



An East Asia Community?

A Personal View

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東アジア共同体は可能か？

< 個人的見解 >

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日本記者クラブ研究会「東アジア共同体」

2005年9月14日

これは韓昇洙氏による講演の英文原稿です。

15:00 - 16:30

Wednesday, 14 September 2005

Japan National Press Club

Tokyo

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Mr. Chairman, Distinguished Members of the Japan National Press Club, Ladies and Gentlemen,

I am very pleased to be invited to this prestigious Japan National Press Club to give my view on the current discussions of an East Asia Community.

However, for the last few days, the press and media were full of stories about the result of general election. Prime Minister Koizumi landed a historical landslide for the LDP on September 11th and that news would dominate any other topics for some time.

Unfortunately, I was invited by the Japan National Press Club to specifically speak on an embryonic East Asia Community several months ago. At that time, no one expected that there would be a snap election four days before my speech here, let alone the Koizumi landslide.

Therefore, regrettably, I would have to take you, today, away from a more imminent and interesting Japanese domestic politics to an uncertain world of regional integration in East Asia.

The foreign ministers of 10 ASEAN member countries, China, Japan and Korea agreed in Laos during their ARF meeting in July to hold the East Asia Summit in Putrajaya, Malaysia in December this year with an aim to organize an East Asia Community and, at the same time, decided to invite India, Australia and New Zealand to the summit. Thus the number of countries represented would increase from the original 13 to 16 with the population of the proposed regional grouping amounting to 3 billion.

Although China, initially slow in taking up the idea, offered to host the next summit in Beijing, ASEAN countries insisted to hold the next summit in one of ASEAN countries. In the meantime, Japan called

for the wider participation of the summit including India, Australia and New Zealand in the framework in order to dilute the influence of China. Both ASEAN and Japan seemed to be reluctant to see the Chinese taking too active initiatives from the beginning. The United States which opposed the idea of EAEA (East Asia Economic Caucus) advanced by Prime Minister Mahathir of Malaysia in 1990 is taking much flexible attitude towards the new regional framework in East Asia. Colin Powell, then US Secretary of State, said in August 2004 that the US fully understood the Asian intention to prepare for a new regional framework.

Is this East Asian integration movement going to succeed? I wish it would. Personally I have long been interested in the problems of regional integration. My personal interest dates back to the 1960s.

It was soon after General Charles de Gaulle rejected Britain's application for the membership of the European Economic Community that I went to Britain for post-graduate studies. The University of York, then a center of public finance studies in Britain was beginning to conduct serious research on the fiscal consequences of European economic integration. I even wrote a doctoral thesis on the European integration, developing a theory of supra-national budget and then applying it to analyzing the economic impact of the budget of the Commission of the European Communities. This thesis was even awarded the 6th European Communities Prize in economic section in 1971.

When I joined the research team, I somehow vaguely thought that perhaps there would be something that I might learn from the European experience to emulate eventually in East Asia.

The European nations also had a long historical animosity as exhibited by the Franco-German War, the First World War and the Second World War, And yet, they were able to agree on building a new

order of cooperation and peace from the ashes of war and violent nationalistic rivalry. Where and how did this spirit of cooperation come from and pave the way for a peaceful and prosperous Europe?

Coming from the region where the war and conflict were more a norm than an aberration during the last hundred years, I was deeply mobbed to see the cooperation promoted in the form of economic integration in Europe.

Although it was too early then to even think of forming a community of nations in East Asia, I thought then that if we had in East Asia idealists like Jean Monnet and Robert Schuman and political leaders like Charles de Gaulle and Konrad Adenauer, we might just be able to overcome the historical difficulties and create a new and peaceful East Asia discarding war and rivalry once and for all, ending many centuries of confrontation and counter-productive competition.

Ladies and gentlemen,

Today, therefore, I would like to share with you some personal reflections on two major points; first, where East Asia, particularly Northeast Asia may be headed over the next two or three decades and the critical drivers that are likely to shape intra-regional dynamics and second, given these dynamics, how to conceptualize the formation of an East Asia Community.

Let me begin by delineating some of the more visible as well as invisible forces and currents that could become increasingly important in the shaping of an East Asia Community.

At the turn of the 19th Century, Northeast Asia was in the throes of cataclysmic changes fostered by the forced encounter between the Sino-centric world order that prevailed throughout much of East Asia and the Great Powers of Europe and to a lesser degree, the United States. Then rapid decline of the Qing Dynasty and the

corresponding rise to power of Imperial Japan meant that for the first time in Asian history, China's role at the epicenter of East Asia's order was being supplanted by Japan, the very first regional power to have successfully undertaken politico-socio and economic reforms patterned after the West.

This power transition not only profoundly affected domestic politics in China, Korea and Japan but it also set the stage for the Sino-Japanese war of 1894-95, the Russo-Japanese war of 1904-05 and then eventual outbreak of the Second World War. Thus from the late 19th century until the mid-20th century, sustained and enduring conflicts became the hallmarks of the regional strategic picture.

For the Chinese, the period from the opium war until the foundation of the People's Republic in 1949 has been referred to as the century of shame. For the Koreans, the loss of sovereignty and ensuing colonization under Japan, forced partition in 1945 and then the outbreak of a disastrous war in 1950 were triple scars that continue to resonate even today.

For Japan, the rise of preeminence through wars with China and Russia compelled it to reshape Asia in a way that led to the ambitious, so-called, Greater East Asian Co-Prosperity Sphere which was ultimately crushed by the allied forces during the Second World War.

Despite the still unresolved Korean question, the Taiwan Straits enigma and remaining territorial disputes, the East Asian story in the post World War II era stands in sharp contrast to the previous century of colonization, conflict and despair.

Within a span of some two generations, East Asia has risen from the shadows of war and poverty to become a key geo-political and geo-economic center. Despite the financial crisis of 1997-98 that rippled through the region and the long stagnation of Japanese

economy after the bubbles of 1980s, all of the countries affected have made very successful recoveries.

I have personally been very fortunate to witness and to participate in Korea's and by extension, the region's transformation during the last three decades.

From the scourges of poverty and the vestiges of wars, East Asia has become the one of the principal economic engines of the world economy. Notwithstanding Japan's decade-old stagnation and I am glad to note that there are repeated signs of Japan's economic recovery, the Japanese economy is still the world's second largest with unparalleled technological capabilities. China has been the fastest growing economy in the world. Korean economy has transformed itself from a marginal agricultural country to a robust high-tech, manufacturing economy within a span of just one generation.

The power of innovation, the adaptation to market economy, extensive and intensive use of labor force, the liberalization and the opening of the capital market, public sector reforms(Japan's postal sector privatization, for example) and eventual democratization and the increasing respect of human rights have all combined to create a New East Asia. Indeed, the East Asia's future will depend on how we can wisely and smoothly continue to chart the internalization of the twin forces of economic globalization and political democratization.

Looking over the horizon, however, the region confronts several challenges. Despite the significant reduction in tensions fostered by the end of the Cold War, the East Asian region faces a combination or mixes of threats. Traditional security norms still prevail as illustrated by the on-going North Korean nuclear and contending claims across the Taiwan Straits. The compressed economic development of East Asia, and most recently of China,

means that new social, political, economic and cultural tensions will surface. Thus, domestic determinants are likely to become a central driver in shaping the contours of a new East Asia.

Overall, however, I remain optimistic. If one looks at the progress that has been made since 1945, the East Asian region has shown that industrialization and democratization can be achieved through the combined synergy of visionary leadership, a dedicated workforce, and matching bureaucratic support. Nevertheless, state-driven development and performance based legitimacy no longer suffices as we have seen from key political transition in Korea, Taiwan, the Philippines and Indonesia.

Ladies and gentlemen,

Against this backdrop, I would like to express some of my personal views on how to conceptualize an East Asia Community.

We have to remember that the European integration had basically gone through two stages. The first was to prevent any future conflict among the member states and the second was to promote mutual development and harmony in the future. They postulated that without the first, the second was difficult to obtain. Thus the first was viewed as a necessary condition to fulfill the second.

The manifestation of the first was the Treaty of Paris of 1951 and that of the second, the Treaty of Rome of 1957. The Treaty of Paris was the basis of creating the European Coal and Steel Community to put the principal war materials under the common control and management of member states. The Treaty of Rome was the basis of the European economic integration which led to the common market and monetary integration, and hopefully for political integration. The Treaty of Paris was to deal with the past while the Treaty of Rome was to deal with the future.

What did we in East Asia learn from European integration? I don't think learned much, if at all.

There is no doubt that the proliferation of regional integration and grouping in one form or another owe a lot to the experience of European integration. But I am afraid that the idealism and the grand political leadership which initiated European integration. But I am afraid that the idealism and the grand political leadership which initiated European integration movement are clearly lacking in other regional integrations. The economic integration has become very much a functional exercise, rather than a political act as was the case in Europe. In many regions of the world such as Latin America or Africa, this approach may be acceptable and even a useful tool to ultimately enhance the economic welfare of the region.

But in East Asia, particularly in Northeast Asia with a long history of wars and conflicts in the background, there is still a growing rivalry in all areas of politico-economic life among some nations, particularly between two major powers, China and Japan. Two major powers seem to desperately compete for more influence with member countries, particularly ASEAN countries.

With the accelerating rivalry between major powers and in the absence of past-mending measures, the only remaining alternative to East Asia integration seems to be to go for a functional approach. The mere functional approach to regional integration in East Asia, I am afraid, will miss the original noble political idealism that initiated the European integration.

Frankly speaking, even if we were to take a very functional approach, it will take a long time before an East Asia Community becomes a free trade area, let alone a customs union or a common market. It will take even a longer time for an East Asia Community to

arrive at the lowest level of the political integration that European Union has already achieved.

Ladies and gentlemen,

However, we are living in the real world and we may have to be realistic. Whether we eventually succeed in the foundation of a sustainable East Asia Community or not, East Asia has rapidly become a very important region in the world.

Tables attached show the land mass, population, GDP, per capita GDP and trade figures. East Asia as defined by the attendance to the East Asia Summit in Putrajaya in December accounts almost half of world population. East Asia has a total population of around 3 billion accounting for almost half of world total population of 6.3 billion in 2003.

East Asia accounted for 22.3 percent of world output in 2004 as compared to 29.8 percent for EU and 32.7 percent for NAFTA. ASEAN plus 3 (China, Japan and Korea) accounted for 19 percent. The three major blocs accounted for 84.8 percent of the world total output.

In 2004, East Asia accounted for 23.1 percent of total world trade as compared to 38.5 percent for EU and 17.6 percent for NAFTA. The three major blocs accounted for 79.2 percent of the world total.

As can be seen from these figures, East Asia is on a par with NAFTA and EU in terms of total output and trade, playing an important role in the growth of world economy and international trade. If the fast growth rates were incorporated, it can even be said that East Asia will play an even bigger role in the world economy in the coming years.

The East Asia Summit has a root in the ASEAN+3 summit in

Kuala Lumpur in 1997. In commemoration of 30th anniversary of its founding, ASEAN invited China, Japan and Korea for the summit for the first time. During the 3rd ASEAN+3 summit in Manila in November 1999, the Joint Statement on East Asia Cooperation was adopted. The East Asia Vision Group (EAVG) was launched in 2001 at the suggestion of President Kim Dae-jung of Korea a year earlier and ASEAN+3 summit in Cambodia in 2002 adopted the final report of the East Asia Vision Group.

The EAVG's report, "Towards an East Asian Community: Region of Peace, Prosperity and Progress" aimed at (a) preventing conflict and promoting peace among the nations of East Asia, (b) achieving closer economic cooperation such as trade, investment, finance and development, (c) advancing human security in particular by facilitating regional efforts for environment protection and good governance, (d) bolstering common prosperity by enhancing cooperation in education and human resources development and (e) fostering the identity of an East Asian Community.

Later at the 5th ASEAN+3 Summit in Brunei on 5 November 2001, President Kim highlighted three recommendations in the EAVG Report; (1) Evolution of the ASEAN+3 Summit to an East Asia Summit, together with institutionalization of the East Asia cooperation process to create regular channels of communications and cooperation, (2) Establishment of an East Asia Forum consisting of government representatives and others from outside the government to serve as an institutional mechanism for social exchanges and regional cooperation in East Asia and (3) Establishment of an East Asian Free Trade Area(EAFTA), within an interim step of linking existing free trade areas in East Asia together.

By closely investigating into the evolution of ideas about the East Asia Community in the region, one comes to an inevitable conclusion that it is more of an association of nations looking for a

common interest. This loosely associated community is not even a free trade area, the lowest minimum of any international or regional economic integration. The East Asia Community, although the name sounds grand, may end up as nothing but an organization more similar to ASEM than to the European Union. Even if we in East Asia are determined to make it really an organization commensurate to the level of European integration, it may take many decades before that dream is realized. Even then, we will still lack the idealism and grand political leadership which made the European integration such a fine example of *mother of all communities*.

I have perhaps offered you a too critical review of the East Asia Community. This is perhaps because of my training as a professional economist having specialized in regional integration, with particular reference to European integration. Frankly speaking and ideally, I would have very much liked to see the regional integration in Northeast Asia first, as a core of East Asia Community which then can have been expanded to include other members of East Asia. I may have other opportunity to expound my view on this particular form of integration elsewhere.

However, the political scientist's assessment as well as the public response on the formation of the East Asia Community may be different from that of analytical economists. They might view the whole process as positive and path breaking. After all, East Asia Summit in Malaysia in December would be remembered as an important event that succeeded in the gathering of the heads of state in East Asia for the first time in Asia's history.

Table 1: Major Macroeconomic Indicators
of
the East Asia Community
2004

	Land area	Population (2003)	GDP	GDP per Capita	Export	Import
	thousand. k m ²	mil.	\$ bill.	\$	\$ bill.	\$ bill.
Singapore	0.65	4.4	106.8	25,192	180.8	154.6
Thiland	513	62.6	163.4	2,579	96.1	94.5
Malaysia	330	24.7	117.8	4,607	126.6	99.1
Indonesia	1,920	214.5	257.7	1,187	71.8	50.6
Philippines	300	81.5	86.4	1,040	39.3	40.2
Brunei	5.8	0.4	5.4	14,865	5.1	1.4
Vietnam	327	81.1	45.3	549	26	34.5
Laos	237	5.6	2.1	370	0.5	0.8
Myanmar	680	53.5	8.0	159	2.6	2.1
Cambodia	180	13.6	4.6	348	2.5	3.0
China	9,600	1,293	1,653.7	1,272	593.7	561.1
Japan	378	127.6	4,671.2	36,597	539.2	407.1
Korea	99	48.1	680.5	14,075	257.8	219.1
India	3,287	1,065.0	632.6	586	72.8	94.6
Australia	7,682	20.0	617.2	30,509	86.8	104.9
New Zealand	271	4.0	97.0	23,828	20.5	21.9

Note: The world's population of 2003 was estimated at 6.3 billion persons.

Sources: Materials issued by EIU and Global Insight

Table 2: GDP by Major Economic Blocs,
1996~2004

	1996 ~ 2000 Ave.		2002		2004	
	\$ bill.	%	\$ bill.	%	\$ bill.	%
ASEAN	608.3	2.00	638.1	1.95	797.5	1.95
China-Japan. Korea	5,849.7	19.20	5,798.8	71.76	7,005.4	17.09
ASEAN+3	6,458.0	21.20	6,436.9	19.72	7,802.9	19.04
India · Australia · New Zealand	874.1	2.87	967.2	2.96	1,346.8	3.29
<i>EastAsia Community</i>	7,332.1	24.07	7,404.1	22.68	9,149.7	22.33
NAFTA	9,884.6	32.45	11,869.4	36.36	13,403.2	32.71
E U	8,495.0	27.89	8,756.1	26.82	12,206.6	29.77
World	30,462.8	100.00	32,645.0	100.00	40,980.7	100.00

Source: Global Insight, 2005. World Overview: Second Quarter 2005.

Table 3: Total Trade by Major Economic Blocs,
2000~2004

Total Trade	2000		2002		2004	
	\$ bill.	%	\$ bill.	%	\$ bill.	%
ASEAN	810.1	6.22	770.2	5.90	1079.9	5.79
China-Japan. Korea	1,780.4	13.68	1,833.2	14.04	2,840.2	15.22
ASEAN+3	2,590.5	19.90	2,603.4	19.94	3,920.1	21.00
India·Australia· New Zealand	254.5	1.96	265.6	2.03	407.7	2.18
<i>EastAsia Community</i>	2,845.0	21.86	2,869.0	21.97	4,327.8	23.19
NAFTA	2,853.6	21.92	2,664.0	20.40	3,279.4	17.57
E U	4,479.7	34.42	4,624.2	35.41	7,179.7	38.00
World	13,016.3	100.00	13,057.8	100.00	18,664.0	100.00

Note: 1) 10 new member nations are included from 2004.

Source: IMF. *Direction of Trade Statistics*: Quarterly. each year