

Asian Voices :
Promoting Dialogue Between the US and Asia

***The East Asian Community: Politics,
Dynamics and Prospects***

by

Dr. Sung-Joo Han

Professor of Political Science
Korea University

January 30, 2002

Seminar Transcript

Sasakawa Peace Foundation USA
Washington, DC



The East Asian Community: Politics, Dynamics and Prospects

by
Dr. Sung-Joo Han

Sung-Joo Han: Thank you very much, John. I'm still trying to get over the Access of Evil speech last night by President Bush and it's not easy to refocus my and probably your attention to this very exciting subject of East Asian regional cooperation, but since that's what I'm here for I will try to deal with the subject and see what we can do.

Evolution of East Asian Cooperation

First, I would like to talk about the way the idea of East Asian cooperation has evolved. It is fair to say that in the late 1980s when APEC was launched it was at least in an important part the Asian and American response to the success of European regionalism at that time called the European Community and now called European Union. Soon after, in December 1990, Prime Minister Mohamad Mahathir of Malaysia floated the idea of — in fact he did more than just floating, but the idea of the East Asian Economic Caucus (EAEC), which met strong opposition by the non-Asian APEC members, particularly the United States and many participants of the 1991 APEC meeting in Seoul.

Remember how then Secretary of State, James Baker, twisted the arms of the Japanese and South Korean foreign ministers not to support this idea. Then in 1996 ASEM or Asia Euro Meeting was launched. It was the European answer to the rapid progress of APEC.

In the meantime, while participating in the ASEM process, the East Asian countries now known as ASEAN Plus Three, China, Japan and South Korea, came to realize the need for their own grouping to deal with the European counterparts, the European countries, which were participating in ASEAN within the framework . . . within the context of the European Union.

So, on the one hand, they had the European Union, the East Asian countries didn't have anything of their own, and so they felt the need to have an identity and also ASEAN getting together. They began to have an East Asian caucus within the ASEAN meetings and in 1997 they held the first of the annual ASEAN Plus Three summit meetings in Kuala Lumpur.

Complicated Regionalism in Asia

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, are deficient in regional integration and most lateral cooperation. In fact, East Asia is currently one of the few regions in the world without a formal institution for cooperation. Although ASEAN, established in 1967, 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 I should also mention the differences in the systems of economy and politics.

For the Northeast Asian region in particular, common economic and environmental problems facing the region provide some

opportunities and need for promoting regional cooperation among its countries. But, it is far from implementing concrete cooperative projects and actions with a long-term vision or a legally binding agreement. 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.

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 made among . . . 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 cooperation.

Need for Regional Economic Cooperation

However, the need for regional economic cooperation has increased in recent years and now outweighs the economic and political barriers of cooperation. The move towards East Asian economic cooperation is the result of the globalization of the world economy. 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 world.

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 Plus Three 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 crises. The cooperation has now progressed now to a stage of periodic meetings of economic ministers in addition to the annual summit meetings and the creation of preparatory devices that will further institutionalize the cooperation process.

East Asian Cooperation has Good Start

The process of East Asian cooperation has shown a good start. The ASEAN Plus Three process is a case in point. Following the inauguration of the ASEAN Three Summit in 1997, the leaders of ASEAN, the People's Republic of China, Japan, and the Republic of Korea have met annually to promote dialogue and to consolidate collective efforts with a view to advancing mutual understanding, trust, good relations, peace, stability and prosperity, and all the other good words in East Asia. However, there remains much to be done.

The challenge at hand is to set the right course for the region as a whole and to devise an overall framework. As I already mentioned, one motivating factor for the ASEAN Plus Three grouping was the ASEAN process. The

East Asian countries needed a mechanism to deal with the European countries, which came to ASEAN as EU countries.

But there were other reasons. For one, ASEAN was having growing pains with the addition of new countries among its ranks. Ordinarily, this would have kept them busy with consolidating ASEAN. However, with the deterioration of the economic situation and prospects for financial crisis in some of its key countries, ASEAN felt there was a need to expand linkage with Northeast Asian countries, particularly Japan and China.

Furthermore, with Indonesia and Thailand experiencing instability, Singapore together with Malaysia, which was already a champion of the East Asian Economic Grouping, took the initiative for a coalition with Northeast Asia. Meanwhile, the democratic administration of President Bill Clinton exhibited a rather relaxed attitude toward an East Asian cooperation scheme, unlike his predecessor, the first Bush administration.

Preoccupied with the war against terrorism, the current Bush administration appears not to be paying much attention to East Asian regionalism as such. I'll tell you an episode I had when I was attending the ASEAN PMC meetings in 1993 and '94. I proposed at that time, I was attending the meetings as Korea's foreign minister, I proposed that the foreign ministers of ASEAN Plus Three at that time, nine countries in all, ASEAN had only six countries including Brunei plus the original five, that we would have a lunch session at each ASEAN PMC meeting.

And at that time the meeting was being attended by Secretary of State, Warren Christopher, and the Assistant Secretary for East Asia and the Pacific was Winston Lord, and I spoke with them in advance that we were going to do that. And they used exactly that word, we are relaxed about what you are going to do, and knowing that the Americans were relaxed we proceeded to have lunch together.

And as far as I know, they have been doing it until the ASEAN Plus Three Summit meeting got started. One significant step the East Asian leaders took for the institutionalization of regional cooperative efforts was to commission an East Asian Vision Group in 1999. It was launched with 26 members coming from both non-governmental and governmental sectors, two each from thirteen East Asian countries, and was given the mandate to submit its report to the 2001 Summit of ASEAN Plus Three last November held in Brunei.

East Asian Vision Group

Charting out the future course of regional cooperation in East Asia, as I have had the honor of serving as its chairman and also a lot of difficulty there, let me briefly introduce and explain its deliberations and recommendations. There were several key issues on which the members spent much time deliberating.

One had to do with semantics. Although, clearly it had to do with much more than semantics, one major semantic issue that EAVG, the Vision Group, had to deal with was whether members could agree to use the word community to describe the eventual product of the ASEAN Plus Three process. As you know and will recall, APEC was made to stand for Asian-Pacific Economic Conference, not community, because they could not agree to call it a community. And like UNCTAD, this is an organization, which is called a conference.

ASEAN members were rather allergic to the term community lest calling anything else by that name should dilute the solidarity of ASEAN itself, because ASEAN being only an association they didn't want to call either APEC or any East Asian entity a community. Thus, APEC ended up with an entity constantly in search of a noun that would indicate that it is an organization.

For the ASEAN Plus Three exercise there were suggestions such as society, union, and

community of nations, and, interestingly enough, the last suggestion, community of nations, came from Chinese delegates. Ultimately, EAVG members agreed, and I should say I succeeded in persuading them to use the term community. But, with the proviso that only beginning with a small “c.” But I also managed to use a capital “c” at least in the title of the report, because every word had to be capitalized in the title. So the EAVG report which is the title “Towards an East Asian Community: Region of Peace, Prosperity and Progress,” clearly there is a community with a big capital “c”.

Another issue on which the members had to debate was whether this community with a small “c” was to focus on economic cooperation at least during the beginning stages or seek a more comprehensive cooperation. Eventually, they agreed to seek a more encompassing cooperation, but with the economic fields in trade, investment and finance to serve as the catalyst in the comprehensive community building process, and those are the exact words in the report.

Thus, the report contains sections not only in economic cooperation and trade, finance and investment, but also cooperation in politics, security, environment, education, social and cultural development, energy, technology and many other things.

Recommendations of the EAVG Report

Still, major recommendations of the EAVG report are in the economic area suggesting, in fact, that economic cooperation is to serve as the leading vehicle in the comprehensive community building process. The EAVG report recommends the formation of an East Asian Free Trade Area, EAFTA, and liberalization of trade well ahead of the Bogor goal set by the 1994 APEC meeting, a meeting that I personally participated in as Republic of Korea’s Foreign Minister. While emphasizing that the regional integration arrangement should be consistent with the World Trade

Organization, the arrangements were the World Trade Organization arrangements so as to reinforce the multi-lateral trading system.

The report recommends the establishment of preferential treatment for the least developed countries in the region as well. It also recommends the expansion of the framework agreement on Asian investment area to all of East Asia. The EAVG report also recommends financial cooperation in two tracks, one track for establishing a self-help financing arrangement. This is an ASEAN way of saying AMF, and the other for coordinating an exchange rate mechanism. It also proposes cooperation in intra-regional investment and in the field of the new economy, especially the IT economy.

The East Asian Free Trade Area Proposal was taken up seriously by the Brunei ASEAN Three Summit last November and eventually it was referred to the East Asian Study Group, EASG, which will make their final report in Cambodia in November this year. EASG is a bona fide inter-governmental group looking into various proposals including the transformation of ASEAN Plus Three Summit into an East Asian summit.

And this particular proposal was also made by the Vision Group, and the significance of having an East Asian summit meeting rather than ASEAN Plus Three summit meeting is that such a summit meeting can be held outside of ASEAN as well and it goes beyond the myth that the ASEAN Three meeting is something that the ASEAN summit holds and invites the others as guests. It does not seem likely, however, that an EAFTA will become a reality anytime soon. Instead, ASEAN has chosen to focus on forming bilateral FTAs with the three Northeast Asian countries. After one year’s study by the ASEAN China Expert Group, ASEAN and China have entered into actual negotiations for the formation of the bilateral FTA.

Japan has already agreed on an FTA with Singapore and is now ready to follow the

footsteps of China to form an ASEAN-Japan Expert Group. That is what Prime Minister Koizumi was trying to do during his recent trip to Southeast Asia. So there is about a one year time lag between China and Japan in this regard, probably a little more than one year.

South Korea is lagging behind both China and Japan in this regard because South Korea has not even made a decision on this yet. But after a period of consideration, it is likely that South Korea will decide to follow suit as the prospect for an East Asian FTA continues to remain uncertain, and if South Korea does not join in this process then it will be left out completely. In all this ASEAN is demonstrating its resolve to retain not only its identity and solidarity, but also the initiative in dealing with their Northeast Asian counterparts.

In the absence of leadership coming from Indonesia and Thailand, Singapore and Malaysia are filling the gap. Malaysia and Singapore, which still retain relatively coherent politics and economies, are trying to keep ASEAN from being completely merged into a larger East Asian region. Regarding the ASEAN Plus Three Summit, for example, ASEAN countries would like to maintain the myth, as well as the reality, that it is a meeting where ASEAN is keeping the driver seat, serves as the host and China, Japan and Korea are invited as guests. On the issue of institutionalization, the EAVG proposed in addition to an East Asian summit, the creation of an East Asian forum which will serve as a precursor to an East Asian community the same way PECC, Pacific Economic Cooperation Conference, gave birth to APEC and CSCAP, Council for Security Cooperation in Asia-Pacific, facilitated the creation and evolution of ARF, ASEM Regional Forum.

The Brunei Summit last year also deferred this issue to the EASG, the Study Group, and their decision to the Cambodian meeting scheduled for this November. Now beyond the EAVG or EASG report, there are several key issues

to be sorted out regarding East Asian cooperation. One is its place, that is East Asian Cooperation's place, vis-à-vis the larger Asia-Pacific, which, of course, includes the non-Asian countries of Australia, New Zealand, Canada and the United States.

Can and should East Asia act like the EU in ASEAN, for example? This is neither feasible nor desirable in my view. Individual East Asian countries have too extensive and too intensive relations with non-Asian Asia-Pacific countries, especially the United States, that they cannot afford to build a fortress East Asia even in the economic area. But this is especially true in the security area where the role of the United States is indispensable and extensive. Both for economic and political security reasons, some key East Asian countries, particularly Japan and Singapore, have been reluctant to commit too deeply to an East Asian community.

Role of Northeast Asia with ASEAN

Another question is whether the process will take ASEAN serving as the core and bringing in Northeast Asian countries individually as the European Community evolved and as ASEAN seems to prefer, or it would be a case of Southeast Asia joining Northeast Asia as two groups of countries. This latter case will take the Northeast Asian countries getting together in some way, either in the form of FTA, that is Northeast Asian FTA, or in a more comprehensive way. The leaders of China, Japan and South Korea began to meet among themselves around ASEAN Plus Three and they are even expanding their economic cooperation. However, there are still rivalries, unresolved historical legacies, thorny issues such as North Korea and disparate economic interests among them that a Northeast Asian community, economic or otherwise, seems out of possibility in the short to medium term.

Another crucial question has to do with the attitude and role of the United States regarding East Asian regional cooperation. When the

European Community was evolving, the United States was an outsider who nevertheless encouraged and helped with the regional community making. Of course, the Cold War and the threat of the Soviet Union helped at that time. In the case of East Asia, the United States has no incentive to encourage its community making. In fact, many would be apprehensive if not actually have misgivings.

Lack of Leadership in East Asia

Finally, there is the question of leadership. Here I'm talking about individuals as well as countries. There are no counterparts in East Asia to Europe's France and Germany which took leadership in the formation of the European Steel and Coal Community, European Economic Community, European Community and European Union, Jean Monnet, Conrad Adenauer or Charles De Gaulle. Neither is there a leader country in Asia such as the United States as in the case of NAFTA.

Japan has been in economic doldrums for more than a decade now. Neither Japan nor China is willing or able to take the leadership. There are no obvious champions with conviction, commitment or influence to make it happen. Every country in East Asia is preoccupied with and immersed in the problems and affairs of its own and even if any one or two of them tried to exercise leadership it is not clear that others will be inclined to follow.

East Asian Cooperation: Slow but Steady Pace

So, where does East Asian cooperation go from here? I don't have a crystal ball, but let me hazard a guess. The process will go on at a slow, but steady, pace. FTAs will be formed not as an East Asian thing, but as a network of bilateral, taking ASEAN as a unit — bilateral arrangements that will often involve non-East Asian countries such as New Zealand, Chile and even the United States. In addition to

summit meetings, East Asian countries will meet regularly and more extensively at ministerial meetings among the senior officials, experts, scholars, artists, educators, businessmen and others.

There is not going to be a sudden agreement on an economic community, but agreements will be made on trade, financial cooperation, environmental cooperation, technical cooperation, student and teacher exchanges and so on. A de facto community, a small "c," is likely to evolve rather than be created or will suddenly appear before us. And perhaps this is the way it should be in this age of globalism. Thank you very much.

Muthiah Alagappa: Thank you. I wanted to begin by expressing my appreciation to John and to the Sasakawa Peace Foundation for inviting me to participate in this panel. It's a great pleasure to be on a panel with Han Sung-Joo. I've known him for the past fifteen to sixteen years or so. Sung-Joo has provided a very good perspective on the evolution of East Asian cooperation, both from his knowledge as a practitioner in his capacity as foreign minister and in his capacity as chairman of the East Asian Vision Group in crafting the mission statement.

My comments, I really did not have a chance to read his paper before this evening, so I prepared some comments which dovetail quite nicely with his presentation. And I would take a little bit more of a provocative approach, basically to provoke discussion. It seems to me to be very useful. And I want to start with looking at the context in which we are now contemplating East Asian cooperation. The context has altered dramatically in the course of the last decade or so, and they're pretty plain to almost everyone, so I will keep this brief, but I'll just highlight them anyway in order to provide . . . I think the context is quite crucial.

Ten, fifteen years ago there was, of course, talk of an Asian Century. East and Southeast

Asian countries were enjoying double-digit growth rates. Many believed that the center of gravity was shifting to the Pacific, if not to Asia, that the Asian Juggernauts will overtake the United States, the international order would have to take account of Asian values and interests. A confident Asia then was contemplating the future. Asian values and institutions, the developmental state in the economic domain, one-party dominant political system, the primacy of group values over individual values, these were advanced as superior in competition with Western institutions and values. The United States was then considered by many to be in irreversible decline and there was one set of thinking when you're contemplating economic cooperation in East Asia in the late 80s and early 90s.

A second feature which is important is at that point in time there was talk about three regional economic groups forming. These would be closed, competitive and would be at the expense of global institutions.

Concept of Asian Century all but Disappeared

The three blocks much in discussion were one in Europe, one in North America and one in Asia, East Asia. That was in the late 80s and 90s when you're talking, and now Asia today is much less confident, the talk of an Asian Century has all but disappeared, Asian values and institutions are no longer advanced in the same fashion as they were at one point, Japan's economy has stagnated for more than a decade and there's still no sign of breakout of its current malaise. Though growing rapidly the Chinese economy faces a number of challenges, the crisis in economies of Malaysia, South Korea, the Philippines and Thailand have not fully recovered and some may be in for another shock.

In contrast, the U.S. has become the dominant power, far superior in all indices of power. Despite the current recession, the dominance of the U.S. is expected to last at least another

decade if not two. According to Lee Kuan Yew it could last fifty years. And one should be pretty careful in terms of taking these extrapolations.

I mean just as the U.S. was seeming in irreversible decline and now people sort of anticipate that American preponderance will continue indefinitely. Regional economic blocks have not materialized. Global economic institutions and arrangements like the IMF, World Bank, WTO are still the primary institutions and, in fact, have been strengthened. Europe has moved quite far along in achieving economic and a degree of political union. European identity underpins the European integration, which is now expanding to include certain central and Eastern European countries. North America has moved ahead with a free trade area, but this is not identity-based. It is largely utilitarian.

East Asian economic cooperation is in several respects still the way it was in the late 1980s. Asian Economic Cooperation in 1990s was subsumed largely under the label of Asia-Pacific Economic Cooperation. So the context in which we contemplate regionalism has altered quite dramatically, and I think it influences the way in which we look at the future of regional cooperation in Asia.

The context today is one of American preponderance, strong global institutions, a relatively weak Asia, and weak Asian regional institutions. Now several questions come to my mind, and I'm basically going to pose these questions because I have only five, six, seven minutes or so and they could be subjects for discussion. Why East Asian cooperation at this point? Is APEC not relevant? What is, in fact, the relationship between East Asian cooperation and APEC? What are the benefits of an Asian-only institution and why has it become more acceptable now than in the past, both in Asia and in the United States? What should be its agenda, and can it realistically achieve that agenda?

If one looks back at history despite the many vision statements and plans, ASEAN does not have much of a success story in the economic arena. One only has to go back from 1967 onwards and dig out the various documents and the plans and mission statements and so forth. There isn't much to show in the economic arena. And, for the most part, the triangles and quadrangles associated with the ASEAN-member countries are also dormant.

Reasons for Success of ASEAN Plus Three

What is it that is likely to make the ASEAN Plus Three more successful than its Southeast Asian predecessors? I think this bears investigation and discussion. Like APEC in 1989, the APT (Asia Plus Three) has been split as a reaction to perceive negative developments. I agree with Sung-Joo that ASEAN was a critical factor in the movement towards APT, but I also think that APT was put in large part, or given momentum in large part, by the financial crisis and the perception that the global institutions did not act quickly enough and in good faith to deal with that crisis.

Does the APT have the resources and can it develop the rules and institutions to deal with a future crisis? Will it have credibility? This is quite important. It's not just the resources, but whether the rules will be there and whether it will be perceived as being able to implement. Can it deal only with crises in the smaller countries or can it also deal with crises in Japan and China? Or are these really global issues that have to be dealt with by global institutions?

I want to draw attention to three issues: one, shallowness of political will; two, incongruence between the political and economic logic in East Asia; three, the issue of leadership which Sung-Joo also referred to in his presentation. First, 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 and issues.

Political will and commitment is crucial to the success of economic cooperation. I really do not think it is a function as logic of low-level cooperation, which spills out into a higher level of cooperation. There has to be a strong political commitment and this has been a key factor in the success in Europe.

The second issue in relation to Asia is that the economic logic is not always in sync with the political logic. Given the diversity and the competitive nature of many of the Asian economies, a region-wide FTA is difficult to contemplate. It's not even been possible within Southeast Asia. Now we are looking at East Asia as a whole. Bilateral and sub-regional ones are more likely as alluded to by Sung-Joo in his presentation.

Third, who provides the leadership? I'm not referring to personalities here, but to countries. Japan or China or ASEAN? If it's Japan and China, can they act in a concerted fashion? In many ways, Japan is a leading candidate in the economic arena, but it suffers many inhibitions and it does not seem to be able to break out of its stagnation. In China and Japan a competitiveness for status and influence, here a simple illustration, and here I don't mean in any way to . . . it's not a negative perception, but who leads the mission group? It's not a Chinese, it's not a Japanese, but it's a South Korean. That in itself is demonstrative in terms of who can take the leadership. Who leads the ARF? It's ASEAN. It is not China, it is not Japan.

Security Cooperation in East Asia

So in terms of leadership to move it forward there is not the will at this point in time. So this leads me to a very brief discussion about security cooperation in East Asia. There is actually no exclusive East Asia Security Forum. The ARF includes the U.S., Australia,

Canada, the EU countries and India. South-east Asia has ASEAN, but Northeast Asia has no formal forum. The closest is the NEACD and KEDO, both of which have American sponsorship and participation. Will APT have a security agenda? The East Asian Vision Group states that it will have or at least partly it will have a security agenda. But even if it does it's unlikely that the security role would be crucial. The American security role in East Asia is vital, but the U.S. emphasizes its alliance system as a crucial pillar for regional security management. China is an outsider in their system.

The security and economic logics are not reinforcing as they were in Europe. In fact, they're working at cross-purposes and President Bush's statement on North Korea last night makes it even harder to get reinforcement of this logic. To conclude, I may appear overly negative on East Asian cooperation. I am not. Actually, I have written several chapters in a book, which emphasizes the benefits of even limited cooperation.

My purpose here has been to ask some of the tough questions, but important ones, and provoke discussion. Also, I think the purpose has been to create a realistic expectation of institutions like ASEAN Plus Three. In the wake of the 1997 financial crisis, there has been a total disenchantment with Asian regional institutions. People tend to pooh-poo the regional institutions. But in my view, much of this is due to high expectations.

I think the regional institutions play an important role in socialization and non-creation. But the rulemaking and enforcement functions are very limited and so limited also is the public good provision potential of regional institutions in Asia. Thank you very much.

Naoko Munakata: Thank you for inviting me to speak here today. It's terrible to talk after the two great speakers. You have nothing to say already left, so I have to just throw away

my prepared text and then just try to talk as I think. And I'm sorry for this somewhat disorganized way as I speak, but as I was listening to the two speakers, both of them elaborated well how this concept of East Asian community has developed. But at the same time I thought it's useful to compare East Asian initiatives and other regional initiatives.

There are so many competing regional frameworks since the late 80s until now, and maybe it's useful to look at the interaction of those frameworks and then that might give some clue to what the East Asian community can uniquely provide.

Four Stages of Asian Economic Integration

I see broadly four stages of development of Asian economic integration. The first period is after the Plaza Accord to maybe '92 or '93 and then in this period there were competing free trade proposals such as AFTA, EAEC and APEC. And then after the Seattle Summit, APEC really became a central liberalizing tool for the region. And then that period continued until '97 when at the same time we saw the currency crisis and the failure of early voluntary sectoral liberalization and then also there was ASEM the previous year. At that point, people's frustration with APEC became pretty strong, and I completely agreed that was mainly due to unrealistic expectations, high expectations, for APEC.

But at the same time in the second stage maybe APEC became a really liberalizing corporation or liberalizing forum. And then the original name of the Asia-Pacific Economic Cooperation was from the desire to balance the economic cooperation and then the liberalization. But then in the history of APEC the first part of the cooperation side was somewhat gone. Maybe it's too strong, but it was somewhat lightened. So that was the source of another frustration I think.

In the third stage what we saw was a proliferation of bilateral FTAs. So from '97

until, I don't know, maybe 2000 was the kind of era of proliferation of FTAs, bilateral FTAs.

I tend to think that the fourth . . . we are at the entrance of the fourth era which is with a China which is more willing to play an active role in the region. This country long avoided the active engagement in the regional framework. It was mostly reactive if not negative, but as we can see from China's initiative in proposing China ASEAN FTA, I think China really turned around its policy toward regional countries.

They are wondering how to reduce the sense of threat China is posing vis-à-vis neighboring countries, and also thinking about how to increase the leverage of China as a member of Asia and then the leverage vis-à-vis the world powers. I think there was a conscious shift in China's policy that can start the fourth era. In looking back at this history, maybe what the East Asian community can do, uniquely do, is really what APEC failed to do. If APEC can take up the role maybe there is no need . . . there might be no need for an East Asian community, but at least there is no willingness among, conscious willingness, in the APEC to help the development, help or facilitate the development of the members. Their emphasis is more on trade liberalization.

In thinking about the characteristics of East Asian countries is really compressed development. I'm not sure if it's kind of an appropriate English term, but they developed really rapidly in a short period of time and then the process was very compressed and a lot of stress and then many countries didn't have appropriate institutions.

I think the East Asian countries are keenly aware that we need to have appropriate institutions to stably develop. And we have to have well-sequenced policy measures to have this kind of smooth development course, and I think if we really can create this I think we can

provide individual input to the world community as a whole. So that's where I think is some unique value that the East Asian community can possibly provide.

U.S. Reaction to East Asian Initiatives

The other thing is the U.S. reaction to this East Asian initiatives, I saw various categories of reaction among American people. The typical reactions are like well, it doesn't matter. It's not going to happen, so don't worry about it. Just forget it. That's their indifferent approach. And then the second one is well, it's okay as long as it's not exclusive. That's the second approach.

But I'm not sure what exactly exclusive means. And then the third approach is more kind of a candid or honest statement, that well, as far as we have NAFTA, maybe it is hypocritical for us to just criticize East Asian initiatives, so we will see. Maybe the fourth approach is a more proactive approach.

Well, it's good. We want to see Asia more mature and more integrated, and that would reduce the security burden and that will open up Asian markets to a certain extent. I don't know what is the current administration's stance, but the U.S. answer seems to be the kind of bilateral FTAs with appropriate partners in Asia. The first example is the U.S.-Singapore Free Trade Agreement. Interesting enough, that kind of matching is what's going on in Asia.

Competition of Bilateral Free Trade Agreements

And then as Professor Han elaborated, what's going on is a competition of bilateral free trade agreements. We don't have a consensus definition of this region that just like Prime Minister Koizumi pointed out, well maybe Australia and New Zealand can be included in this forum. So what's going on is kind of competing free trade initiatives and that means outside regions with strong economic interests

or relations can create cross-visional or inter-visional various FTAs.

Asians are not actually the inventors of this mechanism. I think the Europeans started it, like the Mexico FTA or the America FTA is also discussed. So this is really reflecting the economic logic of globalization. I thought that reducing this is an example of our first FTA with Singapore, but well Japanese manufacturers didn't get anything well. Singapore didn't have any tariffs, so and then instead they saw . . . and in Singapore indigenous companies did have limited access to the Japanese market, but they're somewhat too small to definitely realize benefits, so who benefits the most is actually the big group of businesses. Like the U.S. petro chemical plant operating in Singapore can immediately reap the benefits of tariff reduction of the petro chemical sector in Japan.

So as far as we are committed in a particular region you get that benefit wherever your nationality is, so that's a reality of global business and then global business actually lobby various countries, why don't you reduce the barrier, particularly in this area. Or the Japanese manufacturers chasing after the American and European examples to lobby for Brussels, to why don't you surround this environment regulation, things like that. So I think that's sort of the hope of this kind of overlapping evolution of regionalism that is not going anywhere to the exclusive block. That doesn't fly.

I don't know the underlying of what they were thinking, but the reaction is very appropriate and fitting in what's going on right now. Maybe the third point I should say is that both of the previous speakers put it out, what's going on in Japan and, it's sad to be a Japanese at this kind of moment. Everybody's asking, are you okay? Is your country okay?

Sea of Change in Japan

I feel so bad. I don't want to sound like a

defeated dog at the same time, and it's hard to say what to say, hard to determine what to say, but what I can say is that although we haven't delivered specific results, there are so many changes going on under the surface and then, for example, the fact that Japan turned around its trade policy and it decided to go for FTA with Singapore is actually a huge sea of change.

People say that well, Singapore . . . Singapore doesn't have agriculture, so you don't have any sensitive items or it's not a big deal. You are just hypocritical, but, in fact, we transformed the policy thinking that well maybe we have a lot to learn from Singapore. It's a very efficiently run economy and then look at the trade procedures. That's a trading country's real characteristics, but maybe we need to integrate our various trade-related agencies to provide more business friendly service or we can go for the mutual recognition of professionals and then Singapore is a small country and not so threatening and we can experiment on how to kind of smooth out the business entry in Japan. That's really unthinkable without Singapore. So we try to experiment various ideas in order to promote the business interests.

At the same time we also ask the businesses, you guys don't maybe get anything from tariff reduction from this agreement, so why don't you be more creative in thinking about what kind of measures would be useful for you. So we extensively did the interviews with businesses, so that's also changing the working culture of the Japanese government.

So I think that provided a kind of mental change, very underlying deep changes. I hope this will help in the future effort to reform our country. The most difficult thing is agriculture, of course, and Prime Minister Koizumi's favorite phrase is reform without sanctuary, but right now without forthcoming FTA proposals it might sound hollow.

Japan-Mexico FTA

For the next FTA Japan is thinking of a Japan-Mexico FTA and the reason is that we have to . . . we are suffering from tariff differentials because we don't have FTA with Mexico and whereas Mexico maintains a high tariff on the MFN basis, they just reduce the tariff on a bilateral basis.

So we are not the member of NAFTA, we are not the member of Mexico-EU FTAs. What the Japanese companies are doing is exporting the parts and capital equipment from North America or Europe so the Japanese plant is producing nothing for the Mexican market. So that's how they adapted.

Japan Destroying its Domestic Employment

This is a very serious situation. We are just destroying our domestic employment, so this is very easy to understand situation where you are really sacrificing the promising export interest in order to protect the limited agricultural interest, which is just 1.5% of GDP. So it's a very typical case of urging politicians to think about what are the priorities.

After Mexico is done, I don't know if Mexico is going through or not, it's a test case really. You can measure how Japanese policymaking process is robust from success and whether we can succeed or not with Mexico. But maybe after that we can be more forthcoming with other Asian countries. We are more used to thinking about not the agriculture sector as a sanctuary as a whole, but we just look at individual items. Maybe so many items have just one or two percent tariff, nothing in the currency fluctuation, so we are more able to liberalize in the future.

We are not forthcoming right now, but there is so much frustration going on which is one of the key success factors of the successful reform in the future and then what the

government should do is to encourage all those little experiments going on and then try not to lose the momentum and then wait for the day. Thank you.

Q & A

John Ikenberry: Thank you very much. Well, I think we'll open it up now and we'll let Professor Han sort of incorporate his response to the discussants as we respond to the questions from the floor. Please identify yourself and your affiliation and then we'll take it from there. Please.

Questioner: I am from the Japanese Embassy, Washington, D.C. Thanks for the excellent presentation from the three speakers. I have a question about the strength of ASEAN Plus Three or East Asian community. It seems to me that ASEAN and ASEAN Plus Three or East Asian community or APEC are sort of overlapping in a competing framework, which are all evolving. And Ms. Munakata pointed out that the sort of comparative advantage of ASEAN Plus Three framework is that it's sort of a well-sequenced policy emphasizing institutional framework. And I have a question to Dr. Han, as well as Dr. Alagappa, having faced the various negotiation forums and EC groups, what do you think of the strength or the core competence or, say, value of ASEAN Plus Three as compared with other related similar frameworks? Thank you.

Ikenberry: Sure, why don't we take them one-by-one.

Han: I guess I will try to answer that question in two ways. One is to link it with Muthiah's question, why East Asian cooperation or grouping now, and that is a more comprehensive question, and I guess your question is more specifically related to trade. If I try to address the second question first, certainly I'm not a trade expert.

I have been in meetings discussing this issue a lot and that's where I would have

distilled this kind of answer. There is the multi-lateral arrangements, WTO, and there is the sort of pan-regional Asia-Pacific, APEC, arrangements.

And as I mentioned, Bogor talks about two different kinds of timeframes, one for very developing countries and one for developed countries, 2010 for the developed countries and 2020 for the developing countries. And at least the EAVG report talks about liberalization well in advance of the Bogor talks. We were not in a position to talk about the specific timeframe, but just as APEC was trying to be ahead of WTO, East Asia could try to go ahead of APEC and another element here is that in North America there is NAFTA, in Europe there is the European Union and East Asia is left between these two groupings and it is seen as some kind of a defensive measure as well.

Trade experts can also give numbers as to how much more trade it generates, what kind of specific benefits it will bring and so on, but I don't have the numbers here but I've seen numbers which indicate it is, in fact, advantageous to have that kind of regional liberalization. But the key element here is, just as in APEC, so-called open regionalism where while the in group will have liberalized trade, that is not necessarily limited to that particular group, but that would be a beginning to open up the rest.

Goals of the East Asian Community

Now going to Muthiah's question which is much broader, at the risk of boring you a little bit, in addition to the response that I gave to this gentlemen from the Japanese Embassy, we have in the EAVG report a five-point goal statement of the East Asian community with a small "c." It says, one, to prevent conflict and promote peace among the nations of East Asia, this is as Asians say, like Confucius says, still I think what everyone has in mind is that just as one major accomplishment of ASEAN was to achieve relative peace and harmony among themselves as much as defending us then from

outside enemies or encroachments, if there is, in fact, rivalry, in fact, there's potential for conflict between, say, China and Japan, this kind of multi-lateral framework will help ameliorate that kind of a situation.

The second goal or objective to promote trade investment finance and development in the region, and I think we talked about that in the context of the first question, to advance human security and well being in particular by facilitating regional efforts for environmental protection and good governance.

I just want to take this opportunity to talk about this particular issue, human security. In ASEAN settings, it's always a big struggle to talk about human security in the presence of some Asian countries, particularly China, and an East Asia meeting is one kind of setting where the issue is raised, but not in the same way in meetings where there are Europeans, Americans, Canadians and Australians. And it's a completely different dynamic.

I've attended sort of Asia-Europe meetings and, of course, larger Asian-Pacific meetings and they only say Asians. We do talk about it, and sometimes a Chinese delegate will say I don't want to talk about anything that contains the word human. We find a way to talk about it and the dynamic is quite different from when you have Europeans or Australians in the same room.

Anyway, this is included in this and then we talk about the social issues. And then, finally, the fourth item is to bolster common prosperity by enhancing cooperation in education and human resources development. Five, to foster the identity of an East Asian community by encouraging active exchanges and regular dialogues at both the governmental and non-governmental levels. I just want to add that in connection with the human security or, say, human rights, democracy issues, I said there are different dynamics. It's less argumentative in a purely Asian setting, but sometimes I think it can be a little more

effective as well. But, of course, we need to have both kinds of settings.

Alagappa: I just want to reinforce what Sung-Joo said. I think it's really important for East Asia to have a forum of its own without the presence of the United States. And I think this is crucial simply in order to provide not just socialization, but I think adjustment of differences that can occur in a very small limited fashion, but I think one of the things that I've argued for quite a long time is these forums need not be seen as competitive and undermining each other.

And it may not do very much, but on the other hand it is an important forum to get together and to talk about common issues. And I think that in the long term, not in sort of five, ten years, but in a much longer-term perspective, that is valuable in itself.

Going back to the trade issue I think, I too, I'm not a trade expert, but I think it's very difficult to see APEC or EA, whatever it turns out to be, to be a caucus acting as a whole. It's more likely that it'll . . . sort of the current formula of the ASEAN is six plus something. You don't get all ten on what. It may be six plus one or six plus two, and these countries with a common agenda may act as a caucus and I think that's what is likely to happen. There are going to be very few issues where all thirteen or fourteen agree on and take a very common position it seems to me.

Questioner: I'm from the Elliott School of International Affairs. Let me ask a question that I'm sure will seem very naïve, but in calling ASEAN Plus Three East Asia, you're actually talking about East Asia Minus Four. What about Mongolia, North Korea, Hong Kong and Taiwan? In other words, you have a boundary problem here, and I said it's naïve. I know the answer to some of this. Obviously we don't want part of the "access of evil" as part of this community. I understand the political problems of Taiwan.

But what about Hong Kong? It is a separate customs entity that would not necessarily be included in a free trade area just because the PRC is.

And what about Mongolia, which is always left out and yet is absolutely part of East Asia? So why do we start with the assumption that this is ASEAN Plus Three?

Han: I'm supposed to answer that question? Well, we have to start somewhere and before we got started, the Vision Group, I made a tour of all thirteen countries, which means twelve plus my own, and when I went to Malaysia I had the chance to meet the number one and number two leaders there. And both of them had one condition in getting this thing started and that is no more additions to what we have now, which is ASEAN Plus Three.

It didn't . . . I didn't really ask you mean forever? Or what if Timor becomes a member of ASEAN, East Timor I mean. But there is . . . we didn't talk about the membership question and I think if I have my own way if this thing evolves I would like to leave the door open for eventual inclusion of, say, Australia and New Zealand as well.

But I answered your question almost in jest, that's the way we started with, and, for the time being, I think that's the way it will stay. The European Community got started with six countries. There were a lot of other countries then, and others became involved as time went on.

Questioner: I'm associated with the Embassy of Korea. Listening to the presentation and discussion from the panel, it seems to have the opinion that the East Asian economy integration will go more like a combination of many different types of bilateral agreements rather than in a coordinated and organized community style integration process.

My question is if that is the possibility and if that is really realized, what is the risk

associated with that? I mean if it is a patchwork of many different types of bilateral agreements of which scope and legal liabilities and industry sectors are all different, can we just leave it at that or do we need to fix some of the problems arising from that kind of possibility?

Free Countries have Different Economic Programs

Munakata: I think, even among NAFTA, free countries have bilateral FTAs and then different schedules, different items and different timing of liberalization. So as long as we're not a customs union, we cannot avoid that kind of problem. But at the same time, we don't want to see proliferation of different rules.

That's going to be a nightmare for business, they say the "spaghetti effect" or something like that, so if we are in an active forum or community we can share what we will try to do in the bilateral area and then, if possible, we can go ahead and standardize or we can just adopt the international standards. After the proliferation you will not very gradually merge and that's what the businesses want to see.

On one hand we cannot liberalize politically sensitive items, particularly in competitive countries, so that explains the difference in the concession, for example, on safety standards or equipment or to be mutually recognized or what do you expect for IT engineers to be, immediately competitive, functional, in a particular business environment, that's sort of common. We see so many common elements and that can be monitorized, and then there doesn't have to be closed standards among East Asians. We can also create standards with Europeans and the U.S.

The best goal is always a monitorable global standard, but the point is that we cannot get the global standard overnight, so we have to start somewhere and then gradually. What we saw in history is that if, for example, there is

a strong European standard and strong American standard, what will happen is they use those standards domestically, but in the global market they somehow try to compromise. We will try to reduce the transaction for the business, so we have to be practical.

Ikenberry: The gentlemen in the back?

Questioner: This is another perhaps naïve, but a little bit sensitive question. I am from SMI. We have operations in America, Singapore, Korea and Australia. For the political stability of East Asia, we are fully aware of what happened last night and Bush's comment about U.S. policy in North Korea. Perhaps this, maybe the question should go to Dr. Han.

What sort of implication are we going to have, especially from the South Korean point of view as a major U.S. ally, but from my point of view in the North, is there nothing to lose? What sort of implications are we going to have now that the Bush administration is quite open of the policy saying North Korea is one of the major enemies?

Ikenberry: The time has come.

Implications of "Axis of Evil" Speech

Han: Well, I was told that among the three countries mentioned yesterday, Iran and Iraq have reacted, predictably very strongly, at least until about an hour ago North Korea has not, and I guess we can expect North Korea to come out with very strong words also. This is, of course, a disappointment, and very disturbing this would be to the current South Korean government.

Now President Bush, even though he mentioned North Korea first, it went in a sort of crescendo. The evilness went up as the list went on and so clearly this is a warning to North Korea and I don't think this was an announcement that North Korea would be the next target. And so I don't think we can assume, conclude, that this will immediately

lead to a tense and crisis situation in the Korean Peninsula.

President Bush is supposed to go to Asia and South Korea in February. In fact, in three weeks. And he will have a chance to smooth out the rough edges or rough points of his speech, so I'm not giving you a very clear cut answer, but I'm not panicking. And unlike other statements, the statement North Korea was used for him to make a larger point and I don't think this was . . . he had to choose. He wanted to mention Iraq, but he had to choose two other countries and that's why, even though Iran probably did not qualify perfectly, Iran was included and so was North Korea.

Is that a good answer?

Questioner: I just wanted to ask one question about China. I think several of our speakers emphasized the importance of China in driving the idea of a regional East Asian, regional organization in part to . . . or on the part of China it provides a mechanism for it to reassure its neighbors as it grows larger and as it joins the WTO and as its economy has a greater and greater impact on the regional economy and inevitably takes production out of other parts of Asia and it's brought into China and becomes an important and slightly destabilizing presence, and regional integration can provide, I think, Chinese involvement in regional institution building. It can provide a way of overcoming some of those insecurities and building confidence that is necessary to respond to those economic changes. Likewise, it provides a way more actively for it to project its interests into the region. Could you speak a little bit about how the changing and unbalanced rising position of China is influencing thinking among China's neighbors about how to build institutions to respond specifically to China?

Han: ASEAN Plus Three or East Asian something. . . one of the major unspoken goals is to involve China in this kind of multi-lateral context and I mentioned the China-Japan

relationship and China itself, also the three country relationship in Northeast Asia, and sometimes it's easier to bind them with some other countries, in this case Southeast Asia, then just three so that that's one way it is being attempted.

I think the Southeast Asians when they agreed to form a free trade area, agreed on a free trade agreement with China, it was both an economic move as well as a political move in that context. ASEAN Plus Three meetings, what actually happens there is the most important summit meeting there is not one ASEAN Plus Three meeting, but three ASEAN Plus One meetings. So there are three sets of meetings, three Ten Plus One meetings, the second set is Ten ASEAN Plus Three meetings, and that's a very short one. In fact, it lasts maybe about one hour and there are thirteen leaders who are all very talkative.

Questioner: Do they wear funny shirts?

Han: Funny shirts and all. And they don't really get to talk very much. And then there's the ASEAN Summit meeting, so meeting among themselves, which is the longest and which ASEAN leaders think is the main meeting actually of this ASEAN Three meeting. But, by bringing China into both this Ten Plus One and Ten Plus Three, in this case these are summit meetings, but also they have finance ministers. We're proposing in the report meetings of defense ministers, meetings of actually all the ministers you can think of. But this will have, I think, a positive effect on the sort of networking with China.

Ikenberry: One last question.

Questioner: I am from American University, a very short question for Dr. Han. This ASEAN Plus Three something, on the matter of semantics before we proceed to institutionalize or to recognize this thing . . .

Han: ASEAN Three is a summit, but it's East Asian something.

Questioner: Right. Now we've always referred to ASEAN Plus Three, this sort of grouping, and you indicate some reservation because it indicates I mean that ASEAN is the host and the other three are guests, and are there any proposals to call it a proper name? You know, Confucius ratification of names before we go on to institutionalize it. Will it be called something else? Is it going to be just referred to loosely as ASEAN Plus Three? Has there been proposals to call it by a proper name, and if that's the case what will ASEAN's reaction be, you know, to this? Will there be a new name for it? You know, is it in the works? Thank you.

Han: Well, there's the proposal to have an East Asian Summit instead of ASEAN Plus

Three Summit, and the ASEAN response is an ASEAN response, which is let's discuss that next year.

Ikenberry: Well, with that, I think we'll end. I don't think we should be too embarrassed about East Asian something. Fifty-five years ago I can just see Jean Monnet sitting around smoking a cigarette with his colleagues saying Europe . . . Europe something . . . there's got to be a word we can think of and eventually they did think of one.

So, I'm sure that with time the words will fall into place, but in the meantime I would hope that you would join me in thanking our very distinguished panelists for an insightful evening. Thanks for coming. (End)

About the Panelists

Main Speaker

Dr. Sung-Joo Han is Professor of Political Science and Director of the Iimin International Relations Institute at Korea University, and a former Minister of Foreign Affairs of Korea. He has taught at Columbia and Stanford Universities and was a distinguished fellow at the Rockefeller Brothers Fund in 1986-87. Since the late 1970s, Dr. Han has served as an advisor to the Korean government in the fields of foreign affairs, national defense and unification. Dr. Han also served as the U.N. Secretary General's Special Representative for Cyprus and as a member of the U.N. Inquiry Commission on the Rwanda Genocide. He was the chairman of the East Asian Vision Group that submitted a report on the future of East Asia to the 2001 ASEAN Plus Three Summit. Dr. Han graduated from Seoul National University and received a Ph.D. from the University of California at Berkeley. His most recent publication is *Changing Values in Asia* (1999).

Discussants

Dr. Muthiah Alagappa is Director of the East-West Center in Washington, D.C. and has been a Senior Fellow at the Center since 1989. Previously he was a visiting professor at Columbia University, Stanford University and Keio University, a senior fellow at the Institute of Strategic and International Studies, Malaysia, and adjunct professor at the University of Malay and National University of Malaysia. Dr. Alagappa also is editor of Contemporary Issues in the Asia-Pacific, a book series published by Stanford University Press, and is a member of several journal editorial boards. He received a Ph.D in international affairs from the Fletcher School of Law and Diplomacy, Tufts University. Dr. Alagappa's most recent publication is *Coercion and Governance: The Declining Political Role of the Military in Asia and Asian Security Practice: Material and Ideational Influences* (2001).

Ms. Naoko Munakata is a Visiting Fellow at the Center for Northeast Asian Policy Studies at the Brookings Institution and Senior Fellow at the Research Institute of Economy, Trade and Industry (RIETI). She has served in the Japanese government as the director for policy planning at the Economic Policy Unit in the Minister's Secretariat, the Ministry of Economy, Trade and Industry (formerly known at the Ministry of International Trade and Industry) and prepared the negotiations for a free trade agreement between Japan and Singapore. She has also worked on Japan's policy toward ASEAN and APEC as senior deputy director of the General Affairs Division in the International Trade Policy Bureau and in other positions within MITI. Ms. Munakata received an LLB from the University of Tokyo and an MBA from Harvard Business School. She has published "Turning Point of Japan-China Relationship; A Step Toward East Asian Economic Integration," *Economic Policy Review Series No. 2, RIETI* (2001).

Moderator

Dr. G. John Ikenberry is the Peter F. Krogh Professor of Geopolitics and Global Justice at Georgetown University. Additionally, he was a Senior Associate at the Carnegie Endowment for International Peace and a Fellow at the Woodrow Wilson Center for International Scholars. Dr. Ikenberry is the author of numerous publications, including *State Power and World Markets: The International Political Economy* (2002), *After Victory: Institutions, Strategic Restraint and the Rebuilding of Order after Major Wars* (2000), and *Reasons of State: Oil Politics and the Capacities of American Government* (1988).