

Prospect for East Asian Community (EAC)

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Let us start the last session, where we have 5 panelists including myself. Now, let me kick off as the first speaker.

I perceive that the discussion for last three days have been so intensive and constructive, thanks to the distinguished guest speakers from not only Japan but also some European and East Asian countries. As one of the participants, I would like to express my appreciation to Graduate School of Economics, Osaka City University, Delegation of the European Commission in Japan, all the staffs and the audience.

The subject of the final session is "Possibilities for East Asian Community," or "Is building East Asian Community possible or not?"

Before talking on the subject per se, I would like to touch briefly on my view on 'The Necessity of Community in East Asia.'

On the globe, there are European Union in Europe, NAFTA in North America, and Mercosur in South America. There are no such institutional arrangements in East Asia, but there is a de fact economic zone in East Asia, which is nick-named as 'Factory of the World.' In addition, the ASEAN plus 3 Summit meeting have been annually held for about 10 years, while the 1st East Asian Summit was convened last year, of which members are ASEAN plus 3, plus Australia, New Zealand and India.

The Cold War started unfortunately after the end of the Second World War. In the Cold War period, the western allies were supported by free market or free trade system, thanks to abundant natural resources such as oil.

The Cold War was over in 1991, and free market principle became dominant in the whole world including former socialist countries. About 1 billion people live in developed countries, consuming a plenty of natural resources, while developing economies with 4 billion people are growing and trying to be developed ones.

Given the on-going growth, it is certain that the developing countries will consume more and more natural resources, although they will not need several times more resources tomorrow. Furthermore, the population of the Less Developed Countries (LDC), which is now expected about 1.5 billion, is rapidly increasing. It is necessary that both the developed countries and developing countries support the people in LDC so that they are able to keep minimum standard of living that satisfies just basic human needs. The global natural resources, however, are limited, and some geo-physicists have already started to argue so-called peak-oil theory that claims the world production of crude oil would soon peak out and then begin to decrease.

All these facts tell that the basic conditions which have supported the free trade system are changing drastically, which means that world economy is now at the significant turning point. Now, it is probable that price of crude oil may reach 100 or 150 US dollar per barrel in foreseeable future.

It is essential, however, that the free trade system is maintained since there are no other principles which are able to replace the current one. It is certain that a lot of international conflicts would break out, if the market principle was abandoned.

Community as East Asian society is needed in this sort of era. The reason is that the community will supply the society with order. East Asia that I have in my mind contains 2 billion people and the de fact economic zone, which is called 'the world factory.' The existence of the community will certainly contribute to building order and ensuring prosperity in East Asia, and finally to the peace and stability in the world.

Now, I would like to return to the original subject, which is "The Possibility of East Asian Community." As you may have already been aware through my words, I strongly believe that we should establish the community no matter how it is difficult. For this purpose, there are two tasks we should clear in order to make the community happen; one is "What kind of community we are able to establish?" and the other is "Necessity of strongly determined will of participating states and strong leadership of politicians."

Firstly, I believe that the community in East Asia needs to be an economic community, because de fact economic zone has already emerged in the region and it may be a good basis for the community. Accordingly, the geographical scope of the community should consist of ASEAN plus 3 plus Taiwan plus Hong Kong. Taiwan acceded to World Trade Organization (WTO) as a separate customs territory. So did Hong Kong, which is under the one-country, two-system principle. We should convince Chinese government the need to include them independently.

Then next question is "Why should the East Asian Community be an economic community?" The economic community that I am talking contains a variety of fields. If the community is not an economic one, it will deal with security policy as well. In fact, some scholars argue about this possibility. Security policy has two different aspects, which are traditional security and non-traditional one. The former means military alliance, while the latter includes such activity as anti-pirates operation. I would like to touch upon the non-traditional security later.

As for traditional security, Japan has kept the Japan-US Security Treaty for more than half a century. The Treaty has been effective and stable for exceptionally long time as an alliance between modern states. Given the fact, it is not desirable, I think, that Japan has another security pact in addition to the Japan-US Security Treaty. I believe, in general, the emergence of community in East Asia, even if it is an economic one, will bring about remarkable positive effect in the region's security context.

In terms of geographical aspect, I did not include India, Australia and New Zealand in the economic community, because the characteristics of these economies are different. East Asian economies are skilled in manufacturing industries, which is called 'Mono Zukuri' in Japanese meaning production of goods. In contrast, India is good at computer-software development, which needs excellent mathematical capability, while Australia and New Zealand are two of the major agricultural countries. So, if the three countries are included to the members, it would be difficult to conclude Free Trade Agreement (FTA).

Rather, it is certain that we need to cooperate with the 3 countries, which are the members of the East Asia Summit, in the field of non-traditional security, such as Avian Influenza activity, fighting terror, and anti-pirates operation. This is because the East Asia I advocate would be too small to handle them.

Further question appears as "What will be done by the East Asian Community?" I think that one is promoting free trade in the region, or pushing FTA and another is introducing single currency. As you have seen, a variety of idea has been presented in the previous sessions for last three days.

It is my opinion that the various FTA, which are under negotiation in the region, should be unified to be one customs union by 2015. As you know, under the customs union, internal trade barriers will be removed and common external tariffs will come into effect.

As for single currency, I will not go into detail, but I think the target year might be 2025, which means that it would be delighted if major countries join in the East Asian single currency scheme by the year. The currency will be another key currency, following US dollar and Euro. It would be appropriate that

some economies that get ready join in advance in the currency system, since all the economies may not be prepared at the same time due to the different level of economic development.

I think that such type of setting two main targets will be a good promoter to establish the community.

In addition, other policy areas, such as promoting nuclear power generation, sharing energy-saving technology, transferring industrial technology and promoting modern agriculture, will be included in the community's agenda, but I cannot go into detail here because of limited time.

In any case, what is important is that we need to create society in which goods, money and human being are able to move freely. That is why the possibility of the community depends upon to what extent the member states are able to execute necessary institutional reform.

Secondly, I would like to talk on the strong will of member states for establishing the community. In the fall of 1966, just 40 years ago, I was dispatched from the former Industrial Bank of Japan (IBJ) to stay at the Deutsche Bank as a trainee. During my stay in Germany, I requested the bank that I can visit and see the head-quarter of European Economic Community (EEC) in Brussels for a week, because I was so interested in the community in Europe.

Many guest speakers have already spoken on the history of the European Union since its initiation as the European Coal and Steel Community (ECSC) in 1952 and later on, especially that of currency system. EU has encountered a lot of difficulty so far, but successfully overcome. Why? The reason is that there have been both people's will and politician's leadership to build up the union. EU is still evolving, and I am convinced that it will overcome whatever obstacles it may face with in the future.

I believe that both the will of the people and the leadership of the politicians are indispensable when we try to establish the East Asian Community. Some scholars, however, argue that the condition and background are too different between Europe and East Asia. Is that correct?

When I think about EU, I recall the thought of Oswald Spengler or Richard Coudenhove-Kalergi in 1920's. Many people may know that the mother of Richard, who advocated the ideal Pan-Europeanism, was Japanese. About 80 years have past since their age. Is East Asia running 8 circuits behind Europe? I don't think so. My opinion is that, as for this subject, it is not appropriate to evaluate Europe and East Asia by single common standard.

I would like to emphasize again that there exists de fact economic area in East Asia, where manufacturing industries do play an important role. The financial cooperation in the region has reached the Chiang Mai Initiative. It is December next year (2007) when a decade will have past since the ASEAN plus 3 Summit Meeting took place for the first time. The notion of 'Pan East Asianism' is widely accepted among business people and politicians in the region.

It is sometimes pointed out that culture and history are diversified in East Asia compared to Europe. But is that correct? East Asia is located in the monsoon area with exception of part of northern China, sharing common rice producing culture.

It was remarkable achievement that European people created modern science and civilization through conquering nature. In contrast, people living in East Asia, which is located in monsoon area, possess the sense of reverence for nature, which means they share animism in their deep mind. It is rather obvious that the three major religions, Buddhism, Christianity and Islam, and Confucianism are widely spread in the region. I suppose, however, that all of these are very East Asian.

On the other hand, recent development of information technology or IT is vigorously stimulating cultural exchange in the region.

It is true that the culture in East Asia is diversified, but it will not be crucial obstacles for the establishment of the regional community. It is also true that there are huge gaps among countries in the region from the viewpoint of economic development. This difficulty, however, may be overcome with step-by-step approach, meaning that any prepared country can go first.

Actually, it is ASEAN that has been successfully unified and deepened integration by that sort of approach. I think that we can learn a lot from so-called 'ASEAN way.' Let me repeat again that both people's determination and politician's leadership are critical for the creation of the East Asian Community.

Lastly, I would like to touch briefly upon the issue of 'History,' because reconciliation is important prerequisite for the community. Until the World War II, it had not been acknowledged as an international crime that one country invade another with imperialistic motivation. The Japanese military, however, killed and get wounded huge number of civilian people in Asia. Also so many Japanese civilians lost their lives by the atomic bombs, which were against an international convention in the era.

It should be taken seriously, I am sure, that so many Asian people are clearly memorize the acts of Japanese Military in the wartime and are still pained at them. The feeling of most Japanese people, I suppose, may be that they have already apologized several times. However, I will sincerely accept any words from Asian people here, even if those claim that the apology was not enough.

At the same time, I would like all of you from East Asia to fully understand that Japan has completely changed to be a peace-loving country after the war. At the same time, Japan has been spending a plenty of Official Development Aid (ODA) in East Asia, which implies, to some extent, our deep reflection and regret.

I would like to finish my remarks by requesting your understanding on that.