

16/08/2003

East Asia - we are one

THE idea of greater East Asian political, economic and financial integration was first mooted more than a decade ago, only to be snuffed out at birth by less than enthusiastic opponents. The recent Asian financial crisis underlined this need for regional strength and cooperation and has thrown the idea into focus again - now when there is wide acceptance of the merit of Asian solutions to Asian problems. Rising to the challenge, Malaysia has again taken up the initiative with the hosting in this country of the First East Asia Congress. It brought together delegates from the countries of ASEAN + 3 with a strong call to refer to the vision for what it is - an East Asian Grouping.

From the chairman's vantage position on stage at the recent First East Asia Conference in Kuala Lumpur, Tan Sri Dr Noordin Sopiee somberly said: 'No one in this room does not want East Asia to come together.'

The use of the double negative to drive home collective agreement could not have been more precise and more to the point. Each and everyone of the 2,000 delegates from ASEAN countries as well as the three dialogue partners of China, Japan and South Korea (making up ASEAN + 3) are unequivocal in their desire to see a coming together of all East Asian nations as a single, cohesive grouping.

Sounds familiar? You've heard it before, more than 10 years ago, when Malaysian Prime Minister Datuk Seri Dr Mahathir Mohamad called for the formation of an East Asian Economic Caucus.

Mahathir moved on from there, injecting greater regionalism into the idea. Speaking at the Asia Society Conference on 'Asia and the Changing World Order' on May 13 1993, Dr Mahathir said; 'I believe that it is now time for all of us to launch a process - on top of and over all the other important processes which are already in place - a process whose final destination is a zone of cooperative peace and prosperity stretching from Jakarta to Tokyo.

'We have a legitimate right to want our region to be a zone of sustained cooperative peace and prosperity, living in productive harmony. If this will take a hundred years, the sooner we start the better. And it is best to start in the most propitious of circumstances.

We must begin with small, pragmatic and productive steps. And we must expect our friends in other parts of the world to understand our aspirations, even as they give us the advice that we need and the help that we require.'

The reaction to that rallying call was outright opposition by the United States backed by a coterie of countries with varying degrees of equivocation. The reaction was equally negative if less vehement when three years earlier, Mahathir proposed the formation of the East Asia Economic Caucus, which subsequently had to be renamed the East Asia Economic Group to make it more palatable to some groups.

But this seed of East Asian economic and financial integration continued to remain a work in progress, a holy grail being pursued with varying degrees of earnestness in the face of outright opposition from some quarters.

And now new life has been breathed into this effort when Malaysia again took the initiative of hosting of the First East Asian Congress organised by the country's Institute of Strategic and International Studies (ISIS). The title of Mahathir's opening address was a plain and clear message: 'Building The East Asian Community: The Way Forward.'

He took the opportunity to call on leaders of East Asian nations to acknowledge the time is nigh for the formation of the grouping and to stop hiding behind the ASEAN + 3 famayade. Dr Mahathir pointed out that today,

the idea of East Asian cooperation and community building is no longer viewed with as thorough a disdain as before.

'Those who had the temerity, a decade or so ago, to suggest that the journey should begin can look back with some modest satisfaction. But I believe there is little time for the luxury of resting on laurels,' he said.

Dr Mahathir's speech set the tone for the three-day congress beginning with a discussion led by Prof Eisuke Sakakibara on the merits of the setting up of an Asian Monetary Fund (AMF). Sakakibara is more famously known as Mr Yen in his capacity as a stout defender of the Japanese foreign exchange policy in the 1990s when he was then Japan's Vice-Minister of Finance.

Mahathir remarked that in other parts of the world, conventional economic theory says trade cooperation should precede monetary cooperation. 'But conventional economic theory has been written basically by economists from countries and regions that are capital poor or impoverished.

'We in East Asia hold the world's reserves - by the trillions - which we put into the United States and Europe. These serve only to buttress their currencies and their economies. Only a small portion makes the roundtrip back to East Asia in the form of foreign direct investment, foreign equity investments and loans,' he said.

Perhaps the biggest obstacle to the vision comes from the lack of cohesiveness and lack of innovative ideas and creativity. While not suggesting that economic theory be turned upon its head, Dr Mahathir said it is time East Asians dig deep to find reserves of creativity to come up with the best and most appropriate solution to advance the idea forward.

Sakakibara is one of the biggest proponents of Asian regional cooperation and believes a strong figure like Mahathir is needed to push this idea forward. He observed that European integration in the shape of the European Union was the fruit of a Franco-German coalition. 'Asia now lacks a coordinated political will. That is where the leadership of enlightened leaders like Dr Mahathir comes in,' he said.

Sakakibara who now heads the Keio University's Global Security Research Centre said regional cooperation in Asia should proceed simultaneously in trade and direct investment, international financial cooperation and the eventual creation of the AMF.

In these enlightened times, the idea of the AMF has gained many supporters. Back to the time of post-Asian economic crisis of 1997-1998, speaking of such a body was akin to heresy.

Sakakibara pins the opposition then to the lack of consultation with China. 'Despite the support from countries like South Korea, and Malaysia, we failed to convince others including the United States to accept the idea. However, six years later, this idea is strongly supported by China,' he said.

China's entry into fold is important as this will ease efforts at promoting regional free trade and the creation of the Asian Bond Market (ABM).

What has brought about this change? Sakakibara puts it down to the shift in gravity of the global economy from the West to the East, with the emergence of China as a manufacturing and export powerhouse, the main driver. China alone forms 27% of the global gross domestic product (GDP) while India has a 15% share.

'We have seen that regionalism develops quicker than globalisation. It is crucial that Asian countries form regional cooperation in trade, investment and finance that would benefit the region as a whole,' he said. The upshot of this is that East Asia needs the setting up of regional financial institutions to support the idea of regionalism.

The discussions may have been lively and forthright but throughout the proceedings, the spectre of opposition from the United States and the less-than-enthusiastic endorsement from fellow regional members loomed

large.

Sakakibara said two major factors holding back a formation of concerted political will among Asian leaders are the relations with the US as well as the historical legacy of the region's main protagonists.

On relations with the US, Sakakibara said many Asian countries, particularly Japan and South Korea, have long-standing relations with the US in relation to the maintenance of security and economic ties. 'The US is an important ally for many Asian countries, but it is about time such a relationship is reviewed,' he said.

There is unanimous acceptance that nations in the region need to maintain friendly relations with the US but without having to be subjugated to its unilateral interpretation of world events. Although a delicate issue, Sakakibara said that such a course of action would eventually happen and that the US would eventually understand this need.

Palpable tension could also be detected among participants when the question of each nation's historical legacy came under focus in the search for greater political convergence.

There remains much discomfort in the relations between Japan with China and South Korea. The passage of time has not completely healed what has been a festering sore, not so much on a government-to-government level but more on a people-to-people scale. To this, Sakakibara said he held much hope the current generation in the three countries are less prone to bouts of nostalgic recriminations as are their ancestors.

China's pre-eminence as a regional manufacturing and exporting giant also appeared on the agenda but was accepted with resigned reality. Sakakibara holds firm the view that China must not be pressured to revalue.

'Despite its growing affluence, there is still wide income and wealth disparities which makes it quite vulnerable,' he said.

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