

Third High-Level Conference on Building a New Asia: Towards an Asian Economic Community

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On Prospect of the Asian Economic Community

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Abstract: Asia the cradle of civilizations and of all major world religions. Asia in the 19th Century and specially India and China were major industrial countries apart from strong agricultural economies. Resurgence rather than Rise of China and India improved transport infrastructure in Asia, Air Sea and land are contributing to reintegration of Asia. Trade, intra Asian and bilaterally between India China etc has also helped in this regard, since it has increased many times over. ACD, Chiang Mai Initiative, Asian Bond Market, ADB sponsored regional cooperation e.g. GMS are all positive factors working towards integration. Qingdao initiative on energy cooperation and the Free Trade Agreements between several Asian countries are also knitting together a web of mutually beneficial relationships. Politically too the interaction on security issues through the ARF and ASEAN plus 3 dialogues has led to greater transparency on sensitive military issues and contributed to confidence building. Still problems remain, several left over questions from history and the unfinished agenda of the Post World War period, including the absence of a peace treaty between Japan and Russia, text book issues involving China, Korea and Japan and territorial differences on issues relating to exploitation of natural resources on land and at sea. The Middle East and Palestine, the South Asian region and its problems and other difficulties continue to act as impediments to Asian integration. The contrast with Europe is stark and compelling. The extent of reconciliation vividly reflected in the joint celebrations of the end of the Second World War in May 2005, in which victors and vanquished participated with a sense of equality and a shared understanding of their common history of tragedy. The need in Asia is for heartfelt remorse and heart felt forgiveness on all sides in order to arrive at a true reconciliation; not by forgetting a shared historical past, but by learning from it and by understanding it in all its many dimensions.

Key Words: Prospect, Asian Economic Community

1 What we are witnessing today

A common expression heard and indeed written about in the press and in learned treatises is the so-called “Rise of China and India”. I tend to feel that this does not adequately describe the phenomenon that we are witnessing today. It is a well-known fact that Asia is the “cradle” of all world religions. Islam, Christianity and Judaism were nurtured in the fertile land of Palestine and the Arabian Peninsula. China was the birthplace of Confucianism and Taoism and the Shinto traditions emerged in Japan. From the Indian sub continent sprang the ancient philosophy and forms of worship associated with Hinduism and the gentle and compassionate faiths of Jainism, Buddhism and Sikhism. The religions of Asia went to all parts of the huge continent and indeed beyond it, to Europe and elsewhere. These religions and the knowledge of the Universe and of Mankind, which were an integral part of them, acted as a force for integration and knit together peoples from all parts of Asia. To give you a few examples:

Kobodaishi from Kagawa in Shikoku Japan, went to China in the 12th century and there met many Chinese and Indian scholars who were studying in China. A 3-way exchange took place. Such examples could be multiplied, with scholars from China traveling to India, like Fa Hien and Huen Tsang, to name two and St Francis Xavier from Portugal settling in Goa in India and traveling to Malacca, China and Japan. This kind of integration of Asia led in many instances to a meeting of minds, a beating together of hearts, and a spiritual union.

Beyond religion we must recall that till the early 19th century, 45% of the world’s GDP was produced in India and China. If Japan is added then over 50% of the GDP of the globe was accounted for by Asia. Edo as Tokyo was called, was the largest city in the world with a population of a million people and large cities with efficient industries flourished in China and India.

So I think instead of a “Rise”, we need to talk of “Resurgence” of India and China and indeed of Asia as a whole. We need to underline the “reintegration” of Asia after a period of eclipse of 200 years, during which period Europe and later America tended to dominate the political scene and economic exchanges.

I shall try and outline some of the positive developments that have taken place and which are in the process of taking place that help the Reintegration and the Resurgence of Asia.

These cover the gamut of inter state and intra state exchanges and include transport, trade, investment and energy flows, environmental concerns and the common health hazards that we all face consequent upon the freer flow of goods and services and of people across borders.

If we look at transport we would observe a large number of projects providing better linkages across the Continent: the Asian Highway project from Istanbul to Singapore, the Delhi Myanmar Thailand highway, the Delhi Hanoi rail link, the trans Korean rail link, and the existing Hanoi Kunming link.

The transport links being established within the Greater Mekong Sub region for example, the Danang to Malmuin link, the North South corridor, and the East West corridor will all further improve communication.

Added to these transnational projects, we need to note the \$23 billion that China is spending before the 08 Olympics on pipelines, dams, highways and railways, Indonesia in Jan.05 approved \$22.5 billion for 91 infra structure projects and India according to the World Bank ADB and JBIC research, needs to spend \$150 billion on airports, seaports, power projects, railways and roads.

Still in the realm of transport are improving air links in the region. There was a time, not so long ago when to fly to India meant arriving in Delhi Madras Calcutta or Bombay .No more. Bangalore, Cochin, Hyderabad, Trivandrum are all linked directly with Dubai, or Colombo, or Bangkok, or Singapore. The same can be seen in the North East region where so many cities of China Japan and Korea have direct air links, bringing people closer and making goods and services more accessible.

In the realm of trade a greater deal of interdependence between Asian countries is clearly visible. According to Citibank between 2001 and 2002 Intra Asian trade rose from 38% to 47% of world trade, worth \$ 3587 billion, which represents a quarter of total world trade.

In 2003-4 India crossed a milestone, in that our trade with the Asia Pacific region exceeded our trade with Europe and the USA. Thus 46% of our exports worth \$29.4 billion went to Asian countries and 35% of our imports valued at \$26.6 billion came from Asia. Our latest economic survey shows that India's trade with ASEAN plus 3 countries is 19.9% of our total foreign trade, while with the USA and Europe it is 19% and 12% respectively.

2 Asian Economic Community

In the case of Japan as well the linkage with Asia has grown far stronger in recent years. For the first time since the end of the war, trade with China exceeded Japan's trade with the USA. Japan's trade with Asia accounts for 50% of her foreign trade compared to the US trade, which is less than 30%.

China's trade with Asia too has risen from the 2002 level by 36%. With India alone, from a few 100 million dollars 14 years ago, last year our trade was over \$13 billion and by 2008, according to our PMs who met in March, it is expected to cross \$20 billion. Till 5 years ago we had no direct flights linking Indian cities with China. This too has changed and is changing further rapidly. China alone according to the Earth Policy Institute has overtaken the USA as the largest consumer of food, industrial products and energy (except oil) for the moment.

The ACD held in April 2005 in Islamabad underlined the importance of the Asian Bond fund set up in the aftermath of the 1997 financial crisis, which gives opportunities for Asian investors to put their money in Asia itself instead of Europe and America.

Our stock markets now increasingly trade each other's stocks, with Japanese investors for example, for the first time buying shares of top Indian companies.

Similarly, the Chiang Mai initiative and the ability to swap Foreign exchange funds with countries in need, has helped integrate several Asian economies. The fact that ASEAN plus 3 are able to cooperate on these issues has helped improve

surveillance and reduced exchange rate volatility. It needs to be remembered also, that apart from being invested in Asian countries huge amounts of foreign exchange of countries like China, India and Japan are invested in the USA. The US bond market Association has calculated that from a figure of 20% in 1990 the amount of US treasuries held by foreigners has gone up to 46% in 2004! The countries I mentioned above are among the bigger holders of US Treasury bonds.

The ADB under the presidency of Kuroda has also made efforts to expedite and facilitate the process of integration. At Istanbul in May 2005, the ADB made the building of an Asian Monetary Fund an area of special focus. The J.P. Morgan proposal for the creation of an Asian Monetary System on the lines of the EMS, with weightage to certain currencies is another proposal on the anvil. To give concrete shape to these ideas Kuroda has set up in April 2005 an office of Regional Cooperation within the ADB. The person he has put in charge is the Director of the Greater Mekong Sub region, Rajat Nag. This GMS has considerable experience in the process of integration of this important region. We shall talk about the GMS shortly.

These illustrations show how the commanding presence of Asian economies on the world scene and their increasing interdependence on each other are enhancing the process of integration.

On the question of energy likewise, several initiatives, including the Qingdao initiative on energy security have helped focus on the need to take a holistic and integrated approach to energy exploitation and consumption. For example, the pipeline proposed from Iran via Afghanistan, Pakistan and into India, could save India \$2 billion a year on transport costs for LPG and could earn Pakistan \$600 million a year in transit fees. Our Petroleum Minister MS Aiyar offered PM Wen in March 2005, to take the pipeline through Myanmar to China! He expressed the hope that just as steel and coal had formed the basis of European integration in the 50s, oil and LPG might well be the foundations of Asia economic integration. Similarly greater cooperation between China, Nepal, Bangladesh, Bhutan and India could enable us to tap the huge water and power resource of this region.

Then we have the Free Trade Agreements between Thailand and India, Japan and Singapore, Japan and the Philippines and several others bilateral and multilateral ones under discussion. All these have contributed to a seamless flow of goods, services and people, in the case of the Philippines for example, the sending of nurses to Japan. Regional grouping such as BIMSTEC, SAFTA and GMS are also working in the same direction of enhancing integration. The Greater Mekon Sub region which brings together China, Myanmar, Thailand, Laos, Cambodia and Viet Nam, has succeeded to some extent, in its goal of building greater connectivity, competitiveness and a sense of community, to the countries of the region. With the ADB as the mediator and facilitator, significant strides have been made to improve transport, telecommunication and power linkages and to improve border trade with single stop customs clearance. The GMS and the Ganga Mekong Commission, which links the Mekong region with India, underlining ancient civilization connections, would in the course of time make the GMS a land bridge between South and East Asia.

At the political level, the last few years have also seen many positive changes. The ASEAN plus 3 and the ASEAN plus India dialogues have improved transparency on a host of military and security issues. The general attitude of all participants displays a conscious effort to avoid a dominating or threatening stance on issues, which have the potential of being contentious. This has led to the emergence of perceptible Asian Consciousness, of the kind Nehru

envisioned at the Asia relations conference in 1946. If one looks at the world today, despite the gloom and doom, some of these positive symbols become tangible. One has only to compare China's relations with India today, for example, with the situation 25 years ago to see the difference. India's relations with the USA have similarly acquired a qualitatively new dimension. Likewise China's security dialogues with India, Australia, Japan, Mongolia and South Korea and her growing engagements with Viet Nam, Indonesia and Russia have only to be compared with the troubled past, to see how far we have progressed. The forthcoming AEC summit in December will provide a further impetus towards Asian integration, the relevance of which is undeniable for the greater good of the peoples of Asia and the world.

Having made these assertions it is equally undeniable that many hurdles remain to be overcome before the dream of Asian integration can be realized.

In the East Asian region alone, we find that Russia, even 60 years after the war has been unable to sign a peace treaty with Japan, because of unresolved territorial disputes. While Russia is trying to find its domestic level after the dissolution of the USSR, Japan is trying to overcome a century of following the Anglo US model and is making an effort to find new equations with its neighbors. China, Korea and Japan have been unable to transcend the weight of a shared and often tragic history and above all to find a common approach to the study of such shared history at schools. There are also differences over territory [Senkaku, Takeshima] land the exploitation and sharing of natural resources on land and at sea.

The problem of Palestine despite considerable progress by both sides remains unresolved or to put it in brighter terms has only been partially resolved. In our own region of South Asia, despite our common love for cricket, music, food and so much else and a generally more favorable climate, the relations between the 2 largest countries India and Pakistan and between India, Nepal and Bangladesh have several areas, where differences persist and where the potential for conflict remains high. The same could be said for the areas of tension in the Korean peninsula and in the Taiwan Straits.

There is an imperative need for countries to join hands with neighbors both near and distant, in an attempt to adopt a joint study of our history. All human history is shared, and an autarchic approach to its study, leads to difficulties and misunderstandings.

I shall conclude by reminding you of some events that took place a few months ago which illustrate graphically how far Europe has progressed in the realm of integration, the set back on the EU constitution notwithstanding, and how far Asia has yet to travel.

3 Conclusion

Recall, for a moment that chilly spring morning in May 2005, in Moscow when the leaders of Europe and the USA including the Chancellor of Germany Gerhard Schroeder, victors and vanquished, gathered before the onion domed Kremlin, to commemorate the 60th anniversary of the end of the war and to mourn the millions who died on both sides, including 20 million Soviet citizens. Also in May 2005, recall the ceremony on the wind swept beaches of Normandy,

famous for its bucolic beauty and the Allied landings 62 years ago, which led to the defeat of German armies in Europe. At this historic event also all leaders, Allied and Axis partners, including Schroeder were there.

In the same month of May recall again the scene in Warsaw, the site of the ghetto where thousands of Polish citizens, Jewish and Christian perished. This was the place here Schroeder's distinguished predecessor, Helmut Schmidt had fallen to his knees in a dramatic gesture of contrition and atonement. Last May, all these leaders, the winners and the losers, were together in Warsaw, commemorating the 60th anniversary of the end of the war and celebrating the remarkable sense of unity that now bound Europe!

Perhaps the most poignantly significant symbol, of the long journey that Europe, with Germany at its centre, has successfully completed is the Holocaust memorial, which was opened earlier this year in Berlin. Its location a few meters from Hitler's underground bunker speaks volumes for the remorse expressed and the forgiveness given by all sides in the tragic conflict that ended 60 years ago.

I put it to you that our Asian leaders, from our region of South Asia, West Asia and this region of East Asia need to study the events I have attempted to describe. For it is only when our leaders can gather together, to commemorate jointly the end of an era which was marked and marred by deep tragedy, that they will be able to undertake the process of expressing heartfelt remorse and extending heartfelt forgiveness. Such a process alone can lead to a true reconciliation, a meeting of minds and an emotional integration.

Let the call from this conference carry this message to our leaders. Let us appeal to them to show leadership of a visionary kind. This will enable our Asian brothers and sisters to live in the 21st century with dignity, in peace and amity, drawing all the while the vital inspiration from our joint ability to learn from the tragedies of the 20th century and the centuries that have gone before.