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Toward an East Asian Community: Still a Long Way to Go

Zhang Yunling¹

I. Introduction

East Asian cooperation has received more and more attention though the real process started only a few years ago. The Leaders' meeting of the East Asia cooperation (10 plus 3, namely 10 ASEAN countries plus China, Japan and the Republic of Korea) held in Brunei in November 2001 made it even more notable since further progress was realized.

Among the others, some results are of long- term significance:

- “East Asian Vision Group”(EAVG) presented its vision report to leaders. Leaders instructed ministers to study the recommendations for a long-term goal.
- China, Japan and Republic of Korea (ROK) continued leaders dialogue and strengthened their cooperation through starting formal economic ministers meeting and establishing industrial

¹ Zhang Yunling, Professor, Director of the Institute of Asian and Pacific Studies, Chinese Academy of Social Sciences .He served as a member of “East Asian Vision Group, member of China-ASEAN Economic Cooperation

forum and trade facilitation.

- China and ASEAN announced their plan to develop a free trade zone within 10 years time.
- Leaders agreed on the cooperation in the area of anti-terrorism and long-term cooperation on other non-traditional securities issues.

However, 2001 is not a year of milestone for East Asian cooperation since leaders did not reach a consensus on the long-term goal and an integrated approach for East Asian cooperation. This means that the process of East Asian cooperation will continue to follow current framework, i.e. “10 + 3” in the near future, rather than a clearly defined goal under an “East Asia label”. Current “10 + 3” movement is led by ASEAN. It seems that countries in the region still need some time to consolidate their long- term goal and the path toward real regional integration.

II. The driving force of the East Asia cooperation

The driving force of the East Asia cooperation is the demand evoked by the interests of the East Asian region itself. In the past two decades, the economic and trade relationships of the countries in this region are beings strengthened continuously and the integration is deepening.² At present, the trade and

Expert Group .

² Chia Siowyue: Regional economic integration in East Asia: developments, issues, and challenges, at “Dreams and

investment among the East Asian countries accounts for about half of the total, and in some of the countries, the proportion is much higher. The increasingly binding economic interests naturally encourage countries in the region to get together. At the same time, in face of globalization, it is necessary for East Asia to strengthen the cooperation and further make use of the market potentials and advantages of the region.³

Although the cooperation in the entire East Asian region developed rather late, progress has been made in many areas. ASEAN is the pathfinder. It has expanded from the initial six member countries to ten member countries, covering all the countries in Southeast Asia, and it has successfully started the free trade zone (AFTA). Considering the fact that most economies of Southeast Asia are highly dependent on the outside markets, it is far from enough to set up a free trade zone only within the ASEAN. North East Asia, mainly Japan, China and ROK, is both a current and potential big market for ASEAN. Thus, it is necessary for ASEAN to approach to it. This is actually the starting point for a “10 + 3” process, i.e. the dialogue between ASEAN and China, Japan and ROK.

As a matter of fact, it was the Asian financial crisis that really gave impetus to the quickened pace of the East Asia cooperation. The crisis in July 1997 started in Thailand, but spread quickly to other countries in East Asia and deepened so much that it developed swiftly into a serious financial crisis and

Dilemmas”, edited by Koichi Hamada, Mitsuo Mtsushita and Chikara Komura, Seikei University, ISEAS, 2000, P.19.

³ Simon Tay: ASEAN and East Asia: a new regionalism? At “A new ASEAN in a new millennium”, edited by Simon Tay, Jakarta, 2000, P. 230.

economic crisis of the whole region.

What formed a sharp contrast with the financial crisis that took place in Mexico was that the United States immediately adopted remedial measures to meet the Mexican crisis immediately. In the face of the Asian financial crisis, the United States responded slowly. The measures taken by the IMF were not appropriate to crisis-affected countries. APEC as the main mechanism of cooperation of the Asia-Pacific region had almost no role to alleviate the financial crisis. At APEC leaders' meeting convened in Vancouver in November 1997, the financial crisis was not the main topic for discussion, and the meeting even decided that the main task for 1998 was to promote "early voluntary sectoral liberalization program" (EVSL). Obviously, the crisis in the East Asian region has posed an urgent and important concern: there is an immediate need to strengthen cooperation among the countries in East Asia.

III. The progress of East Asia cooperation

As early as in 1990, Dr. Mahathir bin Mohamad, Prime Minister of Malaysia, put forward an idea of establishing an East Asia Economic Caucus (EAEC) comprising ASEAN and China, Japan and ROK. Because it had an apparent tendency of resisting the US domination, it was, therefore, strongly opposed by the United States, causing Japan to assume an ambiguous attitude. This proposal was thus shelved. In 1995, propelled by the cooperation between Asia and

Europe, the ASEAN and China, Japan and ROK found it a need to conduct consultation and reach consensus in regard to the cooperation with the European Union. A meeting of the leaders of East Asia was held. As the situation developed, the leaders of East Asia were enlightened by a simple fact: since the East Asian countries could conduct consultation and cooperation on cooperation with Europe, why couldn't they discuss the East Asia cooperation itself? When the above-mentioned urgent need posed by the financial crisis was also taken into account, it was natural that the leaders of East Asia carried out consultation and discussion on East Asian cooperation.

On December 15, 1997, an informal meeting of the leaders of the ASEAN and China, Japan and ROK (at that time it was 9 plus 3) was held in Kuala Lumpur, the capital of Malaysia. The main topics for discussion at the meeting were: the prospects for the development of East Asia in the 21st century, the cooperation between Asia and Europe, the Asian financial crisis, the deepening of the regional economic ties, and the coordination and cooperation on international economic issues. Much consensus was reached at the meeting on those topics, at which the leaders of those countries gave a clear political signal for strengthening cooperation in the East Asian region.

On December 16, 1998, the second meeting of the leaders of East Asia was held in Hanoi, the capital of Vietnam. This meeting accomplished concrete results, pushing the East Asia cooperation in the direction of pragmatism. The main topics for discussion at the meeting were to strengthen the regional

cooperation, to overcome the financial crisis, to recover the regional economic growth and to promote the regional security and stability. The participating Chinese leader, Vice President of the State Hu Jintao, put forward a concrete proposal for the East Asia cooperation that a meeting of vice ministers of finance and deputy presidents of central banks be held to discuss the issues of the international financial reform and the supervision and control of short-term capital flow. All the participating leaders of East Asia unanimously agreed to the Chinese proposal. This made it possible for the East Asian region to have dialogue and consultation among high-level government functional organs for the first time, and to seek to establish a cooperative mechanism to deal with the major economic issues in the region.

The third meeting of the leaders of East Asia was held in Manila on November 28, 1999. The main topic for discussion at this meeting was how to promote cooperation in the East Asian region. This meeting was an important turning point and a new starting point for the East Asia cooperation because this meeting reached a consensus on the principles and key areas for promoting the East Asia cooperation. For the first time, it issued "the Joint Statement on the East Asia Cooperation". The statement emphasized the determination "to realize the East Asia cooperation in various fields" and the leaders "expressed greater determination to further deepen and expand the East Asia cooperation and work in the direction of laying stress on actual results, effectively improving the life quality of the people in East Asia and promoting the stability of the region in the

21st century". The statement listed focal points for cooperation in the economic and social fields and in the political and other fields, which were mainly⁴:

- In the field of economic cooperation, to accelerate trade, investment and technology transfer, encourage technical cooperation in the area of technology and E-commerce, encourage cooperation in industry and agriculture, strengthen cooperation of small and medium-sized enterprises, launch industrial forums in East Asia, promote the establishment of East Asia economic growth zones such as the development of the Mekong River valley, and consider the establishment of "the East Asia economic committee", etc.
- In the field of monetary and financial cooperation, to strengthen the regional supervision and control over the macro management of economic risks, company management and capital flow, and to intensify policy dialogue, coordination and cooperation in such areas as the banking and financial system, and to strengthen the mechanism of regional self-salvation and self-help through the framework of 10 plus 3.
- In the field of social and human resources, to give impetus to the implementation of "the proposal of the ASEAN for the development of human resources" and the establishment of "the

⁴ Leaders joint statement on East Asian cooperation, November 28,1999, Manila.

human resources development fund".

- To strengthen cooperation in the field of scientific and technological development, to strengthen the capacity cultivation and promote the economic growth in the East Asian region.
- To strengthen cooperation in the cultural and information field, strengthen the regional cultural exchanges and deepen understanding.
- To strengthen cooperation in development and encourage sustainable development of economy.
- To increase dialogue, coordination and cooperation in the political and security field and strengthen mutual understanding and trust.
- To strengthen cooperation on transnational issues.

The fourth meeting of leaders, which was held in Singapore on November 24, 2000, worked out concrete measures for carrying out the focal points of cooperation decided upon in the statement of the leaders in 1999 and affirmed "Chiang Mai Initiative"(CMI) reached at the meeting of ministers of finance in May 2000 on monetary cooperation, and at the same time it further decided on a plan of action on training in the financial sector and development of human resources, and advanced a specific plan of action to speed up the construction of the infrastructure in the Mekong river valley. In this connection, China promised

to provide funds and technology for clearing up the waterway of the Mekong River and the building of the Kunming-Bangkok highway. In addition, they also promised to take joint actions on transnational issues such as the way to deal with smuggling, drug and piracy. The practical working style and the positive posture oriented towards the future demonstrated at the meeting of the leaders laid a sound foundation for the further and deepened cooperation in East Asia in the 21st century.

The fifth meeting of leaders was held in Brunei on November 5 of 2001. Leaders showed continuous support to East Asian cooperation process under the structure of “10 plus 3”. They discussed the vision report for long term East Asian cooperation proposed by EAVG. The key recommendations made by EAVG are⁵:

- To establish an “East Asian Free Trade Area (EAFTA).” In the long run, the Vision Group envisions the creation of an “East Asian Economic Community”.
- To coordinate macroeconomic policy and financial market regulations, cooperate in monitoring capital flows, build self-help and support mechanisms, and work towards capital market development and eventual monetary integration in the region.
- To promote coordination and joint action to combat common challenges such as drug trafficking, piracy, illegal migration, environmental disasters, money laundering, international terrorism

⁵ East Asian Vision Group Report, 2001.

and other trans-boundary crimes.

- To set up a regional organization, consisting of both existing national and regional scientific organizations, to identify and coordinate science and technology activities in the East Asian region.
- To provide a strong mandate for the creation of an institutional mechanism for regional cooperation, with the ultimate goal of the establishment of a regional entity – “East Asia Community.”

Leaders did not immediately adopt the above key recommendations, but instructed “The Study Group” (formed by senior officials of 13 members) to study them and work out the plan for implementation. In a special statement, leaders also committed to cooperate on anti-terrorism. Besides, leaders of North East Asia, i.e. China, Japan and Korea agreed to establish formal economic and trade ministers meeting. This is an important step for three countries to consolidate in the process for East Asian cooperation. However, the surprising news during the meeting was China and ASEAN agreed on establishing a free trade and investment zone within 10 years.

IV. The significance of China-ASEAN free trade zone

At their Summit in November 2000, the leaders of China and ASEAN agreed to look into the implications of China’s accession to the WTO and measures to further

enhance economic cooperation and integration between the two sides, including the possibility of establishing a free trade area (FTA). The decision made by the leaders to look into these two issues was a natural response to the process of the closer relations between the two sides. In the past decade, China-ASEAN trade increases fast from a low level. ASEAN's share in China's merchandise trade increased to 8.3% in 2000 from 5.8% in 1991, the fifth largest trade partner of China, while China's share in ASEAN's trade from 2.1% to 3.9 at the same time, the sixth largest trade partner of ASEAN. The establishment of a FTA between China and ASEAN will create an economic region with 1.7 billion people, GDP about US \$ 2 billion and trade about US \$ 1.23 billion at present. According to the simulation conducted by the ASEAN Secretariat, a China-ASEAN FTA will increase ASEAN's export to China by 48% and China's export to ASEAN by 55.1%. It will increase China's GDP by 0.3 percent or by US \$ 2.2 billion in absolute term, ASEAN's GDP by 0.9 percent or by US \$ 5.4 billion.⁶

It is also recognized that China's entry into WTO will not just bring about challenges, but also provide new opportunities for China-ASEAN trade relations. With the formation of a FTA and with trade barriers eliminated, trade and investment will increase within the region, and also the region itself will become more attractive to other investors from US, EU and Japan. FDI will be allocated on a more rational base within FTA, rather than a "zero sum" choice between China and ASEAN. Thus, it is possible that a FTA between China and ASEAN will be a new impetus to their

⁶ Forging closer ASEAN-China economic relations in the twenty-first century, report by ASEAN-China Expert Group on Economic Cooperation, 2001.

future economic dynamism. Both China and ASEAN feel confident in making a FTA since their economic levels are similar and economic structures are highly complimentary.

Of course, the negotiation and conclusion of such FTA between China and ASEAN will be a hard work. But based on a good expectation, the preparations for the negotiation by both sides have been done smoothly. Both sides seem confident to conclude the agreement within about a year. Moreover, 10 years time gives them flexibility to adjust and implement, and ASEAN has a ready model of AFTA.

The significance of establishing a FTA between China and ASEAN goes beyond economic benefits. There exist some disputes and even conflicts between China and ASEAN. The close economic integration will contribute immensely to peace and stability between China and ASEAN. Of course, it will also contribute to peace and stability to East Asia, as well as the Asia-Pacific in large.

Concerning the impact of the process of East Asian cooperation, the question is where it can play a positive role or a negative role.⁷ It seems that it may play a positive role in encouraging the other countries, Japan, Korea to formulate a free trade arrangement with ASEAN, or in pressing China, ROK and Japan to facilitate their closer economic arrangement, based on which an EAFTA can be negotiated. Thus, China-ASEAN FTA should be considered as a positive step for the process of East Asian cooperation. As the largest economy in the East Asian region, Japan does not need to worry about such a FTA. Japan should take a forward approach to

⁷ It is questioned by the outsiders that the “ challenge is to work out how they fit together in the regionalism portfolio”. Christopher Findlay and Mari Pangestu: Regional trade arrangements in East Asia: where are they taking

participate, rather than initiate a different process beyond the geographical East Asia.

V. The future of East Asia cooperation

The East Asia cooperation has already set up a framework for action. It is composed of the following mechanisms:

- The annual leaders' meeting;
- The ministers' meeting, so far finance ministers' meeting, foreign ministers' meeting and economic ministers' meeting;
- Senior officials' meeting.

Along with the development of the process of cooperation, other mechanisms will be set up. East Asia cooperation has just made a start. At present, it moves in a “four wheels” process. The first wheel is “10 plus 3”, the cooperation in the entire area of East Asia. The second wheel is “10 plus 1”, i.e. ASEAN cooperation with China, Japan and Korea separately. The leaders' meeting of this kind is synchronized with the “10 plus 3”. The third wheel is “3”, i.e. the cooperation between China, Japan and Korea, and the fourth wheel is the cooperation within the ASEAN itself. The moving of four wheels at the same time conforms to the reality in East Asia at present. In the initial stage of the East Asia cooperation, it is necessary to allow and even encourage the development of a multiple mechanism.

us? Paper presented at PECC Trade Policy Forum symposium, Bangkok, Thailand, June 12-13, 2001, P 20.

However, a genuine mechanism of the East Asia cooperation needs to be set up under the framework of “East Asia”. There are three options: (1) To enlarge ASEAN, namely, other countries join the ASEAN, and the "ASEAN" will cover the whole East Asian region. The system and form of the present ASEAN will be carried on. Due to big weight of China, Japan and also Korea, especially China and Japan, ASEAN will find its disability to absorb them. (2) Northeast countries develop its own identity and to cooperate with ASEAN, finally integrate into one organization for East Asian region. The question is whether Northeast Asian countries can develop a genuine free trade zone. It seems difficult though cooperation in trade and investment facilitation and in functional areas like infrastructure, energy, environment etc will be developed. (3) Along with multiple processes of cooperation, an integrated framework will be gradually set up, and finally, East Asia region will realize its community building.

In realizing the final goal of an East Asian community, the existing mechanisms for cooperation in East Asia and their roles should be encouraged. It is important to incorporate various cooperative mechanisms into a framework and organizational setup for long-term cooperation in East Asia in order to facilitate the long-term objective of the East Asia cooperation.

What is the long-term objective of the East Asia cooperation? It is a natural question to be asked. Viewing from the geographical position, economic focus and degree of interrelationship, there are mainly three big regions in the world today: Europe Union (EU), North America and East Asia. European Union,

starting with the establishment of an economic community by six countries, has now developed into pan-European organization composed of most European countries, with high-degree economic and political integration. In North America, the United States, Canada and Mexico concluded a free trade agreement and established a free trade zone. In future, this free trade zone will expand to the whole of America to form Free Trade Area of Americas.

In comparison, cooperation in the East Asian region lags behind. Although progress has been made in starting cooperation, but East Asia still lacks a clear vision for the long-term cooperation. In 1998, Kim Dae June, the Korean President, proposed at the Second Leaders' Meeting that an "East Asia Vision Group" (EAVG) be established, in which eminent persons from East Asian countries worked for almost two years to finish their vision report in which they called for an East Asian community. The key recommendations set a good foundation for the architecture of East Asian long-term goal. But even their cautious visionary views are considered too advanced.

For their own interests, East Asian countries have no other choice, but to strengthen cooperation. They should cooperate in a practical way and promote institutional building gradually.

Viewing of the actual circumstances and possibilities at present in East Asia, the economic and trade cooperation should be taken as the focal point in the initial stage of cooperation. The goal of economic and trade cooperation is to promote the regional economic development through establishment of a regional free trade

and investment arrangements. As for the whole East Asian region, it may start from reducing trade and investment obstacles, namely, trade and investment facilitation, like customs procedures, trade disputes, business personnel travel and tourism, investment protection and national treatment etc. At the same time, arrangements are to be made to reduce and finally eliminate step by step the tariff and non-tariff barriers in the region, for the purpose of final establishment of a free trade and investment zone.

Economic cooperation goes beyond free trade. Progress has already been reached in some areas, for example, the financial and monetary cooperation, the development of the Mekong River area, the construction of the Europe-Asia railway, the cooperation in agriculture and food and the cooperation in the development of human resources. Regional cooperative projects in the fields of energy, environment, technology and scientific research can also be developed. In this respect, the coordination in laws and regulations and the links and collaboration in the planning of regional infrastructure (for example, the coordination in taxation and market rules and the connection of trans-regional communications) are also important. In the regional economic cooperation, the main form is not to establish engineering projects funded and managed by the governments of various countries, but the creation of conditions through inter-governmental cooperation for enterprises and scientific research institutes.

For the long-term goal, it is essential to develop cooperation based on institutional building. Progress has been made in the areas like early warning

system, capital flow monitoring, and others like a regional monetary mechanism, or a regional fund, the door should not be closed. At present, it is urgent to complete the regional swap arrangements based on Chiang Mai Initiative and establish a highly integrated regional framework for it. It should also be considered to establish some forum or committees for trade and investment promotion, regional environment cooperation etc.

In view of the tremendous political differences existing among the East Asian countries, the objective of the political cooperation in East Asia may not to establish a supranational regional political organization and confer it with supranational laws and administrative power like that in Europe, but to establish a mechanism of political consultation among the countries in the region, strengthen the political identification, alleviate and facilitate the settlement of contradictions and conflicts that have occurred or may occur. With this in mind, the real value of East Asian cooperation is its process, rather than an early imagined goal. The process itself will create a mechanism that binds countries in the region together with increasing interdependent interests and trust. Thus, it is important to continue and strengthen top leaders' regular meeting and consultation and to develop institutions for cooperation among functional departments of governments, particularly to improve the mechanism of regular and constant consultation and cooperation at the ministerial level and high officials. Through political cooperation, the degree of political understanding and trust among countries in this region will be increased and a mechanism for alleviating and settling disputes

and conflicts will be established.

In East Asia, the cooperation in the cultural and educational fields is playing an extremely important role. Efforts should be made to promote the establishment of a regional cultural and educational committee and the creation of a regional cultural and educational fund and the construction of an East Asia cultural and educational information network. As an important move to encourage and support the flow of personnel, measures should be taken as early as possible to encourage mutual recognition of academic credentials. Student exchange in this region should be encouraged, through the regional cultural and educational fund, to engage in further studies or study in the universities in the countries of this region. Positive measures should be adopted to encourage and support students to study and conduct exchanges in the East Asian countries.

The above-mentioned aspects are those under near- and medium-term consideration. A long-term development depends on practical development, and new contents should be added continuously in the course of development. In this sense, East Asia cooperation is an open process. If a goal is set too high at the very beginning, it may be counter-productive. Therefore, we may proceed from a lower profile and specific projects. But gradual institutional building is indispensable.

The financial crisis was a driving force for promoting cooperation in East Asia, but the crisis itself has created difficulties in doing so. Economic difficulties in recovering economic dynamics have made decision makers to be very cautious

on adopting progress measures.

The process of the East Asia cooperation is actually one with strong political dimension. Unlike European integration that has a clear political goal from the very beginning, the political will of East Asian countries is not so strong in their effort of moving toward high level integration. Due to the great diversity, the consensus building among East Asian countries is always very difficult.

Great concern has been raised on the attitudes and roles of China and Japan in the process of East Asian cooperation. It is obvious, East Asia cannot be highly integrated without active participation of the two countries, and more importantly, the real trust and cooperation between the two countries.

The process of East Asian cooperation will not be a smooth sailing. It will come across a variety of difficulties and setbacks on the way. It requires efforts for several generations. While it took half century for Europe to fulfill its dream of integration, it may probably take a longer time for East Asia to achieve its goal of establishing a community with its own character.