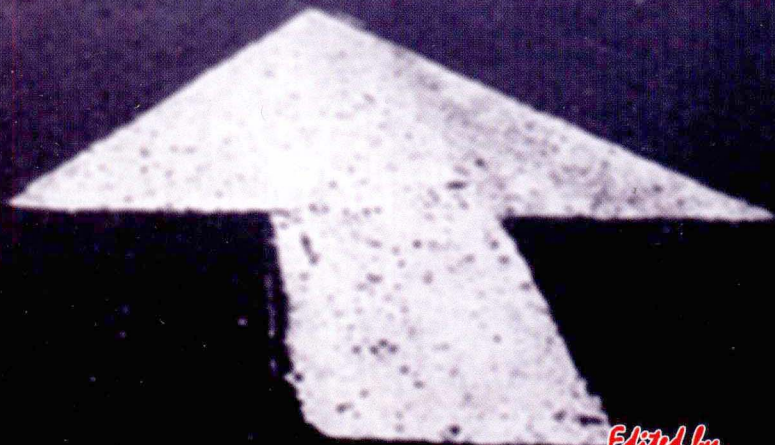


**JAPAN WATCH**



*Japan-ASEAN Beyond Economic Partnership  
Toward an East Asian Community?*



*Edited by*

*Siriporn Wajjwalku*



*Japan-ASEAN Beyond Economic Partnership  
: Toward an East Asian Community?*

*Paper and Proceedings of the International Conference on*

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*Toward an East Asian Community?*

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## *Message from TRF Director*

The Thailand Research Fund (TRF) is a government agency under the Office of the Prime Minister. It was set up in 1992 with the main purpose of supporting all kinds of research for development, including sciences & technology and social sciences.

As Thailand is more involved in the world economy, in particular international trade, one aspect of research strongly needed is the international relations covering both international politics as well as international economics. The TRF therefore supports a group of research projects, called "Country Watch", on our major economic and political partners, including the US, the European Union, Japan, China, India, and Russia.

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As Japan is one of our main trade partners, the Japan Watch Project was one of the first in this group, commencing about four years ago. The main activity of Japan Watch Project are, firstly, to follow changes and development in Japan which will affect Thailand including political, economic, and social; secondly, to promote collaborative research between Thai and Japanese researchers as well as other ASEAN countries; and lastly, to publicize research results in various forms – publications, newsletters, websites, public seminars/conferences of both national and international nature, and news releases.

This proceeding is the final outcome of the international conference titled "Japan – ASEAN beyond the Economic Partnership: Toward the East Asian Community?" held at Thammasat University in Bangkok in September 2005. As the regional cooperation among Northeast and Southeast Asian countries is rapidly progressing, this

proceeding has provided various ideas, concepts, and issues for the regional cooperation, particularly the role of Japan and ASEAN in the process of regional cooperation and community building.

The Thailand Research Fund would like to thank Thammasat University and Faculty of Political Science for being a co-host of this conference. We would also like to thank the Japan Foundation for being a co-sponsor for the conference. And lastly, a deep gratitude goes to all contributors who made the conference and this proceeding possible and valuable. It is expected that this kind of conference and publication on current and significant issues would be organized again in the near future with the cooperation of all concerned agencies.

*Prof. Piyawat Boon-Long*

*Director of Thailand Research Fund*

*August 2006*

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In 2002, Prime Minister Koizumi had delivered the speech so called “Japan and ASEAN in East Asia: A Sincere and Open Partnership” in Singapore when he made a visit to Southeast Asian countries during that time. In the speech, he had proposed “An Initiative for Japan-ASEAN Comprehensive Economic Partnership”, which is said to be a remarkable policy of Japan toward ASEAN in the 21<sup>st</sup> century. According to this policy, an expected goal of creating “a community that acts together and advances together” had been emphasized. And since then, Japan has started negotiating FTA with each ASEAN member as well as planning for Japan-ASEAN FTA in following, for the long term purpose of the establishment of an East

Asian Community.

Following the announcement of the new policy, Japan-Singapore New Age Economic Partnership was concluded in the same year as the first economic partnership between Japan and ASEAN countries. During 2003-2005, the economic partnership agreements between Japan-Thailand, Japan-Philippines, and Japan-Malaysia had been in process of negotiation. At the same time, Japan had also supported an initiative for East Asian Meeting as another track to achieve the goal of regional community building. The first East Asian Summit in Kuala Lumpur last year was marked as the beginning of this path along which Japan and other twelve countries in East and Southeast Asia will walk together.

In the midst of this regional cooperation and development, Japan Watch Project under support of Thailand Research Fund found it a very timely and a crucial moment to study and discuss about this topic not only among Thai scholars and government officials involved, but also among those of Japan and ASEAN countries. The international conference titled "Japan-ASEAN beyond the Economic Partnership: Toward the East Asian Community?" was held in September 2005 to provide a forum for this purpose. Scholars and government officials from Japan as well as some ASEAN countries were invited to present their papers and discuss about the future of the region together.

This proceeding is the final outcome of that conference. It consists of 4 parts - the Introductory Notes, the Japan-ASEAN Beyond Economic Partnership, the Japan-ASEAN and East Asian Community: Framework and Issues, and the Conclusion: Summary of Comments. In the first part, viewpoints of high ranking government officials are

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presented. The main point of the second part is a review of the development process of regional cooperation, particularly the role of Japan and ASEAN in that process. In the third part, a concept or model of regional cooperation as well as some concerned issues among countries of the region; such as, human security, and international migration has been discussed. And the conclusion is the summary of comments from the audience.

Japan Watch Project and Thailand Research Fund would like to thank Thammasat University and Faculty of Political Science for being a co-host of the conference. Special thanks go to Japan Foundation for being a co-sponsor of the conference. And highly appreciation and gratitude are for all contributors who provide very insightful information and intellectual comments on the topic. It is expected that this kind of discussion and publication could enhance the body of knowledge as well as strengthen the relationship between Japan and ASEAN and

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among ASEAN too.

*Siriporn Wajjwalku*

*Editor*

*Project Coordinator*

*Japan Watch Project*

*July 2006*

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*Part I*  
*Introductory Notes*

*Japan-ASEAN Beyond Economic Partnership:  
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*Japan-ASEAN Beyond Economic Partnership:  
Toward an East Asian Community?*

... *Japan-ASEAN Beyond Economic Partnership:  
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*Atsushi Tokinoya*

In December, 2003, at the Japan-ASEAN Commemorative Summit in Tokyo, the Japanese and ASEAN leaders took a major step forward towards the goal of developing an East Asian community. In the Tokyo Declaration adopted at the Summit, they agreed to "seek to build an East Asian community which is outward looking, endowed with the exuberance of creativity and vitality and with the shared spirit of mutual understanding and upholding Asian traditions and values, while respecting universal rules and principles". This is the first time that the leaders of this region have officially proclaimed an East Asian community as a policy goal.

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Is the development of an East Asian community really necessary? In the view of many observers, the answer is an unequivocal "yes", as they believe that such an arrangement will serve the best interests of the entire region. Community-building is a long-term policy initiative aimed at creating a future order for the peace and prosperity of East Asia. It is an evolutionary process. An East Asian community is far from a certainty, and yet such an evolutionary process, many observers believe, is already well under way.

What we are witnessing at the moment in the region is an important and yet preliminary phase of the process. It is already an important phase, because it is characterized by a rapidly expanding economic integration of the region. Economic reality on the ground dictates its necessity as East Asian countries have become more economically interdependent. Economic integration has progressed, for example, in the form of a network of bilateral free trade and

economic partnership agreements in recent years. Accompanying the deepening economic integration, wide-ranging functional cooperation is in progress in the region. It goes beyond trade and investment, and includes such areas as “non-traditional” security issues, such as terrorism, piracy, narcotics trafficking, and human trafficking.

But undoubtedly, we are in a preliminary phase, because there are significant obstacles impeding the formation of a community. First, a community of nations needs a set of shared values that unite peoples and governments. Indeed, that is the fundamental premise for a long-lasting and successful community. In East Asia, the basis for regional cooperation has certainly expanded, but it is still not possible to declare that basic values such as freedom and democracy are embraced by all the countries of the region.

Secondly, there is a uniquely Asian difficulty, that is, its huge diversity. In East Asia, enormous diversity and disparity exist in

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economic development, culture, ethnicity, religion, political principles, and security policies. This situation does not allow the setting up of a region-wide institutional and legal framework.

And thirdly, there is the security environment of the region. There are a number of security issues in the region, solution to which cannot realistically be hoped for in the short term. There are various sources of instability, such as the Korean Peninsula and the Taiwan Strait, which continue to threaten East Asia's stability and prosperity.

In spite of these difficulties, many observers seem in no doubt that we can make progress in community-building by pressing forward with the functional cooperation mentioned above. Rather, they believe that because of these difficulties, it is right and proper to pursue a path of functional cooperation to achieve what is achievable at the moment.

What are the vehicles to use to promote community-building? There is a broad convergence of views that the ASEAN+3 Summit is a

major vehicle. The Chairman's statement at the ASEAN+3 Summit in Vientiane in November, 2004 stated that "We reaffirmed the role of ASEAN+3 process as the main vehicle for the eventual establishment of an East Asian Community". Indeed, the ASEAN+3 process now boasts ministerial meetings on foreign affairs, finance, economy, labor, tourism, energy, and the environment. It has become one of the most significant regional frameworks for cooperation in a number of functional areas.

What about the East Asia Summit, which is scheduled to take place for the first time in Kuala Lumpur in December? Is there not a role for the East Asia Summit to play? The discussions on this point have barely begun. The role of the East Asia Summit is not yet clearly defined. There are some who favor the ASEAN+3 Summit and do not see a role for the East Asia Summit in the context of community-building. But is it not right to say that India, Australia and New Zealand

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were invited to the East Asia Summit because they were considered potential but strong and legitimate candidates to join an East Asian community? If so, is it not right and fair to give these three countries an opportunity to discuss community-building in the light of their increasingly important and substantial relationship with ASEAN countries? The East Asia Summit will provide such necessary opportunities.

The above point relates to another issue, that is, the geographical scope of an East Asia community. There is a broad consensus that ASEAN+3 countries will be core members of such a community. But what about India, Australia and New Zealand? There is some ambiguity with respect to the positions of some countries. Clearly, there is certain unease in agreeing to a geographical scope that goes beyond ASEAN+3 at this early stage. Is it necessary to give a precise geographical definition to an East Asian community at this early stage?

The answer is probably "No". The realities that will certainly emerge down the road will give a definite answer to this question.

Putting aside for a moment the role to be assigned to the East Asia Summit in the context of community-building, a question must be asked about the rationale for creating the East Asia Summit, separately from the ASEAN+3 Summit. You may recall that when the East Asia Summit was proposed by the East Asia Study Group in November, 2002, it was assumed that the ASEAN+3 Summit would evolve into the East Asia Summit. But the decision was to create the East Asia Summit, while maintaining the ASEAN+3 Summit. The two Summits will take place simultaneously albeit back-to-back in December. What are the essential differences between the two Summits? Further discussion is needed to clarify this point.

What is the role of ASEAN in building an East Asian community? The very format of the ASEAN+3 process suggests that

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ASEAN is the driving force of regional cooperation. ASEAN itself insists that as a group it must also occupy the driver's seat in the East Asia process. ASEAN expects that the others will respect its initiatives and its position as the main engine driving regional cooperation. It looks as if ASEAN is fearful of losing control of the community-building process, or worse, of losing its identity in the midst of the intensified work of building a new community.

If you take a look at the economic size of each country constituting ASEAN+3, ASEAN accounts for only 10% of their combined GDP. Japan and China account for 60% and 20% respectively. Therefore, ASEAN+3 tends to gravitate towards the plus 3 side. But there are some good reasons for letting ASEAN take the lead. Under the existing circumstances it wouldn't be helpful for either one of the plus 3 countries to try to lead. The progress ASEAN has achieved in regional cooperation in recent years, in particular, in economic

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cooperation, also justifies the position of ASEAN.

The plus 3 countries, including Japan, accept and respect that ASEAN will be in the driver's seat of the East Asia Summit process. They accept for the time being that ASEAN always assumes the chairmanship and always hosts the meetings. But what about the future? Are they prepared to continue to be courteous, if not silent, passengers in the backseat? Can we envisage the day when the East Asia Summit will evolve into a different arrangement where ASEAN and other participating countries will share their responsibilities on a more equitable footing?

What are the roles of other countries? What is crucial is the China factor. The future of East Asia is closely inter-related with the manner of China's rise in the coming years. What will be the implications of China's rise in this region? The impact of China's dynamic expansion of economic activity is already being felt in a

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number of ways around the globe. China's GDP will become roughly equal to that of Japan by 2020.

It is certainly hoped that China will continue to be engaged constructively in the region. There is no doubt that China is committed to working towards establishing an East Asian community. China is steadily increasing its presence throughout the ASEAN region by actively engaging in regional cooperation. It appears certain that the intention of China is to create a relationship of trust with ASEAN countries by taking a number of initiatives and responding to ASEAN's concerns. It would be interesting to know the ASEAN perspective on China's role and the constraints on it in community-building.

Finally, a few words are in order about the United States. It appears certain that the United States does not consider itself as belonging to an East Asian community. But there is no doubt that because of its vital interest in East Asia, the United States is interested

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in any new architecture which might emerge in the region. What would be the attitude of the United States towards an East Asian community? This question is premature, because the United States clearly wants to take time to see if an East Asian community does indeed evolve, if so, what shape it is likely to take, and if it is likely to impair the vital security framework the United States has built in the region and the existing regional organizations in which the United States participates.

Generally, the American policy-makers have been receptive to regional organizations in the Asia-Pacific region as they are considered useful for promoting political and economic cooperation and enhancing regional security. However, they would react strongly to any attempt that could be construed as marginalizing the strong American presence in the region.

The central role the United States plays in the maintenance of

peace and security in the region and the bilateral security arrangements it maintains with some of the countries in the region are indispensable in the light of some of the sources of instability existing in East Asia. Moreover, the United States is an important economic partner already broadly integrated into the economies of this region. This is the reason why we need to give careful thought to devising some sort of linkage with the United States as we proceed in our efforts for the creation of an East Asian community. I assume that ASEAN recognizes this, but it would be interesting to know ASEAN's perspective in this regard.

I have raised a number of questions without however necessarily providing answers. But I hope that these points will be of some use for your discussions.

I have not touched upon Japan's role in building an East Asian community. I can assure you that Japan is committed to working

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towards such a community. I have noted that many observers believe that the functional approach, in other words, the efforts to expand regional cooperation in different functional areas, is an appropriate and effective one to take at this stage. Japan supports this approach and will continue to contribute to promoting functional cooperation in the region.

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... *Japan-ASEAN Toward the Regional Cooperation:  
Concept/Model of Cooperation.*

*Suvidhaya Simaskul*

Recently, Japanese society has paid much attention to the process of regional cooperation in East Asia. Public seminars or special lectures on this topic have been organized frequently by various institutions; such as, the media, universities, and government agencies, to provide information to the public.

In principle, any concept and model of cooperation would be successful only if it takes into account the degree of comfort among all participants. This has been proven during the last thirty eight years of ASEAN existence and especially by the cooperation between ASEAN and Japan after the announcement of the Fukuda Doctrine in 1977.

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In the past, there had been wishes to foster a faster and closer relations or cooperation among Asian countries. Yet, it can be said that Japan-ASEAN cooperation has gone this far and quite smoothly on the basis of a level of comfort acceptable by both sides. During the first ten years of its existence, ASEAN was in the process of proving itself. At the beginning, ASEAN was viewed as a grouping of non-communist countries, belonging to the free world camp. In ASEAN itself, some were not very sure of what they were trying to do during this period, especially with regard to cooperation with extra-ASEAN entities. Ironically, it was the anti-Japanese sentiment that kicked starts a meaningful ASEAN-Japan cooperation, in particular with the announcement of Fukuda Doctrine in 1977.

Since 1977, the concept and model of cooperation have been discussed widely between Japan and ASEAN. The Post Ministerial Conference was then set up and it seems that functional approach

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gradually developed itself to be the acceptable model of cooperation between ASEAN and Japan.

Not only has the economic cooperation been promoted between two sides, Japan also strongly supported ASEAN's position in the Kampuchean conflict during late 1970s to early 1990s. The Kampuchean conflict brought about a new mechanism: ASEAN SOM or ASEAN Senior Official Meeting, a forum of ASEAN permanent secretaries of Foreign Affairs with political cooperation as its main agenda. It is to be noted that Japanese officials were in close contact with this ASEAN mechanism.

Interestingly, while Japan and ASEAN go on very well in their regional cooperation activities, things are different in the international economic fora; for example, in GATT and later in WTO. This paradox overshadowed the overall cooperation from time to time but never become an obstacle in the ASEAN-Japan relations.

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In early 1990s, ASEAN members immediately responded to the changes brought about by the end of the Cold War, with the spread of globalization, the rise of China, and the uni-polar world in terms of security. Numerous concepts for regional cooperation were presented during this period. Perhaps the most remarkable initiative was the EAEC proposed by Dr. Mahatir Mohammad of Malaysia. Although this concept was put aside, it was one among the first wave of the quests for a new order in East Asia after the disintegration of Soviet Union. Interestingly, while the EAEC concept was shelved, the ASEAN+3 mechanism came into being.

During the 1990s decade, one could see two significant progresses on Japan-ASEAN cooperation. On political and security aspects, ASEAN Regional Forum (ARF) was set up for the political and security cooperation aiming at peaceful resolution of potential conflicts. On the economic front, the ASEAN+3 mechanism has proven its

usefulness and effectiveness especially during the 1997 Asian financial crisis. The Chiang Mai initiative, a result from the 10+3 Finance Ministers' Meeting, is prominent among the various schemes of cooperation in this regard.

While the EAEC concept was held in abeyance, ARF, with focus on security issues is now in its 14<sup>th</sup> year. ARF stands for ASEAN and not Asian Regional Forum, with ASEAN in the driver's seat which is now accepted as principle of the concept of EAS and an EAC.

As widely witnessed, the period from 1991 onward could perhaps be the age of a search for a new order both at international and regional levels. Moreover, ASEAN region also faced series of crises which warrant international and regional cooperation – the 1997 financial crisis, SARS, Avian flu, Tsunami, terrorism, etc. Amidst this situation, ASEAN countries and Japan have timely and successfully reacted together to bring these crises in control.

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If the EAEC concept was untimely in early 1990s, perhaps it is now opportune for Japan to take a leading role towards a consolidated Asian regionalism.

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*Manasvi Srisodapol*

Japan has always been valued as a close friend and one of ASEAN's oldest allies. After initiating informal contacts in 1973, Japan became ASEAN's Dialogue Partner in 1977. It was then that Prime Minister Fukuda delivered a policy speech that was to become known as "the Fukuda Doctrine", declaring Japan's intention to engage with ASEAN in a comprehensive manner. What started off as an informal consultation on specific issues then evolved over a quarter of a century into a comprehensive dialogue and cooperation covering a wide-range of fields, from political and security, to economic and the social and areas.

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Today, the economic importance of Japan to Thailand and other ASEAN countries is evident. Bilaterally, Japan and Thailand have enjoyed vibrant economic relations with bilateral trade amounting to almost US\$ 35 billion in 2004. Japan is the most important investor in terms of volume of foreign direct investment in Thailand which in turn, is the most important destination for Japanese investment in Southeast Asia in terms of volume of its direct investment in 2004. In the broader regional context, Japan is one of ASEAN largest trading partners. The volume of Japan's two-way trade with ASEAN has reached more than US\$ 108 billion in 2003, second only to those with the United States. Japan has also been a significant source of foreign direct investment, accounting for almost 13 percent of all FDI in ASEAN between 1995 and 2003 which amounted to around 28 million Japanese tourists have visited ASEAN countries each year, generating significant income and employment for ASEAN economies.

In the areas of development and technical cooperation, Japan has demonstrated its commitment in working in partnership with Thailand and ASEAN, placing emphasis on people-to-people and cultural exchanges, particularly among the youths and intellectuals, with a view to fostering a sense of togetherness, mutual trust and understanding.

Beyond Cooperative efforts within the framework of ASEAN-Japan Dialogue Relations, it was in the face of difficulty and challenge that the real friendship was put to the rest. While the financial Crisis of 1997 may seem like a distant memory of us today, the pain and suffering experienced by people was genuine and its impacts still lingers for some ASEAN countries with gratitude then generous assistance that Japan extended to ASEAN countries in the time of crisis. In spite of its damaging impacts, the Financial Crisis served as a catalyst for closer cooperation among East Asian countries to prevent

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the repeat of similar situation.

Most recently at the end of last year, parts of the region were hit by severe earthquake and the ensuing tsunami tidal wave that caused unprecedented damage and human casualties. As a true friend, Japan was quick to lend a helping hand. In addition to dispatching relief and rescue missions to the stricken areas and bilateral grant aid, Japan had pledged emergency humanitarian assistance of US\$ 250 million US and also announced to provide more than US\$ 205 billion over next five years in assistance for disaster prevention, mitigation and reconstruction efforts.

Nevertheless, we must recognize that, despite these intertwining ties of cooperation between ASEAN and Japan, there are aspects where Japan could have underscored its long standing and very close relations with ASEAN by taking a lead in engaging with ASEAN at an early stage. Japan was the 4<sup>th</sup> country to accede to the

Treaty of Amity and Cooperation in Southeast Asia (TAC). Japan was 7<sup>th</sup> country to sign the Declaration for Cooperation to combat International Terrorism with ASEAN. Progress in negotiations on a Comprehensive Economic Partnership (CEP) with ASEAN as a group has been slow. All in the while, Japan shared so much interests and concerns in common with ASEAN. In fact, due to our close geographic proximity, longstanding relations and close interdependence along with Japan's very strong economic presence in the region, it could be said that ASEAN and Japan's destiny are quite intimately tied with each other and with the rest of East Asia.

Last year, the ASEAN+3 Summit decided to pursue East Asia Community as a long-term objective. The goal has thus been set. I believe that ASEAN-Japan partnership can serve as a key instrument in this community building process. The question is how can this be pursued?

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First, the most concrete form of working towards an East Asian Community will be economic integration and making use of existing regional trade arrangements such as AFTA and those being established such as ASEAN-China FTA, ASEAN-ROK FTA, and ASEAN-Japan FTA. In this respect, Japan has some advantage. Japan either has concluded or is in the process of negotiating bilateral Economic Partnership Agreements (EPA) with a number of ASEAN countries including Singapore, the Philippines, Malaysia and most recently the Japan-Thailand Economic Partnership Agreement (JTEPA). Similar process will soon begin with Indonesia. However, we need a truly regional ASEAN-Japan Comprehensive Economic Partnership (AJCEP) that would become one of the sky foundations for a future East Asia Free Trade Area. The deepening of ASEAN-Japan economic linkage will certainly play an important part in facilitating a broader integration process in East Asia. All efforts should, therefore, be made

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towards the completion of the ASEAN-Japan Comprehensive Economic Partnership (AJCEP).

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## *Part II*

# *Japan-ASEAN Beyond Economic Partnership*

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# *Japan-Thailand Economic Partnership Agreement (JTEPA): Fact Sheet*

*Jun Yamada*

## Background of the Economic relationship between Thailand and Japan

- Japan and Thailand have long enjoyed vibrant economic ties with bilateral trade amounting to nearly US\$ 35 billion in 2004. Thailand is the biggest trading partner for Japan amongst ASEAN countries, with Thai-Japan volumes accounting for 24.5% of the total long trading volume between Japan and all SEAN countries.
- As of 2004, there were approximately 1,200 companies registered with the Japanese Chamber of Commerce in Thailand, making it one of the biggest Japanese Chamber of Commerce outside Japan.

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- Thailand was the most important destination for Japanese investment in Southeast Asia in terms of volume of foreign direct investment in 2004. Japan is also the most important investor in terms of volume of foreign direct investment in Thailand. The volume of direct investment from Japan to Thailand reached record levels (49% of the total value) in 2004, exceeding even the figures of Europe (13.3%) or USA (11.6%). Additionally, Japan was the biggest foreign investor in Thailand in terms of volume of accumulated figures for the period 1985-2004.

### **Progress Japan-Thailand Economic Partnership Agreement**

- April 2002; In order to further broaden and deepen the already close and cordial ties of the two countries, Prime Minister, H.E. Dr. Thaksin Shinawatra and Japanese Prime Minister, H.E. Mr. Junichiro Koizumi decided to begin consultations on an agreement of

JTEPA under the concept of "Initiative for Japan-ASEAN Comprehensive Economic Partnership".

- May-July 2002; following the aforementioned decision made by the Prime Ministers, two preparatory meetings were held.
- September 2002 - November 2003; before the initiation of formal negotiations, five Working Group meetings and 3 task force meetings were held alternatively in Bangkok and Tokyo.
- February 2004 - August 2005; Japan and Thailand had 9 vice-Minister level negotiation rounds alternatively in Japan and Thailand.
- September 1<sup>st</sup>, 2005; The two Prime Ministers met in Tokyo to jointly announce that agreement in principle had been reached between the Japanese side and the Thai side on all major elements of JTEPA, on the basis of a series of negotiations conducted since February 2004, including a meeting at ministerial level held in

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Bangkok on 31 July and 1 August 2005.

- JTEPA will not only facilitate the liberalization of bilateral trade and investment but will also cover a comprehensive range of economic activities including enhancement of the business environment; intellectual property; bilateral cooperation in agriculture, forestry and fisheries; trade and investment promotion; education and human resource development; information and communication technology; science, technology, energy and environment; small and medium enterprises; tourism; financial services; energy conservation; value-creation economy; and public-private partnership.
- JTEAP will mark a new era for the Japan-Thailand strategic partnership and provide a solid basis for an East Asian community.

## Major agreements made under JTEPA

### *Industrial Goods*

In the field of industrial products, both sides will eliminate tariffs on almost all goods within 10 years from the date of entry into force of JTEPA.

- Major market access improvement by Thailand:

Automobiles	<ul style="list-style-type: none"><li>● Passenger cars with engines exceeding 3,000cc: The tariff rates will be reduced in equal annual installments from 80% annually until it reaches 60% in 2009 and will then be maintained at 60%.</li><li>● Passenger cars with engines not exceeding 3,000cc: renegotiation.</li><li>● A political declaration on automobiles will be issued at the time of the signing of JTEPA.</li></ul>
Auto parts	<ul style="list-style-type: none"><li>● Items with tariff rates over 20%: the tariff rates will be reduced to 20%, maintained at 20% and eliminated in 2011.</li></ul>

	<ul style="list-style-type: none"> <li>● Items with tariff rates of 20% and lower; the tariff rates will be maintained and eliminated in 2011.</li> <li>● For sensitive items (5 items), the tariff rates will be maintained and eliminated in 2013.</li> </ul>
Iron and steel products	<ul style="list-style-type: none"> <li>● Tariff on some steel products will be eliminated immediately.</li> <li>● Tariffs on the other will be eliminated, at the latest, by the first day of the 11<sup>th</sup> year after the entry into force of JTEPA.</li> <li>● For some specific hot-rolled coils and plates, zero-tariff quota schemes will be established and their quantity will be jointly reviewed annually.</li> </ul>

- Market access improvement by Japan includes:

Textiles and apparels	<ul style="list-style-type: none"><li>● Tariff on almost all items will be eliminated immediately.</li></ul>
Articles of jewelry	<ul style="list-style-type: none"><li>● Tariff will be eliminated immediately (5 items). For items with tariff rates of 20% and lower, the tariff rates will be maintained and eliminated in 2011.</li></ul>
Petroleum petrochemical product	<ul style="list-style-type: none"><li>● Tariff on most items will be eliminated immediately and tariff on the remaining items will be eliminated over the five years after the date of entry into force of JTEPA in equal annual installments.</li></ul>

### *Agricultural, Forestry and Fishery Products*

Tariff s on most agricultural, forestry and fishery products will be eliminated within 10 years from the date of the entry into force of JTEPA.

- Market access improvement by Japan includes:

<i>Agricultural Products:</i>	
Mangoes, Mangosteens, Durians, Papayas, Rambutan, Okra, Coconut	<ul style="list-style-type: none"> <li>● Tariffs eliminated, at the latest, by the first day of the 11<sup>th</sup> year after the entry into force of JTEPA.</li> </ul>
Bananas	<ul style="list-style-type: none"> <li>● Introduction of Tariffs Rate Quota (TRQ) on fresh bananas: (a) In-Quota rate: Duty free, (b) TRQ quantity: 4,000 metric tons in year 1 → 8,000 metric tons in year 5.</li> </ul>
Fresh small pineapples	<ul style="list-style-type: none"> <li>● Introduction of TRQ: (a) In-Quota rate: Duty free, (b) TRQ quantity: 100 metric tons in year 1 → 300 metric tons in year 5.</li> </ul>
Mixed fruit, fruit salad and fruit cocktail prepared, preserved	<ul style="list-style-type: none"> <li>● Immediate tariff elimination.</li> </ul>

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Prepared, preserved chicken meat	<ul style="list-style-type: none"> <li>● Tariff reduction from 6% to 3% in 5 years.</li> </ul>
Prepared, preserved pork and ham	<ul style="list-style-type: none"> <li>● Introduction of TRQ: (a) In-Quota rate: Reduction by 20% of MFN rate on the date of entry into force, (b) TRQ quantity: 1,200 metric tons from the 1<sup>st</sup> year.</li> </ul>
Ricc bran oil	<ul style="list-style-type: none"> <li>● Tariff reduction by 55.5% in 5 years.</li> </ul>
Pet food	<ul style="list-style-type: none"> <li>● Tariff elimination in 10 years.</li> </ul>
Cane molasses	<ul style="list-style-type: none"> <li>● Introduction of TRQ on cane molasses in the 3<sup>rd</sup> year: (a) In-Quota rate: Reduction by 50% of out-quota rate, (b) TRQ quantity: 4,000 metric tons in year 3 → 5,000 metric tons in year 4.</li> </ul>
Esterifies Starch	<ul style="list-style-type: none"> <li>● Introduction of TRQ: (a) In-Quota tariff rate: Duty free, (b) TRQ quantity: 200,000 metric tons from the 1<sup>st</sup> year.</li> </ul>
<i>Fishery Products:</i>	
Shrimp and prawn prepared, preserved, frozen or boiled	<ul style="list-style-type: none"> <li>● Tariff eliminated on the date of entry into force of JTEPA.</li> </ul>

Fish Fillet and jellyfish, fresh frozen Mongo lka	<ul style="list-style-type: none"> <li>● Tariff elimination in 5 years.</li> </ul>
Prepared, preserved tuna, skipjack, other bonito and crab	<ul style="list-style-type: none"> <li>● Tariff elimination in 5 years.</li> </ul>
<i>Forestry Products:</i>	
Forestry products other than plywood, particle board and fiberboard	<ul style="list-style-type: none"> <li>● Immediate tariff elimination.</li> </ul>
Particle board and fiberboard	<ul style="list-style-type: none"> <li>● Tariff elimination in 10 years.</li> </ul>

\*Exclusion or Re-negotiation includes: Rice; wheat; barley; frozen and chilled beef and pork; raw cane and beet sugar; refined sugar; starches; canned pineapple; plywood; fishery products under import quota; tuna and skipjack; most items of prepared beef and pork; and designated item of dairy product.

- Market access improvement by Thailand includes:

Apples, Pears and Peaches	<ul style="list-style-type: none"> <li>● Tariff eliminated on the date of entry into force of JTEPA.</li> </ul>
Yellow fin Tuna, Skipjack Tuna, Sardines	<ul style="list-style-type: none"> <li>● Tariff elimination in 5 years.</li> </ul>
Apples, Pears and Peaches	<ul style="list-style-type: none"> <li>● Tariff elimination in 5 years.</li> </ul>

\*Exclusion or Re-negotiation includes: Mackerel, tobacco, raw silk, bird's egg, dried egg yolks, and some designated items of fish.

- Cooperation in the field of agriculture, Forestry and Fisheries:

Japan and Thailand will cooperate closely and establish a special sub-committee on food safety with participation of relevant government agencies to facilitate cooperation, including holding science-based consultation to identify and address specific issues that may arise from the application of sanitary and phytosanitary measures

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with the objective of obtaining mutually acceptable solutions and strengthening quality control inspection and certification system, and the application of risk analysis.

A special sub committee on Local-to- Local Linkage will also be established to identify areas and forms of cooperation between relevant cooperatives of the two countries and to implement cooperation activities accordingly, e.g. promotion of marketing and purchasing, including the development of One Tambon One Product projects.

## **Trade in Services**

### *Framework*

- Transparency: a list of all relevant laws and regulations in all sectors to be made public.

- Schedule of commitment: all the sectors and sub-sectors in WTO document W/120 will appear in the schedule of commitment.

Methods of commitment: Obligations such as market access, national treatment, and additional commitment will apply to these sectors and sub-sectors where commitments are specified in the schedule of commitment, and to the extent of such commitments.

- Scope and coverage: The scope and coverage of the Services Chapter will be the same as those of GATS. The Services Chapter will cover liberalization commitments on all modes of supply, including mode 3.

- Standstill Commitment: listing all measures inconsistent with market access and national treatment obligations on the widest possible range of sectors/sub-sectors.

- Modification of Commitments: may be made in accordance with the JEPSA amendment provision and on the basis of the GATS

Article XXI method; if the same commitment as a GATS commitment is involved, there will be no “double compensation”

- Emergency Safeguard Measures: consultations with a view to starting negotiation within 6 months after entry into force of JTEPA.
- MFN: a request by one side for MFN treatments after the entry into force of JTEPA will be considered by the other side. The Japanese investor's status as the most important investor in terms of volume of foreign direct investment in Thailand will be acknowledge in a political declaration to be signed at the time of signing of JTEPA.
- Review Mechanism: for all service sectors to begin within five years after the entry into force of JTEPA; a separate review for maintenance and repair services, wholesale trade and retailing services and rental services to begin within three years after the entry into force of JTEPA.

## *Liberalization Commitments*

- The coverage of standstill commitments

Japan will make standstill commitment in 18 sub-sectors.

- Japan's specific commitments

Comprehensive coverage, including the GATS commitments, in

the following sectors:

- Business and professional services
- Communication service
- Construction and related engineering services
- Distribution services
- Educational services
- Environmental services
- Financial services
- Health related and social services

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- Tourism and Travel related services
- Recreational, cultural and sporting services
- Transport services

- Thailand's specific commitments

In addition to the GATS commitments, coverage includes the following sub-sectors:

- Advertising services
- Logistics consulting services
- Computer and related services
- Maintenance and repair services

(household electrical appliances only)

- Wholesale trade and retailing services

(certain products only)

- Management consulting services

(general management, marketing management, human resources management, production management)

## Investment

### *Framework*

- MFN: a request by one side for MFN treatment after the entry into force of JTEPA will be considered by the other side. The Japanese investor's status as the most important investor in terms of volume of foreign direct investment in Thailand will be acknowledge in a political declaration to be signed at the time of signing of JTEPA.

- Modalities: liberalization commitments will be made for non-service sectors using the positive list method

- A recommendation will be made to the Royal Thai Government that Japanese investors be exempted from Certificate of Approval for

## Protection (C.A.P.)

- Performance Requirement: there will be a provision on the basis of which both sides will be to make commitments not to apply performance requirement.
- Investment in Service Sectors: in respect of post-establishment investment activities the provisions on the Promotion and Protection of Investment, Most Favored Nation Treatment, Denial of Benefits, Access to the Courts of Justice, Expropriation and Compensation, Protection from Strife, Payments and Transfers, Subrogation, Settlement of Investment Disputes Between a Party and an Investor of the other Party, and Performance Requirement will apply to investment in service sectors.
- State-Investor Dispute Settlement: State-Investor Disputes, except for disputes on performance requirements and pre-establishment investment activities, may be submitted, under

conditions to be specified, to international.

- Review Mechanism: for all non-service sectors to begin within five years after the entry into force of JTEPA.

- Modification of Commitments: may be made in accordance with the JTEPA amendment provision while reflecting the principle of maintaining a general level of mutually advantageous commitments.

- Recommendation will be made that the Royal Thai Government states through a political declaration to be signed at the time of the signing of JTEPA that it has no intention to change its current investment policy to be more restrictive for Japanese investors in Thailand with regard to investment in manufacturing sectors not included in List 1, 2, or 3 of the Foreign Business Act 1999.

## *Liberalization Commitments*

### - Japan's Offer

Coverage will include all non-service sectors with some exceptions. The exceptions include the following industries: Aerospace, Arms and Explosives, Energy, Oil, Agriculture, Forestry, Fisheries and Mining.

### - Thailand's Offer

Less than 50 percent equity participation by Japanese investors for automobiles manufacturing will be allowed with no requirement to apply for authorization, subject to certain condition as specified.

## Cooperation

The Cooperation Chapter defines cooperation in fields of;

- Agriculture, Forestry and Fisheries
- Education and Human Resources Development
- Enhancement of the Business Environment
- Financial Services
- Information and Communication Technology
- Science, Technology, Energy and Environment
- Small and Medium enterprises
- Tourism
- Trade and Investment Promotion

In the initial period the two sides will focus on following cooperation programmes for a new era of Japan-Thailand partnership, which are designed to build on and look beyond the Economic

Partnership Agreement, and to jointly pursue and share their basic philosophy as well as practical skills and know-how to achieve a prosperous and resilient economy amid global competition.

- Trade and Investment promotion for the “Kitchen of the World” project.

Through partnership between the Japan External Trade Organization (JETRO) and the National Food Institute of Thailand (NFI), this project will promote the marketing of Thai food, the creation of high-value added products, and Thai food-related investment in Japan.

- Japan-Thailand “Steel Industry Cooperation Programme”.

The governments of the two countries, in collaboration with the Japanese and the Thai steel industries as well as other related entities, will cooperate to strengthen the technological basis of the Thai steel industries, reinforce the environment technology to the Thai steel

industry, develop the skills of field technicians at Thai steel mills, and support education for and develop the skills of Thai steel engineers.

- “Automotive Human Resources Development Institute” project.

The governments of the two countries, in collaboration with the Thai Automotive Industry Institute and other related agencies, will cooperate under this project to turn Thailand into a sustainable world class product base for the automotive sector, solve the problem of skilled labor shortages through human resources development, and improve the Thai Automotive Industry’s competitiveness in the international market.

- Energy conservation.

Japanese-related manufacturing companies in Thailand will formulate voluntary action plan on energy conservation and transfer their know-how to their related companies in Thailand. The Government of Japan will dispatch experts on energy efficiency and

take appropriate measures in partnership with the Thai Ministry of Energy to improve know-how among Thai producers including SMEs.

- Value-creation economy

Through coordination between the Japanese Ministry of Economy, Trade and Industry and Thai Office of Knowledge, Management and Development, and building on the achievements of “one Tambon One Product” projects and the Thailand Creative Design Centre. The governments of the two countries will pursue a new economic model that strengthens the resilience of both economics amid global competition.

- Public-private partnership.

The governments of the two countries will cooperate to enhance public-private partnership in the area of infrastructural services through bilateral dialogue with participation from the private sector.

## Movement of Natural Persons

- Japan's Offer includes the following:

- Easing of the requirement for granting entry and temporary stay to Thai cooks

Under certain conditions, such as a minimum of 5 years' experience as a Thai cook and with certification approved by the Thai government (the time spent at an educational institution to acquire the certification will count towards the requirement of 5 years' experience).

- Granting entry and temporary stay to instructors of Thai classical/traditional dance, Thai music, Thai cuisine, Thai boxing and Thai language.

On condition that they satisfy the requirements for the status of resident as "Instructor" set out in Japanese Immigration Law and regulations.

- Clarification of the requirement of graduation from university or college for certain categories of status of resident under Japanese Immigration Law.

Graduation from a university or college in Thailand may be considered to be equivalent to graduation from a university or college in Japan, subject to evaluation by the Japanese authorities, in accordance with Japan's laws and regulations.

- Certified careworker

Continuing discussion regarding the possibility of accepting Thai certified careworkers to reach a conclusion within 1 year if possible, but not later than 2 years after the entry into force of JTEPA.

- Spa service

Consider the possibility of accepting spa managers and spa service instructors on condition that they satisfy the

requirements for the status of residents as “Investor/Business Manager” or “Instructor” under Japanese Immigration Law and regulations, and his/her employees/ students have the necessary qualifications.

Spa therapist; continuing discussion regarding the possibility of accepting Thai spa therapists to reach a conclusion not later than 2 years after the entry into force of JTEPA.

- Thailand's Offer includes the following:

- Permission to stay and work permit for Japanese short-term business visitors

Work permit to be granted, when applied for, initially up to 90 days and may be extended to one year from the arrival date.

- Recommendation to the Royal Thai Government that the monthly income requirement for issue and renewal of permission to stay be reduced from 60,000 baht to 50,000 baht.

- Criteria for issue and renewal of work permit for each foreigner

Reach a conclusion not after than 2 years after the entry into force of JTEPA.

- The restriction on the number of foreign employees permitted for one company as a requirement for issue of work permit.

Reach a conclusion not after than 2 years after the entry into force of JTEPA.

- The requirement to employ a certain number of Thai nationals for each foreigner permitted to stay

Reach a conclusion not after than 3 years after the entry

into force of JTEPA.

- Procedures and requirements regarding work permit and visa applications

Discussion on the procedure of notification to the Ministry of Labor by Japanese short-term business visitors to reach a conclusion not later than 1 year after the entry into force of JTEPA.

Clarification of the procedure for visa and work permit applications under Section 8 of the Working of Aliens Act 1978

Expansion under certain conditions of access to the One Stop Center for visas and work permits.

Both sides confirmed the establishment of joint mechanism to discuss issues related to the movement of natural persons, including a review of specific commitments, and to discuss mutual recognition of

educational qualifications, licenses, and certification.

### **Customs Procedures**

Both sides will promote information exchange and cooperation for the purpose of facilitating trade through simplification and harmonization of customs procedures, and ensuring effective enforcement of legal requirements.

### **Paperless Trading**

Both sides will co-operate with a view to realizing and promoting paperless trade between them and encouraging co-operation between private entities.

### **Government Procurement**

Both sides will exchange information on government procurement and establish a mechanism to discuss issues and ways to

enhance cooperation or their mutual benefit.

## Intellectual Property

Both sides will ensure adequate and effective protection of intellectual property, provide for measures for enforcement of intellectual property rights against infringement, counterfeiting and piracy, and promote efficiency and transparency in the administration of intellectual property protection systems. They will also assist small and medium-sized enterprises in the acquisition of intellectual property rights. A mechanism will be established for further discussion and consultation between both sides.

## Competition

Both sides will, in accordance with their respective laws and regulations, promote fair and free competition by proscribing anti-competitive activities in their respective territories and cooperate in the

field of competition.

### **Mutual Recognition**

Both sides confirmed the framework of mutual recognition for electrical products and will continue negotiations on the necessary provision.

### **Enhancement of the Business Environment**

Both sides will create a favorable business environment in their respective territories for business activities of the other side through a cooperation mechanism, namely, a business Environment Sub-Committee to be set up in each country, comprising government officials and representatives from the private sector and relevant organizations.

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## *Forging a Multi-faceted Partnership:*

# *Japan and Southeast Asia in the Epoch of a Rising China*

*Lam Peng Er*

### Introduction

Tokyo has already established considerable relations beyond economics with the ASEAN countries before Koizumi's clarion call for a partnership with ASEAN in January 2002. Japan has also contributed to the security architecture of Southeast Asia such as advocating for an ASEAN Regional Forum (ARF) and engaging in peace building in Cambodia and Aceh, Indonesia even though Article 9 of its pacifist constitution has yet to be revised. In this regard, Tokyo is already behaving very much like a normal-like state in Southeast Asia even without the jettisoning of Article 9.

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Notwithstanding Japan's longstanding comprehensive post-war relations with Southeast Asia, China has stolen a march on Japan by offering an FTA with the region. Rather than being a pawn caught between the rivalries of a rising power (China) and a stagnating power (Japan), ASEAN is in an enviable position of being wooed by both great East Asian powers. The ASEAN countries can help to mitigate this bilateral rivalry bedeviled by their burden of history and the uneven development of power (China rising, Japan stagnating) by acting as the lynchpin of the EAC and helping to anchor Sino-Japanese relations within a multilateral cooperative framework. For an East Asian Community (EAC) to work, a comprehensive partnership between Tokyo and ASEAN is indispensable.

This paper has three main sections. First, it examines the comprehensive partnership (including sensitive political and strategic issues) between Japan and ASEAN at least a decade before Koizumi

made his call for a “sincere and open partnership”. Next, is an analysis of Japan’s multi-faceted relations with Southeast Asia during the Koizumi Administration including regional peace building, the deployment of its SDF (Self Defense Force) for tsunami relief in Aceh and attempts to beef up maritime security in the Straits of Malacca. Finally, are six proposals for Japan to play an active and positive role in Southeast Asia in the 21<sup>st</sup> century.

### **Tokyo’s Political Activism in Southeast Asia Before Koizumi**

In January 2002, when Prime Minister Koizumi Junichiro called for a Japan-ASEAN Comprehensive Economic Partnership at his public lecture in Singapore, he must have been cognizant of his political mentor’s Fukuda Doctrine in 1977 which advocated Tokyo playing a larger political role in Southeast Asia (S. Sudo, 1992). After all, Koizumi was Fukuda Takeo’s political secretary in the early 1970s. (Fukuda was

also Koizumi's faction leader and Prime Minister between 1976-78) I would argue that Japan and ASEAN have already established a comprehensive partnership beyond economics even before Koizumi's call for the reinforcement of Japan-ASEAN relations against the backdrop of a rising China.

By the 1970s and 80s, the ASEAN countries had become part of Japan's regional production network known as the flying geese pattern of economic development (W. Hatch and K. Yamamura, 1996). However, it was difficult for Tokyo to put the Fukuda Doctrine into practice when Southeast Asia was divided between the non-communist ASEAN group and the pro-Soviet communist bloc. Given the context of Cold War rivalry and the fact that Tokyo was a close ally and junior partner to Washington, there was no way for Japanese diplomacy to play a bridging role between ASEAN and the communist bloc to ensure regional peace and stability.

However, with the collapse of the Soviet Union and Vietnam's subsequent withdrawal from Cambodia, Tokyo could finally put the Fukuda Doctrine into practice (L. Peng Er, 1996). For the first time after the end of the Second World War, Tokyo dispatched its troops to Cambodia for UN peacekeeping. Interestingly, Beijing did likewise and apparently the troops of both East Asian great powers cooperated well within the UN framework. Thus, a Southeast Asian country provided Japan the first opportunity to engage in peacekeeping and playing a positive international role beyond financial contributions after being roundly criticized both internationally and domestically for failing to do so in the First Gulf War.

Besides peacekeeping in Cambodia and subsequently in East Timor, Tokyo also contributed to the post-Cold War security architecture of Southeast Asia by proposing and supporting the ASEAN Regional Forum (ARF). Then Foreign Minister Nakayama Taro,

at the Post-Ministerial Conference (PMC) in Kuala Lumpur in July 1991, proposed that the ASEAN-PMC should become a forum for political dialogue and confidence building. This idea was the antecedent to the ARF which was established in 1994. Though cynics have scoffed at the ARF as a talking shop and that regional stability can only be underpinned by the balance of power and not platitudes of regional cooperation, the ARF is useful because it is the only multilateral security forum in Pacific Asia to discuss sensitive issues, engage in confidence building and hopefully in the long run greater strategic transparency and even preventive diplomacy.

Even though Japan suffered from the bursting of its bubble economy in 1991 and a prolonged economic recession until 2003, the country actually broadened and deepened its relationship with Southeast Asia. In the case of Myanmar, Tokyo tried to play a bridging role between the military junta and the Nobel Peace Laureate Aung

San Suu Kyi and offered generous ODA (Official Development Assistance) as economic incentives to the junta to release Suu Kyi and adopt political reforms but to no avail. However, Japan made its arguably greatest diplomatic triumph in Southeast Asia when the warring factions of co-Prime Ministers Hun Sen and Prince Rannaridh in Cambodia in 1997 accepted Tokyo's mediation and proposal to cease hostilities, conduct an election and restore peace and order to that war torn country.

Earlier, Tokyo also sought to play a bridging role when tensions were riding high over the Mischief Reef dispute in the South China Sea between Beijing and Manila. The Philippines asked Japan to approach and persuade China to adopt a peaceful approach to the dispute and the top Japanese leaders agreed to raise the issue with their Chinese counterparts. However, Beijing rebuffed Tokyo from being involved in the Spratlys dispute on the grounds that the Japanese are not a

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claimant state. Nevertheless, Tokyo notified Beijing that although it is not a claimant state, it is not indifferent to the Spratlys dispute, a potential flashpoint in Southeast Asia, which can conceivably threaten the safety of Japanese oil tankers if an armed conflict were to erupt (L. Peng Er, 1996).

There are at least three other noteworthy examples of Japanese attempts to forge a closer partnership with Southeast Asia beyond the economic sphere: the so-called Hashimoto Doctrine in January 1997 which expressed Tokyo's desire to hold regular political summit between Japan and ASEAN and also bilateral meetings with individual ASEAN countries to discuss security issues; then Prime Minister Obuchi's attempts to enhance maritime security against piracy in the region by hosting conferences in Tokyo to engage in regional dialogue and address the scourge of piracy; and Tokyo's aid to the region in the midst of the Asian Financial Crisis.

Japan's initial proposal to establish an Asian Monetary Fund (subsequently torpedoed by the Americans) and a rescue package of US\$ 63 billion to the region was more than just economics: it dealt with the governance of the regional political economy. The repercussions were obviously more than economics because the financial crisis led to the collapse of the Suharto regime in Indonesia and political change in Thailand and South Korea. Subsequently, Tokyo and Southeast Asia were involved in the Chiang Mai Initiative, an attempt to address future regional financial crises. These regional efforts to avert another financial meltdown eventually paved the way to the forging of a nascent EAC.

**Koizumi Administration:**

**Peace building, Tsunami Relief & Other Activities**

In his January 2002 speech calling for a partnership with

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Southeast Asia, Koizumi also mentioned that his nation would like to engage in peace building or the consolidation of peace in Afghanistan, Sri Lanka, East Timor, Aceh and Mindanao (L. Peng Er, 2004). In December 2002, Japan hosted the Tokyo Conference to provide a substantial foreign aid incentive for peace-building to the combatants Jakarta and GAM (Gerakan Aceh Merdeka). Some 20 countries and international organizations participated in the conference.

When the peace process was in danger of collapsing despite a Cessation of Hostility Agreement (COHA) between Jakarta and the GAM separatists was forged in December 2002, Japan made a last ditch effort to host another conference in Tokyo in May 2003 to salvage the talks. Unfortunately, the talks collapsed and armed conflict erupted in Aceh again. Although peace talks failed, Tokyo's peace building diplomacy in Aceh and other areas demonstrate that Japan is clearly playing a role beyond economics in Southeast Asia.

Tokyo's willingness to go beyond checkbook diplomacy in Southeast Asia is best exemplified by its manpower contributions to assist Aceh in the aftermath of the December 2004 tsunami disaster which struck areas including Aceh and Phuket. In its largest post-war deployment of troops, Japan dispatched at least a thousand troops to Aceh for humanitarian assistance. Tokyo also diverted at least two ships which had just completed their stint in the Indian Ocean and were on their way back home for tsunami relief in Indonesia.

Besides peace building in Aceh and East Timor, the Koizumi Administration has also cooperated with various Southeast Asian countries in coast guard exercises such as search and rescue operations and anti-piracy measures. Again, this is evidence that Japan has move beyond a one-dimensional emphasis on economics in its relationship with the region. Tokyo has cooperated with Southeast Asia in the construction of an EAC at both the first and second track

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levels. Spearheaded by the Japan Forum on International Relations (JFIR), various Japanese think tanks have worked with their regional counterparts at the second track NEAT (Network of East Asian Think Tanks) in various working groups to enhance regional cooperation. Indeed, the JFIR hosted the Third Annual NEAT Conference in Tokyo in August 2005. Moreover, Japan along with the Southeast Asian countries, India, Australia and New Zealand will be attending the first East Asian Summit in Kuala Lumpur in December 2005.

### **Japan's Future Partnership with Southeast Asia: Six Proposals**

1. Prime Minister Koizumi has made "structural reforms" a hallmark of this administration. Indeed, his landslide victory in the 2005 September Lower House Elections was centered on the privatization of Japan's postal services. However, Koizumi and his successors must also pursue agricultural reforms which will benefit not only Japanese

consumers, reform the ruling Liberal Democratic Party (by reducing its political dependence on the farmers) and more importantly from the viewpoint of Southeast Asian countries with important agricultural sectors enable more comprehensive FTAs (Free Trade Agreements) with the region to take place. Southeast Asia prefers free trade i.e. genuine access to Japanese markets rather than aid and charity.

2. Tokyo should pay attention to Southeast Asia as desirable in itself and not because of Sino-Japanese rivalry to jostle for regional leadership.

3. Japan should be more pro-active in peace building in Mindanao and Aceh. Recently, Finland facilitated a peace agreement between Jakarta and GAM. After the agreement was forged, a number of EU and ASEAN countries agreed to send more than 250 personnel to monitor the adherence to the agreement by the erstwhile combatants. Japan was a conspicuous absentee even though the

peace monitors in Aceh are unarmed and deployment of the SDF or police should not have posed a problem to Article 9 of the constitution. It is a disappointment that Japan did not do more for Aceh despite its earlier commitment to peace building in that province. It was probably a lack of political will on the part of Tokyo to continue its engagement in Aceh and the civil war-torn region appeared to have dropped out of the political radar screen of the Koizumi Administration when its energy seemed to be consumed by domestic politics over postal reforms. Besides Aceh and Mindanao, southern Thailand is another region which is suffering from ethnic tension and conflict in Southeast Asia. Perhaps Tokyo should encourage Bangkok and the Muslim rebels in Southern Thailand to engage in political dialogue and a peaceful approach to settle local problems. This proposal may be controversial because the Thaksin Administration, unlike its counterparts in the Philippines, Indonesia and Cambodia, may be too proud and confident

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to accept external facilitators to peace building in Southern Thailand.

4. Japan and the rest of the global community should not give up on Burma and must continue to urge the military junta and the democracy movement towards peaceful political change in that country. The political situation in Myanmar is an embarrassment to ASEAN and Japanese assistance (especially when taking a political line autonomous from the US) towards peaceful political change will be appreciated in the region.

5. Tokyo may also consider forging ODA partnership with the richer ASEAN countries especially Malaysia, Singapore and Thailand to assist Vietnam, Cambodia and Laos to mitigate the gap between the have and have-nots in the region.

6. Japanese state and society should forge a partnership with their counterparts in Southeast Asia to nurture a nascent EAC. This will be a long term project which might be characterized by two steps

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forward, one step backwards. The Japanese should consider promoting an iconic development to physically bring Southeast Asia together with continental Northeast Asia through a network of shinkansen (bullet trains) and cultural, sporting and intellectual events such as an East Asian karaoke contest, tri-annual East Asian Games, academic exchanges and movie festivals.

## Conclusion

The rise of China has added new complexities to the political landscape of East Asia. According to realist perspectives in international relations, friction and conflict often result when a rising power challenges the interests of a status quo or declining power. At the rhetorical level, Beijing has voiced its desire for a “peaceful rise” or “peaceful development”. However, the issue of Taiwan, territorial disputes in the East China Sea and historical problems between China

and Japan continue to cast a shadow across the region and its enterprise to build an EAC. Perhaps the ASEAN countries can play a pivotal role to promote an EAC by forging comprehensive partnerships with both Japan and China and anchoring their bilateral relations within a larger web of East Asian cooperation.

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# *Japan, the ASEAN*

## *and the Evolving New East Asian Regionalism*

*Dennis D. Trinidad*

### Introduction: Is Japan Abandoning Multilateralism?

Since after the Second World War, Japan has been supportive of multilateralism. This is not unusual for a nation that depends on trade for its economic survival and prosperity. The end of the Cold War however and the increasing 'scope' and 'intensity' of globalization has pressured it to revise and rethink its foreign policy. After the founding of the European Union (EU) and later the North American Free Trade Area (NAFTA), many scholars argued that the international economy is gradually evolving into three major regional economic blocs. Among the three, the Asia Pacific Economic Cooperation or APEC, founded in

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1989, is considered the least institutionalized. Prior to its creation, then Prime Minister Mahathir Mohammad of Malaysia proposed for an East Asian Community in which the United States, Australia, New Zealand and Latin American states are excluded. Still confused on what should be its priority, Japan did not support it and the idea was shelved out momentarily. It is said that Japan at the time was unwilling to join regional economic bloc in which the United States is not a member.

In an unprecedented move towards regionalism, Japan and the Association of Southeast Asian Nations (ASEAN) set the ambitious goal in December 2003 of creating an East Asian community, which consists of the ASEAN members plus Japan, China and South Korea. Is Japan set towards abandoning its multilateralist policy in favor of a more exclusionary regionalist policy or just seeking to secure market of its own as exclusivity of other regional blocs is deepening? This paper

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argues that Japan has not completely abandoned multilateralism but rather it seeks regional economic partnership within the framework of multilateral rules and agreements. This move is corollary to the argument that "regional arrangements are compatible with the multilateral order and may constitute a path toward deeper integration" (S. Haggard, 1997).

As Japan seeks to foster economic partnership with the ASEAN, Official Development Assistance or ODA will definitely play a vital role in this pursuit. The paper makes an analogy of the Marshall Plan and Japan's ODA to Southeast Asia. How Japan disbursed its ODA to the region in consonance to its objective of an East Asian Community is among those examined and analyzed.

### Post-Cold War Regional Role of Japan

In the economic realm, Mochizuki (1995) suggested that Japan

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must promote regional economic development of East Asia. It must perform three functions for the realization of this goal: as a capital supplier, technology provider, and absorber of the productive output of the East Asian economies. Japan's dual identity however complicates matter. As the only Asian country that is a member of the Group of Seven, Japan is expected to promote the interests of the industrialized nations. Japan however is situated in East Asia which establishes its affinity with Asians, particularly with East and Southeast Asians. A number of foreign policy strategies have indicated the importance of this region to Japan's future strategic interest. For one, East Asia has been the largest recipient of Japan's development assistance. This dual identity has left Japan at the crossroad: it must cooperate with the other industrialized nations in their global agenda in order to retain its status as an equal partner but at the same time, it should also maintain close cooperation and affinity with its East Asian kin.

Many observers however asserted that recent events are drawing Japan closer to East Asia. This realignment can be attributed to certain pull and push factors. Pull factors originate from Japan and are essential in shaping its foreign policy choices. These include the ideas of various Japanese scholars and thinkers who argued that Japan must assert its leadership role and pursue active instead of passive role in the region (Yasutomo, 1993). Push factors are external forces that drive Japan towards the direction of East Asia. Some of these are: the increasing level of interdependence and integration among the economies of East and Southeast Asia, the economic vitality and growth of the region, the emergence of China, and the development of regional trade blocs in Europe (EU), North America (NAFTA) and other regions. The discriminatory effect of the latter more specifically pushes Japan to initiate its own economic sphere.

Japan has been a stout advocate of multilateralism for so long. Its recent initiatives in forming economic partnership and free trade agreements with the members of the ASEAN have been the focus of attention of many observers and scholars. Literatures on the formation of regionalism have a mixture of explanations. For one, regional arrangement is an outcome of a declining hegemony. In this light, regionalism is seen as “a response to the declining provision of public goods” by the hegemon (Yarbrough and Yarbrough, 1992 in S. Haggard, 1997). The hegemon is supposed to provide international public goods by creating and enforcing regimes that would make economic transactions among states more efficient (Kindleberger, 2000). Another explanation focuses on the shortcomings of multilateral institutions. Due to the large number of members in multilateral arrangements such as the GATT, agreements are too slow to foster, and rules become more difficult to enforce (S. Haggard, 1997).

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Difficulty in finalizing the Uruguay Rounds illustrated well the problems inherent to multilateral arrangement. Regionalism and bilateralism in this context are viewed as an alternative to multilateralism. Finally, the formation of regional arrangement could also be used to “extract concessions from nonmembers” (S. Haggard, 1997). Haggard implies that the proposal of former Prime Minister Mahathir on the formation of an East Asian Economic Grouping in 1991 was to counter the emerging economic blocs of North America and Europe. The United States which is probably the staunchest advocate of multilateralism has embraced regionalism in the form of NAFTA. Pro-NAFTA supporters and advocates argued that such regional arrangement would improve the United States leverage on trade concession with its nonmember trading partners.

Japan's motivation for embracing regional arrangement without the United States as a member is still open to disputation. When former

Prime Minister Mahathir of Malaysia first brought up the idea of an East Asian Economic Grouping based on ASEAN plus China, South Korea and Japan, the Japanese government was too hesitant to give its commitment. The United States as expected was hostile to the idea and urged Japan not to participate in the discussion. Subsequently, Japan supported APEC and set aside the Malaysian proposal. A few years later, Japan would be seen advocating an East Asian Community not dissimilar in substance to the original proposal of Mahathir. But instead of promoting the East Asian Community in a regional basis Japan has opted to introduce it initially on a bilateral basis. In January 2002, it successfully signed an economic partnership agreement with Singapore. A year later, recognizing the benefits which Singapore reaped from its economic agreement with Japan, the ten ASEAN members joined Japan in a declaration which set the ambitious goal of creating an East Asian Community in the region. Prime Minister

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Koizumi agreed to start free trade talks with Malaysia, Thailand, and the Philippines the following year. The negotiation for the Japan-Philippines Economic Partnership Agreement has been in progress since 2004 and is now nearing to completion.

Part of the objective of this paper is to examine the motivation why Japan has finally embraced the idea of a regional grouping in which the United States will not be a member. The United States is Japan's most important trading partner and security guarantor since the Korean War. It had accepted the American dominant position in East Asia and cooperated with the United States in its Cold War strategies. However, the end of the Cold War has eroded the centerpiece of the United States-Japan bilateral relationship (Brown, 1993). It heralded the debate regarding Japan's new global and regional role.<sup>1</sup> The development in China would likely determine the

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<sup>1</sup> The debate centered on the reexamination of the fundamental orientation of Japan's

outcome of this debate. A confrontational China will likely push Japan towards continued global partnership with the United States. A more cooperative China on the other hand will strengthen the case for a genuine East Asian Community. Why Japan begins with the ASEAN instead of confronting the most difficult task towards the East Asian Community project, which is Japan-China relations, needs to be reexamined.

## Japan-ASEAN Relations in Historical Perspective:

### The Evolving Policy toward Southeast Asia

Southeast Asia has been an interest to Japan since the late 19<sup>th</sup> century. As one scholar observed, "From the late 1880s onward, an ideology calling for a Japanese advance into the South Seas (i.e.,

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foreign policy. Eugene Brown dichotomized the paradigm into regionalism and bilateralism. The former stresses Japan's link with the rest of Asia while the latter links Japan's role in a global partnership with the United States.

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Southeast Asia and the Pacific Ocean), known as Nanshin-ron (southward advance) became a popular advocacy" among Japanese politicians (Ikehata, 2003). Nanshin-ron was briefly put into realization during the height of the Second World War under the rubric of 'Greater East Asia Co-prosperity Sphere. But instead of fostering long-term regional partnership, it created deep antagonism which would haunt Japanese foreign relations with Asian neighbors for years. Japan's imperial ambitions produced antipathy towards Japan in East Asia.

The early post-war era saw a number of 'structural barriers' to Japan-East Asia interaction (G. D. Hook, 2001). Western imperialism in East Asia was one of the causes of these barriers which isolated Japan from the rest of its neighbors. Perhaps it was only in Vietnam and in Indonesia where Japan's claim to liberate the region from colonialism by expelling their colonizers was taken seriously. After the war, the region would be torn once again by another structural barrier - the

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Cold War. As part of the overall U.S. Cold War strategy, the Japanese were prohibited to interact with communist states in the region. Moreover, its defeat in war would help shape post-war policy initiatives that were restricted to areas of low politics. Article 9 of Japan's constitution states that the country renounces war as a sovereign right of the nation and the use of force as means of settling international disputes. The subsequent adoption of the Yoshida doctrine, which emphasized economic reconstruction and growth, minimal defense efforts, and reliance on the United States on matters of military security, has become the undisputed framework for Japanese foreign policy since. The same strategy became the basis of its passive support to the United States' leadership. During this time, aid gradually evolved into an important instrument of foreign policy. As Arase (1995) noted, "Japan's ODA fit this low-politics agenda well because it was organized to facilitate Japan's economic rise as well as to advance its

prestige".

These structural barriers would have long-term effects on Japan-East Asia relations. Poignant memories of the war will remain a barrier to the pursuit of lasting partnership within the region. Some Cold War 'relics' such as the American military bases in Japan as well as the continued prevalence of communism in China and North Korea remain critical bones of contention to the cause of normalization. When economic and political relations with China were strained after the communist takeover, Japan was left with no other choice but to normalize diplomatic relations with Southeast Asian neighbors to compensate for the loss of the Chinese market. The growing industrial production and economic rehabilitation in Japan also necessitated for new markets and sources of raw materials. Aid was used in pursuing these objectives, first in the form of reparations, and later as yen loans. Japanese export was promoted by tying aid to purchases from Japan.

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It can be argued therefore that Japan-Southeast Asia relations during the early post-World War period were initially anchored on economic diplomacy. Opening the way towards diplomatic normalization was begun by Japan's decision to enter into bilateral agreements with four Southeast Asian claimants to reparations, namely Burma (1954), the Philippines (1956), Indonesia (1958), and South Vietnam (1959). These reparations would become the model for future economic cooperation. Japanese aid had been long criticized for serving Japan's economic interests.

The Cold War restricted Japan's and that of other Southeast Asians' diplomatic interaction with Vietnam, Laos and Cambodia. For a while, the East Asian region was on the brink of instability superimposed by the Cold War - there was communism in Indochina, militarism in Myanmar (formerly Burma), conflict between Taiwan and the Chinese mainland, tension between the two Koreas, and the so-

called North-South conflict where Japan was conceived by most of its neighbors as a North ally. It was during these turbulent times when the Fukuda Doctrine was put forward. This doctrine has become the basis of the so-called "heart-to-heart diplomacy" with Southeast Asian states in which Japan committed itself as an equal partner.

The founding of the Association of Southeast Asian Nations or ASEAN in 1967 was met initially with antipathy and skepticism in Japan. One manifestation of this was Japan's preference during the early stage of the Association's existence to deal with the member countries bilaterally than multilaterally. For a nation that depended too much outside for raw materials, the formation of ASEAN could be interpreted as an outcome of resource nationalism that had taken place among developing countries since the 1950s. It should be remembered that after the loss of China, Southeast Asia became an important source of raw materials for Japanese industries. Also, it was unavoidable for

ASEAN to have Cold War undertone. It was difficult for the founding members to reach out to communist states like Vietnam and extend membership to them. Vietnam's invasion of Cambodia made the situation worse. The structural barriers that divided Southeast Asia were causes of disagreements among the members during the Association's infancy stage. On matters of security for instance, the Philippines preferred to maintain security relations with the United States than to create a new security framework for the region. Each of the members' foreign policy, with the exemption of Thailand, was oriented towards their former colonial masters. This is why the Association did not evolve into a security-oriented regional organization.

Due to structural barriers that divided Japan and the ASEAN, and even among the ASEAN members themselves, it was at first almost impossible for Japan to foster close relations with the region.

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The reparations paved the way for normalizing ties and the period of détente offered a new hope to break the barrier. Sino-Japanese diplomatic relations was resumed. In mid-1975, ASEAN members agreed to establish cooperative relations with communist Indochina but Vietnam's invasion of Cambodia derailed the effort. Japan on its part suspended its aid to Vietnam. The early-70s also marked Japan's effort to expand its foreign direct investments (FDI) in the region. This period also marked the second wave of Japan's FDI to ASEAN (G. Serra, 2002). But while the ASEAN at this period was already in existence for quite sometime, Japan still preferred to deal with member countries bilaterally than multilaterally. The events of the 1980s would change this approach.

Japanese policymakers have held that the development and stability of East Asia<sup>2</sup> is essential to the continued prosperity and

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<sup>2</sup> Japan's Ministry of Foreign Affairs groups China, South Korea, and the ASEAN into

stability of Japan. Since the 1960s Japan has initiated conscious efforts to improve regional economic cooperation and later regional integration. For instance, it was instrumental in establishing the Asian Development Bank (ADB) in 1966 and the launching of various cooperation and integration schemes such as the New Asian Industrial Development (AID) Plan, and the capital recycling plan, which were both responses to endaka or yen appreciation after the Plaza Accord, the ASEAN-Japan Development Fund, and more recently the proposal for the creation of an Asian Monetary Fund in 1997.<sup>3</sup> Japan's Ministry of International Trade and Industry (now Ministry of Economy, Trade and Industry or METI) introduced the concept of the New AID Plan in 1987.

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East Asia in its reports.

<sup>3</sup> The idea was first proposed by Japanese economist Eisuke Sakakibara in 1997. Dr. Sakakibara was Professor at Keio University, and former Vice Minister of Finance for International Affairs. He was later nominated by the Japanese government to the post of Managing Director of the IMF in 2000.

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This plan "envisaged the creation of export-oriented manufacturing and agro-industries in Asia using economic cooperation measures" by coordinating aid with trade and investment policies and establishing an Asian division of labor "in which Japan would inject appropriate technology and capital into the sectors of emerging comparative advantage among the Asian economies" (Arase, 1995). Japan's Ministry of Finance introduced the capital recycling plan, which would make Japan the world's leading provider of capital and technology for Third World development by recycling its trade surpluses (Arase, 1995). The ASEAN-Japan Development Fund was announced by then-Prime Minister Nakasone in his visit to Thailand in September 1987 for the purpose of promoting the development of private sectors in ASEAN.

The economic consequences of these schemes are mixed. On one hand, it created a regional economic structure based on the "flying geese model" in which Japan plays a leading role in the economic

development of Southeast Asia. The schemes also facilitated the expansion of Japanese foreign direct investments, trade, and infrastructure in the region. On the other hand, the schemes also resulted to dependence of the ASEAN on Japanese capital. Moreover, their impact to Japan-ASEAN economic integration was still minimal. Although Japan gradually absorbs more and more products from ASEAN, the United States remained the main absorber of the region's productive output in the 1990s. As one Japanese scholar noted:

“By expanding its network capitalism into the East Asian NIEs and the ASEAN Four, Japan has both improved and organized the productive capabilities of these economies. But Japan has not adequately assumed the role of importer. Despite the increase in regional economic integration, a self-contained

regional economic bloc involving Japan, the East Asian NIEs, and ASEAN is impossible because most of these economies are net exporters. Until the leading East Asian economies, including Japan, become larger demand absorbers, regional economic harmony will be contingent on access to the U.S. market" (Mochizuki, 1995).

Apart from economic relations, Japan tried to get involved further into Southeast Asian political affairs in the 1980s and onwards. One of those was the proactive involvement for peace and stability in Indochina, more specifically in Cambodia. Japan applied pressure on Vietnam to pull its troops out of Cambodia by refusing to give assistance to Vietnam as long as Vietnamese troops remained in Cambodia (Kawashima, 2003). Kawashima (2003) described Japan's

participation in the Cambodian peace process as “unique among Japan’s foreign policy actions in terms of the country’s proactive engagement in the multilateral power game” which involved China, the defunct Soviet Union, the United States, Vietnam, and Thailand among others. After Vietnam’s withdrawal and following the passage of Peacekeeping Operations (PKO) Law in 1992, Japan sent its first peacekeeping personnel to Cambodia despite some domestic opposition against it.

After the mid-1990s, Japan had to deal with three important issues in Southeast Asia (Kawashima, 2003). One of these was the concern over power transition and separatism in Indonesia. The Indonesians’ dissatisfaction over Suharto’s leadership, which climaxed during the Asian Crisis, eventually led to his ouster. Since the stability of this country was of paramount interest to Japan, presidential succession became a crucial concern. Moreover, there were calls for

the suspension of aid to Indonesia due to human rights violations inflicted by the Indonesian army in East Timor. Japan was not however dissuaded in suspending aid to Indonesia. Justifying the government's decision, a former official and scholar argued that continuing to extend economic assistance was necessary to avoid further bloodshed and abuse (Kawashima, 2003). Another issue that Japan had to contend with in the region was Myanmar. After the military junta refused to recognize the result of the election, Japan decided to suspend its aid to Myanmar due to grave human rights violations. This decision generated national debate among scholars and policymakers in Japan. Finally, Japan had to deal with the aftermath of the East Asian crisis in 1997. Some observers exploited the crisis to point out the failure of Japanese economic model which was adopted with modifications by many of its neighbors. Japan suggested the idea of establishing an Asian Monetary Fund but was vetoed outright by the United States.

At the onset of the 21<sup>st</sup> century, Japan's foreign policy toward East Asia has been shaped by the peaceful rise of China and Japan's alliance with the United States on war on terrorism. The accession of China to World Trade Organization brought an unprecedented growth in the Chinese economy, thereby posing a threat to Japan's economic dominance in the region. As regards the war on terror, Japan actively participated in the nation-building efforts in Afghanistan and sent medical and logistical personnel to Iraq. Meanwhile due to economic recession at home, Japan's aid gradually took a more strategic course at the start of the 21<sup>st</sup> century (Trinidad, 2005). Economic assistance to Indochinese countries significantly increased. The idea of strategic aid, Japan's contribution to America's war on terror and the search for a new regional role would make the concept of human security central to Japan's international cooperation efforts. As a corollary Japan initiated the establishment of a Trust Fund for Human Security in the United

Nations Secretariat.

In January 2002 Japan and Singapore signed the New Age Economic Partnership Agreement, establishing the bilateral free trade regimes between the two countries. In December of the following year, on the occasion of the 30<sup>th</sup> anniversary of Japan-ASEAN relations, the leaders declared the ambitious goal of setting up an East Asian Community. In the same year, Japan also announced the start of negotiations for Economic Partnership Agreement with the Philippines, Thailand, and Malaysia. Is the situation in East Asia ripe for the creation of a regional community? This will be the focus of discussion in the succeeding section.

### **The Evolving Regionalism in East Asia**

Japan has always believed that a multilateral framework under GATT and its successor WTO would serve its trade interest best. It had

been reluctant in the past to support an East Asian regional grouping in which the United States would be excluded. As noted early in this paper, Japan did not take seriously Dr. Mahathir's proposal for an East Asian Economic Group. Prime Minister Koizumi even proposed in 2002 the extension of ASEAN plus Three to Australia, New Zealand, and the United States. If this is the case then why did Japan suddenly become so keen in establishing an East Asian Community, starting with the ASEAN members? Three explanations can be offered based on existing literature. One, the end of the Cold War also marked the end of special ties that bonded the Western democratic countries behind the United States leadership. Japan now can relatively pursue its national objectives without structural constraint. Two, the peaceful economic rise of China recently has intensified the rivalry between China and Japan. The latter's move towards free trade agreement with the ASEAN is seen in this light as response to China's agreement in November

2000 to establish a free trade zone with ASEAN in ten years. Finally, the establishment of an East Asian Community is viewed as Japan's way of counterbalancing the emergence of exclusionary regional groupings in North America and Europe. Japan remains the only major industrialized country without an economic regional grouping. The Asia Pacific Economic Cooperation or APEC is a loose association consisting of diverse members from Asia to North and South American continents.

As in the case of European Union (EU), the success of any regional integration lies on the compatibility of the member states on various aspects.<sup>4</sup> Political systems, level of economic, social and political interactions are some of these. Moreover, state interactions are made through various multiple channels of access. The goal of

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<sup>4</sup> I'd like to thank my colleague at the International Studies Department, Mr. Ed Gan, for his suggestions on this section.

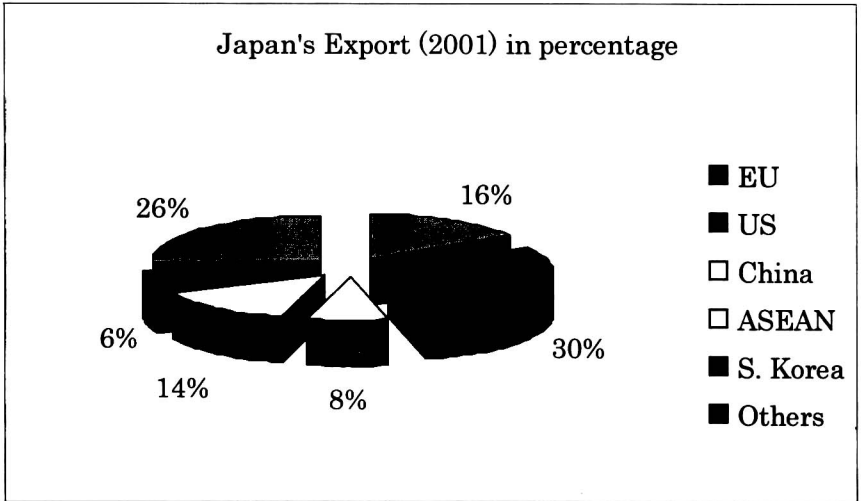
establishing an East Asian Community is contingent to the degree or level of accessibility of these channels. The succeeding portion examines the scope and intensity of socio-economic relations between Japan and ASEAN in terms of selected economic, social, and political measurements. Trade, investment, and capital movement shall be used for measuring economic interdependence while the social aspect shall include migration rate, labor movements, and exchange of scholars (both students and professors).

### **Toward a Deepening Interdependence**

Japan's economic relations with the ASEAN have been improving steadily since the 1950s. The United States used to be the largest absorber of ASEAN exports but Japan is gradually reducing the gap. In 1996 the United States imports from ASEAN were valued at US\$ 60 billion while Japan's imports were worth US\$ 43 billion. In 2000

the United States imports from ASEAN was US\$ 43.8 billion while that of Japan was worth US\$ 41.6 billion. On the other hand, the ASEAN was importing more products from Japan than the United States during the 1990s. Of the ASEAN imports, 11.8 percent came from Japan in 2000 while 8 percent originated from the United States. Japan was consciously trying to absorb more and more products from Southeast Asia in the last ten to fifteen years. This was a conscious response from critics that any attempts towards further regional integration depends on the ability of Japan to absorb more products from Southeast Asia.

Chart 1



Source: ASEAN-Japan Center On-line, 2005.

The chart above illustrates this effort. As of 2001 the United States was still Japan's largest buyer. The combined exports to ASEAN plus Three partners (China, ASEAN and South Korea) followed in second place. It may be possible that Japan's East Asian markets surpass the United States in the future in terms of value but the United

States would remain the single most important trading partner of Japan. On the other hand, Japan needs to absorb more products from its ASEAN partners. In 2001 Japan absorbed 13.6 percent of ASEAN products up from 12.4 percent in 1990 compared with the United States which imported 18.2 percent. The European Union even absorbed more ASEAN imports with 14.9 percent. Mochizuki (1998) argued that by directing Southeast Asian exports to the United States after the division of labor, which Japan created after the Plaza Accord, the dependency of the region to the United States market had worsened. This market dependency has produced some reservations among ASEAN members regarding the formation of an exclusive East Asian economic bloc.

**Table 1 ASEAN Trade with Japan (2001) in percentage**

	Export	Import	Largest Trading Partner
Brunei	46.5	4.6	Japan; ASEAN with 16.5%
Cambodia	1	1.4	US with 64.2%; EU with 24.8%
Indonesia	20.9	18.2	Japan; ASEAN with 17.8%
Laos	1.4	1.8	ASEAN with 44.5%; EU with 25.6%
Malaysia	13.3	19.2	ASEAN with 25.1%; US with 20.2%
Myanmar	3.3	7.6	ASEAN with 33.7%; US with 16.4%
Philippines	15.7	20.6	US with 28%; EU with 19.3%
Singapore	7.7	13.9	ASEAN with 27%; EU with 13.4%
Thailand	15.3	22.4	US with 20.3%; ASEAN with 19.3%
Vietnam	17.4	11.8	EU with 26.8%; Japan with 17.4%

Source: Data compiled from ASEAN-Japan Center On-line Statistics, 2005

Table 1 show that Japan was the largest market for Brunei and Indonesia in 2001.<sup>5</sup> The ASEAN was the largest market for its four

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<sup>5</sup> If the ASEAN and the EU would be broken down into separate countries, Japan would come out as Vietnam's largest export market.

members namely Laos, Malaysia, Myanmar and Singapore. Three members - Cambodia, the Philippines, and Thailand have remained dependent to the United States market while Vietnam was the only ASEAN member that depended more on the European Union for its products. Among the ASEAN members Singapore has the most diverse export market where 28.3 percent of its exports was classified in the 'others' category. The table clearly shows that the ASEAN export destination was diverse with no single country absorbing much of their productive output in 2001. Japan has yet to absorb significant amount of ASEAN exports. Moreover, among Southeast Asian countries where Japan was not their largest trading partner, it was only in Vietnam where Japan placed the second most important trading partner. While majority of the ASEAN had either the United States or the EU as their largest trading partner, Japan's main trading partner was the United States both in terms of export and import value.

Japan's investment to ASEAN has been significant to the capital needs and economic development of the region. Stimulated by the yen appreciation after the Plaza Accord, it expanded globally but the bursting of the bubble halted its upward trend in the 1990s. Japan used to be the largest source of investment to the region by source country but by 2003 its annual total investment shrank in value nearly comparable to those of the ASEAN members. As recession hit Japan, its investments in Southeast Asia were reduced to less than half of the amount in 1995. Singapore was the top destination of Japanese direct investment in 2002 with value worth 915 million yen or 33.8 percent of the total. Thailand was next with 614 million yen or 22.7 percent while 500 million yen was invested in the Philippines. The EU-15 remained the largest source of foreign direct investment from 1995 to 2003 while the United States was the largest source of FDI to Southeast Asia by source country.

Table 2 FDI Inflows into ASEAN

by Source Country/ Region (US\$ Million)

	1995	1997	1999	2001	2003
ASEAN	4654.4	5235.7	1789.3	2391.7	2068.9
Asian NIE's (Hong Kong, S. Korea, and Taiwan)	2845.2	3520.6	1629	69.5	991.4
China	136.7	62.1	62.5	60.8	12.8
Japan	5649.3	5229.5	1688.2	1422	2060.6
EU-15	5049.6	6333.6	9806	9179	7083.3
USA	4318.4	4950.1	5931.7	4881.4	2919.6

Source: ASEAN Statistical Yearbook, 2004, p. 142.

Another source of capital is foreign aid. The disbursement of Japan's Official Development Assistance (ODA) has been long focused on Asia in particular East Asia. The ODA White Paper (2002) mentions, "This reflects the importance Japan attaches to this region,

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not just for historical and geographical reasons but also owing to Japan's close political and economic interdependence with East Asian countries." Indeed, five of the top ten ODA recipients from 1999 to 2001 were East Asian economies.<sup>6</sup> Moreover, aid priority has been always extended to ASEAN. The ODA White Paper in 2003 reported, "Approximately 30% of Japan's bilateral ODA is provided to the ASEAN countries and approximately 60% of the bilateral ODA that the ASEAN countries received is from Japan." ODA disbursement has been constantly altered and shaped by a number of external and domestic factors. Scholars attribute the change in aid disbursement pattern to the current national goals of Japan. For instance, during the 1950s and the 1960s, aid was part of the general confidence-building efforts for normalizing diplomatic relations with Southeast Asia (Trinidad, 2005).

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<sup>6</sup>Not necessarily in order: Indonesia, China, Vietnam, the Philippines, and Thailand. In 2003 Cambodia ranked 10<sup>th</sup> while Thailand was not anymore in the top 20 list of recipients.

In fact for many years, Japan has utilized ODA as an instrument of economic and political diplomacy in the region. Aid officials also claimed that ODA has contributed to the development and economic growth of Southeast Asia by coordinating aid with trade, and investment (ODA White Paper).

At the onset of the 21<sup>st</sup> century, ODA disbursement is being shaped by four main factors which have defined Japan's relations with East Asia: One, the concept of human security, first introduced in 1998, will have strong influence on how Japan's ODA is disbursed. As Japan strives to be at the forefront of "people-centered" century, ODA will likely be directed to addressing poverty and other structural threats to human security through regional economic growth. Two, corollary to the first, Japan will utilize aid to "reduce regional disparities." This means more aid would be allocated to relatively poor economies of Southeast Asia particularly the Indochinese states. The end of the

Cold War also enabled Japan to formally establish aid relations with the former communist states in Indochina. Three, the coordination of aid, trade and investment will likely continue. This also means the bulk of Japanese ODA to Southeast Asia would remain focus on infrastructure development. And finally, corollary to the objective of strengthening East Asian interdependence and possibly integration, ODA will be utilized to strengthen economic partnership with the region.

As regards the latter objective, Japan can allocate a portion of its ODA to finance projects which could stimulate coordinated action among the ASEAN plus three members similar to what Marshall Plan did to Europe after the war. Aside from focusing on infrastructure development, Japan should direct its aid program to encourage economic reform in Southeast Asia in the same manner as the Marshall Plan "pushed the recipient governments toward versions of the 'mixed economy' that had more market orientation and less directive planning

in the mix" (B. De Long and B. Eichengreen, 1991). Of course, the United States and Japan are dissimilar donors and the situations of their recipients are entirely different. Nonetheless, the diplomatic capability of Japan would become extremely important to this pursuit. One example of this project would be the creation of more organizations similar to the Japan-ASEAN Investment Corporation (JAIC) that facilitated joint ventures with ASEAN firms. To further intensify interdependence and integration, Japan's ODA can also be allocated to ASEAN joint industrial projects. This concept was not new. In 1977 on the occasion of the enunciation of Fukuda doctrine, then-Prime Minister Fukuda promised joint industrial projects but only one materialized and that was the Japanese-built chemical fertilizers plant (Arase, 1995).

Movements of people from ASEAN to Japan and vice versa provide another way of measuring the level of interdependence in the

region. Exchange students and research collaborations among Japanese and ASEAN scholars were started way back in the post-World War period. In the Philippines, programs like Philippine-Japan Professorial Exchange, Study tours to Japan and the Philippines, and the Philippine-Japanese Student Conference began earlier between 1930 and 1940. These programs, though weak, cultivated goodwill between the two countries during the pre-war years (Terami-Wada, 2003). At present, Japan offers a number of scholarship opportunities available to qualified ASEAN citizens and other nationalities. One of these is the Monbusho scholarship which attracts graduate and undergraduate students from all over the world. As of May 1, 2004, there were 9,804 foreign students studying in Japan as Japanese government scholars (Study in Japan On-line 2005). Table two below shows the number of ASEAN students in Japan from 2000-2004.

**Table 2 ASEAN and Other Foreign Students in Japan, 2000-2004**

	2000	2001	2002	2003	2004
ASEAN	6422 (10%)	6878 (8.7%)	7403 (7.7%)	8096 (7.4%)	8488 (7.2%)
Total Foreign Students	64,011	78,812	95,550	109,508	117,302

Source: Ministry of Education, Culture, Sports, Science and Technology, Japan;

Japan Student Services Organization, 2005

From 2000 to 2004, students from ASEAN who studied in Japan had an averaged of 8.2 percent. Of these students, 23.7 percent were from Malaysia, 19.6 percent from Thailand while 6.2 percent were from the Philippines (Japan Ministry of Education, 2005). These figures also included other types of scholarships other than the Monbukagakusho. As of May 2004, more than half of the foreign students in Japan or 66.3 percent were Chinese. The Koreans were next with 13.2 percent

(Diplomatic Bluebook, 2005). On the other hand as of 2003, there were 88,307 Japanese nationals who were either long-term or permanent residents in ASEAN. Thailand was the largest destination of Japanese nationals in the region with 28,776, closely followed by Singapore with 21,104. There were only 81 Japanese residents in Brunei while China had 77,184. North America was still the overall favorite destination with 40.6 percent of the total Japanese residents overseas preferring to reside there. These figures demonstrate that the movement of peoples between ASEAN and Japan was dynamic. Chart 2 suggests however that there were more ASEAN who went to Japan than Japanese nationals who went to ASEAN in 2003. This is because Japan is a haven for ASEAN nationals particularly from the relatively poorer members who are looking for greener pastures and good life. For instance, a study on Filipino migrants in Japan identified six push

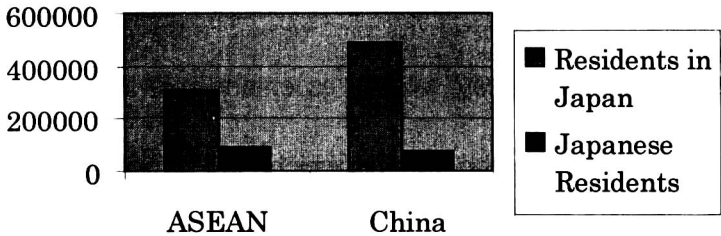
and five pull factors<sup>7</sup> that influenced Filipino migration to Japan (Ballescás, 2003). This study also showed that women constituted the largest group who entered Japan from 1980 onwards (Ballescás, 2003). Many of them, sad to say, worked as entertainers in Japan's tourism industry. This is one of the areas in which the Philippine government is hoping to rectify under the Philippine-Japan Economic Partnership Agreement by negotiating for the liberalization of Japan's labor market so that more Filipino professionals, particularly health workers and engineers, can work there.

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<sup>7</sup> Push factors are: (1) positive attitude toward overseas employment, (2) Philippine educational system, (3) Labor flexibility, (4) High rate of population growth, (5) High levels of unemployment rate in the Philippines, and (6) High incidence of poverty. Pull factors include: (1) Labor shortages in Japan, (2) Changing attitude among Japanese students toward jobs, (3) Expansion of Japanese economy, (4) Appreciation of the yen, and (5) Increase in the average wage and capita income in the Japanese work force.

## Chart 2

### ASEAN-Japan Migration 2003



Source: Data Compiled from ASEAN-Japan Center On-line Statistics, 2005

Note: Residents combine both long-term and short-term entrants in all sectors (student, labor, business, etc.)

## Japan, the ASEAN and the East Asian Community Project:

### Challenges and Prospects

The preceding sections illustrated that the level of socio-economic relations between the ASEAN and Japan have been improving and strengthening for the last 15 years or so. This

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development has called for the institutionalization of East Asian regional integration. Interestingly, as in the case of the European Union, smaller states have served as the impetus for economic integration.<sup>8</sup> In 1993 in an unprecedented decision, the original members of the ASEAN agreed to the formation of ASEAN Free Trade Area (AFTA). This decision represented "a qualitative change of direction for ASEAN" in which the idea of free trade was initially met with less enthusiasm (P. Bowles, 1997). Bowles and MacLean offered three reasons why the ASEAN agreed to form AFTA: "(1) the changes in the international political economy during the 1980s; (2) the rise in influence of business interests throughout the ASEAN region and their general predisposition towards regional trade liberalization measures; and (3) ASEAN's desire to maintain its position as an important

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<sup>8</sup> Common market in Western Europe was first implemented among smaller states of Belgium, Luxembourg, and the Netherlands (so-called BENELUX).

organization in a region experiencing change and a proliferation of new regional bodies, both proposed and actual." The occurrence of the Asian Crisis in 1997 further reinforced the need to establish common rules and institutions for the region. The Chiang Mai Initiative was announced by the ASEAN+3 foreign ministers in 2000, in which four areas were identified for cooperation: (1) monitoring capital flows; (2) regional surveillance; (3) swap networks; and (4) training personnel (R. Henning, 2002). In trade sector, the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area was signed by individual members between 1995 and 1998. In January 2003 an agreement was signed for the total elimination of import duties under CEPT by 2010 for the original ASEAN members and by 2015 for the newer members.<sup>9</sup>

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<sup>9</sup> This Agreement was the *Protocol to Amend the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the ASEAN Free Trade Area for the Elimination of Import Duties signed on January 2003.*

As regional integration among ASEAN members speeds up under CEPT Scheme, China reached an agreement with ASEAN in 2000 for the establishment of free trade. In November 2004 the ASEAN-China Free Trade Agreement (ACFTA) was signed. This agreement stipulated that free trade zone should exist between China and old ASEAN members by year 2010 and between China and newer members by 2015. The target dates coincide with the full implementation of CEPT. The potential economic benefits of ACFTA are something to look forward to. Cordenillo (2005) claims that it will "create an economic region with 1.7 billion consumers, a regional Gross Domestic Product (GDP) of about US\$ 2 trillion and total trade estimated at US\$ 1.23 trillion. This makes it the biggest Free Trade Area (FTA) in the world in terms of population size." Moreover, he also noted, "simulations conducted by the ASEAN Secretariat suggest that an ACFTA will increase ASEAN's exports to China by 48 percent and

China's exports to ASEAN by 55.1 percent. The FTA increases ASEAN's GDP by 0.9 percent or by US\$ 5.4 billion while China's real GDP expands by 0.3 percent or by US\$ 2.2 billion in absolute terms." This development indubitably will define formally the future organization in which the East Asian Community will be founded.

Not to be left out, Japan has been trying to catch up with China by surprisingly conducting Economic Partnership Agreements with the ASEAN members separately. In 2002 it successfully signed the Economic Partnership Agreement with Singapore. Similar agreements are now in progress with Thailand, the Philippines, Indonesia, and Malaysia. Why Japan prefers bilateral agreement to multilateral one is still a puzzle for many scholars who are following this development. Why is the creation of Japan-ASEAN Free Trade Agreement more challenging than ASEAN-China Free Trade Agreement? This is like asking what the structural barriers to economic integration between

ASEAN and Japan are. One author argued that the establishment of a wider regional arrangement involving Japan, ASEAN, China and Korea is contingent on a number of factors. One, how the issue of agricultural sector would be handled will be at the center of this agreement. Agricultural products are among the main exports of China and ASEAN (with the exception of Singapore) while Japan's agricultural sector is one of the most protected and subsidized. Agrarian groups in Japan are not yet ready or still unwilling to compete openly with China and ASEAN members in this sector. Two, since the stages of economic development among ASEAN members vary, the division of labor between them (with the exception of Singapore) and Japan would remain vertical unlike the horizontal characteristic of economies of the EU members.

Looking at table 3, the ASEAN member wherein the agricultural sector will likely become the focus of intense negotiation with Japan is

Thailand. Of the ASEAN members, Japan's trade in agriculture with Singapore is obviously lower than those of the Philippines and Thailand. Moreover, it is only in Singapore where a horizontal division of labor vis-à-vis Japan exists. One author puts it this way, "Since trade in agricultural commodities between Japan and Singapore is negligible, the agreement (i.e. Economic Partnership Agreement) was much easier for the Japanese to accept." Table 3 summarizes Japan's agricultural imports from ASEAN in 2004.

**Table 3: Japan's Agrarian Imports from ASEAN in 2004**

: in 100 million yen

ASEAN	Food Stuff	Raw Materials
Brunei	0	0
Cambodia	33	4
Indonesia	99,587	269,481
Laos	1	524
Malaysia	15,883	92,816
Myanmar	8,325	1,631
Philippines	89,059	50,729
Singapore	25,079	11,716
Thailand	240,302	103,525
Vietnam	92,558	7,373

Source: Data collated from ASEAN-Japan Center On-line Statistics, 2005.

Notes: Food stuff includes fish and fish preparations, shrimps, prawns and lobsters, meat, cereals and cereals preparations, vegetables and fruits.

According to the report of the Joint Coordinating Team for Japan-Philippine Economic Partnership Agreement (JPEPA) in 2003,

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the economic impact of the agreement once enforced is differential among sectors. One study claimed that JPEPA would increase Japan's GDP by 0.01 to 0.03% and the Philippines' GDP by 1.73-3.03% in the long run (Kawasaki, 2003). Another study concluded that JPEPA would accelerate the Philippines' GDP growth rate by 0.04% annually. There are three main areas in JPEPA where the Philippines expressed keen interest. These are the areas of trade (elimination of tariff), investment and movement of natural persons. On trade, Japan requested to exempt fish from tariff reduction and also mentioned the highly sensitive nature of some items like leather, leather products and footwear. The Philippine side on the other hand expressed concern over bilateral safeguards. While the Philippine agricultural exports to Japan is also significant, the issue which also draws serious attention from the Philippine side is Japan's liberalization of the labor market to Filipino professionals, especially in the field of healthcare services as

well as IT professionals and engineers. The scheme for the entry of Filipino workers in Japan is currently being worked out in the negotiation process. A scholar from Japan's Research Institute of Economy Trade and Industry (RIETI) is optimistic that the on-going JPEPA will serve "as a trigger that sets off moves toward the eventual formation of an East Asian Community" (A. Kotera, 2005). Kotera (2005) also believes that most of the provisions under JPEPA will be retained in other EPAs such as those with Thailand and Indonesia. Moreover, Japan wanted that the rules applied in EPA with the Philippines should be within the framework of multilateralism.

## Conclusion

From the foregoing discussion, it is explicit that Japan still prefers multilateralism to regionalism. This is clear in its position to bind Economic Partnership Agreements within the multilateral framework.

Japan's decision to conduct EPAs with ASEAN members through bilateral approach can be seen as a strategic response to the peaceful rise of China and its growing influence in the region particularly in Southeast Asia. Even if Japan succeeded in concluding EPAs with all the ASEAN members, it will unlikely evolve into a regional economic bloc similar to European Union (EU). If it does, it will be fundamentally different from the EU. It would be a unique community enjoying free movement of goods and services without supranational institutions.

Some of the structural barriers to East Asian relations are still manifest to this day: the vertical division of labor, historical legacy, and wide economic gap, among other things. These are also the main reasons why Japan prefers to conduct free trade agreements with ASEAN members bilaterally. Japan's historical legacy in China is still vivid among the Chinese, often taking the center stage in China-Japan relations. The intensified rivalry between China and Japan further

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compromises and derails the road towards East Asian Community building. Moreover, Japan has to resolve first one of the hindrances to free trade, that is, the issue of protectionism in its agricultural sector. It is also important that any moves toward regional integration should be contingent on various factors. One of which is the political compatibility of member states. In this age of globalization and liberalization, East Asian political system is still diverse: from military-led government as that of Myanmar to communist states like China and Vietnam and weak democracies as those of Indonesia and the Philippines. Also, there must be efforts to narrow down the income gap of the economies in the region.

The ASEAN has been playing a very prominent role in the East Asian Community project, similar to what the BENELUX had played in Europe. For one, the Association has served as a balancer between China and Japan. The CEPT mentioned earlier has been an impetus for

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Japan and China to participate in the growing regional free trade area.

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*Japan-ASEAN Beyond Economic Partnership:  
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... *Japan-ASEAN Beyond the Economic Partnership: From  
"Flying Geese Model"  
to "New Economic Integration Model"*

*Wai Chamornmarn*

ASEAN, established in 1967 by five founding members, is the oldest among the regional forums in East Asia. Since its birth, ASEAN has nurtured regional cooperation, while maintained the principle of non-interference in national affairs. In 1992, ASEAN Free Trade Area (AFTA) was established, and in 1998, ASEAN established a regional mechanism to promote collaboration in macro economic policy. It now, constitutes a large group of economies, consisting of ten countries, 525 million people and a total GDP of US\$ 580 billion.

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ASEAN has a market size of over half a billion which is larger than Europe's population. ASEAN is also one of the fastest growing regions in the world. In 2004, ASEAN grew on average 6.3%, compared with the global average of 5%. Based on current growth trends, the combined GDP of ASEAN could reach USD 1 trillion by 2010.

Free trade areas and agreements that have been organized or concluded in East Asia include (1) The ASEAN Free Trade Area (AFTA); (2) The China-ASEAN Free Trade Area; (3) Japan-Singapore Free Trade Agreement; and (4) the Chile-Korea Free Trade Agreement. The most interesting and significant one is, of course, the ASEAN+3 FTA. China and India have already entered into FTA negotiations with ASEAN which is expected to be completed by 2010 and 2011 respectively.<sup>1</sup>

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<sup>1</sup> This will benefit ASEAN, underscoring the region as a centre of a production network

## Moving to ASEAN+3

A viable East Asian Free Trade Area/Economic Community requires the participation of both China and Japan.<sup>2</sup> In the ASEAN+3 FTA, Japan is likely to specialize in capital goods production, complex manufacturing, industrial R&D and quality assurance. The NIEs are initially to specialize in the manufacture of heavy industrial and high technology goods, the provision of financial and other services, and the development of new products.

## Driving Force of Asian Regionalism

Two important processes driving Asian regionalism are a top-down regional cooperation fostered by organizations like the Association of Southeast Asian Nations (ASEAN) and ASEAN+3, and a

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that exports upstream components to China for final assembly.

<sup>2</sup> As it is said that the potential gains are maximized when the comparative advantages are the most different.

bottom-up economic integration through cross-border investment and the establishment of regional production networks.<sup>3</sup>

By facilitating the emergence of the East Asian regional economy through bottom-up economic integration, two long-term worldwide economic trends are expected: (1) the “de-verticalization”<sup>4</sup> or “fragmentation” of production<sup>5</sup> (2) globalization of economic

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<sup>3</sup> T.J. Pempel had argued that there were two important forces driving Asian regionalism. He had also asserted that although official efforts of encouraging cooperation through political organizations was highly rising, an unofficial collaboration through business networks still remained a more important driving force behind the recent regional integration.

<sup>4</sup> “De-verticalization” or “fragmentation” means the vertical division of labor—the physical and often geographical separation (with or without out-sourcing) of design, manufacturing, marketing, inventory, transportation and distribution functions of a firm both within and across national boundaries. Deverticalization enables many more (intermediate) goods and services to be tradable and traded.

<sup>5</sup> “Production fragmentation” is broadly defined as the decoupling of a product into its constituent parts, the production of which is spread across countries according to the basis of comparative advantage.

activities.

Moreover, de-verticalization and globalization are complementary to each other. Deverticalization encourages specialization in tasks rather than products by firms and enables the realization of economies of scale.<sup>6</sup> The end result is a renewed impetus for the growth of world trade, especially intra-firm and intra-industry trade, and an expansion of the potential global output. The East Asian regional economy is a major beneficiary of these two worldwide trends.

### Changes in Japan's interaction with Asia

Asian production networks are being developed across national boundaries within different industrial sectors. Japanese corporations envision the establishment of an Asia-wide mechanism of

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<sup>6</sup> It is much more efficient and profitable for firms to expand horizontally (to supply multiple customers around the globe) than to integrate vertically.

horizontal international division of labor. This region is strong in the manufacturing, and its production network may be competitive globally. Regional economic integration also requires the regionalization of ASEAN businesses. ASEAN private enterprises have to strengthen their networks across the region.

Japanese large machinery-assembly firms, including electrical machinery and electronics manufacturers and automakers, initiated the move into the ASEAN region. SMEs followed in their footsteps in order to supply the components needed by these assemblers. Local firms also played a role in supplying the Japanese assemblers, often establishing joint ventures or technical tie-ups with them. The whole process indicated the Asia-wide growth of Japan's so-called "Full-set-type" industrial structure, or the formation of a coherent production network in Asia. The network is not limited to Japanese-ASEAN links, but also embraces American, European, South Korean and Taiwanese

manufacturers as well. The inter-firm relationships within the network are now more equal and independent than hierarchical. One of the major issues facing manufacturers today is how to establish the most appropriate global production system.

Two broad trends dominated this pattern as having begun somewhere in the early '70s and then accelerated tremendously since 1985 and continued until the mid of 1990s.

The first trend which had reflected in many respects is so-called flying geese model of economic development. In this model, Japan would move first in certain areas of economic activities, and as Japanese companies reached their capacity to produce effectively, they would move out of such economic activities, passing them on to the others following in the formation. Little by little through this process, all of Asia would develop economically.

In many respects, this flying geese pattern prevailed during the

'70s and most of the '80s. There was a very clear hierarchy across Asia with Japan at the lead and sequencing down through the newly industrialized economies of Northeast Asia and down to the Southeast Asia economies. Japan was also the key provider of capital and technology within this pattern. The prevalence of the flying geese pattern of economic development in Asia prevailed into the late 1980s or early 1990s.

The second trend was the very conscious move towards open regionalism, albeit not without debate in Southeast Asia, as those who followed the debate between the East Asian Economic Caucus and the formation of APEC will remember. There was also a recognition that the regional bloc or the regional ties that were emerging were in fact, building blocs through which to achieve a larger globalization rather than stumbling blocks that would impede international economic integration process.

The new trend is the rise of China and that country's increased openness to multilateral and regional approaches to economic development. China, of course, previously shared with the ASEAN countries a great deal of skepticism about formal organizations that might challenge sovereignty and national political control. However since China's entry into the WTO and its willingness to see national benefits in co-operating with ASEAN, China's leadership has become increasingly open to the possibility of cooperation with regional organizations.

## Changing Environment

### *Changing 1: Structural reforms*

As Korea and many ASEAN economies undertook structural reforms as a result of the East Asian economic crisis, their financial systems and corporate governance improved considerably. Due to the

reforms, these economies may enter a new phase of economic expansion that is different from the “East Asian miracle” perceived by the world in the early 90’s. The rivalry between these countries and a rising China will stimulate competition on the one hand and mutual cooperation on the other.

### *Changing 2: From 'global factory' to 'innovation off-shoring'*

East Asia has been shifting from 'global factory' to 'innovation off-shoring'. China's emergence as the third largest exporter base and the second largest importer today elaborates the old 'global factory' model. China will alter the division of labor in East Asia which has impact on economic dislocation as other countries adjust to these changing dynamics.

The challenge to ASEAN now is how to strengthen the region's position and remain competitive in the global production network.

However, with the recent movement of R&D to East Asia to take advantage of a lower-cost talent pool, the region is moving toward a new model of 'innovation off-shoring.' The transition from the "global factory" to the "innovation off shoring" model of global production networks is likely to affect East Asia's trade patterns, talent pool, and innovative capabilities.<sup>7</sup>

### *Changing 3: Economic agglomeration*

As globalization proceeds, the agglomeration of certain processes and components in different countries has become an increasingly important element in today's business environment. Agglomeration opens up new possibilities of linkage in both upstream and downstream directions.

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<sup>7</sup> Asian production network will be based on a taxonomy that distinguishes three types of RPNs: vertical integration, vertical specialization (1): "global factory" and vertical specialization (2): "innovation off shoring".

Agglomeration allows firms to work with different suppliers in the entire region because of the decline of tariffs and other trade barriers. Agglomeration also releases resources for efficient industrial allocation as component producing firms invest freely in the region to exploit comparative advantages of different countries. Firms can also concentrate their production in one country (or a few countries) to enjoy the economy of scale and export their products to other countries in the region. This process will lead to transformation in and any places any production bases with competitive advantage to global cluster.

*Changing 4: Challenge to Japanese producers  
to shift toward modularization*

The expansion of modularity has posed a challenge to Japanese producers not only in China but also in ASEAN. At the same

time, since modularization creates a new market with a broad menu of standardized components, Japanese firms can also take advantage of the new opportunity if they are willing to shift from integrated vertical models toward modularization.

### **From "flying geese" model to "new economic integration model"**

In terms of economic modeling in Asia, a new regional factor has been acknowledged as having a profound influence on the emerging of East Asian socio-economic model. There has been a clear shift from the "flying geese" model of vertical economic integration, which was centered on Japan through capital flow, technological transfer and supply of manufacturing parts.<sup>8</sup> Based on the shift from "flying geese" to "Chinese emerging capitalism," the Japanese model of regional "integration" has been called into question, as production

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<sup>8</sup> This model was also based on market exchange and a clear regional division of labor and production networks.

networks expand horizontally, and as the social dimension increases in the East Asian economic model. Japan has tried to maintain its de facto leadership in the production side in East Asia through Regional Production Networks (RPNs) but cannot provide East Asia with a main market.

The ultimate East Asian "economic integration model" would need a firm social basis; otherwise, Asian socio-economic development may not be sustainable in the long run. It is here that China's socio-economic development could play a key role in helping mould a "common" East Asian socio-economic model for development, and this new regional division of labor could also include more mobility in terms of human resource deployment, out-sourcing in third countries within the region, and flexible supply and logistical chain management. Such division of labor between different manufacturing steps has been expanding to the entire East Asia region and contributing to the

growing trade within the region. The Chinese reckon that the "ASEAN+3" framework could be built upon a successful ASEAN-China FTA, as the first building block or initial foundation for regional cooperation.

### Conditions for new economic integration model

1. This model of centering common growth in East Asia on China and its potential economic development is de facto gathering pace, especially if China manages to maintain its phenomenal 7-9% economic growth annually for the next ten years and beyond.

2. FDI would continue to flow to build up the Asian production network. The expansion of production network impacts increasing division of labor on peripheral countries in terms of goods, services, tourism or educational needs.<sup>9</sup>

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<sup>9</sup> In fact, China has reported that its trade in 2003 totaled some US\$400 billion and investments reached almost US\$53 billion, both figures having increased substantially

3. Japan initiates economic corporation, provides funding and shares technology to East Asia. Japanese conservativeness in transferring technology to East Asia means that Japan can not meet the increasing demand for technology and trade in East Asia. Moreover, as capital investment supplier, Japan utilizes trade surplus to supply money for East Asia economic development through Asian Development Fund. Because of dependence on the U.S. market, Japan hesitates to turn money surplus to Asia. Japan's ambiguous role in Asia affects its followers, whose economies depend heavily on Japan.

### Leading for the coming future

Japan-China relations will be the key to regional integration. If the two countries are successful in overcoming their differences and

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from 2002. Growing monetary stability, as a result of the Chiang Mai initiative and the bilateral swap agreements, should enhance financial flows throughout the region.

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able to cooperate in regional integration, they will play an important role in the region, as Germany and France has done in promoting European integration. Today, as political leaders focus on regional cooperation, Japan and China should seriously consider their leadership. China should try to overcome the confrontation with Japan, and they should aim to create the ideal of a new regionalism. However, three important questions remain to be studied, that are: how the ASEAN+3 cope with a new regional environment (regional networks and strong China) as well as a new global production network?; to what extent can global and regional production networks in Asia provide a vehicle for regional growth?; and what are the consequences of a new global and regional division of labor to Asian countries, and their HRD policies as responses?

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*Part III*

*Japan-ASEAN and East Asian Community:  
Framework and Issues*



**...** *East Asia Community-Building  
in Japan's Diplomacy*

*Takashi Shiraishi*

By the time this paper is presented at the conference, the results of the snap election called by Prime Minister Koizumi Junichiro will have been known. At the time of writing, it has been reported that the Liberal Democratic Party is likely to win big in the election, and no major changes in the government and its policy are foreseen in the immediate future.

Koizumi has made the issue of postal reform the centerpiece of his election campaign. But the Democratic Party of Japan (DPJ) under Okada Katsuya argues that there are other important issues besides postal reform which need to be addressed by the government.

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What is notable about this election campaign has been the lack of real debate between the two major contending parties. This is not simply a question of differences in campaign strategies. Rather, it is due to a fundamental lack of clarity in the party positions on the vital question of Japan's future. In particular, there is a great deal of confusion surrounding the question of what to do with the so-called "Japan model" of a capitalist, welfare society built on the promise of equality and prosperity.

This ideal is increasingly under heavy strain because of the ballooning government debt and the ageing society. The specifics of the debate over Japan's future can be spelled out in terms of two competing issues: efficiency vs. fairness. Efficiency would demand streamlining the bloated state bureaucracy and eliminating wasteful government expenditure, while fairness calls for protecting the weak, the poor, and the aged. All the smaller parties such as the Communist

Party, the Social Democratic Party, and the new parties created by former members of the Liberal Democratic Party (LDP) advocate the retention of the Japan model. This means putting heavy emphasis on the question of fairness at the expense of prudent fiscal management. The LDP under Koizumi which purged the "conservatives" from its ranks has moved its position closer to the pole of efficiency, while the DPJ has opted for the middle ground between fairness and efficiency because its own members are deeply divided over these issues.

Unfortunately, foreign policy has not figured significantly in the public debate. Interestingly, both LDP and DPJ have clearly stated positions on foreign policy. Both parties acknowledge the importance of the Japan-U.S. alliance and call for the creation of an East Asia community. However, there are subtle but important differences in these party positions.

The LDP adopts a confident-nationalist stance vis-à-vis China and an internationalist stance that emphasizes the Japan-U.S. alliance. It calls for *rin toshita gaiko* which is impossible to translate but can be rendered loosely as a “head held high” posture. It argues that the Japan-U.S. alliance and international cooperation are the two main bases of Japan’s diplomacy, and envisions the pursuit of peaceful diplomacy through international cooperation on the bedrock of the Japan-U.S. alliance. It also calls for assuming confident leadership in Asia diplomacy and improving relations with China, South Korea and other neighboring countries and promoting the vision of an Asian “community”. I should add that the “nationalist” stance of the LDP is different from the inward-looking, Japan-centric nationalism advocated by a minority of politicians (mainly represented by those politicians who were kicked out of the LDP), intellectuals, and people whose opinions are aired in conservative newspapers and magazines with less than

five percent of total national circulation.

The DPJ aims at the pursuit of “enlightened” national interests. It promises to create a peaceful and prosperous Asia by means of confidence-building with neighboring countries, reconstructing Japan-China relations, strengthening Japan-South Korea relations, and building an East Asia community. It also calls for the “evolution” of Japan-U.S. relations, promising to heighten the value of the Japan-U.S. alliance as a public good in the Asia-Pacific region while arguing that Japan should not simply follow the U.S. but voice the concerns of the Japanese people and of the Asia-Pacific and, if necessary, advocate restraint on the unilateralism of the Americans.

These two positions show how much the bases for debate have shifted over the last twenty years. Whether or not to support the Japan-U.S. alliance in connection with the Constitution was the main object of contention during the Cold War era. Now, both parties agree

on the strategic importance of affirming the Japan-U.S. alliance and creating an East Asia community. Where the parties differ is in the emphasis and nuance of their positions. This is in part because of American concerns about the formation of the East Asia community, which Americans equate with the creation of a China-led regional order. The other reason is the fraught nature of Japan-China and Japan-South Korea relations.

In Japan, questions are now being asked about the compatibility of such a community with the Japan-U.S. alliance. In view of recent anti-Japanese sentiment in China, skepticism also exists over the ability of two countries with different economic and political systems and a history of mutual distrust to create a community.

These anxieties are understandable.

To avoid any misconception, however, it is important to remember that the concept of "community" envisaged in the East Asia

community is markedly different from that in the European Union.

The EU was formed by a group of states which shared the commitment to never again go to war, with each participant country agreeing to surrender part of its sovereignty to the union. The European form of unification - promoted under the aegis of the US policy of multilateral engagement via the North Atlantic Treaty Organization - was premised on community-building based on a common European identity, and on the political development, expansion of power, and systemization of the mechanisms of the central powers of France and Germany at its core.

In contrast, moves to form an East Asia community are based on the ongoing de facto integration of the region's economies and on lessons learned from the 1997 Asian financial crisis. Largely because of the legacy of the US's hub-and-spoke system of bilateral ties which underpinned the region during the post-war period, there was, initially,

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no political will within East Asia to form a community at all, and the economic grouping that came about was an almost spontaneous construct.

However, this does not mean that a political will to form a regional community and an Asian identity has no importance in the future. In the midst of the regional economic development from the 1980s through the 1990s, the big cities of East Asia saw the rise of new middle classes. Many members of these middle classes were educated in Britain, the US, and Australia, and subscribe to global values. As a result, a new generation now exists that has developed a thriving consumer culture and harbors a passion for lifestyle goods, fashion, pop music, comics and animation. In places such as Seoul, Shanghai, Taipei, Hong Kong, Bangkok, Kuala Lumpur, Singapore, Jakarta and Manila, this generation, which is at home in its respective countries and the world, has more in common with each other around

Asia than was the case even just one generation earlier.

While regionalism based on a common identity as Europeans represented the political will of the European Union, in East Asia, market forces that promoted regionalization have brought about the rise of regional middle classes, and are spurring the search for, and creation of, new cultural, political and economic identities as a result. The dreams, aspirations, actions, and behavior of these people will influence the future of their growing identification with an East Asia community. At the same time, it is important to stress that the success of the project very much depends on the region's ability to overcome the social crises brought about by the growing gap between rich and poor, and urban and rural populations.

Moreover, the idea of building an East Asia community was a product of the Asian economic crisis of 1997-1998, during which the International Monetary Fund rescue packages pushed by the IMF and

the U.S. were viewed and criticized by Asian countries as the imposition of American-style globalization. The first ASEAN-plus-Three (Japan, China, and South Korea) summit was held in 1997 in the midst of the crisis to deal with the problems confronting the region without soliciting American involvement. Therefore, it cannot be denied that an element of anti-Americanism initially colored the conceptualization of the East Asia community.

But anti-Americanism is no longer a driving force for community-building. Far more important, East Asia community-building is not proceeding on the basis of Chinese hegemony, nor is it in the process of creating a China-led regional order. This is evident in the kinds of architecture evolving in the name of East Asia community-building.

What institutional architectures are now being created in the name of East Asia community-building?

The first ASEAN+3 summit meeting was held in 1997 to address the region's common problems. The summit in 1999 agreed on a Joint Statement on East Asian Cooperation. The upcoming East Asia Summit to be held in Malaysia this December is an outcome of these meetings.

Accordingly, East Asian cooperation over the past eight years has evolved within the framework of ASEAN+3. In the currency and financial fields, the ASEAN+3 summit in 2000 reached an agreement known as the Chiang Mai Initiative, which formulated a system for fiscal cooperation in the event of a financial crisis. On the basis of the accord, a bundle of bilateral currency swap agreements was created within the framework of ASEAN+3 as the major mechanism of crisis management.

An Asian bond market within the framework of ASEAN+3 is now in the making to recycle East Asian savings in the region for productive purposes instead of buying US treasury bonds and subsidizing

American consumption.

In the sphere of trade and investment, economic partnership agreements (EPAs) are being forged as a bundle of ASEAN+1 (for example, ASEAN+China and ASEAN+Japan) in the name of the East Asia community.

In 2002, Prime Minister Koizumi proposed a Japan-ASEAN Comprehensive Economic Partnership initiative, which envisioned not just the liberalization of trade in goods and services, but also promotion of trade and investment, protection of intellectual property rights, development of human resources and nurturing of small and medium-sized enterprises. All these are not usually covered by free trade agreements (FTAs).

Based on Koizumi's proposal, Japan has already reached broad agreements on EPAs with the Philippines, Malaysia and most recently Thailand, while negotiations for a Japan-South Korea EPA are

ongoing. In addition, talks on concluding EPAs with Indonesia and ASEAN as a whole started earlier this year.

China, for its part, proposed an FTA with ASEAN in 2000, leading to an agreement on the liberalization of trade in goods in 2004. ASEAN is also expected to notch up FTAs with Australia and New Zealand, India, and South Korea over the next two years.

As we can see, trade cooperation is progressing with ASEAN as a hub. Ever since the 1992 pact on the ASEAN Free Trade Area, or AFTA, trade within the area has expanded thanks to reduced tariffs and the elimination of non-tariff barriers. This means that AFTA will be extended through ASEAN+1 agreements into East Asia and beyond.

Economic partnership will progress in the future in currency and finance, as well as trade and investment. Trade volume within the region is rocketing: imports from East Asian neighbors jumped from 34 percent of total imports in 1980 to 51 percent in 2003, while exports

among neighbors expanded to 60 percent from 35 percent during the same period.

At the heart of this astounding growth is the expansion and deepening of cross-border networks of production and distribution. Nurturing the industrial hubs of these networks is vital to the economic development of any country in the region. Therefore, it is in the interest of these countries to promote regional economic partnership.

Institutional architectures for regional cooperation can be created as a bundle of bilateral agreements, as in the case of currency and finance cooperation, or as a bundle of ASEAN+1, for example in trade and investment cooperation.

In either case, it is clear that ASEAN has been pivotal in enhancing cooperation. ASEAN has also acted as the hub in larger regional cooperation mechanisms such the Asia-Pacific Economic Cooperation (APEC) forum in the area of trade cooperation, the ASEAN

Regional Forum (ARF) in the area of confidence-building, and the forthcoming East Asia Summit. In other words the driving force in regional cooperation in East Asia is not China or Japan, but ASEAN.

This might not be a bad thing for Japan, simply because cooperation in East Asia cannot work if the prime mover is either Japan or China. In addition, Japan, ASEAN and South Korea would prefer to deal with China that is a member of a regional framework and acting in accordance with global and regional rules instead of unilaterally.

What is at issue here is not the question of compatibility between the Japan-U.S. alliance and East Asia community-building. What is needed is pragmatism to ensure compatibility between a future East Asia community and the US-led regional security system.

There are some regional problems that are better solved without direct U.S. involvement. For instance, preventing another Asian currency crisis should be dealt with by East Asian countries. The

Chiang Mai Initiative in 2000 is for this purpose, and has the support of the United States. Another example would be "non-traditional" security issues such as terrorism, smuggling, drug and human trafficking, environmental protection and piracy. The United States can also join the network of economic partnerships now emerging with the ASEAN as the hub.

But issues such as security and cooperation involving energy that affect both the stability and prosperity of East Asia will have to be addressed in cooperation with the United States.

What is at stake, first of all, is the question of how to improve Japan-China and Japan-South Korea relations. The LDP calls for "head held high" diplomacy. Prime Minister Koizumi appears to believe that visiting the Yasukuni Shrine (where Class-A war criminals are enshrined) in spite of criticisms by China and South Korea is what "head held high" diplomacy is about. As long as Koizumi holds his

head high, East Asia community-building remains problematic - hence the LDP's adding of quotation marks to the word "community" in its election manifesto. The DPJ, on the other hand, has indicated its willingness to improve Japan's relations with China and South Korea as a key component of its definition of "enlightened national interests."

The other important issue at stake is the Japan-U.S. alliance. The LDP calls for unconditional Japan-U.S. global partnership - hence its emphasis on the Japan-U.S. alliance as the bedrock of Japan's diplomacy. The DPJ, on the other hand, calls for conditional Japan-U.S. global partnership, arguing, if necessary, in favor of restraint on the American unilateralism. This is clear from the LDP and DPJ positions on Japanese self-defense forces troops in Iraq and Japan's position on US military transformation. The DPJ has called for the withdrawal of troops by the end of the year and remains nervous about accepting US 7th Army Headquarters in Japan, while the LDP takes

the position of wait-and-see and is forthcoming in adjusting Japan's defense posture to the US military transformation.

Whatever the results of the election, the question of conditional or unconditional Japan-U.S. global partnership and the question of proactive or half-hearted commitment to East Asia community-building will be central to defining not only the positions of the parties but determining as well the future of Japan.

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# **...** *ASEAN-Japan Cooperation:*

## *Towards an East Asian Community*

*Prapat Thepchatree*

### Introduction

The purpose of this paper is to review the relations between ASEAN and Japan in recent years and to provide some recommendations for future cooperation. It will be argued that the focal area of future ASEAN-Japan cooperation lies in the task of joining hands in the establishment of an East Asian Community.

### ASEAN-Japan Cooperation

ASEAN and Japan are one of the most important partners particularly in the area of economic cooperation. ASEAN and Japan

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are interdependent in many areas including trade, investment, finance, economic assistance, and tourism.

On trade, ASEAN is the second largest partner for Japan with 14% of Japan's total trade. Also Japan is the largest trading partner for ASEAN accounting for 20% of ASEAN's total trade.

In line with this important trade partnership, Japan has heavily invested in ASEAN, making Japan the largest investor in ASEAN accounting for 21% of foreign direct investment in ASEAN.

In addition, Japan had given ASEAN development top priority in terms of offering financial and technical assistance to ASEAN. Japan is, therefore, the largest bilateral ODA donor for ASEAN accounting for approximately 60% of the total bilateral assistance provided by DAC member countries. In other words, about 28% of Japan's bilateral ODA is destined for ASEAN, making ASEAN the largest recipient of Japan's ODA.

## Comprehensive Economic Partnership (CEP)

In early 2002, during his visit to ASEAN, Japanese Prime Minister Junichiro Koizumi signed the FTA agreement with Singapore. At that time, he also proposed the Initiative for Japan-ASEAN Comprehensive Economic Partnership that would be an agreement including several areas: trade, investment, science and technology, human resource development, tourism, finance, information technology. Later on in 2003, Japan signed the FTA agreement with ASEAN. Japan also proposed the Initiative for Development in East Asia which would be the forum to discuss the future model for development and economic assistance for the whole region.

The ASEAN-Japan Joint Declaration on the Comprehensive Economic Partnership was later signed in Phnom Penh in November 2002. And during the ASEAN-Japan Summit in Bali in October 2003 the Framework for Comprehensive Economic Partnership was also

signed.

The objectives of the ASEAN-Japan CEP were to: 1) strengthen economic integration between ASEAN and Japan through the creation of CEP; 2) enhance the competitiveness of ASEAN and Japan; 3) liberalize and facilitate trade in goods and services and create a transparent and liberal investment regime; 4) explore new areas and develop measures for further cooperation and economic integration; and 5) facilitate the more effective economic integration of the newer ASEAN member countries and bridge the development gap among ASEAN countries.

### Tokyo Declaration

The latest development concerning the roadmap for ASEAN-Japan cooperation was the signing of the Tokyo Declaration for the Dynamic and Enduring Japan-ASEAN Partnership in the New

Millennium in Tokyo in December 2003 during the Japan-ASEAN Commemorative Summit. The Tokyo Declaration provided a firm basis and modality for future ASEAN-Japan cooperation in the years to come.

In the Declaration, ASEAN and Japan have agreed on common strategies for joint action in the following areas:

#### *Comprehensive Economic Partnership*

Both sides will reinforce their economic partnership, by strengthening economic and integration under the ASEAN-Japan Joint Declaration on the Comprehensive Economic Partnership. Both sides will realize the CEP through the measures outlined in the Framework for Comprehensive Economic Partnership to be implemented by 2012.

#### *Economic Development*

Both sides will work together to consolidate the foundation for economic development and prosperity. Japan will continue to give

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priority to ASEAN countries in its ODA programmes. Both sides will also strengthen cooperation and support the realization of ASEAN integration goals by implementing projects particularly those under the Initiative for ASEAN Integration (IAI).

### *Political and Security Cooperation*

On political and security cooperation, ASEAN and Japan will enhance cooperation and partnership at all levels in order to consolidate peace in the region, and work towards peaceful settlement of disputes in the region bilaterally and through the ARF and other regional and international fora. Both sides will also enhance cooperation in the areas of counter-terrorism, anti-piracy, transnational crime, disarmament, and non-proliferation of weapons of mass destruction.

## *East Asia Cooperation*

ASEAN and Japan will seek to build an East Asian Community which is outward looking with the shared spirit of mutual understanding and upholding Asian traditions and values while respecting universal rules and principles.

It is this area of cooperation -to establish the East Asian Community- that this paper would like to propose at the focal point for future ASEAN-Japan cooperation. This paper will, therefore, in the following section, elaborate in details the idea of an East Asian Community and the future areas of cooperation between ASEAN and Japan.

## ASEAN-Japan Cooperation: Towards an East Asian Community

### *The Potentials of East Asia*

For East Asia, the percentage of the world GDP has been growing. Some estimate that by the year 2020, the percentage of the world GDP for East Asia will be around 40 percent compared to the United States and the North American continent which may be just only around 20 percent, and the European Union would be around 14 percent, while the rest of the world would be around 20 percent. East Asia, in this sense, would become the most important region in the world in terms of economic power. But only a group of East Asian region is able to be formed.

Moreover, the financial reserves of East Asia are more than 50 percent of the world financial reserves. Concerning the size of population, the population of this region is also around one-third of the world population. Before the Asian financial crisis of 1997, some

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predicted that East Asia would become the center of the world economy, the center of world trade, and also the center of the global power in the twenty-first century. Some had predicted that the twenty-first century would be the Asian century.

In terms of the economic cooperation, trade as well as investment among countries in the region is also increasing very rapidly. The intra-trade is around 50 percent.

With such a huge emerging economic interdependence, emerging market for trade and investment, potential economic synergies and vast financial reserves, East Asia could command tremendous political power on the global stage. This power and influence could be translated into considerable common bargaining power.

## *History of East Asian Regionalism*

During the Cold War period, Asia was divided into two camps. Therefore, the cooperation and the integration among the East Asian countries were very limited. It was only in the late 1980s that there was a proposal by Dr. Mahathir, the Prime Minister of Malaysia, to form a group called the East Asian Economic Caucus (EAEC). This initiative was to compete with another idea which was proposed by Australia during that period, namely the formation of the Asia-Pacific Economic Cooperation (APEC). Several ASEAN countries did not support the idea of APEC for fear that APEC would be dominated by the big powers, particularly by the Western economic powers. Then, Dr. Mahathir had proposed an idea to form the only Asian cooperation excluding the West. Moreover, there was another reason for that initiative. In other regions, there were developing regional integrations, particularly in Europe as well as in the North American continent. And

at last, the end of the Cold War led to the new atmosphere of regional cooperation in the East Asian region. However, the idea of EAEC was rejected and was not warmly accepted while APEC has been formulated and continued functioning.

As known, APEC is too large including almost all East Asian countries, Australia, New Zealand, Canada, the US, Mexico, etc. As expected, the real problem for APEC is that, after the Seattle Summit in 1993, it was increasingly dominated by the US. The US used APEC to pursue its interests, particularly for trade liberalization in the region. Later on, at the Bogor Summit in Indonesia, the US pushed for the creation of the free trade area in APEC. The goal was to create the free trade area by the year 2010 for the developed countries, and for the developing countries the target year would be extended to 2020. Since Bogor Summit in 1994 until the Asian financial crisis in 1997, APEC was dominated by the US. The APEC agenda was the reflection

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of the American agenda, namely trade liberalization. At the Osaka Summit in 1995, the US went on to push for the Plan of Action to implement the Bogor Vision. And in the Manila Summit in 1996, the US also pursued the agenda to set up the Individual Action Plan. At last, before the Asian financial crisis, the US also pushed for the Early Voluntary Sectoral Liberalization (EVSL) scheme that would liberalize trade in 9 sectors.

But after July 1997, the financial crisis in Asia had derailed the APEC. Even after the crisis, APEC was not successful and there was no progress in terms of trade liberalization.

The Asian financial crisis was a turning point for the East Asian economic cooperation because the crisis gave countries in this region a very important lesson. Asian countries at the first time, realized that there has been no regional mechanism to help solving region problems. And several countries had to turn to IMF or US and the West for

financial assistance.

After the crisis, there was emerging consensus among Asian countries that the regional cooperation is necessity and should be created in order to prevent the future damage if it may happen. This seemed to be a core reason for the rise and resurgence of the East Asian regionalism. Moreover, as WTO has been in a slow progress since 1999, many countries have turned to the regional cooperation as a replacement to the international organization. The lesson learned from APEC, in particular the dominant role of the US, had also shaped the idea of East Asian regionalism to forces on Asian countries. And at last, the deeper and wider regional integration in Europe and North America had pushed Asia to move toward the direction of regional cooperation in order to be able to compete with those trade blocs.

## *The ASEAN+3*

In late 1999, during the ASEAN+3 Summit in Manila, the important and historic document called "The Joint Statement on East Asia Cooperation" was announced. The Statement indicated several areas of cooperation: economic cooperation, monetary and financial cooperation, political cooperation, etc. So far the most important area of cooperation has been the financial cooperation. At the ASEAN+3 Finance Ministers Meeting in Chiang Mai in 2000, the Chiang Mai Initiative was announced with the purpose of the expansion of the ASEAN Swap Arrangement to include China, Japan, and Korea. However, the most important point on this issue was the attempt to establish the Asian Monetary Fund to supplement the IMF. The main purpose of the AMF, if it is created, is to assist Asian countries in time of crisis if it may occur again in the future.

Japan had played a crucial role on the financial cooperation, in particular the AMF initiatives, although it was abortive. Japan also proposed that Asia should cooperate more to have a managed exchange rate system which would be a mixture of flexible and fixed exchange rate regimes. And in the future, if possible, a common currency or Asian currency should be promoted. However, this will take a lot of time to materialize. Nevertheless, by this time, it is realized that deeper cooperation in financial sector is necessary in order to survive and compete with other strong regional currencies; such as, Euro, or Dollar.

### *Towards an East Asian Community*

#### *- Vision*

The long term vision of East Asian cooperation is to create the East Asian Community. But the definition of the East Asian Community

is not clear yet. One approach is to define it based on three pillars:  
East Asian Security Community, East Asian Economic Community, and  
East Asian Socio-cultural Community.

- Principles and Objectives

It is agreed that the principles of equality, consensus, and  
comfort level will be observed. The process of community building  
should be based on the evolutionary and gradual step-by-step  
approach. The increase of bargaining power of East Asia in  
international forums should also be emphasized.

- Areas of Cooperation

+ Guiding principles for cooperation

East Asia cooperation should not start from scratch or  
from zero but it should be based on the existing cooperation (ie.  
from ASEAN cooperation). It is imperative that all 17 short-term

measures identified by the East Asia Study Group (EASG) be implemented as soon as possible. Efforts should also be directed to implement the medium and long-term measures identified by EASG. Workable roadmaps, concrete timeframes, and proper funding strategies should be devised in order to implement the EASG measures.

+ East Asian Economic Community

For the long-term goal, ASEAN, Japan and other plus three countries could explore the possibility of establishing the East Asia Economic Community in which there is a free flow of goods, services, investment and capital. The ideas of East Asian single market, the economic union with common external policy could also be examined.

The setting up of the East Asia Free Trade Area (EAFTA) should be on the high priority list the building block approach could be used by consolidating the existing FTAs in the region. In the past, Japanese manufacturing and other companies began to transfer production facilities to other countries in East Asia. Now an international production and distribution network has been created among those Japanese corporations and local companies in East Asia. However, systematic support for this interaction through FTAs lags behind. Creation of an EAFTA would allow goods to move freely throughout the region, resulting in better operations for Japanese corporations and for local companies, too. In turn, this would contribute greatly toward improving international competitiveness across the region.

On financial cooperation, as a long-term goal, the possibility of establishing the East Asian Monetary Union, the East Asian Monetary Fund as the lender of last resort supplementary to the IMF, a common or single currency, appropriate regional exchange rate regime, and development of regional bond market could be explore.

The East Asia Investment Area (EAIA) should be established by expanding the ASEAN Investment Area (AIA). Other EASG economic cooperation measures, among others: East Asia business council, GSP, East Asia investment information network, investment by SMEs, poverty alleviation, HRD, information technology, technology transfer and joint technology development, assistance in priority areas, resource and infrastructure development for growth areas should also be implemented.

## + East Asian Security Community

For the long-term goal, ASEAN, Japan and other plus three countries could explore the possibility of setting up the East Asian Security Community taking into account the evolution of the ASEAN Security Community. The regional security community should enhance East Asia's political and security cooperation by emphasizing peaceful settlements of intra-regional disputes. New measures to establish the modalities for the East Asian Security Community which can include confidence-building measures, preventive diplomacy, and conflict resolution mechanism should be explored. East Asia's political cooperation should also include policy coordination for common positions concerning international and regional political and security issues.

## + The East Asian Socio-Cultural Community

As a long-term goal, the possibility of establishing the East Asian Socio-Cultural Community bonding East Asia together as a community of caring societies should be explored. In a process of forming the East Asian Community, the EASG measures on functional cooperation covering the areas of primary healthcare, promotion of East Asian identity, conservation of cultural heritage, promotion of East Asian Studies, environment and energy cooperation will be implemented.

## - Structure and Process of East Asia Community-Building

### + Guiding Principles

The process of community building should be based on the evolutionary and gradual and step-by-step approach.

Regional economic integration is well ahead of regional institutionalization.

ASEAN should remain the driving force for the evolution of structure and process of regional community-building. But there should be continuing discussions on the modality that should avoid marginalization of ASEAN but at the same time give greater ownership to China, Japan, and Korea.

+ Level of Meetings

ASEAN+3 Summit framework remains the vehicle to advance the process of cooperation. The evolution of East Asian Summit (EAS) should proceed in a gradual and balanced way. The EAS is a desirable objective, but it should be part of an evolutionary process that builds on the comfort level and parallel with the ASEAN+3 framework. In a process of finding

the right modality, in the mean time, as a practical approach, adopting the dual-track approach by engaging in the process of cooperation through both the ASEAN+3 mechanism and at the same time support holding the EAS could be considered.

+ Secretariat

The further discussion concerning the issue of the secretariat of the East Asian Community is needed. The issue is whether a new secretariat should be established apart from the ASEAN Secretariat. Moreover, to set up the national focal point for East Asia cooperation should also be considered. But the new national mechanism should not be minimal organization in the form of "desk" within the ASEAN Department. Rather it should be in the form of a new division on East Asia cooperation. The possibility of establishing the "East Asia

Information Center" should also be explored.

+ Membership and Geographical Scope

In terms of membership, the principle is that it should be inclusive rather than exclusive. East Asia should not just include ASEAN countries, China, Japan, and South Korea. In the long term, our members should be expanded to cover all countries and economies in the region.

+ Track Two and Track Three

In order to build the East Asian Community, it is necessary to involve various actors, including government officials (Track One), academics (Track Two) and other private sectors and civil society (Track Three).

The Network of East Asian Think-Tanks (NEAT) serves as Track Two of East Asia cooperation. The function of NEAT is

to pool together academic resources of East Asian countries to provide intellectual support for East Asia cooperation, to study issues and initiatives brought forward by the ASEAN+3 Summit, and also to study major issues concerning East Asia cooperation and explore long-term policy issues of strategic importance to the region and provide recommendations to the ASEAN+3 meetings.

As for Track Three, to create good governance for the East Asian Community by engaging various social groups such as private sector, NGOs, labor unions, the media, civil society groups, political parties, parliaments, and the people-to-people contacts should be tried.

## Conclusion

East Asia as a region has a lot of potentials in the global

economy. If ASEAN, Japan and the other countries in the region can cooperate and integrate their economies, it will be then transformed into a very powerful economic bloc. At the present time, there is a loose cooperative and integrative framework called ASEAN+3. There have already been several Summit meetings between ASEAN countries and Japan, China, and South Korea. There emerges a strong trend and direction that East Asian countries are trying to enhance our cooperation in a variety of fields. There are, among others, proposals on an East Asian Free Trade Area, the Asian Monetary Fund, the Asian common currency, Chiang Mai Initiative, etc. However, the process of East Asian economic integration and cooperation is not an easy task. Therefore, the process will be gradual and evolutionary. It will require the tremendous efforts from ASEAN and Japan to cooperate before it can be transformed into an East Asian Community.

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**...** *International Migration  
and Security with Special Reference to Myanmar*

*Tin Maung Maung Than*

**International Migration**

Migration or movement of people is an age-old phenomenon present on earth since the dawn of civilization. However, with the advent of the nation–state with its territorial boundaries, cross-border migration has become a contentious issue in the international relations of sovereign states; especially with the end of the colonial era in the twentieth century (Maruja M. B. Assis, 2004).

International migration usually involves a dyadic connection between a country of origin (source) and a country of destination (host or recipient), while migrants may be classified under five major

categories: settlers (who seek permanent residence in the host country); contract workers (mainly manual labourers or semi-skilled workers, usually from a less-developed country, temporarily residing for a "predetermined length of stay"); professionals (highly mobile due to special skills and higher educational qualifications who often opted to become settlers); illegal migrants (entering illegally or breaching original terms of entry); and refugees and asylum seekers (fleeing from persecution or conflict situations and may have entered the host country with or without proper documentation<sup>1</sup>) (D. T. Graham, 2000). Those in the fourth and fifth categories of the aforementioned list are the most problematic of migrants and usually viewed as security threats to the source as well as host countries (A. Dupont, 2003). On the other hand, illegal migrants are most vulnerable to discrimination,

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<sup>1</sup> All are voluntary migrants and do not include those who are deliberately expelled from a country by the regime in power.

mistreatment and abuse by their employees and intermediaries (brokers, recruiters and traffickers) as well as local authorities of both host and source countries and often found themselves in a highly insecure situation. Illegal migration is also classified as irregular or unauthorized migration (undocumented migration is a sub-category of irregular migration that also include people with proper travel documentation) as opposed to regular and authorized migration that characterized the movement of the first three categories in the above listing (Maruja M. B. Assis, 2004). In this paper, only the issue of refugees and irregular (labour) migration, defined as “a departure from or violation of the migration norms of the country of origin, transit or destination; usually norms ... [concerning] exit, entry, employment and residence”, is considered as a case study (Maruja M. B. Assis, 2004).

## National Security and Human Security

Until a decade ago, the term “security” had generally been associated with the concept of the nation-state (oftentimes conflated with the regime in power) and its survival in the international system of sovereign states. In other words, the state was identified as the singular referent for ‘national security cum state security’. Territorial integrity and sovereignty were the core values of the state that must be defended at all costs. The principal threat against these core values had been the use of military force and the preferred approach to counter such a threat was either through self-reliance or some form of alliance with other states that shared some common interest in the fight against the aggressor. There was no consideration for the human inhabitants of the nation-state in this conception of security (M. Alagappa, 1998). However, with the end of the Cold War, inter-state war as the principal threat to the nation-state has been increasingly

overshadowed by threats stemming from non-state actors that challenge the state itself and the rise of transnational non-military threats to the sovereign state. Thus, the concept of 'non-traditional security' has gained some prominence since the early 1990s, especially after the terrorist attack on the World Trade Center on 11 September 2001 (R. Emmers, 2004). The most common threats classified under the non-traditional security agenda are: transnational terrorism, serious environmental degradation, disease pandemics, contagion effect of economic crises, mass exodus or huge influx of migrants, drug-trafficking, human trafficking and piracy. Similarly, non-military threats that can undermine the security of incumbent political regimes may be identified as: military coup, mass protest, economic crisis, and delegitimation through subversion and sabotage (M. Alagappa, 1995).

On the other hand, human security is based on the "idea that

the individual or community must be at least one of the referent points in answering the eternal questions of security for whom, of what, and by what means", and it is a contested concept (Evans, n.d.). There is no consensus even among the proponents on the exact definition as well as on its operational aspects. It has been on the margins of international relations theory for the decade or so since its inception straddling the domains of human development and non-traditional security concerns. It has been dismissed as "analytically problematic, morally risky, unsustainable, counterproductive and 'so vague that it verges on the meaningless" (Evan, n.d.) by many international relations theorists of the realist persuasion who regard state-centric 'national security' as the more relevant and viable concept in theorizing the world of sovereign states (P. Kerr, 2003). Nevertheless, proponents of human security contend that it "reflects real-world developments that cannot be captured by the narrow and military-focused notion of

national security alone.” (A. Acharya, 2004) As such, the concept is important “for providing a language and a rationale for raising the concerns of the majority of humanity on the diplomatic and scholarly international relations agenda” thereby allowing the “protection of the vulnerable via the reduction of risk” (C. Thomas, n.d.). Especially, “it underscores how the state, as it endeavored in the past to address “wants” was in fact marginalizing or oppressing many groups, thus creating ‘fear’” (P. P. Lizee, 2002). Moreover, in the context of foreign policy, “the human security agenda satisfies the utilitarian impulses of policy-makers, appeals to their moral instincts, and in doing so, provides a framework for improving the mess” in “much of contemporary world politics” (P. Kerr, W. T. Tow and M. Hanson, 2003). The contention is that “human security is not an epiphenomenon, but rather part of an embryonic global trend in the way that states define and pursue their security needs” (P. Kerr, 2003).

According to one of the earliest proponents of the human security approach, there appears to be two strands of conceptualization in delineating the definitional scope of human security. The “broad or “holistic” concept stemming from the UNDP Human Development Report 1994 (hereafter referred to as HDR1994) which emphasized equally the ideas of “freedom from fear” and freedom from want” and a narrower limited variant “somewhat labeled ‘the freedom-from-fear’ approach”, focusing only on situations of “extreme vulnerability, usually in the context of intrastate war<sup>2</sup>” (Evans, n.d.). The latter has often been labeled the “middle powers’ approach” exemplified by the so-called “Canadian School” of human security (K. Bajpai, 2000).

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<sup>2</sup> There is evidently a Japanese-sponsored third variant which is actually an off-shoot of the broad approach that emerged in the wake of the Asian financial crisis of 1997/98 and which entails good governance and provision of social safety nets for the vulnerable sector.

According to the HDR1994, the progenitor of the holistic strand, human security has two main aspects:

[F]irst, safety from such chronic threats as hunger, disease and repression. And second, it means protection from sudden and hurtful disruptions in the patterns of daily life--whether in homes, in jobs or in communities.

On the other hand, human security is not synonymous with "human development" which is a "broader concept" that envisages a process of widening the range of people's choices". In fact, human security is meant to ensure that "people can exercise" those very "choices safely and freely - and that they can be relatively confident that the opportunities they have today are not totally lost tomorrow." In other words, "human security was said to be a necessary but not

sufficient precondition for human development.” (T. Owen, 2004).

Seven “main categories” were listed in the HDR1994 as “threats to human security” (T. Owen, 2004):

- Economic security
- Food security
- Health security
- Environmental security
- Personal security
- Community security
- Political security

The culmination of this holistic approach is embodied in the report of the Commission on Human Security (CHS)<sup>3</sup>, entitled Human

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<sup>3</sup> “The Commission on Human Security was established in January 2001 through the initiative of the Government of Japan and in response to the UN Secretary-General’s call at the 2000 Millennium Summit for a world ‘free of want’ and ‘free of fear’ The

Security Now (published in 2003) (Evans, n.d.). Unlike the HDR1994, the CHS report did not supply an “itemized list of what makes up human security”. Instead, it left the consideration of what is deemed to be “vital” - in terms of being “the essence of life” and “crucially important” - to the people (under threat) themselves, noting that such notions vary “across individuals and societies”.<sup>4</sup> However, the chapters of the CHS report indicated that human security “may include economic downturn, financial crisis, health epidemics, terrorism, crime and internal conflict, war, post-conflict instability and poverty that kills and angers” (S. Alkire, n.d.).

The second strand that narrowly defines human security in

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Commission consisted of twelve prominent international figures, including Mrs. Sadako Ogata (former UN High Commissioner for Refugees) and Professor Amartya Sen (1998 Nobel Economics Prize Laureate)”. ([www.humansecurity-chs.org](http://www.humansecurity-chs.org)).

<sup>4</sup> It has been contended that the CHR “muddled the waters further” by using the phrase “‘vital core of all human lives’ and then declining to specify the content of this phrase”

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terms of protecting “individuals and communities in situations of violent conflict” emphasizes “extreme vulnerability, usually in the context of intrastate war” (Evans, n.d.). A striking example of this approach is the annual Human Security Report, published since 1994 by the Human Security Centre at the Liu Institute of Global Issues, University of British Columbia, in which the threat to human security was narrowly defined as “the relatively conventional one of political and criminal violence” (A. Mack, 2004). Probably, the most prominent exposition of this approach was the report entitled Responsibility to Protect (R2P) published in December 2001 by the International Commission on Intervention and State Sovereignty (ICISS) which framed “the issue of intervention and sovereignty in terms of the responsibility [of the state] to protect” its citizens from “threats to life, health, livelihood, personal safety and human dignity” which were regarded as “fundamental components of human security”. As such, it

echoed the concerns of the HDR1994 though the R2P put the onus on the state to which vulnerable belong. However, the more controversial part of the R2P is its insistence that “states that either unable or unwilling to discharge their responsibility” be subject to outside intervention. By moving from a broad conception of threats and indivisibility [of human security] to a specific focus on two type of threats that might warrant outside military intervention”, viz., “large-scale loss of life and ethnic cleansing” the Canadian-backed R2P apparently made an “innovative” point in the discourse on human security.<sup>5</sup> This last point that entails provision of “the just cause threshold as well as precautionary principles, right authority, and

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<sup>5</sup> In response to a “challenge from the UN Secretary-General, Canada's Prime Minister Jean Chrétien announced the establishment of the International Commission on Intervention and State Sovereignty [ICISS] during the United Nations Millennium Summit in September 2000.” ([www.iciss.ca/progress-en.asp](http://www.iciss.ca/progress-en.asp)).

operational principles" has probably caused more anxiety and misapprehension than any other exposition of human security among security establishments of many developing countries (Evans, n.d.).

Meanwhile, four common characteristics may be identified among the various interpretations and conceptualizations of human security. They are: the individual is treated as the "referent object of security"; "human security recognizes a wide range of potential threats" having regarded the "notion of security in broad terms"; the "interdependent nature of security" is accepted; and it is "essentially proactive" in that it allows "preventative measures" to be taken in a threat situation to forestall a crisis (D. Capie and P. Evans, 2002).

The distinction between human security and national security as summarized by the Indian security expert Kanti Bajpai is illustrated in the following table.

Table 1 National Security and Human Security

	National Security	Human Security
Security for whom	Primarily, the state	Primarily, the individual
Security of what values	Territorial integrity and national independence	Personal safety and individual freedom
Safety from what threats	Direct threats from other states	Direct threats from state and non-state actors + indirect threats
Security by what means	Force as the primary instrument of security, to be used unilaterally for a state's own safety	Force as a secondary instrument, to be used primarily for cosmopolitan ends and collectively; sanctions, human development, and humane governance as key instruments of individual-centered security

	<p>Balance of power is important; power is equated with military capabilities</p> <p>Cooperation between states is tenuous beyond alliance relations</p> <p>Norms and institutions are of limited value, particularly in the security/military sphere</p>	<p>Balance of power is of limited utility; soft power is increasingly important</p> <p>Cooperation between states, international organizations and NGOs can be effective and sustained</p> <p>Norms and institutions matter, democratization and representativeness in institutions enhance their effectiveness</p>
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Source: Kanti Bajpai, "Human Security: Concept and measurement" Kroc Institute

Occasional Paper#19:OP:1 (August 2000), p. 48.

For the purpose of this paper the broad conceptual approach is taken as a basis for examining the issue of human security in Myanmar in relation to the outward migration (emigration) of Myanmar nationals to Asian countries. For that matter, several elements of the seven-component threat framework proposed by the HDR1994 will be utilized.<sup>6</sup> The aim is to highlight the plight of the migrant Myanmar population in Thailand to inform national and regional development strategies so as to improve the well-being of that vulnerable segment of Myanmar society. However, to put the human security dimension in a proper context a brief exposition of Myanmar's overwhelmingly state-centered national security perspective is in order at this juncture.

### Myanmar's National Security Perspective

For various reasons associated with Myanmar's historical

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<sup>6</sup> The political security issue will not be discussed as Myanmar is currently under direct military rule and the junta has yet to conclude the new constitution-formulating process.

experience with colonialism, World War II, the civil war (in the first decade of independence) and the Cold War, as well as the multi-ethnic nature of its polity (see appendix 1), successive Myanmar governments have always adopted a state-centric national security policy approach with much emphasis on national sovereignty, territorial integrity and national unity (of all ethnic nationalities), concomitant with the tendency to conflate national security with regime security (Tin Maung Maung Than, 2003). Apparently, the ruling elites (be they parliamentarians or military commanders), like their counterparts in many Asia states, have always "felt that states were the best (and perhaps only) providers of security and ferociously guarded the principles of absolute sovereignty and non-interference in domestic affairs" (Evans, n.d). It follows that the "state, usually referred to as naing-ngan-daw (literally, royal state) has been the primary referent for 'national' security" and a reification of the state (Tin Maung Maung

Than, 2003). Moreover, the conceptualization and scope of national security in Myanmar since its independence in 1948, "have essentially been determined by a small elite [dominated by the military] who, for all practical purposes, seem to be insulated from societal" concerns (Tin Maung Maung Than, 2003). All along, Myanmar's security outlook has been preoccupied with domestic threats, the most serious being intra-state war characterized by violent challenges from a variety of ethnic and ideological insurgencies that weighed heavily on the military dimension. External aggression has never been a credible threat though some neighbors did have overt ideological links and covert logistic links with internal insurgencies.<sup>7</sup>

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<sup>7</sup>The Chinese Communist Party had supported the Burma Communist Party rebellion for nearly three decades until Deng Xiopeng put a stop to it. Thailand used ethnic rebel groups straddling its border with Myanmar as a buffer for decades until the late 1990s, providing opportunities for soliciting logistic support and using the Thai side of the border as a safe haven.

Ruled by the military junta known as the State Peace and Development Council (SPDC) present-day, Myanmar is a rare example of the 'national security state' with "preference for order and conformity over pluralism and diversity" (Tin Maung Maung Than, 2003). Nevertheless, there are many prevailing and potential threats to the people of Myanmar other than those which are under the ambit of state-centric national security agenda and which may be viewed as human security concerns. The migration issue is one clear example of one such concern affecting a not insignificant segment of Myanmar society.

## Myanmar Migrants

The bulk of Myanmar's migrants seeking work abroad joined the labor force of Western and Southern Thailand, with most of them lacking in proper travel documents. Recent estimates of the Myanmar

migrant population, many working under harsh conditions (low pay, no rights nor representation, long hours, poor work safety, and vulnerable to extortion and harassment by security personnel) in Thailand ranged from 800,000 to 1 million. In the latest registration exercise, 1.28 million foreign workers registered with Thai authorities in July 2004, of which over 814,000 applied for work permits and out of 814,247 successful applicants (who were issued work permits between 1 July and 15 December 2004), 610, 106 turned out to be Myanmar nationals<sup>8</sup> (J. W. Huguet and S. Punpuing, 2005). Table 2 (below) shows the top five sectors that attracted Myanmar workers in Thailand.

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<sup>8</sup> Given that over 168,000 Myanmar nationals were arrested in Thailand during 2003 for immigration offences the number of unregistered (hence no work permit) Myanmar workers in Thailand could run into hundreds of thousands.

**Table 2 Myanmar worker issued with work permits in 2004**

Type of business	Agriculture	Household	Construction	Fishery processing	Fishing
Number of work permits	143,793	88,319	81,554	62,923	33,178

Note; The rest are in rice milling, brick production, ice production, mining and transport.

Source: Jerrold W. Huguet and Sureeporn Punpuing, *International Migration in Thailand Report to the International Organization for Migration (IOM), Bangkok. (Bangkok: IOM, 2005)*, Table 13, p. 31.

On the other hand, tens of thousands are working illegally (without work permits). Thailand "is used as a transit country for international migration, most of which is illegal and involves smuggling or trafficking of persons" (J. W. Huguet and S. Punpuing, 2005). As such, thousands of Myanmar migrants entered Malaysia through

Southern Thailand and ended up working illegally as well.<sup>9</sup> Since most of them had left Myanmar illegally they had no recourse to legal protection and ran the risk of being prosecuted once they got back to their home country.

Anecdotal evidence suggests that there are also tens of thousands Myanmar nationals, who though having left the country with proper travel documents (obtained at great expense) ended up working illegally in Singapore as well as Japan.<sup>10</sup>

There are both push and pull factors behind the irregular migration of relatively large numbers of Myanmar workers to Thailand

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<sup>9</sup> Malaysian authorities revealed that 4,071 Myanmar illegal immigrants were deported to Thailand in 2001.

<sup>10</sup> Japan is the choice destination due to the highest possible earnings in hard currency terms. The front-end cost of such an attempt to enter those countries can range from some three (Malaysia and Singapore) to ten times (for Japan) the annual salary of a university professor. According to estimates by Japanese authorities, in mid-2001, there were 4,326 Myanmar nationals officially classified as “overstayers” (those whose legal period of stay had expired), ranking eighth among foreign illegals in Japan.

and beyond who may be characterized as economic migrants. The push factors are unemployment, low wages and poverty while the pull factors may be identified as a relatively higher income and better employment opportunities (however adverse the conditions may be) and the accessibility of migration channels facilitated by a thriving network of intermediaries (informal social networks capitalizing on kinship, friendship and community ties as well as an organized migration industry that includes brokers and traffickers).

Thailand is also the host to the largest number of Myanmar refugees abroad. Most of them are ethnic minorities that fled due to violence and discrimination brought about by the protracted armed conflict between the government and ethnic insurgents over the last three decades in Myanmar's border regions (H. J. Lang, 2002). It was reported that over 117,000 refugees were staying in nine camps in Thailand as of June 2004. On the other hand, there were 2,051

refugees and 2,657 asylum seekers registered with the UNHCR (United Nations High Commissioner for Refugees) offices in Mae Sot and Bangkok at the end of 2003. There were those who fled after the aborted 1988 popular uprising for political reasons but their numbers have dwindled due to the UNHCR-sponsored programme of resettling them in the third country (mainly United States, Australia, and countries in Northern Europe) (J. W. Huguet and S. Punpuing, 2005).

## Conclusion

The irregular migration of Myanmar nationals into Thailand has created security problems for both Myanmar and Thailand at the national level as well as serious human security threats to the migrants themselves.

From the national security perspective, the ongoing irregular migration across Myanmar's eastern borders is undesirable as it

erodes border security and exacerbates tensions between the two neighbors. The refugee camps in Thailand may be seen by Myanmar authorities as safe havens for anti-regime dissidents and the focus of unwarranted international criticism on the regime's human rights record. For Thailand the presence of refugees on its soil poses a problem due to the drain on resources and tensions between the local community and the refugees in the socio-economic domain. In the case of migrant workers, though the Thai business community benefits economically by exploiting them, the state has to contend with problems of maintaining law and order and social harmony.

For the refugees who left Myanmar to escape from threats to food, political, personal and community security (some of these aggravated by the state's pursuit of national security objectives), the camps are just a temporary stop-gap measure pending eventual repatriation once their human security concerns are adequately

addressed. Meanwhile, life in refugee camps does have its share of threats to personal security and deprivation from access to proper health care and education.

The migrant workers have to endure low wages and appalling conditions of work, lack of health care, violence, sexual abuse, extortion, hostility, prejudice and discrimination as well as the specter of deportation (A. Kerdmongkol, 2003). Thus, from the human security perspective, there has not been much improvement in the areas of economic, health and personal security in the host country either.

Until and unless the root causes of irregular migration (both push and pull factors outlined above) are adequately addressed, it will persist as an "intergenerational issue" for both Myanmar and Thailand and the latter's "control and containment policies" would be ineffective (A. Kerdmongkol, 2003). This requires fundamental changes in the economic and security policies of Myanmar that, in turn, need a

change of mindset amongst the ruling military elite of Myanmar which cannot be achieved overnight. Meanwhile, the human security aspect of those migrants should be improved by adopting a policy position, on Thailand's part, "to accept a relatively free flow of labor and for management policy to be determined by [bilateral] cooperation" (A. Kerdmongkol, 2003), and address the "extensive problem of corruption and maladministration" that plagued the migration process (A. Kerdmongkol, 2003).

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**...** *Human Security Cooperation in ASEAN+3:  
Toward an East Asian Community*

*Zarina Binti Othman*

**Introduction**

The economic success stories coming out of Asia in recent times have caused some scholars to say that "the 21st Century belongs to Asia" (J. Na Thalang, 1989). Jeffrey Sachs, Director of the Earth Institute at Columbia University and a special adviser to the UN Secretary General, has further argued that, "Asians make up 60% of the world's population.... and if the gravity is not in Asia, something is wrong." I submit that such reasoning is a rationale for why a region, in this case East Asia, must cooperate and move toward becoming a

more cohesive community.

The economic success story of Asia has been partly due to free trade. The exchange of commodities across national boundaries without restrictions of tariffs, quotas, foreign exchange controls, etc., is in stark contrast to the situation under previous protectionist policies imposed by states, usually to protect their domestic industries. It was Adam Smith (1723-1790) who came up with the idea that if each country specializes in the production and export of certain goods, it would have an absolute advantage. Later David Ricardo (1772-1823) extended the idea, saying that when there is specialized production and exchange of goods between states that are trading partners, the wealth of both countries increases. He called this a "comparative advantage," and it is this principle that has become the foundation of free trade (T. H. Cohn, 2005).

Associated with free trade is the phenomenon so called

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"globalization," which is continuing to bring change to many parts of the world—some of which is welcomed, and some of which is not. Not only goods and services, but also crime, are crossing borders at a rate and amount greater than it could have been imagined previously. As states scramble to find new ways to remain competitive, free trade is becoming the basis for a new regionalism, which in turn acts as an important spur to regional economic development.

In line with policies and recommendations of the World Trade Organization (WTO), states in a region have agreed to remove trade barriers, facilitating the free flow of trade. A main purpose of this is, among other things, to allow and encourage states to cooperate in order to increase their wealth. For example, the European Union (EU) Free Trade Area is considered to be a successful regional grouping. In Southeast Asian region, the ASEAN Free Trade Area (AFTA) was established in 1992 and ASEAN states agreed to liberalize their trade

within the region. While the cooperative regional arrangements have been slowly evolving, ASEAN member states have also made bilateral free trade agreements with Japan, forming trading partnerships such as Singapore-Japan, Thailand-Japan and Malaysia-Japan. Meanwhile in 1997, ASEAN+3 summit meeting convened. Since then, ASEAN + Japan, China and South Korea have met annually.

In the Joint Statement on East Asia Cooperation in Manila, ASEAN+3 proclaimed the following objectives: (1) the East Asia Security Community (EASC) with its aim to ensure that East Asia-be in peace with one another and the world; (2) the East Asia Economic Community (EAEC)-which dedicates to freeing the flow of goods, services, capital, investment, technology and skilled labor; (3) the East Asia Socio-Cultural Community (EASCC).

However, the purpose of this paper is not to focus on these economic partnerships as such, but rather to explore the opportunities

for cooperation that goes beyond the economic partnership. Specifically this paper is designed to examine the prospect of cooperation among the nations known as "ASEAN+3," in areas concerning human security, as well as to answer the question why such cooperation is needed, and how it could possibly lead to the establishment of a viable East Asian Community.<sup>1</sup>

The paper argues that ASEAN+3 cooperation should be based on the need to face together the emerging "nontraditional threats" -- human security challenges—that threaten the survival of each and every state by weakening the people within. Drug-related crime, environmental degradation, poverty reduction and displaced persons are among the emerging issues that increasingly threaten the survival and well-being of people within states-- and of course the people are

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<sup>1</sup> ASEAN refers to all states in Southeast Asia except Timor Leste, while the (+3) refers to Japan, China and South Korea.

the backbone of the state's survival, security and well-being.

First, the paper explains the concept of regionalism and regionalization. Second, it explores more specifically why cooperation among the nations of ASEAN+3 is needed. Third, it highlights some particular areas that could logically foster such cooperation. Finally, the paper presents some possible ways to solve or overcome barriers that stand in the way of creating an ideal East Asian Community.

### **Regionalism or Regionalization**

The interest to study regionalism is partly due to the end of the Cold War; the impact of economic integration and globalization; and the impact of democracy (Fawcett and Hurrell, 1994). To lay the groundwork for a better understanding of this discussion, two concepts need to be defined--regionalism and regionalization. Regionalism as a concept is often defined as that network of relationships which is

characterized by several kinds of cohesiveness: 1) social cohesiveness (which refers to ethnicity, race, language, religion, culture, history and consciousness of common language); 2) economic cohesiveness (trade patterns, economic complementarity and interdependence); 3) political cohesiveness (regime type, and basic ideology); and 4) organizational cohesiveness (existence of formal regional institutions) (A. Hurrell, 1996). Regionalism must also include a political process by which a group of states agree to reduce barriers - e.g., trade barriers - within the group. The underlying idea of regionalism is "interdependence." (However, at least one scholar, Andrew Hurrell, has argued that in reality there are no absolute indicators of regionalism, since the degree of cooperation and interdependence varies according to which particular problem is under investigation) (A. Hurrell, 1996). Regionalism could also be defined as "... the formation of interstate groupings on the basis of region" (J. Nye,

1968). Then, this definition has led to another issue of the definition of a region. In this paper it is understood that the interstate grouping in the region is based on a shared common cultural identities, shared values, shared institutional framework and geographical proximity.

If regionalism is about cohesiveness, regionalization refers to the growth of societal integration within a region - an undirected process of social and economic integration (J. Nye, 1968). As regionalism is primarily an economic process, it is determined by elements of markets, private trade, investment flows, and such. But, certainly, the regionalization process is also an important factor in creating the cohesiveness of regionalism. In the case of East Asia, it is observed that the economic process has been driven especially by the growth and behavior of Japanese firms.

Interestingly, regionalization also involves increasing flows of people in and out of neighboring countries; the development of

multiple channels and complex social networks by which ideas, political attitudes, and ways of thinking spread from one area to another; as well as the creation of a transnational regional civil society (J. Nye, 1968). Thus, it can be sum up that regionalization is about flows, complexity, networks, interconnectedness and interaction - all of which contributes to an emerging cohesiveness so called regionalism.

But there is one key element missing from our analysis - a common regional identity that unites the people of a region. Scholars have provided at least two ways of discovering people's perception of belonging or identity. A sense of common identity can be derived from internal factors, such as common culture, common history or common religion; or it can emerge as a result of external factors, such as fighting a common enemy. In the case of East Asia, it might be concluded that there are no existing shared internal factors which are strong enough to create a common identity. However, that does not

mean that the cooperation to discover and create such commonalities can not be initiated. Concerning external factors, on the other hand, it is suggested that the regional unity against the common threats to regional security; for example, the US hegemony (J. Nye, 1968), and its "Global War on Terror," should be initiated. Namely, it is necessary to create a sense of togetherness to enhance the regional security against terrorism.

### Why Cooperate?

ASEAN was established in 1967, during the height of the Cold War in which a bipolar world was led by the democratic US on one hand and the communist Soviets on the other. Among the objectives of ASEAN were an acceleration of economic growth among members, and the fostering of regional peace and stability. At that time, communism was viewed as the major threat to national, regional and

international security throughout the world, including Southeast Asia. Although ASEAN has been heavily criticized due to its non-interference principle and the so-called ASEAN Way, it nevertheless has become an effective tool to manage conflict so that it does not erupt into a war (Z. Othman, 2005).

Today, after almost four decades and faced with new transnational threats, there is a need for ASEAN to move one step further, that is to promote cooperation with states outside its region. However for the long-term cooperation aimed toward achieving a cohesive East Asian Community, two major issues need to be clearly resolved. One is to create a common sense of identity, and the other is to identify the common goals.

Similarly, cooperation should move beyond meetings of the heads of governments to include people of the countries involved. More importantly, there should be a focus on highlighting and

promoting the common values, and solving common problems, especially those that arise from, or are exacerbated by, globalization (such as inequities, poverty, and crime.) In other words, cooperation should include a major focus on issues of human security. However such cooperation is not necessarily easy to bring about, although sometimes some IR scholars have pointed out how cooperation usually brings advantages to both sides of an issue involving (D. Baldwin, 1993). This argument, along with the earlier argument put forth by Sach (that "the 21<sup>st</sup> Century is the Asian Century" by sheer weight of its population size) bolsters the other "common sense" reasons for moving toward a more cohesive sense of community and cooperation in East Asia.

### Common Identity

It is necessary to discover a common value that can keep the

countries united despite the diversity. The community which is envisaged, will be made up of ASEAN (all states in Southeast Asia except the newly independence Timor Leste) and the Northeast states of Japan, China and South Korea. Finding a common identity is important because ASEAN is heterogeneous society made of diverse ethnic groups and other diversities (S. A. Baharudin, 2005). Similarly, the past history continues to hinder the cooperation between and among countries, especially between China and Japan, Japan and South Korea (Hyun Seok Yu, 2000). The relations are more complex because China's power also rests on its position as the permanent member of the UN Security Council. Then, the main question is whether Asian Values can be a common identity.

### Common Goal

Not only common identity, but common goal also is needed for

regional integration. It was Japan who threw the idea that “we should act and prosper together.” Besides, providing human security should be a common goal due to the fact that protecting and empowering people will enhance the stability of state and region (S. Daud and Z. Othman, 2005).

### **Possible Areas of Cooperation**

While there is no agreed definition on human security, Asian human security largely means human needs (A. Acharya, 2002). As stated earlier, the increasing nontraditional security issues in the region require countries in the region to cooperate. The followings are some possible human security cooperation.

### **Drug Related Crime**

“In the midst of an Asian financial crisis, at least one business is still booming, the trade in narcotics from the Golden Triangle” (B.

Lintner, 1998). This report headlines suggest that globalization helped to fuel drug demand. While acknowledging that free trade arrangements is needed and could bring prosperity in the region, FTA also unintentionally brings with it the so called “crime without borders,” or “crime of opportunity” among which are illicit drug and human trafficking. The fact that the criminal syndicate gains profit at the expense of the people should be the main concern. In addition, it is not only people that become victims, but states as well (S. Flynn, 2003).

In reality, while countries are working together aiming at prosperity, countries tend to forget threats posed by the nontraditional issues, one of which is the illicit drugs. Likewise, the fact that they are being conducted by non-state actors illustrate that states cannot fight the problem alone. In addition, free trade also contributes to the spread of HIV-AIDS disease as well as the drug related crimes (M. Cusimano, 2003). And this situation can be solved only by the regional

cooperation.

## Environmental Degradation

While the market economy which provides better incomes, and variety of choices of employment is welcome, the region is also facing with an environmental degradation brought by the globalization process as well as human activities. The impacts are cross border and long term. A healthy and secured environment is the basis for people's survival and well-being, especially the poor in some countries who depend on the sea, rivers and forest for their sole income and survival (R. Ismail, 2004). Thus, the role of regional and global civil society which share a common goal, are crucial. Moreover, ozone depletion, climatic change, deforestation and forest degradation, urbanization, increased production of toxic waste etc. also contribute to the loss of land, food insecurities, and certainly threaten the quality of life. And in

long run, it may contribute to the interstate conflict (Du Pont, 2002).

Therefore, not only the concept of sustainable development needs to be practiced in the region, but a transnational environmental policy that can protect the valuable environment must be implemented. Then, establishing an Asian Environmental Security Regime could be one possible solution.

### **Poverty Alleviation**

Despite the prosperous, the region is also facing acute poverty. This issue should be seriously taken into consideration because extreme poverty fuels terrorism, revolution and other unhealthy activities that may destabilize the region in the long run. In addition, it also contributes to other issues namely child labor, migration, urban poverty, drug and human trafficking etc. One solution for this problem is to empower people through education. In fact, education is

significant for any countries as it provides human resources.

Therefore, it is necessary for ASEAN to make a plan to develop a community of caring societies focusing on its people and establishing social safety nets that can further promote the caring society or the development from below.

### Displaced Persons

In the world where animal rights are concerned, where people are struggling to protect environment, it is unimaginable that there are displaced persons. The issue of displaced persons has occurred partly due to the traditional security approach imposed by states that are related to political, social, and military developments (William, 2000). When states establish a certain policy with a goal to strengthen their state security, they are in turn victimized their very own people as for the case of the Rohingyas (Z. Othman, 2002). When people are

forced to flee their homes, it clearly signals the human rights violations. Although ASEAN has long adopted the non-interference policy, the ideal East Asian Community should reassess this policy as that it would be possible for humanitarian interventions.

## Conclusion

As discussed in the paper, although there are obstacles, the East Asian Community is possible. Human security cooperation can play the role as the foundation where countries can act and prosper together. While this paper focuses on human security cooperation, the writer acknowledges that states continue to play important role. However, as globalization spreads over, it becomes the fact that states are no longer the exclusive focus of security.

Increasing nontraditional security issues; such as, drug related crime, environmental degradation etc, provide rationale for regional

cooperation. Nevertheless, it is still necessary to discover the common identity and common goal in order to make the East Asia Community a reality.

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## ... *Free Trade Agreements (FTAs)*

*and the Cross-border Mobility of Natural Persons:*

*Its nexus to the overall labor migration regime in Asia*

*Federico Soda*

### Free Trade Agreements and the mobility of persons

Free trade agreements (FTA) aim to lift trade barriers between two or more countries in order to increase business and trade. In the past, FTAs have focused on the removal of trade barriers on goods and capital. In recent years, however, more comprehensive FTAs, called Economic Partnership Agreements (EPAs), have started to emerge. These agreements often include provisions that consider the movement of persons and aim to facilitate their travel across international borders. There is a growing need to facilitate the

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international travel of persons who manage traded goods and investment and provide direct service in foreign countries. However, governments are also gradually recognizing that both skilled and unskilled migrants are increasingly migrating for economic reasons, and that if properly managed, their migration can increase competitiveness and strengthen economic ties between countries.

Goods and capital always require human resources to manage them, and therefore provisions that deal with international business travel in FTAs make sense. Multinational companies, for example, frequently send employees to their foreign subsidiaries, or invite foreign staff to their headquarters. Investors feel that the movement of persons should benefit from relaxed immigration requirements in the same way that goods and capital have profited under FTAs. Under the current immigration and labor-related regulations, tight requirements are seen as impeding timely dispatch and utilization of human

resources.

Facilitation of international movement of persons and labor, in a broader regional context, has other important implications. Through labor migration, countries can share a common labor force making labor markets more competitive and strengthening economic links between countries. The potential benefits are vast given the sustained labor shortage in the developed parts of the region due to declining fertility rates. On the demand side, research conducted by the United Nations indicates that during the first half of the 21<sup>st</sup> century, the populations of most developed countries are projected to become smaller and older as a result of below-replacement fertility and increased longevity (UN Replacement Migration: Is it a solution to declining and aging populations?, 2000). In the absence of migration, the declines in population will be even greater than those projected and the ageing of the population will be more rapid. Even if fertility

rates rebound, it is unlikely that the replacement level will be reached.

To prepare for these anticipated shortfalls, some countries in East Asia, including Japan and the Republic of Korea are increasing their reserve of foreign workers. On the supply side, unemployment remains one of the most urgent tasks for many developing countries, which often have rich resources of young workers.

Through the Agreement on the European Economic Area (EEA), European member states plus Iceland, Lichtenstein and Norway have established a free movement zone for workers in the EEA thereby creating an integrated regional labor.<sup>1</sup> Under this agreement, the citizens of the EEA countries are free to cross the borders and take up employment in other EEA countries. Mutual skills recognition and flexible social security schemes are put in place to facilitate the

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<sup>1</sup> The EEA was initially signed in 2002 by the then Member States plus seven other countries.

movement (EEA, Part III, Chapter 1 “Free Movement of Persons, Services and Capital”).

It needs to be stressed that free movement measures become a viable policy option only when migration flows are managed and stabilized, and income gaps are reduced among countries. In addition, regionally integrated migration management systems are required to achieve such a vast undertaking. It is also important to note that the European example is unique and the EEA exists in the context of collaboration on a wide range of issues between European countries, and this paper does not intend to suggest that the European solution is viable in other parts of the world. However, the extent to which the EEA works should be monitored because lessons can be learned from the EEA example, and at a minimum the Agreement flags important issues that need to be considered in this context.

## Labor Migration and FTA

According to the IOM World Migration Report 2003, between 1995 and 1999, an estimated 2 million Asian workers left their country each year for employment (IOM (2003) World Migration Report 2003. IOM Geneva). The region hosts nearly 56 million migrants, making itself one the most dynamic regions in the world in terms of immigration and emigration (UN (2002) International Migration Report 2002). Countries such as the Philippines and Vietnam strategically promote their nationals to take up overseas employment from which significantly higher wages be earned.

The majority of labour migrants from and within Asia are semi or low skilled. Temporary workers are found in construction, agriculture, and domestic service sectors. Their main destinations include the Gulf States, Newly Industrialized Economies (NIEs)<sup>2</sup>, and East Asian

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<sup>2</sup> NIEs consist of Hong Kong SAR and Taiwan province of China; Republic of Korea; and

countries. Considerable cross-border movement is also taking place between neighbouring countries in the Greater Mekong Subregion and in the Indian Subcontinent. A smaller but also increasing number of the skilled persons are migrating on temporary and permanent basis.

Some argue that FTAs will have little impact on existing labour migration phenomena in Asia. Currently, Asia's bilateral and regional FTAs, such as that of ASEAN, address only the business travel of persons or personnel employed to the service providers. As the majority of labour migrants in Asia are low-skilled workers, most of them do not fall under the FTA. However, it is observed that this situation is beginning to change as the mobility of all workers is becoming part of bilateral FTA negotiations. EPA talks between Japan and Thailand, or Japan and the Philippines are resulting in the introduction of broader categories of labour migrants of not only highly

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Singapore.

skilled but also of semi skilled labour, such as, masseuse, care-workers and ethnic cuisine chefs. Depending on the demand and supply of the labour of a given time, it is likely that further categories of workers may be facilitated by the FTAs to migrate, bringing structural change in the current labor migration regime.

Another key aspect of the FTAs and labour migration is the current levels of irregular labour migration among Asian countries. Although it is difficult to assess the scale of this undocumented migration, considering the economic prosperity in certain countries, it is likely that a significantly large portion of labor migrants migrate irregularly. The risks associated with irregular and unmanaged migration include trafficking, smuggling and the possible spread of communicable diseases. Such widespread irregular migration could pose a serious challenge in achieving facilitated passage of mutually agreeable types of labor migrants because there is a great need to

tighten immigration and security control to curtail undocumented forms of migration. Large scale irregular migration is largely driven by market forces and economic disparities between the sending and receiving countries, and also by the absence of timely assessment of the demand for foreign workers in the receiving country.

## **Beyond Economic Partnership:**

### **Social and policy implications of migration**

In the era of globalization, there is no doubt that the cross-border movement of persons and general labor migration will increase, paving the way for labor market integration as part of the overall economic integration between countries and regions. Thus it is important to draw attention to some of the key social and policy implications of migration.

In August 2005, the United Nations Economic and Social

Commission for Asia and the Pacific (UNESCAP), the United Nations Population Fund (UNFPA), the International Organization for Migration (IOM) and the Asian Forum of Parliamentarians for Population and Development (AFPPD) jointly organized the Regional Seminar on the Social Implications of International Migration in Bangkok. Senior government officials and parliamentarians from 12 countries in Asia attended the Regional Seminar.

One of the major concerns expressed during the seminar was the impact of migration on development. Migration in the context of development can be both positive and negative. However, it is only recently that migration is being viewed as a tool to promote economic and social development of both sending and receiving countries, and this is particularly true for the migrant-sending developing nations. The amount of remittance worldwide in 2004 was estimated at USD 126 billion (IOM World Migration 2005: Costs and benefits of international

migration, IOM Geneva). In the year 2002, official remittance of migrant workers from South Asia, Southeast Asia, and the Pacific totaled 34% of the global total of \$80 billion (World Bank Global Development Finance 2003. Washington, DC). Furthermore, labor migrants earn skills and knowledge while working abroad, which then can be transferred back once they return home.

If migration is not managed well, however, it can be detrimental to the overall development of the countries of origin. Massive emigration of qualified nationals including medical doctors can hinder the country's capacity from continued development or even to sustain existing level of development. In order to minimize the negative consequences of migration, both receiving and sending countries are encouraged to cooperate on the sending and receiving of workers. Measures such as establishment of ethical recruitment codes and provision of investment for the educational institutions in the country of

origin can serve for such purposes.

To better understanding of the intricate relationship between migration and development, a systematic and policy-relevant research that looks at a socio-economic implication is also needed. To achieve this, there is a need to have common definitions of migration terminology and consistent data collection methods. For example, although the term “migrant” is widely used, there is no internationally agreed definition on precisely what this means. This can lead to confusion of who migrants are. Once collected, the data should be shared and analyzed so that comparative analysis can be carried out.

Another concern often expressed by countries in the region is the lack of protection of migrant workers both in the country of origin and in the destination country. In this context, sending countries should consider establishing pre-departure preparation programmes for migrants, including safe migration information campaigns, pre-

departure orientation, validation of working condition stipulated in the employment contracts, and establishing welfare funds which can provide emergency support for migrants. In the receiving countries, strict enforcement of labor standards, facilitating migrants' access to government ministries or agencies which can investigate allegations of unsafe workplaces or working conditions that do not meet the country's minimum standards, and raising awareness among employers to promote safe working environment and conditions are some of the measures that can be taken to ensure that migrant workers are not exploited. In recent years, rampant cases of trafficking in persons, the worst form of the exploitation, have drawn public attention. Subsequently, some prevention and protection measures have been taken the region. The Bali Process (Bali Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime) is a good example of on-going policy dialogue among

enforcement agencies to fight smuggling and trafficking in persons. It is hoped that a similar forum will be established to discuss wider migration issues.

Asian countries recognize that increased and diversified patterns of migration require inter-ministerial collaboration on migration issues at a national level. Comprehensive migration management systems allow governments to deal with all types of migration in a manner with broader perspective so that important issues that are not necessarily self-evident are not ignored, particularly as migration issues touch on many different government agencies ranging from immigration and policing to social welfare, protection and health. One way to ensure proper coordination is to establish an administrative body to coordinate migration issues and formulate coherent migration policies in collaboration with ministries and government agencies.

## Regional Forum on International Migration

Some regional initiatives on mobility-related issues are present in the region; such as, APC (Asia-Pacific Consultations on Refugees, Displaced Persons and Migrants), the Bali Process (Bali Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime), and the Ministerial Consultations on Overseas Employment and Contractual Labour for Countries of Origin in Asia organized by IOM and held in Colombo (2003), Manila (2004) and Bali (2005). No regional forum, however, is present for dialogue and discussion on the key migration challenges, in Asia including a better and more comprehensive understanding of migration flows in the region. In order to deal with these challenges there is a need to establish a regional framework to facilitate regular dialogue and strengthen bilateral and multi-lateral cooperation as migration by definition is an international issue.

In this respect, it is worth mentioning one of the most prominent regional consultations on migration management, the Regional Conference on Migration (RCM) established among countries of North, Central and South America in 1996. Member countries of the RCM currently consist of Belize, Canada, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, and the United States. The RCM carries out its deliberations within the framework of a multilateral and regional perspective with full recognition accorded to the sovereign rights of each member country. The recommendations adopted in plenary, while non-binding for the countries, provide the general guidelines for regional, bilateral, and national action in migration matters. RCM hosts Annual Regional Conferences, technical seminars, and carries out research and technical assistance on wide range of migration issues, including remittance management and wider development issue, cooperation on

border control, protection of migrant workers, and trafficking in persons.

## Conclusion

FTAs/EPAs are being negotiated with increasing consideration to the dynamic labor markets that exist in Asia. Achieving harmonized and highly linked economies involves facilitated passage of cross-border labor. In this regard, understanding existing labor migration regime, and responding to its challenges are integral. Understanding and responding to: i) the implication of migration to the development of sending countries; ii) sustained irregular migration; and iii) the need to extend to migrant workers the same protection to which the nationals of the receiving countries, are entitled to have all been identified as major issues by many Asian countries. At a national level, countries are encouraged to explore establishing comprehensive migration systems

that address all types of migration. This will require regional collaboration, and therefore at regional level, a framework to facilitate regular dialogue and strengthen bilateral and multi-lateral cooperation as migration will also be an important step.

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## *Part IV*

### *Conclusion: Summary of Comments*

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*Siriporn Wajjwalku*

In the conference, the following points were debated:

1. The status of ASEAN (in relative to East Asian Community).

As the first East Asian Summit was going to be held in December 2005 in Kuala Lumpur, at the conference, some had raised a concern about a possibility of declining role of ASEAN in relative to East Asian Community. Some indicated that ASEAN Community should be a basis for East Asian Community. Therefore, it is important and necessary to strengthen ASEAN Community firstly, and then the region cooperation/integration in the form of East Asian Community should be given priority afterward. It was expected that the proposal for creating

ASEAN Community including ASEAN Economic Community and ASEAN Security Community would be accepted at the ASEAN + 3 Summit in Kuala Lumpur too.

## 2. The model for regional cooperation/integration.

Various concepts and models of regional cooperation and integration were proposed and discussed. The experiences of EU were reviewed as a lesson learned for Asian region. However, all in the conference seemed to agree that EU model can not be applied to this region due to several reasons, particularly the economic disparity, the social diversity and the lack of political will. Some reminded the general understanding that a regional cooperation is an ongoing process, not a completely made one, and East Asian Community now is in that process, which means that it will take some times to develop. Moreover, it is accepted that an institution is necessary for the process of regional

community building, and the attempt for this mission should be realized by all countries in the region.

### 3. Challenges to the regional cooperation/integration.

Although it seems to be a consensus that a regional cooperation is significant and vital, many realize that to promote the regional cooperation is not an easy task, in particular in this Asian region. Two main challenges for this regional cooperation process are the economic disparity and the politico-socio diversity. Namely, the economic gap between ASEAN and plus three countries, and among ASEAN members is very wide. And at the same time, the differences among thirteen countries concerning political systems and social elements including religions, traditions, and ways of life are also crucial. Therefore, many doubt about the possibility and degree of regional cooperation. Moreover, the US policy and role in this region is also

another challenge to the regional cooperation. As it is understood that the US has rather not supported any regional cooperation process if it is considered as a threat to the US national interests, or the US does not have any room in that process.

#### 4. Japan's position in the process of regional cooperation.

Japan has given priority to East Asian Community since 2002. For Japan, East Asian Community is the best method to engage China and decrease its potential threat. However, the US is also very much important for Japan at the same time as Japan has highly depended on the US for her security since the end of the Second World War. While East Asian Community is useful for engaging China and creating peace and stability through an economic cooperation, Japan-US alliance and US presence in the region is also significant to assure the regional security, namely to counterbalance China. Therefore, Japan's

role in balancing this two elements – the emergence of East Asian Community in which the US is not included and the relationship with the US – is very crucial.

5. Human Security as an area of cooperation.

Apart from economic cooperation, it is necessary to expand the scope and area of cooperation in order to promote a regional community. Due to political and security sensitivity, the area for cooperation among thirteen countries is rather limited. Human security seems to be an area that a common interest can be identified and promoted. And, among various aspects of human security, migration is said to be the most significant one as it is a transnational issue in which almost all of countries in this region have involved. Moreover, to solve this problem, the regional cooperation is absolutely needed. Nevertheless, migration, to some extent, is related to and also

considered as a national security which is a sensitive issue for some countries. Thus, from this point of view, some have questioned about the role of state and its policy's priority concerning to this matter, namely, the selection between two choices of economic prosperity and national security.

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