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**'The Future of East Asia, as
seen by a Japanese Diplomat'**

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When I agreed to talk today, I chose the title of "The Future of East Asia" without giving much thought neither to the content nor to the audience. My assumption was that I would be talking to undergraduates interested in modern Japan. I was not ready for such an imposing audience like today. To make the matter worse I did not then have a clear idea of an outline of my talk. When I started preparing the texts, the very first question that came to my mind was what is East Asia? I thought that the title "The Future of East Asia" would be broad enough to give me enough leeway for choosing issues I want to share with you today as I proceed with the preparation. But I was too optimistic.

So first thing I did was to look up reference books including Britannica and found that there is no geographical definition of East Asia. Britannica gives China, Taiwan, Japan and Korea as a cultural entity of East Asia.

A Japanese encyclopaedia also defines East Asia as a cultural entity and includes China, Korea, Japan, Ryukyu, Taiwan and Vietnam. You have to look for another Japanese encyclopaedia to find the description, familiar to us, of East Asia in a contemporary political context which includes countries of Southeast Asia, in addition to Japan, Korea and China.

This simple exercise would show you the complexities of even the definition and concept of East Asia. For the sake of convenience sacrificing some academic accuracy, I will use in this lecture the definition, familiar to us, of East Asia as including countries of Southeast Asia plus China, Japan and Korea. This is simply because such definition would cover most countries I want to talk about.

As we proceed to discussing the coming about of the East Asia Summit later on, we will be confronted with the same issue, as it had to be decided whether or not to include India, Australia and New Zealand. We can talk about this when we discuss the East Asia Summit meeting.

Today I will do my best to shed some light on what is really happening in this region and try to give you a little bit more accurate picture of an emerging regional integration. In my view if you try to paint a whole picture of the region focussing only on one or two big powers, then you will be running the risk of an oversimplification under the shadow of emerging giants.

The Future of East Asia as seen by a Japanese Diplomat

1. History of regional cooperation

The history of European integration is a well-known story to you. It started with the ECSC in 1952 with original 6 member countries. In its long process the year 1967 stands out as a landmark. In that year the European community was established as a merger of ECSC, EEC and Euratom.

Do you have any idea what was happening then in Southeast Asia? Even if you do not, you can not be blamed for your ignorance. Even many Japanese do not know. But one very important political decision was taken in 1967 in Southeast Asia. In Bangkok foreign ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand sat down together and signed a document. It became known as the ASEAN declaration. It declared the establishment of an Association for Regional Cooperation among the countries of Southeast Asia to be known as ASEAN.

40 Years ago Asia was rife with disputes among its newly independent countries and regions. The war in Indochina is a glaring example. In addition Indonesia was having a tense relationship with Malaysia to name a few.

It was while Thailand was brokering reconciliation among Indonesia, the Philippines and Malaysia over certain disputes that it dawned on four countries that the moment for regional cooperation had come. Against the backdrop of conflict in Indochina, the Founding Fathers had the foresight of building a community of and for all Southeast Asian states. The two-page Bangkok declaration not only contains the rationale for the establishment of ASEAN and its specific objectives, it represents the organization's modus operandi of building the community without concluding a comprehensive agreement like in Europe, but in small steps through voluntary and informal arrangements towards more binding and institutionalized agreements in the region. Over the years, ASEAN has progressively entered into several formal and legally binding instruments, such as the 1996 Treaty of Amity and Cooperation in Southeast Asia. But ASEAN's inclusive outlook has paved the way for a mode of community-building process not only in Southeast Asia, but also in the broader Asia Pacific region where several other inter-governmental organizations now co-exist.

The year of 1999 will be remembered as a landmark when the vision of the founders of ASEAN to build an association of all Southeast Asian countries was fully realized. The accession of Cambodia to ASEAN on April 30, 1999 in Hanoi completed the association's efforts towards regional cohesion, 32 years after the original 5 got together in 1967.

But the situation in the region was so grim in ASEAN's early years that the international media initially compared the region even to the Balkans. Foreign Minister S. Jayakumar of Singapore recalls that the Western press in those years compared the countries of the region as forming a row of dominos, which were about to fall on one another.

In the 1980s when some in Europe pointed to the necessity for a framework of cooperation in the region and when the course of reform and open-door policy of China was clearly and firmly set in motion, an argument for just a loose regionalism was met with scepticism. The argument was that unlike in Europe, Asia is so diverse in culture and religion and vastly different in levels of economic development. But then an economic integration was already changing the landscape of the region, overtaking such a long and inconclusive political debate.

2. The dynamics of de-facto economic integration

The Plaza Accord of 1985 which appreciated the Japanese Yen so drastically and unexpectedly caused the massive outflow of foreign direct investment (FDI) from Japan to East Asia. The Newly Industrialized Economies (NIEs): Hong Kong, Taiwan, Singapore and Korea followed suit. Parallel to this development, the volume of intraregional trade sky-rocketed. Many plants were moved to countries of East Asia, where the cost of labour was very competitive. They were chosen for establishing assembly-type manufacturing plants to make best use of cheap labour and other reasonably priced inputs for production, while core-parts were imported from the countries of original capital. The finished products were then exported mainly to North America and the EU. In some cases, plants were built to manufacture parts, which were exported back to Japan for final assembly into products to be shipped for consumers in NAFTA and EU. Intraregional trade, which stood at 33.9% for East Asian nation's exports and 34.8% of their imports in 1980, had jumped to 50.5% and 59.7% respectively by 2003. This is on a par with the equivalent figures of other economic regions. In the EU 61.4% of export and 63.5% of import are intraregional trade, while figures for NAFTA are 55.4% for export and 39.9% for imports.

In the face of relentless competition on a global scale, many Japanese manufacturers have changed their production patterns to remain competitive in the global market. Let me give you a few examples.

3. NIEs, Japan-ASEAN-China, APEC and the birth of initiatives for regional cooperation

The Depot Center of Toyota in Singapore receives parts manufactured in as many as 7 Asian countries. They range from chassis made in Indonesia, transmissions made in The Philippines, steering wheels made in Malaysia. Then the Center dispatches these parts to other plants of Toyota in 11 countries, mainly in Asia but scattered all over the world.

This example shows the growing role of Asian countries as suppliers of various parts. This was made possible not only because of competitive labour cost. Such an increase in the interflow of goods was facilitated by an intensified network of FTA agreements among Asian countries, which enabled the wall of tariffs to fall considerably.

Another example. In case of printers made by Canon which produces various versions of printers, sophisticated models are produced in Thailand, while low-priced models are produced in Vietnam, where labour cost is low, with metal mold imported from China and core parts supplied from Japan. As a result interdependency among Japan, ASEAN main 5 (Thailand, the Philippines, Indonesia, Malaysia, and Singapore) and China is for everyone to see.

In 1999 trade flows were as below.

(Billion US dollars)

	Japan	
	33.7 - 43.1	43.3 - 53.3
China	12.6	ASEAN
	14.4	

In 2004 all three way flows increased dramatically.

	Japan	
	94.1 - 94.4	71.8 - 61.5
China	41.3	ASEAN
	59.9	

This shows that that the Plaza accord, the coming to the scene of NIEs, and the open door policy of China all helped the region of East Asia become integrated more closely. As we have seen, the Plaza accord pushed Japan and NIEs to invest heavily in ASEAN countries and China. The pattern of trade and its composition changed.

So ASEAN became more integrated in terms of trade in the process of increasing triangular interdependence among Japan-China-ASEAN, making East Asia as a whole more cohesive in trade and investment. Against this background various ideas and initiatives were voiced in the 1990s for frameworks of regional economic integration. One example of these developments was the idea of an East Asian Economic Group proposed by Malaysian Prime Minister Mahathir in 1990. An important fact to remember it that this idea of forming an East Asia group was born against the background of high economic growth in the ASEAN countries. The ASEAN countries enjoyed a high annual economic growth of about 7.7% in the first half of 1990s. Each country accomplished remarkable economic growth according to its respective level of economic development. This was partly thanks to the huge inflow of FDI, particularly from Japan. This pattern of development among ASEAN countries can be described as a flying formation of wild geese with Japan at the head providing investment, followed by NIEs and ASEAN countries.

Another was an idea promoted by Prime Minister Hawke of Australia which eventually crystallized into APEC. Japan was also very much involved in the coming about of this organization. A distinct feature of APEC is that it is the only organization encompassing such a vast region, including the countries of ASEAN, China, South Korea, Japan, USA, Canada, Mexico, Peru, Chile, Russia, Australia and New Zealand. Taiwan and Hong Kong are members in their own right. An oceanic group is constituted by Australia and New Zealand, two large regional powers. The size of the GDP of Australia is roughly on par with that of India, which shows the weight it has in the region. The total size of the GDP of the ASEAN countries combined is about 1/3 of that of China and little over that of the ROK. Japan's GDP is yet about 3 times as big as that of China. So we have several groupings of states in East Asia finding themselves in different stages of economic development, but their interdependence is deepening.

4. Open regionalism

This integration process does not limit itself to the region of East Asia. It has started to involve NAFTA and to some extent the EU. The appearance of NIEs as well as reform and the open door policy of China activated the trade between North America and East Asia. This interlink was strongly visible already in mid-1990s. For example in 1995 the volume of trade between NAFTA and the EU was 25 billion dollars, while the corresponding figure between NAFTA and East Asia was 47 billion dollars. So the NAFTA trade relationship with East Asia was already stronger than that with the EU.

In the same token, 1995 saw Australia's intraregional trade within APEC constituting 72.4%, while the equivalent figure for New Zealand was 70.9%. This shows how closely these two oceanic countries have come to be economically integrated already in 1995 in the East Asia and APEC regions. Here you can see some rationale in the eyes of Australia for the formation of APEC. But here again APEC is not an organization created on the basis of a legally binding and comprehensive agreement like the EU but it is based entirely on voluntary participation like ASEAN. Here APEC and ASEAN share the same concept and approach. The key word is "open regionalism".

East Asia and India

India is forging a closer relationship with East Asia. The share of India's trade with East Asia is about 25% of its overall trade. With the booming East Asia economy, it is beginning to develop a trade pattern with East Asia, where it is trying to find a best-mix of division of products with East Asia. From this we can safely assume that for India the relative importance of East Asia is on the rise and possible conclusion of an FTA between India and ASEAN would play a very significant role for the further integration of the Indian economy into East Asia.

One can see from the brief history of regional integration in East Asia that the integration process is very different from that of Europe. In East Asia the process seems to have started and moved ahead on its own. It originated primarily with the changing trade and investment patterns in the region. These changing patterns overtook the institutional framework. The market was moving ahead on its own force while the governments in the region were busy catching up with a new framework of production and trade. However they did their best to accommodate these changes. In other words it had been market forces that promoted and deepened integration in East Asia. But this was to change after the 1997 and 1998 Asian financial crisis.

5. The crisis of 1997 and the birth of ASEAN+3

All was well in East Asia until it was abruptly hit by the 1997 financial and economic crisis. The crisis left virtually no country of the region untouched with its grave economic as well as political consequences. Against such background the first ASEAN+3 (China, Japan and Korea) Summit was held in 1997 on the occasion of the ASEAN Summit meeting to commemorate the 30th anniversary of ASEAN. The meeting was given additional significance since the leaders were meeting in the wake of the financial and economic crisis which gripped ASEAN countries in the summer of 1997. The crisis must have provided them with enough issues to discuss. In 1998 most of ASEAN countries experienced negative growth. Figures were -9.4% for Thailand, -13.2% for Indonesia and -0.9 % for Singapore to name a few. This led to the realization among East Asian states of a need for closer regional cooperation which would equip the region with a system to cope with a similar crisis in the future.

During the following ASEAN Summit held at Hanoi in 1998, the leaders agreed to make this ASEAN+3 summit a recurring annual event. As a result it became a practice to hold ASEAN+3 Summit meeting on the heels of annual ASEAN Summit meeting.

The crisis for East Asia was indeed a serious one. Therefore, although Japan itself was in the middle of its economic recession, during these crisis years the Japanese government took a series of initiatives to help the region overcome the

crisis and strengthen its cohesiveness. It included the Asian Monetary Fund proposal of 1997, the New Miyazawa Initiative of 1998 to channel funds to countries under the crisis and the Cheng Mai Initiative of 2000, a regional currency-swap arrangement to prevent future repetition of such crises.

To give you an idea of the magnitude of assistance provided through the New Miyazawa Initiative, Japan provided 8.36 billion US dollars to the Republic of Korea. The corresponding figures for other countries were as follows:

For Malaysia 4.35 billion US dollars
For Indonesia 2.93 billion US dollars
For Thailand 2.87 billion US dollars
For The Philippines 2.5 billion US dollars

It was not only the Japanese government but also Japanese business which extended a helping hand to the crisis-stricken region. While many foreign companies withdrew from Southeast Asia after the crisis, most Japanese companies continued their operation in spite of the deficit they had to incur in the short term. This can be most eloquently verified by the rising membership of Japanese Chamber of Commerce in ASEAN countries.¹

Thanks to such assistance ASEAN countries came back as early as in 1999, only one year after the crisis, on the track of positive economic growth and now enjoying high percentage growths in the region. Most ASEAN countries are now achieving growths closer to double digit figures.

6. Deepening cooperation in the area of finance and currency

As we have seen, the crisis of 1997 reminded the countries of East Asia of the need for closer cooperation in the area of finance. The Japanese proposal for establishment of an Asian Monetary Fund (AMF) had to be shelved in the face of strong US opposition. But, to prevent a similar crisis in the future, the countries of East Asia did agree in 2000 on a currency swap arrangement (Cheng Mai Initiative).

To move further on, responding to a proposal by Japan for eventual Asian currency, the Finance Ministers of ASEAN+3 (China, Japan and South Korea) agreed in May of this year to study the feasibility of an Asian currency unit. This move is parallel to the European experience of first using European currency unit (ECU) before the actual introduction of the Euro.

According to the Financial Times of August 30, 2006, China was originally suspicious of the proposal for an ACU, because it would be dominated by the yen. But apparently China's economic and trade growth swept away many of such concerns.

Also, at the May 2006 meeting of the Finance Ministers of ASEAN+3, the Ministers agreed to multilateralize the initiative of CMI. This implies that the Finance Ministers have started to cooperate more closely regarding the issue of the Asian Monetary Fund (AMF).

¹ The total number of Japanese business corporations registered in ASEAN countries in 1997 was 3744. This rose to 3770 in 98 and 3862 in 1999.

7. How Japan contributed to community building in East Asia

As noted earlier, the problem of vastly different levels of economic development poses a serious constraint for regional integration in East Asia. The EU had and still has a similar problem.

In the case of the EU, the structural fund plays a very important role to narrow the gap between developed and underdeveloped countries and regions of the EU. In East Asia Japanese official development assistance (ODA), in my view, has played a similar role. This can be demonstrated by a comparison in figures.

According to the White Paper of 2005 by the Japanese Ministry of Economic and Industry, Japanese ODA contributed as its share the following percentages to the overall amount of fixed capital formation for each country of East Asia.

	1998	2002
China	0.33%	0.16%
Indonesia	3.42%	1.54%
Malaysia	0.91%	0.25%
The Philippines	2.18%	2.12%
Thailand	2.24%	0.77%
Vietnam	5.31%	3.56%

For Cambodia the figures for 1998 and 2002 are 20.94% and 10.86% respectively.

The White Paper gives corresponding figures for the EU structural fund regarding Greece, Ireland, Portugal and Spain. For the period between 2000 through 2006 the figures are as follows:

	2000-2006
Greece	12.3%
Ireland	2.6%
Portugal	11.4%
Spain	5.5%

The comparison with the figures for East Asia will provide some food for thought concerning the significant contribution of Japanese ODA to the economic upsurge of the region.

Of course as we already saw, the important role played by foreign direct investment (FDI) from Japan as well as from other countries in economic development can also not be overemphasized. Japanese FDI to ASEAN from 1995-2003 amounted to about 28 billion dollars. China for example has also contributed to the high growth of the region, especially in recent years. China fear has been replaced by China fever in the eyes of ASEAN countries. However Japanese FDI to the ASEAN region was still 44 times larger than that of China in the period 1995-2003. So both ODA and FDI provided a large impetus to the economies in the region.

In the 1950s the GDP per capita in Southeast Asia was no higher than that of South-Saharan Africa. During the '90s, despite the Asian currency and economic crisis, Southeast Asia achieved a remarkable increase in GDP per capita. Moreover during 90-2001, the percentage of the total population living on less than one dollar per day, decreased from 19.6% to 10.2%.

8. Patterns of trade among three regional centres: North America, the EU and East Asia

A triangular trade structure among East Asia, North America and the EU has emerged. As a result of regional economic and trade integration, a general pattern can be distinguished where Japan and NIEs (Hong Kong, Taiwan, Korea, Singapore) export their parts and processed products to China and ASEAN countries, which assemble these parts and produce final products. These are exported to final consumers in North America and the EU. In other cases these countries export the products they produced back to Japan for final assembly.

In cases of Japanese investment in China, Japanese manufacturers build a plant in China to have parts produced with low level technologies which are no longer available in Japan. They then import them back to Japan for final assembly through very sophisticated production management processes into finished products targeting the consumers of North America and the EU. This means that Japanese manufacturers are now heavily dependent on ASEAN and China in their procurement of parts while finished products go to North America and EU.

Recent data from Eurostat highlight the rapid growth in Chinese imports in the Eurozone. In the first five months of the year eurozone imports from China have overtaken imports from the US. While China is the no. 1 trade partner for the US, the deepening trade relationship of China and the EU is also promoting this trend for interregional integration.

Either way Japan is connecting the markets of East Asia, North America and the EU. Regional integration has been raised to a global level.

9. Deeper integration or just free trade

It may be observed, that people tend to be carried away by the size of FDI to China. FDI to ASEAN countries however is also on the increase. 2004 Japanese FDI to ASEAN stood at 4.6 billion US dollars while the equivalent figure to China was 3.4 billion US dollars. Japan is investing more into ASEAN than into China. This means that the increasing share of China in Japanese FDI did not come at the expense of ASEAN. For example the total inflow of FDI to Indonesia in 2005 amounted to 6 billion US dollars, the second highest in Southeast Asia. According to Foreign Minister Wirajuda in his speech at the Clingendael Institute this summer, investors are no longer going automatically to China. Five years ago 87.5% of FDI to Asia went to China. Now in 2005 inflow of FDI to Southeast Asia grew by an amazing 48%. So the ASEAN economies are back and full of energy.

While stupendous growth of the Chinese economy has helped ASEAN countries in their high growths, China's eye-catching success can still snatch potential investors away from ASEAN countries, if they are not successful enough in making their economies even more attractive to foreign investors. Competition to attract FDI vis-à-vis China is becoming more actual a challenge for ASEAN countries.

In this context, construction of the East Asia Community and further integration of ASEAN are very important issues. In terms of both economy and security, the deeper ASEAN is integrated, the better it is for Japan and East Asia as a whole.

Japan and ASEAN are relevant and indispensable partners for such community building. The main role of the ASEAN countries should be to coordinate regional cooperation, including balancing the big powers in the region, i.e. Japan, China and India. Japan should on its part ensure the continued engagement of the US as the anchor for regional security and stability in this whole process. From these observations it is clear that close Japan-ASEAN cooperation should be one of

the main pillars for the East Asia Community building process which should be outward-oriented and inclusive.

ASEAN's original target as agreed in 1992 was to integrate the economies of the member countries into one single market and production base, to allow the free flow of goods, services and investment by the year 2020. In the current economic circumstances however, the Economic Ministers' Meeting of ASEAN on August 24, 2006 agreed to accelerate this process and to create a free trade zone by the year 2015 already. As Ong Keng Yong, ASEAN Secretary-General advocated recently, the speeding up of regional integration assumes a renewed urgency as ASEAN struggles to remain in control of economic integration process in East Asia.

There is also the issue of membership of the East Asia Community. Views on this issue diverge. China and Korea are pushing ahead with the ASEAN+3 formula while the Japanese Minister for Economy and Trade called for a massive pan-Asian free trade area, involving ASEAN, Australia, China, South Korea, India, Japan and New Zealand. He even offered 100 million US dollars to finance a study project for the ultimate goal of creating an Asian version of the OECD in the area. The difference between Japan on the one hand and China, Korea on the other originates from a difference in concept regarding the character of a future East Asia Community. Japan would like to see deeper integration among like-minded countries rather than just the creation of a free trade area. We will come back to this issue later.

9. Dynamics of East Asia and implications for Japan

Regional economic integration is taking place on three levels. First among ASEAN countries, then among the triangular region of Japan, China, and ASEAN. And then finally on a global scale among East Asia, North America and the EU. Many economists predict that among among these three regions East Asia will continue to be the most dynamic. The World Bank outlook gives East Asia and the Pacific region the prospect of highest growth between the years 2003-2015 with an average of little over 6%. Another forecast by the Japanese Ministry of Economic Affairs and Industry tells us that the share of East Asia in world GDP will reach 14% in 2030, up from 8% in 2001. This will be made possible on the condition that there exists in the region comparatively open and competitive markets, adequate investment, an appropriate level of education, good fiscal discipline, comparatively well-functioning financial market and high population growth. In order to remain dynamic, it is important for the states of East Asia to share the same code of conduct at least in business activities.

In establishing the "rule of law" as a basic norm for the region, the role of FTA's and the WTO is important. Japan wants the market economy to prevail in the region. Therefore we actively seek regional and bilateral agreements that promote a freer trans-border flow of goods, capitals, services and even people. Furthermore we want such agreements to cover wider areas of cooperation, including policy promotion and business environment improvement. That is why we press for economic partnership agreements (EPA) instead of just free trade agreements (FTA). Japan has so far concluded EPA's with Singapore, Malaysia and Mexico. The EPA with the Philippines was signed on Sept 9th in Helsinki during ASEM 6 meeting. It is the first EPA which includes inflow of qualified medical staff to Japan from the Philippines. We hope to finalize an EPA with Thailand soon and we are currently engaged in negotiations with the ROK, Indonesia and ASEAN. Japan is seeking to establish a network of EPA's with the countries of ASEAN, whereas China concluded an FTA with ASEAN. Japan is targeting a higher and deeper regional

integration. EPA's aim not only for trade liberalization but also for harmonization of different economic systems among countries. In other words Japan's goal is to create a more cohesive, common market, including for example a common system for the protection of intellectual property. Such an approach of integration requires a certain shared understanding on systems of administering national economies including the issue of governance.

In this context, I think we should join efforts with Australia and New Zealand as well as India in building the East Asia Community, as these countries are all market economies like Japan. As we discussed, the economies of Australia and New Zealand are closely integrated with East Asia. In addition India is strengthening its economic relations with East Asia.

Already at this moment there is a set of very actual issues which require serious and coordinated responses. Prevention of piracy, protection of intellectual property are just a few examples. There are more mid-to-long-term challenges. The aging society is one of them.

Japan can no longer hope for the high growth it enjoyed until the early 1990's. This is partly because the Japanese economy has become as mature as the economies of Europe but also because Japan will be entering into a rapidly ageing and population-declining period. Japan is not alone. Korea is already faced with similar problems, with its birth-rate recording the lowest level in OECD countries. China is also quickly transforming its society. China has apparently entered the phase of aging society with its population of over 65 years making up already about 8% of the whole population. This figure is going to jump in the near future. It seems young enough, compared with the Japanese figure of 20% with a forecast of this figure going up to 28% in 2020. But with the effect of one-child policy to surface soon China can not escape the same problem. So Japan in particular but also its neighbours have to integrate their economies more closely with those of East Asia, a very vibrant growth engine of the world. Through closer interaction with those economies, the Japanese economy will be able to enjoy economic benefits with the countries of East Asia. On the part of Japan, I hope it will continue to enrich the region of East Asia as a provider of high technology and examples of a mature society.

10. East Asia Summit (EAS), ASEAN+3+3

December of 2005 saw the first East Asia Summit in Kuala Lumpur, Malaysia. The very fact that the summit was organized shows the significant role the East Asia Summit (EAS) plays in the formation of an East Asia community. One point which EAS made clear is very important. The leaders of East Asia agreed to promote East Asia Community building, and to join efforts in reinforcing the realignment of the ASEAN community, while constituting an integral part of the evolving regional architecture. EAS will be an open framework for dialogue to discuss not only political and security issues but also such pressing issues like poverty reduction and closing of development gaps between the rich and the poor.

It is important that the leaders of EAS agreed to keep ASEAN in the driving seat of this process. Participation will be based on the criteria for participation established by ASEAN. This explains why it was agreed that the future EAS Summit will be organized in connection with the schedules of the ASEAN Summit meeting. Moreover EAS will be hosted and chaired by ASEAN member countries. That assumes EAS to be held back back-to-back with the ASEAN Summit. Furthermore, the modalities will be reviewed by ASEAN and all other participating countries of EAS.

11. ASEAN Regional Forum (ARF)

As the Indonesian Foreign Minister made clear in the Clingendael speech ASEAN countries are serious about transforming ASEAN into an ASEAN community resting on three pillars: an ASEAN security community, an ASEAN economic community and an ASEAN socio-cultural community. This recognition of the three pillars was shared by the ASEAN leaders at the ASEAN Summit.

In order to effectuate the first pillar, the creation of an ASEAN security community, the ASEAN countries need constructive dialogue with other partner countries. ASEAN countries themselves recognized this need for a dialogue as early as 1977 at the Second Summit meeting in Kuala Lumpur. There the ASEAN leaders met with the Prime Ministers of Australia, Japan and New Zealand. This was the first round of consultations they had as a group with leaders of non-ASEAN countries. A dialogue system has evolved since then, with post ministerial conference meetings taking place after the ASEAN ministerial meeting since 1978. This first involved the countries of Australia, Canada, EU, Japan, New Zealand and the United States. Later, in the 1990s China (1996), India (1996), The Republic of Korea (1991) and Russia (1996) joined the ASEAN dialogue system. The United Nations Development Programme (1977) is the only dialogue partner that is not a sovereign state.

With the end of the Cambodian conflict in sight through efforts and mediation of ASEAN countries, it was only natural for ASEAN countries to recognize the need for discussion of other issues, in addition to regular interaction on economic cooperation, with states and multilateral agencies outside Southeast Asia. The issue of regional security was clearly a priority.

By this time, the end of the Cold War had altered the configuration of international relations in East Asia. The new environment presented historic opportunities for the relaxation of tensions in the region through multilateral consultations, confidence building, and eventually the prevention of conflict. Thus, in 1994, ASEAN and its dialogue partners decided to create the ASEAN Regional Forum. Japan was active in this process. The ARF has become quite an important venue for security discussion in East Asia. It provides the widest participation of East Asian countries, which makes it possible to arrange various meetings of formal as well as informal nature.

As framework for securing ASEAN's objectives of regional harmony and stability, ARF adopted two main objectives: first, to foster constructive dialogue and consultation on political and security issues of common interest and concern and, second, to contribute to confidence building and preventive diplomacy in the Asia-Pacific region. This framework enables ARF participants to deal constructively with political and security issues that bear on regional peace and stability, including new issues that have emerged as a result of globalisation.

At the Twenty-seventh ASEAN Ministerial Meeting in 1994, the Foreign Ministers agreed: "ARF could become an effective consultative Asia-Pacific Forum for promoting open dialogue on political and security cooperation in the region. In this context, ASEAN should work with its ARF partners to bring about a more predictable and constructive pattern of relations in the Asia Pacific."

In July 1996 ARF adopted the following criteria for participation:

- Commitment. All new participants, as sovereign states, must subscribe to the key goals of ARF and work cooperatively to help achieve them. Before their admission, all new participants should agree to abide by the decisions

and statements already made by ARF. All ASEAN members are automatically ARF participants.

- Relevance. A state should be admitted only if it can be shown that it has an impact on the peace and security of the “geographical footprint” of key ARF activities (i.e. Northeast and Southeast Asia and Oceania).
- Gradual expansion. To ensure the effectiveness of ARF, efforts are made to control the number of participants to a manageable level.
- Consultations. All applications for participation should be submitted to the ARF chairman, who will consult all the other ARF participants and ascertain whether a consensus exists for admitting the applicant. Actual decisions on participation would be approved by the ASEAN ministers.

Although ARF is relatively new, it has become an invaluable contributor to the maintenance of harmony and stability in the Asia-Pacific region. One of the positive results of the ARF dialogue was to persuade China to publish a white paper on Defence. Thus bringing some transparency into its defence policy. It has become a regular practice for China to issue such a paper annually, which contributes to the increased understanding of defence posture in China.

Recent Issues and Concerns

The Manila Declaration of 1992, which proposed a modus vivendi in the South China Sea, represents one of the most remarkable demonstrations of political solidarity among ASEAN members on strategic issues of common concern.

On the suggestion of ASEAN, ASEAN and China have been working on a Code of Conduct to govern state behaviour in the South China Sea. As a result we have not seen any major break-out of violence in the area for some time.

As far as Northeast Asia is concerned, I do not have to remind you that this is a region with a serious security tension remaining today. North Korea maintains one million strong army with its murky nuclear programme while China has 1.6 million strong army with its defence budget increasing at double-digit for the past 17 years. The recent launch by North Korea of 7 missiles to the sea of Japan makes us wonder what they are up to. Therefore the participation for the first time of the Democratic People’s Republic of Korea in the ARF process at the seventh ASEAN Regional Forum in July 2000 was welcomed as a significant step in the rapid evolution of the situation on the Korean Peninsula and thus in the security environment of the Asia-Pacific region. North Korea’s ARF membership provides additional opportunities particularly, when 6 party talks are not in session, for arranging dialogue and exchanges between North Korea and those ARF countries with key roles in the Korean situation.

Another very recent achievement is the establishment of the center for information-sharing and cooperation on piracy. In 2001 Prime Minister Koizumi proposed at ASEAN+3 Summit to start negotiations for the conclusion of the agreement for such a center. It took 5 years, but eleven countries have now signed the agreement, which is effective as of September 4, 2006. This agreement will make it easier for participating countries to coordinate their anti-piracy activities and share information for the prevention of pirate activities.

East Asia Community (EAC)

It seems to me that the process of building EAC has been trade-driven in East Asia. I fully endorse such a characteristic. I have to stress that in East Asia, the process for integration has to be unlike in EU. It should be on a voluntary basis and through informal arrangements. This befits Asian way of doing things. But when you have to move a group of states, you have to show them a direction. With difference in systems of governance, it is not realistic to aim for a community of shared values. But we should try and should be able to build a community of shared functions. As the piracy issue demonstrates, we can jointly work to solve a set of actual problems. Such pressing issues like energy, non-proliferation of WMD, anti-terrorist activities should be on the agenda for joint work.

As we move along in our joint endeavours, we may be able to start discussing the value issue, because even to resolve practical problems we need a shared code of conduct in daily management of business, be it political conflict or intellectual property or human rights.

Globalization has brought about a situation where an increasing number of people have begun to share same values and life style regardless of differences in cultural and traditional backgrounds, particularly among those who belong to the middle class. We are eye-witnessing the emergence of middle class also in East Asia. At the same time, we are observing a growing tendency towards emphasizing religions and cultural uniqueness. This is why we need more frequent dialogue among peoples of various countries. The same is true of East Asia.