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Most countries today realize that economic integration is much more than better trading ties

Jan 16: In recent years, bilateral and regional trade integration has been seen by most countries as a mechanism to exploit better economic opportunities with their partner countries. This process has been strengthened as multilateral trade negotiations conducted by the World Trade Organization (WTO) have failed to provide greater market access not only in goods, but also in the services sector. These objectives were to be achieved through significant reductions in conventional forms of market access barriers such as tariff and non-tariff barriers; the trading environment was to be improved by effecting far reaching changes in regulatory systems existing in member states of the organization. Interestingly, however, the failure of WTO to deliver did not deter countries engaged in bilateral and regional trade integration. These countries are trying to include most of WTO's negotiating agenda in their local bilateral and regional agreements. Asia has been one of the most fertile grounds for regional integration initiatives. In the late 1980s, 12 Pacific Rim countries decided to establish the Asia Pacific Economic Cooperation (Apec), a forum seeking to promote free trade and economic cooperation in the region. Although Apec developed into a forum of 21 countries in the region, the initial resistance to its formation by members of the Association of Southeast Asian Nations (Asean) stymied its progress. Regional integration in Asia effectively took root two decades earlier after Asean members agreed to deepen their economic partnership through the adoption of the Asean free trade agreement (Afta). Afta was conceived as an agreement that would go well beyond a conventional free trade agreement. It included elements that could help realize the objective of establishing the Asean economic community by 2015. When the process of Afta was initiated, few realized that the close economic ties that Asean members had decided to forge would provide the launch pad for a much larger pan-Asian economic integration project. The Asian financial crisis of 1997 brought the Asean countries closer to the North-East Asian countries, China, Japan and Korea, which was formalized subsequently as the Asean+3 process. All this while, Asean also engaged three other nearby countries-India, Australia and New Zealand-with whom most members of the grouping have had historical ties. In 2005, these countries joined Asean+3 to form the East Asia Summit (EAS). This was a step of rare significance, for it brought together some of the most powerful economies in the world. In 2010, EAS was expanded further with the inclusion of the US and Russia. EAS brought with it visions of economic integration between the member countries agreeing on a blueprint for a comprehensive economic partnership in East Asia. The key issue remains the drawing up of a road map for the implementation of the elements included therein. Thus, closer economic integration between EAS countries remains a promising idea, which, if implemented, can bring major gains to the region as a whole. There are, however, imponderables, none of which is as significant as defining the basis on which the framework of economic integration would be built. EAS members will do well not to fall into the trap of treating "economic integration" as a mere extension of the trade integration agenda. What may be most worthwhile would be to revisit this concept keeping in view the aspirations and concerns of the people belonging to the region. This will help build the strong foundations for an eventual East Asian community. Even as the discussions are taking place for achieving "economic integration", EAS members have broadened the dimensions of economic engagement amongst them in recent years through improved trade and investment linkages. This has principally taken the form of free trade agreements that have been signed by Asean members with each of their EAS partners. The "hub-and-spoke" arrangement, with Asean acting as the hub, has been extended further with the more advanced economies within the regional arrangement entering into bilateral free trade agreements with their EAS partners. India, for instance, has concluded a bilateral agreement with Malaysia and is in the process of concluding a similar agreement with Indonesia. While these bilateral trade agreements would no doubt strengthen the foundations on which the members of EAS can build the East Asian community, an important issue of policy coherence, or the lack of it, arises from the implementation of these agreements. The agreements have created a web

of overlapping commitments, and it is imperative for EAS members to ensure that these do not lead to increase in transactions costs for the businesses. A more daunting challenge lies beyond. Some members of EAS are currently negotiating the Trans-Pacific Partnership (TPP), which is being touted as the "next-generation regional agreement that liberalizes trade and investment and addresses new and traditional trade issues and 21st century challenges". With 10 countries, including the US and Japan, negotiating the TPP having recently decided to take steps to "conclude the negotiations as rapidly as possible", the EAS leadership must take up the challenge to implement the commitments they had made to build the East Asian community.

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