

**The Path to the East Asian Community--Transcending Diversity and Heterogeneity**  
***Enhanced North East Asian Economic Cooperation towards the***  
***Ultimate Goal of East Asian Community***

***Il SaKong***

*Chairman & CEO, Institute for Global Economics  
 Seoul, Korea*



The East Asia as a region is comprised of nations which are geographically so dispersed and, culturally/ethnically/economic development stage-wise so diverse. Nowadays, however, many Asians seem to believe that the East Asian Community building is a feasible goal. So, even the ASEAN +3 summit in 2004 officially set a goal of establishing an East Asian Community by 2013 although the “community” is not clearly defined.

No matter how the community is defined, it is an admirable goal toward building a bona fide community in the region. If the leaders of the region realizes the fact that it took more than 50 years for Europe to come to where it is today as the European Union (EU), they should be realistic about charting the course towards the ultimate goal. Above all, they should be prepared to exert necessary leadership with strong political commitments to the goal and be ready to cooperate closely with other regional leaders as European leaders have been doing throughout the last fifty years or so.

Geographically, the Northeast Asia and the Southeast Asia together make up the East Asia. The Southeast Asia, with a wider cultural and ethnical diversity as compared to the North, already established a higher sense of community in the region. The Southeast Asia has built cooperative institutional bases, e.g. the ASEAN process and AFTA, which would be instrumental in building a genuine regional community in the future. In contrast, the Northeast Asian countries, especially three major countries, i.e. China, Japan, and Korea, sharing more common cultural legacies, do not have a comparable sense of community among themselves yet.

Even without referring to the fact that these three Northeast Asian economies contribute more than 90% of GDP for the East Asia as a whole, no one can be serious about the East Asian Community building in the absence of the sense of community among these three major Northeast Asian countries. So, it is needless to say that these countries must establish a sense of community among themselves first. Unless they do, the East Asian community building will remain just as a political rhetoric. In this regard, I emphasize the importance of enhancing cooperation among the Northeast Asian countries toward the ultimate goal of East Asian Community.

It is a well-known fact that these three Northeast Asian economies have been already deeply integrated through market forces without such institutional arrangements as FTAs or monetary/financial cooperative mechanisms. Obviously, the recent acceleration of the regional economic integration is primarily due to the rapidly rising bilateral trade of Korea and Japan respectively with China. Consequently, the trilateral trade among China, Japan, and Korea has been rapidly increasing. The trilateral foreign direct investment among them have also been rising after the Asian financial crisis of 1997-98.

Given their geographic proximity and complimentary economic structures, market forces will further deepen these three economies' integration, even without any institutionalization efforts. Obviously however, a community building in the region requires institutionalized cooperative mechanisms, which would further accelerate their economic integration. So far these three Northeast Asian economies do not have any bilateral or plurilateral FTAs among themselves while the rest of the world is in the midst of rising regionalism.. The only exception is the Korea-Japan FTA negotiation which is stalled for some time now.

It should be pointed out, in this connection, that these three countries have individually signed or been negotiating a number of bilateral or plurilateral FTAs with ASEAN member countries or the ASEAN as a whole. However, it is important to appreciate the fact that even these competitive initiatives are believed to be primarily motivated by geopolitical reasons. In particular, the rivalry existing between China and Japan in establishing their place in the region is enhancing the pace of proliferating regional FTAs. Caught in the middle, Korea has been defensively reacting by initiating FTAs with ASEAN member countries and ASEAN as a whole. As such, unlike the EU, these regional initiatives lack a long-term vision and a clear road map. Consequently, these initiatives would not only negatively contribute, but in the long-run, could be harmful for building the East Asian community to the extent that these FTAs can become a regional spaghetti bowl of FTAs and can entail a hub and spoke dilemma for the region.

I, personally, would like to see China, Japan and Korea set their immediate goal of establishing a Northeast Asian FTA. To this end, they should accelerate the currently ongoing three country joint FTA study. In the meantime, for practical reasons, the stalled Japan-Korea FTA negotiation should be immediately resumed for its completion. In the process, however, both governments should not forget that the Japan-Korea FTA will have to be the core of the China-Japan-Korea FTA, which in turn could be merged with the AFTA eventually to establish the East Asian FTA.

In addition to the institutionalization of the trade and investment side of cooperation, an institutionalization of monetary and financial side cooperation would be necessary for building the eventual EU-like community in the region. In this regard, the three Northeast Asian countries should actively contribute towards strengthening the Chiang Mai Initiative (CMI), which has been initiated by the ASEAN +3 process.

I would like to see the CMI to be evolved into a full-fledged regional monetary facility by which a region-wide exchange rate regime could be installed in the intermediate-term perspective. In the mean time, the operations of the CMI should be further expanded and multilateralized. Through this facility, a closer macro-economic cooperation for securing stable exchange rates among major currencies of the region and common financial supervision and regulations in the region could be achieved. Of course, such a facility should be operated to be complimentary to other multilateral financial institutions, most importantly the IMF.

As the regional monetary facility starts to function properly, the introduction of a common currency in Asia, or an East Asian Monetary Union could become a long-term goal for the region. However, the process toward such a long-term aim should be well-sequenced with stronger political leadership commitments of these three Northeast Asian countries to the community building.

The most critical current obstacle toward closer institutionalized cooperation among China, Japan and Korea can be easily figured out by looking at the fact that China, Japan and Korea still need the ASEAN “umbrella” for their cooperation. Thanks to the ASEAN initiative, they participate together in the ASEAN +3 process and their heads of nation meet during the ASEAN +3 summit as a “side show.” It is simply because peoples of the three countries have yet to establish a strong foundation for mutual trust and respect. Although they see the necessity of closer economic cooperation among themselves, they are still uncomfortable sitting together by themselves. Therefore, it is clear that the most important immediate task for the region is to lay the foundation for a closer economic cooperation.

At this point, it is worth nothing the fact that the agricultural market opening and other tariff reduction related economic issues are blamed for the currently stalled Japan-Korea FTA negotiation. Undoubtedly, those economic issues are serious enough to complicate the negotiation process. I don't think, however, they are insurmountable to deadlock the negotiation, if there were strong commitments to a speedy conclusion of the FTA negotiation by political leaders of both countries and an amicable bilateral relation existing between two countries.

What these countries need first is to make special efforts to enhance the level of mutual trust and improve the political atmosphere for the regional cooperation. Most importantly, the region has to grow out of its negative historical legacy. Undoubtedly, all three countries have to do their parts. In this regard, they should learn lessons from the post-war European experiences of reconciliation. For the reconciliation, however, Japan is expected to take the lead. Such a Japanese leadership is for its own good as well. Japan, being the second largest economy in the world, should be able to assume an appropriate global leadership role. It will be hard for Japan to assume such a global leadership role without its immediate neighbors' trust and support.

For the purpose of trust-building for the region, it would be wise for these three countries first to engage in specific projects that would produce mutually beneficial tangible results, e.g. enhancing energy security and protecting the environment. To facilitate successful implementation of such projects, I, for

one, have been advocating the establishment of Northeast Asian Development Bank since the early 1990s. With the regional development bank, three countries together can engage in forward-looking cooperative projects which can help restore mutual trust and respect among peoples of the three nations. Together with the establishment of the Bank, I would also like to see the establishment of a financial institution which would carry out research for the maintenance of the regional financial stability and engage in training financial sector personnel, such as managers, supervisors and credit analysts. Through these regional institutions, these countries can then share valuable knowledge and know-how gained not only from their past successes but from failures as well. Obviously, all three countries could benefit from such institutional activities. In particular, however, past experiences of both Japan and Korea can be highly valuable for China not to repeat the same mistakes Japan and Korea made before. Considering the current speed of financial globalization, the recent Asian financial crisis may not be the last such crisis. Consequently, all countries in the region should make a common effort to prevent and smoothly resolve such crisis in case it arises.

Toward a deeper Northeast Asian integration through closer economic cooperation and policy coordination, the importance of establishing a foundation for mutual trust and respect should be reemphasized as the critical first step. Any policy coordination among the three countries, without mentioning the introduction of a common currency or the establishment of a common market, presupposes that countries in the region are willing to sacrifice domestic policy autonomy to some extent, and to accept “peer pressure” from their neighbors. Unless there is a strong sense of community based on mutual trust and respect, even well-intended peer pressure will be misinterpreted.

In this regard, I must say that the Joint Declaration on the Promotion of Tripartite Cooperation among the three countries made at Bali on October 7, 2003, was appropriate to recognize the importance of “people-to-people contacts, culture, education and human resources development, new media, public health and sports.” The Declaration also rightly recognized the necessity of “starting with easier projects and gradually expanding the scope and depth of cooperation.”

I welcome the Joint Declaration as a sign of leadership commitment toward closer regional cooperation, especially since the heads of the three countries made the decision to set up a “three-party committee to study, plan, coordinate and monitor the cooperation activities.” I would like to see the committee eventually develop into a secretariat for the three countries’ cooperation and policy coordination in the near future.

The European countries started their community building endeavor with a clear long-term vision and dedicated leadership, but it still took more than half a century to establish the EU status of today. The East Asian region does not have such a vision and appropriate leadership at the moment. Furthermore, the Northeast Asian region is far behind the Southeast Asian region in its institutionalized cooperative efforts. Therefore, it is critical for the three Northeast Asian countries first to engage in Northeast Asian economic cooperation endeavors through institutionalization efforts so as to work with the ASEAN toward achieving the eventual goal of an East Asian Community.

Most urgently, in this connection, as former Japanese Prime Minister Nakasone advocates, the heads of the three nations should have regular summit meetings rotationally hosted. In addition, I would like to see their counterpart ministers from the three countries should meet frequently through casual working visits to get to know each other and to better understand each other's major policy issues and priorities.

There is no doubt that the three most dynamic economies in the world, with their global economic weights, would gain so much from institutionalized economic cooperation and policy coordination among themselves. Peoples of these three nations already seem to see the benefit of closer economic cooperation among themselves and with the ASEAN through the ASEAN +3 process. It is, therefore, critical for leaders of China, Japan, and Korea together to engage in a common effort to have their people grow out of negative historical legacies rather than to take advantage of them for their domestic political purposes. The enhanced sense of community in the Northeast Asia will certainly facilitate the East Asian Community building.

**Dr. Il SaKong** is Chairman and Chief Executive Officer of the Institute for Global Economics, a private nonprofit research institute based in Seoul. Dr. SaKong served in the government of the Republic of Korea as Minister of Finance (1987-88), Senior Secretary to the President for Economic Affairs (1983-87), Senior Counselor to the Minister of Economic Planning Board (1982), Ambassador for International Economy and Trade (2000-02), and Senior Member of the Council of National Economic Affairs for the President (2003-04). Before joining the Korean government, Dr. SaKong taught economics at New York University, was Research Director/Vice-President at the Korea Development Institute (KDI, 1973-1982), and was President of the Korea Institute for Industrial Economics and Trade (KIET, 1983). Dr. SaKong also was Special Consultant to the International Monetary Fund (1989-98), Chair of the ASEM Vision Group, and Chair of the Emerging Markets Eminent Persons Group (EMEPG) for reforming international financial architecture. Dr. SaKong graduated from Seoul National University and received his M.B.A. and Ph.D. from the University of California at Los Angeles.

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**Japan Center for Economic Research (JCER)**

Nikkei Kayabacho Bldg. 2-6-1 Nihombashi Kayabacho, Chuo-ku, Tokyo 103-0025, Japan

Phone:81-3-3639-2810 / FAX:81-3-3639-2839 / E-mail:jcernet@jcer.or.jp