Why a Community Rather Than an FTA?

By ***Hatakeyama Noboru***

THE 9th leaders' meeting of the ASEAN+3 (Japan, China and South Korea) and the first East Asia Summit (EAS) were held in Kuala Lumpur on Dec. 12 and 14, 2005, respectively.

The members of the EAS were not only the leaders of the ASEAN+3, but also those of India, Australia and New Zealand. The participants in both meetings might have had difficulties in finding a clear distinction between these two meetings. There might have been a kind of competition between the ASEAN+3 and the EAS as to which tasks were assigned to which meeting. In terms of a task for a possible East Asian community (EAc), the ASEAN+3 might have won the competition for being selected as "the main vehicle in achieving the goal of realizing an EAc" (the Kuala Lumpur Declaration on the ASEAN+3 Summit), while the EAS was only viewed as to "play a significant role in community building in the region" (the Kuala Lumpur Declaration on the EAS). This "community building" can be interpreted as community building in general. Since there was no specific mention of an EAc, the sentence could mean that the EAS will "play a significant role" in building an ASEAN community, for example.

However, in my opinion, it does not matter whether the EAc issue is going to be discussed in the ASEAN+3 or the EAS. In either case, an EAc will not be realized anyway even in the long run; only an FTA can be concluded in this region. I would like to explain the reasons for my view by outlining the differences between a community and an FTA.

Firstly, a full-fledged "community" normally has three pillars: an economic community, a security and political community, and a social and cultural community. However, an FTA only covers economic activity. The EU, a typical community, consists of these three pillars. In the Bali Concord II in 2003, ASEAN declared it would establish an ASEAN Community consisting of these three pillars in the future. On the other hand, NAFTA, a typical FTA, deals with only economic activity.

Many Asian countries, including Japan, have bilateral security arrangements with the United States. There is a high possibility that the regional security arrangements offered by an EAc will contradict the existing bilateral security arrangements. Therefore, I think most Asian countries are not yet ready at this stage to consider a full-fledged "community" with three pillars while they might be seeking an economic community.

The second difference between a community and an FTA is that a community often requires concessions as part of its sovereignty. For example, member countries of the EU have conceded their sovereignty over trade and competition policies.

However, the ASEAN countries are not ready to concede part of their sovereignty. The Bali Concord II emphasized the importance of the principle of non-interference which seemed to contradict the concept of a "community" that often accompanies concessions of part of a country's sovereignty to the community. A leader of one of the ASEAN countries even said that the ASEAN Economic Community (AEC) would be something like an ASEAN economic partnership agreement, expanding the ASEAN FTA (AFTA) to include trade in services and foreign direct investment. But that expanded AFTA would be quite different from a "community."

As of now, the relationships between Japan and China and between Japan and South Korea are not so good. Therefore, none of these three countries would be able to take a leadership role in formulating an EAc; ASEAN has to take that leadership. However, since ASEAN cannot create a community even among its members, it would be only natural to presume that ASEAN cannot take a leadership role in EAc creation either. What the ASEAN can do would only be to establish an FTA consisting of East Asian countries as would be the case with an ASEAN Economic "Community" which will turn out to be just an expanded AFTA.

The third difference is that it is necessary for each member to have a common value in the creation of a community whereas there is no such need in the creation of an FTA.

In establishing a community, every member country has to share common values such as democracy, transparency, rule of law and respect for human rights. However in the East Asian region, we have communist countries as well as a country led by a military group which are respecting different values and systems from democracy. The EU has not welcomed communist countries as a member. That was why it took more than a decade for ex-communist countries like Hungary and Poland to join the EU. On the other hand an FTA does not require a common value among its member countries; it only requires a common interest regardless of each country's value.

All these three points indicate that East Asia needs to pursue an FTA instead of a community. I wonder why most East Asian leaders seem to be aiming at an EAc rather than an East Asian Free Trade Area (EAFTA). **JS**

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.