchell, Mark. and Vatikiotis, Michael. (2000). "China Steps in Where U.S. Fails," *Far Eastern Economic Review*.: 20-22.

24 Buzan, Barry. (2003), "Security architecture in Asia: the interplay of regional and global levels," *The Pacific Review* 16(2): 143-174.

First, the two great powers – United States and China – preferred bilateral arrangements at that time.

Second was the historical legacy. Japan, the United States' major security partner in Asia, has far from solved the problems that are rooted in its invasion of Asian neighbors during World War II.

The third factor is an ideological consideration; despite the dissolution of the Soviet Empire and the decline of communism, major socialist countries in the region such as China, North Korea, and Vietnam still remain. That factor, in many ways, could provide difficulties for other players to move in multilateral directions.

These three factors have all been gradually eroded over the years and replaced with other considerations. Facing new developments in the region, China and the United States have begun to change their attitude towards multilateral framework. China, for example, has long stopped viewing ASEAN as a security threat, but rather as a good vehicle to strengthen the security environment on its southern borders.

Although the history factor (with Japan) is still strong, in China and South Korea in particular, they are no longer a dominating factor in foreign policy considerations. And ideological considerations are also in great decline. Both China and Vietnam enthusiastically embraced a market economy and encouraged private entrepreneurship, thus rendering ideology a much lesser factor in terms of multilateral cooperation. The decline of these three factors is conducive for more multilateral arrangements, but that alone will not provide enough impetus for major powers - the momentum may need more incentives to develop²⁵.

Such incentives include the terrorist attacks of September 11 and the new round of the North Korea nuclear crisis starting in October 2002. In the wake of September 11, a U.S.-led anti-terrorist campaign was launched and Asia became one of the hottest spots, second only to the Middle East. It became evident to Washington, including most hawkish thinkers and unilateralist advocates, that a multilateral effort and a broader anti-terrorist coalition are necessary. In this case, not only are traditional allies such as Japan and South Korea essential, but new partners such as China and

25 Norwell, Julie. (2002), "Pentagon Moves to Shut NDU's China Center: China Schism," *Original Economist* : 10.

ASEAN countries are also necessary to this anti-terrorist association. This can be regarded as a clear signal for the formation of a collective security framework, in place of the traditional approach of bilateralism²⁶.

Japan and the ASEAN countries share a long history of cooperation beginning with the 1976 Bali ASEAN leaders meeting. Recent regional and global developments point to the urgent need to further enhance political, economic, and sociocultural cooperation. Despite current initiatives by Japan, South Korea and China to create stronger links between North and South-east Asia, the dream of a cohesive Asian political and economic community remains elusive, according to a key player in the process. The reasons that ASEAN members and their neighbours to the north encompass one of the few regions in the world without a formal cooperative mechanism are complex. They include the lack of a history of integration, huge differences between Asian nations in size and power, deep scepticism within individual countries. There is also distrust from the past, "in particular, Japan's violent attempt to dominate the area in the 1930s and 1940s. At the same time, neither Japan nor China has taken a leadership role, leaving the initiatives on regional integration to smaller countries.

The overwhelming influence of the United States and its web of bilateral security relationships in the region has also been a disincentive, sometimes leading U.S. officials to express "apprehension if not misgivings" to regional schemes that left them out. The U.S. pressure was especially strong in the late 1980s, when Malaysian Prime Minister Mahathir Mohamad proposed an exclusive Asian economic zone and drew a sharp attack from the first Bush administration. It's important for East Asians to have a forum without the presence of the United States, "These forums don't need to be seen as competitive." Another factor was the "compressed development" that marked East Asian industrialisation had led to considerable political and social stress in Asian countries who are keenly aware of need of appropriate institutions for growth.

26 Ibid.

The seeds for expanding regional unity were laid in 1993 and 1994, prior to the crisis, when the ASEAN countries, at the time only six, invited South Korea, Japan and China to join them in broader discussions. That 'ASEAN+3' formula has become the foundation for the discussions on Asian cooperation going on today²⁷. However, if we compare the strategies of Japan and Korea, Japan is seeking the way to be a 'normal state,' whereas Korea is pressing against hegemonic moves of Japan and China and at the same time pursuing to re-unite the Korean Peninsula. These strategic trends will affect peace, stability and prosperity in Northeast Asia including both countries. East Asia is confronted with the three tasks of globalization, transparency and democratization. It is necessary to build a community through Japan-Korea cooperation in order to achieve these tasks²⁸. Given the bilateral relations fraught with rivalry and hatred, China and Japan's engagement in the building of a community for peace, prosperity and progress has in fact signalled one of the most constructive moves toward rapprochement and confidence-building measures. In other words, the commitments, if any, by both China and Japan to dissolve hostilities and potential conflicts between the two powers, to nurture the 'we-feelings' and foster the shared identity and values constitute themselves the most meaningful contribution to the building of East Asian Community. As a Japanese scholar put, 'Unless the history problems are solved and the more cooperative relationship is established in Northeast Asia, the true sense of community will never be built in the region'. In this sense, it can be argued that the identified interests and policies toward regionalism of the two regional powers, among other factors, have much to do with the success of the community-building process in East Asia. China's vital interest is to ensure the social well-being and stability, and regime survival at home while expanding its influence abroad. Therefore, China's regional policy toward East Asia is aimed at realizing the following orientations, namely to ensure a stable and peaceful regional environment; to pursue greater influence through bilateralism and regional multilateralism to counterbalance the US-led perceived containment; to further increase the legitimacy of China's rising in the region.

27 Bowles, Paul.(1997), "ASEAN, AFTA and the New Regionalism". *Pacific Affairs*, Summer 70:2.
28 Ibid.

These guidelines are all reflected in its 'East Asian Diplomacy'. At the 16th National Congress of the Chinese Communist Party held in November 2002, President Jiang Zemin declared that China would continue to cement friendly ties with its neighbors and to make efforts in building good-neighbor relationships and partnerships with them. The East Asian Community provides the chance for China to alleviate the Southeast Asian perceptions of 'China Threat', and to stabilize China-ASEAN relations for the sake of China's peaceful external environment and continued economic development. Not less importantly, China strives to strengthen its political, security and economic cooperation with East Asian countries in its effort to discourage the hegemonic and unilateral tendencies of the US, 'making it difficult for US to gain the cooperation from Asian countries should Washington try to pressure or contain China'²⁹

Based on its previous experiences in multilateral institutions, China has now, far from its initial reluctance, actively involved right from the first stage of building norms and principles in the community-building process. Being the founding nation can help China to maximize Chinese national interests and minimize any possible negative effects of multilateralism. In other words, China will not oppose the extension of East Asian Community membership, even welcoming US presence in East Asian Community as long as China accomplishes the projection of its influence in the region through the building of an East Asian Community. As a Chinese diplomat put, 'East Asia cooperation must be opposed and obstructed by the US if it ignores the US interest. On this issue, on the one hand, we should follow the common rules for regional cooperation and strengthen cooperation among the countries within this region; on the other side, we should also pursue open regionalism and don't exclude the US and other countries outside the region'³⁰.

As the world's second largest economy, the world's second largest ODA donor, and the biggest investor in Southeast Asia, Japan's participation in the community building process is of great significance to the success of the East Asian Community.

29 Lawrence, Susan and Dean, Jason. (2003). "A New Threat." *Far Eastern Economic Review*, December: 16-18.

30 Ibid.

For its part, Japan has traditionally pursued a non-discriminatory approach to trade liberalization and made commitment within the global multilateralism only. In the late 1990s, being concerned about the isolation in the prevailing trend of regional integration and possible protectionism, Japan has shifted its traditional trade policy to a 'multilayered trade policy' in which Japan pays due attention to its relations with neighboring countries to secure Japan's national interests to reverse the decline of Japanese economy following a 'loss decade'. In this light, Japan's intensive engagement with East Asian governments recently is an integral part of its policy designed to ensure the economic security of East Asia as a base for Japanese production and business networks, to facilitate the recovery and continued growth of the Japanese economy, and to enhance its political and security relations with its East Asian neighbors.

The East Asian Community presents Japan the opportunity to assert its political role commensurate with its economic strength in the region without causing concerns from its Asian neighbouring countries. Since 2000, Japan has actively negotiated Free Trade Agreements and Economic Comprehensive Partnership Agreements with regional countries. More importantly, being concerned about the rise of China and the ASEAN band-wagging with China, Japan has initially changed its passive and unenthusiastic attitude to adopt a more active and positive approach to East Asian integration process, including the building of East Asian Community. Japan's support for the regional integration process stemmed from its worry of being 'excluded' or isolated in the region.

Japan does not want to see China to take advantage of the community-building process to build a Chinese-led regional grouping in East Asia in which members are all abide by the rules set by Beijing, and Tokyo will be effectively 'contained' by Beijing given the absence of non-Asian big powers. In this connection, Japan has managed to maintain American involvement and actively engaged other big powers such as Australia, New Zealand and India in regional arrangements by stressing the

nature of openness and inclusiveness in an attempt to counterbalance China's rising influence in the region³¹.

Japan proposed quite flexible conditionality for East Asian Summit participation, namely 'those who have interest and some functional relations with Asia should have some sort of a connection or relations with the East Asia Summit in whatever form, as observers or whatever. With regard to the US participation, Japan believes that US participation would do some good for the promotion of solidarity among the East Asian community'. During his visit to Singapore in January 2002, Koizumi officially approved the initiative of setting up East Asian Community. As he proposed in his keynote address, 'an East Asian Community should not be exclusive, and should enjoy close partnership with the US'. At the ASEAN Ministerial Meeting in July 2004, Japan released Issues Papers of East Asian Community, functional cooperation, and East Asian Summit. However, Japan has not well defined its interests in regional multilateralism in East Asia, and thus, not fully committed to the community-building process³².

But while Japan and China are both interested in promoting regional cooperation through an institutional arrangement such as an East Asian Community, they are guided by different visions of this community and their own roles within it. These nations are not just the two largest economies in the region; they are also political and strategic rivals. Both recognize the opportunity for great strategic leverage in shaping the architecture of the evolving community including its goals, its membership and its rules (however loose or formal). Both recognize the short-term and long-term advantages of maximizing their influence while establishing the new community, to best position themselves in the regional leadership stakes. Japan and China thus compete for influence in this community-building arena and draw all other players, particularly ASEAN which has been the driver of this process, into their central power struggle to be the pace-setter for the East Asian Community³³.

31 Shigehiko. Togo. (2001). "Japan Fears Loss of Code From U.S. Plane to China." Washington Post, April :14.

32 Ibid.

33 Ibid.

Singapore's Minister Mentor Lee Kuan Yew opined. 'It has become the norm in Southeast Asia for China to take the lead and Japan to tag along Since Japan is unable to recover its economy, it has no choice but to allow China to take the initiative'.

It can be concluded on the basis of the power struggles between China and Japan in establishing an East Asian Community, Japan has at various turns become a follower or a reactive player to China's strategic moves. But while Japan retains great economic clout it will continue to derive considerable power from serving as balancer to a potentially preponderant and threatening China, in a fluid strategic environment regionally and globally. The inaugural East Asian Summit (EAS) was held in Kuala Lumpur in December 2005, with all 13 APT members plus India, Australia and New Zealand attending as members to the process. As the Summit Chairman's Statement declares, the EAS is expected to 'play a significant role in community-building in the region' All nations involved in building the East Asian Community recognized establishment of the Summit as a potentially seminal meeting and thus as a potent site for power brokerage along the way to creating the new community. Power comes with claiming the physical location of the Summit (home turf is always most empowering), initiating and leading discussion, complying with or resisting initiatives, and certainly, determining the membership and distributing rights and responsibilities among members. All players recognize that siding with one or another of adversarially inclined major players—in this case Japan and China—has strategic possibilities and strategic consequences³⁴.

And beyond the internal politics between national players within the potential community, there is the inevitable dynamic of international politics; East Asia is not hermetically sealed from the rest of the world, and the rest of the world watches with great interest as East Asia's powers jostle for pre-eminence in the new, economically very powerful, regional formation. Establishment of the EAS could be the catalyst for consolidating a newly emerging East Asian regionalism. This was the case for APEC (Asia Pacific Economic Cooperation) in consolidating Asia Pacific regionalism when its status was substantially upgraded among members and in the international arena upon institutionalizing of the 1993 APEC leaders' meeting in Seattle. While it was

34 Tse-Kang Leng. (2002). "Economic Globalization and IT Talent Flow Across the Taiwan Strait: The Taipei/Shanghai/Silicon Valley Triangle." *Asian Survey*, No. 2 : 230-250.

Japan that effectively scooped the strategic victory of hosting the first meeting with all ASEAN leaders outside ASEAN, it was China that first announced officially its interest in and hosting the first East Asian summit to be held outside Southeast Asia. Here we see strategic jostling among all players as the three Northeast Asian nations tired of the limitations on their 'Plus Three' status and began to ask how long they would need to participate in APT leaders' meetings as guests of ASEAN rather than in more proactive positions.

ASEAN wanted very much to maintain its influence in an East Asian framework as a voice for the region's south (vis-à-vis the economically and strategically more powerful nations of the north). Yet pressure from the Plus Three nations of the north forced ASEAN to relinquish some of its firm hold on the APT as the primary vehicle for the Summit. ASEAN proposed two basic rules in an attempt to accommodate this pressure:

The Summit should have two chairs, one of which should be an ASEAN member; and the meeting venues for the Summit should alternate between ASEAN nations and the Northeast Asian nations.

However, this offer by ASEAN was not accepted in the final arrangements for the Summit, largely because of stiff competition between Japan and China over the Summit site.

Keen to check China's growing influence in East Asia and aware of the United States' perception of China's rise as detrimental to US interests in East Asia, Japanese Foreign Ministry was working to have Australia included in the East Asian framework. Japan's support for Australia's inclusion in the community-building in East Asia was to enhance the role of its partnerships with Australia and the US as its valued allies, with a view to countering China's ambition to dominate the region. Yet this move inspired China to seek exclusion of such extra-territorial 'China balancing' members and hence insist later that the APT, rather than an EAS, should be used as a forum for discussing community-building in East Asia, with membership of the community limited to APT nations³⁵.

35 Quansheng Zhao. (2002) "Asian-Pacific International Relations in the 21st Century." in Future Trends in East Asian International Relations. ed. Quansheng Zhao. London: Frank Cass:237-245.

China's approach contrasted clearly with that of Japan, which advocated 'open regionalism' including Australia, India and New Zealand to reduce China's influence. In the event, Japan's open regionalism prevailed for the inaugural EAS, partly thanks to India's strong claim on the use of EAS rather than APT as a vehicle for the community-building in East Asia. This view was also supported by Indonesia which worried about the negative consequence of the growing regional power of China on ASEAN's influence and favoured involving such 'balancing' countries like India and Australia³⁶.

Japan was also keen to lead discussion on the structure and substance of the EAS and in mid-2004 launched its Concept Paper on the East Asian Community that presented Japan's position on approaches to regional community-building including an EAS. Responding to China's interest in hosting the second EAS, Japan sought to claim some of this ground in the first EAS and so expressed willingness to co-chair the inaugural EAS with Malaysia.

China challenged Japan's attempt to take a lead in the community-building process by publishing its so-called Modality Paper on the issue in January 2005. Here China renounced Japan's proposal to co-chair by insisting that only the host country (Malaysia) should chair the first EAS.

The above shows how ongoing competition between Japan and China to gain strategic ground through influencing key decisions on the EAS—including its venue, membership and contribution to (or exclusion from) the East Asian Community-building process—pulled other players into positions valuable for their own strategic manoeuvring. It provided ASEAN with justification for taking the initiative to organize the EAS, on the grounds that the intensifying rivalry between the two Northeast Asian big powers would harm the sound development of regional community-building. As a consequence, ASEAN was able to set three conditions for participation in the first EAS: that the participant country should

36 Ibid.

- (1) be a member of the Treaty of Amity and Cooperation (TAC) or be willing to become a member,
- (2) be a complete ASEAN Dialogue Partner. and
- (3) have substantive relations with ASEAN.

Accordingly, Australia was compelled to sign the TAC despite its earlier rejection, given its keenness to join the EAS, and Russia was not offered official membership because it was seen to not yet meet the third condition. Overall, Japan–China competition accelerated the momentum towards establishment of the EAS, particularly by enabling and encouraging ASEAN to play a leading role. Further, establishing an East Asian Free Trade Area has strong potential to create economic underlay and encourage development of economic and business linkages that are vital for forming an East Asian Community. Japan and China have both been committed to establishing an East Asian Free Trade Area as an efficient means for transforming the APT nations into an East Asian Community. But here, too, the bilateral tensions run deeply since the two Northeast Asian nations are mutually competitive economic powerhouses and the consequences of their economic competition spill out across all regional players, presenting opportunities for leverage and other advantage in East Asian Community-building³⁷.

Overall, involvement in Japan–China power struggles over FTAs in East Asia has taught the ASEAN members valuable lessons. The ASEAN member states have been made aware of hurdles to be overcome to secure FTA arrangements, including, with Japan, the domestic political constraints that protect Japanese agriculture, and with China, the possible overflow of inexpensive Chinese products into the Southeast Asian region. ASEAN members have learned to be more confident in their economic capacities, to attract more overseas investments, and to prepare collectively for FTA negotiations with large Northeast Asian partners, while securing development cooperation programs with them. Importantly, these FTA experiences with the Northeast Asian powers have made ASEAN members vitally aware of their need to intensify efforts for closer integration with each other as a unified institutionalized voice for the Southeast Asian collective. The competition between Japan and China to

37 Camilleri, Joseph (2003) ed., *Regionalism in the New Asia-Pacific Order: The Political Economy of the Asia-Pacific Region*, Volume 2, (Edward Edgar.)

secure their own preferential trading arrangements with ASEAN through plurilateral FTAs has created opportunities that ASEAN can use strategically to gain leverage for itself, in the FTAs currently being considered and in an East Asian Free Trade Area should it be created further down the track³⁸.

The basic model for free trade will be bilateral deals, such as the agreement now being negotiated between Japan and Singapore. "The FTA with Singapore is a huge sea-change for Japan," said Munakata. Obviously, no East Asian community or economic integration can ever fructify so long as these two giants remain at loggerheads. The Chinese (and South Korean) refusal to meet Prime Minister Koizumi on the sidelines of ASEAN+3 summit for an informal trilateral meeting, as has been the normal practice, is an indication of how deep the gulf has become. But what really ails the relationship?

China's outrage is a result of what it perceives to be Japan's failure to fully atone for the sins it committed during the occupation of many Asian countries before and during the War. Japan interprets Chinese outbursts as pressure tactics to compel it not to assume a larger political role so that Beijing emerges as the leader of East Asia. While it is true that China and South Korea in particular bore the brunt of Japanese atrocities, there is no way really to measure how genuinely remorseful Japanese leaders have been for their past actions despite nearly 19 official 'apologies' so far. Though tension has been intensifying in the last few years, bilateral relations probably hit their nadir in April 2005 when violent demonstrations broke out in most major cities across China. The ostensible reason for these protests was Japanese approval of a textbook for high school students (one of 27 cleared so far), which was perceived to be rightwing-inspired and which glosses over what Japanese soldiers did during their occupation of China.

A more serious problem is going to be the strong nationalist feelings a series of events in the last few years have fuelled. This can not only badly undermine regional peace

38 Katzenstein, Peter.(2000). ed.. Asian Regionalism.: Cornell University Press: Ithaca, New York

and stability but also affect the economic dynamism that is sweeping across the region³⁹.

Despite the strains in the relationships between China, Japan and South Korea, ASEAN managed to bring all three into the summit meeting. What made ASEAN the most successful association in Asia is the fact that ASEAN is integrated by weak states. However, this successful diplomacy was achieved by the ASEAN member states through sustained negotiations that even the United States or the United Nations might have found difficult. Behind the success, two particular aspects of ASEAN's unique diplomatic initiatives should be addressed. The first is ASEAN's capability as "diplomatic glue". For another, the flexible negotiating stance of ASEAN that allowed for some problems to be put to one side for the greater benefit of gathering all the interested nations together certainly had an important effect. These can be called "ASEAN way". In addition, ASEAN succeeded in bringing about the political resolution of the conflict in Cambodia, which had lasted through the 1980s. In 1994, there was the establishment of the ASEAN Regional Forum, which is a multinational security dialogue mechanism that operates along the lines of the ASEAN way. That's why, the international community, appreciated the ASEAN way as an effective guideline for regionalism in Asia⁴⁰.

However, there are people who criticize the methods of regionalism in East Asia as merely a talking shop, and say that the roadmap for the future in East Asia is too vague. But surely a talking shop is far better than a fighting ring, after all. Issues surrounding the formation of an East Asian Community became clear as a leadership dispute between China and Japan emerged. Amidst this power struggle, the road open to ASEAN is to take the role of promoting diplomatic initiatives to bring the powers together. The "+3" nations of Northeast Asia-Japan, China and South Korea seem unable to seek voluntary reconciliation. In this context, ASEAN could provide opportunities for constructive dialogue by positively utilizing the framework of ASEAN+3, especially for mediation between Japan and China. However, there are

39 Yumiko Okamoto.(2005) . 'Japanese perspectives of an East Asian Community: The emerging East Asian Community: Economic and Security Issues', paper presented on May 19-20,2005 at International Conference 'Doshisha University: Malaysia.

40 Ibid.

several conditions that must be fulfilled in order for ASEAN to undertake these diplomatic initiatives⁴¹.

First, both Japan and China have concerns about the current situation of cold politics and hot economics, and this situation must be addressed. Also, both countries would need to submit to mediation by ASEAN, and not feel humiliated by being mediated by the relatively weaker players⁴².

Furthermore, ASEAN would need to maintain an impartial position as a third party with an objective stance. It is noteworthy, therefore, that since around the year 2005- the 60th anniversary of the end of the Second World War-ASEAN has been showing increased concern about the uncompromising attitudes displayed by both these Asian giants.

Although there are many people who compare the East Asian Community with the European Union (EU), it has been pointed out many times in the seminar that such a comparison is irrelevant and even misleading. Some of us even said that the type of community that the EU is aiming at will never be formed in the East Asian region. There are many reasons behind this but the most important one is the difference between European way and Asian way and it is impossible to construct a community in East Asia that overrides national sovereignty.

The most appropriate framework for the East Asian region is based on cultural similarity, common values and consciousness as a community. In a nutshell, the ASEAN+3 framework could provide the most feasible means of constructing an East Asian Community, which is not limited only economic and political integration, with ASEAN at the driver's seat and the +3 countries functioning as, not passengers but the powerful engines. However, the creation of APT is largely a political logic. It is not an economic logic. It is a reaction to the circumstances, just like APEC was a reaction to circumstances. But this political logic for APT is not strong enough to translate into a strong commitment, which will, in fact, override national differences

41 Matthews, Eugene A. (2003). "Japan's New Nationalism," *Foreign Affairs*, 82(6): 74-90.

42 Ibid.

and issues. Political will and commitment is crucial to the success of economic cooperation.

Regionalism in East Asia is not limited, however, to the movement towards ASEAN Community and an East Asian community. For example, China has been very eager in forming regional institutions centering itself. China's strong interest in APT and APT-based East Asian community is integral part of its strategy in neighborhood diplomacy. Equally, if not more, notable case of Chinese initiative is the development of Shanghai Cooperation Organization.

Starting with cooperation between former-Soviet Central Asian countries, China is now extending the framework toward countries further west. Thailand is also eager to take initiative in institution building in East Asia and beyond. There are such new institutions as ACMEC, BIMSTEC and ACD to name a few. ACMEC stands for Ayeyarwady (Irrawaddy)-Chao Phraya-Mekong Economic Cooperation, which aims at developing continental Southeast Asia being Thailand as a hub. BIMSTEC stands for Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation, or much less imaginative Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation. Connecting APT, SAARC and GCC, Asian Cooperation Dialogue (ACD) is a cluster of various cooperative forums including finance and monetary cooperation.

Thai initiative for regional cooperation is also known as the prime mover rationale, which is similar to the coalition of the willing. Namely, once a certain country proposes a cooperative program, interested countries and the initiator start the program without waiting for the participation of all members. Those members that became interested can join later. Thus, a large institution can promote various programs with partial involvement of member states⁴³. As of early 2006, with the prime mover rationale, ACD developed to constitute nearly thirty member states, twenty of which is taking a role of the prime mover on a certain project, respectively. Such a rationale derived from lessons of inefficiency of some ASEAN program. ASEAN used to require equal participation of all members in every program of cooperation, which inevitably limited the number of programs implemented and their effectiveness. ASEAN invented "minus X" rationale where some members are allowed not to join a particular program. In recent years, the term "prime mover" has

43 Camroux, David (January 2006), "Towards an Asian Community: the East Asian Summit", Kuala Lumpur.

become more widely used, and APT has adopted the prime mover rationale too. On the one hand, it is a pragmatic way for a large institution to carry out various types of cooperation where it is difficult to converge interests of participants.

On the other, however, it tends to obstruct the formation of unitary region due to partial withdrawal of some members from region-wide integration. East Asia used to be characterized by a relatively simple structure, i.e., ASEAN-centered nesting of ASEAN-based institutions. Nowadays, there are more institutions, many of which are overlapping complicatedly, and some of which spread beyond East Asia. Truly not all pursue economic integration, but the future image of an East Asian community has become more vague and opaque. Complicated network of FTA like AFTA may be the reality of an East Asian community if created in near future⁴⁴.

There are some institutions unrelated to ASEAN, which add more complexity in East Asian institutions. For example, APEC connects East Asia with Americas although it no longer includes all ASEAN members. FEALAC also connects East Asia (including Oceania) with Latin America. Those institutions “destroy” the ASEAN-centered nesting structure. New institutions such as Shanghai Cooperation Organization (SCO) and ACD have broadened the network of East Asian countries further.

If empowered to pursue extensive objective of integration, an East Asian community might streamline and simplify existing complicated structure of overlapping institutions. It is not probable, however. Among those various institutions in East Asia, an East Asian community may substitute a few functions of existing institutions, but it may primarily complement the existing institutions. In a word, an East Asian community would be located as additional function of the overall architecture in East Asia.

ASEAN has just started to create an economic community by 2020. Being ASEAN as such, an East Asian community cannot be a free trade “area” in an ordinary sense unless AEC is created much earlier than scheduled. Thus, even economically, an East Asian community would start from the level of non-region, and it would move toward a genuine customs region (presumably only FTA).

Politically, an East Asian community would consist of not only democratic states but also socialist states, even if dictatorial Myanmar is set aside. The co-existence of

44 Ibid.

different political regimes must be mutually respected. ASEAN has accepted this principle. As for East Asian states in general, APEC has provided the cooperative platform on which both democratic and socialist states can work together. In this sense, an East Asian community would inevitably differ from EC/EU at least in foreseeable future.

Nonetheless, an East Asian community should not be a community of some ten nation-states. It should be a community of every citizen belonging to those nation-states. ASEAN is still an association of nation-states. An East Asian community would have to begin with an association of states, but the eventual goal must be a genuine community comprising citizens⁴⁵.

This does not mean that the democratization of socialist regimes is to be included in the objective. It means that people's rights should be considered not only in aggregate terms but also individual terms. The role of civil society must be encouraged. Even in the arena of mutual security, it is crucial that individual citizens share "we-feeling" across national borders, and that they exclude the resort to arms from foreign policy options between themselves. Mutual commitment of sovereign states is, needless to say, important to maintain amicable relations. The no-war treaty regime such as TAC is invaluable⁴⁶.

In addition, such a norm should be based on transnational community of citizens. Admittedly, the concept of civil society is problematical in East Asia. Even ASEAN hesitated to use that term, and it adopted "caring society" instead. However, there have been some changes in the region. The national leaders agreed to formulate the ASEAN Charter by the end of 2007 so as to transform ASEAN from an association of states into international organization towards the creation of the ASEAN Community. Within a new ASEAN, the role of civil society may be recognized in substantiating and strengthening the ASEAN Community. An East Asian community may as well follow the path ASEAN is taking. Participating states in APT and EAS have agreed that ASEAN keep sitting on the driving seat of both institutions. It is agreed partly because ASEAN is experienced in handling difficult issues and compromising

45 Bonapace, Tiziana (2005). *Regional Trade and Investment Architecture in Asia-Pacific: Emerging Trends and Imperatives*. RIS Discussion Paper #92. Research and Information System for Developing Countries: New Delhi.

46 Ibid.

internal confrontations, and partly because it is the only options that other participants such as Japan and China can accept. Closer relations with ASEAN would facilitate the formation of an East Asian community.

In the formation process, ASEAN would not only be the driver, but also the glass ceiling. ASEAN would refuse to create an East Asian community that would override it simply because it would become meaningless. An East Asian community cannot supersede ASEAN. If one wants a community more integrated than ASEAN, one should help ASEAN to integrate itself at least to the level of a community one wants. It is absolutely necessary to have ASEAN pursue a higher level of integration if a higher level of integration is needed in East Asia as a whole. ASEAN is committed to establish the ASEAN Community by 2020. For advocates of an East Asian community, such a goal may be too humble or too low, or the schedule may be too slow. However, the present goal may be too ambitious for today's ASEAN. There are various centrifugal factors in the ASEAN region that may hamper further integration. For instance, economic cleavage between old members and new members has been widening.

Globalization enforces each member states to cope with extremely competitive environment. International terrorism and other trans-border organized crimes call for capacity building of ASEAN states. Under such situations, assistance to and support of ASEAN, and individual member states as well. is badly needed. ASEAN was able to survive dangerous international environment. but this admirable record does not mean that ASEAN is powerful. ASEAN is very tactful. but not fully equipped to help itself and member states. More integrated and developed ASEAN would become sounder basis of an East Asian community.

It is legitimate to ask whether an East Asian community is needed in order to strengthen economic ties and/or to create an East Asian free trade area. If FTA is needed in East Asia, negotiation would be possible without referring to a community. It is also legitimate to answer that an East Asian community means an East Asian "economic" community at least for the time being. and that it should not be compared to EC/EU by any means. Unlike such contentions. there is an assumption that even if community is concerned solely with economic integration, political commitment is needed in institutionalizing the integrative program.

Furthermore, it can be pointed out that the question of regional security occupied a central theme to pursue community building in such notable cases as EC/EU and

ASEAN. As for ASEAN, TAC has played an important role in establishing regional peace. This important resemblance should not be confused with a superficial comparison. There are significant differences between EC/EU and ASEAN, one of which is the notion of community. In European context, regional community means the community of individual citizens of constituent nations. The region-wide decision-making is complex in the sense that supra-national, inter-national and trans-national entities are simultaneously involved in the process.

Each citizen has multiple means to engage him (her) self in regional integration. On the other hand, ASEAN Community is very traditional in the sense that the member of community is not citizen but nation. To state differently, Southeast Asian regional community consists of the ten member nations, rather than five hundred million citizens in the region. Good neighborhood is not a question of individual citizens in the region, but a question of foreign policy of ten countries in Southeast Asia.

In Europe, regional community has to be based on democratic governments of member countries. This requirement became obvious when the entry of Greece, Portugal and Spain into EC was in question. The enlargement of EU after the cold war era illustrates the point again.

Democracy is not the value that has to be shared in Southeast Asia. Regional identity alone seems the eligibility for the membership. ASEAN consists of countries of different political regimes. Traditional international norms such as the observance of sovereignty and non-interference in internal affairs remain important for regional integration in Southeast Asia. It will take some time for Southeast Asian citizens to enjoy democracy throughout the region. A hard case for ASEAN is the Myanmar problem concerning human rights suppression by the military government. ASEAN has tried in vain to persuade Myanmar to democratize, and the latter's hard-line policy affected not only intra-ASEAN solidarity but also cooperation with non-members, especially EU and the United States. There are increasing supports of reconsideration of traditional ASEAN norms within the ASEAN region.

As for self-transformation of ASEAN, attention should be paid to a new development in progress. The national leaders agreed to formulate the ASEAN Charter by 2007, and the eminent persons' group was organized to draft the charter. One reason of the call for the charter is the fact that ASEAN does not have legal basis. It depends on foreign ministers' declaration to establish ASEAN, and on consecutive declarations

issued by the heads of states/governments. The charter will constitute a full legal basis of ASEAN from an association to an organization.

Another reason is the increasing need for the revision of ASEAN's modus operandi. The ASEAN Charter may be a step towards a genuine community.

In the post-cold war era of globalization and democratization, East Asia still needs careful considerations on mutual security and on co-existence of different political regimes. Hasty pursuit for a genuine community such as EC/EU may not be workable in East Asia. Economic rationality may be neutralized by political and/or security calculations. If economic integration/partnership cannot escape from political or security questions, it may be appropriate to consider the formation of an East Asian community from not simply economic perspective, but also from the viewpoint of overall architecture of East Asia.

In East Asia, it seems to remain relevant for prospective community members to mutually commit themselves to peaceful settlement of disputes between them. In other words, an East Asian version of TAC may be desirable, if not necessary, to facilitate the creation of an East Asian community. Despite differences in political and security outlooks, or rather because of them, every effort should be taken in order to establish the sense of community or "we-feelings" among citizens in East Asia. Civil society should be developed in each state comprising an East Asian community. Transnational relations should be encouraged.

In any event, ASEAN would be the core of an East Asian community. By definition, an East Asian community would be at best as integrated as, presumably less integrated than, ASEAN. In order to establish well-integrated East Asian community, ASEAN should be integrated further and faster. Because ASEAN faces serious obstacles to pursue integration towards a genuine community, advocates of an East Asian community should assist and support ASEAN's endeavor. An East Asian community may as well be facilitated with similar programs to APEC's ECOTECH to accelerate trade liberalization. It may not be an exaggerated statement that the formation and establishment of an East Asian community depends on the future of ASEAN.

Chapter IV

The Strategic Dimension of East Asia Community

Competition and cooperation are the two dominant modes of behavior among major powers in the strategic dimension. An important element that characterizes post-Cold War international relations is the trend toward globalization, or economic interdependence. The shift in distribution of power and the rise of China in particular has placed major emphasis upon economic integration - take China, Japan, and the United States, for example. In terms of top trading partners, each one of the three countries places the other two high on its list. Trade between and among East and Southeast Asia has also increased dramatically. This development has further advanced the rapid trends toward interdependence in the region, and economic integration has developed at an unprecedented pace for the last decade. This kind of momentum has created a foundation for further development of community-building and a platform for the possible development of a new security regime¹.

In East Asia, the post-war security framework was primarily built upon the Cold War reality. That is, the world was bipolar divided into the Communist camp (headed by the former Soviet Union) and the West (headed by the United States). It is natural that the prevailing security frameworks were also along the lines of these two different camps. And more noticeably, in each camp the security framework was basically bilateral in nature. For example, in the Communist camp, one can point to the China-USSR Friendship Treaty signed in 1950, as well as other arrangements between then-socialist states. Along similar lines, U.S.-led security regimes were also bilateral, unlike the European security framework. In Asia, there was no overarching security organization like NATO, but rather a number of U.S.-led bilateral security arrangements, many of which were initiated in the 1950s. These include U.S. security arrangements with such countries as Japan, South Korea, Australia, New Zealand, the Philippines, and Thailand². To better understand the newly emerged multilateral

¹ Mc Beth, John (2003). "Taking the Helm". *Far Eastern Economic Review*,:38-39.

² Cox, Robert W. With Sinclair, Timothy (1996). *Approaches to World Order*, Cambridge University Press: Cambridge.

potential for security arrangements, the evolution of regionalism in East and Southeast Asia needs to be examined.

Attempts of regional integration for the creation of no-war community are very few, but European experience is not the only one. Another notable case can be found in Southeast Asia. To state differently, ASEAN was formed on the basis of similar desire shared by political leaders in the region. Not comparable to wars in Europe in scale, but equally threatening to the region, a conflict took place in Southeast Asia in the first half of the 1960s. The direct cause was the decolonization of British Southeast Asia to form Malaysia. The Philippines claimed sovereignty over North Borneo under British rule. Indonesia was opposed to the formation of Malaysia, and took confrontation policy. Forced independence of Singapore from Malaysia in 1965 further complicated the regional conflict. Political change in Indonesia made its foreign policy less militant and more accommodating, which provided momentum towards a creation of a new regional institution for reconciliation. Thailand played an important role of catalyst. Even before Indonesia and Malaysia normalized diplomatic relations, yesterday's mutual antagonists, i.e., Indonesia, Malaysia, the Philippines and Singapore, created ASEAN with their intermediary, viz. Thailand in 1967. Further, In Southeast Asia, although the Vietnam War was being escalated in Indochina, regional conflict amongst countries that were to create ASEAN was over. Both regions were left exhausted and vulnerable. National leaders were forced to acknowledge that another conflict should be avoided in order to restore (in Europe) or build (in Southeast Asia) the nation politically as well as economically. The reconciliation had to be realized, and practice of cooperation had to be established. This constitutes another reason for creation of ASEAN³.

³ Acharya, A. (1983), "A New Regional Order In Southeast Asia: ASEAN In The Post Cold War Era". Adelphi paper no. 279. International Institute of Strategic Studies: London.

Initially ASEAN countries did not acknowledge their common goal was the establishment of no-war community, but kept insisting that the objective of the organization was regional cooperation in economic and social fields. Nonetheless, they concluded the Treaty of Amity and Cooperation (TAC) in Southeast Asia in 1976. The essence of the treaty was commitment to peaceful settlement of mutual conflicts as the basis of good neighborhood. TAC soon became the foundation of ASEAN, because there was not any legal basis of ASEAN such as a treaty of the establishment of ASEAN. In the 1990s, ASEAN was ready to be engaged in substantial economic integration. Amongst failures of regional integration in developing countries, ASEAN gained the reputation of exceptional case of successful regionalism in developing area⁴.

East Asian international relations and regional community building efforts have been greatly affected by the reconfiguration of power relations in the region since the beginning of the post-Cold War era. It is a common belief that the end of the Cold War in the late 1980s, especially the collapse of the Soviet empire, significantly altered the configuration of major power relations in the Asia-Pacific region. These changes have generated new major-power relations in the region and redefined bilateral relations among China, Japan, Russia, and the United States. The United States' rise to sole superpower status has given Washington a dominant role in all four dimensions of world affairs: political, strategic, economic, and technological. As the United States assumed its role as the sole superpower in the world, China also increased its standing. Since 1978, when it initiated economic reforms and the Open Door economic policy, China has achieved spectacular economic performance, sustaining high growth rates (even with the slowdown from 11-12% to 7-8% since 1998) and escaping the Asian economic crisis of 1997-98. This expansion has greatly increased China's influence in regional and global affairs.

On the other hand, there has been a noticeable "down turn" with regard to Russia and Japan. With the collapse and dismemberment of the former Soviet Union in the early

⁴ Acharya, A. (1983), "A New Regional Order In Southeast Asia: ASEAN In The Post Cold War Era", Adelphi paper no. 279, International Institute of Strategic Studies: London.

1990s, Russia experienced major setbacks in all respects, and it has a long way to go to return to its previous status and influence in the region. The nature of Japan's downturn is quite different, as it is reflected only in economic terms and is a result of consecutive economic recessions, rather than the major financial crises that befell Korea and Southeast Asia⁵.

The shrinking of the remnants of the Cold War in Asia is causing a fundamental rethinking of interests and relationships among the countries and economies of East Asia. For a half century following World War II, East Asia was divided into two blocs: communism on one side confronting the United States and U.S. allies on the other. Smaller countries at sundry times were ensnared in the confrontation, and in cases — such as in Korea and in Vietnam — the great power rivalry manifested itself in intense, but limited, warfare. International trade patterns tended to follow political alliances with the American market serving both as the anchor of the Asia Pacific economy and as the preferred export destination for many of the non-communist countries.

Another striking phenomenon that has come about in the ten-odd years since the end of the Cold War is not just that the unipolar dominance by the U.S. has become clear and that transnational actors have emerged, but also that a new distribution of power in the world system has taken place at three levels, which are intertwined in a very complicated way. One sees a unipolar situation in the military field, a multipolar situation in the economic field, and a diffusion situation in the transnational field, with the role of soft power, in particular, becoming more and more apparent⁶.

In East Asia in this new phase, one can observe situations characterized by these phenomena such as; American unipolar dominance, the globalization of crisis due to the deep economic interdependence, threats of “non-institutional violence” called terrorism, and China becoming a regional great power. If the new world system is examined in a stratified way, “non-East Asian factors” for East Asia include more than just states or powers such as the U.S., Russia, and Australia.

5 Buzan, Barry. (2003). “Security architecture in Asia: the interplay of regional and global levels.” *The Pacific Review*, 16(2):143-174.

6. *Ibid.*

At this stage, it becomes necessary to ask the question of what constitutes “East Asia.” The question of what should be included in East Asia itself is a subject of political debate. The general practice is to consider East Asia to be composed of the countries of ASEAN+3 (Japan, China, and South Korea). Such line of thinking considers the Korean Peninsula, China, Taiwan, Japan, and the ten ASEAN countries to be included in East Asia. Mongolia, along with Russian Far East and Siberia, could be added to this⁷.

The “East Asian Community” initiative put forward by Japanese Prime Minister Junichiro Koizumi on January 14, 2002 in Singapore, may bring about a debate about what constitutes East Asia. Koizumi defined Japan and ASEAN as “partners” who are “acting together, advancing together,” and promised to spare no efforts in cooperation for the reform, stability, and future of East Asia in order to make it a “community that acts together and advances together.” Concretely speaking, he advocated “an Initiative for Japan-ASEAN Comprehensive Economic Partnership,” “an Initiative for Development in East Asia (IDEA)” and cooperation between Japan and ASEAN in the field of non-military security, such as energy and anti-terrorism. He stressed the openness of the East Asian Community and defined Australia and New Zealand as its “core members.” Simultaneously, he emphasized the strengthening of the Japan-U.S. alliance remarking “the role to be played by the United States is indispensable because of its contribution to regional security and the scale of its economic interdependence with the region.”⁸

However, it is said that the response to this initiative from South East Asian countries in general has been cool. The impression has generally been that there is little new or concrete in it, and that it was assumed to be set against the China-ASEAN Free Trade Area agreement. Moreover, there were doubts about the validity of the “flying geese pattern” model of economic development where Japan was supposed to lead the Asian group. The biggest question likely involves the persuasiveness and validity of talk about “open regionalism” encompassing Oceania and the U.S., and something

⁷ Kikuchi, Tsutomu (2002), “East Asian Regionalism: A Look at the ‘ASEAN plus Three’ Framework”. *Japan Review of International Affairs*, Spring:1-23.

⁸ Ibid.

“smaller than APEC and bigger than ‘ASEAN plus three’,” in terms of economic development, stability and cooperation in East Asia⁹.

Hence, the following two points need to be confirmed before concretely discussing “non-East Asian factors.”

First, they include things that are not included in the regions and concepts of “East Asia,” as well as things that are not specific to East Asia.

Second, they involve both actors and factors.

Now a tectonic shift is occurring in the landscape in East Asia. Five forces are driving these shifts:

- (1) the rise (re-emergence) of China and its jockeying for influence and leadership with Japan and South Korea and other Asian countries,
- (2) globalization and the cross-border expansion of corporations and supply chains, including supplies of energy and raw materials,
- (3) liberalized trade and investment flows,
- (4) the global war on terrorism, and
- (5) the rise of the European security model (keeping the peace through progressive institution building and increased stakeholder relationships) to challenge balance-of-power realism (keeping the peace through a confrontational stalemate among big powers)¹⁰.

Dragged by these forces, the developing regional architecture includes within its ambit the growing trade, financial, and political arrangements among countries of East Asia especially China, South Korea, Japan, and Southeast Asia with some mention of links with Australia and New Zealand. It also includes bilateral free trade agreements (FTAs), regional trade pacts, currency and monetary arrangements, and political and security arrangements.

9 Kikuchi, Tsutomu (2002), “East Asian Regionalism: A Look at the ‘ASEAN plus Three’ Framework”. *Japan Review of International Affairs*, Spring:1-23.

10 Dittmer, Lowell. (2002). “East Asia in the “New Era” in World Politics,” *World Politics*, 55(1): 47-57.

The East Asian regional architecture is supported by two distinct legs¹¹. The economic leg is strong and growing more intense. A web of free trade and regional monetary agreements is developing rapidly. It is driven primarily by the quest for business profits, for economic stability, and for high rates of economic growth.

While East Asia lags behind North America and the European Union in the extent and depth of economic integration, the region is catching up quickly despite strong historical animosities that chill otherwise warm economic relations — particularly among Northeast Asian nations.

East Asia is home to many of the most dynamic economies in the world, and competition is intensifying to join in regional trade agreements. Beginning with the ASEAN, FTA in 1992 (an agreement that lowered but did not eliminate intra-regional tariffs), the momentum for countries in Asia to conclude FTAs both among themselves and with countries outside the region has been increasing. Singapore, in particular, already has FTAs with ten nations and is negotiating a half dozen more. Indonesia, Thailand, Malaysia, the Philippines, and Vietnam in ASEAN as well as Japan, South Korea, and Taiwan also have been reaching out to establish free trade with willing partner countries. China also has ridden the crest of FTA fever with a notable deal with ASEAN.

The political and security leg of the East Asian regional architecture remains relatively underdeveloped¹². The most progress has been made with ASEAN playing the role of convener and has taken the form of the ASEAN Security Community and ASEAN Regional Forum (ARF). In Northeast Asia, the six-party talks aimed at resolving the North Korean nuclear program have been operating in fits and starts on an ad hoc basis. Unlike closer economic ties that tend to benefit both sides (positive sum), security arrangements may pull in strategic competitor countries in an attempt to resolve difficult issues that benefit one at the expense of another (zero-sum). Political and security fora, furthermore, usually exclude the very officials most involved with security issues — the military. In Asia, military relations tend to be conducted on a country-to-country basis rather than through regional institutions.

¹¹ Buzan, Barry. (2003), "Security architecture in Asia: the interplay of regional and global levels." *The Pacific Review*, 16(2):143-174.

Regional security meetings tend to be attended by foreign affairs ministers or their representatives rather than by defense chiefs, and they often result in talks rather than in actual problem solving or confidence building. Still, pressures for greater security cooperation are being driven by the boom in economic interchange and its concomitant requirement for political stability. Also, the transnational character of security threats (particularly with terrorism, illegal narcotics, and weapons proliferation), and a need to replace the Cold War structure with something more cooperative and less prone to generating hostility begs for a political/security organization for East Asia that is less process-oriented (meetings) and more directed toward functions and achieving concrete results. Asia, moreover, still is rife with nationalism and power rivalries operating in a 20th century fashion with interstate conflicts and territorial disputes flaring up on occasion.

Let us now make some specific examinations of the two most significant players in Asia-Pacific security arrangements – China and the United States. China's active attitude toward regional community building began in the wake of the 1997 Asian Economic Crisis. During that crisis, China stood out in its role as a reliable partner and leading player guiding the region out of the economic crisis. One of the strong stances which was helpful for China's Asian neighbors was Beijing's persistent policy to maintain the stability of its currency, the renminbi. In other words, China resisted frequent attacks from financial speculators regarding its currency and enormous pressure to devalue it. China's role in the economic integration process appeared even more active at the turning of the new century, particularly after China joined the WTO in 2001. China began to participate in the process of establishing Free Trade Area (FTA) agreements with ASEAN countries. China also showed real interest in developing a similar FTA area among itself and the two other East Asia powerhouses, Japan, and South Korea. This multilateral approach seemed to work smoothly for China's interests when China's economy continued to be in a high gear of performance¹³.

12 Ibid.

13 Zhiyue, Bo. (2004), "Elite Politics and the 'Peaceful Rise' of China". *EAI Bulletin*, 6(2): 1-10.

In the security dimension, however, the picture is much more complicated. Traditionally, China prefers a bilateral approach in its discussions or negotiations on security measures with other countries. This is particularly true with regard to the issue of Taiwan. In insisting that the issue of Taiwan is an internal affair, China has made it clear that this issue should be dealt with only through a Beijing-Taipei dialogue and has prevented it from being placed in an international arrangement. According to Beijing, any multilateral security arrangement in the region, therefore, should not include the Taiwan issue. This consideration has become a major obstacle for Beijing to move into a more active multilateral security arrangement¹⁴.

Since the beginning of the 21st century, China has developed a new line of thinking regarding its security framework known as a “new security concept.” This notion was elaborated by Chinese Vice Foreign Minister Wang Yi as a “comprehensive, common, and cooperative” security framework. Under the new guideline, China emphasizes gentler and friendlier relations with its neighboring countries, as well as more agreeable policies on multilateral security arrangements in the region.

One obvious example of this shifting approach is the South China Sea islands dispute. There are conflicting territorial claims made on these islands among China and several ASEAN countries, such as Vietnam, the Philippines, Indonesia, Malaysia, and Brunei. Previously China insisted on negotiating over these islands in a bilateral manner and avoided talking with these countries in a collective way. It was relatively easier for China to negotiate with a single, smaller country, rather than with a collective effort that would increase the ASEAN countries’ bargaining power. But this attitude has changed over the past few years. China agreed to sign the Code of Behavior with ASEAN countries regarding the dispute over the islands. Furthermore, China began to advocate a program of joint development of the disputed area with these countries, some in a bilateral way, some in a multilateral way, when the area had multilateral claims.

Another successful development for China’s multilateral security arrangements is the case of the Shanghai Cooperation Organization (established in 2001), which

14 Zhiyue. Bo. (2004), “Elite Politics and the ‘Peaceful Rise’ of China”. *EAI Bulletin*, 6(2): 1-10.

includes China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan. A primary function of the Shanghai Cooperation is to fight against terrorism and there has already been the slow development of joint military exercises among its member countries in recent times. The latest development of the "Shanghai Six" has seen the establishment of its permanent headquarters in Beijing in January 2004. One of the main purposes of this multilateral organization is to target terrorist groups in the Central Asia area.

There are also domestic considerations for Beijing, particularly within its own Xinjiang autonomous region where some of the Uyghur minority are actively engaged in a separatist movement. Therefore, placing these domestic issues into the international, multilateral coalitions, such as the Shanghai Six and the anti-terrorist coalition with the United States is in line with Beijing's own security interests, both externally and internally¹⁵.

Despite this development of a multilateral approach, a number of major security areas still pose difficulties in their inclusion in the multilateral security arrangement. The first is another flash point in Northeast Asia; that is, relations across the Taiwan Strait. Beijing regards Taiwan as a vital national interest, very much resisting internationalization of the issue. China has so far emphasized a bilateral approach between Beijing and Taipei and would not want the Taiwan issue placed in an international context¹⁶.

The most complicated region for China still lies in Northeast Asia. Although China has struggled in its bilateral cooperation with Japan and South Korea, including military cooperation, it is still hard to work out a comprehensive multilateral arrangement with these countries. One reason is found in the U.S. factor. Any multilateral security arrangement must consider the United States since the U.S. has long standing security ties with both Japan and South Korea. In sum, there has been a noticeable shift in China's attitude toward multilateral security arrangements. While there is still much concern over the issue of Taiwan, Beijing has begun to put a more positive light on multilateral frameworks. China's active role in hosting the six-party

15 Weir, Fred. (2005), "Russia, China looking to form 'NATO of the East'?", *The Christian Science Monitor*, October:4.

16 Ibid.

talks over the North Korea nuclear crisis and the new flexibility toward ASEAN countries both demonstrate a new approach. At the same time, many of China's basic concerns still remain. The future evolution of Beijing's attitude, therefore, deserves continued careful examination.

Now let us look at the other crucial player in the region – the United States.

Coming on to United States as the only superpower in the post-Cold War era, it has played a vital role in virtually every part of the globe. The Asia-Pacific region is no exception¹⁷.

There have been two parallel strategies under the George W. Bush Administration. One line of thinking, perhaps represented by the Department of Defense, emphasizes the unipolar nature of the world, with the U.S. having the utmost responsibility for maintaining world order. Unilateralism, according to this school of thought, is most suitable for maintaining United States interests and getting things done. The best example is the war in Iraq against the Saddam Hussein regime. In the Asia Pacific region, advocates of this line of thought emphasize already existing bilateral arrangements, such as the U.S.- Japan Security Treaty and the U.S.-South Korea Security Alliance. Security arrangements with other countries, including China, can only be given lesser importance after these military allies. In other words, because of this kind of mentality, it will be very much problematic for the Pentagon to develop a multilateral security regime that may include China.

Another line of thinking, perhaps represented by the mainstream of the State Department and the National Security Council, is more inclined to rely on multilateralism. It continues to call for active participation in the regional economic integration, such as the United States' role in APEC activities. This school believes a multilateral arrangement is more suitable for solving security issues such as the North Korea Nuclear crisis. In this regard, a more cautious State Department approach has

17 Papayouanou, Paul A. And Scott L. Kastner, (2000) *Sleeping With the (Potential) Enemy: Assessing the U.S. Policy of Engagement with China* "quoted in" Jean-Marc F. Blanchard, Edward D. Mansfield, and Norrin M. Ripsman, *Power and the Purse, Economic Statecraft, Interdependence, and National Security*, Frank Cass:Portland

prevailed over the views of hardliners who believe that a preemptive strike on North Korean nuclear sites would solve this issue. The U.S. has encountered increasing difficulties in the post-war occupation, which have highlighted the limits of U.S. forces and the desirability of a multilateral participation in the process of rebuilding Iraq. This fresh experience may in turn enhance the influence of multilateralists within the U.S. foreign policy apparatus. This new approach may also increase the necessity for Washington to seek a constructive and consultative partnership with major powers, especially China, in maintaining a peaceful environment in the region. At the same time, however, the U.S. will continue to rely on existing bilateral security arrangements with such allies as Japan and South Korea¹⁸.

One major obstacle for Washington in developing an even closer strategic relationship with Beijing lays in the issue of Taiwan. In 1996, China's missile exercise across the Taiwan Strait, and the subsequent move into the area by the two US aircraft carriers, highlighted the potential military confrontation between the two great powers over Taiwan. Beijing has so far made it clear that it is undesirable for its economic modernization to have a war with Taiwan. However Beijing may deem military force a necessary means of preventing Taiwan from moving toward independence.

There is also a dilemma for Washington. On one hand, the United States has viewed Taiwan as a loyal ally and a newly democratic society, and therefore remaining separation between Taiwan and the mainland would be in line with U.S. interests. On the other hand, Washington is clearly aware of the potential military conflict with China, and has so far adopted a balanced yet clear policy toward the Taiwan issue. That is, it does not support Taiwanese independence, but insists on an eventual peaceful resolution fostered by both Taiwan and China.

18 Papayouanou, Paul A. And Scott L. Kastner, (2000) *Sleeping With the (Potential) Enemy: Assessing the U.S. Policy of Engagement with China* "quoted in" Jean-Marc F. Blanchard, Edward D. Mansfield, and Norrin M. Ripsman, *Power and the Purse, Economic Statecraft, Interdependence, and National Security*. Frank Cass:Portland

One can see clearly there are overlapping concerns over the issue of Taiwan between China and the United States. Yet, there are also clear differences between the two powers. This mixture of overlapping national interests and different concerns between the two powers may prevent them from developing a more comprehensive multilateral security regime. But that is not to say that a more flexible multilateral consultation will not be well developed in the security dimension -- one in which both Washington and Beijing actively participate¹⁹.

The case of security dialogue on North Korea can serve as a good example in this regard. The Bush Administration has developed a proposal for a multilateral security guarantee in exchange for North Korea's termination of its nuclear weapons program. The situation in North Korea is apparently different from that in Iraq, although they share to a certain degree a terrorist nature. The Pyongyang regime is perceived differently from the Baghdad regime in terms of its capacity and ability to lead a major war. Moreover, there are major powers who have a stake in the development of the Korean peninsula (a reminder of the Korean War of 1950-53 and China's involvement at that time), whereas virtually no major powers were supportive of Saddam Hussein. Furthermore, there are no well-developed economic resources in North Korea, compared to the rich oil reserves in Iraq. It is not difficult to imagine that enormous difficulties may result if the U.S. chooses to send its military alone to North Korea.

In addition to China and the United States, other crucial players -- Japan, Russia, the two Koreas, ASEAN, and Taiwan -- in the region may have their own perceptions and preferences in a variety of policy areas²⁰.

Japan which has long regarded the countries in both East and Southeast Asia as its primary trading partners (in addition to the United States), has a major stake in this area. It has Japan's official development assistance (ODA) has long put this region as its top priority, holding steady at 60-70%. Japan has not, however, lived up to the expectation for its leadership role in the community-building process for two reasons.

19 Ravenhill, John. (2002), 'A Three Bloc World? The New East Asian Regionalism', *International Relations of the Asia-Pacific*, 2(2):167-195.

First, the possibility of a resolution of historical issues between Japan and its Asian neighbors, China and Korea, (in particular, full recognition from Tokyo of its wartime behavior) has been difficult to come by. This unsettled historical legacy has time and time again been triggered by the provocative actions of leading Japanese politicians, such as Japanese Prime Minister Junichiro Koizumi's repeated visits to Yasukuni Shrine to pay tribute to the war-dead, including Class-A war criminals. This kind of action not only prevented a state visit between China and Japan up to the end of 2004, but also created unfriendly, and even hostile feelings among the countries' younger generations. One illuminating example of such tensions comes in the anger toward Japan displayed by Chinese soccer fans following the Asian Cup final in August 2004. The concerns of Japan's neighbors were further heightened when the Japanese government sent its troops to Iraq under the U.S.-led military coalition.

The second reason is the decade long economic recession began in the early 1990's. This prolonged recession has had an adverse impact, in terms of injuring Japan's confidence and hurting Japan's credibility in the region. With the rise of China, Japan has harbored deep suspicions of China and regarded it as a threat in both economic and security dimensions. For example, with regard to the East Asia FTA arrangement, Japan attempted to establish such an agreement with South Korea first and then with China, but South Korea was only lukewarm to this idea and made the counter suggestion that the beginning stage should also include China.

In the security dimension, Japan has very much relied on bilateral agreements, particularly in the U.S.-Japan security treaty. Indeed, cooperation between the United States and Japan has been so close that it is said if "one party coughs, the other gets sick." An example of this collaboration is that the two countries have shared intelligence through a coded system. Together, the U.S. and Japan will spend millions of dollars to change this communication system due to the Hainan incident of April 2001, in which the Chinese military examined the top secret equipment of the U.S. EP-3 surveillance plane

²⁰ Ibid.

One may notice that in the strategic arena a major problem between Japan and its Asian neighbors, China in particular, is a lack of mutual trust and confidence. In the long run, Tokyo and Beijing have to overcome the above-discussed obstacles and develop new mechanisms for a possible multilateral framework in strategic terms. Obstacles also come from the issue of territorial disputes between Japan and its neighbours, including a territorial dispute over the Diaoyu/Senkaku islands with China, the Northern Islands with Russia, Takeshima/Tokudo with South Korea. Although these issues are different in nature, they still constitute obstacles, to various degrees, to the development of a multi-lateral security framework, if it relates to territory issues²¹.

One other obstacle for Japan's smooth integration with the East Asia community is the rise of the so called "new nationalism." Although it is generally believed that the mainstream of Japanese society is moving away from militarism, one may nevertheless notice the rise of nationalism, particularly in light of the recent, decade-long economic recession. It is not unreasonable to some Japanese politicians, including Prime Minister Junichiro Koizumi, to call for upgrading its military force so that Japan can become an ordinary country

As a major power across two continents, Russia's stake in Asia is only secondary compared to that in Europe. However, it has been active in terms of participating in regional integration. On the economic front, other than playing a role in the APEC framework, Russia has heavily relied upon bilateral ties in the region. The best example in this regard is its oil diplomacy; that is, Russia has conducted separate negotiations with China and Japan to determine its future strategy of building up pipelines for its oil and natural gas to ship to those two countries²².

Russia is also a major player in East Asian international relations despite the collapse of the Soviet empire in 1990. Beijing has worked very hard to bring Moscow to its side. At the same time, Russia is eager to secure China's support, as it has its own grudges -- namely, the eastern expansion of NATO, the bombing of Kosovo, and

21 Buzan, Barry and Segal, Gerald. (1994). 'Rethinking East Asian Security', *Survival*, 37(1):37-75.

the situation in Chechnya. With these two powers moving toward closer ties in political, economic and strategic dimensions, the most alarming development is Russia's willingness to help China modernize its military forces. Russia is interested in its membership. Sans consensus, however, it will not become a member - yet. Apparently, Russia does not meet the established criteria: ASEAN dialogue partner status, strong relations with the region, and a signatory of an "amity and cooperation" treaty²³.

Now let's take the case of India. Politically, it was India in 1947 that vociferously advocated the concept to raise the consciousness about Asia and concomitantly forge regional unity and solidarity. With this in mind, Nehru convened the famous Asian Relations Conference in March 1947 and later argued for the creation of an Asian Regional Organisation. India undertook a series of initiatives—a special conference in support of Indonesian independence movement in 1949, starting of the Asian Games in 1951, and the Bandung Conference of Asian and African countries in 1955—precisely because of the above aims. These meetings were also the progenitors of the Non-Aligned Movement (NAM) that took shape in the early 1960s. The Asian Union idea failed to materialise for a variety of reasons, mainly due to the onset of the Cold War and China's extremist politics that culminated in the war with India. From being adversaries on opposite sides of the great political divide during the Cold War era, India and her Southeast Asian neighbours began to review and re-examine their relationship in the 1990s. It was not accidental that the blossoming of the India-ASEAN ties coincided with two major developments – the collapse of the Soviet Union in 1991 and the policy of economic liberalisation set in motion by the P.V. Narasimha Rao-Manmohan Singh duo from 1991-92, following the deep economic crisis that gripped India. Both India and ASEAN became conscious of the potential in enhanced political, economic and security co-operation. With the reforms in place and the attractions of the East Asian miracle, New Delhi envisaged great possibilities in forging closer equations in her eastern neighbourhood as foreign minister, P.V. Narasimha Rao fashioned what has come to be called the 'Look East' policy. His

22 Friedberg, Aaron. (1993-94). 'Ripe for Rivalry: Prospects for Peace in a Multipolar Asia', *InternationalSecurity*, 18(3):5-33.

23 *Ibid.*

successor in the Ministry of External Affairs, Inder Kumar Gujral, found merit in this policy leading to a sharpening of focus on ASEAN²⁴.

The successors realized the potential and usefulness of this partnership and have contributed to its evolution over the past years. In sharp contrast, ASEAN's equations with Pakistan did not flower into a partnership. Despite some campaign tours, undertaken first by Benazir Bhutto and then Nawaz Sharif, Islamabad could not get its friends like Malaysia, Indonesia or Brunei to persuade ASEAN to grant Pakistan the dialogue partner status that India had won. Since 1995, India-ASEAN ties have really gained momentum. It is not merely economic cooperation or trade and investment that set the ball rolling. Without saying so openly, many Southeast Asian governments saw India as a key balancing factor in the Asian equilibrium. There were many signals to suggest that the U.S. would not always hold the balance in favour of East Asia if it developed problems with China – the region's 'Big Brother'. Though there was no getting away from the security partnership with Washington that provided about 100,000 American troops to be stationed in East Asia to meet any eventuality, ASEAN sensed that the U.S. had its own agenda and would be guided purely by its own economic and security interests in the region.²⁵

When the Southeast Asian nations got together and consolidated a regional forum, they foresaw that their future lay in forging closer economic, political and security cooperation with key major players in the world. As an extension of the ASEAN experiment, they introduced the concept of 'dialogue partnership' with major trade partners and immediate neighbours to institutionalize a mechanism for cooperation. Japan, Australia, New Zealand, South Korea, and the U.S. were in the priority list for this status and dialogue was first initiated with them. Because of the importance of human resource development and funding of major development projects, the UNDP was also welcomed as a partner for ASEAN. Canada and the European Union were later additions. After that phase, China, India and Russia were granted dialogue partner status in 1996. There have been no additions to that list since.

²⁴ Naidu, G V C. (2005), "India and the East Asian Summit", *Strategic Analysis*, 29(4):711-715.

²⁵ Ibid.

In its scheme of things, ASEAN invites the dialogue partners for reviewing developments. This takes place in three ways.

First, there is a security dialogue through the Asean Regional Forum (ARF), which has become a security architecture and platform for the Asia Pacific region.

Second, there is an ASEAN dialogue partners meeting held in an informal way.

And finally, the ASEAN 10 holds individual consultations and interaction with each of the dialogue partners. Now that India has entrenched itself in the ASEAN forum, it is time that it begins to play a role in shaping the course of events in the Asia Pacific region on the economic, political and security fronts. It was certainly a pity that India could not convince the Asia Pacific Economic Cooperation forum (APEC) to take it on as a member when the expansion took place in 1998. Vietnam, Peru and Russia were admitted as new members to swell APEC's membership to 21, along with a freeze for the next 10 years. Analysts are convinced that India failed to secure membership because the U.S. and other member states like Malaysia were lukewarm to the idea.²⁶

Now that a new and strategic partnership with the U.S. seems to be evolving, things may change even in APEC. Since India does not belong to any credible and influential trade blocs as yet, its entry into APEC may be a desirable course, even if it has to wait it out for another five to eight years. Undeterred by the setback, India continued to build on its ties with ASEAN. The entry of Vietnam, Laos and Myanmar into the fold has added depth and meaning to this partnership. Apart from the maritime boundaries it shares with many ASEAN friends, India has a long land boundary with Myanmar, which is a strategic neighbour to befriend. Essentially, it is the economic indicators that determine ties with ASEAN. India's trade with Southeast Asia has grown rapidly since 1992, crossing the \$6 billion mark. There was a setback due to the East Asian economic crisis that gripped the region in July 1997. Even then, it was only Indian exports to the region that slipped. Many ASEAN countries have

²⁶ Acharya, Amitav. (2001), *Constructing a Security Community in Southeast: ASEAN and the Problem of Regional Order*. Routledge: London.

increased their exports to India thanks to a substantial devaluation of their currencies and consequently due to more competitive prices.²⁷

Historically and traditionally, Singapore and Malaysia have been closer to India in trade and remain the major trading partners. But Thailand and Indonesia have emerged as key players and witnessed a steady growth in their trade with India during the past five years. This trend is likely to continue. Therefore, ASEAN decided to cultivate India and build a new partnership with its western neighbour who could possibly match China's potential, both economically and militarily over the long term. New Delhi's policy of non-alignment was a plus point in its favour. So ASEAN had no difficulty in working closely with India in regional and international fora. Now both India and ASEAN appear keen on working towards an East Asian community, perhaps as a prelude to a larger Asian regional grouping. Even if this takes time, the links being forged by India and Asean with East Asia can certainly be strengthened and provided an institutional framework. Already, India was an invitee at the East Asian summit As Prime Minister Manmohan Singh attended another summit of leaders of Asean+, there appears to be a convergence of interests between India and South East Asia the new strategic complexity of East Asia meant that it would no longer be possible to manage issues such as energy security or the security of the major sea-lanes without India's active participation. It is no longer possible to conceptualise East Asia just in terms of U.S.-China-Japan relations or of the Asean relations with only these three major power centres. Increasingly, Sino-India, India-Japan, and U.S.-India relations will move to the centre of the South East Asian equation.²⁸

In essence, the concept of a new East Asia is an effort to transform a group of countries separated by inward-looking policies into an open integrated market. In a way, India's Look East policy has certainly helped to take it this far, not just with the Asean but beyond. Ties Asean too looks at India not only in terms of its growing economic power but also as a balancing and stabilising factor in the region. Any

²⁷ Ibid.

²⁸ Poon, Jessie P H. (2001). 'Regionalism in the Asia Pacific: is geography destiny?' *Area*, 33(3):252-260.

reservations some Asean member-States had about forging strong ties with India have given way to all round optimism. Many of them are looking for partnership with India in Information Technology and the knowledge economy. That the Indian Space Research Organisation (ISRO) put in orbit an Indonesian satellite on January 10 provides a new dimension to these regional ties. More than anything else, the sustained growth of the Indian economy and the emerging contours of a strategic partnership between India and the U.S. have added new dimensions to New Delhi's Look East policy. These should hasten the integration of India with East Asia and possibly lead to its admission into the Asia Pacific Economic Cooperation (APEC) forum that bridges East Asia with the Americas.

Besides the above mentioned regional players, the Koreas represent two other crucial players in the region. The Korean peninsula can be considered a good example of overlapping interests among all major powers - China, Japan, Russia, and the United States. South Korea has been active in seeking a multilateral security framework in dealing with the North Korean nuclear developments. Beginning in the early 1990's, Seoul pushed for four-party talks on the Korean peninsula including North and South Korea, the U.S., and China²⁹. An expanded six party dialogue, as mentioned earlier, was developed in 2003. South Korea has been a major advocate in creating and strengthening an East Asian community in terms of economic integration. In the late 1990's, President Kim Dae Jung proposed an East Asian Visionary Group, which was established in 1999, to study future ways for the East Asian community to integrate as a region, thereby following the lead of other regional agreements such as the EU and NAFTA. Given the complex nature of political relations in the region, one suggestion for the group is to tackle economic and cultural issues first.

Another idea is to focus on security confidence-building matters. Others have suggested that the group should discuss a code of conduct to avoid regional conflict and confrontation. One of the examples of the community building effort is an international symposium entitled "Cultural Conference Among Korea, China, and Japan." held in Seoul also in November 2000.

²⁹ Rozman, Gilbert. (1998), 'Flawed regionalism: reconceptualizing Northeast Asia', *The Pacific Review*, 11(1):1-27.

However, South Korea has greatly increased its economic interdependence with China in the past few years. With its prominent role in regional integration and, given a rivalry relationship between Tokyo and Beijing, one may speculate that Seoul may play an even greater role in providing a site for further institutional building. The major obstacle in this, however, is the unsolved problem of Pyongyang, specifically, North Korea's alleged development of nuclear weapons, as well as the South Korea's voluntary revelation of its research on nuclear weapons, all make the situation more complicated³⁰.

The rapidly developing political and cultural relationship with China has had a profound impact on South Korea's diplomatic and security perceptions. Some previously inconceivable questions, such as South Korea's dilemma between "eagle" and "dragon" (U.S. and China), have been asked in the last few years. As a long-time ally of the U.S., Seoul only normalized its relations with Beijing about a decade ago. But it already indicates a certain degree of neutrality toward Beijing and Washington in case of a military confrontation between the two powers. This tendency of neutrality was further exacerbated with the development of anti-Americanism in South Korea under the new president Roh Myu Hun. This actually may provide more leverage for Seoul to develop a more inclusive multilateral security regime with not only Washington and Tokyo, but also Beijing.

As one of the most isolated societies in the world, there is not much economic interaction with the outside for North Korea. Its economic partners are still highly concentrated to China and its southern brother. For security dimensions, Pyongyang has rightly perceived its major target as the United States. Therefore a consistent position for Pyongyang is to have a bilateral dialogue with Washington and try to set up a security arrangement for North Korea. This position was rejected by the Bush Administration and Washington increasingly realized the necessity to have a multilateral approach in dealing with Pyongyang. In 2003, a multilateral arrangement for the North Korea nuclear crisis issue materialized in the form of the six party talks

30 Higgot, Richard (2000), "ASEM and the Evolving Global Order", cited in Chong-wha Lee(ed.), *The Seoul 2000 Summit: The Way Ahead for the Asia-Europe Partnership*, Korea Institute for International Economic Policy:Seoul.

between China, the U.S., Japan, Russia, and the two Koreas. The acceptance of this multilateral approach, however reluctant, may prove necessary for Pyongyang as well. Ultimately, North Korea should deal with all of the related powers, not only one. Nevertheless, Pyongyang's eyes will still be focused on Washington, since Washington is the only superpower and perhaps the only perceived security threat to North Korea.³¹

In the case of Taiwan, domestic political turmoil on the island and international uncertainty are two major factors influencing its external policies in recent years. On one hand, Taiwan prefers to actively participate in the international community, such as in its relationship with international organizations like APEC and the Asian Development Bank (ADB). At the same time, Taiwan's security has been heavily reliant upon the United States. Not only does Taiwan's defense modernization depend on the purchase of advanced weaponry from the U.S., but, in the case of a military showdown with the mainland, its survival is virtually placed all in the hands of the U.S. Therefore, bilateral security ties with the U.S. are essential for Taiwan. At the same time, Taipei has been trying hard to place its security stake in a multilateral context. That is, it is trying to participate in a theater missile defense (TMD) system with not only the U.S., but also Japan. This kind of effort has not been successful, mainly due to Tokyo's cautious attitude toward developing close military ties with Taipei. Thus, the situation can be best pictured in the words of Han Sung-joo, (the former South Korean foreign minister who chaired a group of academics from the 10 members of the ASEAN, South Korea, Japan, and China that spent three years studying regional integration) as, "East Asia is crucially in need of a multilateral mechanism. It is lagging far behind Europe and North America in this regard."

The reasons that ASEAN members and their neighbors to the north encompass one of the few regions in the world without a formal cooperative mechanism are complex. They include the lack of a history of integration, huge differences between Asian nations in size and power, and deep skepticism within individual countries. There is also distrust from the past, in particular, Japan's violent attempt to dominate the area in the 1930s and 1940s. At the same time, neither Japan nor China has taken a

³¹ Stubbs, Richard. (2002). "ASEAN Plus 3: Emerging East Asian Regionalism?". *Asian Survey*, XLII(3):445.

leadership role, leaving the initiatives on regional integration to smaller countries. Within ASEAN, some see China as presenting a huge challenge to Southeast Asia. The feelings among some Southeast Asians, such as the Vietnamese and the Indonesians is that there is need to move quickly to integrate ASEAN so that Southeast Asia will not be completely overshadowed by Northeast Asia. Indeed, there is continued reluctance of several Southeast Asians to fold themselves into a larger East Asia where they might be overshadowed by China or Japan. For both historical reasons and inherent structural disparities, the ASEAN countries would remain a little uneasy with regional arrangements dominated by either Japan or China.³² Because there is still no vision and consensus about the content and model of an East Asian community, East Asian cooperation now essentially depends on informal and semiformal consensus building mechanisms. Institutionalization of deepening economic interdependence is only in its infancy stage. There is still a high degree of reliance on informal modes of cooperation and organization rather than formalized structures and rules.

The question is whether such consensus-building is a viable alternative to conventional institution building. It is still not clear how determined East Asia is in moving beyond informal mechanisms to creating its own formal regional institutions to take the process of East Asian cooperation further. For those who believe that only with rapprochement and reconciliation between Japan and China and the joint leadership of these two key East Asian powers would East Asian regionalism really take off would be disheartened by the recent rising tensions between these two powers

The overwhelming influence of the United States and its web of bilateral security relationships in the region has also been a disincentive³³. Sometimes leading US officials to express "apprehension if not misgivings" to regional schemes that have left them out.. US pressure was especially strong in the late 1980s, when Malaysian Prime Minister Mahathir Mohamad proposed an exclusive Asian economic zone that drew a sharp attack from the first Bush administration. Then secretary of state James

32 Stubbs, Richard. (2002), 'ASEAN Plus 3: Emerging East Asian Regionalism?', *Asian Survey*, XLII(3):445.

33 Crescenzi, Mark J. C. (2005). *Economic Interdependence and Conflict in World Politics*, Lexington Books Lanham.

Baker "twisted the arms" of the Korean and Japanese foreign ministers to make sure they rejected Mahathir's plans. Such pressures are a mistake, it's important for East Asians to have a forum without the presence of the United States, these forums don't need to be seen as competitive.

The Asian financial crisis of 1997 and 1998 - which was the time, the Clinton administration strongly, opposed Japanese proposals for an Asian bank and an Asian Monetary Fund, sparked new initiatives for regional integration. The economic turmoil of the late 1990s exposed the risks of self-survival. Thus, a wide consensus has developed on the need to promote greater cooperation within the region to prevent future crises.³⁴

However, the process has started much earlier. The seeds for expanding regional unity were laid in 1993 and 1994, prior to the crisis, when the ASEAN countries (at that time only six) invited South Korea, Japan, and China to join them in broader discussions. That "ASEAN Plus Three" formula has become the foundation for the discussions on Asian cooperation going on today. At a 1998 "ASEAN Plus Three" meeting in Hanoi, at the suggestion of South Korean President Kim Dae-jung, the regional leaders agreed to set up an East Asia Vision Group to study the ways their countries could cooperate more effectively

The solid turning point of the ASEAN's vital role on the establishment of the East Asian Community that should be addressed would be the East Asian Summit that was held in Kuala Lumpur, Malaysia. This meeting of the ten ASEAN nations, as well as Japan, China and South Korea from the Northeast Asian region as "+3", and Australia, New Zealand and India from outside could have an historical importance as a roadmap to construct an East Asian Community. However, before this gathering of sixteen countries, representing a population of three billion people, which is half that of the world in total, Asia had been seen as a barren area for attempts at regional integration. The meeting underlined the important role of ASEAN in the integration

³⁴ Ibid.

of East Asian Community. Despite the strains in the relationships between China, Japan and South Korea, ASEAN managed to bring all three into the summit meeting.

So far, there has been no agreement as to whether East Asia should adopt three clear and distinct pillars of community building as ASEAN has done, namely economic community, political-security community and socio-cultural community, or whether there ought to be any particular order of sequencing of community building. Yet, it is worth of note that the idea of building an East Asian Community is well-researched over the past few years. As envisioned in the East Asian Vision Group (EAVG) Report 2001 titled "Towards an East Asian Community: Region of Peace, Prosperity and Progress"³⁵, it would be a comprehensive community-building process in which community members are committed to

- (i) preventing conflict and promoting peace among the nations of East Asia;
- (ii) achieving closer economic cooperation in such areas as trade, investment, finance, and development;
- (iii) advancing human security in particular by facilitating regional efforts for environmental protection and good governance;
- (iv) bolstering common prosperity by enhancing cooperation in education and human resources development; and
- (v) fostering the identity of an East Asian community.

The EAVG 2001 Report set forth guiding principles for the building of the East Asian Community³⁶, namely

- (i) the evolutionary and progressive approach through functional cooperation and shared identity;
- (ii) the principle of inclusiveness and openness;
- (iii) the principle of consensual decision-making;
- (iv) the principle of respect for internationally accepted norms and values of interstate relations;
- (v) the principle of harmony of regional cooperation with the global system.

³⁵ East Asia Vision Group (2001). Towards an East Asian Community -- Region of Peace, Prosperity and Progress Report submitted to the ASEAN Plus Three Summit in Brunei Darussalam.

³⁶ Ibid.

In the East Asian Study Group (EASG) Report 2002 titled “Final Report of the EASG”, there are 17 short-term measures and 9 long-term measures for the establishment of East Asian Community. It is essential of note that the recommended measures have a strong bias for the development of trade and investment (6 out of 17 short-term measures and 5 out of 9 long-term measures) which can be implied to have stronger and favorable implication to developed members of East Asia, recognition of existing development gaps in the region, and the growing importance (3 out of 17 short term measures) given to identity and values in the community building. Thanks to brainstorming efforts by EAVG and EASG, the vision of a community in East Asia seems to be well underway in theory. The ASEAN Plus Three Summit held in Vientiane in November 2004 has injected new energies into the initiative of building a regional community in East Asia. It is noteworthy that China and Japan have, among other factors, significantly contributed to translating the idea into reality.

The recent East Asian Summit (EAS) brought historic strategic rivalries and conflicting geopolitical interests of the major powers into sharp relief. Membership remains a contentious issue. Wary of India, Australia and Japan, China proposed on the eve of the summit that the existing ASEAN Plus Three and not the new 16-member East Asia Summit, control the formation of any EAC-building exercise. This proposal to divide EAS into two blocs—the core states with China as the dominant APT player, and the peripheral states with India, Australia and New Zealand—led to a major rift. Although China won a partial victory when it was announced that APT would be “a vehicle for realizing the dreams of forming the East Asian Community,” Beijing was disappointed with the final decision to make ASEAN the hub of the EAS by holding all future summits alongside the ASEAN Summit and in Southeast Asian countries only.

In the absence of a genuine thaw in Sino-Japanese and Sino-Indian relations or great power cooperation, the EAC is unlikely to take off because multilateralism is a multi-player game. At best, the EAS will be just another “talk shop” like the APEC or the ARF where leaders meet and declarations are made, but little community building is achieved.

However, The East Asia Summit (EAS) brought together Asia's two fastest growing economic giants, China and India, together with Japan, South Korea, Australia and New Zealand, and the 10 ASEAN nations. Optimists see the EAS as the first step toward establishing an East Asian Community (EAC) along the lines of the European Community. However, competing geopolitical interests, strategic rivalries and deep-rooted suspicions make the goal a laudable and lofty, but an unrealistic one for the foreseeable future. Even an Asian free-trade zone to rival the European Union or the North American Free Trade Agreement (NAFTA) seems too farfetched for now. This group is a motley combination of 16 countries, eight of which are democracies, others are dictatorships—either of the military or of the proletariat—and the rest lie in between. Some are economic giants (Japan) while others are less developed countries (Cambodia and Myanmar), some with large population and territory (China), others small in both (Brunei), some pro-China and others pro-West.

Another reason is that the Asia of the early 21st century, home to several rising and contending powers, bears more resemblance to Europe of the 19th and early 20th centuries than to Europe of the early 21st century.

The EAS began with a backdrop of intense diplomatic maneuverings and shadow boxing, and ended with the power games being played out in the open. China and Japan were locked in a bitter struggle for supremacy, with Beijing attempting to gain the leadership position in the planned EAC, and Tokyo trying to rein in its rival with the help of other “China-wary” nations in the Asia-Pacific. Although the leaders agreed that the EAS be held regularly on the margins of the ASEAN Summit, the Sino-Japanese feud and the Sino-Indian rivalry, discord over the membership issue, geopolitical fault lines, and wariness about China's emerging power saw some publicly playing down its significance while others wondered aloud if there was much ado about nothing. Nothing illustrates this better than the refusal of Chinese and Korean leaders to hold bilateral or trilateral talks with their Japanese counterpart in Kuala Lumpur or China's proposal for dividing the EAS members into core and secondary categories on the eve of the summit, which cast a dark shadow over its future. In fact, China's stance provides valuable insight into Beijing's insecurities and

fears regarding the gathering momentum for a broader EAC that could shift power alignments within Asia.³⁷

In East Asia, it seems to remain relevant for prospective community members to mutually commit themselves to peaceful settlement of disputes between them. ASEAN has succeeded in facilitating such mutual commitment through the Treaty of Amity and Cooperation (TAC) in Southeast Asia. An East Asian version of TAC may be desirable, if not necessary, to facilitate the creation of an East Asian community. Despite differences in political and security outlooks, or rather because of them, every effort should be taken in order to establish the sense of community or “we-feelings” among citizens in East Asia. Civil society should be developed in each state comprising an East Asian community. Transnational relations should be encouraged.

In any event, ASEAN would be the core of an East Asian community. By definition, an East Asian community would be at best as integrated as, presumably less integrated than, ASEAN. In order to establish well-integrated East Asian community, ASEAN should be integrated further and faster. Because ASEAN faces serious obstacles to pursue integration towards a genuine community, advocates of an East Asian community should assist and support ASEAN’s endeavor.

At the annual ASEAN-plus-three meeting, Chinese Prime Minister Wen Jiabao made six specific suggestions for the future of East Asia community cooperation:³⁸

- first, an enhancement of political dialogue and mutual trust;
- second, the furthering and deepening of economic and financial cooperation, as well as a study of the feasibility of free-trade areas in the East Asia Region;
- third, the strengthening of security dialogue and the development of non-traditional security co-operations;
- fourth, a promotion of social, cultural, and technological cooperation, emphasizing educational and youth exchange programs;
- fifth, enhancing the development of comprehensive cooperation in all fields, such as in the development of the Mekong River; and

37 Higgot, Richard (2000). “ASEM and the Evolving Global Order”. cited in Chong-wha Lee(ed.). The Seoul 2000 Summit: The Way Ahead for the Asia-Europe Partnership. Korea Institute for International Economic Policy:Seoul.

38 Stubbs, Richard (2002). “ASEAN Plus Three: Emerging East Asian Regionalism?”, Asian Survey..42 (3):440-455.

sixth, increasing coordination among all parties to create a stable environment and finally promote integration

In the security dimension, as was discussed earlier, the ASEAN countries also prefer a multilateral approach because it can strengthen each individual country's power. The best example is ASEAN's approach to have collective dialogue over the disputed South China Sea islands. But in practical terms, there are different practices for different countries with regard to multilateralism, particularly when dealing with big powers such as the United States and China. The security arrangement of the Philippines, Thailand and Singapore, vis-à-vis the United States, for example, are all bilateral in nature³⁹.

In recent years, incidents of damage to ships by pirates in Southeast Asian waters have been on the rise, posing a threat to the safety of passage of ships. The masterminds of such acts have changed from plain criminals to those who are suspected as extremists and terrorists, and this has raised concern about maritime terrorism. It is conceivable that they will attack or seajack oil tankers and liquefied natural gas (LNG) tankers, or alternatively use seajacked tankers or ships themselves as a weapon to attack port facilities, other ships, and oil refining facilities. Given the advancing wave of economic globalization, disruption of the global supply chain by pirate and terrorist attacks could inflict serious damage to the world economy. Therefore, it is necessary to strengthen patrols and other measures against piracy and maritime terrorism.

With a view to strengthening the security of Southeast Asian waters, particularly the Malacca Strait, the United States called for the adoption of a Regional Maritime Security Initiative, and China also has shown keen interest in ensuring the security of these waters. Countries bordering these waters are wary of major powers establishing military presence in the region under such pretexts. Toward the end of June 2004, Indonesia, Malaysia, and Singapore agreed to conduct coordinated patrols in these

39 Acharya, Amitav. (2001). *Constructing a Security Community in Southeast: ASEAN and the Problem of Regional Order*. Routledge: London.

waters. The deployment of their naval vessels in the waters surrounding the Malacca Strait under this agreement can have strong deterring effects⁴⁰.

The increasing pace of integration in East Asia has resulted in increased interaction and intensification of competition between businesses. However, many East Asian economies have approached globalization without globalism in that institutionalization in the region was not the medium of development and the modicum of international interaction. International relations were pursued in ad hoc fashion that entailed a pragmatic and strategic approach to ensure that individual states and former colonies remained in strong possession of their sovereignty. As such, cross-border disputes were not typically handled through a legalistic process but rather through a largely consultative method that typifies much of East Asia's approach to international issues. Moreover, the tendency to mix security with the economics of free trade also necessarily complicates issues.

While EAS was agreed to play "a significant role" in the creation of an East Asian community, APT was singled out as "the main vehicle." This simple fact illustrates how diverse the image of an East Asian community is⁴¹. Already numerous ideas have been proposed on an East Asian community at various places in the region. Truly there is a consensus on the priority; the creation of an economic community should be pursued as soon as possible. This consensus is the only consensus on an East Asian community, however. There is hardly an agreement even on what kind of economic community to be built. Beyond a Free Trade Area (FTA), it is difficult to find what an economic community would be. Besides economic area, the image of an East Asian community becomes much hazier.

The question on membership is yet to be settled. In a word, a concrete image of an East Asian community is little more than FTA. Nonetheless, the progress of Southeast Asian integration until today has been largely based on common need for peaceful international relations and motivated by the desire of national development so as to overcome vulnerability.

40 Ibid.

41 Stubbs, Richard (2002), "ASEAN Plus Three: Emerging East Asian Regionalism?", *Asian Survey*, 42 (3):440-455.

Although Asian countries are so different but they also share the many problems in the same. The EAC can be another platform for Asian countries to join hands together to establish the Community in order to overcome the problems together. The head to head comparison between the East Asian Community with the European Union (EU) is irrelevant and even misleading. There are many reasons behind this but the most important one is the difference between European way and Asian way and it is impossible to construct a community in East Asia that overrides national sovereignty.

The most appropriate framework for the East Asian region is based on cultural similarity, common values and consciousness as a community. All these things can be shared and appreciated not only at the state to state level but also at the people to people level. This form of network is even more sustainable and effective than the conventional way of economic and political integration.

Quite similar to European integration, success of ASEAN can be explained mainly by political commitment to good neighborhood. In other words, strategic concerns made possible to overcome various types of disputes and differences in pursuing regional integration. Willingly or reluctantly, East Asian leaders accepted the fundamental rule that ASEAN takes leadership in the formation process of an East Asian community, at EAS. Neither the economic giant nor the most populous and rapidly growing economy will play a key role. Instead, a group consisting of ten small economies will. The accession to TAC as an entrance ticket to EAS, and presumably an East Asian community too, is one of the typical points of ASEAN leadership.

Regionalism in East Asia is not limited to the movement towards ASEAN Community and an East Asian community. For example, China has been very eager in forming regional institutions centering itself. China's strong interest in APT and APT-based East Asian community is an integral part of its strategy in neighborhood diplomacy. Equally, if not more, notable case of Chinese initiative is the development of Shanghai Cooperation Organization. Starting with cooperation between former-Soviet Central Asian countries, China is now extending the framework toward

countries further west. Thailand is also eager to take initiative in institution building in East Asia and beyond.

There are such new institutions as ACMEC, BIMSTEC and ACD to name a few. ACMEC stands for Ayeyarwady (Irrawaddy)-Chao Phraya-Mekong Economic Cooperation, which aims at developing continental Southeast Asia being Thailand as a hub. BIMSTEC stands for Bay of Bengal Initiative for Multi-Sector Technical and Economic Cooperation, or much less imaginative Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation. Connecting APT, SAARC and GCC, Asian Cooperation Dialogue (ACD) is a cluster of various cooperative forums including finance and monetary cooperation. Thai initiative for regional cooperation is also known as the prime mover rationale, which is similar to the coalition of the willing. Namely, once a certain country proposes a cooperative program, interested countries and the initiator start the program without waiting for the participation of all members. Those members that became interested can join later. Thus, a large institution can promote various programs with partial involvement of member states.⁴²

As of early 2006, with the prime mover rationale, ACD developed to constitute nearly thirty member states, twenty of which is taking a role of the prime mover on a certain project, respectively. Such a rationale derived from lessons of inefficiency of some ASEAN program. ASEAN used to require equal participation of all members in every program of cooperation, which inevitably limited the number of programs implemented and their effectiveness. ASEAN invented “minus X” rationale where some members are allowed not to join a particular program. In recent years, the term “prime mover” has become more widely used, and APT has adopted the prime mover rationale too. On the one hand, it is a pragmatic way for a large institution to carry out various types of cooperation where it is difficult to converge interests of participants. On the other, however, it tends to obstruct the formation of unitary region due to partial withdrawal of some members from region-wide integration.

42 Ahmad, Jaleel. (2005), “IS THERE A CASE FOR AN EAST ASIAN ECONOMIC COMMUNITY?”. *Asia-Pacific Development Journal*, 12(2):1-14.

Recent development in East Asian “cooperation” added further complication to diverse images of an East Asian community. The creation of an East Asian community has been advocated by Japan, China and Korea. It is not accidental that those countries are the partners of ASEAN in APT. They have attempted to modify ASEAN leadership so that East Asian cooperation is to be enhanced based on a more equal partnership. The Korean leader proposed transformation of APT into an East Asian community through an East Asian Summit. China offered the host of a summit meeting no matter either APT or EAS. Japan suggested co-chairmanship of ASEAN and non-ASEAN members at such a meeting. Those ideas were essentially aimed at reducing ASEAN’s influence. It seemed that non-ASEAN members were in the same bed, and it turned out that they had dreamed different dreams.

Despite the confusion on the membership, there seem to exist a wide consensus that one of the most important objectives of an East Asian community is the formation of FTA or FTA-like economic region. As far as ASEAN is concerned, trade liberalization has been sought for not only with Japan, China and Korea, but also with ANZCER, India, and the United States. No matter whether APT or EAS is to be the incubator of an East Asian community, closer partnership in a community will be desirable to ASEAN.⁴³

The membership question on an East Asian community is closely related to the questions on the commonality of the community. At a glance, the larger the size of community is, the lesser the commonality is. Different views on the commonality is further complicated because it is not simply Japan vs. China, but because there is a variety of views within ASEAN. For instance, the human rights issue in Myanmar has long been an obstacle for ASEAN to promote cooperation with the United States or EU. Democratized member states in ASEAN are by and large critical to Myanmar’s military government on the issue. Intensified criticism within ASEAN forced Myanmar not to assume ASEAN chairmanship that was originally scheduled in 2007-08. Despite maintaining the principle of non-interference, ASEAN decided to involve

43 Ahmad, Jaleel. (2005), “IS THERE A CASE FOR AN EAST ASIAN ECONOMIC COMMUNITY?”. *Asia-Pacific Development Journal*. 12(2):1-14.

itself in the Myanmar question. Certainly, this directly affects the commonality of ASEAN Community.

If empowered to pursue extensive objective of integration, an East Asian community might streamline and simplify existing complicated structure of overlapping institutions. It is not probable, however. Among those various institutions in East Asia, an East Asian community may substitute a few functions of existing institutions, but it may primarily complement the existing institutions. In a word, an East Asian community would be located as additional function of the overall architecture in East Asia.

Unfortunately, there are real and potential conflicts that threaten peace in East Asia. No responsible leader would dare to destroy peace, but the escalation of tension may result in armed conflict. As mutual commitment to peaceful settlement of conflict was badly needed in Southeast Asia in the past, it is still so in East Asia as a whole. Mutual trust among leaders or governments is still scarce here. It could be possible that continuous increase in economic transaction and interdependence will reduce tension or mutual mistrust in future, but such causality may turn out only wishful thinking. Political tension may be reduced, and political conflict may be resolved by political wisdom. As occurred in Southeast Asia, mutual distrust will reduce and the Prisoners' Dilemma could be avoided in East Asia as a whole in a few decades, if not in a few years. An East Asian community cannot supersede ASEAN. If one wants a community more integrated than ASEAN, one should help ASEAN to integrate itself at least to the level of a community one wants. It is absolutely necessary to have ASEAN pursue a higher level of integration if a higher level of integration is needed in East Asia as a whole. Globalization should be employed as a tool to help create the innovative form of Asian Community by making people appreciate the cultural difference and variety but understand and share common values of Asia.

Chapter V

The Implications of East Asian Community on South East Asia

Community building in Asia will involve a great deal of debate on how far it can rely on functional integration alone, on how much "brotherhood" and ethical-communality it will need, on how much balance of power it can afford without becoming a dependent variable of global dynamics, on how nationalist resentments can be restrained. The meeting of 16 national leaders at the second East Asia Summit (EAS) on the Philippine island of Cebu in December 2005 offered the promise of the politically fractious but economically powerful Asian mega-region one day coalescing into a single meaningful unit. All nations involved in building the East Asian Community recognized establishment of the Summit as a potentially seminal meeting and thus as a potent site for power brokerage along the way to creating the new community. Power comes with claiming the physical location of the Summit (home turf is always most empowering), initiating and leading discussion, complying with or resisting initiatives, and certainly, determining the membership and distributing rights and responsibilities among members. All players recognize that siding with one or another of adversarially inclined major players—in this case Japan and China—has strategic possibilities and strategic consequences.¹

And beyond the internal politics between national players within the potential community, there is the inevitable dynamic of international politics; East Asia is not hermetically sealed from the rest of the world, and the rest of the world watches with great interest as East Asia's powers jostle for pre-eminence in the new, economically very powerful, regional formation. As Wendt explains, summitry is also important in transforming ideas about identity and collective action.²

Historically, the regionalism exhibited in East Asia has exhibited a form of elitism mixed with nativist nationalism. The leadership on Asian regionalism, hitherto Pan-

¹ Schmiegelow, Henrik.(2006). "How "Asian" will Asia be in the 21st Century?", [Online: Web] Accessed 14 March 2007 URL:[http:// C:\DGA Links\Asien\100\Contributors\SchmiegelowaNEU100.doc](http://C:\DGA Links\Asien\100\Contributors\SchmiegelowaNEU100.doc)

² Ibid.

Asianism in the early part of 20th century, has changed hands on a number of occasions. This is due to the different forms of nationalism that emerged through out the century in Asia; with some displaying features that seek to preserve the cultural integrity of the nation; while others attempting to use economic nationalism to promote economic regionalism. When it was still in the incipient form, Pan Asianism was first coined by India's Rabinath Tagore, before it was popularized by Japan's Tenshin Okakura prior to his death in 1913. But both attempts were meant to 'preserve the traditional cultures of Asia in face of imperialism' In the case of Tagore, the goal of Asianism was to foster an atmosphere free from fear of further imperial incursions.³

Mahatma Gandhi in his attempt to end the further intrusions of colonialism accepted the importance of Asianism too, as did Jawaharlal Nehru who later became the first Prime Minister of India. In any event there was sufficient ballast in Okakura's idea even after his death, leading other Japanese thinkers such as Odera Kenkuchi (died 1878-1949) to offer a racial spin to the idea as he spoke of Greater Asianism as a bulwark against the dreaded white invasion. Odera's idea was taken up by Major Kenji Ojihara, a well known military expert and diplomat, who together with others, provided the thinking behind the formation of the Greater East Asian Community in 1940, an initiative that continue to have much currency until Japan met its defeat at World War II.⁴

Establishment of the EAS could be the catalyst for consolidating a newly emerging East Asian regionalism. This was the case for APEC (Asia Pacific Economic Cooperation) in consolidating Asia Pacific regionalism when its status was substantially upgraded among members and in the international arena upon institutionalizing of the 1993 APEC leaders' meeting in Seattle⁵. The East Asian Study Group has referred to a broad consensus that the transition from APT Leaders' Meeting to EAS should not be too fast and the process should aim to 'nurture a great

3 Jayasuriya, Kanishka (2000). "Asia-Pacific regionalism in the form of 'minilateralism'", The Strait Times, Singapore, 18 November 2000.

4 Ibid.

5 Stubbs, Richard (2002), "ASEAN Plus Three: Emerging East Asian Regionalism?", Asian Survey, 42 (3):440-455

sense of ownership among all members in striving towards greater East Asian cooperation?

This desire to keep the community-building process a primarily Asian initiative is perhaps understandable in a region that was under Western colonial control until 60 years ago. Yet it also harks back to the concept of "Asian values" proposed by former Malaysian leader Mahathir Mohamad - an idea based on the misconception that Asian countries share basic belief systems. The results of the Asian Barometer, a massive comparative survey of values across Asia involving research teams from 17 nations, show that the region is so socially diverse there are no basic attitudes common to all countries. "The idea of Asian values has no strong empirical basis," said Takashi Inoguchi (a professor of political science at Chuo University in Tokyo and leader of the Japan team for the Asian Barometer project). Most Asian countries contain a range of cultures and languages within their borders. China, for example, contains some ethnic minorities more closely related to Turks than to Han Chinese. Most Indonesians speak Bahasa Indonesia only as a second language after local tongues. Different value systems also exist between generations, particularly after rapid modernization⁶.

Further, the above mentioned ongoing competition between Japan and China to gain strategic ground through influencing key decisions on the EAS—including its venue, membership and contribution to (or exclusion from) the East Asian Community-building process—pulled other players into positions valuable for their own strategic manoeuvring. It provided ASEAN with justification for taking the initiative to organize the EAS, on the grounds that the intensifying rivalry between the two Northeast Asian big powers would harm the sound development of regional community-building. As a consequence, ASEAN was able to set three conditions for participation in the first EAS that the participant country should:

- (1) be a member of the Treaty of Amity and Cooperation (TAC) or be willing to become a member,
- (2) be a complete ASEAN Dialogue Partner, and

⁶ Stubbs, Richard (2002), "ASEAN Plus Three: Emerging East Asian Regionalism?", *Asian Survey*, 42 (3):440-455

(3) have substantive relations with ASEAN.⁷

Accordingly, Australia was compelled to sign the TAC despite its earlier rejection, given its keenness to join the EAS, and Russia was not offered official membership because it was seen to not yet meet the third condition. Overall, Japan–China competition accelerated the momentum towards establishment of the EAS, particularly by enabling and encouraging ASEAN to play a leading role.⁸

Despite its name, political leaders attending the meeting came not only from thirteen countries in East Asia, which coincided the participants in APT, but also from India, Australia and New Zealand. While EAS was agreed to play “a significant role” in the creation of an East Asian community, APT was singled out as “the main vehicle.” This simple fact illustrates how diverse the image of an East Asian community is. Although discussions on an East Asian community are diverse, there is a distinctive focal point: whether it is relevant or not to compare an East Asian community with the European Union (EU).⁹

Implications of the comparison are multifaceted: whether European type of economic integration is applicable to East Asia, whether East Asia should pursue a monetary union, whether East Asia should share democratic political values, whether non-economic integration should be included in community-building in East Asia, etc.

Most, if not all, of those questions are related more to political commitment on the goal and process of an East Asian community than to economic interdependence today. While the completion of the Uruguay Round and the establishment of WTO provided multi-lateral regime of trade liberalization, the surge of regionalism did not cease. There are two distinctive characteristics in “new” regionalism since the 1990s.¹⁰

7 East Asia Vision Group (2001), *Towards an East Asian Community -- Region of Peace, Prosperity and Progress*. The ASEAN Plus Three Summit, Brunei Darussalam.

8 East Asia Vision Group (2001), *Towards an East Asian Community -- Region of Peace, Prosperity and Progress*. The ASEAN Plus Three Summit, Brunei Darussalam.

9 Beeson, Mark (Ed.) (2002), *Reconfiguring East Asia: Regional Institution and Organizations After The Crisis*. Routledge-Curzon: New York

10 Acharya, Amitav (2001), *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*, Routledge: London.

Firstly, whether they are called Free Trade Agreement or Economic Partnership Agreement, regional integration and harmonization is much broader than a mere trade liberalization. NAFTA is a typical example. Truly there is a component of FTA in NAFTA, but many other areas of economic activities are under the agreement.

A second characteristic is that the geographical size of integration/cooperation is varied. There are a lot of “sub-regional” arrangements crossing national borders to enhance transaction and transportation. On the other hand, “mega-regional” arrangements have been sought for in equally enthusiastic manner.¹¹

Due to the fact that an East Asian community may fall into mega-regionalism, the focus of study will be concentrated in this type of regionalism. No matter whether or how an East Asian community comes into being, ASEAN would be a nucleus of the community. As to be discussed below, the nature and characteristics of an East Asian community can be conceptualized on the basis of ASEAN because ASEAN has provided a model for regional and mega-regional institutions in East Asia. Moreover, the membership of the community would be decided by ASEAN because non-ASEAN participants in APT or EAS accepted the notion that ASEAN keeps taking initiative in handling such ASEAN-based institutions.¹²

More specifically, no matter which institution, either APT or EAS, is to be transformed into EAC, community members would be the signatory of TAC. Non-ASEAN members are required to observe regional order in Southeast Asia. On the other hand, it is an open question whether an East Asian community may conclude an East Asia version of TAC. As pointed out in Introduction, discussions on the formation of an East Asian community are predominantly focused on economic integration. The fact that two successful integrations have been based on political commitment to peace does not necessarily imply that regional integration without common political commitment is bound to fail. In any case eight-year old APT is supposed to enhance regional cooperation not only economic but also political and security arena.

11 Acharya, Amitav (2001). *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*. Routledge: London.

12 Stubbs, Richard (2002), "ASEAN plus Three: Emerging East Asian Regionalism?", *Asian Survey*, 42(3): 440-455.

Development of APT would influence the creation of an East Asian community. In East Asia, and in Asia Pacific as well, ASEAN has provided the foundation of broader institutions. If an East Asian community comes into being, it will be not the first architecture that ASEAN take the crucial role. In fact, ASEAN has been proving its talent in dealing with states outside Southeast Asia for a quarter century. It is true that the mega-regional institution for economic integration does not exist in East Asia, but institutionalization of this mega-region has already taken place mainly associated with ASEAN. Thus, it is not surprising at all that an East Asian community will be created under a strong influence of ASEAN.¹³

In the 1970s, ASEAN successfully took initiative in the establishment of regular dialogues with advanced economies one after another, and finally in 1979 it inaugurated ASEAN Post-Ministerial Conferences (PMC), a complex of ministerial meetings between ASEAN on the one hand and Japan, the United States, EC, Australia, etc. PMC has been held back to back with the annual meeting of ASEAN's highest organ, i.e., ASEAN Ministerial Meeting or AMM. Foreign ministers and equivalents gather at the venue of AMM, and the chairman of AMM takes the chairmanship at PMC.

At the end of the 1980s, APEC started. APEC is not ASEAN's offspring, but it was made like ASEAN. At the formative stage, ASEAN members were skeptical, or even reluctant, to the idea mainly because of the fear that ASEAN would be substantially dissolved within a larger institution.

In order for them to participate, organizers compromised with them on *modus operandi* so that APEC was built like an exact copy of ASEAN. As APEC consisted of ASEAN Six and other six economies, they agreed to convene the annual ministerial in and out of ASEAN region every other year. In the course of changing nature and membership in APEC, however, ASEAN reduced its influence on the forum. In the early 1990s or after the end of the cold war, ASEAN became interested in security dialogues with powers outside the region. PMC seemed a promising candidate of such

dialogue, but its membership was limited to “like-minded” countries. ASEAN evaluated security dialogue with like-minded powers like the United States and Japan useful, but insufficient.¹⁴

ASEAN Regional Forum (ARF) was set up in 1994 with the mandate to manage and prevent conflict rather than engage in it. The participants were not only ASEAN and its PMC members, but also other Southeast Asian countries, Russia and China. Being a ministerial meeting, ARF has been held back to back with AMM and AMC.

As easily imagined, the chairmanship of ARF has been in ASEAN’s hand. ARF has provided participants with primarily dialogue, rather than cooperation, in security arena, and there are not many concrete accomplishments. Yet, ARF is still the only institution that deals with security dialogue, not to mention cooperation, in the Asia Pacific. The ARF is characterized by minimal institutionalization and the “ASEAN way” of gradualism and consensualism. The ARF process begins with transparency (through the publication of military-spending and deployment information), dialogue, and confidence-building measures; then moves to preventive diplomacy and, in the long term, hopes to develop a conflict resolution capability.¹⁵

Currently, most of the ARF measures have been at the level of dialogue and confidence building, particularly with respect to the region’s counter terrorism effort and the North Korean missiles/nuclear program. Still the ARF provides a venue for foreign ministers (Secretary of State for the United States) from Asia/Pacific countries to meet and focus on specific current issues. This also can be one of its weaknesses.

As far as economic integration is concerned. ASEAN seem to have adopted voluntarism, which makes ASEAN economic integration very unique. ASEAN’s voluntarism is based on the following understandings: consensus is the rule of thumb; common goal is to be shared, but the way of approach may not be the same; agreement should be reached not through negotiation but as a result of consultation;

13 Stubbs, Richard (2002), "ASEAN plus Three: Emerging East Asian Regionalism?", *Asian Survey*, 42(3): 440-455.

14 Dirlik, Arif (1992), "The Asia-Pacific Idea: Reality and Representation in the Invention of a Regional Structure", *Journal of World Affairs*, 3(1): 55-79.

15 Buzan, Barry (2003), "Security architecture in Asia: the interplay of regional and global levels.", *The Pacific Review* 16(2): 143-174.

one has to make every effort to realize commitment. but not legally bound; peer pressure is the sole disciplinary instrument. In this regard, Regional trade agreements (RTAs), including FTAs, have become a major vehicle to achieve trade and investment liberalization. They are being negotiated both as a supplement to and concurrently with multilateral trade negotiations under the WTO.

While some see RTAs as stumbling blocks to global trade liberalization, others see them as building blocks to eventual global free trade. WTO agreements tend to result in “lowest common denominator” outcomes, whereas RTAs can go beyond WTO agreements with deeper concessions made by like-minded nations. The complex web of free trade agreements in the world, sometimes referred to as a “spaghetti bowl,” is becoming denser each year. In East Asia, home to many of the most dynamic economies in the world, the competition is intensifying to join in regional trade agreements.¹⁶

In 1992 ASEAN agreed on the creation of AFTA, but its free trade agreement was atypical. It was a framework agreement, and did not stipulate the program of trade liberalization. Instead, it set out three criteria: to differentiate high tax commodities, to pick up priority goods on fast track leaving the others on normal track, and to clear the interim and the final tariff levels for either commodity type. As far as liberalization plan went along with those criteria, each country was allowed to reduce tariffs as it wanted. Moreover, it was allowed to list sensitive goods bilaterally. Those arrangements have made AFTA the network of tens of bilateral, and unnecessarily reciprocal, trade liberalization. Although the original goal set out in 1992 was met in 2003, AFTA today is not a customs region in ordinary sense. AFTA will eventually become a customs region where internal tariffs are abolished, probably by the year 2020, but there is not binding agreement. The accomplishment depends on more or less voluntary commitment and implementation by participating governments.¹⁷

16 Wong, John and Chan, Sarah (2003), “China-ASEAN Free Trade Agreement: Shaping Future Economic Relations.”, *Asian Survey*, 43(3): 507-526.

17 Wang, Yungjong (2002). “Prospects for Financial and Monetary Cooperation in East Asia”. *Panorama*, 2 :35-53.

Since ASEAN is not a common market, it may negotiate an FTA agreement, but each individual member must sign it and implement it as if it were a bilateral agreement. ASEAN does not have common external tariff rates. Individual ASEAN countries also may pursue bilateral FTAs on their own. Singapore has been most aggressive in doing so. It has concluded free trade agreements with the United States, European Free Trade Association (EFTA), Japan, and Australia, as well as partial FTAs with China, India, and Jordan. Singapore is a member of the Trans-Pacific Strategic Economic Partnership Organization (an FTA among Singapore, New Zealand, Chile, and Brunei). It has ongoing negotiations with Mexico, Canada, South Korea, India, Pakistan, Peru, Sri Lanka, Egypt, Bahrain, Kuwait, Qatar, and the United Arab Emirates.¹⁸

In addition to being a member of the ASEAN FTA, Thailand has concluded FTAs with Australia and New Zealand and has framework agreements with India, Peru, Bahrain, and BIMSTEC. It has an agreement in principle for an FTA with Japan. Thailand is negotiating FTAs with the United States and EFTA. In 2005, Thailand and Pakistan agreed in principle to draw up a free trade agreement under the Economic Comprehensive Partnership existing between the two nations. Thailand also is considering an FTA with Morocco.

Likewise, the Philippines, Indonesia, and Malaysia have been initiating talks and signing various types of trade agreements. Negotiations for a U.S.-Malaysia FTA began in June 2006. Cambodia, Vietnam, and Laos are far behind in the process. They barely have been able to sign trade agreements, let alone free trade or other types of preferential trade arrangements. Laos and Vietnam are not members of the WTO, and Cambodia just joined in 2004. Still, all ASEAN members are committed to trade liberalization within ASEAN and generally have attempted to negotiate bilateral FTAs parallel with ASEAN's FTA agreements with other countries.

Coming on to non-ASEAN members, The People's Republic of China has taken an aggressive stance toward establishing FTAs with trading partners. In 2002, it signed an FTA (Framework Agreement) with ASEAN that would create a zero-tariff market

¹⁸ Wang, Yungjong (2002). "Prospects for Financial and Monetary Cooperation in East Asia". *Panorama*, 2 :35-53.

for China and the six original ASEAN members by 2010 and in 2015 for the other four members. This includes an early harvest program that eliminates tariffs on goods. China also has FTAs with Hong Kong and Macao and an FTA in cargo trade with Chile. It has discussed FTAs with 27 countries and is negotiating with Canada, Pakistan (agreed to an early harvest program), Australia, New Zealand, Iceland, and Chile. China also has signed a framework agreement on economic cooperation with the countries of the Arab Gulf Cooperation Council that may lead to FTA negotiations.¹⁹

China also is a major force in the ASEAN + 3 process (ASEAN-10 plus China, Japan, and South Korea). This reportedly has become China's preferred regional forum in which both political/security and economic issues are addressed. In November 2005, the ASEAN + 3 group held its ninth summit immediately following the ASEAN summit. Since bilateral trading arrangements already exist between most of the more advanced ten countries of ASEAN and China, Japan, and South Korea, the building blocks exist for a future East Asia Free Trade Area (EAFTA). This, however, would require that the stalled negotiations on the Japan-South Korea FTA be completed and that FTA agreements be concluded between China and Japan as well as between China and South Korea.²⁰

Japan joined the FTA race relatively late. It is burdened by a highly protective agricultural sector and a trade agenda that has placed top priority on multilateral trade negotiations under the WTO. In 1999, officials in Tokyo decided to jump on the free trade bandwagon and signaled their policy change by calling for a free trade agreement in Northeast Asia. Japan began its quest for FTAs by signing an Economic Partnership Agreement (EPA) with Singapore in 2003. It then sought to counter the effects of the NAFTA by signing an EPA with Mexico in 2004. Japan signed an economic partnership agreement with the Philippines in 2006, also signed an EPA (eliminating tariffs on 97% of goods traded) with Malaysia that went into effect in July 2006, and in 2005 agreed on an EPA with Thailand. Negotiations are underway under the framework agreement with ASEAN to establish an FTA and with Chile to

19 Lardy, Nicholas R. (2002). *Integrating China Into the Global Economy*, Brookings Institution Press: Washington, D.C.s

20 Ibid.

form an Economic Partnership Agreement. Japan-South Korean FTA talks have bogged down over disputes dealing with agricultural products, history, and competing claims to an island. Japan also has India and Indonesia on the FTA agenda and is eyeing talks with the Arab Gulf Cooperation Council.²¹

In early 2005, Japan started exploring possible talks with Switzerland and Australia and looks toward possibly starting talks with Australia in 2007 after a feasibility study is complete. Brazil is a further target creeping into Japan's bilateral trade agenda. Japan reportedly views FTAs with China, India, and Australia as a means to gain more clout in a proposed East Asian community.

South Korea also has joined the rush to conclude FTAs. After seeing a surge in its exports to Chile after its first free trade accord with that country came into effect in April 2004, South Korea announced in March 2005 that it intended to initiate trade talks with as many as 50 countries and push for FTAs with more than 15 of them by the end of 2007. In addition to Chile, Seoul has signed FTA arrangements with Singapore⁴¹ and EFTA, and all the major ASEAN countries except for Thailand have signed the ASEAN-South Korea FTA agreement. South Korea also has ongoing FTA talks with Japan and Canada.²²

In February 2006 South Korea began negotiations with the United States for an FTA. It also is beginning negotiations with India. South Korea dropped its quest for an FTA with Mexico, but still is pursuing FTA talks with China and Mercosur.

South Korea and Israel are discussing possible FTA negotiations. South Korea also has raised the possibility of an FTA with South Africa. For now, Seoul is only discussing an FTA with Australia, a country rich in agricultural products.

With the international status of Taiwan (Chinese Taipei) in dispute along with a campaign to isolate it by Beijing, Taiwan faces great difficulty in finding partner countries willing to negotiate free trade arrangements. Taiwan has FTAs with Panama

21 Kikuchi, Tsutomu (2002), "East Asian Regionalism: A look at the "ASEAN plus Three framework", *Japan Review of International Affairs*, 16(1): 23-45.

22 Yamazawa, Ippei (2004), "Japan and the Asia Pacific Economies: Prospects and Retrospect in the Early Twenty-First Century", *Japan Review for International Affairs*, 18(01).

and Guatemala and has pursued similar agreements with Nicaragua and Paraguay. Pressure from China, however, apparently has led the South American trade bloc Mercosur to prohibit its members from signing unilateral trade agreements with other economies, particularly as Mercosur considers an FTA with China. In 2001, Taiwan indicated that the United States, New Zealand, and Singapore were the top priority for FTA partners. Taiwan also has raised the topic with Thailand, Japan, and ASEAN. Taipei is particularly concerned about being excluded from the ASEAN+3 group and the East Asian Summit and its discussion of building an East Asian Community. Taiwan also is wary that a U.S.-South Korean FTA, if implemented, might divert trade away from Taiwan toward South Korea.²³

Major players are likely to continue to move in this direction, particularly with regard to economic integration, led by the recent move toward FTA arrangements in the context of both ASEAN-plus-three and China-Japan-Korea frameworks.²⁴ The economic integration may further reduce mistrust in the region and lay a solid foundation for security cooperation. The East Asia community building process has made some major progress in the past decade. Regional economic integration has further developed and a number of economic oriented organizations have been more active and visible, including APEC, ASEAN, ASEAN-plus-three, and a variety of proposed packages of free trade areas among major players in the region.

The relative size of the economic integration and regional organizations has laid a foundation for the development of new security regimes in the region. Virtually all major players have seen the necessity to use multilateralism for security arrangements.

This belief has been enhanced by the new anti-terrorist coalition building process. Therefore, a switch in attitude of Beijing and a more multilateral-oriented regional approach of the U.S. can be seen. One should nevertheless recognize the weakness of a few of the existing multilateral frameworks in the security dimension, such as the ASEAN Regional Forum (ARF).

23 LU, Jianren and WANG, Xühui (2005), 'The up-to-date progress of East Asian economic cooperation and its impacts upon regional economic growth', *Contemporary Asia-Pacific Region*, No. 2:22-45.

One should also be careful about the U.S.' changing attitude toward multilateralism and should distinguish between mere participation in a multilateral exercise, such as the Six Party Talks on North Korea, and the actual presence of a motive for doing so. What ever it is, Northeast Asia clearly has a stronger hand in the promotion of greater Asian regionalism due to their greater share of trade/financial power both regionally and globally. Still, the defining feature of Asian regionalism is its lack of formal institutionalization. This is because Asian regionalism has always shown greater interest in consolidating state power than in 'transferring any authority'. A strong and principled diplomatic culture, one centered on promoting peace and avoiding conflicts, could indeed be an institution itself: just as Southeast Asia had achieved with its ASEAN Way.

Such an ASEAN way has been very influential in not only ASEAN-based institutions but also those mega-regional institutions in which ASEAN is involved. For example, APEC agreed on trade liberalization to achieve free trade by 2010 for advanced economies and by 2020 for developing economies in 1994, which is known as the APEC Bogor Declaration. This agreement was nothing but the ASEAN Way²⁵

However, in the aftermath of the Asian financial crisis, various proposals on East Asia regional co-operation have emerged starting with an East Asia wide free trade arrangement or closer partnership proposed in 2000 by East Asia Vision Group. But, none of the region wide proposal has been successful.²⁶ As concrete procedure was not mentioned, APEC spent two years to concretize what was called Concreted Unilateral Action toward free trade. A few years later, the Early Voluntary Sector Liberalization was sought for, but was finally aborted because "voluntary" liberalization was to be "enforced."

Mega-regional institutions that are less ambitious than APEC, such as ASEM and Forum for East Asia - Latin America Cooperation (FEALAC), have adopted the ASEAN Way too. Participating states discuss and consult with one another in such forums, and they agree on various agenda of cooperation, but they hardly agree on

24 Ibid.

25 Hund. Markus (2003). "ASEAN Plus Three: Towards a New Age of Pan-East Asian Regionalism?: A Skeptic's Appraisal". *The Pacific Review*. 16(3): 383-417.

critical issues. Japan became interested in FTA very recently, but it is seriously interested. Being an advanced economy, Japan's FTA must be in accordance with GATT Article 24. Japan-ASEAN FTA should not be like current AFTA plus Japan. By the same token, if an East Asian community is an East Asia FTA, it must be a customs region in ordinary sense as long as Japan participates.²⁷

The ASEAN Way is not suitable for a genuine FTA. Originally, APEC did not pursue trade liberalization of member economies. When trade liberalization was agreed, APEC took the issue of how to help developing economies, which were mainly ASEAN countries, accomplish such a goal. Not only developing economies but also Japan were eager to deal with this issue. In the end, APEC adopted a package of three pillars of cooperation: trade liberalization, trade facilitation, and economic and technical cooperation or ECOTECH. The last pillar included not only usual official assistance toward economic growth and development, which was regarded to make developing economies liberalize trade. In addition, technical assistance toward capacity building was emphasized in order to make them introduce and implement trade facilitation measures more easily and efficiently. Thus APEC became unique in the sense that economic and technical assistance, which is by definition asymmetric, was integrated into trade liberalization, which is symmetric in principle.²⁸

APEC provided an antecedent example of cooperation toward free trade in a mega-region consisting of both advanced and developing economies. In order for developing economies to agree trade liberalization more easily, and in order to make trade liberalization more effective, trade facilitation was emphasized. Furthermore, economic and technical assistance is to be provided to help developing economies implement liberalization and facilitation measures.²⁹

Three changes currently underway in ASEAN are especially noteworthy.³⁰

26 Ibid.

27 Yamazawa, Ippai (2004), "Japan and the Asia Pacific Economies: Prospects and Retrospect in the Early Twenty-First Century", *Japan Review for International Affairs*, 18(01):47-83.

28 Jayasuriya, Kanishka (2000). "Asia-Pacific regionalism in the form of 'minilateralism'", *The Strait Times*. Singapore, 18 November, 2000.

29 Ibid.

30 Buzan, Barry (2003), "Security architecture in Asia: the interplay of regional and global levels.", *The Pacific Review* 16(2): 143-174.

The first is its community-building agenda, featuring an ASEAN Security Community, an ASEAN Economic Community and an ASEAN Socio-Cultural Community. Though seemingly a rhetorical device, the ASEAN Security Community process does include initiatives such as a meeting of ASEAN Defence Ministers, which would be the first such gathering in the history of an organization that has traditionally shunned intra-mural defence cooperation. This will not lead to an ASEAN alliance, but would facilitate confidence-building from within Southeast Asia, thereby complementing the Shangri-la Dialogue organized by the London-based International Institute for Strategic Studies.

A second change is ASEAN's move towards greater institutionalization and legalization through an ASEAN Charter. The goals of this charter making process include specifying the rights and responsibilities of the grouping's members, consolidating and rationalizing its institutional mechanisms, and giving the organization a legal personality in dealing with the outside world. If realized, the Charter will mark a departure from the "ASEAN Way" of informalism, which has been blamed for organizational inertia and a lowest-common denominator mindset.³¹

Finally, there are also growing signs that ASEAN is rethinking its non interference doctrine, especially in relation to Burma. It has publicly expressed anxiety over the slow pace of political reform in the country³². The shift is not very pronounced yet, because several ASEAN members remain wary that criticizing a regime for its domestic political practices might backfire on them one day. But at least a question which needs to be answered is that why these changes?

The answer to this question lies in the fact that the very impetus for East Asian regionalism and the impulse for reforming ASEAN come from a number of sources. One is growing criticism by the international community of Asian style regionalism, especially the noninterference doctrine. Another is the demonstration effects of norm-making and institution-building outside the region, including at the global level and in Europe.

³¹ Buzan, Barry (2003). "Security architecture in Asia: the interplay of regional and global levels.", *The Pacific Review* 16(2): 143-174.

³² *Ibid.*

A third factor is the danger of transnational threats. The recent disasters that have befallen the region in recent years, such as the financial meltdown of 1997, the terrorist attacks on Bali and elsewhere in the region, the outbreak of the Severe Acute Respiratory Syndrome (SARS) in 2003 and the Indian Ocean Tsunami in 2004, do have a silver lining. They have fostered a sense of shared vulnerability in the region to complex transnational disasters, which come with little warning and respect no national boundaries. They have also severely tested the limits of the region's noninterference dogma.³³

Another factor leading to change in the existing regionalist mindset is the rise of India and China, coinciding with recovery and nationalist reassertion in Japan.³⁴

The simultaneous rise of Asia's three core powers, unprecedented in the region's history, challenges ASEAN to think and act more cohesively in urging moderation and restraint in their behaviour towards each other and towards ASEAN itself, or be swept aside in the resulting geopolitical maelstrom. Regional forums provide a platform for these rising powers to demonstrate their credentials as responsible and constructive members of the regional community.

There are many aspects that make regional integration in East Asia complicated and difficult to achieve. The diverse economic levels, geopolitical issues, historical experiences, cultures social norms and environmental issues create a complicated underlying, patchwork of regional infrastructure that belies the apparently dynamic trading system in the region and makes the concept, "seamless" daunting and unachievable. On the other hand, within East Asia itself, many companies operate across national borders and the trend towards intra-industry trade (IIT) or regional production networks is a fast increasing phenomenon making a case for regional integration much more tenable.

33 Kesavapany, K. (2005). A New Regional Architecture: Building the Asian Community, public lecture delivered in New Delhi on 31 March, 2005, excerpted in New Asia Monitor, April 2005.

34 Ibid.

An East Asian community is still on the stage of discussion. Many issues remain unsettled. If the community comes into being, it will neither serve all needs of members, nor satisfy them all. What the community can do will be limited. For example, whether based on either APT or EAS, an East Asian community would be anything but a genuine customs region as long as AFTA retain its characteristics today. On the other hand, there are various institutions at sub-regional, regional and mega-regional level in East Asia. The formation of an East Asian community would increase the complexity of institutions by a small margin.

In East Asia, most of regional and mega-regional ones are ASEAN-based or ASEAN-related. Those institutions can be summarized in terms of the nesting structure of membership. To begin with, ASEAN as the nucleus consists of ten Southeast Asian nations. APT is ASEAN plus Japan, China and Korea (13 participants). EAS is APT plus Australia, New Zealand and India. PMC equals EAS plus the United States and Canada and EU as an organization. ARF is PMC plus North Korea, Mongolia, Pakistan and PNG. ASEM is substantially the assembly of APT and EU, consisting of 38 (13+25) countries.³⁵

There are some institutions unrelated to ASEAN, which add more complexity in East Asian institutions. For example, APEC connects East Asia with Americas although it no longer includes all ASEAN members. FEALAC also connects East Asia (including Oceania) with Latin America. Those institutions “destroy” the ASEAN-centered nesting structure. New institutions such as Shanghai Cooperation Organization (SCO) and ACD have broadened the network of East Asian countries further. The Asian-Pacific security environment will continue to be affected by this shift in power distribution for the time to come, despite the events of September 11, 2001. At the same time, the necessity for an anti-terrorist coalition will also provide a fresh framework to inspect the overall dynamics of major power relationships. The spirit of this new framework may be reflected in the joint anti-terrorism statement signed by Asian-Pacific leaders in the Shanghai APEC meeting in October 2001. Along this line, the issues of management of strategic weaponry, such as nuclear proliferation

35 Shankar, Vineeta (2004). Towards and Asian Economic Community: Exploring the Past. in Nagesh Kumar (ed.) Towards and Asian Economic Community: Vision of a New Asia, RIS and ISEAS: New Delhi and Singapore.

and missile defense systems, appear even more crucial to regional security and stability. When one looks at the future directions of this security framework, three possible directions may be in order.³⁶

First, the newly emerged security framework, such as the six-party negotiations over North Korea, the Shanghai Cooperation Organization, as well as the U.S.-Japan-South Korea security alliance may continue to develop.

Second, one may anticipate a potential cross-participation in existing security regimes. For example, the U.S.-Japan-South Korea security consultation may wish, from time to time, to invite China to participate in some of its discussion activities.

Thirdly, some sensitive issues may be opened up to a certain degree for international consultations and cooperation. This may include dialogue regarding disputed territories, as China and ASEAN countries have already been engaged in over the South China Sea islands.³⁷

With the rapid development of regional cooperation and community building, an even more clearly defined multilateral security framework may be developed. In the October 2003 ASEAN-plus-three meeting, a number of new institutions and consultation mechanisms were proposed, including permanent consultation bodies for the three Northeast Asia countries, China, Japan, and South Korea. The key lesson that East Asian countries may learn from European experiences is that economic integration may gradually lead to a deeper political and strategic cooperation.

In order to achieve this, East Asian countries must work hard to remove mistrust resulting from historical legacy (China and Japan in particular) and current security concerns such as the issues of Taiwan and North Korea nuclear crisis.

Recognizing the growing regional interdependence and aware of the benefits and opportunities of greater cooperation, ASEAN+3 leaders adopted a Joint Statement on East Asian Cooperation in 1999. In its wake, the East Asia Vision Group (EAVG) and

³⁶ Zhao, Quansheng (2002), "Asian-Pacific International Relations in the 21st Century," in Zhao, Quansheng (ed.) *Future Trends in East Asian International Relations*, Frank Cass: London.

³⁷ Ibid.

the East Asia Study Group (EASG) were set up to assess the viability of an East Asian Community and to provide recommendations. The vision towards developing an East Asian Community goes well beyond that of an FTA. In the proposed twenty two key recommendations by the EAVG, cooperation and integration of East Asian states spans six fields. These include: economic, financial, political/security, environmental/energy, social/cultural/educational and institutional cooperation. Of the 57 measures proposed by the EAVG, the EASG excluded 31.³⁸

In the field of economic cooperation, the EAVG suggested the formation of an East Asian Free Trade Area (EAFTA) to be achieved well ahead of the Bogor Goal of trade liberalisation set by APEC. The formation of an EAFTA would occur through the consolidation of all existing bilateral and sub-regional FTAs in the region

In East Asia, most trade agreements have been driven by the market. They also have been competitive. The benefits available under a preferential trade agreement usually induce other countries to seek the same trade advantages or risk losing business for their exporters or investors. In some cases, the arrangements (or lack thereof) are politically driven, particularly in the case of Taiwan as Beijing attempts to isolate it diplomatically while Taipei tries to counter the diplomatic snubs that belie existing underlying trading relations. In other cases, politics and disputes over history (especially between Japan and China and South Korea) have hindered the conclusion of free trade agreements. While ASEAN has been fostering closer political, economic, and cultural relations among its member states, the organization also has concluded various agreements with other nations that provide some immediate trade liberalization and contain provisions for negotiations that are to lead to formal free trade agreements.

However, the benefits of trade facilitation are numerous which can be seen as follows:³⁹

38 East Asia Study Group (2002), Final Report of the East Asia Study Group, ASEAN Plus Three Summit, Cambodia.

39 Yusuf. Shahid. (2003), "Innovative East Asia: The Future of Growth", World Bank & Oxford University Press: London.

First, reducing or eliminating non tariff barriers through trade facilitation supplements the lowering of tariffs and results in an increase in the world trade volume. This is beneficial for foreign investors as well as economies in the region.

It is also similar to a tariff reduction in that trade facilitation induces a fall in trade costs. It creates more trade and increases gains from freer and easier trade.

Second, trade facilitation reduces the opportunity costs of international specialisation. This will lead to even greater intra-firm and intra-industry trade in East Asia through the vertical integration of multi-national corporations. This in turn will directly lead to an increase in trade of intermediary goods and services and, indirectly, lead to an increase in foreign investment, which will improve welfare and produce economic growth. In short, trade facilitation will increase outsourcing opportunities and expand the fragmentation of production activities across borders. Welfare will improve through this process. In particular, the expansion of outsourcing and transfer of technology across borders will assist in the industrialization of developing economies in the region. These effects will further complement the increasing trend towards regional production networks.

Third, trade facilitation, such as harmonised customs procedures and standards of conformance, will improve regional governments' efficiency in administration and may enhance transparency. On top of this, government revenue from customs procedure related activities may also increase. Harmonisation also has a significant effect on trade, especially in the area of manufactured goods⁴².

Fourth, trade facilitation will reduce the possibility of international disputes between developed and developing economies arising from differences in customs procedures and operating systems. This will reduce the costs of resolving disputes and lead to an increase in world trade.

Fifth, greater employment of e-commerce, such as the automation of transactions and the adoption of electronic payment systems, will generate greater gains through a reduction in transaction costs and enhanced competition in the world market.

Sixth, trade facilitation will also help small and medium enterprises (SMEs), especially in developing countries, to become more competitive through regional exposure and subsequently become internationally competitive. This will in turn produce more gains from trade, promising economic growth, especially in developing economies.

Seventh, welfare increase can also be achieved by developing economies through trade-related regulatory reforms which lead to improvements in health and safety related areas.

Eighth, further economic development is expected from the facilitation of trade-related labour movements through improvements in working environments and the accumulation of human capital in developing economies.⁴⁰

Among nations, the greater the interdependence (the greater the costs of exiting from an economic relationship), the greater the probability that the nations will not seek political demands that could lead to conflict. On the other hand, economic interdependence also can be used as leverage to extract political demands. The greater the extent that internationally oriented coalitions in a country (actors with interest in expanding foreign markets or in importing) have political clout, the more likely that outside, economic incentives or sanctions will be effective in influencing policy in the country in question.

The more democratic and market-oriented a country is, the more likely this will occur. The expectation of future commercial gains between nations helps to dampen political tensions and deter the onset of hostilities. Such future gains are enhanced by preferential trading arrangements, such as FTAs. Membership in preferential trading arrangements tends to inhibit interstate conflict. This is because economic and security arrangements increase opportunities for communication, establishing personal ties between people, and cooperating in diplomatic endeavors. This reduces the chances for miscalculations and misperceptions and increases the chances for

40 Yusuf. Shahid. (2003). "Innovative East Asia: The Future of Growth", World Bank & Oxford University Press: London.

direct diplomacy and back-channel communications. On the other hand, economic arrangements may increase competition for domestic industries and invite blowback from trade liberalization.⁴¹

The motivation for trade and financial agreements is usually to gain benefits for exports, imports, or investments that are not available through global concessions agreed to multilaterally through the WTO. Under WTO rules, bilateral and regional trade agreements can lower barriers between signatory countries but cannot raise barriers to other economies. Trade agreements have both trade diversion and trade creation effects. They divert existing trade toward the signatory countries but also may create more trade overall. Free trade and other trade agreements also may lock in market access or other benefits provided by one government that are under risk of being withdrawn by successive governments. They also may induce governments to take politically difficult actions, such as opening agricultural markets or providing labor rights or protection for the environment. Any change in the rules of trade creates winners and losers — those who can take advantage of the new trading regime and those who are hurt by it.⁴²

As with the European Union or the North American Free Trade Area, preferential trade arrangements usually follow trading patterns. FTAs do not spring into existence *ex nihilo* (out of nothing), although in cases FTAs are pursued for political more than economic reasons. FTAs typically proceed through evolutionary stages with respect to intensity (greater liberalization) and expansiveness (more members).

On the other hand, Security arrangements, in most cases, are designed to reduce the risk of hostilities by coopting the interests of the signatory nations and also by presenting a united front to potential adversaries. Such arrangements range from formal alliances and mutual defense institutions to merely creating a forum to discuss security issues in order to build confidence and resolve conflicts through diplomacy.

41 Wei, Shang-jin (2000). *Economic Globalization: Finance, Trade, and Policy Reforms*, Peking University Press: Beijing.

42 Ibid.

Under the European model of security, intra-European wars, particularly among Germany, France, England, and Spain, have become a dimming memory as the countries have joined together under the European Union and, for most, the North Atlantic Treaty Organization. Trans-Atlantic institutions, such as the Organization for Security and Cooperation in Europe (Helsinki Commission) also exist that provide a regularized forum to discuss security and human rights issues. Such security arrangements underlie what is sometimes referred to as the new security paradigm: “disconnectedness defines danger.” The threat of the Cold War has been replaced by terrorism, rogue nations with possible weapons of mass destruction, competition for energy and resources, and ethnic or religious conflict.⁴³

Today, most dangers originate from areas of the world without collective security arrangements and disconnected from the process of globalization, network connectivity, financial transactions, and liberal media flows. Even in this new age, however, the potential for a big power confrontation (including one with a nuclear-armed China) still exists. Regional political and security arrangements in East Asia are still in the developmental stage compared with those in Europe, the North Atlantic, or Gulf States.⁴⁴ The major efforts in Asia include the ASEAN Security Community, ASEAN Regional Forum, the East Asian Summit, the Shanghai Cooperation Organization, and the six-party talks.

Currently, ASEAN is playing a leading role (with a strong play by China) in moving the countries of the region toward organizing into cooperative arrangements. ASEAN often can take the lead in building multilateral institutions because it is viewed as more neutral and non-threatening than China or Japan. ASEAN has created the ASEAN Security Community to foster greater political and security cooperation and help ensure peace and harmony.

Nevertheless, The China–Japan power struggle in East Asia has strategic implications for development of an East Asian Community among Northeast and Southeast Asian

43 Acharya, Amitav (2001). *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order*. Routledge: London.

44 Ibid.

nations and perhaps including some nations close to, but not within, the area recognized geographically as 'East Asia'.

It is already clear, how playing out this struggle, and its consequences, have served to promote further regional integration by stimulating other regional players such as ASEAN and South Korea to take action that best positions themselves not just for the present but also for a future where a more institutionalized East Asian framework may structure relationships between the nations in this region.

The growing commitment of China and Japan to strengthening their relations with ASEAN fortified South Korea's incentive to pursue the same path; South Korea signed the TAC in 2004 and agreed to complete an FTA with ASEAN by 2009 at the 2004 ASEAN Economic Ministers' meeting in Jakarta. Wedged between Japan and China, South Korea has always grappled with its regional role. Today South Korea wants to ensure that it is vitally engaged in, rather than left out of, the opportunities presented by a regional community—whether the community is formally institutionalized or not. The anticipated scale of regional development is such that the opportunities from inclusion and the costs of exclusion appear to be vast. These circumstances leave South Korea almost no choice but to follow the two powerful neighbours that sandwich it in Northeast Asia into active and opportunistic diplomacy that further engages with East Asian neighbours to the south.⁴⁵

The 'big power' struggle to the north has vital consequences for ASEAN nations. All three examples discussed above highlight how these consequences present opportunities for benefit for the Southeast Asian nations if they speak with one voice, and the opposite if each Southeast Asian nation struggles against the other for national (or local) rather than regional (ASEAN) gain. Divided, they lose their power. But despite integration efforts through the ASEAN Free Trade Area (AFTA) scheme, ASEAN is still a group of fragmented, relatively small economies unable to enjoy benefits from economies of scale in production. ASEAN therefore finds it difficult to respond to the possible development of economic regionalism on a larger scale as in Europe and the Americas.

45 Chung, Jae Ho (2001). "South Korea between Eagle and Dragon", *Asian Survey*, 45(5): 777-796.

ASEAN players recognize that in creating an East Asian Community shaped by continued power struggle between Japan and China, their interests are best served by maintaining a central role for ASEAN as one united bloc.⁴⁶ ASEAN too has struggled, not to work competitively as China and Japan against each other, but to work collectively as a unified actor and to achieve further integration of the ASEAN economic community, as agreed at its summit meeting in Bali in October 2003.

Strategic unity and internal economic complementarity are prerequisite for ASEAN's commitment to—and strength in—negotiations with the three powerful Northeast Asian partners to create an East Asian FTA.⁴⁷ The interest of Japan and China in creating a region-wide FTA in East Asia and their power struggles over the creation of the East Asian Community face a serious hurdle without ASEAN well integrated as a confident equal partner. Japan's pledge to provide US\$70 million of financial aid for ASEAN integration announced in the 2005 ASEAN þ 1 meeting in Kuala Lumpur was acknowledgement of this need.

The aid too—as the advantages won in holding the East Asian Summit, establishing FTAs, and signing the TAC—demonstrates how ASEAN is well positioned to secure benefits from its strategic circumstances, as China and Japan use East Asian Community- building as a legitimate site for their own power struggles.⁴⁸ The ASEAN countries have gradually acknowledged merit in breaking their long-term mindset about a regional framework that stretches no further than the existing borders of the ASEAN's 10 member nations. Efforts to promote global and regional political awareness have highlighted the importance of ASEAN nations working together with Northeast Asia towards a regional East Asian Community, however formally or informally structured, and hence of the compelling need for unity within ASEAN.

The inaugural East Asian Summit is a positive move that may lead to a more ambitious political connection between ASEAN and Northeast Asia. It can be regarded as a new organization that brought together the ten ASEAN nations, the

46 Ashizawa, Kuniko (2003). "Japan's approach toward Asian regional security: from 'hub-and-spoke' bilateralism to 'multi-tiered'". *The Pacific Review*, 16(3): 361-382.

47 Ibid.

“plus three” states of China, South Korea, and Japan, as well as Australia, New Zealand, and India, for the first time. The forum it has created may enable East Asian leaders to identify common positions more easily and articulate these more effectively in multilateral forums such as the World Trade Organization and the United Nations.

The East Asian Summit itself offered a dramatic extension of the geographical reach of the East Asian community: the third great Asian power, India, was invited as well as Australia and New Zealand. This west and southward extension has a double advantage for ASEAN. It keeps ASEAN at the center of the emerging community and it dilutes the impact of Sino-Japanese tension on the community. With the inclusion of Australia and New Zealand, ASEAN's regional strategy extends beyond the geographical notion of Asia.

To conclude on this note does not mean East Asia must necessarily become more like Europe. Rather, East Asia community cannot come to fruition not unless the approach becomes more and more interventionist in shaping the perception of the people in this region. This is because the perceptions of the elites have basically converged; that East Asia ought to be a community.

48 Ibid.

Chapter VI

Conclusion

Regionalism is a concrete manifestation of regional consciousness perceived by members because it needs a boundary to differentiate insiders (members) from outsiders (non members). A regional concept that establishes a particular geographical boundary is necessary for any instance of regionalism. The Genesis and Evolution of East Asian Cooperation in East Asia had a stuttering start. In Southeast Asia for instance, the Association of Southeast Asia (ASA) initiative suffered an early demise. It was only in 1967 that the Association of Southeast Asian Nations (ASEAN) was successfully launched. Similarly, the first proposal for East Asian cooperation, by Malaysia's then Prime Minister Dr. Mahathir Mohamed in December 1990 in the form of an East Asian Economic Grouping (EAEG), received only lukewarm support within ASEAN. It was also opposed by the United States, which prevailed upon Japan and South Korea to reject the initiative because the East Asia only Grouping did not include it.

The EAEG proposal was eventually accepted by ASEAN in 1992 as the East Asia Economic Caucus (EAEC), as a caucus within the Asia Pacific Economic Cooperation (APEC), so that APEC remained supreme. The establishment of the Asia-Europe Meeting (ASEM) in March 1996 however invigorated the idea of East Asia cooperation. The countries of East Asia were forced to consider themselves as a grouping in their own right, so that they could interlocate with Europe. It took the financial crisis of 1997 and 1998 however, to jolt the East Asian countries into realising just how intertwined their economic fortunes had become, and how critical it was to work together to defend and promote their economic interests.

The crisis also drove home the point that in times of economic crisis it was best to rely upon each other. There was a feeling that countries outside the region have little empathy, are driven by considerations of narrow self-interest, and may in fact advocate policies, such as through the International Monetary Fund (IMF), which punish and bring more misery to the affected countries rather than genuinely assist them to overcome their crisis. No country suffered more than Indonesia in this regard.

This realisation of common economic interest moved the countries of ASEAN, South Korea, Japan and China to come together and convene the inaugural meeting of the ASEAN Plus Three (APT) Summit in Kuala Lumpur in December 1997. The pace of East Asian regional cooperation then gained rapid momentum, and the main impetus came not from Malaysia, or from ASEAN, or from China, but from South Korea. In 1998 President Kim Dae Jung proposed the setting up of an East Asia Vision Group (EAVG).

The EAVG that was subsequently established was chaired by an eminent South Korean, Han Sung Joo. Its Report in October 2001 stated, "We, the people of East Asia, aspire to create an East Asian community of peace, prosperity and progress based on the full development of all peoples in the region." This Report was endorsed by the East Asia Study Group (EASG) of senior officials in October 2002. Earlier, in November 1999, a seminal Joint Statement on East Asia Cooperation was issued. It committed the East Asian countries to concerted cooperation in the economic, social and political-security fields.

The Joint Statement of 1999, the EAVG Report of 2001 and the EASG Report of 2002 have driven and formed the basis of intense and diverse initiatives to forge East Asia cooperation at the Track One, Track Two and business levels since then. A proposal by Malaysia to take East Asia cooperation one step further by inaugurating the East Asia Summit (EAS) as host of the APT process in 2005 however, brought to the surface differences among the APT members as regards the cooperation in East Asia.

Although the initial Malaysian proposal adhered fully to the EAVG and EASG parameters of developing East Asian cooperation among existing countries of East Asia, some, like Indonesia, were apprehensive that the EAS would undermine the fledgling ASEAN Community just launched in Indonesia by Bali Concord II. Japan too seized this opportunity to push for an enlarged process that would include non-East Asian countries so that China's alleged domination of the East Asia cooperation process could be diluted.

What eventually emerged in Kuala Lumpur in December 2005 therefore was an EAS that was different from the one conceived in the EAVG and EASG Reports. The EAS now included Australia, New Zealand and India in a forum for dialogue on broad strategic, political and economic issues of common interest and concern in East Asia. It was to function in parallel with the APT process.

The establishment of the EAS and attempts to flesh out its role continues to provide opportunities for those who are apprehensive of alleged Chinese domination of the APT and those who would like to see countries outside the East Asian region to be involved in community building in East Asia, to press for a more substantive function for the EAS that would also undermine the primacy of the APT in East Asia. The push is coming mainly from Japan within the APT, but also from some countries in ASEAN either at the Track One or Track Two level.

The three non-East Asian participants of the EAS process are also understandably pushing for a bigger role for the process. The establishment of the EAS has therefore fuelled dissension within the APT and pitted the EAS against the APT. It has also led to renewed efforts to resuscitate APEC in which the US is dominant, as a counter weight to both the APT and EAS.

The current focus of regional cooperation activities. The main focus of activities in the region at the governmental level presently is as follows:

The APT participants are working on the next ten years of East Asian cooperation driven by the APT process. A Second Joint Statement on East Asia Cooperation focused on consolidation of East Asia cooperation and the entrenchment of the APT's primary role in the regional architecture. The APT is also venturing into four new areas cooperation (women affairs; rural development and poverty alleviation; disaster management; and minerals).

- The modalities for the functioning of the EAS are being worked out, with ASEAN generally keen on preserving the centrality of ASEAN in the regional architecture and the APT as the primary vehicle for community building in East Asia. Japan, India and Australia however are pushing for a more prominent role in East Asia cooperation and

community building for the EAS and for countries engaged by the EAS process. Japan for instance is proposing the holding of a Ministerial Meeting on East Asia Cooperation in Science and Technology that involves the sixteen members of the EAS. There are also attempts to rejuvenate APEC, so that the organization continues to enhance Asia Pacific cooperation and the US continues to have a substantive role in the evolving regional architecture.

It is critical that East Asia develops a viable architecture for regional cooperation that enables it to catch up with the more advanced cooperation that has evolved in Europe and North America. This enhanced cooperation is vital if the countries of East Asia are to be able to compete satisfactorily in a globalising world where regional cooperation is critical for optimal development.

Viable regional constructs can only be built if there are clear visions, common goals and shared resolve. When nations work against each other rather than with each other, a coherent and feasible structure cannot emerge. If East Asia can recapture the spirit of 1997, when it came together amidst the ruins of the financial crisis to forge a common future, it will have every chance to succeed.

At present, the East Asian cooperation has lasted for years on, and its identity is coming into being. There appear common values in the developing process of the cooperation among the East Asian nations, which can be summarized as the following four Cs and one O: consultation, consensus, cooperation and comfort level and one O, to which another C: closeness can be added.

The first C is consultation. There emerge many problems in the building process of the East Asian Community. Consultation is the only way to solve the problems in the region instead of the obtrusion of one's opinion on others. This has become the common understanding reached by the East Asian countries.

The second C is consensus. In the course of the East Asian economic integration, all problems should be decided on the basis of consensus. If there is a disagreement, then the problem will stay as it is for the time being or there will be no decision.

The third C is cooperation. All efforts for the East Asian integration are aimed at improving cooperation.

The fourth C means comfort level, which is specific for Asians. That is to make a certain decision, which is no difficulty for some countries in principle.

The fifth C is closeness. Obviously, the East Asian cooperation will certainly prompt the nations in the region to have close relations.

Despite of such promising principles, there are no special Arrangements for the integration of East Asia's economies. Indeed, seemingly insurmountable differences continue to divide East Asia. ASEAN and Northeast Asia continue to be regarded as distinct from each other by virtue of the differences in their economic structures and levels of development. Northeast Asia itself is divided by historical antagonisms and contemporary rivalries.

Yet, in recent years, East Asia has been coming together in almost imperceptible ways, slowly but steadily. ASEAN exports to Northeast Asia, for example, increased by a remarkable thirty percent in 1997 and accounted for twenty-four percent of ASEAN's total exports in that year. Northeast Asia's share of ASEAN exports surpassed those of the United States, at twenty percent, and those of the European Union, at fifteen percent. This trend was interrupted by the financial crisis but, with the economic recovery of East Asia, promises to resume with renewed vigor.

The synergies of trade and investment intensify, as each batch of East Asian countries moves up the development ladder - first, Japan and South Korea, then, at different paces, the first six ASEAN members and China, and finally the newer members of ASEAN. Unless something happens to break it up, the continuation of this process can hold great potential for further economic integration in East Asia.

The immutable reality of geography, of course, underpins the strengthening bonds among the countries of East Asia, geography leavened by history and culture. But East Asia is no regional fortress. Each of the countries of the region is open to the world or is opening to it. The United States and Europe remain leading trading and economic partners of the countries of East Asia, each of which is a member of the

World Trade Organization or is aspiring to be one. All of them have absorbed much of Western culture and ways of doing things. Nevertheless, the geographical expression that is East Asia is becoming, to an increasing degree, a regional economic entity.

Until recently, the region's economic convergence has been driven by the trade and investment decisions and impulses of corporations. For the most part, it has received little conscious guidance or support from governments outside of the purely economic sphere. But, in the past few years, governments have taken deliberate steps to nurture East Asia's burgeoning coherence. A recognition of the emerging economic, as well as geographical, realities has made ASEAN's "dialogues" with China, Japan and the Republic of Korea among the most active in ASEAN's relations with its ten dialogue partners. As part of the dialogues, efforts have intensified to promote cultural exchanges between ASEAN and each of the Northeast Asian countries.

The East Asians are now trying to add further substance to the content of their interaction by proposing concrete steps for closer cooperation in East Asia politically, economically, culturally and in other ways.

The force of logic is behind the closer integration of East Asia, but there is nothing inevitable about it, much less about such fundamental decisions as a common currency. Even measures far short of a common currency do not have any certainty in them. Many such measures, if they are of any substance, require a level of mutual trust and even the surrender of a degree of sovereignty that is not yet within sight. Issues and emotions rooted in history or in current rivalries continue to divide East Asian nations.

East Asian economies have often been likened to flying geese, with Japan leading the flock and the newly industrialized countries and then the less developed ones following in that order. Will the East Asian geese continue to fly in formation? Can the lead goose continue to lead effectively? Will it be challenged for leadership in the future?

There are other questions. Will the development gap between East Asian nations be sufficiently narrowed? Will sufficient technology be transferred to the less developed

ones? Will the latter be able to absorb the technology? Can historic rivalries and mutual suspicions be sufficiently overcome? Will enough sovereignty be given up?

Such questions need to be sorted out before economic integration can be seriously discussed. But one thing is clear that there is no other course but closer economic integration and political solidarity in ASEAN, there are precious few alternatives to closer cooperation in the larger region of East Asia.

East Asia's leaders realize this. The actions that they and their governments, business communities and peoples take in this direction will determine whether a common currency for East Asia, or even a lesser degree of economic convergence, is an ephemeral dream or a realistic possibility. Their actions will decide whether the growing closeness of East Asia that we now see is an enduring reality or turns out to be a fleeting mirage.

Rapid changes in international and regional environment have necessitated drastic policy and structural changes in Northeast and Southeast Asian economies. These external changes have been the product of radical changes in information and communication technology, and a shifting in policy paradigm with respect to trade and investment liberalisation. As a result of these external and internal changes, established industrial structures and production patterns in the world and in East Asia have been considerably changed.

Competition has become much keener and product cycles have been shortened. Mature and relatively developed economies in the region have to continually upgrade and restructure. With the entry of China into the WTO, it provides tremendous challenges and opportunities to other East Asian economies. Arising from the prospect of strong competition from China, regional FTA initiatives and comprehensive economic cooperation and partnership have been negotiated between ASEAN and China, Japan, and initiatives have been started with the US, India and possibly with Korea soon.

With ASEAN seems to be emerging as the "hub" of this regional series of FTAs, it is vitally important for ASEAN to have a comprehensive framework of agreements with its dialogue trading partners in order to reduce the risk of "spaghetti bowl" syndrome

and increased cost of doing business due to uncertainties and contradictions in the overlapping FTA agreements.

Yet these are not the only difficulties for creating a seamless market in the region. The heterogeneity of political systems in the region also makes regional cooperation and integration difficult. On the one side there are the well established democracies such as Japan and at the other end of the spectrum is China which is just newly emerging from a communist regime but with a strong and highly interventionist central government. It is therefore difficult to build common understanding and recognition of similar interest.

Moreover, Asian states are still wary of one another and hold the principle of non intervention sacrosanct. This creates huge problems for surveillance, proper reporting, peer reviews, etc. and as a result impedes the development of important regional infrastructure necessary for the seamless integration of East Asian economies. On top of this, Northeast Asian economies have to overcome and deal with sensitive historical memories, which have for the past half century impeded their cooperation.

Myriad issues have to be decided on as there are so many structures and characteristics of FTAs being negotiated in the region. If an FTA is preferred, then it should be decided how one should define the scope of sectoral coverage (i.e. goods, services, investment and other factors of production), instrument coverage and depth of reduction. Specifically, how should exclusions and sensitive sectors be dealt with to allow for flexibility while at the same time ensuring comprehensive coverage of FTA. Ultimately, it is important to adhere the principle of consistency between FTA to avoid increasing the costs of doing business and to agree on a common framework on which an East Asian Economic Community will be based on.

In some areas in the world, peace may be taken for granted and national leaders may pay attention to economic integration. Unfortunately, there are real and potential conflicts that threaten peace in East Asia. No responsible leader would dare to destroy peace, but the escalation of tension may result in armed conflict. As mutual commitment to peaceful settlement of conflict was badly needed in Southeast Asia in

the past, it is still so in East Asia as a whole. Mutual trust among leaders or governments is still scarce here.

It could be possible that continuous increase in economic transaction and interdependence will reduce tension or mutual mistrust in future, but such causality may turn out only wishful thinking. Political tension may be reduced, and political conflict may be resolved by political wisdom. If authoritarian, national leaders of ASEAN had such wisdom. For instance, they signed TAC in 1976 and made the treaty a symbol and foundation of ASEAN. While the treaty does not have punitive clause, no state have waged war for four decades.

It is true that non-ASEAN states, notably Japan, China, Russia and India, have acceded TAC, but the commitment to no-war relationship applies only bilaterally with ASEAN. It does not cover, for instance, Sino-Japanese conflict. It might be dangerous to expect that Sino-Japan co-leadership will continuously develop and deepen smoothly. There are additional sources of conflict between the two countries such as the Taiwan problem and territorial disputes over Diaoyu/Senkaku Islands. Despite the above differences in view on regional integration, fierce rivalry between Tokyo and Beijing for taking the initiative in regional integration has worked as a spiral motor to stir the integration process. If one state in Northeast Asia can make commitment to peaceful conflict resolution with countries in Southeast Asia, why not with other countries in Northeast Asia?

The conclusion of a treaty of amity and cooperation in East Asia may serve signatories as the foundation of an East Asian community. At least, it must be a symbolic value. If not legally binding, the accession to the treaty would enhance self-control in refraining the exercise of forces. As occurred in Southeast Asia, mutual distrust will reduce and the Prisoners' Dilemma could be avoided in East Asia as a whole in a few decades, if not in a few years.

Coming on to the economic dimension, ASEAN has just started to create an economic community by 2020. Being ASEAN as such, an East Asian community cannot be a free trade "area" in an ordinary sense unless AEC is created much earlier than scheduled. Thus, even economically, an East Asian community would start from the

level of non-region, and it would move toward a genuine customs region (presumably only FTA).

Politically, an East Asian community would consist of not only democratic states but also socialist states, even if dictatorial Myanmar is set aside. The co-existence of different political regimes must be mutually respected. ASEAN has accepted this principle. As for East Asian states in general, APEC has provided the cooperative platform on which both democratic and socialist states can work together. In this sense, an East Asian community would inevitably differ from EC/EU at least in foreseeable future.

Nonetheless, an East Asian community should not be a community of some ten nation-states. It should be a community of every citizen belonging to those nation-states. ASEAN is still an association of nation-states. An East Asian community would have to begin with an association of states, but the eventual goal must be a genuine community comprising citizens. This does not mean that the democratization of socialist regimes is to be included in the objective. It means that people's rights should be considered not only in aggregate terms but also individual terms.

The role of civil society must be encouraged. Even in the arena of mutual security, it is crucial that individual citizens share "we-feeling" across national borders, and that they exclude the resort to arms from foreign policy options between themselves. Mutual commitment of sovereign states is, needless to say, important to maintain amicable relations. The no-war treaty regime such as TAC is invaluable. In addition, such a norm should be based on transnational community of citizens.

Admittedly, the concept of civil society is problematical in East Asia. Even ASEAN hesitated to use that term, and it adopted "caring society" instead. However, there have been some changes in the region. The national leaders agreed to formulate the ASEAN Charter by the end of 2007 so as to transform ASEAN from an association of states into international organization towards the creation of the ASEAN Community. Within a new ASEAN, the role of civil society may be recognized in substantiating and strengthening the ASEAN Community. An East Asian community may as well follow the path ASEAN is taking.

Further, participating states in APT and EAS have agreed that ASEAN keep sitting on the driving seat of both institutions. It is agreed partly because ASEAN is experienced in handling difficult issues and compromising internal confrontations, and partly because it is the only options that other participants such as Japan and China can accept. Closer relations with ASEAN would facilitate the formation of an East Asian community.

An East Asian community cannot supersede ASEAN. If one wants a community more integrated than ASEAN, one should help ASEAN to integrate itself at least to the level of a community one wants. It is absolutely necessary to have ASEAN pursue a higher level of integration if a higher level of integration is needed in East Asia as a whole. For advocates of an East Asian community, such a goal may be too humble or too low, or the schedule may be too slow. However, the present goal may be too ambitious for today's ASEAN. There are various centrifugal factors in the ASEAN region that may hamper further integration. For instance, economic cleavage between old members and new members has been widening. Globalization enforces each member states to cope with extremely competitive environment. International terrorism and other trans-border organized crimes call for capacity building of ASEAN states.

Under such situations, assistance to and support of ASEAN, and individual member states as well, is badly needed. ASEAN was able to survive dangerous international environment, but this admirable record does not mean that ASEAN is powerful. ASEAN is very tactful, but not fully equipped to help itself and member states. More integrated and developed ASEAN would become sounder basis of an East Asian community. Assisting and supporting ASEAN is not ASEAN's sake alone. In this regard, an East Asian community may not necessarily be based on an equal economic partnership.

At this stage, it is legitimate to ask whether an East Asian community is needed in order to strengthen economic ties and/or to create an East Asian free trade area. If FTA is needed in East Asia, negotiation would be possible without referring to a community. It is also legitimate to answer that an East Asian community means an

East Asian “economic” community at least for the time being, and that it should not be compared to EC/EU by any means. There are significant differences between EC/EU and ASEAN, one of which is the notion of community. The ASEAN Community is regarded as the community of ten nation-states consisting ASEAN, rather than some five hundred million people in Southeast Asia.

In the post-cold war era of globalization and democratization, East Asia still needs careful considerations on mutual security and on co-existence of different political regimes. Hasty pursuit for a genuine community such as EC/EU may not be workable in East Asia. Economic rationality may be neutralized by political and/or security calculations. If economic integration/partnership cannot escape from political or security questions, it may be appropriate to consider the formation of an East Asian community from not simply economic perspective, but also from the viewpoint of overall architecture of East Asia.

In East Asia, it seems to remain relevant for prospective community members to mutually commit themselves to peaceful settlement of disputes between them. In other words, an East Asian version of TAC may be desirable, if not necessary, to facilitate the creation of an East Asian community. Despite differences in political and security outlooks, or rather because of them, every effort should be taken in order to establish the sense of community or “we-feelings” among citizens in East Asia. Civil society should be developed in each state comprising an East Asian community.

Transnational relations should be encouraged. In any event, ASEAN would be the core of an East Asian community. By definition, an East Asian community would be at best as integrated as, presumably less integrated than, ASEAN. In order to establish well-integrated East Asian community, ASEAN should be integrated further and faster. Because ASEAN faces serious obstacles to pursue integration towards a genuine community, advocates of an East Asian community should assist and support ASEAN’s endeavor. An East Asian community may as well be facilitated with similar programs to APEC’s ECOTECH to accelerate trade liberalization. It may not be an exaggerated statement that the formation and establishment of an East Asian community depends on the future of ASEAN.

Currently, several visions for East Asia are competing for traction as the spaghetti strands expand in the East Asian bowl of trade and security arrangements. The vision of the United States begins with a preeminent position for the country both as the keeper of the peace, a wellspring for economic prosperity, an advocate for open markets, and a role model for social, cultural, and political values. The United States shares leadership with other nations and institutions, but it seeks a seat at the table when decisions are made affecting its interests in East Asia.

U.S. goals are to prevent any other single power from dominating Asia; to maintain peace and stability through a combination of military presence, alliances, diplomatic initiatives, and economic interdependence; and to increase access for U.S. exports and companies through the World Trade Organization, Asia Pacific Economic Cooperation forum, and free trade and other agreements.

China's vision for East Asia is to establish itself as the leading regional power and to attain a status in the world community of nations commensurate with its position as one of the five permanent members of the U.N. Security Council and a population comprising a sixth of global humanity. China sees a U.S. decline as the corollary to its rise and seeks to displace Japan as the economic leader of East Asia. China's strategy is to foster favorable conditions for continuing its modernization while also reducing the perception that its rise threatens the interests of others. China needs peace and stability in the region while it grows and resolves numerous internal economic, political, and social problems.

Thus, China prefers an exclusive East Asian regional organization that would enable it to take the lead and place the United States and Japan in secondary roles. Paramount in China's vision is a region in which countries respect what it considers to be its territorial integrity (including its claim to Taiwan), allow for flows of trade and investment necessary to sustain its high rates of growth, and not interfere with what it considers to be its internal affairs.

Japan's vision for East Asia is one in which the United States continues to provide a nuclear umbrella for the region and in which Tokyo relies on its economic power to exercise leadership. It seeks to be a "normal" nation without vestiges of its defeat in

World War II, particularly the self-maintained constraints on its military. Japan would like to bury its World War II history and be viewed as a peaceful nation and a force for betterment in Asia through economic progress. Japan, however, would like to maintain a position of leadership in Asia, accommodate China's rise without becoming subservient to it, and continue to be at the forefront in economic and financial affairs.

ASEAN's vision for East Asia is to develop a counterweight to the European Union and NAFTA (and perhaps NATO) with ASEAN taking a prominent organizational role for regional institutions and providing venues for meetings. ASEAN also seeks a counterweight to China in the region and, in general, is more inclusive in terms of allowing countries, such as Australia and India, to participate in regional organizations. ASEAN relies on the European model of engagement to influence and engender change in countries such as Burma/Myanmar and Laos. ASEAN's basic goals are to achieve cooperative peace and shared prosperity, and it sees itself as the primary driving force in building a more predictable and constructive pattern of relationships among nations in the Asia-Pacific region.

South Korea's vision for East Asia is for the country to become a hub for economic activity and to gain greater security by engaging with North Korea and pursuing closer relationships with China and ASEAN countries. South Korea also depends heavily on the United States to maintain security both on the Korean peninsula and in the region. South Korea seeks to be an export power able to use North Korean and Chinese labor, generating its own high technology, and with national champion companies that are highly competitive in the global marketplace.

Australia and New Zealand are pulled between their European heritage and Asian proximity. Since they trade heavily with East Asian countries and have deep security interests there, they envisage regional organizations inclusive of themselves and other nations. Australia was instrumental in ensuring that APEC encompassed the Asia Pacific and the United States. Australia envisages a strong role for the United States in Asia. It always is in danger of being excluded from Asian organizations because of its Anglo-Saxon and Celtic origins, although debates over an East Asian identity also categorize people by major religion rather than ethnic origin.

Australia and New Zealand continue to engage China and recognize that they must cope with the challenges of maintaining their close relationships with the United States. Australia, in particular, has become a target of radical Muslim terrorism, has irritated its neighbor Indonesia through its participation in the Iraq war and support for independence for East Timor, and is viewed by China as a segment of a broader U.S.-Japan-South Korea-Australia axis that could potentially encircle China in the maritime region of East Asia.

This brief overview of visions for East Asia indicates that the U.S. vision is roughly compatible with that of Japan, South Korea, most of ASEAN, and Australia/New Zealand. All recognize that multi polarity is developing in East Asia not only with the rise of China but a more normal Japan, a somewhat recidivist Russia, and a rapidly developing India. There is conflict between U.S. and Chinese visions with respect to which country will be the preeminent power in Asia. The rise of China as an economic juggernaut could be duplicated in the political and security realms as well.

With the momentum for regionalism now growing in East Asia and world wide, opposing the trend toward regionalism seems both unnecessary and futile. The important factor, some say, is to ensure that U.S. interests are protected and adequately represented and to link into free trade arrangements through bilateral and other FTA agreements. The EAS is expected to provide a political impetus and commitment to a process that is already on, i.e., the East Asian countries are feverishly interacting economically with each other like never before. The intra-East Asian trade has reached over 55 per cent from about 40 per cent a decade back, and much of regional direct investments are increasingly inward bound. This is happening despite the absence of a region-wide, overarching organisation and is entirely driven by market conditions.

Theoretically, strong political support through an institutionalised structure will boost this process and may even result in regional integration. Such integration is expected to address two issues. One, greater interdependence will be a disincentive for countries to become militarily aggressive, and two, many of the existing security

problems are unlikely to flare up into conflicts because of certain common, critical stakes.

The second objective of the EAS is to create an East Asian community. However, despite repeated attempts (more concerted by Indonesia in the last two years), the ASEAN countries have been lukewarm to any idea of ASEAN security community or ASEAN cultural community or ASEAN economic community. If ASEAN, a much smaller region with much less serious political problems, is not ready or unwilling to create a sub-regional community even after nearly four decades of existence, serious doubts arise about East Asia emerging as a community. In any case, community has an entirely different connotation.

Unlike Europe, which has some common characteristics it is difficult to think of a single trait that can be said to be pan-East Asian. Culturally diverse, economically uneven, geographically vast, with a large number of unresolved problems and suspicions leftover from history, East Asia has many unsettled issues that are obstacles to a community.

Firstly, there is the rising power of China and its aspirations for regional leadership, power and influence.

Secondly, there are the territorial disputes, for example, between China and Taiwan, and between China and Southeast Asian states.

Thirdly, these are the threats to the sovereignty and integrity of various states, especially Indonesia, Philippines and Thailand.

Fourthly, there is the Asean sore point – the Myanmar issue – which can be a battle ground for the major powers.

Fifthly, other issues which concerned all EAS states: terrorism, maritime security, energy security, infectious diseases and global warming.

The common interests of the EAS states are to resolve disputes through peaceful means and to resort to diplomacy rather than military intervention to reduce tensions in the region. The EAS provides a balance of power in the region to ensure that no one state can exert undue power and influence. In fact, when the EAS was inaugurated, China wanted the Asean Plus Three (APT) group, comprising Asean, China, Japan and South Korea, not Asean, to be the core group within EAS. China also offered to host the second meeting of the EAS but this was rejected. Mindful of China's aspirations to be the dominant power, Asean wanted to maintain a balance of power in the EAS.

Consequently, Asean's other dialogue partners, namely, Australia, India and New Zealand, were brought into the EAS. Now, the concept of East Asian Community has been accepted by the 13 East Asian countries and has become a common understanding. Thus, the EAS can be seen as a precursor of a pan-Asia summit culminating into East Asian Community which promises to be "open, inclusive, transparent, and forward-looking."

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