



# Broader Regional Economic Integration in Asia: An Agenda for the East Asia Summit

Report of the RIS-ISEAS-IDE Sixth High-Level Conference on Asian Economic Integration (New Delhi, 12-13 November 2007)

The Sixth High-Level Conference on 'Asian Economic Integration: Agenda for the East Asia Summit' was organized by RIS in collaboration with the Institute of South East Asian Studies (ISEAS), Singapore; and the Institute of Developing Economies (IDE)/JETRO, Tokyo, and with the support of Sasakawa Peace Foundation (SPF), Tokyo on 12-13 November 2007 in New Delhi. This was aimed at contributing to the process of regional economic integration in Asia and to provide inputs for the forthcoming Third East Asia Summit (EAS) to be held in Singapore on 21<sup>st</sup> November 2007 with leaders of ten ASEAN countries, Japan, China, South Korea, India, Australia and New Zealand.

This Policy Brief represents a summary record of the discussion at the Conference.

The Conference deliberated upon the economic, strategic and business perspectives on the relevance of Asian economic integration in the EAS framework and the specific issues concerning integration of trade and investment regimes, and monetary and financial cooperation, among other issues, against the background of emergence of Asia as the new locomotive and an emerging centre of gravity of the world economy. China and India are together contributing nearly 40 per cent of global incremental output now. It has helped in reducing

the dependence of the world economy on the US as an engine of growth. The Asian economies have also developed profound synergies that have helped in expanding the intra-regional trade in Asia to more than 55 per cent. The new Asian dynamism and the emergence of the Asian middle classes as a centre of final demand, and the synergies make regional economic integration in Asia a viable strategy beside enabling Asia to exercise its influence in global economic governance commensurate with its rapidly growing economic weight.

In the recent years Asian countries have begun to exploit the potential of regionalism for their development. In particular, ASEAN, besides expediting their own sub-regional economic integration has brought together other major Asian economies as dialogue partners. A virtual economic community is emerging from a complex web of FTAs linking ASEAN and its six dialogue partners. However, these FTAs remain sub-optimal as they fail to provide a seamless regional market important for fuller exploitation of the synergies for mutual benefit. The participants agreed that a broader regional architecture was needed to complement these initiatives.

In that context, the conference welcomed the evolution of the EAS as an annual forum for dialogue on regional issues bringing together

The Conference on 'Broader Regional Economic Integration in Asia: An Agenda for the EAS' was Sixth in a series of High-Level Conferences organized by RIS in collaboration with other think-tanks in Asian countries. Previous five conferences have been held in Singapore (2006), New Delhi (November 2005), Taiyuan P.R. of China (September 2005), Tokyo (2004) and New Delhi (2003).

At the Conference Hon'ble Shri Pranab Mukherjee, Minister of External Affairs of India delivered the inaugural address and Shri Jairam Ramesh, Hon'ble Minister of State for Commerce and Industry delivered the valedictory address.

The conference had participation of heads of policy think-tanks, eminent scholars, academicians and senior government officials. Among the notable think-tanks and institutions represented at the conference besides the organizing institutions namely RIS-India, ISEAS-Singapore, IDE/Jetro-Tokyo, included: Philippine Institute for Development Studies, Manila; New Zealand Institute of International Affairs, Wellington; Korea Institute of International Economic Policy (KIEP), Seoul; Shanxi University of Finance and Economics, Taiyuan, P.R. of China, Hosei University, Tokyo; Chulalongkorn University, Bangkok; Asian Development Bank, Manila; UN-ESCAP, Bangkok; Council for Social Development; India-Japan Forum, Centre for Research in Rural and Industrial Development, Chandigarh; Confederation of Indian Industries, Exim Bank of India; Japan External Trade Organization (JETRO), different Indian Universities, government agencies, business enterprises, etc. The documentation of the Conference is available at [www.ris.org.in](http://www.ris.org.in)

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*It is incumbent on us to put in place a political and economic architecture which is conducive to Asia's emergence as a pre-eminent region of stability and prosperity. Sixty years ago, delivering the inaugural address of the Asian Relations Conference in New Delhi, Pandit Nehru said, and I quote: "Strong winds are blowing all over Asia. Let us not be afraid of them, but rather welcome them; for, only with their help can we build the new Asia of our dreams.*

*...India constantly seeks closer and wider engagement with her Asian neighbours and is willing to work with them to realize the aspirations and dreams that Pandit Nehru spoke of. Let us therefore work together to make the 21st century truly the Asian century.*

(Excerpted from the Inaugural Address by Shri Pranab Mukherjee, Hon'ble External Affairs Minister of India at the Sixth High-Level Conference on Asian Economic Integration, 12 November 2007, New Delhi.)

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ASEAN10 and their six dialogue partners, viz. Japan, China, India, Korea, Australia and New Zealand. At the Second EAS held in Cebu on 15<sup>th</sup> January 2007, the Leaders decided to move forward on the regional cooperation agenda in five select sectors, namely, education, energy, natural disaster mitigation, avian flu, and finance. They also launched a track-II feasibility study of a Comprehensive Economic Partnership Arrangement of East Asia (CEPEA) bringing together the 16 member countries of EAS and endorsed establishment of a regional economic think-tank called Economic Research Institute of ASEAN and East Asia (ERIA).

The conference discussed findings of rigorous studies highlighting the potential of economic integration in EAS framework to bring about substantial economic gains to not only the participating countries but also to the rest of the world and consistently finding these gains to be substantially exceeding those emanating in a less inclusive framework such as ASEAN+3. The prime basis for such observations is the underlying economic logic of expanded scope of economic complementarities inherent in the EAS process, for instance, by bringing together software and service-dominated economies with hardware and manufacturing-driven economies or by combining the domestic consumption driven dynamism in some countries with external-market oriented ones across the EAS. The differential stages of development among the members of EAS too provide for economic opportunities in a complementary fashion for achieving developmental objectives through regional economic integration.

The participants felt that instead of diffusing the agenda to cover diverse issues, EAS could concentrate on taking some visible concrete steps towards economic integration. The deliberations in the conference suggested some key priorities for the EAS process for creating an institutional framework for promoting regional cooperation in select areas as follows:

- **Comprehensive Economic Partnership Arrangement of East Asia (CEPEA)** as a framework agreement aiming to liberalize tariff and non-tariff barriers to intra-regional trade in goods and services and investments in phased manner by 2020 accompanied by improving connectivity and trade facilitation to cut trade costs, and economic cooperation to narrow the development gaps: The ultimate objective of CEPEA could be to provide a 'seamless market' combining all

the EAS participating countries. CEPEA should be designed as an inclusive framework to which additional Asian countries can accede to, as and when they are ready, on a reciprocal basis. However, as trade liberalization affects certain vulnerable sections adversely, it needs to have provisions for safeguards for sensitive products, livelihood security, special and differential treatment for countries at different levels of development and making CEPEA as a role model of economic integration by balancing the objectives of 'efficiency and equity'. Care must be taken in designing the programmes of regional economic integration in such a manner that they keep equity, employment generation, food and livelihood security, necessary social transformation and social safety-nets for the vulnerable sections of the society at their heart so that it is regionalism with an 'Asian Face'.

- **Asian Monetary and Financial Architecture (AMFA)** of EAS countries by building on the Chiang-Mai Initiative and expanding it to cover all the EAS participants: There was a consensus on the need for institutional intermediation between growing foreign exchange reserves of Asian countries and widening infrastructure deficits in Asia and for funding the cross-country infrastructure. There is a need to study whether such an institutional intermediation could be provided by existing regional institutions such as the Asian Development Bank. Among other avenues for financial and monetary cooperation include creation of an Asian Currency Unit (ACU) as a unit of account for facilitating intra-regional trade and exchange rate stability within the EAS region, strengthening and development of Asian Bond Markets and creation of an apex body of Asian Exim Banks. EAS could also create a virtual EAS secretariat and an EAS Caucus for coordinating their positions at the global institutions. For facilitating regional financial cooperation, EAS could consider creating an annual meeting of EAS Finance Ministers and central bank governors alongside the Economic Ministers' Meetings.
- **Cooperation and Coordination among Networks of Asian Think-Tanks:** The conference agreed that intellectual cooperation among Asian institutions and

# Agenda of Sixth High-Level Conference on Asian Economic Integration: Agenda for the East Asia Summit

Day 1: 12 November 2007

## 1. Inaugural Session:

Welcome Remarks: **Dr. Nagesh Kumar**, Director-General, RIS  
 Observations by **Ambassador K. Kesavapany**, Director, Institute of Southeast Asian Studies, Singapore  
 Observations by **Dr. Hidetoshi Nishimura**, Special Advisor to IDE President on ERIA, IDE/Jetro, Tokyo  
 Remarks by **Ambassador Leela K. Ponappa**, Dy. NSA and Vice-Chairperson, RIS  
 Chairperson's Remarks by **Dr. Arjun Sengupta**, M.P. and Chairman, RIS  
 Release of the book *Asia's New Regionalism and Global Role: Agenda for the East Asia Summit*, published under the joint auspices of RIS and ISEAS, Singapore  
 by **Shri Pranab Mukherjee**, Hon'ble Minister of External Affairs.  
 Inaugural Address by **Shri Pranab Mukherjee**, Hon'ble Minister of External Affairs  
 Vote of Thanks

## 2. Asia's New Role in Global Economy and the Relevance of Asian Economic Integration

Chair: **Mr. Gopal Pillai**, Commerce Secretary, Ministry of Commerce and Industry

### Key Presentations:

1. *Regional Cooperation and Asia's New Role in the Global Economy* by Dr. Sultan Rahman Hafeez, Deputy Director General, Asian Development Bank, Manila
2. *Relevance of Broader Asian Economic Integration and Approaches* by Dr. Nagesh Kumar, Director General, RIS
3. *Towards a Vision of an Integrated East Asia: Comprehensive Economic Partnership of East Asia (CEPEA) and ERIA* by Dr. Hidetoshi Nishimura, Special Advisor to IDE President on ERIA, IDE/Jetro, Tokyo

### Distinguished Panelists:

4. Ambassador K. Kesavapany, Director, ISEAS, Singapore
5. Dr. Brian Lynch, Director, New Zealand Institute of International Affairs

### Open Discussion

## 3. Regional Trade and Investment Liberalization: Building Blocs and Emerging Approaches

Chair: **Professor Muchkund Dubey**, President, Council for Social Development

### Key Presentations:

1. *ASEAN and Broader Economic Integration in Asia* by Dr. Josef T. Yap, President, PIDS, Manila
2. *ASEAN+6 versus ASEAN+3 Approaches for Regional Economic Integration: Lessons from CGE Simulations* by Dr. S.K. Mohanty, RIS and Dr. Sanjib Pohit, NCAER
3. *Asia-India Trade Relations and Growth: Implications for Regional Economic Integration Policy* by Professor Tran Van Hoa, Director, ASEAN Research Program, CSES, Victoria University, Australia [in absentia]
4. *Trade Costs in Asia: Importance of Trade Facilitation and Improved Connectivity* by Dr. Prabir De, RIS

### Discussants:

1. Dr. Rahul Sen, Fellow, ISEAS, Singapore
2. Dr. Amita Batra, Hindu College, University of Delhi

### Open Discussion

## 4. Monetary and Financial Cooperation in Asia

Chair: **Dr. Sultan Rehman Hafeez**, Deputy Director General, Asian Development Bank, Manila

### Key Presentations:

1. *Towards Asian 'Brettonwoods'* by Dr. Ramgopal Agarwala, Senior Adviser, RIS
2. *Asian Exim Banks Cooperation* by Mr. T.C. Venkat Subramanian, Chairman and Managing Director, EXIM Bank of India
3. *Financial Cooperation for Infrastructure Development in Asia*: Dr. Hiren Sarkar, Chief, Development Policy Section (PDD), UN-ESCAP, Bangkok
4. *Financial Cooperation in East Asia Summit* by Dr. Dennis Hew, Senior Fellow, ISEAS, Singapore

### Open Discussion

Dinner hosted by **Mr. N. Ravi**, Secretary (East), Ministry of External Affairs

Day 2: 13 November 2007

## 5. Strategic Relevance of Asian Regionalism

Chair: **Ambassador K. Kesavapany**, Director, Institute of Southeast Asian Studies, Singapore

### Distinguished Panelists:

1. Professor Yao Chao Cheng, Shanxi University of Finance and Economics, Taiyuan, P.R. of China
2. Dr. Brian Lynch, Director, New Zealand Institute of International Affairs
3. Mr. M.K. Venu, Senior Editor, *The Economic Times*
4. Ambassador P.S. Sahai, CRRID, Chandigarh

### Open Discussion

## 6. Emerging Comprehensive Economic Partnership of EAS Countries: A Business Perspective

Chair: **Ambassador Arjun Asrani**, Chairman, India-Japan Forum

### Presentations

1. *Business Strategies and Roles of Major Japanese Companies and the Significance of ERIA*, Dr. Tetsuji Kawamura, Professor, Faculty of Economics, Hosei University
  2. *Promoting Economic Cooperation between India and South Korea: A Business Perspective*, Dr. Soon Cheoul Lee, Fellow, Korea Institute of International Economic Policy (KIEP), Seoul
  3. *Business Potential of CEPEA: An ASEAN Perspective*, Dr. Chayodom Sabhasri, Center for International Economics, Chulalongkorn University, Bangkok
- Discussant:** Dr. Jayanta Roy, Principal Adviser, Confederation of Indian Industry (CII)

### Open Discussion

## 7. Valedictory Session

Chair: **Ambassador Leela K. Ponappa**, Dy. NSA and Vice-Chairperson, RIS

1. Report of the Conference Dr. Ram Upendra Das, Fellow, RIS
2. Observations by **Ambassador K. Kesavapany**, Director, Institute of Southeast Asian Studies, Singapore
3. **Valedictory Address by Shri Jairam Ramesh**, Hon'ble Minister of State for Commerce and Industry
4. Vote of Thanks: **Dr. Nagesh Kumar**, Director-General, RIS

experts was the need of the hour for promoting broader Asian regional cooperation. Asian minds need to meet before the economies can. The initiatives of regional cooperation need to be effectively supported by networks of think-tanks of EAS countries which could brain-storm on the policy challenges for regional economic integration and provide a road-map for the official processes. The Conference agreed that the series of High-Level Conferences, of which the present one is a part, have served a useful purpose and should continue to be held in different Asian capitals. The conference noted with appreciation the setting up of ERIA, a regional policy think-

tank, to assist the process of regional cooperation. It was hoped that in due course ERIA could reinforce the networking of think-tanks on regional cooperation issues besides contributing to capacity building in EAS region in collaboration with the national think-tanks.

- **Institution building for Educational, Cultural and Media Exchanges:** It was emphasized that social, cultural and strategic dimensions are equally important as economic ones, if not more, for the successful regionalism while supporting the EAS dialogue on energy and climate change related issues. Efforts are needed to build

an Asian identity, as Pandit Nehru had sought to do sixty years ago by organizing the Asian Relations Conference in 1947! EAS could take steps to promote education, cultural and media exchanges to promote people-to-people contacts, generate informed public opinion on issues of developmental significance of the region, allowing for an

Asian identity or 'Asianness' or 'One Asia' to take hold for building an Asia of tomorrow. Regional institution building is important for developing an Asian identity.

Hopefully, the EAS will be able to push regional cooperation in these areas to pave the way for an Asian Century!

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## Select RIS Publications on Asian Economic Integration

### Reports/Books

- *Asia's New Regionalism and Global Role – Agenda for the East Asia Summit* by Nagesh Kumar, K. Kesavapany and Yao Chaocheng (eds.), RIS, New Delhi and ISEAS, Singapore 2008.
- *Towards an Asian Economic Community: An Agenda for the East Asia Summit*, RIS and ISEAS, Singapore, 2006.
- *India-ASEAN Economic Relations: Meeting the Challenges of Globalization* by Nagesh Kumar, Rahul Sen, and Mukul Asher (eds.), RIS and ISEAS, Singapore, 2006.
- *Towards an Asian Economic Community: Vision of a New Asia* by Nagesh Kumar (ed.), RIS and ISEAS, Singapore, 2005.
- *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, Bangkok; and CPD, Dhaka, 2004.
- *Biotechnology and Development: Challenges and Opportunities for Asia* by Sachin Chaturvedi and S.R. Rao (eds.), RIS and ISEAS, Singapore, 2004.
- *India-ASEAN Partnership in an Era of Globalization: Reflections by Eminent Persons*, (Second Imprint) RIS and ISEAS, Singapore, 2004.
- *South Asia Development & Cooperation Report 2004*, RIS.

### Policy Briefs

- #31 *Towards an Asian Regional Mechanism for Addressing Excess Foreign Exchange Reserves, Infrastructure Deficits and Global Imbalances*
- #30 *Restoring Afghanistan-Pakistan-India-Bangladesh-Myanmar (APIBM) Corridor: Towards a New Silk Road in Asia*
- #29 *Facilitating India's Overland Trade in the Eastern Neighbourhood*
- #28 *Regionalism with an 'Asian Face': An Agenda for the East Asia Summit*
- #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*
- #16 *High Risks of Global Imbalances: Role of Infrastructure Investments in Asia*
- #15 *Regional Cooperation for Poverty Alleviation and Food Security in Asia*
- #14 *Oil Shock and Cyclical Upturn in US Interest Rates: Implications for Asia*
- #12 *Future Directions of BIMST-EC: Towards A Bay of Bengal Economic Community (BoBEC)*
- #11 *Managing Global Macroeconomic Imbalances: The US Current Account Deficit, Exchange Rate Flexibility and Asian Reserves*
- #9 *Road to a Single Currency for South Asia*
- #8 *Energy Cooperation in South Asia: Potential and Prospects*
- #3 *Reserve Bank of Asia: Institutional Framework for Regional Monetary and Financial Cooperation*
- #2 *Initiative for Closer Economic Cooperation with Neighbouring Countries in South Asia*
- #1 *Relevance of an Asian Economic Community*

### Periodicals

- *New Asia Monitor* (Quarterly)
- *RIS Mekong-Ganga Policy Brief*

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