

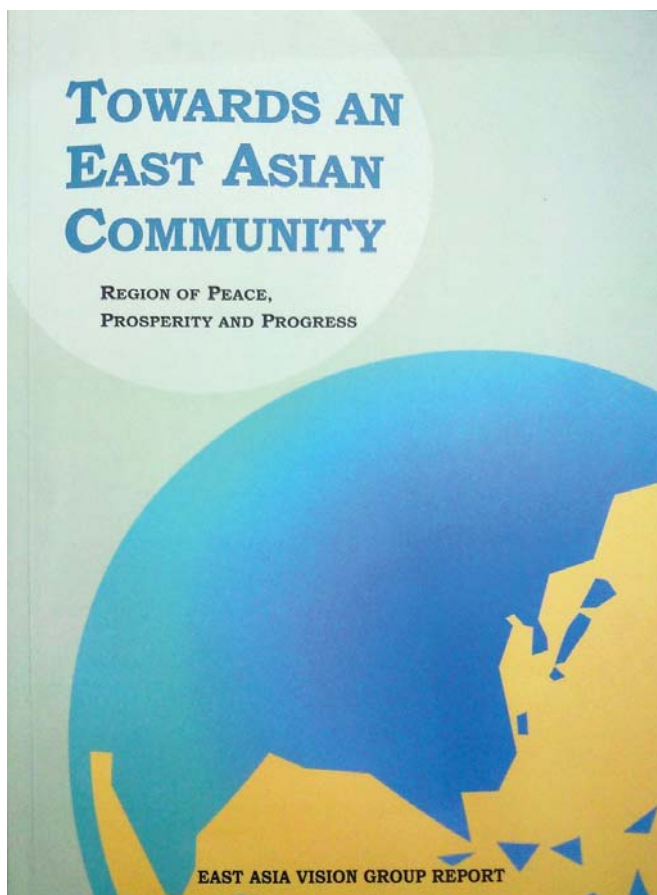
Critical View about East Asian Community

By Kyung Tae LEE

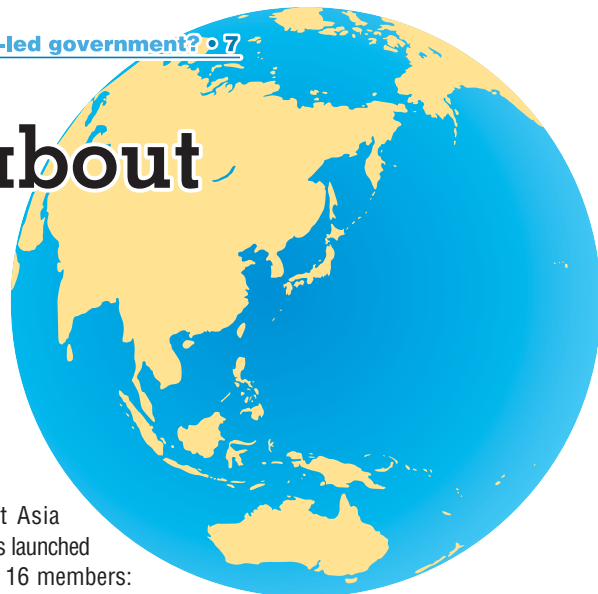
1. Cobweb Complexities of EAC Initiatives

In 2000, the East Asia Vision Group submitted its final report to the leaders of the 10 ASEAN member states and China, Japan and South Korea (*photo*). Its key recommendations were the establishment of an East Asian Free Trade Area, establishment of a self-help regional facility for financial cooperation, promotion of mechanisms for good management of intraregional relations, institutionalizing environmental cooperation and establishment of poverty alleviation programs.

Since then, much progress has been made towards broadening and deepening economic integration in East Asia. China, Japan and South Korea individually signed FTAs with ASEAN countries. South Korea and Japan each signed a bilateral FTA with Singapore. FTA negotiations between South Korea and Japan started in 2001, but the talks have been suspended indefinitely since 2005. China, Japan and South Korea are now negotiating a trilateral investment treaty.



This East Asia Vision Group report calls for the establishment of an East Asian Free Trade Area.



The East Asia Summit was launched in 2005 by 16 members: the 10 ASEAN states plus China, Japan, South Korea, Australia, New Zealand and India. Now, the ASEAN plus Three Summit and East Asia Summit are held in parallel.

The leaders of China, Japan and South Korea began their own annual meeting in 2008, not on the margin of the ASEAN plus Three Summit.

In September 2009, Australian Prime Minister Kevin Rudd proposed a new initiative to build an Asia-Pacific Community. Most recently, new Japanese Prime Minister Yukio Hatoyama voiced his ambition to build an East Asian Community (EAC).

To what extent do these many initiatives contribute to real economic integration in East Asia? The broad consensus is that East Asian economic integration so far has been mostly driven by market forces, characterized by dynamism in the region and complementarity among regional economies. The institutional settings mentioned above are at best fragmented and piecemeal.

A more serious problem is there are too many competing and overlapping initiatives for the EAC. Furthermore, many of them do not go beyond political rhetoric. There exist more words than deeds.

2. Points of Controversy in EAC Debate

The general view about the EAC vision is that it had better aim at economic integration. Whether or not aiming at political integration is controversial, but skeptics argue that, considering the huge heterogeneity in the region's political, religious and cultural systems, it is unrealistic to envision political integration.

In East Asia, financial cooperation precedes trade and investment cooperation. The Chiang Mai initiative that started as a bilateral currency swap agreement restarted in March 2010 as a multilateral swap agreement. In the medium term, it will develop as an Asian Monetary Fund. The issue of stabilizing exchange rates among the currencies of the region has long been discussed with no consensus in sight yet. An Asian common currency is dreamed by some EAC activists, but it is not supported as a realizable objective even in the long term. There emerged almost unanimous agreement on the need for a preferential trade arrangement in the region. A region-wide FTA is thought to be an essential landmark on the road to the EAC.

However, the gap regarding membership in the proposed East Asian FTA is yet to be narrowed. The two confronting proposals are ASEAN plus Three against ASEAN plus Six. The latter adds Australia, New Zealand and India to the former. Japan is pioneering the ASEAN plus Six framework, while China and South Korea seem to favor the ASEAN plus Three.

There is also a lack of consensus about the roadmap for the East Asian FTA. Although ASEAN seems to be happy taking the driver's seat, it formally says the East Asian FTA is still premature, while not explicitly mentioning a time for maturity. Scholars proposed various versions of realizing the East Asian FTA. One is to integrate the existing ASEAN plus Three FTAs. Another is to negotiate a Northeast Asian FTA first, then merge the ASEAN and Northeast Asian FTAs into an East Asian FTA. There is another assumptive proposal that if Japan, South Korea and China sign an FTA among themselves, the ASEAN FTA will be absorbed into it since the combined economic size of Japan, South Korea and China overwhelms that of ASEAN.

The issue of including the United States also draws much attention. Lee Kwan Yew, former prime minister of Singapore, said the EAC should not exclude the United States. Washington will be very unhappy if it is left out. It is known that Japan takes a stance similar to Singapore, but the Chinese view on the matter is unclear. This issue has the danger of becoming a political hot potato when negotiations for the East Asian FTA are actually launched sometime in the future.

3. Where Do We Go from Here?

a. Back to Basic Question: Why EAC?

Do we really want to establish an EAC? If so, for what purpose? Without a convincing answer to these questions, any talks on the EAC idea are simply moot. Of course, there are already well-documented analyses of the economic benefits expected from the East Asian FTA and of the political and security advantages of building the EAC. However, all these claims are not strong enough to overcome the obstacles that are hindering progress toward the EAC. The alleged obstacles include historical legacy, territorial disputes, heterogeneous political/economic systems, development gaps, etc.

It will help if we ask the same question in a different way. What happens if we do not establish the EAC? Intraregional trade and investment will continue to grow thanks to the dynamic vitality of the Asian economy and complementary structure among Asian economies, even in the absence of the EAC. It is unimaginable to anticipate a military confrontation in East Asia even without a collective security arrangement in the region. Then, why the EAC?

An alternative answer lies in looking at the EAC beyond the regional boundaries. The conventional reasoning that the EAC will bring common prosperity and peace within the region is too narrow-minded. The role of the EAC must be framed in a global perspective. The EAC should be able to make significant contributions to the prosperity and peace for the whole world.

East Asia is deeply integrated with the global economy. The world's economic power has been shifting to East Asia and the pace is accelerating in the midst of the global economic crisis. East Asia is loaded with increasing responsibility for leading the sustainable and balanced growth of the world economy.

East Asia should fulfill its responsibility by carrying out two major tasks: maintaining economic dynamism and undertaking more active participation in setting the global economic order.

To sustain the economic vitality of the region, the institutionalization of East Asian economic cooperation is urgently called for. The East Asian FTA has the highest priority for institution building. To secure a stronger voice in global forums, East Asia needs to draw collective ideas and positions about how to govern the world economy in the post-crisis era.

With this heightened ambition, it is hoped the currently fragmented and talkative mode of the EAC debate is transformed into a more unified and practical dialogue.

b. Desired Role of Japan in EAC Dialogue

Japan is the second largest economy in the world and the biggest in Asia. It is the only advanced economy in Asia, except for Singapore and Hong Kong, which are both small city-states.

Quite naturally, Japan is expected to exercise a leadership role in building the EAC. But its actual track record so far is hardly satisfactory. Put more frankly, its performance is disappointing.

The East Asian Vision Group recommended in its 2000 report that the ASEAN plus Three Summit be formalized into the East Asia Summit. The report announced the ambition of allowing the East Asia Summit to take center stage for building the EAC.

Such an ambition was frustrated, however, when the East Asia Summit was launched in 2005 with three more members added to the ASEAN plus Three. An unavoidable duplicity, rivalry and ambiguity stemming from parallel meetings of the ASEAN plus Three and the ASEAN plus Six (East Asia Summit) weaken the propelling force for building the EAC. Since 2005, much valuable time has been wasted by focusing the debate on procedural matters, not on substance. It is well known that Japan opted for enlarging the ASEAN plus Three into the ASEAN plus Six Summit. On the other hand, China gives more weight to the ASEAN plus Three process as a driver for the EAC.

Japan-China collaboration is a must for making meaningful progress towards the eventual birth of the EAC. This becomes crystal-clear if we look back at the evolution of the European Union (EU). The EU, as it is now, would not have existed if France and Germany had rivaled each other for hegemony. It is often suggested that South Korea play the role of mediator between Japan and China. Even so, South Korean mediation can only work when it succeeds in inducing Japan and China to become like-minded in pursuing the EAC.

Prime Minister Hatoyama said Japan would adopt a pro-Asia policy. He will shift from US-centered to Asia-centered policy, or some form of both. It was encouraging to hear his proposal at the October 10 trilateral meeting in Beijing last year that the conclusion of a Japan-China-South Korea FTA had to be accelerated. The trilateral FTA among the big three economies in East Asia would give strong impetus to the broader East Asian FTA. Now, we are eagerly waiting for the next action by the Hatoyama government on how to implement his initial proposal.

4. Conclusion

The ideal of the EAC stops at seminar papers, declarations of leaders and ministers, and mutually competing initiatives. So far, the rapid expansion of East Asian intraregional trade and investment is mostly driven by the market, not by institutions.

The new Japanese leader seems to be changing the focus of security and economic diplomacies from the United States to Asia. He made a highly encouraging proposal at the Beijing trilateral summit of Japan, China and South Korea to expedite the trilateral FTA, which will become a formidable stepping stone leading to the East Asian FTA and eventually to the EAC.

It is hoped Prime Minister Hatoyama will take the next steps to materialize his ideals for the EAC. **JS**

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