

ASEAN Perspectives on a Viable Route for an East Asian Community

THAM SIEW YEAN

ABSTRAK

Makalah ini menerokai kemungkinan boleh jaya APT dan APS untuk membina komuniti di Asia Timur. Pembinaan komuniti yang melangkaui sempadan geografi perlu berasaskan ciri-ciri sepunya seperti minat dan nilai sepunya selain dipandukan oleh wawasan komuniti yang dibayangkan oleh ASEAN. Kenyataan yang wujud menunjukkan rantaian pelaburan dan perdagangan adalah agak teguh dalam kalangan negara APT sementara rmasuknya Australia, India dan New Zealand tidak meningkatkan kesignifikanan rantaian-rantaian tersebut. APT telah memulakan proses kerjasama rasmi berdasarkan minat sepunya seperti stabiliti kewangan serantau dan juga isu keselamatan yang bukan berbentuk tradisi sedangkan APS masih dalam proses menerokai usaha-usaha kerjasama berasaskan minat sepunya. Nilai-nilai sepunya masih berkembang secara beransur-ansur. Berdasarkan kewujudan hubungan ekonomi, institusi, dan minat sepunya yang agak luas dalam kalangan APT, maka proses APT merupakan mekanisme yang paling sesuai untuk merealisasikan pembinaan komuniti di Asia Timur.

Kata kunci: ASEAN, ASEAN Plus Three, ASEAN Plus Six, komuniti Asia Timur

ABSTRACT

This article explores the viability of the APT and the APS for building a community in East Asia. The construction of a community that transcends geographical boundaries has to be anchored in common characteristics such as common interests and/or common values besides being guided by the community that is envisioned by ASEAN. Existing realities show investment and trade linkages are quite robust among the APT countries while the inclusion of Australia, India and New Zealand do not enhance these investment and trade links significantly. Formal cooperation efforts have been initiated in the APT process based on common interests such as financial stability in the region as well as non-traditional security issues while the APS process is still exploring areas of cooperation based on common interests. Common values are still evolving. Thus, based on the existing extensive economic linkages, institutions, and

common interests, the APT process is the most likely mechanism for making community building in East Asian a reality.

Keywords: ASEAN, ASEAN Plus Three, ASEAN Plus Six, East Asian community

INTRODUCTION

The call to establish an East Asian regional grouping has increased steadily over time. Since the proposal for an East Asian Economic Grouping (EAEG) by Mahatir Mohamed in 1990, the East Asian vision has resurfaced in the form of the ASEAN Plus Three (APT) grouping based on the proposal of the East Asian Vision Group (EAVG) in 2001. Subsequently, when the first East Asia Summit was convened in Kuala Lumpur on December 2005, Australia, India and New Zealand were also included in the grouping, thereby initiating the ASEAN Plus Six (APS) process. These developments have led to two possible routes for regional integration in East Asia, namely through the APT and the APS. Both routes, however, view ASEAN integration as a vital and irreplaceable part of an East Asian regional grouping (Soesastro 2007: 16).

Before one can consider which route serves the better purpose for the formation of a regional grouping, it is important to consider the kind of regional grouping that is envisaged. The EAVG has recommended in its report in 2001, *Towards an East Asian community*, that East Asia should move from a region of nations to a bona fide regional community where collective efforts are made for peace, prosperity and progress. The economic field, including trade, investment, and finance, is expected to serve as the catalyst in this community building process (EAVG Report 2001: 2). Based on this report, community building, trade, investment and finance play critical roles in the formation of the envisioned community.

The use of the word community can bear various connotations. For some, it may imply the building of a regional order while others may infer from the term, the making of a single market with the free flow of goods, services and factors. Alternatively, a community can be considered as an aggregation of people bound together within a geographical area by certain shared characteristics, norms, values and folkways, with a common identity and imaginings (Abdul Rahman 2008: 4). However, with the rise of information, communication and technology (ICT), virtual communities that transcend geographical boundaries have also developed. The construction of a community that transcends geographical boundaries has to be anchored in common characteristics such as common interests and/or common values. Community making based on common interests and/or common values can be at the informal level as well as at the formal level. As examined in Tham et al (2008), both processes can be at work in a regional grouping such as ASEAN, although they

operate in contexts that are rich and diverse. More importantly, both processes can also be mutually reinforcing. In this article, the formal process in exploring the possibility of the APT and the APS is examined as a vehicle for regional integration in East Asia with ASEAN as the driver of the integration process, since the APT and APS are both formal processes.

THE ECONOMIES OF THE ASEAN PLUS SIX (APS)

As shown in Table 1, the APS economies exhibit considerable diversity in terms of size, be it in terms of population, Gross Domestic Capital (GDP) or GDP per capita. ASEAN together as a group has a population of over 550 million. The importance of trade also varies considerably with Singapore having the highest trade per capita and India the smallest. The former with its strategic location and favorable trade policies has served as a regional entrepot for decades. In terms of trade to GDP, Japan has the smallest ratio while Singapore has the largest, indicating Japan's wealth as being more dependent on its domestic economy while Singapore's economy is distinctly outward-oriented. India has opened up its economy relatively later than most of the countries shown in the Table. In ASEAN, net exporters are Brunei, Indonesia, Malaysia, Myanmar and Singapore. All three Northeast Asian countries shown are also net exporters while Australia, India and New Zealand, in contrast, are net importers.

REGIONAL INTEGRATION AND COMMUNITY-BUILDING

In the development of regional integration beyond ASEAN, whether it is the ASEAN-Plus Three (APT) or ASEAN-Plus Six (APS), it is important to bear in mind the kind of community that is envisaged by ASEAN as well as the path taken by ASEAN towards regional integration. This does not imply that ASEAN should be taken as *the* model for regional integration. Rather, the evolution of any regional grouping involving ASEAN needs to build on what ASEAN has already achieved and concur with what ASEAN aspires to achieve.

In terms of regional integration, the proposed ASEAN Community at the Bali Concord II in 2003 reflects the common interests of the region. The envisioned ASEAN Community comprises three pillars, namely political and security cooperation, economic cooperation and socio-cultural cooperation that are closely intertwined and mutually reinforcing for the purpose of ensuring durable peace, stability and shared prosperity in the region (ASEAN 2003: 2).

The proposed ASEAN Community differs from the European Union in terms of its scope and coverage, although the latter also has three pillars covering economic integration, a common foreign and security policy and police and judicial cooperation in criminal matters. In the case of ASEAN, the first pillar or the ASEAN Security Community (ASC) is envisaged to bring ASEAN's political and

TABLE 1. ASEAN Plus 6: Key Economic Indicators, 2005

Country	Population (thousand)	GDP (current US\$ million)	GDP per capita (US\$)	Trade per capita (US\$)	Trade to GDP ratio (2003-2005)	Merchandise exports f.o.b. (US\$ mil.)	Merchandise Imports c.i.f. (US\$ mil.)
ASEAN10							
Brunei	374	n.a.	n.a.	22,368	n.a.	6,249	1,491
Cambodia	14,071	5,391	383	516	146.1	3,140	3,927 (f.o.b.)
Indonesia	220,558	287,217	1,302	562	59.3	86,179	74,935
Lao PDR	5,924	2,855	482	248	65.3	506	809
Malaysia	25,347	130,143	5,134	10,284	217.9	140,949	114,603
Myanmar	50,519	n.a.	n.a.	n.a.	108	3,813	1,927
Philippines	83,054	98,306	1,184	1,130	102.9	41,255	47,418(f.o.b.)
Singapore	4,351	116,764	26,836	107,007	431.8	229,620	200,030
Thailand	64,233	176,602	2,749	3,469	137.7	110,178	118,158
Viet Nam	82,966	52,408	632	768	137.8	32,442	36,978
China	1,304,500	2,228,862	1,709	962	64.5	761,953	659,953
Japan	127,956	4,505,912	35,215	8,959	25.6	594,905	514,922
Korea	48,294	787,625	16,309	11,497	79.9	284,419	261,238
Australia	20,321	700,672	34,480	12,211	39.5	106,211	125,280
India	1,094,583	785,468	718	235	36.6	99,472	139,369
New Zealand	4,110	109,041	26,531	13,712	58.0	21,729	26,234

Note: n.a Not available.

Source: <http://stat.wto.org/Home/WSDHome.aspx?Language=E>

security cooperation to a higher plane to ensure countries in the region live at peace with one another and with the world at large in a just, democratic and harmonious environment (ASEAN 2003: 2). The members of the Community further pledge to rely exclusively on peaceful processes in the settlement of intra-regional differences and regard their security as fundamentally linked to one another and bound by geographic location, common vision and objectives. It also aims to strengthen national and regional capacities to counter terrorism and other transnational crime, ensure that the Southeast Asian Region remains free of all weapons of mass destruction and further acknowledges that maritime issues and concerns are trans-boundary in nature.

The ASEAN Socio-cultural Community (ASCC), on the other hand, comes closest toward identifying ASEAN with a set of culturally distinctive values, by envisaging Southeast Asia as being bonded together as a community of caring societies, with cooperation in social development aimed at raising the standard of living of disadvantaged groups and the rural population as well as the active involvement of all sectors of society, especially women, youth and local communities (ASEAN Secretariat 2003: 3). In the case of economic integration, it is narrower than the level of integration that is achieved in the European Economic Community (EEC) since the end goal is to create a stable, prosperous and highly competitive ASEAN economic region whereby there is a free flow of goods, services, investment and a freer flow of capital, equitable economic development and reduced poverty and socioeconomic disparities in year 2020 (ASEAN Secretariat undated: 2). This implies that the level of economic integration that is aspired is at best a Free Trade Area-Plus type of arrangement that includes the movement of skilled labor, without a common currency. It is therefore different from the single market of the EEC where goods, factors and services flow freely between member countries and where a common currency is also used. While the ASEAN Community reflects the form of community that ASEAN hopes to attain, extra-ASEAN arrangements in the form of Free Trade Agreements (FTAs) also indicate the other common interests of ASEAN as a regional grouping with non-ASEAN members.

Besides state-led integration, regions can also integrate through market-led forces that reflect the common interests of the firms in the region. In particular, the fragmentation of production has led multinationals (MNCs) to produce in more than one country by leveraging on the comparative and competitive advantages of different locations of production. Consequently, horizontal and vertical integration in the production processes as well as intrafirm and intraindustry trade have emerged. The community that evolves out of this commercially driven process is essentially a network of businesses that are linked through the production process and supply chains of the multinationals based on the common interest of profit-maximization or cost-minimization.

Secondly, as noted by Severino (2006: 166, 167), almost all regional groupings have some kind of common standards that reflect the common values and norms

of the group. Despite the great political, cultural and historical diversity among the member states, ASEAN has also adopted whether explicitly or implicitly, similar values and norms. Severino then proceeds to list the common norms or standards that can be found in various ASEAN documents that govern the relationship of ASEAN member states in their inter-state relations, relations with states outside the region as well as the standards of behavior within States. These common values and norms provide a basis for a regional identity and for the region's people to develop a sense of that identity.

In the light of the above discussion, any regional grouping that involves ASEAN has to bear in mind the sense of community that is envisioned by ASEAN as encapsulated by its common interests and values. In the next section, I examine the extent of trade and investment linkages with the Plus Three and Plus Six countries.

COMMON INTERESTS VIA MARKET-DRIVEN PROCESSES: TRADE AND INVESTMENT LINKAGES

Globalization and the fragmentation of the production process have facilitated the evolution of regional production networks among the countries of ASEAN as well as with between ASEAN and other countries outside ASEAN. The multinational corporations that are operating in the region foster these regional production networks.

Japan plays a major role in the investment links between the ASEAN-10 countries and the Plus Six countries as shown in Table 2. The top three investors in the ASEAN-10 by source countries are the ASEAN-10 member countries, Japan and South Korea in 1995 and 2004. Japan's share is 20 per cent in 1995 and this fell over the period shown to a low 2 per cent in 2000 before recovering to 10 per cent in 2004. In contrast, China, India, Australia and New Zealand's investment in the ASEAN-10 countries are tiny.

Cumulatively, the multinational corporations (MNCs) from Japan account for 19.1 per cent of the total foreign direct investment (FDI) in the ASEAN-9 (or the ASEAN-10 excluding Singapore) from 1995-2005 while multinational corporations from the Asian NIEs (namely Hong Kong South Korea, Singapore and Taiwan) contribute 29.2 per cent of the total inflows (Kawai and Wignaraja 2007:4). Multinationals from other source countries also contribute toward the economic linkages between the ASEAN-9 countries, with the European Union (EU), and the United States (USA) accounting for 18.4 per cent and 29.1 per cent of the cumulative total from 1995-2005.

The export and import partners of ASEAN are linked closely to the regional production networks and the home countries of the MNCs that are operating in the region. Not surprisingly, ASEAN, the USA, the EU and Japan remain the top four destinations for ASEAN exports from 1993 to 2005 (Table 3). While the

TABLE 2. FDI Flows into ASEAN by Source Countries (US\$ Million), 1995-2004

Sources\Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total into ASEAN from:	28230.6 (100.0)	30208.6 (100.0)	34098.6 (100.0)	22406.3 (100.0)	27852.8 (100.0)	22646.7 (100.0)	18457.1 (100.0)	13824.7 (100.0)	18447.0 (100.0)	24654.2 (100.0)
Brunei	85.7 (0.3)	146.7 (0.5)	36.2 (0.1)	67.2 (0.3)	18.7 (0.1)	33.1 (0.1)	37.3 (0.2)	16.6 (0.1)	-9.8 (-0.1)	6.3 (0.0)
Cambodia	1.8 (0.0)	2.2 (0.0)	3.8 (0.0)	0.1 (0.0)	1.4 (0.0)	2.4 (0.0)	0.4 (0.0)	-0.2 (0.0)	5.0 (0.0)	3.5 (0.0)
Indonesia	538.3 (1.9)	618.5 (2.0)	501.1 (1.5)	333.2 (1.5)	436.3 (1.6)	109.6 (0.5)	361.7 (2.0)	471.5 (3.4)	236.8 (1.3)	269.1 (1.1)
Lao PDR	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.6 (0.0)	9.8 (0.0)	0.2 (0.0)	0.0 (0.0)	-0.1 (0.0)	1.1 (0.0)
Malaysia	769.5 (2.7)	713.8 (2.4)	623.8 (1.8)	578.6 (2.6)	327.2 (1.2)	87.2 (0.4)	205.2 (1.1)	423.4 (3.1)	586.5 (3.2)	600.8 (2.4)
Myanmar	3.9 (0.0)	2.2 (0.0)	7.0 (0.0)	0.5 (0.0)	2.4 (0.0)	5.5 (0.0)	3.7 (0.0)	12.8 (0.1)	7.0 (0.0)	5.8 (0.0)
Philippines	89.6 (0.3)	71.1 (0.2)	17.4 (0.1)	-26.4 (-0.1)	-22.4 (-0.1)	92.1 (0.4)	28.3 (0.2)	-26.6 (-0.2)	-5.0 (0.0)	190.7 (0.8)
Singapore	2983.4 (10.6)	2394.9 (7.9)	3573.0 (10.5)	1620.0 (7.2)	897.0 (3.2)	641.9 (2.8)	1939.2 (10.5)	2413.0 (17.5)	1320.1 (7.2)	1218.0 (4.9)
Thailand	181.4 (0.6)	321.9 (1.1)	472.1 (1.4)	155.7 (0.7)	123.7 (0.4)	-225.0 (-1.0)	-82.7 (-0.4)	259.8 (1.9)	155.8 (0.8)	131.8 (0.5)
Vietnam	0.8 (0.0)	0.4 (0.0)	1.3 (0.0)	1.8 (0.0)	4.4 (0.0)	6.3 (0.0)	2.2 (0.0)	64.1 (0.5)	5.4 (0.0)	5.7 (0.0)

(cont.)

TABLE 2. (continued)

ASEAN 10 total	4670.9 (16.5)	4285.8 (14.2)	5251.1 (15.4)	2742.9 (12.2)	1795.7 (6.4)	766.2 (3.4)	2509.0 (13.6)	3660.2 (26.5)	2314.1 (12.5)	2442.6 (9.9)
South Korea	660.2 (2.3)	504.2 (1.7)	721.8 (2.1)	90.8 (0.4)	528.9 (1.9)	-45.0 (-0.2)	-264.8 (-1.4)	92.4 (0.7)	632.0 (3.4)	896.5 (3.6)
China	136.7 (0.5)	117.9 (0.4)	62.1 (0.2)	291.3 (1.3)	62.5 (0.2)	-133.4 (-0.6)	147.3 (0.8)	-80.9 (-0.6)	188.7 (1.0)	225.9 (0.9)
India	108.1 (0.4)	68.8 (0.2)	90.2 (0.3)	92.6 (0.4)	41.7 (0.1)	79.5 (0.4)	32.3 (0.2)	9.6 (0.1)	81.2 (0.4)	46.3 (0.2)
Japan	5649.3 (20.0)	5283.3 (17.5)	5229.5 (15.3)	3937.6 (17.6)	1688.2 (6.1)	455.0 (2.0)	1606.3 (8.7)	3366.2 (24.3)	2317.7 (12.6)	2538.2 (10.3)
Australia	534.9 (1.9)	325.1 (1.1)	245.6 (0.7)	-302.2 (-1.3)	-935.0 (-3.4)	-302.8 (-1.3)	-95.1 (-0.5)	202.6 (1.5)	181.1 (1.0)	392.5 (1.6)
New Zealand	35.4 (0.1)	31.2 (0.1)	29.1 (0.1)	25.3 (0.1)	80.2 (0.3)	43.1 (0.2)	14.7 (0.1)	53.7 (0.4)	88.5 (0.5)	-1.9 (0.0)

Source: ASEAN Secretariat, (Table 2.1.3), VI2, VI3

shares of Australia and India in ASEAN exports have respectively increased over time, they are still small, totaling 5.3 percent in 2005. New Zealand is not in the top ten export destinations for the period shown in Table 3. Similarly, ASEAN, Japan, EU and the USA are among the top five import sources for ASEAN while China has emerged as an increasingly important import source from 2000 onwards (Table 4). Australia and India's share have also increased over time although again their total share of 3.4 percent in 2005 is still small while New Zealand is not among the top ten import destinations for the period shown in Table 4.

The rise of China since its economy opened up in the late 1980s has contributed toward the development of new trade triangles between the main home countries of MNCs such as the USA, EU and Japan, ASEAN and China. A new division of labor has been forged in which ASEAN's exports to China has increased, offsetting to some extent, some of ASEAN's previous exports to Japan and the USA (Ravenhill 2006: 23).

Since these MNCs are producing for export with imports from the region, intra-firm as well as intra-regional trade has increased over time. As intra-firm trade data is rarely available, intra-regional trade can indicate the extent of the trade linkages between the ASEAN countries and other countries. In Table 5, intra-regional trade between the ASEAN-10 grew steadily from 21 percent in 1995 to 26 percent in 2006. However, including China, Japan and Korea with the ASEAN-10 increases the intra-industry trade significantly from 21 per cent to 37 per cent in 1995 while it increases from 26 percent to 30 percent in 2006. The addition of India, Australia and New Zealand in the APS increases intra-regional trade from 37 percent to 40 percent in 1995 while in 2006, intra-regional trade increases from 39 percent to 43 percent. It can therefore be seen that the intra-regional trade increases significantly with the addition of the Plus Three countries as compared to the addition of Australia, India and New Zealand.

ASEAN STATISTICAL YEARBOOK 2006

The market-driven process shows that the APT is more closely interlinked through investment and trade ties than in the case of the APS.

STATE-DRIVEN PROCESSES

Any group of states seeking to cooperate does so, at least initially, out of perceived common interests (Levine 2007; 102). The process of community building can only evolve if there are these initial efforts at cooperation even though they may be limited in scope and intensity at the outset. Apart from the market-driven processes, ASEAN has also established state-driven processes

TABLE 3. ASEAN Top 10 Export Destinations (US\$ Million)

1993 Country	1995 Value	2000 Country	2005 Value	Country	Value	Country	Value
ASEAN	43,681.1 (21.1)	ASEAN	70,178.9 (23.7)	ASEAN	93,380.0 (22.8)	ASEAN	163,862.5 (25.3)
USA	42,008.2 (20.3)	USA	54,993.7 (18.5)	USA	73,769.6 (18.0)	USA	92,941.9 (14.3)
EU-15	31,391.5 (15.2)	EU-15	44,285.9 (14.9)	EU-25	63,374.9 (15.5)	EU-25	80,922.1 (12.5)
Japan	30,952.2 (15.0)	Japan	42,285.9 (14.3)	Japan	50,559.9 (12.3)	Japan	72,756.4 (11.2)
Taiwan	6,143.6 (3.0)	Taiwan	8,761.0 (3.0)	Hong Kong	22,067.5 (5.4)	China	52,257.5 (8.1)
Korea	6,125.9 (3.0)	Korea	8,574.4 (2.9)	Korea	14,454.2 (3.5)	Korea	24,362.3 (3.8)
China	4,528.7 (2.2)	China	6,200.9 (2.1)	China	14,178.9 (3.5)	Australia	19,645.7 (3.0)
Australia	3,696.5 (1.8)	Australia	5,179.1 (1.7)	Taiwan	10,299.1 (2.5)	India	15,048.3 (2.3)
Canada	1,958.7 (0.9)	India	2,821.1 (1.0)	Australia	8,893.5 (2.2)	Hong Kong	13,868.6 (2.1)
India	1,484.0 (0.7)	Canada	2,239.8 (0.8)	India	6,446.8 (1.6)	Taiwan	8,267.7 (1.3)
Total Top 10	171,970.5 (83.2)	Total Top 10	257,492.5 (86.8)	Total Top 10	359,560.9 (87.7)	Total Top 10	543,932.8 (83.9)
Others	34,666.6 (16.8)	Others	39,204.2 (13.2)	Others	50,579.7 (12.3)	Others	104,214.2 (16.1)
TOTAL	206,637.2 (100.0)	TOTAL	296,696.7 (100.0)	TOTAL	410,140.6 (100.0)	TOTAL	648,147.0 (100.0)

Source: ASEAN Statistical Yearbook 2003

ASEAN Statistical Yearbook 2006

TABLE 4. ASEAN's Top Ten Import Destinations (US\$ Million)

1993	1995	2000	2005	Value	Country	Value	Country	Value	Country	Value
Japan	55,702.9 (24.9)	Japan	78,535.2 (24.7)	73,466.0 (21.1)	ASEAN	ASEAN	141,030.7 (24.5)			
ASEAN	38,763.3 (17.4)	ASEAN	53,602.1 (16.8)	65,630.8 (18.8)	Japan	Japan	81,077.9 (14.1)			
USA	33,712.7 (15.1)	USA	46,435.4 (14.6)	48,448.0 (13.9)	USA	China	61,138.0 (10.6)			
EU-15	31,822.4 (14.3)	EU-15	46,392.8 (14.6)	39,271.6 (11.3)	EU-25	USA	60,976.4 (10.6)			
Taiwan	8,159.7 (3.7)	Korea	11,345.6 (3.6)	18,137.0 (5.2)	China	EU-25	59,611.6 (10.3)			
Korea	7,148.1 (3.2)	Taiwan	11,240.7 (3.5)	15,181.1 (4.4)	Korea	Korea	23,609.5 (4.1)			
Australia	5,392.1 (2.4)	Australia	7,173.4 (2.3)	8,695.4 (2.5)	Australia	Australia	11,693.0 (2.0)			
China	4,336.4 (1.9)	China	7,129.7 (2.2)	8,660.6 (2.5)	Taiwan	Taiwan	11,532.9 (2.0)			
Switzerland	1,955.2 (0.9)	Canada	2,290.8 (0.7)	8,419.3 (2.4)	Hong Kong	India	7,952.3 (1.4)			
Canada	1,552.8 (0.7)	India	1,838.4 (0.6)	3,209.6 (0.9)	India	Saudi Arabia	6,438.1 (1.1)			
Total Top 10	188,545.5 (84.4)	Total Top 10	267,097.6 (83.8)	293,000.0 (84.1)	Total Top 10	Total Top 10	464,958.6 (80.6)			
Others	34,765.3 (15.6)	Others	51,457.2 (16.2)	55,338.7 (15.9)	Others	Others	111,783.8 (19.4)			
TOTAL	223,310.8 (100.0)	TOTAL	318,554.8 (100.0)	348,338.7 (100.0)	TOTAL	TOTAL	576,742.4 (100.0)			

Source: ASEAN Statistical Yearbook 2003

TABLE 5. Intra-Regional Trade Share, 1995-2006 (%)

Region	1995	2000	2001	2002	2003	2004	2005	2006
ASEAN (10) ^a	21.1	22.7	22.2	22.7	24.4	24.4	24.9	25.7
ASEAN+3 ^b	37.0	37.4	37.3	38.4	39.5	39.5	39.1	39.0
ASEAN+6 ^c	40.4	40.6	40.8	41.6	42.7	43.1	43.1	43.1

Notes: ^a Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

^b ASEAN countries, China, Japan, and Korea.

^c ASEAN+3 countries, Australia, New Zealand and India.

Source: Kawai and Wignaraja 2007:30 (Table 1).

with the Plus Three and Plus Six countries, based on common interests. These common interests form the basis for cooperation and various institutions have been established to pursue the common interests of the APT and APS. Extra ASEAN arrangements also reflect the common interests of ASEAN with nonmember countries.

ASEAN PLUS THREE (APT)

In the case of the APT, the Asian Financial Crisis in 1997 triggered the importance of regional financial stability as a major area of cooperation, as seen by the initiatives taken for monetary and financial cooperation. APT cooperation began in December 1997 and was institutionalized in 1999 (ASEAN Secretariat undated: 1). In that year, the APT agreed to enhance self-help and support mechanisms in East Asia through the APT framework. In view of this, different initiatives have emerged over time (Institute for International Monetary Affairs 2006, 30). These include:

1. A regional financing arrangement called “the Chiang Mai Initiative (CMI)” was launched in 2000 to create a network of bilateral swap arrangements (BSAs) among the APT members to address short-term liquidity difficulties in the region and to supplement existing financial arrangements. As of 2006, the total amount of BSAs is US\$75.0 billion (Institute for International Monetary Affairs 2006, 31).
2. To prevent financial crises, the APT Finance Ministers have established an Economic Review and Policy Dialogue (ERPD) for discussing the financial developments in the region. This process facilitates the early detection of irregularities and the swift implementation of remedial policy actions.
3. In May 2001, the APT Finance Ministers have also agreed to exchange data on bilateral capital flows among the APT countries, on a voluntary basis, to monitor short-term capital flows.

4. The Asian Bond Markets Initiatives (ABMI) was established to develop more efficient and liquid bond markets in Asia, thereby enabling the regions' savers to better utilize their savings for Asian investment.
5. An APT Research Group was established in 2003 to explore ways for furthering financial cooperation and to promote financial stability in the region from the input of researchers and research institutes in the APT countries.

Cooperation on non-traditional security issues, pandemic threats and environmental issues has also been raised as their causes and effects are transnational and require regional cooperation (NEAT Final Report 2006: 1). Specifically, eight types of transnational crimes such as human trafficking, drug trafficking, and money laundering, terrorism, sea piracy, arms smuggling, international economic crime and cyber crime have been adopted as areas of cooperation. Energy security cooperation is another area of cooperation that is being considered. In the case of pandemic threats, containing avian flu and the Severe Acute Respiratory Syndrome (SARS) have also been raised as areas for cooperation. Institutional frameworks for dealing with environmental problems such as deforestation, forest fires, chemical pollution, air pollution, marine and river contamination and global warming are also being explored as other areas of cooperation.

In terms of institution building, the APT has adopted the Report of the East Asian Vision Group (EAVG) of 2001 and the Report of the East Asia Study Group (EASG) of 2002. Based on the recommendation of the EASG, four short-term measures have already been implemented. These are:

1. The establishment of the ASEAN Plus Three Study Group on Facilitation and Promotion of Exchange of People and Human Resources Development.
2. The establishment of the Network of East Asia Think-tanks (NEAT).
3. The establishment of an East Asia Forum.
4. The formation of and East Asia Business Council (EABC).

At the 11th APT Summit on 20th November 2007 and on the occasion of the tenth anniversary of APT cooperation (MOFA undated), the future scope of APT for the next ten years as outlined in the Second Joint Statement on East Asia Cooperation include the following areas:

1. Expansion of political and security cooperation.
2. Continued promotion of economic and financial cooperation.
3. Energy, environment, climate change and sustainable development cooperation.
4. Socio-cultural and development cooperation.
5. Development of the modalities for the APT Cooperation Fund that was established in 2007.

These plans show a widening and deepening of East Asian Cooperation through the Plus Three process, thereby enhancing the common interests of the group.

THE ASEAN-PLUS SIX (APS)

Following the 2004 agreement by ASEAN Leaders to convene the East Asian Summit, the first Summit was convened in December 2005 with the participation of the ten ASEAN members as well as China, Japan, Korea, India, Australia and New Zealand. The Second Summit was convened in January 2007 and another was scheduled for November 2007.

The broad objectives of the East Asia Summit, as stated in the Kuala Lumpur Declaration on the East Asia Summit, are:

1. Establishing the East Asia Summit (EAS) as a forum for dialogue on broad strategic, political and economic issues of common interest and concern with the aim of promoting peace, stability and economic prosperity in East Asia.
2. Ensuring that the efforts of the EAS to promote community building in the region will be consistent with and reinforce the realization of the ASEAN Community and will form an integral part of the evolving regional architecture.
3. Making the EAS open, inclusive, transparent and outward-looking forum in which ASEAN will collaborate with the other participants of the Summit to strengthen global norms and universally recognized values (ASEAN Secretariat 2005a: 2).

The Kuala Lumpur Summit highlighted several areas of focus for the EAS such as fostering strategic dialogue and promoting cooperation in political and security issues, promoting certain areas of economic cooperation and promoting deeper cultural understanding. However, no specific plans was established for the realization of these areas of focus at that point in time, with the exception of a specific declaration on avian flu and a commitment to report all outbreaks rapidly and transparently, and to take steps to ensure that the disease does not develop into a form which could be transmitted directly between humans (ASEAN Secretariat 2005b: 1).

At the meeting of the EAS Foreign Ministers in Kuala Lumpur on 2 July 2006, five priority areas of cooperation were identified, namely energy, finance, education, avian flu and natural disaster mitigation for the Summit in Cebu. This was subsequently confirmed at the Second EAS Summit in Cebu. The Cebu Summit, further signed a Declaration on East Asian Energy Security with aims to:

1. Improve the efficiency and environmental performance of fossil fuel use

2. Reduce dependence on conventional fuels through intensified energy efficiency and conservation programs, hydropower, expansion of renewable energy systems and bio-fuel production/utilization, and for interested parties, civilian nuclear power.
3. Encourage the development of open and competitive regional and international markets geared towards providing affordable energy at all economic levels.
4. Mitigate greenhouse gas emissions through effective policies and measures.
5. Pursue and encourage investment in energy resource and infrastructure development through greater private sector development (ASEAN Secretariat 2007a: 1).

Concurrently, a Track Two study on a Comprehensive Economic Partnership in East Asia (CEPEA) among EAS participants was launched with the ASEAN Secretariat tasked to prepare the time frame for the study and countries were also asked to nominate their respective participants in the project. The Summit also agreed with Japan's proposal for the establishment of an Economic Research Institute for ASEAN and East Asia (ERIA).

Climate change and the environment were expressed as other areas of common interest in the Singapore Declaration in 2007. However, the lack of focus on economic and financial cooperation in the Plus Six process indicates that the seeds for formal economic integration have yet to be sown.

THE EVOLVING FTAS INVOLVING ASEAN

The protracted negotiations under the Doha Round as well as dissatisfaction with the perceived gains from multilateral liberalization has instigated a proliferation of FTAs in East Asia, where the number of FTAs have increased from one in 1976 to 102 in 2007, including both concluded and non-concluded (Kawai and Wignaraja 2007:14). Out of these 102 FTAs, 36 agreements have been concluded, while 41 are still being negotiated and another 25 are proposed. Japan has concluded bilateral agreements with Singapore, Malaysia, Philippines and Thailand while it is still negotiating a bilateral with Indonesia and an ASEAN-wide agreement. Korea and China, on the other hand, has concluded a region-wide agreement with ASEAN in 2006 and 2005, respectively.

India, Australia together with New Zealand is still negotiating a regional trade and investment agreement and a free trade agreement respectively, with ASEAN. India is also negotiating individually with Singapore and Thailand and there is also a proposed bilateral with Malaysia and Indonesia. Australia and New Zealand concluded a bilateral agreement each with Singapore and Thailand while they were still negotiating for their respective bilateral agreements with Malaysia.

Hence as at 2007, ASEAN has region wide arrangements with China and Korea while Japan has concluded bilateral agreements with four of the ASEAN-5 countries.

EXPLORING COMMON VALUES

Although some have used common cultural traits to represent the values of East Asia, including for example the premium placed on family, community, and social harmony as well as on duty (Lee et al. 2006: 19), the inclusion of India, Australia and New Zealand has made the gaps in the values system more acute. Still others have subscribed to the commonality of political values as practiced by the European Union such as democracy, transparency, rule of law and respect for human rights.

However, as diverse as the values may be between the APT and APS, inter-state relations in ASEAN are governed by the “fundamental principles” of the Treaty of Amity and Cooperation in Southeast Asia (TAC), 1976 (Levine 2007:109; Severino 2006: 168). These include:

1. Mutual respect for the independence, sovereignty, equality, territorial, integrity, and national identity of all nations.
2. The right of every state to lead its national existence free from external interference, subversion, or coercion.
3. Noninterference in the internal affairs of one another.
4. Settlement of differences or disputes by peaceful manner.
5. Renunciation of the threat or use of force.
6. Effective cooperation among themselves.

The Second Protocol amended the TAC in 1998, allowing non-ASEAN members to accede it. Several of ASEAN’s Dialogue Partners have acceded to it such as China and India in 2003; and Japan, Republic of Korea, Russia and Pakistan, Australia and New Zealand in 2005. The TAC thus serves as a code of conduct in inter-state relations in ASEAN, the APT and APS.

The ASEAN Charter that was signed on 20 November 2007 represents a historic agreement among the member states of ASEAN as it provides a legal and institutional framework for ASEAN by codifying organic Southeast Asian diplomacy through the listing of key principles and purposes of ASEAN (ASEAN Secretariat 2007b, 1). It is therefore a shift from the informal processes that governed the management of affairs in ASEAN in the past, although the use of consultation and consensus is reaffirmed as a basic principle for decision-making in the Charter. However, the Charter is criticized as the mere codification of existing norms rather than a breakthrough in terms of new rules for governing ASEAN. Its role in the APT and APS processes has yet to be determined. While the

Second Joint Statement on East Asia Cooperation has formally welcomed the signing of the Charter, it is unclear whether the Charter will be extended to the Plus Three or Plus Six countries at some point in the future. Nevertheless for all its weaknesses, the Charter does represent a common standard of conduct for member countries to live by and common principles to adhere. These common standards and principles are in turn, based on and reflect some of the common values and norms in ASEAN (Severino 2005, 12). Its adoption in ASEAN therefore paves the way for establishment of a regional identity that is necessary for the establishment of a regional community. It also serves as a benchmark for the establishment of an East Asian Charter that will be needed for the establishment of an East Asian Community.

CONCLUSION: THE WAY FORWARD

Basic economic indicators of the ASEAN Plus Six countries show a diverse group of countries that are at different levels of economic development as well as economic size, factor endowments, economic structures, trade orientation as well as socio-cultural backgrounds and political systems. The ability to envision forging a community with such a diverse group of countries is a testimony to the tremendous political imagination that has gone into such a vision.

Nevertheless, the realization of such a bold imagination has to be anchored to existing realities. Current economic linkages are strongest between the ASEAN Plus Three rather than the ASEAN Plus Six. The existing networks can be further hastened with the formation of a Free Trade Area between these countries. While MNCs have succeeded in creating economic linkages based on profit-seeking objectives, the deepening of the existing linkages will require government-to-government initiatives that can overcome barriers to trade such as regulations, customs, exchange rate systems, product standards and other institutions. Removing these barriers will reduce the costs of trade between these countries, thereby paving the way for deeper economic integration among the countries in the APT.

Formal cooperation efforts have been initiated in the APT process based on common interests such as financial stability in the region as well as non-traditional security issues. While the APS process is also exploring areas of cooperation based on common interests, the relatively new process compared with the APT implies that it will take quite a while before concrete areas of cooperation as well as institutions of cooperation can be established. These cooperation efforts are important for developing common values as community building can only nurture common values when the community has developed a history of cooperation and resolution of common problems, as seen in the ASEAN process. The search for common values is thus an on-going process and Treaty of Amity and Cooperation in Southeast Asia (TAC) as well as the ASEAN Charter represent

initial steps towards building common values in the region. Although India, Australia and New Zealand have also ascribed to the TAC, their inclusion in an East Asian community raises several problems.

First, if the APS approach is adopted, the East Asian community will comprise 16 participants representing more than 60 per cent of the world's population and possesses a combined GDP greater than that of European Union. This grouping will then be more about economic integration than about building a community because the size and complexity involved would make the process of community building so arduous. It would provide increased trade benefit to members, but it is unlikely to create a community with shared values that will promote and enhance the well being of its people. There is even uncertainty in achieving the economic integration goal if the example of the Free Trade Area of the Americas (FTAA) is used as an example. The progress of the FTAA was severely hampered by the size of the integration.

Second pertinent problem is the membership of the APS. Currently, the Oceania is represented by Australia and New Zealand and the South Asia by India. The question is what about the other countries in those regions – should they too be invited as members of ASEAN Plus Six if they meet the criteria set? Thus, the efforts to achieve an East Asia community will be more challenging when the membership becomes larger.

ASEAN took a long time to agree to the idea of creating the ASEAN economic, security and cultural communities. If ASEAN, a much smaller group than APS, with much less serious political differences and cultural diversity, then the prospect of building a community to a large regional grouping, which is more complex is questionable. The ASEAN efforts show the difficulty in building a community - for a long time its progress was dependent on the lowest common denominator and the concept of non-interference. Thus, community building in APS will be much slower. At this stage, the more realistic expectation is for APS to be a platform for strategic dialogue and to concentrate on economic cooperation rather than community building for the APS.

Based on the existing extensive economic linkages, institutions, and common interests, the APT process is the most likely mechanism for making community building in East Asia a reality. It should, however, be borne in mind that the formal processes of community making can be further enhanced by informal processes that lie outside the scope of this article.

ACKNOWLEDGEMENT

This is a revised version of a paper that was presented at the ASEAN-ISIS/IIR-Taiwan Annual Dialogue: "Taiwan's Role in East Regional Integration", in Taipei, 27-29 September 2007.

REFERENCES

- Abdul Rahman Embong. 2008. Cross-Border Communities: Implications for Bilateral Relations and the ASEAN Community. Chapter 5. In *Community in ASEAN: Ideas and Practices*, edited by Tham, S.Y., Lee P.P. & Norani O. Bangi: Penerbit UKM.
- ASEAN Secretariat undated. Overview: Association of Southeast Asian Nations. Available from: <http://www.aseansec.org/147/html> [accessed 15 October 2007].
- ASEAN. 2003. Press Statement by the Chairperson of the 9th ASEAN Summit and the 7th ASEAN+3 Summit, Bali, Indonesia, 7th October 2003. Available from: <http://www.aseansec.org/15160htm> [accessed 16 October 2007].
- ASEAN Secretariat. 2005a. Kuala Lumpur Declaration on the East Asia Summit Kuala Lumpur, 14 December 2005. Available from: <http://www.aseansec.org/18098.htm> [accessed 16 October 2007].
- _____. 2005b. East Asia Summit Declaration on Avian Influenza Prevention, Control and Response. Kuala Lumpur, 14 December 2005. Available from: <http://www.aseansec.org/18102.htm> [accessed 16 October 2007].
- _____. 2007a. Chairman's Statement of the 3rd East Asia Summit, Singapore, 21 November 2007.
<http://www.aseansec.org/22228.htm> (Accessed 26 December 2007).
- _____. 2007b. Charter of the Association of Southeast Asian Nations.
<http://www.aseansec.org/21069.pdf> (Accessed 24 December 2007).
- East Asia Vision Group Report. 2001. Towards an East Asian Community.
- Institute for International Monetary Affairs 2006. Intra-regional Exchange rate Stability and Prevention of Financial Crisis in East Asia. Paper presented at the *Fourth Network of East Asian Think Tanks (NEAT) Annual Conference*, Kuala Lumpur.
- Kawai, Masahiro & Wignaraja. 2007. ASEAN+3 or ASEAN+6: Which Way Forward? Paper presented at the Conference on Multilateralising Regionalism, Sponsored and organized by WTO-HEI, co-organized by the Centre for Economic Policy Research (CEPR), 10-12 September 2007, Geneva, Switzerland.
- Lee Poh Ping, Tham Siew Yean & George, T. Yu. 2006. Introduction in P.P. Lee., S.Y. Tham & G.T. Yu (eds.). *The Emerging East Asian Community: Security and Economic Issues*. Bangi: Penerbit UKM:17-29.
- Levine, S. 2007. Asian Values and the Asia Pacific Community: Shared Interest and Common Concerns. *Politics & Policy* 35 (1): 102-135.
- The Ministry of Foreign Affairs of Japan (MOFA). undated. Chairman's Statement of the Tenth ASEAN Plus Three Statement. Cebu, Philippines 14th January 2007.
<http://www.mofa.go.jp/region/asia-paci/asean/coference/asean3/statement.htm> (Accessed 26 December 2007).
- Severino, R. 2005. *Framing the ASEAN Charter: An ISEAS Perspective*. Singapore: Institute of Southeast Asian Studies (ISEAS).
- _____. 2006. *The ASEAN charter: An Opportunity Not To Be Missed*. UNISCI Discussion Papers No. 12 (October/October 2006). ISSN 1696-2206.
- Soesastro, H. 2007. *East Asia Economic Integration: The Search for an Institutional Identity*. Paper presented at the GDN Annual Meeting. Parallel Session 3.4 (Pan-Asian Integration: Its Relevance, Approaches and Challenges).
- Tham Siew Yean, Lee Poh Ping & Norani Othman. 2008. *Community in ASEAN: Ideas and Practices*. Bangi: Penerbit UKM.

Ravenhill, J. 2006. Is China an economic threat to Southeast Asia? Department of International Relations, *Working Paper 2006/4*. RSPAS, Australian National University.

The Network of East Asian Think-tanks (NEAT). 2006. Final Report on the Overall Architectures for Non-Traditional Security and Environmental Cooperation in East Asia.

Tham Siew Yean, Ph.D.

Institute of Malaysian and International Studies (IKMAS)

Universiti Kebangsaan Malaysia

43600 Bangi

E-mail: tham@pkrisc.cc.ukm.my