



**The 2nd Annual Conference of
the Network of East Asian Think-Tanks (NEAT)**

“Towards an East Asian Community”

organized by



**Institute of East Asian Studies
Thammasat University**



in cooperation with



**Saranrom Institute of Foreign Affairs
Ministry of Foreign Affairs of Thailand**



The Thailand Research Fund



MFC Asset Management Public Company Limited

August 16-17, 2004, Inter Continental Hotel, Bangkok, Thailand

The Second Annual Conference of Network of East Asian Think – Tanks (NEAT)

"Towards an East Asian Community "

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**Institute of East Asian Studies, Thammasat University
Saranrom Institute of Foreign Affairs, Ministry of Foreign Affairs of Thailand,
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Programme

The Second Annual Conference of Network of East Asian Think – Tanks (NEAT)

" Towards an East Asian Community "

organized by Institute of East Asian Studies, Thammasat University
Saranrom Institute of Foreign Affairs, Ministry of Foreign Affairs of Thailand,
Thailand Research Fund

16-17 August, 2004

Ballroom 1, 4th floor, Inter Continental Hotel, Bangkok, Thailand

16 AUGUST 2004

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| 08.30 – 09.00 hrs. | Registration (at Ballroom 1, 4 th floor) |
| 09.00 – 09.10 hrs. | Remarks by Associate Professor Yupha Klangsuwan
Director of Institute of East Asia Studies, Thammasat University
the organiser of the 2 nd NEAT Conference. |
| 09.10 – 09.20 hrs. | Remarks by Ambassador Wu Jianmin,
President of University of Foreign Affairs of China
General Coordinator of NEAT and the organiser of the 1 st NEAT
Conference. |
| 09.20 – 09.35 hrs. | Opening Address by H.E.Mr. Saroj Chavanaviraj, Advisor to
Minister of Foreign Affairs of Thailand |

09.35 – 11.15 hrs. Session 1 : " Toward an East Asian Community"

- Chair : Prof. Dr. Likhit Dhiravegin (Thailand)

- Assoc. Prof. Dr. Prapat Thepchatree (Thailand)
Topic : Toward an East Asian Community
- Prof. Hirono, Ryokichi (Japan)
Topic : Roadmap Toward the East Asian Community in the Era
of Globalisation and Regionalisation : A Japanese Perspective
- Dr. Sorn Samnang (Cambodia)
Topic : Toward an East Asian Community The fore and back fronts
principle
- Prof. Kim, Woo-Jun (Korea)
Topic : Looking for the Ways to Form an East Asian Community
- Ambassador Mark Hong (Singapore)
Topic : Asean Community Building in the Context of East Asian
Regionalism
- Dr. Lam Peng Er (Singapore)
Topic : Japan's Relations with Southeast Asia : Underpinning an
East Asian Community ?

(Coffee and refreshments will be served in the meeting room)

11.15 – 12.45 hrs. Session 2 : “ Economic Cooperation” (Part I)

- Chair : Prof. Wang Gungwu (Singapore)
- Dr. Kim, DoHoon (Korea)
Topic : A Perspective for East Asian Economic Integration

- Dr. Hank Lim (Singapore)
Topic : An Integrated Roadmap for East Asian Economic Integration
- Prof. Zhang Yunling (China)
Topic : It is Time to Project East Asian Community Building
- Ambassador U Thein Aung (Myanmar)
Topic : East Asian Economic Co-operation : Challenges and Prospects.
- Dr. Nguyen Thi Hong Nhung (Vietnam)
Topic : Toward East Asian Community : Problems and Prospects.

12.45 – 14.15 hrs. Lunch Break (at Ballroom 2, 4th floor)
Luncheon speech by H.E.Dr. Sorajak Kasemsuvan Vice Minister for Foreign Affairs of Thailand

14.15 – 15.45 hrs. Session 2 : “ Economic Cooperation” (Part II)

- Chair : Prof. Wang Gungwu (Singapore)
- Dr. Yoshitomi, Masaru (Japan)
Topic : Future Prospect for Financial Cooperation in East Asia
- Prof. Urata, Shujiro (Japan)
Topic : East Asian Free Trade Area
- Prof. John Wong (Singapore)
Topic : The Rise of China : Implications for the East Asian Economic Integration

- Dr. Kim, Won-Ho (Korea)
Topic : Asian Economic Reforms in Comparative Perspective

15.45 – 16.00 hrs. Coffee Break

16.00 - 17.30 hrs. Session 3 : " Political and Security Cooperation"

- Chair : Dr. Lee , Tai Hwan (Korea)
- Prof. Tanaka, Akihiko (Japan)
Topic : Future Prospect of Security Cooperation in East Asia
- Prof. Choi, Woondo (Korea)
Topic : Where to Start Building Multilateral Security Community in East Asia
- Assoc. Prof. Simon Tay (Singapore)
Topic : Non Traditional Security in East Asia : Cooperation or Conflict ?
- Assistant. Prof.Dr. Pisanu Sunthraraks (Thailand)
Topic : Transnational Crime
- Dr. Dato'Mohamed Jawhar Hassan (Malaysia)
Topic : East Asian Cooperation And Human Security

19.00 – 21.00 hrs. Dinner (at Ballroom 2, 4th floor)
Welcoming dinner hosted by Assoc. Prof. Dr. Naris Chaiyasoot,
Rector, Thammasat University

Dinner speech by Prof. Ito, Kenichi President and CEO, The
Japan Forum on International Relations

21.00 hrs. Country Coordinators' Meeting

17 AUGUST 2004

08.30 – 09.00 hrs. Registration (Ballroom 1, 4th floor)

09.00 – 10.30 hrs. Session 4 : “ Socio – Cultural Cooperation”

- Chair : Mr.Neth Barom (Cambodia)
- Dr. Makmur Keliat (Indonesia)
Topic : East Asian Cooperation and The Question of Identity
- Prof. Yu Xintian (China)
Topic : Emerging East Asian Identification : A Cultural Perspective
- Assoc. Prof. Dr. Worapol Promigabutr (Thailand)
Topic : Cultural Identities : Toward an East Asian Community
- Prof. Inoguchi, Takashi (Japan)
Topic : The Asia Barometer: Its Aim, Its Scope, Its Prospect

10.30 – 10.45 hrs. Coffee Break

10.45 – 12.15 hrs. Session 5 : “ Institutionalization”

- Chair : Prof.Ito, Kenichi (Japan)
- Prof. Su Hao (China)
Topic : Establishment of Regional Cooperation Institutions in East Asia
- Ambassador Mushahid Ali (Singapore)
Topic : Establishment of Regional Institutions of Cooperation in East Asia : Problems and Prospects
- Prof. Jeong, Yeonsik (Korea)
Topic : To Come Together : A Theoretical Sketch on Institutionalization of East Asian Community

12.15 – 14.00 hrs. Lunch (at Oasis room 37th floor)
Luncheon Talk by Professor Dennis McNamara,
Georgetown University
Topic : From Military Security to Regional Society in East Asia

14.00 - 16.00 hrs. Session 6 : “ NEAT Business Meeting” (Country Coordinator Meeting)

- Chair : Thailand and China

(Coffee and refreshments will be served in the meeting room)



Remarks given at the Second Annual Conference of NEAT II
By Associate Professor Yupha Klangsuwan
Director, Institute of East Asian Studies, Thammasat University
Organizer of NEAT II Bangkok, Thailand
At the Opening Ceremony of the 2nd Meeting
of the Network of East Asian Think-tanks
(NEAT)
16 August 2004, Bangkok, Thailand

Excellencies,
 Distinguished participants,
 Ladies and gentlemen,

It's my great honour and pleasures to welcome you all to 2nd NEAT meeting. It's been almost a year now since the first NEAT meeting was organized by China in Beijing. The main issues were the cooperation among 10+3 countries, North and Southeast Asian countries, to be precise, the need to build East Asian Community and the role of NEAT and the establishment East Asia Fund.

On cooperation, the questions arose were : what form of cooperation and how to achieve it. Delegate from Indonesia suggested the inclusion of both the government and parliament, business community and intellectual community.

On East Asian community, the delegates asked whether the community should be economic oriented or political oriented, the structure of it and clear identification of such community. Also should it include all economies or just of only 13 countries? However, even when the East Asian Community is established, Asean should continue its own summit and play its the role as a group.

As a matter of fact, the program of this meeting is designed according to the recommendations of the first NEAT Meeting. The content of which is in the Beijing statement of inauguration of Network of East Asian Think-tanks. The preliminary draft which is to be discussed by all us at this meeting is also drawn from such statement. I do hope that after we have worked out thoroughly and carefully. We should come out with a charter by law that gives us, a starting point towards a fuller development of other issues, such as cooperation, community building and security of the region. But if we can not cover all issues presented due to time constraints, we should be able to come out with Short Term Measures such as :

- work together with cultural and educational institutions to promote a strong sense of identity and on East Asian considerations.
- Promote networking and exchanges of experts in the conservation of the arts, artifacts and cultural heritage of East Asian countries.
- Promote East Asian studies in the region as stated in the Progress Report on the Implementation of the EASG

From then on, we can take up other more complex issues like economic's and security. The EASG or Asia Study Group which I quoted from was held in November 2002 at the Asean +3 Summit organized in Phnom Penh, Cambodia. At that venue, Asean leaders agreed to explore the possibility of transforming Asean to an Asean economic Community (AEC) by year 2020 which would enhance economic cooperation in the region. Today we get together and talk about East Asian community. May I assume that this meeting will bring Asian people together, the people who share the same aspiration and work together towards the same goal.

Speech Delivered at the Second Annual Conference of NEAT

(August 16, 2004)

Wu Jianmin

General Coordinator of NEAT

President of China Foreign Affairs University

Executive Vice-president of China National Association for International Studies

Ambassador

Madame Director,

Ladies and Gentlemen:

It is indeed a great pleasure for me to speak at the opening session of this second annual conference of the Network of East Asian Think-tanks (NEAT). As General Coordinator of NEAT, I would like to thank the Institute of East Asian Studies of Thammasat University, Saranrom Institute of Foreign Affairs, and the Thailand Research Fund for their successful organization of this conference. I would also like to thank all NEAT member institutes for their participation as well as for their excellent work since the founding of the Network in 2003.

Ladies and Gentlemen,

Prominent features of the current world are economic globalization and regional economic integration. Facing the challenges and opportunities coming along, East Asian countries have realized better than ever that we shall be together rather than separate. Only when we are closely united and we better cooperate, can we seize the greater opportunities for

development. We shall push forward the integration of East Asia. As the theme of this conference indicates, we are working toward an East Asian community. This is our common goal. This is what we, East Asian countries, are striving for. This is also the most sacred mission of the NEAT members. The first East Asian Summit is going to be held in Malaysia next year. It will be a landmark event on our way to regional integration.

With this common goal in mind, we have started and continuously strengthened institutional building in the region. ASEAN+3 has become a multi-level framework for the regional cooperation. So far there have been 12 ministers' meetings within this frame. ASEAN and China have identified 5 key areas of cooperation. Last year, China, Japan, and ROK issued a Joint Declaration on the Promotion of Tripartite Cooperation and identified 5 key areas of cooperation. The negotiations on FTA between ASEAN and China are already underway. Japan and ROK are also engaged in FTA negotiations with each other and with ASEAN. The forthcoming "East Asian Summit" is undoubtedly another wise choice.

In recent years, East Asia has remained the fastest growing region in the world. Learning from the past experiences and lessons, East Asian countries have realized that economic development is a most important

and effective way to improve overall national strength and the regional competitiveness. Under the current global and regional circumstances, it is clear that we must strengthen our economic cooperation NOW. And intra-regional trade and investment are two areas of the greatest potential and prospect.

Ladies and Gentlemen,

- NEAT, since its establishment and first annual conference in September last year, has been an important intellectual effort to promote our common goals. It has actively engaged itself in a series of activities.

We have distributed the report of our first annual conference at the 10+3 leaders' meeting and made intellectual contributions to the promotion of East Asia cooperation.

We have set up a website for NEAT, (www.neat.org.cn), collecting ideas and pooling up collective wisdom. An expert bank on East Asian studies has been set up on the web. After the first annual conference, most member countries have already designated their national coordinators and submitted the name list of their domestic think-tanks and relevant scholars of East Asian studies. Through the web, we are trying to bridge relevant governments, enterprises, and academic institutions and also to

provide a platform for public education.

We co-organized “High-level Seminar on Asian Cooperation and Development” with Bo’ao Forum for Asia this year in Qingdao, China. The seminar successfully made intellectual preparations for the next day’s 2nd Asian Foreign Ministers’ Meeting.

It is particularly noteworthy that the Institute of East Asian Studies of Thailand has made great efforts to ensure a successful conference this year. Let’s again give sincere thanks to our host.

Ladies and Gentlemen,

We have done a great deal. At the same time, we realize that we will have to work even harder to reach our goals. To work more effectively, NEAT shall also be institutionalized. We shall draft and pass a NEAT Charter to define its purposes, functions and rules, obligations of members, funding, etc. To make sure that NEAT fully lives up to its role of a track 2 institution, linkage should be established between NEAT and Track I.

I believe that NEAT should perform the following functions.

First, *identification of common interests*. Common interests provide a

solid foundation for a community. We share a lot of common interests, which very often need to be identified. Through the close contacts and communications among governments, enterprises and academic institutions, we shall find out the shared interests of East Asian nations to facilitate the making of the East Asian community.

Second, *information sharing*. NEAT is a platform for information sharing. Once we have identified our common interests, an important function of NEAT is to have the information shared, pool the wisdom, ideas, and information about East Asian cooperation and convey them to scholars, entrepreneurs and governments in the region.

Third, *inspiration of motivation*. The common interests we identify and agree upon will help inspire motivation among our nations and peoples so that all will work toward our goals.

Fourth, *making policy recommendations*. Based upon the common interests we identify, we will make policy recommendations for Track I consideration.

With regard to some sensitive issues, we can start with track-2 dialogs so as to increase mutual trust, reach common understanding and create

conditions for track-1 cooperation. Besides, we will also carry out other activities to meet our common interests.

In particular, I suggest that we hold an “East Asian Entrepreneurs’ Forum” in 2005. At present, regional trade in East Asia is fairly busy, whereas the investment is not quite active or balanced. By promoting the intra-regional trade and investment, I believe East Asian cooperation will make great progress.



NEAT can also set up track-2 dialog mechanism in security issue areas such as maritime security, anti-terrorism, energy security, ecological security, the prevention of infectious diseases, etc.

The diversity in East Asia is not a liability, but our great asset. We shall promote social, cultural and educational exchanges and cooperation on a wider basis. I believe, with those efforts, our common grounds will be enlarged and gaps will be narrowed. In the future, we can have events like “East Asian University Presidents’ Forum,” “East Asian Media Forum,” “Workshop of NEAT Member Institutions,” and “East Asian Cultural Week.”

Ladies and Gentlemen,

We have made great success. We are striving toward a community. I believe, with our joint efforts, we will realize our goal. NEAT will surely have an increasingly important role to play in this process.

I wish this conference a complete success.

Thank you.

Opening Statement
By H.E. Mr. Saroj Chavanaviraj
Advisor to the Minister of Foreign Affairs of Thailand
At the Opening Ceremony of the 2nd Meeting of the Network
of East Asian Think-Tanks (NEAT)
16 August 2004, Bangkok, Thailand

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Excellencies
Distinguished participants,
Ladies and Gentlemen,

It is a great pleasure and privilege for me to address the distinguished gathering of think-tanks from across East Asia on behalf of H.E Dr. Surakiart Sathirathai, Minister of Foreign Affairs of Thailand. Allow me to extend on behalf of the Ministry of Foreign Affairs and the co-organisers of this 2nd Meeting of the Network of East Asian Think-Tanks (NEAT) a very warm welcome to all participants.

I also wish to thank Associate Professor Yupha Klangsuwan (รศ. ยุพา คลังสุวรรณ) and Ambassador Wu Jianmin (อู๋ เจี้ยนหมิน) for their remarks on the establishment and the important role of NEAT in deepening cooperation in East Asia. It is heartening to note that there has been considerable and widespread interest in conceptualising the process of East Asia cooperation, particularly among the think-tanks, who as a general rule represent the most discerning critics and most vocal opinion leaders. I am glad to note that this interest is equally matched by the political leaders of East Asia. This is amply reflected in keynote speeches on the subject given by a number of East Asian leaders at various fora, as well as the active discussions taking place at Summits and within the ASEAN+3 framework. Needless to say the ASEAN+3 framework, now firmly entrenched with twelve Sectoral Ministerial Meetings and many more to come, serves as both a vehicle and rallying point for East Asia cooperation.

I don't think it is surprising to any of us that there is such keen interest in East Asia cooperation. Some observers have remarked that even without the driving force of ASEAN+3 process, East Asia cooperation would in any case blossom and take root on its own. The idea has been floating and discussed for quite some time. What may be of surprise to most of us is the pace at which the idea has fomented. The reason for this attention to East Asia Cooperation is quite obvious.

East Asia is regarded as one of the three major regions in the world. It is home to nearly a third of the world's population. Its combined GDP accounts for more than one-fifth of the world's GDP. For the past two decades, East Asia has been the world's economic powerhouse. In the next two decades, East Asia is expected to emerge as the largest economy in the world. Nevertheless, although the region possesses undisputed enormous potentials, it still lags behind other regions in forging regional integration.

While political rivalries, ideological differences, and development disparities used to be barriers to cooperation among East Asian countries, the end of the Cold War and the advent of globalization have brought East Asian nations closer together. In 1997 when the region was facing the worst financial crisis, the first Summit of Northeast and Southeast Asian Leaders was convened in Malaysia in December 1997. More recently, when the region was being threatened by a deadly contagious disease known as SARS, the Summit of ASEAN-China Leaders was promptly convened in Bangkok in April 2003.

The crises we have been through together in recent years have toughened us, and made us realize the value of working together and building a solid framework for cooperation. The nature of problems we have experienced nowadays requires concerted regional efforts. Regional integration today is no longer a luxury, but a necessity.

Distinguished participants,
Ladies and Gentlemen,

There is now a consensus that the East Asian Community is a desirable long-term goal of East Asia cooperation that would be built upon the ASEAN+3 cooperation framework in a step-by-step evolutionary approach. There is also a consensus that the East Asia Summit should be held at an appropriate time.

These two issues are so important that they are likely to be a subject of discussion in the next few years. I believe that there should be continuing discussions in every possible forum to gather the spectrum of views and to forge a better understanding of the immediate and ultimate goal and direction of the emerging East Asia Cooperation as well as the nature of the EAC that we wish to realize. Will it be like the EU or NAFTA? I, for one, believe that it must go beyond NAFTA, but whether it would emulate the EU is too early to tell.

Given economic, political, and social diversities in East Asia, I believe that goals and modalities of East Asia Cooperation may be developed in three stages:

In the short-term, efforts should be devoted to the implementation of East Asian Study Group (EASG)'s 17 short-term measures. All the short-term measures should be implemented before the ASEAN+3 Process marks its 10th anniversary in 2007. However, during this period we should also explore ways and means to conduct studies for some medium and long-term measures that would have the most impact on the future direction of ASEAN+3.

In the medium-term perhaps starting from 2008, efforts could be directed towards the medium and long-term measures identified by the EASG, with a special focus on the formation of East Asia Free Trade Area (EAFTA) and the establishment of a regional financing facility. These two important long-term

measures need not to start from scratch. Bilateral FTA negotiations between ASEAN-China, ASEAN-Japan and the coming ASEAN-ROK, will be important building blocks for the emerging EAFTA. The strengthening and institutionalising of Chiang Mai Initiative will pave the way for the eventual establishment of a true regional financing facility.

In the long run, East Asia Cooperation could develop into an East Asia Community (EAC) which may build on three important pillars: political and security cooperation; economic and financial cooperation; and socio-cultural cooperation. At the last ASEAN Summit in Bali, ASEAN Leaders signed a historic Bali Concord II, which will pave the way for the formation of ASEAN Community (AC), encompassing ASEAN Economic Community, ASEAN Security Community, and ASEAN Socio-Cultural Community. The emerging ASEAN Community could become a core for a larger East Asian Community. In other words, the EAC should be developed in tandem with the ASEAN Community.

Distinguished participants,
Ladies and Gentlemen,

It is true that East Asia is vastly diverse, politically, economically and socially. But it is also true that East Asian nations do share geographical proximity, many common historical experiences, and similar cultural norms and values which are distinctively unique to East Asia. In drawing up a blueprint for the EAC, we should focus not only on geographical boundary but also on socio-cultural commonality that will bind us together. In this regard, Thailand is prepared to take the lead in enhancing regional cooperation in the field of culture with a view to fostering a sense of an East Asian identity. We wish to see the EAC to emerge as a community of nations and peoples with common destiny and identity.

The EAC can hardly become a reality if we can not address the development gaps that exist within and between East Asian countries. At the ASEAN level, we have resolved this issue through targeted efforts for CLMV countries. Among others we have launched the Initiative for ASEAN Integration (IAI) and the Hanoi Plan of Action which will soon be succeeded by the Vientiane Action Program.

On the part of Thailand, in April 2003 Prime Minister Dr. Thaksin Shinawatra initiated "Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy or ACMECS" with the aim to support new ASEAN member countries' integration into ASEAN and thereby closing the development gap within the region. Similarly under the ASEAN+3 framework, Thailand will take the lead in implementing one of the EASG's short-term measures on providing assistance and cooperation in four priority areas: infrastructure, information technology, human resource development and ASEAN regional economic integration. These efforts serve to complement what is being done under the IAI. Moreover, Thailand will join forces with the Republic of Korea to implement another short-term measures on developing telecommunications infrastructure and providing greater access to the Internet.

Distinguished participants,
Ladies and Gentlemen,

Network of East Asian Think-Tanks is one of the new institutions established under the ASEAN+3 process to serve as a bridge between the academic community and political decision-makers. Its first major assignment is a daunting one, and that is to provide concrete recommendations on how to realize the ultimate goal of building the East Asian Community. The theme of this year's Meeting is indeed timely. Though the idea of community building in East Asia in various names and forms is not new, it is just now that consensus is beginning to

emerge. It now remains for us to draw up a workable blueprint for this Community.

Let us use this opportunity to examine what shape and form we can give to the idea of East Asia Community so that it will truly benefit all countries in the region and strengthen the region's role and contribution to global peace and prosperity. Let us also use this opportunity to determine how we can further refine NEAT's role and function in the evolution of the East Asia Community and its processes. According to an Asian proverb, "A ten thousand-mile journey always begins with a small step". The Meeting today is no doubt a small but significant step towards the ambitious goal of building the East Asian Community.

In concluding, may I wish all of you every success in your deliberations as well as a pleasant stay in Thailand.

Thank you for your kind attention



“Towards an East Asian Community”

Assoc. Prof. Dr. Prapat Thepchatree

Chair
Asean Studies Program
Institute of East Asian Studies
Thammasat University

organized by

Institute of East Asian Studies
Thammasat University

Saranrom Institute of Foreign Affairs
Ministry of Foreign of Thailand

Thailand Research Fund

“Towards an East Asian Community”

Dr. Prapat Thepchatree

1. Introduction

East Asia as a region has a lot of potentials in the global economy. If the countries in the region can cooperate and integrate their economies, it will be then transformed into a very powerful economic bloc. At the present time, there is a loose cooperative and integrative framework called ASEAN+3. There have already been several Summit meetings between ASEAN countries and Japan, China, and South Korea. There emerges a strong trend and direction that East Asian countries are trying to enhance our cooperation in a variety of fields. There are, among others, proposals on an East Asian Free Trade Area, the Asian Monetary Fund, the Asian common currency, Chiangmai Initiative, the East Asian Summit and Community. However, the process of East Asian economic integration and cooperation is facing a variety of obstacles and constraints. Therefore, the process will be gradual and evolutionary. It will take some time before it can be transformed into an East Asia Community.

2. The Potentials of East Asia

For East Asia, the percentage of the world GDP has been growing. Some estimate that by the year 2020, the percentage of the world GDP for East Asia will around 40 percent compared to the United States and the North American continent which may be just only around 20 percent and the European Union would be around 14 percent and the rest of the world would be around 20 percent. East Asia, in this sense, would become the most important region in the world in terms of economic power. But only if we can form a group of East Asian region, but that is not the case yet. It is still developing and we will elaborate furthermore.

And also, the financial reserves of East Asia are more than 50 percent of the world financial reserves. And as we can see, the population of this region is also around one-third of the world population. Before the Asian financial crisis of 1997, some predicted that East Asia would become the center of the world economy, the center of world trade, and also the center of the global power in the twenty-first century. Some had predicted that the twenty-first century would be the Asian century.

In terms of the economic cooperation, trade among countries in the region, investment among countries in the region, are also increasing very rapidly. Right now, we have intra-trade around 50 percent.

With such a huge emerging economic interdependence, emerging market for trade and investment, potential economic synergies and vast financial reserves, East Asia could command tremendous political power on the global stage and this power and influence could be translated into considerable common bargaining power.

3. History of East Asian Regionalism

During the Cold War period, Asia was divided into two camps. So, the cooperation and the integration among the East Asian countries were very limited. It was only in the late 1980s that there was a proposal by Dr. Mahathir, the Prime Minister of Malaysia, to form a group called the East Asian Economic Caucus (EAEC). It was to compete with another idea that was proposed by Australia during that period: that was the formation of the Asia-Pacific Economic Cooperation (APEC). Several Asean countries did not support the idea of APEC.



They foresaw that APEC would be dominated by the big powers, particularly by the Western economic powers. So, Dr. Mahathir instead would like to form only the Asian grouping excluding the West. And also another reason was that in the other regions there were developing regional integrations, particularly in Europe and also in the North American continent. And later, the end of the Cold War has led to the new atmosphere of regional cooperation in the East Asian region. But anyway, the idea of EAEC was rejected and was not warmly accepted. One of the most important countries supposed to join the EAEC was Japan. But Japan at that time was reluctant to join because of the American opposition to the grouping.

So, in the end, we had APEC instead of EAEC. And as we know, APEC was too large. It includes almost all East Asian countries, Australia, New Zealand, Canada, the US, Mexico, etc. The real problem for APEC is that, after the Seattle Summit in 1993, it was increasingly dominated by the US. The US used APEC to pursue its interests, particularly for trade liberalization in the region. Later on, at the Bogor Summit in Indonesia, the US pushed for the creation of the free trade area in APEC. The goal was that the free trade area would be created by the year 2010 for the developed countries and for the developing countries the target year would be extended to 2020. Since Bogor Summit in 1994 until the Asian financial crisis in 1997, APEC was dominated by the US. The APEC agenda was the reflection of the American agenda that was trade liberalization. At the Osaka Summit in 1995, the US went on to push for the Plan of Action to implement the Bogor Vision. And at the Manila Summit in 1996, the US also pursue the agenda to have the Individual Action Plan. And before the Asian financial crisis, the US also pushed for the Early Voluntary Sectoral Liberalization (EVSL) scheme that would liberalize trade in 9 sectors.

But after July 1997, there was the financial crisis in Asia that derailed the APEC. The very important problem is that after the crisis, APEC was not successful and there was no progress in terms of trade liberalization.

The Asian financial crisis was a very important turning point for the East Asian economic cooperation because the crisis gave us a very important lesson. It gave us the lesson that we, as the Asian countries did not have the regional mechanism to help solve our problems. And many countries had to go to the IMF for help and had to go the US and the West for financial assistance. Thailand, Korea, Indonesia, the Philippines, and other countries had to ask for the US to help during the crisis.

So, after the crisis, there is emerging consensus among Asian countries that we will cooperate more. We will try not to let this crisis happen again. And we also realize after the crisis that our economies are interconnected. We are in the same boat. We have the same problem. So may be it is about time that we create a cooperative institution in the region. So may be this is one of the most important reasons of the rise and the resurgence of the idea of East Asian regionalism.

Another problem was that since 1999 the WTO was in trouble. The Seattle meeting was a complete failure. This created another important impetus for countries around the world to try to form their own regional blocs because they could not depend or rely on the global organization.

After 1997, APEC was also in serious trouble. The lesson from APEC is that it is about time that we, Asian countries, have to form our own regional grouping. Another lesson is the American domination of APEC and we do not want to let this happen again. So Asian countries are now keeping a low profile in APEC. And instead we are trying to form our own regional grouping.

In other regions, the EU is pushing forward for deeper and wider integration. The US tries to rejuvenate or revitalize the NAFTA and tries to create the Free Trade Area of the



Americas (FTAA) by the year 2005. The FTAA if created would be a very large trading bloc that would include all countries in the North and South American continents.

The IMF and the World Bank are also dominated by the West. The American voting power in the IMF is around 20 percent and the EU voting power is 30 percent. Only Japan has the role to play in the IMF management. But Japan has only 5 percent of the voting power. Other Asian countries have very limited roles in the management of the IMF. This is another reason that push East Asian countries to cooperate to try to form our own institution.

4. The Asean+3

In late 1999, during the Asean + 3 Summit in Manila, the meetings between Asean leaders with China, Japan, and South Korea, we have a very important and historic document called "The Joint Statement on East Asia Cooperation". In the Joint Statement, we have several areas of cooperation: economic cooperation, monetary and financial cooperation, political cooperation, etc. After that meeting, there is a proliferation of meetings: Asean+3 Finance Ministers meetings, Asean+3 Foreign Ministers meetings, Asean+3 Economic Ministers meetings, etc.

So far the most important area of cooperation has been the financial cooperation. In Chiang Mai in 2000, there was the Asean+3 Finance Ministers Meeting and the outcome was the Chiang Mai Initiative which is to expand the so-called Asean Swap Arrangement to include China, Japan, and Korea.

But more than that, there was an idea that Asia would try to establish the Asian Monetary Fund to supplement the IMF. This is the Japanese idea and this is a very big idea because if the AMF would be created it would be around 100 billion US dollars. If there would be a next Asian financial crisis, Asian countries would go the AMF rather than go the IMF. As we know, the IMF has very strict conditions for many countries in the region.

Other thing that would be possible is the coordination for a suitable exchange rate regime. There was a Japanese proposal that Asia should cooperate more to have a managed exchange rate system that would be a mixture of flexible and fixed exchange rate regimes. And in the future, we will try to have a common currency or Asian currency. But it will take time to materialize this idea. And in the future we will also try to have the East Asia Monetary Union. This would be something like the EU, the European Monetary Union. the Euro currency has become stronger and stronger. The US has the dollar that is also very strong. But in Asia, we have very small and weak currencies. We can not compete with other regions if we still have small and weak currencies. May be in the future we will have to cooperate more and create a common currency.

On trade, there was an idea of forming an East Asia Free Trade Area that would include Asean, China, Japan, and Korea.

5. Other Modalities

These are the important points concerning the Asean+3 cooperation. But, as we will elaborate furthermore, there are some complications because there is not only the Asean+3 format for the evolution of East Asian regional grouping but there are other proposals that are beyond the Asean+3 format.



5.1 East Asian Community

The first one is the Korean proposal that would like to create the East Asian Community and propose to organize the East Asian Summit. This is beyond the Asean+3 format. This would complicate the evolution of the Asean+3 format and the evolution of the East Asian regionalism.

5.2 Asean-China

During the Asean-China Summit Meeting in Brunei in 2001, Asean and China agreed to establish the Asean-China Free Trade Area within 10 years. This is an important development because of the combined population of Asean and China would be around 1.7 billion and the combined GDP would be around 2 trillion US dollars. China is now Asean sixth trading partner and the trade volume would be around 5 percent out of the total Asean trade. And Asean is China's fifth trading partner. Under the FTA Agreement, the areas of priority are: agriculture, information technology, human resource development, investment, and the Mekong River Subregion.

5.3 Asean-Japan

But the development that would further complicate the evolution of East Asian regionalism is the Asean-Japan relations. In early 2002, during his visit to Asean, Japanese Prime Minister Koizumi signed the FTA agreement with Singapore and he proposed the Initiative for Japan-Asean Comprehensive Economic Partnership that would be an agreement that include several areas: trade, investment, science and technology, human resource development, tourism, finance, information technology. Later on in 2003, Japan signed the FTA agreement with Asean. Japan also proposed the Initiative for Development in East Asia which would be the forum to discuss the future model for development and economic assistance for the whole region and Japan would like to include the US, Australia, New Zealand, to play a role in this Initiative.

The problem for Japanese proposal is that Japan made it very clear that Australia and New Zealand should be, among Asean+3 countries, the core members of the regional community. Japan also emphasizes the US-Japan alliance and saying that the regional community should not be exclusive and it should include South Asia, India, APEC, and ASEM as well. So may be we can see this as the Japanese attempt to include the countries outside the region into the regional grouping.

5.4 Asia Cooperation Dialogue

Beside all the above-mentioned initiatives and proposals, there is also a Thai initiative called the Asia Cooperation Dialogue which try to integrate South Asia and East Asia into a very large group.

6. Obstacles to East Asian Regionalism

So what would be the future of East Asian regionalism ?

6.1 Right now may be we have too many initiatives and proposals. This would make it too complicated , overlapping, and confusing. So may be it is about time that we sit down and try to look at the whole picture.

6.2 The future of East Asian regional cooperation would depend on our trying to solve the obstacles and problems to our cooperation.

6.3 We have a lot of economic competition among ourselves.



6.4 We have a large gap between the rich and poor countries in the region.

6.5 We also have very serious political conflicts in the region, particularly, the political competition between China and Japan. the two countries must try to resolve their rivalry and conflict. In Europe, we witnessed the conflict between Germany and France during the two World Wars. After Germany and France could get along with each other so the EU can finally be created. We still have the Korean peninsula issue and other political and security issues that would be the obstacles to regional integration.

6.6 But another very important obstacle is the American opposition to the creation of East Asian grouping. We do not think the US would be very comfortable to see Asian regional grouping because it will challenge the American hegemony in the region. It will change the global balance of power if Asia could create the real Asian bloc.

6.7 Asean still has its internal problems.

6.8 We still have the leadership question. Who will lead the Asian grouping ?

6.9 Compared to the EU, we do not have the clear external threat that will unify us. We do not have the clear political motive that will unify us. For the Europeans, in the aftermath of the second World War, they had a very clear political motive to create peace.

6.10 Last but not least, we still have different political systems, different civilizations and cultures.

All these are the obstacles that we have to solve in the future in order to create the lasting East Asian regional grouping.

7. Towards an East Asian Community

7.1 Vision

The long term vision of East Asian cooperation is to create the East Asian Community. But the task for us is how can we define what is the East Asian Community.

One approach is to define it the way we define the Asean Community: that it will be based on three pillars: East Asian Security Community, East Asian Economic Community, and East Asian Socio-cultural Community. The fundamental philosophy of this approach is that the evolution of East Asia Cooperation or Asean+3 will follow the evolution of Asean. Asean will be the core of this evolution.

Another approach is to define it in broad terms that is: the East Asian Community is the regional community with shared visions, shared challenges, common aspirations, shared destiny, shared identity, shared values, and a common vision of peace, prosperity, good governance and democracy.

7.2 Principles and Objectives

7.2.1 We should observe the principles of equality, consensus, and comfort level.

7.2.2 the process of community building should be based on the evolutionary and gradual step-by-step approach.

7.2.3 Confidence-building, mutual trust, should be developed.

7.2.4 We should search for solutions to the obstacles and problems facing East Asian cooperation (as identified in 6.1-6.10).

7.2.5 The long-term objective of East Asian cooperation is not to stop at "East Asia" but should ultimately be expanded to cover the whole "Asian" region. In this sense, we should explore the possibility of linking or merging with the Asia Cooperation Dialogue and other emerging sub-regional forums.



7.2.6 The increase of bargaining power of East Asia in international forums should be emphasized.

7.3 Areas of Cooperation

7.3.1 Guiding principles for cooperation

- East Asia cooperation should not start from scratch or from zero but it should be based on the existing cooperation (ie. from Asean cooperation)
- Cooperation should be based on the “functional” approach by starting from the easy and less sensitive areas.
- It is imperative that all 17 short-term measures identified by the East Asia Study Group (EASG) be implemented as soon as possible.
- Efforts should also be directed to implement the medium and long-term measures identified by EASG.
- Workable roadmaps, concrete timeframes, and proper funding strategies should be devised in order to implement the EASG measures.

7.3.2. East Asia Economic Community

- For the long-term goal, we could explore the possibility of establishing the East Asia Economic Community in which there is a free flow of goods, services, investment and capital. The ideas of East Asian single market, the economic union with common external policy could also be examined.
- The setting up of the East Asia Free Trade Area (EAFTA) should be on the high priority list. The building block approach could be used by consolidating the existing FTAs in the region.
- On financial cooperation, as a long-term goal, we could explore the possibility of establishing the East Asian Monetary Union, the East Asian Monetary Fund as the lender of last resort supplementary to the IMF, a common or single currency, appropriate regional exchange rate regime, and development of regional bond market.
- The East Asia Investment Area (EAIA) should be established by expanding the Asean Investment Area (AIA).
- We should implement other EASG economic cooperation measures, among others: East Asia business council, GSP, East Asia investment information network, investment by SMEs, poverty alleviation, HRD, information technology, technology transfer and joint technology development, assistance in priority areas, resource and infrastructure development for growth areas.



7.3.3 East Asia Security Community

- For the long-term goal, we could explore the possibility of setting up the East Asia Security Community taking into account the evolution of the Asean Security Community.
- The regional security community should enhance East Asia's political and security cooperation by emphasizing peaceful settlements of intra-regional disputes.
- We will explore new measures to establish the modalities for the East Asian Security Community which can include: confidence-building measures, preventive diplomacy, and conflict resolution mechanism.
- East Asia's political cooperation should also include policy coordination for common positions concerning international and regional political and security issues.
- We could also strengthen regional mechanisms for cooperation on non-traditional security issues and cooperation on human security.

7.3.4 The East Asia Socio-Cultural Community

- As a long-term goal, we could explore the possibility of establishing the East Asia Socio-Cultural Community bonding East Asia together as a community of caring societies.
- In a process of forming the East Asian Community, we will implement the EASG measures on functional cooperation covering the areas of , among others, primary healthcare, promotion of East Asian identity, conservation of cultural heritage, promotion of East Asian Studies, environment and energy cooperation.

7.4 Structure and Process of East Asia Community-Building

7.4.1 Guiding Principles

- The process of cooperation should be based on the principles of equality, consensus, and comfort level.
- The process of community building should be based on the evolutionary and gradual and step-by-step approach. However, we should not be too cautious on the speed of cooperation. For East Asia, time is not on our side. We are already lagging behind. Regional economic integration is well ahead of regional institutionalization.
- Asean should remain the driving force for the evolution of structure and process of regional community-building. But there should be continuing discussions on the modality that should avoid marginalization of Asean but at the same time give greater ownership to China, Japan, and Korea.



7.4.2 Level of Meetings

- Asean+3 Summit framework remains the vehicle to advance the process of cooperation. The evolution of East Asian Summit (EAS) should proceed in a gradual, balanced way. The EAS is a desirable objective, but it should be part of an evolutionary process that builds on the comfort level and parallel with the Asean+3 framework. In a process of finding the right modality, in the mean time, as a practical approach, we could consider adopting the dual-track approach by engaging in the process of cooperation through both the Asean+3 mechanism and at the same time support holding the EAS at the suitable time. At the First EAS, we may consider issuing “Declaration of East Asia Cooperation Concord”
- There should be the meetings of Asean+3/East Asia at the ministerial level, senior official level, and DG level.

7.4.3 Secretariat

- We need further discussion concerning the issue of the secretariat of East Asia Cooperation. The issue is that should we establish a new secretariat or using the Asean Secretariat by setting up the new Asean+3 unit within the Asean Secretariat.
- We should also consider setting up the national focal point for East Asia Cooperation. But the new national mechanism should not be minimal organization in the form of “desk” within the Asean Department. Rather it should be in the form of a new division or department on East Asia Cooperation.
- We could also explore the possibility of establishing the “East Asia Information Center”.
- We could try to establish linkages with other East Asian regional organizations both IGOs and NGOs.

7.4.4 Membership and Geographical Scope

- In terms of membership, the principle is that it should be inclusive rather than exclusive. East Asia should not just include Asean countries, China, Japan, and South Korea. In the long term, we should expand our members to cover all countries and economies in the region.
- And as mentioned earlier, The long-term objective of East Asian cooperation is not to stop at “East Asia” but should ultimately be expanded to cover the whole “Asian” region. In this sense, we should explore the possibility of linking or merging with the Asia Cooperation Dialogue and other emerging sub-regional forums.

7.4.5. Track Two and Track Three

- In order to build the East Asian Community, it is necessary to involve various actors, including government officials (Track One), academics (Track Two) and other private sectors and civil society (Track Three).
- The Network of East Asian Think-Tanks (NEAT) serves as Track Two of East Asia Cooperation. The function of NEAT is to pool together academic resources of East Asian countries to provide intellectual support for East Asia Cooperation, to study



issues and initiatives brought forward by the Asean+3 Summit, and also to study major issues concerning East Asia cooperation and explore long-term policy issues of strategic importance to the region and provide recommendations to the Asean+3 meetings. A formal linkage between NEAT and the Asean+3 process should be established.

- As for Track Three, we should try to create good governance for East Asia Cooperation by engaging various social groups such as private sector, NGOs, labor unions, the media, civil society groups, political parties, parliaments, and the people-to-people contacts. We could explore the setting up of East Asian Parliamentary Union or the Asean Inter-Parliament Organization (AIPO) +3, and the East Asian Civil Society Network.



**DEMOCRATIC GOVERNANCE AS FOUNDATION FOR EAST ASIAN
COMMUNITY BUILDING IN THE 21ST CENTURY**

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DEMOCRATIC GOVERNANCE AS FOUNDATION FOR EAST ASIAN COMMUNITY BUILDING IN THE 21ST CENTURY

Ryokichi HIRONO

Today there is a consensus in the international community that democracy is a universal value shared by all peoples and that democratic governance is essential to sustainable development, poverty reduction and human development in any country. There was, however, for a long time a belief commonly shared not only in East Asia but elsewhere in developing regions that democracy was a luxury and only a result of sustained economic and social development. In fact, many East Asian countries gave in the 1960s-80s a priority to rapid economic development and industrialisation at the cost of democratic governance, human development and environmental protection.

Under increasing pressures of economic, social and political globalisation since the end of the Cold War regime, however, there has been a rapid rise of civil society organisations in these countries making tireless efforts to bring about democratic governance, irrespective of different stages of economic and social development. In East Asia, as in other developing regions, some countries have been more successful than others in achieving a higher degree of democratic governance. A number of national studies and international conferences so far organised by UNDP and others in East Asia and elsewhere, including the First International Conference of New and Restored Democracies in Manila in 1988 and the Fifth International Conference in November 2003 in Ulaanbaatar and others organised by associations of political parties, have confirmed that democratic governance is not sustainable, first unless there is empowerment of people leading to their broad support to democratic values and sharing of democratic values among a broad segment of the population, second unless there are economic and social underpinnings to sustain and spread the benefits of democratic values, third unless there are political, legislative and administrative regimes and institutions ensuring democratic governance based on a solid partnership and solidarity among different actors of society both at the local and national levels to promote democratic values and institutions.

It is also vital to recall the findings of these studies that these external assistance policies, programmes and projects at both local and national levels have worked well when they are thoroughly owned by the people themselves in partner countries and not imposed upon them by the donor community and when both partner and donor countries ensured that the benefits of democratic governance reach the poor, disadvantaged and voiceless in the country.

To strengthen democratic values in East Asian countries and facilitate the progress of democratic governance, strategic studies have long been called for to identify 1) what factors have been responsible for both successes and failures in democratisation efforts, 2) what reform programmes, approaches and instruments have been most effective in instilling and propagating democratic values under different economic, social and political conditions and environments, and 3) what have been among the greatest barriers to adopting such successful reform programmes, approaches and instruments in broadening the support of the people to democratic values. Such strategic studies must also highlight 4) what types of external assistance have been most effective in helping developing countries in East Asia under different socio-economic and political conditions to enhance and sustain their human and institutional capacity for democratic governance and 5) how best bilateral and multilateral



donors could cooperate and coordinate their assistance policies, programmes and projects to enhance their aid impact and effectiveness.

As part of such strategic studies for promoting democratic governance, an international workshop on Asian Democratic Governance was organized at the United Nations University in Tokyo in March 2004 to bring together representatives of both civil society organisations, parliamentarians and academia to exchange, and learn lessons from, rich and diverse country experiences in East Asia in democratisation efforts by civil society organisations in partnership with other stakeholders such as business community, local and central government bodies. There was the presentation of a concept paper and a keynote speech linking the sharing of democratic values with sustainable development, poverty reduction and human development, as well as 9 East Asian country studies analysing the major issues facing civil society organisations in empowering people and strengthening their support to democratic values and institutions and 8 bilateral and multilateral donor studies analysing major approaches taken, and major issues confronted, by them in empowering people in support of democratisation in East Asian countries in partnership with other stakeholders in their own and partner countries. All these papers were extremely useful to deepen participants' understanding of major issues of democratisation in their respective countries.

This paper summarises the major points of discussion at the above workshop. The workshop was able to achieve its objective of reaching an improved understanding of some of the better policies, programmes and projects for both empowering people and strengthening their support to democratic values and institutions in East Asian countries essential to sustainable development, poverty reduction and human development, the core of the Millennium Development Goals. It also identified diverse approaches to human and institutional capacity development consistent with different stages of economic and social development and different ecological constraints and requirements in the region. It emphasized the critical importance of developing country ownership of their democratization policies, programmes and projects to be successfully implemented.

It is now essential to formulate clear strategies towards differential roles to be assigned to different stakeholders at local, national and international levels in the combined efforts, as the case may be, for building, facilitating and consolidating democratic governance. Recommendations of ways and means to strengthen capacity development and institutional reforms for democratic governance in participating East Asian countries also need to be identified. In this regard, it was found vital to sharpen a set of policy recommendations on alternative approaches to democratization that have been drawn from the individual country studies, working group discussion and debates in plenary sessions and put them into practice in tune with local traditions, cultures and histories.

It is hoped that these democratization strategies will contribute to building and cementing economic, social and political foundations for democratisation now contemplated by political parties and facilitated by international organizations. It is highly recommendable that intergovernmental meetings in East Asia at the ministerial level in the near future may develop an East Asian guideline on democratic governance to which the countries represented by the ASEAN Plus Three and Mongolia will make political commitment as a step toward the formation of a viable and sustainable East Asian Community as proposed by Japan and the ASEAN-10 in the Tokyo Declaration of the ASEAN-Japan Summit held in Tokyo on 15 and 16 December, 2003.



ROADMAP TOWARD THE EAST ASIAN COMMUNITY IN THE ERA OF GLOBALISATION AND REGIONALISATION: A Japanese Perspective (Preliminary Draft)

1. Major Factors for Strengthening Economic and Political Cooperation among the ASEAN and other East Asian countries: Installation of the ASEAN-Plus Three and an Emerging Interest in Establishing the East Asian Community

1) Internal Factors

- a) Sustained economic and social progress through market-led trade and investment expansion and government policies for reinforcing sub-regional cooperation

During the last three decades leading up to the Asian Financial Crisis of 1997-98, the region of East Asia comprising ASEAN-10, China including Taiwan, the Democratic People's Republic of Korea (North Korea), the Republic of Korea (ROK) and Japan, with the exception of North Korea since the 1971 and Japan since 1991, had in general sustained high rates of economic growth and undergone fundamental changes in terms of per capita income, economic structure, foreign trade composition and foreign capital participation. Most of these countries had also made an enormous progress in the social dimensions of development as expressed in longevity, literacy, school enrollment and poverty reduction. Political reforms of one kind or another had also followed these economic and social achievements in most countries, enabling its constituent countries with some exceptions to install multi-party system, realise in a varying degree freedom of the press, people's participation in national, local and community decision-making processes and smooth changes in political leadership.

The ASEAN decision to enlarge the ASEAN-6 consisting of Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand to the ASEAN-10, bringing into the family Cambodia, Lao PDR, Myanmar and the Socialist Republic of Vietnam. While contributing to the enlargement of the ASEAN market and the strengthening of the ASEAN's bargaining position vis-à-vis the rest of the world, the enlarged ASEAN has brought in a series of new problems for them and other East Asian countries to grapple with. They include among others the need for adjustments in intra- and extra-ASEAN trade, tariffs and investment rules, establishing mechanisms for narrowing the gap between the old ASEAN-6 and the new ASEAN-10 and reformulating ASEAN's collective positions vis-à-vis the rest of the world in the light of the new ASEAN-10 having been more or less under the socialist political regime in transition to market-oriented economies.

b) Asia Financial Crisis of 1997-98

The painful experiences of the Asian Financial Crisis of 1997-98 and the consequent negative economic growth which all of a sudden hit the ASEAN countries, South Korea, China (Taiwan and Hong Kong, SAR), with lingering effects are still felt today. It has been argued that behind the abrupt changes in the course of development of these East Asian economies in 1997 lay the increasing pressures of economic globalisation both promoted by the World Trade Organisation (WTO), successor to the General Agreement on Tariffs and Trade (GATT) in 1994 and assisted by International Monetary Fund (IMF) and the World Bank. Also, there was the inability to adjust to the relentless challenges of globalisation and speculative capital flows among these East Asian economies which had been preoccupied



with maintaining a rapid economic growth through further integration into the world economy without undergoing necessary domestic governance reforms particularly in the financial sectors.

The painful experiences of the Asian Financial Crisis of 1997-98 and its aftermath generated pressures in East Asian economies an urgent need for domestic reforms in all sectors, not just limited to the financial sector in those particularly hard hit by the Crisis. The Crisis also pressured all the East Asian economies including the new four ASEAN members in the continental Southeast Asia to strengthen both intra- and extra-ASEAN regional cooperation. Thus, over the last three and a half decades a number of institutions and arrangements were installed for promoting regional cooperation within and between the ASEAN-10 countries and other East Asian economies, such as the ASEAN Summit, ASEAN-Plus-Three (APT) Summit, ASEAN Foreign, Economic, Finance and Education Ministers' Meetings, the ASEAN Free Trade Area (AFTA), the ASEAN food and petroleum security programmes, the ASEAN Central Bank foreign exchange arrangement, ASEAN and APT currency swap arrangements and ASEAN bond market development under the Chiang Mai Initiatives and the Manila Consensus and so forth. In addition, in recent years bilateral free trade agreements have been already signed or under negotiation by individual ASEAN countries separately with APT countries such as China, Japan and South Korea as well as countries outside East Asia. Also a number of initiatives have been taken by the Old ASEAN-6 to assist the New ASEAN-4 in order to close the wide gaps and in some cases the widening ones between the old and the new members of the ASEAN.

It is sincerely hoped that East Asian economies will hopefully be able through their respective domestic reforms during the first decade or two of the 21st century to make a smooth economic, social and political transformation under the increasing pressures of globalization.

c) China's rapid economic development and political clout

Increasing challenges of China's continuing economic growth and its more "self-confident" economic cooperation policy toward the ASEAN, its Asian neighbours and even the rest of the world have not only caused a growing concern among the ASEAN and other East Asian countries with an intense competition brought by China on the regional and world markets, but also led to an emerging interest among them to form some sort of economic and political cooperation with China. As a result, ASEAN went ahead in 1997 to have an APT Summit and further in November 2002 to sign with China the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China, aiming to conclude ASEAN-China Free Trade Area by 2012. Now China went further toward closer political cooperation with ASEAN-10, by signing at the APT Summit in Bali in 2003, together with India, to formally join the ASEAN Accord on Peace and Prosperity.

d) Growing political instability in the Korean Peninsula

Emanating from the North Korean threat of nuclear programmes for mass-destructive weapons, ASEAN countries invited North Korea to participate in ARF discussion, and appealed at the meeting in Dalian in July, 2003 of the ASEAN-Europe Meeting (ASEM installed in 1996), to North Korea to cease any course of action which might threaten peace and security not only of the Korean Peninsula, but also of the whole East Asia and the rest of the world as well. The meeting also appealed to the cooperation of all governments concerned to make the Peninsula a nuclear-free zone, as proclaimed decades ago by ASEAN.



2) External Factors

a) Continuing pace of economic, social and political globalization

It was quite obvious by the end of the 1990s to many in ASEAN and East Asian countries that the pace of globalization would not slow down but be accelerated under the new round of WTO negotiations for freer trade in goods, agriculture and services, tighter protection of Intellectual Property Rights (IPRs) and financial liberalization. In order to capture the gains already made by closer economic and political relations among the member countries under further pressures of globalization from inside and outside, ASEAN felt it essential not only to cement its own existing cooperation arrangements among its members but also to extend those arrangements to the new ASEAN-4 and even beyond. The ASEAN decision to ride with the pressures of globalization rather than fight against them was considered by all concerned as the right decision, in spite of all kinds of difficulties and challenges the parties would face in building up the enlarged ASEAN and APT arrangements still bigger onto EAEC or EAC.

b) India's sustained economic growth

India's emergence as a major economic power in Asia and the Pacific area and its more "self-assertive" foreign policy toward the countries of South Asia and the ASEAN has also accelerated among the ASEAN to form some kind of cooperation arrangements with India, though India has not joined the APT arrangement to make it an APF. To deal with this new issues arising from yet another source of competition on the region and world markets more comprehensively, ASEAN countries in partnership with Australia, Canada, Japan, New Zealand and the United States, invited India to sit on an observer status in the ASEAN Post-Ministerial Conference (ASEAN-PMC) created in 1978 and also participate fully in the ASEAN Regional Forum (ARF), which was established in 1990, to maintain peace and security in Asia.

c) European Community expansion to 25

The entry of the ten new members to the EU has inevitably given an impetus to furthering economic and political cooperation among the ASEAN and its East Asian neighbours to move faster on the concept of the East Asian Economic Community, as proposed and recommended by the East Asia Study Group to the APT Summit in Phnom Penh in Cambodia last November, 2002 and EAC, too. The larger grouping in East Asia beyond ASEAN would be in a better position to deal more effectively with EU on all fronts, whether on economic negotiation on trade, investment or aid or political one.

d) Future of the North American Free Trade Area merging with Mercosur and other subregional cooperation arrangements in Latin America

It was understood that the Bush Administration would promote further expansion of its NAFTA into the rest of Latin America and the Caribbean, resulting in the formation of the Free trade Area of the Americas not in the distant future. In fact the negotiation for this purpose has been reported to begin in 2005. It was quite natural under these circumstances that ASEAN countries which had exhibited a serious concern with the possibility of ASEAN to be submerged under the APT or EAEC or EAC began to reconsider their former opposition to the larger grouping which would cover all countries in the East Asian region. The ASEAN fear has been greatly reduced as a result of a possibility and "a tacit assurance" that under the emerging arrangement of EAEC or EAC ASEAN would keep its own identity, instead of being dissolved into individual membership alone.



2. The Concept of the EAEC and EAC and its Roadmap

a) An emerging consensus for initiating discussion on the formation of EAEC and EAC

The concept of EAEC has long been proposed for action by several scholars and policy-makers who had carried a keen interest in the Pacific Community under Mr. Ohira's Administration. Policy recommendation on the concept had been every year submitted through the Asia-Pacific Study Group to the Cabinet Secretariat of the Japanese Government ever since the early 1980s. Prime Minister Mahathir of Malaysia proposed the same concept a little later. It is to be noted that under the leadership of Prime Minister Hashimoto the APT, a successor in effect to the EAEC or EAC, was brought to a reality and that under Prime Minister Koizumi the Government of Japan has formally begun its negotiation with ASEAN countries individually on the bilateral Comprehensive Economic Partnership (CEP), as already concluded and signed with Singapore, and collectively on Japan-ASEAN Comprehensive Economic Partnership (CEP) in the not distant future.

In August 2003 Prime Minister Mahathir took a strong initiative to organise first East Asia Congress in Kuala Lumpur to discuss the various economic, social and political issues in East Asian countries to accelerate the process of regional cooperation by consolidating the past policy and institutional achievements in East Asia and to draw an East Asia Summit Roadmap. Now China has taken an initiative to convene in Beijing this academic policy group in APT countries to discuss various issues that might lie ahead in the process of these negotiations on the road to establish the East Asian Community (EAC). It is sincerely hoped that these tireless efforts by Prime Minister Mahathir, General Secretary Hu, Prime Minister Koizumi as well as other Asian political leaders will become a reality not in the distant future and culminate in the inauguration of the East Asian Community that will go far beyond the narrow confine of bilateral and sub-regional trade and investment cooperation, extending into a solid institution in East Asia for regional economic, environmental, social, cultural and political cooperation which will be enormously beneficial to ASEAN-10 in promoting its intra- and extra-ASEAN cooperation as well as to others in East Asia.

As a step toward the EAC, Japan, together with ASEAN-10 and ROK, welcomes China to have already become a partner under the WTO's regime and to have taken a bold and strategic initiative to be an integral and founding member of the proposed East Asia Community. There may be an opportunity arising not in the distant future when APT will have to consider the application of India, one of the two highly competitive giant economies of Asia and now an observer at meetings of the ASEAN Post Ministerial Conference (PMC), for a membership of the extended APT (APF) and eventually EAC. The formation of EAC in the first or second decade of the 21st century is all the more befitting and encouraging in the light of the current trend toward greater regionalism around the world. It is now expected that the enlarged European Union of 25 will see another extension by 2010 to 30 member states and that an intended merger between the North American Free Trade Area (NAFTA) consisting of Canada, Mexico and United States and the South American Common Market (MERCOSUR) consisting of Argentina, Brazil, Paraguay and Uruguay and a subsequent negotiation starting in 2005 for the establishment of the Free Trade Area of Americas (FTAA) in 2010, if not earlier.



e) Roadmap toward the East Asian Community

Because of the tremendous diversity of the ASEAN-10 and the APT countries in terms of both their domestic economic, social and political structures and their external relations with each other in ASEAN and APT, the United States, EU member countries and other developed countries in the region and outside, as well as with South Asian and other developing countries, a process of negotiation for the establishment of the EAC will be a long-drawn one, unless political leaders in APT countries will make a decisive political decision on it, by setting its agenda and the time frame within which EAC will be established. The process will require the following agenda items for a series of thorough discussion and a final accord among all the APT countries, including the time frame. In this connection, it is recommended that the Japanese Council for the East Asian Community (JCEAC) which had been set up in June 2004 will be replicated in all the other possible member countries of EAC as soon as possible so that the agenda mentioned below or alternative one could be agreed upon and worked on by study groups within those respective national organizations and that the conclusions and recommendations emanating from those national study groups be discussed by counterpart organizations in those member-elect countries.

AGENDA ONE

Basic Accord One: APT Summit to transform itself into the East Asian Summit (EAS), leaving the ASEAN intact and free to decide on its internal structure including ASEAN Summit and other internal ASEAN arrangements, committing EAS to honour all the international agreements that currently bind its member countries and starting at its earliest possible time, possibly prior to 2005, to negotiate among its member countries to accord on the EAS' common policies regarding economic, environmental, social and political governance and cooperation in pursuit of peace, prosperity, environment and human rights;

Basic Accord Two: EAS to agree not to intervene in its members' respective foreign policies including their existing external relationships with the United States, EU and other PMC countries as well as with other countries, though committing all the EAS member countries to closest possible consultation among them and to take into full consideration the impact of their respective foreign policy decisions on its members;

Basic Accord Three: EAS to proceed its negotiation first with economic cooperation in the fields of monetary, trade, investment, aid and environment, and cultural cooperation involving student bodies, universities and research institutions as well as musicians, painters, sculptors, writers, performing artists and then move on to social and political cooperation;

AGENDA TWO

Supplementary Accord One: In accordance with the above three Basic Accords, EAS to agree on a set of principles governing domestic economic policies in every EAS member country:

- 1) To provide macroeconomic stability,
- 2) To provide economic and social infrastructures to maximize external economies so that people, business and all the other stakeholders can take advantage of their benefits.
- 3) To work with the private sector in promoting sectoral and national economic growth, let alone to promote deregulation and effective competition to enhance efficiency in resources allocation at the corporate, sectoral and national levels,



- 4) To provide the people and other stakeholders with an equitable and transparent access to high-quality public services to enhance their social well-being,
- 5) To narrow the widening income and wealth distribution between urban and rural areas and among different segments of the population so as to maintain social stability and strengthen the traditional social fabric,
- 6) To provide social safety-net to those adversely affected by globalisation and economic and corporate restructuring, and
- 7) To mobilize the support of people and all the other stakeholders including non-governmental organizations (NGOs) and community-based organizations (CBOs) to EAS and all its regional cooperation arrangements and institutions and eventually to EAC;

Supplementary Accord Two: EAS itself to promote regional and sub-regional cooperation with a view to:

- 1) Achieving the objectives and goals of economic and social development and environmental sustainability in each and every member country and the region as well.
- 2) Enhancing the resilience of the member countries against external shocks, whether financial, technological, health or environmental,
- 3) Continuing with some adjustments to encourage the current progress of bilateral and multilateral free trade agreements and comprehensive economic partnership agreements under negotiation between and among EAS countries, leading eventually to common trade and investment policies covering EAS countries,
- 4) Assisting the lesser developed EAS member countries through improved trading, investment and aid regimes so as to accelerate their economic growth and restructuring,
- 5) Augmenting the capacity of the member governments to bargain collectively and individually with other countries and regional/sub-regional blocs,
- 6) Strengthening regional/sub-regional cooperation institutions such as the Asian Development Bank (ADB), ASEAN Secretariat and many others to facilitate their assistance to the EAC process, and
- 7) Building regional solidarity and governance through expanded youth and other personnel exchanges among EAS countries for peace, prosperity, environment and democratic governance;

Supplementary Accord Three: EAS to promote international cooperation with a view to:

- 1) Securing the stability of international monetary system, sustaining a steady growth of international trade, investment and aid, and strengthening and improving the current international environmental conservation/protection regimes,
- 2) Promoting freer trading and investment regimes and providing lesser developed countries, whether in sub-Saharan Africa (SSA), Central Asia, or elsewhere, with an improved access to finance, technology and market available in EAS countries,
- 3) Reorienting aid flows in favour of least developed countries (LDCs) and solving global issues affecting the entire humanity, such as poverty, human rights violation, conflicts, global environment deterioration, population explosion, and HIV/AIDS, Sars and other communicative diseases, and
- 4) Reinforcing international disarmament negotiation and expanding nuclear and chemical/biological weapon free zones to many regions and sub-regions in the global community so as to reduce and eventually eliminate the nuclear and other mass destructive war threat from all over the world;



Supplementary Accord Four: EAS to commission the NEATT or any other appropriate research team(s) composed of experts coming from EAS member countries an overall and several joint studies with a view to:

- 1) Preparing for discussion at a series of EAS meetings a number of options for the Roadmap to EAC covering the overall and specific sectors, by building on the past achievements and failures for public debates at home and at the regional level,
- 2) Defining the immediate, short-term and intermediate plans of actions for realizing EAC in each of these options,
- 3) Defining in detail possible costs and benefits of each of these options to the Roadmap to EAC, and
- 4) To seize all opportunities such as APT Summit and ASEAN Summit, and their respective finance and other ministerial meetings for reaching some sort of consensus on initiating EAC.

For the above tasks, it is recommended that pan-EAS study groups be composed of Economic Policy Group dealing with macroeconomics, trade, foreign direct investment (FDI) and science and technology issues, Social Policy Group dealing with population, health, education, gender, human rights and social security issues, Environmental Policy Group to deal with local, national, regional and global environmental issues.



**“Towards an East Asian Community
The fore and back fronts principle”**

Paper presented by Cambodian delegation

Organized by
Institute of East Asian Studies
Thammasat University

Saronrim Institute of Foreign Affairs
Ministry of Foreign of Thailand

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Towards an East Asian Community

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I-Steps towards East Asia Cooperation

ASEAN has links with Europe through the Asia-Europe Meeting (ASEM) and with North and South America through the Asia-Pacific Economic Cooperation (APEC) forum. Recognising the importance of establishing the same link with Northeast Asia and the important role that East Asian countries play in the region, the heads of state and government of China, Japan and Korea were invited to the Second ASEAN Informal Summit in Kuala Lumpur in 1997. That first “ASEAN+3” summit was followed by separate “ASEAN+1” meetings with the leaders of China, Japan and Korea¹.

At the Third ASEAN Informal Summit in Manila in 1999, the ASEAN+3 process was further strengthened with the issue of a *Joint Statement on East Asia Cooperation* by the ASEAN+3 leaders. The statement reflects a commitment to strengthen cooperation and collaboration in East Asia in priority areas of shared interest and concern especially in economic, monetary and financial cooperation, social and human resources development, science and technology, culture and information and development cooperation.

The East Asia Vision Group (EAVG), created in October 1999, has formulated a vision that would inspire East Asian peoples and governments to work towards building an “East Asian Community” where collective efforts are made for peace, prosperity and progress. The East Asia Study Group (EASG), established in March 2001, has considered concrete implementation measures for East Asian cooperation.

The Network of East Asian Think-tanks (NEAT), established in September 2003, is a coordinating network for policy oriented research institutions in East Asian countries on East Asian cooperation.

¹ Cf. ASEAN-Brunei Darussalam 2001 Website.