



Regionalism with an ‘Asian Face’: An Agenda for the East Asia Summit

Developments of the past few years have led to an Asian resurgence with the emergence of China and India as engines of growth, recovery of Japan from a decade old recession, rise of Asian middle class as source of final demand, and increasing resilience of Asian countries to external shocks such as oil price rise, etc. Over the past decade Asian countries have also integrated themselves within the region as is evident from the high and growing proportion of intra-regional trade and investments. Besides the growing economic interdependence, Asian countries also face shared vulnerabilities to external shocks and natural disasters such as Tsunami.

There is also an attempt to build on this ‘functional’ or market-driven cooperation and growing interdependence to more formal institutionalized cooperation as is clear from the numerous sub-regional or bilateral free trade arrangements.

ASEAN has played an important role in evolving a framework for broader cooperation by bringing together the major Asian countries like Japan, China, India and South Korea as dialogue partners. These dialogue partners, viz. China, Japan, India and South Korea are all working on ASEAN+1 FTAs. China, Japan, Korea and India are also studying bilateral FTAs between themselves. Through the emerging web of FTAs a virtual Asian economic community is evolving.

There is need for building on these sub-regional and bilateral attempts a broader regional framework to provide a seamless market facilitating exploitation of synergies more

effectively. The studies conducted by RIS and ADB have shown that broader regional integration in Asia has the potential of generating billions of dollars of new output and put Asia on a high growth path.¹ Furthermore, it has been shown that Asian economic integration will benefit the rest of the world as it implies more trade creation than trade diversion. Hence, it is a case of win-win for both Asia as well as the world economy. Regional economic integration is also likely to bring about convergence in the levels of development and hence could be an important instrument in region’s fight against poverty.

Different Asian leaders and statesmen had spoken of the importance of broader regional cooperation in Asia asserting the Asian identity. However, Asia lacked a forum for dialogue for such cooperation. The launch of the East Asia Summit (EAS) in Kuala Lumpur on 14th December 2005, attended by the leaders of ASEAN-10, Japan, China, South Korea, India, Australia and New Zealand, provided to the region a much needed forum for such a dialogue.

The new forum, i.e. EAS, could be of far reaching consequence for promoting broader regional cooperation in Asia. By giving to the leaders of the largest and most dynamic economies of Asia a much needed annual forum for dialogue EAS is expected to facilitate the cause of community building in Asia. It is likely that future Summits will take steps towards concretizing Asian regional cooperation in a number of areas, thereby hastening the reemergence of Asia as the centre of gravity of the world economy.

RIS Policy Briefs are prepared to communicate results of RIS research on specific policy issues to the policy makers.

An earlier version of this policy brief was prepared to provide a background to the Seminar on ASEAN and Pan-Asian Integration organized by RIS and the ASEAN Secretariat as a part of Programme of Seminars (PoS) at the Fund-Bank Annual Meetings 2006 held in Singapore on 16 September 2006. This Policy Brief has been prepared by Dr. Nagesh Kumar, Director-General, RIS.

A key priority consideration for future EAS would be to create a comprehensive pan-Asian framework for regional economic cooperation and integration. The Comprehensive Economic Cooperation Arrangement combining the EAS partners could be subsequently expanded to include other Asian countries to evolve into a truly Asian Economic Community which could be an 'arc of advantage, peace and shared prosperity' in the words of Prime Minister Dr Manmohan Singh.

EAS members together account for more than a fifth of global output and trade, half of world's population and more than two thirds of global foreign exchange resources. EAS provides basis of a major grouping that could be the third pole of the world economy after NAFTA and the EU. By providing a seamless market to the EAS (or Asian) businesses and industry such an arrangement will help in efficiency-seeking restructuring of Asian industry and could emerge as an engine of growth. RIS studies have shown that integration of EAS economies has the potential of generating substantial welfare gains.²

There is some debate on whether ASEAN+3 is a better forum for evolving a broader scheme of economic integration in Asia than EAS. However, the research has shown that EAS has the greater potential to generate welfare gains for all the partners than ASEAN+3.³ Furthermore, EAS will be able to benefit from the dynamism and other strengths of India, Australia and New Zealand for mutual benefit. With a US\$ 850 billion economy growing at 8-9 per cent per annum, and a 300 million strong middle class, India is emerging as the third largest economy in the world. Its software and services dominated economy complements well with hardware and manufacturing driven economies of other East Asian countries. With booming demand for infrastructure investments, that are projected to be over US\$ 500 billion, India can provide a huge market for East Asian investors and underutilized construction and engineering capacities. Rapid integration with East Asia as a part of the Look East Policy followed by India since 1991 has made the region as the largest trade partner of India ahead of the EU and the US. India is increasingly getting integrated with East Asian production chains especially in more critical knowledge-based segments such as R&D and product design. India is already evolving an FTA with ASEAN (besides individual countries such as Singapore and Thailand) and South Korea, is studying FTAs with

Japan and China and is hence very much part of the growing web of FTAs linking the East Asian countries. With its excellent trading and transport links and emerging preferential trading arrangements with South Asian countries, GCC and other West Asian countries, India could act as a bridge for East Asia for the markets in South, West and Central Asian countries. Finally it can be argued that an EAS based grouping will be more balanced than an ASEAN-plus-three based community.

The EAS comprehensive economic cooperation arrangement could target to liberalize regional trade and investment regimes in a phased manner by 2020 with provisions for safeguards for sensitive products, special and differential treatment for countries at different levels of development and dispute resolution. The agricultural trade liberalization should be attempted on a separate track from that of industrial goods to allow supremacy to considerations of food security and livelihood issues.

Care must be taken in designing the programmes of regional economic integration in such a manner that they keep equity, employment generation, balanced regional development, and necessary social transformation and social safety nets for the vulnerable sections of the society at their heart so that it represents regionalism with an 'Asian Face'. By balancing the interests of efficiency and equity, the Asian arrangement could well emerge as a role model for trade liberalization in multilateral as well as regional contexts in the whole world.

The other adjuncts of the EAS comprehensive economic cooperation arrangement could include an Asian monetary architecture of EAS countries for facilitating intra-regional trade and exchange rate stability within the region by pooling reserves, creation of an Asian Currency Unit (ACU) as a unit of account, setting up an Asian investment bank, an Asian Energy Forum to pursue regional cooperation for energy security, and a cultural foundation for evolving an Asian identity.

To conclude, launch of EAS as a forum for dialogue between Asian leaders represents a landmark development in the direction of regional cooperation in Asia. In the coming years it will hopefully prove to be an important vehicle for charting the agenda for broader regional cooperation and integration for realizing the Asian dream!

¹ See for more details RIS Discussion Paper # 100, "Towards a Broader Asian Community: Agenda for the East Asia Summit" by Nagesh Kumar, November 2005.

² *op.cit.* Also see for more details RIS (2005) "Towards an Asian Economic Community: Vision of a New Asia", RIS, New Delhi and ISEAS, Singapore.

³ See RIS Discussion Paper #100, *op. cit.*

RIS Contributing to the Asian Policy Agenda

The RIS proposal of broader regional cooperation in Asia by forming an Asian Economic Community in a phased manner with Japan, ASEAN countries, China, India and South Korea (JACIK) as its core was first presented and discussed at the High-Level Conference on Asian Economic Community organized by RIS in New Delhi in March 2003 in collaboration with the Malaysian Institute of Economic Research and the Centre for Strategic and International Studies, Jakarta. Since then a number of Asian Statesmen and leaders have spoken on the relevance of an Asian Economic Community as an inclusive grouping of JACIK, among other countries, as a way forward for regional economic cooperation in Asia, as excerpted below. Subsequently the East Asia Summit (EAS) was launched as a forum for dialogue on Asian cooperation in December 2005 in Kuala Lumpur covering all the JACIK countries, and Australia and New Zealand.

Asian Leaders on Asian Economic Community

"If the 14 of us (viz. ASEAN-10, India, Japan, China and South Korea) combine into a broader Asian Economic Community, it can promote our overall competitiveness and create a new engine of growth for the entire region."

— Prime Minister Shri A.B Vajpayee at the ASEAN-India Summit, Bali, October, 2003.

"It is only inevitable that we seek to take the existing India-ASEAN relationship to a higher level, where we envision an Asian Economic Community, which encompasses ASEAN, China, Japan, Korea and India. Such a community would release enormous creative energies of our people. One cannot but be captivated by the vision of an integrated market, spanning the distance from the Himalayas to the Pacific Ocean, linked by efficient road, rail, air and shipping services. This community of nations would constitute an "arc of advantage", across which there would be large-scale movement of people, capital, ideas, and creativity. This is an idea whose time is fast approaching, and we must be prepared for it collectively."

— Prime Minister Dr. Manmohan Singh at the Third India-ASEAN Business Summit, 21 October 2004.

'In time, [India-Singapore Comprehensive Economic Cooperation Agreement] CECA can eventually lead to an Asian Economic Community linking South Asia, Southeast Asia and Northeast Asia. Such a Community will result in a strong and prosperous Asia, with India as one of the key pillars.'

—Prime Minister Gob Chok Tong of Singapore while accepting the Jawaharlal Nehru Award for International Understanding in New Delhi, July 2004

"There is the emerging ASEAN +3+India, and that will be a formidable regional grouping that can negotiate then with the European Union, the Americas, Africa and such regional economic groupings."

— President Gloria Macapagal Arroyo, Republic of the Philippines at the ASEAN Business Summit, Vientiane, Laos, 28 November 2004

'India should join in [East Asian Community], as ... it will expand the market, force more specialization, division of labour, and India has some thing to contribute in economic, political, diplomatic as well as the security fields. So I believe it is to the advantage of the ASEAN countries that any such East Asian Community should include India.'

— Singapore's Minister Mentor Lee Kuan Yew's address to the Foreign Correspondents Association of Singapore, reported in The Straits Times, 22 December 2004.

"Recognising the need for concerted efforts among Asian countries to translate the positive developments into an 'Arc of Advantage and Prosperity' involving growth, prosperity, stability and closer integration in Asia, the two leaders acknowledged the responsibility that the two countries have in this new emerging Asian era and thus committed to work together to promote the vision of an Asian Economic Community."

—India-Japan Joint Statement issued during the visit of Prime Minister Koizumi to India during April 2005.

"We feel confident that in the next few years, we may see the rise of a Pan-Asian Free Trade Area covering all major Asian economies, including India, Korea, China, Japan, ASEAN and possibly extending to Australia and New Zealand. This could be the third pole of the world economy after the European Union and the North-American Free Trade Area and will open up new growth avenues for all our own economies'."

—President Dr. A.P.J. Abdul Kalam of India addressing the Major Business Chambers of Korea, Seoul, 7 February 2006.

"An East Asia Summit (EAS) FTA by 2020 can be envisaged... and the region is likely to become a major driver of the global economy sometime in the first half of this century."

—Singapore's Minister for Foreign Affairs, Mr. George Yeo at Boao Forum for Asia Annual Meeting, 22 April 2006.

"The proposed Asian trade zone (consisting of the 10-member ASEAN, plus Australia, China, India, Japan, New Zealand and South Korea) would benefit from having a population of three billion people and current economic activity of nine trillion dollars.... We are certain it will be to the benefit of all the countries of the region."

— Mr. Toshihiro Nikai, Minister of Economy Trade and Industry, Japan, after Meeting with ASEAN Trade Ministers in Kuala Lumpur, as reported in the International Herald Tribune, 24 August 2006.

SOME RECENT PUBLICATIONS OF RIS ON ASIAN ECONOMIC INTEGRATION

Reports and Books

- *Towards an Asian Economic Community: An Agenda for the East Asia Summit*, RIS jointly with ISEAS, Singapore, 2006.
- *India-ASEAN Economic Relations: Meeting the Challenges of Globalization* by Nagesh Kumar, Rahul Sen and Mukul Asher (eds.), RIS jointly with ISEAS, Singapore, 2006.
- *ASEAN-India Vision 2020: Working Together for a Shared Prosperity* by RIS and ASEAN-India Network of Think-Tanks, 2004.
- *Future Directions of BIMSTEC: Towards a Bay of Bengal Economic Community* by RIS in consultation with IPS, Colombo; ITD, Bangladesh; and CPD, Dhaka, 2004.
- *South Asia Development and Cooperation Report 2004* by RIS Research Team.
- *India-ASEAN Partnership in An Era of Globalization: Reflections by Eminent Persons*, RIS jointly with ISEAS, Singapore, 2004.

Policy Briefs

- #25 *Case for a Robust India-Taiwan Economic Partnership*
- #24 *Towards Comprehensive Economic Co-operation between India and Central Asian Republics*
- #23 *The Case for an Asian Currency Unit: Need for a Broad-based Approach*
- #17 *Regional Trading Arrangements (RTAs) in the World and Asia: Options for India*
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Recent Discussion Papers

- #112 *Regional Cooperation for Asian Energy Security* by Vipul Tuli.

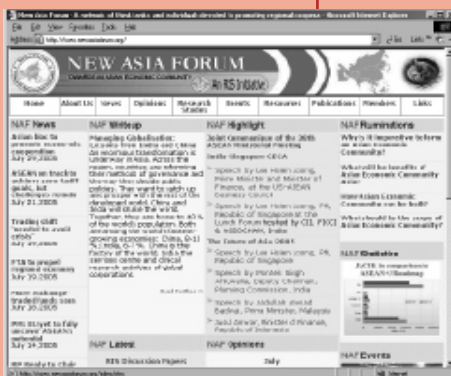
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- #100 *Towards a Broader Asian Community: Agenda for the East Asia Summit* by Nagesh Kumar, 2005.
- #96 *Advancing the ASEAN-India Partnership in the New Millennium* by Ong Keng Yong.
- #95 *The Search for Regional Architecture: The Role of ASEAN as Strange Attractor* by Djisman S. Simanjuntak.
- #94 *India-Central Asia Economic Relations: A Report of RIS/CII Seminar.*
- #93 *Asian Energy Outlook to 2020: Trends, Patterns and Imperatives of Regional Cooperation* by Kokichi Ito, Li Zhidong and Ryoichi Komiya.
- #92 *Regional Trade and Investment Architecture in Asia-Pacific: Emerging Trends and Imperatives* by Tiziana Bonapace.
- #91 *India-East Asia Integration: A Win-Win for Asia* by Mukul G. Asher and Rahul Sen.
- #90 *Strategic Relevance of Asian Economic Integration* by Eric Teo Chu Cheow.
- #89 *China's Role in the Asian Economic Unification Process* by Yao Chao Cheng.

RIS Journals

- *New Asia Monitor*
- *South Asia Economic Journal*
- *Asian Biotechnology and Development Review*



RIS Work Programme on the Asian Economic Integration



RIS launched a major research programme on Asian economic integration in 2001/02 to develop proposals for an Asian Economic Community that would be broader than existing approaches to regional cooperation in various parts of Asia. As a part of this programme supported by the Sasakawa Peace Foundation, Japan, a number of research studies have been prepared on the relevance of broader regional cooperation, alternative approaches, areas of cooperation and policy challenges. To foster a debate on the subject, RIS has organized a series of High-level Conferences on Asian Economic Integration in different locations viz. New Delhi (March 2003), Tokyo (November 2004), Taiyuan, China (September 2005), New Delhi (November 2005). These conferences have been organized jointly with a number of policy think-tanks from Asian countries such as ISEAS, Singapore; DRC of the State Council of China, Beijing; MIER, Malaysia; CSIS, Jakarta; Council on East Asian Community, Tokyo, among others and have involved participation of heads of policy think-tanks from Asian countries, policy makers, parliamentarians, business people, among other stakeholders. A network of think-tanks, viz. New Asia Forum has been created with its own dedicated website www.newasiaforum.org and a quarterly journal *New Asia Monitor* to foster dissemination of various viewpoints. For more details of the RIS programme, please visit www.ris.org.in or contact dgoffice@ris.org.in

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