

Thank you very much for the introduction and I would like to extend my sincere gratitude to Hitachi for providing me such a nice opportunity to talk in front of nice, ambitious, and young students. And I am of course very much happy to be here in Hanoi after many years.

Today, I would like to provide some broader pictures about the economic integration in Asia and some of the recent trendy issues.

It seems to be pretty sure that we now enter the new stage of the economic integration in East Asia. The so-called ASEAN+1 Pacts were already settled down in 2010. That phase in economic integration, which will begin after ASEAN+1 – ASEAN+ China, Korea, Japan, Australia-New Zealand, and India – must be another stage, including the larger economic integration among Japan, China and Korea and further deepened integration within ASEAN. Secondly, as the integration proceeds, we have started to feel centrifugal force in regionalism. For instance, some countries like Korea already started to seek for more globalized FTA with US (United States), EU (European Union), and the rest of all other big markets, not necessarily in East Asia. China has also globalized her economic cooperation counterparts mostly for resource security. Then, thirdly, a question emerges: Where we are heading to after all? Actually, we started with the so-called ASEAN+3 framework as our goal, but after that Japan produced ASEAN +3+3 called CEPEA (The Comprehensive Economic Partnership for East Asia) inviting India, Australia and New Zealand into the ASEAN+3, US came with Trans-Pacific Strategic Economic Partnership Agreement which is called TPP. In line with TPP, seeking for far higher level of market opening including service and investment, intellectual property rights, labor conditions, etc., negotiation packages have been tended to become broader and intervening into domestic institutions. In fact, spreading out members and diversifying focus was the APEC history, and we have to be careful not to simply repeat it. So, even ASEAN+1 has done, there are a lot of vacant and blank spaces especially in the relationship between ASEAN and Pacific side of the region, and the negotiating game may differ in the new stage. There may be a lot of questions; one has already been mentioned by Datuk Dr. Rebecca Fatima Sta Maria like “How ASEAN can remain in the driving seat?” or “How to balance the openness and the economic sovereignty within a country and within the region?”. At the beginning, there was a financial crisis in 1997 that was the first and served as the driving force for regionalism. However, integration process can be the one to abandon sovereignty, or, at least to have conflict with national economy building efforts. As the tension after the crisis faded, the conflict has started to emerge in many countries. In fact, this has become the most serious issue when European Union started facing the sovereignty debt crisis.

Furthermore, we are facing some difficulties in adjusting the security logic and the economic logic. For example, economies of China and Japan are integrated very deeply by the market force. However, in terms of security, they are lacking in effective cooperation framework, as well as mutual trust of each other. That was not the case with ASEAN integration. Another big issue is that now when US approaches Asia Pacific region, we need some bridges between the so-called ASEAN+1 approach and US FTA approach. Typically observed in Korea-US FTA (KORUS),

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American trade policy has a tradition of codification and a sort of trade liberalization fundamentalism, which are different from voluntarism and the market opening plus cooperation approach taken by ASEAN, and China as well.

Indeed, ASEAN has made great efforts for economic integration in the region. After the ASEAN Charter, the Secretariat has been established, and the Cooperation Pacts have become more formal and institutionalized. Now, as ASEAN economic community can be considered as a goal, you have priority in sectors which can be integrated in a comprehensive way including liberalization, trade enhancement, mutual recognition agreements, standards, Intellectual Property Rights (IPR), movement of natural persons, etc. But nothing happened to ASEAN+3 after Japan-Korea negotiation failed. Hopefully this year maybe China and Korea will enter negotiations and that is going to be another breakthrough for negotiation. After Korea and China FTA, it is possible that Japan has to follow because of intensified competition with Korea in Chinese market. As the agenda has not been set at all, there is a big issue about the ASEAN +3 integration. China has been sticking so much about the market economy status in the WTO regime, saying that we are the capitalist regime in economy and business. So far no big powers like EU, US and Japan admit China as the market economy. That is the major condition that if we are serious about the Japan-Korea-China FTA we have to consider this issue seriously. And Japan of course has huge protectionism over agriculture sector and another thing is at the same time all the members have many non-tariff barriers especially in government procurement and other government-business interfaces. On the other hand, Japan and Korea have been strongly concerned about the investor protection in China. Chinese government has not been positive about higher protection over the foreign investors, for they wish to see stronger performance by domestic firms. And about Korea, the country has been seeking the export-led growth intensively, so that they are mostly concerned only in bigger markets. So for Korean negotiators, China may be the most difficult but the most attractive market. Those things are quite different from ASEAN experience, and above all, the first and real agenda among Japan, China and Korea integration may be the competition policy. Without FTAs, industrial structure is getting closer and closer and even though no political institutional FTA has been ever made, there is still market leading in a deep integration process. The second issue is probably the government intervention including IPR which Japanese are usually frustrated most in China. Another issue regarding ASEAN is that Japan can still use some of economic cooperation budgets especially against the late comers including Vietnam, Cambodia, Myanmar and Laos. But in terms of China, as well as Korea, there is no way to use governmental cooperation budget anymore. So there are major constraints about ASEAN+3 integration. Finally, we have the TPP, and as all the TPP negotiations are still going on, it has to have some bigger influences especially after US intentionally joined, Malaysia and Vietnam participated, and Japan expressed the will of participation last year and Mexico and Canada followed. There should be a lot of emerging agendas in this phase. TPP is nothing to compare with ASEAN liberalization both in terms of coverage as well as depth.

In terms of standard competition, US strategically have standards in every different corner of the negotiation. Another issue is about ASEAN, some of ASEAN members have participated in TPP negotiation with high and deep liberalization process. And we need to consider how they are going to combine with ASEAN standards, implying ASEAN way challenged by American way.

So there should be a lot of challenges for ASEAN even though there are many achievements already. Probably the most urgent thing is to deepen integration for AEC and non-tariff measure is one of the strategic parts because if you try to reduce tariff, some people will try to protect investment by piling up some regulations. So you have to make sure non-tariff measures should not be counter-measures of the tariff reduction and AFAS (ASEAN Framework Agreement on Services) should be on the right track for further liberalization. Also, sometimes people in ASEAN tend to believe that they should let China, Korea, and Japan to compete for increasing FDI into ASEAN. Actually you have to think seriously about how to integrate three markets, but the integrated, huge China-Korea-Japan market will have far bigger role in absorbing export from ASEAN. Also ASEAN should be serious about common standards and investors-protection, etc. And last but not least question is the ASEAN centrality. If you just follow traditional APEC patterns, actually you start to invite so many parties to participate, in a meantime you may be sure which countries should be the hardcore, active member of that integration process. We have to do something beyond APEC, and as some of ASEAN members already participated in TPP, they should be very aware what kind of contribution that they can make for enhancing

ASEAN framework. Probably the role of Vietnam seems very important because Vietnam is almost the only country participating in TPP with such a heavy government controlled system. If Vietnam continues negotiations for TPP, the challenge is to bridge between ASEAN way and Asia Pacific way. In fact, even for US, TPP is virtually the first plural FTA negotiation, and there is no guarantee that US can dominate everything, unlike bilateral talks. Vietnam and Malaysia will be expected to take the role of bridge between the two ways. In conclusion, we have to revisit the source of traditional regionalism in global context and the ASEAN way should be renovated through the process. With all the structural changes in global economy, we have to deal with certain agenda, making sure that ASEAN centrality will make a positive contribution towards them. We may have to re-define the regionalism in a very difficult time of globalism, but we had better remind ourselves all the time that successful development in East Asia has been sustained by the flexibility that the region has demonstrated.

Thank you very much!



Datuk Dr. Rebecca Fatima Sta Maria, Secretary General, Ministry of International Trade and Industry, Malaysia and Professor Yukiko Fukagawa, School of Political Science and Economics, Waseda University, Japan at the Panel Discussion