



ASEAN AND THE FORMATION OF AN EAST ASIAN COMMUNITY

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Ladies and Gentlemen,

Thank you for inviting me today to the Japan National Press Club and to your discussion program on an East Asian Community. I congratulate Mr. Jiro Harumi, Project Director for this discussion program, and his team for the important work they are engaged in. Like you, I follow developments concerning regional integration in East Asia because this fertile topic is very important for our region and the world.

Of course I am a diplomat and therefore professionally interested in the way countries in East Asia relate with one another. But I take it that you invited me today, not because I represent a small East Asian state in the capital of the largest East Asian economy. For I do not intend to repeat to you today the official positions of my government; rather, I will share with you my personal thoughts on the many issues confronting this region.

And because the time allotted for this opening statement is brief, I cannot be overly diplomatic and beat around the bush too much. So, I will start by outlining to you four simple theses that will make up my presentation, as follows:

1. Regional economic integration should accelerate.
2. Economic integration alone will not create an East Asian Community; geopolitical interests in the region must converge.
3. East Asia Community membership is not for everyone, but partners are needed and welcome.
4. The way forward is to build institutions now.

Regional Economic Integration

Anytime regional integration in East Asia is discussed, one invariably points to the breathtaking transformation of regional economies in the last few decades and how these have grown so deeply interdependent and broadly integrated.

The ratio of intra-East Asian trade to worldwide trade, for instance, was nearly 52 percent in 2002. That figure was lower than the 62 percent of the European Union, but it tops the 46 percent of NAFTA.¹ Intraregional trade for ASEAN Plus Three increased to 55 percent in 2003. And this upward trend is bound to continue along with China's rapid economic growth and economic revival elsewhere in the region.

In fact, there are good prospects that the upward trend in intraregional trade may even accelerate. For one, if Japan were to update its investment strategy for China – now its Number 1 trading partner – with a view to securing domestic demand there and not merely to use it as an export base, and increase

¹ ASAHI (page 15) 9 December 2004

its share of direct foreign investment in China from all countries by one percentage point per year, Japanese exports there in real terms could grow by 25 percent annually and boost Japan's own economic growth by as much as an average 0.8 percent per year through the next five years.²

If we look back to some twenty years ago, the economic leapfrogging by many East Asian countries was initiated by Japan, when it began investing in Southeast Asia and China. By trading extensively with them, Japan established a flying geese pattern of development. Today, China has become a magnet for direct foreign investments, while several ASEAN countries have vastly increased manufacturing capacities and are becoming significant direct foreign investors themselves.

Thus, despite the absence of any region-wide free trade area among the ASEAN+3 countries, intra-East Asian trade figures today reveal a trade bloc in the making.³

But East Asia has now come to embrace the utility of FTAs or EPAs or CEPs as both an expression of the reality of the underlying interdependence and a tool for greater integration of the component economies.

Five years ago, FTAs were regarded in East Asia as backward policies. There was apprehension, not necessarily unfounded, that FTAs could negatively impact the multilateral trading system that made possible the rapid growth many of its economies have enjoyed. Today, our region is playing catch up to other parts of the world; a gamut of crisscrossing arrangements is in the making or already in existence among the ASEAN+3 countries.

But where should all those FTAs, EPAs and CEPs be headed? For me, the only logical direction is towards an East Asia FTA. On former South Korean President Kim Dae-Jung's suggestion, an informal committee of regional intellectuals has been working on the parameters for an East Asia Free Trade Area, which foresees the liberalization of trade within East Asia as being completed even ahead of the Bogor goal set by APEC.

At the same time that work on a pan-East Asia FTA progresses, parallel efforts on investment can be made. As proposed by the East Asia Vision Group to the ASEAN+3 leaders in 2001, we may only need to expand the Framework Agreement on ASEAN Investment Area (AIA) into an East Asian Investment Area to cover the whole East Asia region.

These efforts can converge and result in an East Asia EPA or East Asia CEP or however we want to call

² NIHON KEIZAI (page 27) 1 February 2005

³ Since 1980, ASEAN+3 economies have experienced an explosive growth in trade volume. The average export and import growth rates for ASEAN+3 during 1970-1995 are 16.08% and 15.42% respectively, higher than the world average growth rates of 12.15% and 12.06%.¹ As a result, the export and import shares of ASEAN+3 in world trade soared from 14.83% and 15.07% in 1980 to 26.72% and 24.73% in 1995. Despite the financial crisis in 1997 and the implosion of the IT bubble in 2000, ASEAN+3 economies still accounted for more than 23% of the world trade volume in 2001. Heungchong Kim, "European Economic Integration and East Asia: An East Asian Viewpoint," Korea Institute for International Economic Policy, Seoul, Korea (2004).

the resulting consolidation of all those bilateral and sub-regional arrangements on trade, investment, and cooperation in other economic areas.

The Critical Role of Financial Integration

Of the many other economic areas where significant work has been achieved and must continue, finance merits full attention. The East Asia Vision Group, in fact, has emphasized the role of finance in any regional community. It suggested greater financial integration through a staged, two-track approach, by establishing a self-help arrangement (in the form, for example, of an East Asian Monetary Fund) and by coordinating a suitable exchange rate mechanism among countries in the region.

Let me expound on this recommendation further, because of its significance.

First of all, as a response to the 1997 financial crisis, East Asia dramatically shifted from integration led by the market, to one led mainly by policy. The ASEAN+3 process, in fact, was established primarily as a vehicle for developing a strategy for dealing with the fallout of the crisis, and to help avert future similar crises.

In May 2000, the existing ASEAN Currency Swap Arrangement was thus expanded to cover all ASEAN+3 members, through the Chiang Mai Initiative or CMI. The purpose is to create a mechanism of self-protection for Asian countries under speculative attack.⁴

Although the amount of liquidity under the CMI is miniscule compared to the amounts that global financial markets can mobilize, experts nevertheless acknowledge that the whole arrangement has a strong symbolic effect.

The symbolism should not be lost on anyone, because the financial crisis made Southeast Asia and Northeast Asia realize that they do have a common history. It was demonstrated that ASEAN or South Korea was not in a position to help itself, yet APEC was too big and dispersed in membership to assist. There was also great resentment with global institutions such as the International Monetary Fund. In the end, it was Japan and China that rushed to the rescue.

The CMI, moreover, is not only the first significant move toward a more autonomous regional handling of monetary and financial affairs, because it has great implications too on East Asia's efforts to create a free trade area.

⁴ As of last year, sixteen such arrangements have been concluded, with the total amount of more than 35 billion dollars. Countries under attack can borrow from each other through short-term swaps of foreign currency reserves, usually in US dollars, and then use the funds to buy their own currency, in order to stabilize the exchange rate.

The European experience suggests a sequence in which trade cooperation far precedes monetary and financial cooperation, but a monetary union has significant multiplier effects on trade. Experts therefore point out that trade between countries that share a common currency is on average more than three times what would be predicted from a gravity model of trade.⁵

Moreover, East Asia regards the CMI as the necessary first stage towards a central body that can earmark or pool certain portion of official reserves. Although many stages will still have to be cleared to create such an institution, there are many proponents of creating an Asian Monetary Fund or AMF. Japan is leading this move, but observers say that an AMF will benefit China the most.⁶

Other than the CMI, Japan was also enthusiastic in laying the foundation for a securities market in East Asia. This is expected to help make an effective use of the region's vast pool of savings that are largely underutilized, because borrowers turn to international capital markets.⁷

Although there is no consensus about the modality and structure of an Asian bond market, the proposals include the development of local bond markets such that borrowers, both sovereign and private, are encouraged to raise long-term fund by issuing bond denominated in local currency or in a basket currency.

In turn, this basket currency, when combined with arrangements that would stabilize fluctuations of exchange rates, could lay the foundation for an East Asian currency.⁸ This is admittedly a long-range prospect, but we must be reminded that even the euro underwent three long decades before it was realized. The prospects are exciting: with sufficient political will, the world could see in one generation an East Asian Monetary Union.

⁵ Rana, Pradumna B. (2002), "Monetary and Financial Cooperation in East Asia: A Survey", Panorama, a publication of the Konrad-Adenauer-Stiftung's "Regional Program for Southeast Asia", Singapore, No.2/2002, pp.17-34. Cited by Hadi Soesastro, in "Building an East Asian Community Through Trade and Investment Integration," Center for Strategic and International Studies (CSIS) Working Paper Series, April 2003.

⁶ By helping to establish the yuan as a regional trading currency, once it floats. Michael Vatikiotis, "Heading off a Japan-China conflict," International Herald Tribune, 3 March 2005.

⁷ East Asia is known for its high savings ratio over 30% of GDP. So far, however, the East Asians are investing the bulk of their savings in the dollar or euro denominated instrument of various kinds. The money is recycled back to East Asia by American and European corporations and institutional investors in the form of direct investment and portfolio investment. Thus, even though East Asia saves a lot, it is not the master of its own savings. East Asian savings have to make the detour because of the lack of efficient and effective instruments, players, and markets. Toyoo Gyohten (President, Institute for International Monetary Affairs) "Asian Regional Integrations: Its Potential, Its Limits, and Lessons Learned from Europe." Transcript of presentation made at the Institute of International Finance (IIF) Spring Membership Meeting held in Shanghai on April 16, 2004.

⁸ The Kobe Research Project, initiated for ASEM Finance Ministers in 2001, suggested in its report in 2002 that Asian nations link their currencies initially to a basket of currencies (made up of the US dollar, the yen, and the euro), and then agree on a matrix that would allow the currencies to move within pre-determined ranges against each other similar to the "snake in the tunnel" model of Europe. An Asian Currency Unit would then serve as proxy for an Asian currency comprising all of these currencies (as did the ECU). The countries could thereafter take the route of Europe; that is, through the European Monetary system and the Exchange Rate Mechanism, the nations moved toward an eventual common currency, then toward the euro. Anthony Rowley, "Currency Conundrum," The Journal, November 2002.

Twined together, these strands -- an East Asia CEP, an East Asia Monetary Union – can bind our common region into the East Asia Economic Community.

Beyond Economic Arrangements

As the European experience has shown, expanding and deepening economic cooperation is good for peace. Experts have pointed out that commerce boosts social interdependence by promoting communication, a convergence of economic interests, and cultural ties that promote relationships of trust and respect between partners. Commerce makes peace more economically attractive, because disputes become more costly to the parties with business stakes.⁹

So why, despite the great strides achieved in economic relations between and among countries in East Asia in the past many years, is there that feeling of unease over even innocent events like soccer matches?

My guess is this: while geoeconomic interests of countries in the region are proceeding to converge, and at a rapid pace at that, geopolitical interests are caught up in a vicious time warp.

The world has long been aware of the animosities generated by Japan's history with its neighbors in Northeast Asia. But lately, the historical problem is being further confounded by such issues as territorial disputes and potential rivalries in regional – if not hegemonic – influence.¹⁰

Nationalism of the extreme kind is undeniably rearing its head once again in Northeast Asia, and is aggravating present-day political relations, particularly between Japan and China. Cooperation between them will continue to be difficult, given external factors such as the question of Taiwan and the role of the United States.

This is a worrisome situation, particularly for the smaller countries in the region. Aside from increasing business uncertainties and weakening East Asia's voice on regional and global issues, political and security disputes can threaten the existing equilibrium of power in East Asia, tilting it towards greater defense spending, for instance, if not a regional cold war.¹¹

⁹ Richard E. Baldwin, quoting largely Deustch's study, in "European Economic Integration and Implications for East Asia," Graduate Institute of International Studies, Geneva (May 2004).

¹⁰ A December 2004 survey of the Prime Minister's Office in Japan showed that the percentage of Japanese who felt friendly toward China has dropped to its lowest since the surveys were began in 1975. Alexander Young, "Waking up to China's threat," Japan Times, 4 March 2005.

¹¹ "Animosity between China and Japan has deep historical roots, but until recently the assumption was that the heat of cooperative economic activity was warding off the chill of mutual suspicion. This seems not to be the case in the wake of sharp war of words over disputed territorial claims in hydrocarbon-bearing waters between the two countries and now, more alarmingly, over the sensitive issue of Taiwan. Add to this suggestions that Washington is using the widening rift between China and Japan to bolster its security alliance with Tokyo and possibly to contain China's growing economic and military clout, and you have a

The adverse impact of an arms race will not only be on long-term economic growth per se, but also on regional efforts to alleviate poverty. Japan's ODA, while gradually decreasing, is still important for the region. ASEAN, particularly its newer members, continue to require low-interest funding for their infrastructure needs and human resources development. It would be a great loss if public resources that could raise the quality of life would be channeled to arms spending.

The worsening political relations in Northeast Asia should jolt us to a realization that growing trade and investments – while necessary – are not sufficient to propel East Asia towards a regional community.

In many ways, ASEAN itself was very much conscious of this fact, when it set out in 2003 to create not only an ASEAN Economic Community, but also a Security Community and a Socio-Political Community, by 2020.

What this involves is the synchronization, within our foreign policies and regional efforts, of geo-economic concerns with geo-political and security considerations. After all, the success of East Asia's efforts to integrate their economies depends not only on the commitment of the governments and private sectors of each country, but also on the peaceful conditions of the region.

Bridging Geoeconomic and Geopolitical Interests: The Role of ASEAN and ASEAN Norms

We are reminded of the European experience, where visionary leaders such as Monnet and Schuman looked farther beyond just the economic gains of regional economic arrangements.

If anything, there is wide agreement in East Asia that the European example will be very hard to follow. Aside from diverse cultural and religious backgrounds, the political systems in East Asia also differ from country to country. Both are probably reflections of the fact that Asia has not experienced a political unity before, unlike Europe, with its history of empires under the Romans and Charlemagne. Levels of economic development, educational and living standards, and income here are also not as closely clustered as in Europe.

Nevertheless, we recall that the European Union did not come into being in a day, through a single agreement. As observers have pointed out,¹² the EU had to pass through many significant milestones, such as the completion of the Common Market, the establishment of the European Monetary Union, the

recipe for a cold war in a region that was supposed to be charting a course for greater cooperation and integration." Michael Vatikiotis, "Heading off a Japan-China conflict," International Herald Tribune, 3 March 2005.

¹² Toyoo Gyohten (President, Institute for International Monetary Affairs) "Asian Regional Integrations: Its Potential, Its Limits, and Lessons Learned from Europe." Transcript of presentation made at the Institute of International Finance (IIF) Spring Membership Meeting held in Shanghai on April 16, 2004.

conclusion of the Growth and Stability Pact,¹³ the creation of the European Central Bank, the launching of the European single currency, the creation of the European Parliament and the European Commission then the European Constitution, and so on.

Much like a pearl, the EU was built by layers upon layers of technical arrangements, and the institutionalization of those arrangements. And there lies a major difference in the European and East Asian integration processes: while Europe was guided by or proceeded through the establishment of institutions, East Asian integration thus far, and basically only in the economic field, has been driven by market forces – the result of active cross-border investments by multinational companies, many of which were Japanese, and the subsequent expansion of intra-regional trade.

East Asia, too, can be built layer by layer; there already is a whole range of interlocking pluralistic arrangements on which to build further. But there is something important it lacks: it has no match for the political will and the visionary leadership of France and Germany, the dominant powers in the European arrangement.

In regional integration, the role of leadership cannot be overemphasized. It is, in fact, also the driving force for the integration in Americas, powered by the economic, diplomatic and military might of the United States.

East Asia's quandary is that Japan and China – the dominant powers in the region – find it difficult to assume a similar mantle of leadership that France and Germany took on in post-war Europe.¹⁴

This is where East Asia must improvise, by charting a course totally different from what the world has seen so far. Here in East Asia, it is the smaller countries that are positioned in the driver's seat. It is the reason why ASEAN+3 is not a 3+ASEAN.

ASEAN is the core of East Asia, and upon its norms and inventions – however imperfect – can the layers for East Asia be built.

Is the East Asia Summit the Way Forward?

The ASEAN+3 process is one such invention, and I was fortunate to have had first-hand knowledge of how this ASEAN improvisation had successfully spawned a patchwork of semi-formal and

¹³ The Stability and Growth Pact was a budgetary agreement designed to underpin the euro after its planned launch in 1999. It required countries to keep their annual budget deficits below 3 percent of GDP, or else risk fines. It also directed countries to take measures to eliminate their budget deficits altogether.

¹⁴ Former South Korean foreign minister Han Sung-joo, the chair of a group of academics from ASEAN+3 countries that spent three years studying regional integration, said that the absence of a formal cooperative mechanism in East Asia is partly because of "distrust from the past," referring to Japan's attempts to dominate the region. As a result, Japan and China have hesitated in taking a leadership role in regional integration, leaving the initiatives to smaller countries.

consensus-building mechanisms for East Asia.

Stitching this patchwork into the full tapestry of an East Asian community is a task for the upcoming East Asian Summit in Kuala Lumpur, where the ASEAN+3 process began in 1997.

Can that Summit do it? My short answer is “yes”. My long answer is “yes, if it is focused on the work it must accomplish and does not get waylaid so early in its expectedly long and arduous journey”.

Everyone in our region agrees that the East Asia Summit or EAS should be a rung higher than the ASEAN+3 process and its work must focus on building the East Asia Community or EAC.

But as we speak, a thorny debate rages on the terms and modalities of the summit, including on what countries will participate and in what capacity will they participate. Some opine, for instance, that if EAS were to be an important political step towards building the EAC, then the presumptive members of that community must participate in the summit from the start. Japan proposes a two-tiered approach with a “core session” for ASEAN+3 countries alone, and an “expanded session” with other regional partners, such as India, Australia, New Zealand and the USA.

I believe that EAS should directly lead to EAC, but all the presumptive members of the community need not be present at its founding. The crucible from which the present 25-member EU sprang had only six countries present. Not one of those six I believe wanted to limit the eventual European community membership to themselves alone. Moreover, in East Asia, meetings tend to be more productive if a certain comfort level exists among the participants. A high comfort level is now there among the ten Southeast Asian countries and the three Northeast Asian countries.

More importantly, I view the EAS as the first opportunity for the 13 leaders to have a forum “owned” by all the participants for having strategic discussions on issues of direct concern to East Asia, which are many. Heretofore, the three Northeast Asian countries participated in a process appended to ASEAN.

Full focus on the East Asian agenda is important. Any dilution of the agenda, such as through the inclusion of issues not organic to East Asia and which are already being discussed in other forums like APEC, ARF or the UN will not be helpful.

But there are issues that East Asia needs to discuss with its regional partners. And East Asia itself is of high importance to those partners. Thus, I propose that an early harvest from the EAS process can be the creation of an East Asia Forum.

Experience gained from ASEAN’s dialogue partnership through the Post Ministerial Conference (PMC) process can be instructive and aid the future EAS officials in devising the suitable terms and modalities for the Forum.

Regional Security

How ever the EAS participation issue pans out, there are important issues and urgent work to be done with the full participation of East Asia's regional partners. I refer to issues on regional security as well as the need for convergence of geopolitical interests I mentioned earlier.

Because ASEAN is non-threatening, the big powers have allowed it to become the hub of confidence-building activities in East Asia. Since 1994, ASEAN has provided not only Northeast Asia, but also outside powers with interests in the Asia-Pacific, a forum for discussing their political concerns and prospects for security cooperation, through the ASEAN Regional Forum or ARF.

By bringing together representatives who would not have met otherwise, or who would not have even contacted each other directly, the ARF has brought about greater transparency, exchanges of information, and a large measure of mutual understanding.

However, while security issues in the Asia Pacific have not flared up into crises, the balance of forces and interests is increasingly becoming more delicate and complex.¹⁵ At the same time, the growing involvement and participation by East Asia's major powers – China and Japan – in UN peacekeeping operations is welcome development. May be, it is time for our region to explore more formal regional security arrangements.

My proposal is for us to continue improvising and begin the transformation of the ARF into an Organization for Security and Co-operation in East Asia.

In that organization, East Asia's regional partners, particularly the United States, should participate fully and from the start. This recognizes the fact that individual countries in the region have developed and can continue developing, and East Asia itself as a presumptive organic entity can develop to its full potential, only if stability in the Western Pacific is ensured. That stability is possible only with the full

¹⁵ Prof. Wada Haruki of Tokyo University points out that in organizing regional cooperation, Northeast Asia has fallen far behind Southeast Asia, for a variety of reasons. He said: "Northeast Asia is not only culturally, but also historically and socially, a heterogeneous region, full of conflicts. Here former imperialist aggressors (Japan and Russia) and their victims (Korea and China) exist side by side. One socialist country (DPRK), several former socialist countries (Russia, Mongolia and China), and several capitalist countries (Japan, ROK, and the United States) coexist. There are three nuclear Powers (the United States, Russia, and China) and two peoples (Japanese and Koreans) who have been victimized by nuclear weapons. Northeast Asia includes two divided nations, Korea and China. East Asian, Russo-Eurasian, and Western cultural values all coexist. There are three territorial controversies: the Northern Territories problem between Japan and Russia, the Takeshima or Dokto problem between Korea and Japan, and the Senkaku or Diaoyu Islands problem between China and Japan. Because of such heterogeneous composition, various conflicts and painful memories, this region has appeared most discouraging to efforts for regional cooperation and community-building." Wada Haruki, "From a 'Common House of Northeast Asia' to a 'Greater East Asian Community,'" Social Science, Newsletter of the Institute of Social Science, University of Tokyo, Vol. 28, March 2004.

involvement and participation of the United States, as well as of other powers. After all, without the American nuclear umbrella, for instance, our region could have by now degenerated to a more perilous place with races of a more sinister sort engaging more excitable, less secure national leaderships.

Lessons from European history are helpful here. Formerly known as the Conference for Security and Co-operation in Europe or CSCE, the Organization for Security and Co-operation in Europe or OSCE began as a process, like ARF. Both operate on the basis of consensus and are totally dependent on their members from within and outside the region conforming to norms and acting upon principles they have defined and agreed to.

However, after the collapse of most Communist regimes in Eastern Europe in 1990, the CSCE signed the Charter of Paris for a New Europe, which formed the group's first permanent organs: a secretariat in Prague, a conflict-resolution center in Vienna, and an election-monitoring office in Warsaw.

Similar organs are not beyond the reach of ARF. It can evolve into a body that actively engages in preventive diplomacy and conflict resolution.

Another important lesson from the European experience is that the EU can draw important contributions not only from a young OSCE but from an active, well entrenched and even expanding military alliance, the NATO, whose Supreme Commander is not a European citizen.

East Asia has no NATO-like grouping, but our region hosts important military alliances between some of its component states and outside powers, particularly the United States. I expect these alliances to continue making important contributions to the maintenance of peace and security in a future East Asia Community.

The Philippines and the US, for instance, have had a Mutual Defense Treaty in full effect, even after the closure of US bases in 1991. But I realized in 1995, when I was Philippine Foreign Affairs Secretary, that a legal framework was needed to cover military exercises required under that treaty. The Visiting Forces Agreement between the Philippines and the US was signed in 1998 and ratified in 1999, enabling important large-scale exercises to continue.

Real progress in the region's security arena at the earliest possible opportunity is gravely important. Consider for instance situations involving oil and gas explorations in contested waters. Can anyone say for certain that accidents involving naval assets will not occur, or that if they do, all sides have command and control apparatus in place to prevent a bad situation from becoming something worse?

Energy Security

The importance of energy is such that it goes beyond economic and environmental considerations, and

into the area of strategic interests. Yet, if energy has the potential to become a source of conflict, it can also be a force for greater multilateral cooperation, as the world has seen with the European Steel and Coal Community, which employed energy as the impetus for regional integration.¹⁶

East Asia's demand for energy will dramatically increase, as the region fulfills the prediction that it would be the hub of the fastest economic growth in this century. An East Asian Energy Community, therefore, can facilitate joint exploration of oil and natural gas, create common strategic reserves, cooperate in energy conservation, and ensure the protection of sea lanes.

It is also the most important area in which Japan and China can cooperate, as their energy demands will continue to rise.¹⁷ There are plans to construct new nuclear reactors in China, which can lessen dependence on oil.¹⁸ At the same time, this has implications on the Kyoto Protocol, because the two countries can participate extensively in the carbon-emissions trading system.¹⁹ Japan may revisit the Hiranuma Initiatives and follow through.

Another forum of cooperation is the creation of an ASIATOM, or an Asia Atomic Energy Organization, which can also include Russia, North Korea, and Taiwan. Patterned after EURATOM,²⁰ it will institute a verification system based on mutual inspections by inspectors from member countries, thus complementing the global system of the Nuclear Non-Proliferation Treaty and the International Atomic Energy Agency.

It could also lead to the regionalization of national nuclear fuel cycle centers, thus reducing the economic costs of such facilities and ensuring better safeguards against nuclear proliferation.

ASIATOM could also help ensure that strict safety standards are applied to all phases of the nuclear fuel cycle. It can be tasked to deal with problems associated with management and disposal of nuclear wastes, which is one of the pressing problems in Northeast Asia.²¹ Since individual approaches to management and disposal of nuclear wastes will not allay the concerns of neighboring countries, there is a need to have a sub-regional approach to management and disposal of spent fuel and nuclear wastes.

¹⁶ The Community achieved success in both steel and coal production, but beyond this economic success, it was the executive machinery of the Community which provided the basis for a united Europe.

¹⁷ This may also have implications on tensions over islands believed to have extensive gas deposits.

¹⁸ "N-power to fire up China's energy sector?" The Strait Times Interactive, 8 March 2005.

¹⁹ This is a scheme under which companies in developing countries can win investments from developed countries for projects based on green technologies, which help to cut greenhouse gas emissions. While developed countries are major contributors to greenhouse gases, the relative costs of reducing emission levels are far higher there. The Kyoto Protocol has allowed the Clean Development Mechanism (CDM) through which developed countries can meet their commitments (they have to reduce emissions by an average of 5.2% with reference to 1990 levels during 2008-2012) by acquiring emission reduction credits from outside.

²⁰ The European Atomic Energy Community (EURATOM), incidentally, was created at the same time as the European Economic Community (EEC, often referred to as the Common Market), in 1957.

²¹ For example, the present nuclear power programs of the Republic of Korea and Taiwan have led to an accumulation of spent fuels.

Fostering Shared Destiny by Institution-Building

Ladies and gentlemen,

Building the East Asia Community is a difficult undertaking. But neither the past nor the status quo is a tenable option.

Adjustments – even those that may seem like headed for domestic political brick walls – are necessary, particularly in Northeast Asia where complicated historical issues fester. In fact, the expected difficulties are precisely another reason why we are placing much faith in a regional community, with the hope that it will put to rest the ghosts of the past, perhaps in a generation or two.

There is no painless way to do this, but the necessary political will can be summoned in time, if we link our fates in a common future. That is, if we consciously foster a shared destiny. A Japanese person, for example, will continue to think of himself as Japanese, but he can begin to act like an East Asian, fully aware that his interests are inextricably linked with those of his neighbors in the region.

Institutions are necessary for fostering shared destiny. In certain areas of regional cooperation, there already exist institutions that we can upgrade or reconfigure for East Asia. In other areas, we will need to build from the ground up.

The mechanisms and institutions I suggested in this presentation hardly exhaust the possibilities; but we can begin with them. We have to get the work going.

Thank you.