

What is the ASEAN Economic Community?

By *Hatakeyama Noboru*

1. The Japan Economic Foundation (JEF), which I chair, held an international seminar on "An Integrated Roadmap to East Asian Free Trade Area (EAFTA)" last February in Manila with the cooperation of the Asian Institute of Management. It was the third round of the international FTA seminar. The first round was held in Singapore in 2003 with the cooperation of the Singapore Institute for International Affairs and the second took place in Bangkok last year with the cooperation of Thammasat University. This time JEF invited experts and incumbent or former high officials, including Kim Chulsu, former Trade Minister of South Korea, Thanong Bidaya, former Finance Minister of Thailand, Thomas G. Aquino, an Undersecretary for Trade and Industry in the Philippines and Vincent C. Siew, former Prime Minister of Taiwan. A kind of loose consensus emerged in the Manila seminar that the negotiations for an EAFTA should be concluded between 2017 and 2020. By 2017 ASEAN will establish FTAs with three countries (Japan, China and South Korea). We thought it would be better that the final negotiations for an EAFTA should take into consideration the final contents of FTAs among the ASEAN+3. In the Bali Concord II, Oct. 7, 2003, ASEAN declared that it will establish the ASEAN Economic Community (AEC) by 2020. Since the AEC is supposed to be a community and must have a deeper integration than the EAFTA, it will be more difficult to establish, and that is the reason we agreed to establish the EAFTA before 2020. The EU, a typical community, asks each member country to concede part of its sovereignty. This was required even when it was called the European Economic Community (EEC). Like the EU, each member country of the AEC will concede part of its sovereignty such as the right to conduct

international trade policies to the AEC, whereas the EAFTA is just a free trade agreement, the loose consensus assumed at least subliminally.

2. However, I am afraid this assumption was wrong. I went to an ASEAN member country after the visit to Manila and met a few leaders. I asked them if the AEC would be a real community like the EU, or the EEC at least. I raised this question because the Bali Concord II emphasized the importance of the non-interference principle and this seemed to contradict the concept of a real community, namely the concessions of part of a country's sovereignty to the community. Each leader responded to my question by unanimously denying the concessions of sovereignty to the AEC. Some of them even said that the AEC would be something like an Economic Partnership Agreement (EPA) among ASEAN countries. Certainly the ASEAN FTA (AFTA) has only dealt with trade in goods thus far. It has to address trade in services and foreign direct investment from now on. The AFTA should be expanded to cover trade in services. But an expanded AFTA would be quite different from a community. If the AEC is just an ASEAN-EPA, it would be misleading to name it a "community." In addition, if the AEC is just an ASEAN-EPA, the EAFTA should be established after the AEC because the latter will be only part of the former.

3. The ASEAN definition of the word "community" is important not only for ASEAN countries but for other East Asian countries as well. Nowadays, discussion on an East Asian Community has come into vogue and has become an issue to be discussed officially. In the last ASEAN+3 leaders' meeting in Vientiane, Laos, the establishment of an East Asian Community was referred to as a long-term objec-

tive. However, unless both ASEAN countries and non-ASEAN economies can agree on a definition of community, there is a possibility, as the old saying in China goes, that they might have different dreams despite being in the same bed. If they agree that "community" accompanies concessions of sovereignty, that would be fantastic but the ASEAN Secretariat should certainly disseminate the definition to its member countries, including those leaders I met recently. If they don't, the East Asian Community will turn out to be just a mechanism like an ASEAN-EPA, and should change its name. **JS**

COMING UP

The "White Paper on International Economy and Trade 2005" will be the theme of the next issue of Japan Spotlight. Our writers will analyze the new relationship between "Rising East Asia" and "Aging Japan."

This issue will also examine what other Asian nations think of Japan from cultural and social viewpoints.

TO READERS

We welcome letters of opinion or comment from our readers. Please include your full name and address, and send your letters to the Editor.

**Japan Economic Foundation,
11th Floor, Jiji Press Building,
5-15-8 Ginza, Chuo-ku,
Tokyo 104-0061 Japan**

Fax: +81-3-5565-4828

E-mail: japanspotlight@jef.or.jp

Letters may be edited for reasons of space or clarity. The editor has no obligation to acknowledge receipt of a letter or give a reason for not publishing it. No inquiries by telephone concerning letters will be accepted.