

# ASEAN-Plus Six as a Vehicle for Regional Integration

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## 1. Introduction

In recent times, there have been some movements towards the establishment of an East Asian regional grouping. Since the proposal for an East Asian Economic Grouping (EAEG) by Mahatir Mohamed in 1990, the East Asian vision has resurfaced in the form of the ASEAN Plus Three (APT) grouping based on the proposal of the East Asian Vision Group (EAVG). Subsequently, when the first East Asia Summit was convened in Kuala Lumpur on December 2005, Australia, India and New Zealand were also included in the grouping, thereby initiating the ASEAN Plus Six (APS) process. These developments have led to two possible routes for regional integration, namely via the APT and the APS. Note however that both routes view ASEAN integration as a vital and irreplaceable part of an East Asian regional grouping (Soesastro 2007:16).

Before one can consider which route serves the better purpose for the formation of a regional grouping, it is important to consider the kind of regional grouping that is envisaged. In this matter, the EAVG has recommended in its report in 2001, *Towards an East Asian community*, that East Asia should move “from a region of nations to a bona fide regional community where collective efforts are made for peace, prosperity and progress. The economic field, including trade, investment, and finance, is expected to serve as the catalyst in this community-building process” (EAVG Report 2001). Two key features encapsulated in this vision are: (i) community-building and (ii) economic dimensions such as trade, investment and finance play critical roles in the formation of the envisioned community.

The use of the word community bears different connotations in different disciplines. For some, it may imply the building of a regional order, while others may infer from the term, the making of an economic entity with the free flow of goods, services and factors. In a sociological sense, the construction of a community that transcends geographical boundaries has to be anchored in common characteristics such as common interests and common values. In this paper, we take the latter approach in exploring the possibility of the APS as a vehicle for region integration in the form of community-building, with ASEAN as the driver of the integration process.

There are seven sections in this paper. Following the introduction, the economies of the APS are first sketched in section 2. The conceptual basis for assessing the APS as a vehicle for community-building is discussed in Section 3. The market-driven processes and state-driven processes are examined in Sections 4 and 5, respectively. Section 6 illustrates existing efforts at cooperation based on common interests and values. The way forward is given in the conclusion in section 7.

## 2. The Economies of the ASEAN Plus Six

The economies of the APS are shown in Table 1. As shown by the Table, they exhibit considerable diversity in terms of size, be it in terms of population, Gross Domestic Capital (GDP) or GDP per capita. ASEAN together as a group has a population of over 550 million. The importance of trade also varies considerably with Singapore having the highest trade per capita and India the smallest. The former with its strategic location and favorable trade policies has served as a regional entrepot for decades. However, in terms of trade to GDP, Japan has the smallest ratio while Singapore has the largest. While India has opened up its economy relatively later than most of the countries shown in the Table, Japan's wealth is more dependent on its domestic economy. In ASEAN, net exporters are Brunei, Indonesia, Malaysia, Myanmar and Singapore. All three Northeast Asian countries shown are also net exporters. Australia, India and New Zealand, in contrast, are net importers.

**Table 1. ASEAN+6: Key Economic Indicators, 2005**

Country	Population (thousand)	GDP (current US\$ million)	GDP per capita (US\$)	Trade per capita (US\$)	Trade to GDP ratio (2003- 2005)	Merchandise exports f.o.b. (US\$ mil.)	Merchandise Imports c.i.f. (US\$ mil.)
<b>ASEAN10</b>							
Brunei	374	n.a.	n.a.	22,368	n.a.	6,249	1,491
Cambodia	14,071	5,391	383	516	146.1	3,140	3,927 (f.o.b.)
Indonesia	220,558	287,217	1,302	562	59.3	86,179	74,935
Lao PDR	5,924	2,855	482	248	65.3	506	809
Malaysia	25,347	130,143	5,134	10,284	217.9	140,949	114,603
Myanmar	50,519	n.a.	n.a.	n.a.	108	3,813	1,927
Philippines	83,054	98,306	1,184	1,130	102.9	41,255	47,418 (f.o.b.)
Singapore	4,351	116,764	26,836	107,007	431.8	229,620	200,030
Thailand	64,233	176,602	2,749	3,469	137.7	110,178	118,158
Viet Nam	82,966	52,408	632	768	137.8	32,442	36,978
China	1,304,500	2,228,862	1,709	962	64.5	761,953	659,953
Japan	127,956	4,505,912	35,215	8,959	25.6	594,905	514,922
Korea	48,294	787,625	16,309	11,497	79.9	284,419	261,238
Australia	20,321	700,672	34,480	12,211	39.5	106,211	125,280
India	1,094,583	785,468	718	235	36.6	99,472	139,369
New Zealand	4,110	109,041	26,531	13,712	58.0	21,729	26,234

Note: n.a Not available.

Source: <http://stat.wto.org/Home/WSDBHome.aspx?Language=E>

### **3. Regional Integration and Community-Building**

Regions can integrate through both market-led forces as well as state-directed initiatives. In the case of the former, the fragmentation of production has led multinationals (MNCs) to produce in more than one country by leveraging on the comparative and competitive advantages of different locations of production. This has led to horizontal and vertical integration in the production processes as well as a rise in intra-firm as well as intra-industry trade. The community that evolves out of this private sector driven process is essentially a network of businesses that are linked through the production process and supply chains of the multinationals.

On the other hand, state-led regional integration in standard economics textbooks is modeled after the experience of the European Economic Community and follows a series of progressive economic liberalization. The end product of this progressive liberalization is the formation of an economic union whereby the region functions as a single market with the free movement of goods, services, factors as well as a common currency.

In the development of regional integration beyond ASEAN, whether it is the ASEAN-Plus Three (APT) or ASEAN-Plus Six (APS), it is important to bear in mind the kind of community that is envisaged by ASEAN as well as the path taken by ASEAN towards regional integration. This does not imply that ASEAN should be taken as the model for integration in any other regional grouping. Rather the evolution of any regional grouping involving ASEAN needs to build on what ASEAN has already achieved and concur with what ASEAN aspires to achieve.

In terms of regional integration, ASEAN has carved a different and alternative route to that taken by the European Community as seen by the proposed ASEAN Community at the Bali Concord II in 2003. The envisioned ASEAN Community instead “comprises three pillars, namely political and security cooperation, economic cooperation, and socio-cultural cooperation that are closely intertwined and mutually reinforcing for the purpose of ensuring durable peace, stability and shared prosperity in the region” (ASEAN, 2003).

The ASEAN Community is therefore significantly different from the European Economic Community as the scope of integration is broader since the AC encompasses more than mere economic integration alone.<sup>1</sup> The ASEAN Security Community (ASC) was envisaged to bring ASEAN’s political and security cooperation to a higher plane to ensure that countries in the region live at peace with one another and with the world at large in a just, democratic and harmonious environment (ASEAN 2003). The common concerns facing the ASC were identified as terrorism, drug trafficking, trafficking in persons, and other transnational crimes as well as to ensure that Southeast Asia remains free of all weapons of destruction. The ASEAN Sociocultural community (ASCC), on the other hand, comes closest toward

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<sup>1</sup> It should be noted that the Economic Community is one of the three pillars of the European Union and the other two pillars cover a common foreign and security policy while the third pillar covers police and judicial cooperation in criminal matters.

identifying ASEAN with a set of culturally distinctive values, by envisaging Southeast Asia as being bonded together as a community of caring societies, with cooperation in social development aimed at raising the standard of living of disadvantaged groups and the rural population as well as the active involvement of all sectors of society, especially women, youth and local communities. In the case of economic integration, it is narrower than the level of integration that is achieved in the European Economic Community since the end goal is to “create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a free flow of capital, equitable economic development and reduced poverty and socioeconomic disparities in year 2020.” This implies that the level of economic integration that is aspired is at best a Free Trade Area-Plus type of arrangement with only the movement of skilled labor and no planned common currency.

Second, the focus of the AC is on cooperation. First, the approach taken toward cooperation is functional in nature rather than the institutional approach that is taken for the development of the European Community. Second, the nature and pace of cooperation as practiced in ASEAN is based on the development of mutual understanding and trust as well as common interests and common values that has evolved over time. The development of common interests and common values are important for a community-driven regional grouping as a community is defined as a group of people with common characteristics or interests living together in a larger society. It therefore takes more than economic interests alone to drive a community together.

Thus, any regional grouping that involves ASEAN has to bear in mind the sense of community that is envisioned by ASEAN as well as the nature and pace of cooperation taken by it. In the next section, we examine the extent of trade and investment linkages with the Plus Three and Plus Six countries.

#### **4. Market-Driven Processes: Trade and Investment Linkages**

Globalization and the fragmentation of the production process have facilitated the evolution of regional production networks among the countries of ASEAN as well as with between ASEAN and other countries, primarily in the East Asian region. These regional production networks are fostered by the investment and trade links between these countries.

Japan plays a major role in the investment links between the ASEAN-10 countries and the Plus Six countries as shown in Table 2. The top three investors by source countries into the ASEAN-10 are the ASEAN-10 countries, Japan and South Korea in 1995 and 2004. Japan’s share is 20 per cent in 1995 and this fell over the period shown to a low of 2 per cent in 2000 before recovering to 10 per cent in 2004. In contrast, China, India, Australia and New Zealand’s investment in the ASEAN-10 countries are tiny. Cumulatively, the multinational corporations (MNCs) from Japan account for 19.1 per cent of the total foreign direct investment (FDI) in the ASEAN-9<sup>2</sup>, from 1995-2005 while multinational corporations from the Asian NIEs<sup>3</sup> contribute 29.2 per cent of the total inflows (Kawai and Wignaraja 2007:4).

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<sup>2</sup> This excludes Singapore.

Apart from Japan, multinationals from other source countries also contribute toward the economic linkages between the ASEAN-9 countries with the European Union (EU), and the United States (USA) accounting for 18.4 per cent and 29.1 per cent of the cumulative total from 1995-2005.

**Table 2. FDI flows into ASEAN by source countries (US \$ Million), 1995-2004.**

Sources\Year	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
<b>Total into ASEAN from:</b>	28230.6 (100.0)	30208.6 (100.0)	34098.6 (100.0)	22406.3 (100.0)	27852.8 (100.0)	22646.7 (100.0)	18457.1 (100.0)	13824.7 (100.0)	18447.0 (100.0)	24654.2 (100.0)
Brunei	85.7 (0.3)	146.7 (0.5)	36.2 (0.1)	67.2 (0.3)	18.7 (0.1)	33.1 (0.1)	37.3 (0.2)	16.6 (0.1)	-9.8 (-0.1)	6.3 (0.0)
Cambodia	1.8 (0.0)	2.2 (0.0)	3.8 (0.0)	0.1 (0.0)	1.4 (0.0)	2.4 (0.0)	0.4 (0.0)	-0.2 (0.0)	5.0 (0.0)	3.5 (0.0)
Indonesia	538.3 (1.9)	618.5 (2.0)	501.1 (1.5)	333.2 (1.5)	436.3 (1.6)	109.6 (0.5)	361.7 (2.0)	471.5 (3.4)	236.8 (1.3)	269.1 (1.1)
Lao PDR	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.0 (0.0)	0.6 (0.0)	9.8 (0.0)	0.2 (0.0)	0.0 (0.0)	-0.1 (0.0)	1.1 (0.0)
Malaysia	769.5 (2.7)	713.8 (2.4)	623.8 (1.8)	578.6 (2.6)	327.2 (1.2)	87.2 (0.4)	205.2 (1.1)	423.4 (3.1)	586.5 (3.2)	600.8 (2.4)
Myanmar	3.9 (0.0)	2.2 (0.0)	7.0 (0.0)	0.5 (0.0)	2.4 (0.0)	5.5 (0.0)	3.7 (0.0)	12.8 (0.1)	7.0 (0.0)	5.8 (0.0)
Philippines	89.6 (0.3)	71.1 (0.2)	17.4 (0.1)	-26.4 (-0.1)	-22.4 (-0.1)	92.1 (0.4)	28.3 (0.2)	-26.6 (-0.2)	-5.0 (0.0)	190.7 (0.8)
Singapore	2983.4 (10.6)	2394.9 (7.9)	3573.0 (10.5)	1620.0 (7.2)	897.0 (3.2)	641.9 (2.8)	1939.2 (10.5)	2413.0 (17.5)	1320.1 (7.2)	1218.0 (4.9)
Thailand	181.4 (0.6)	321.9 (1.1)	472.1 (1.4)	155.7 (0.7)	123.7 (0.4)	-225.0 (-1.0)	-82.7 (-0.4)	259.8 (1.9)	155.8 (0.8)	131.8 (0.5)
Vietnam	0.8 (0.0)	0.4 (0.0)	1.3 (0.0)	1.8 (0.0)	4.4 (0.0)	6.3 (0.0)	2.2 (0.0)	64.1 (0.5)	5.4 (0.0)	5.7 (0.0)
<b>ASEAN 10 total</b>	4670.9 (16.5)	4285.8 (14.2)	5251.1 (15.4)	2742.9 (12.2)	1795.7 (6.4)	766.2 (3.4)	2509.0 (13.6)	3660.2 (26.5)	2314.1 (12.5)	2442.6 (9.9)
South Korea	660.2 (2.3)	504.2 (1.7)	721.8 (2.1)	90.8 (0.4)	528.9 (1.9)	-45.0 (-0.2)	-264.8 (-1.4)	92.4 (0.7)	632.0 (3.4)	896.5 (3.6)
China	136.7 (0.5)	117.9 (0.4)	62.1 (0.2)	291.3 (1.3)	62.5 (0.2)	-133.4 (-0.6)	147.3 (0.8)	-80.9 (-0.6)	188.7 (1.0)	225.9 (0.9)
India	108.1 (0.4)	68.8 (0.2)	90.2 (0.3)	92.6 (0.4)	41.7 (0.1)	79.5 (0.4)	32.3 (0.2)	9.6 (0.1)	81.2 (0.4)	46.3 (0.2)
Japan	5649.3 (20.0)	5283.3 (17.5)	5229.5 (15.3)	3937.6 (17.6)	1688.2 (6.1)	455.0 (2.0)	1606.3 (8.7)	3366.2 (24.3)	2317.7 (12.6)	2538.2 (10.3)
Australia	534.9 (1.9)	325.1 (1.1)	245.6 (0.7)	-302.2 (-1.3)	-935.0 (-3.4)	-302.8 (-1.3)	-95.1 (-0.5)	202.6 (1.5)	181.1 (1.0)	392.5 (1.6)
New Zealand	35.4 (0.1)	31.2 (0.1)	29.1 (0.1)	25.3 (0.1)	80.2 (0.3)	43.1 (0.2)	14.7 (0.1)	53.7 (0.4)	88.5 (0.5)	-1.9 (0.0)

Source: ASEAN Secretariat, (Table 2.1.3), VI2, VI3

<sup>3</sup> They are namely Hong Kong, Korea, Singapore, and Taiwan.

Since these MNCs are producing for export with imports from the region, intra-firm as well as intra-regional trade has increased over time. As intra-firm trade data is rarely available, intra-regional trade can indicate the extent of the trade linkages between the ASEAN countries and other countries. In Table 3, intra-regional trade among the ASEAN-10 grew steadily from 21 per cent in 1995 to 26 per cent in 2006. However, including China, Japan and Korea with the ASEAN-10 increases the intra-industry trade significantly from 21 per cent to 37 per cent in 1995 while it increases from 26 per cent to 30 per cent in 2006. The addition of India, Australia and New Zealand into the APT increases intra-regional trade from 37 per cent to 40 per cent in 1995 while in 2006, intra-regional trade increases from 39 per cent to 43 per cent. It can therefore be seen that the intra-regional trade increases significantly with the addition of the Plus Three countries as compared to the Plus Six countries.

**Table 3. Intra-Regional Trade Share, 1995-2006 (%)**

Region	1995	2000	2001	2002	2003	2004	2005	2006
ASEAN (10) <sup>a</sup>	21.1	22.7	22.2	22.7	24.4	24.4	24.9	25.7
ASEAN+3 <sup>b</sup>	37.0	37.4	37.3	38.4	39.5	39.5	39.1	39.0
ASEAN+6 <sup>c</sup>	40.4	40.6	40.8	41.6	42.7	43.1	43.1	43.1

Notes: a Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Viet Nam.

b ASEAN countries, China, Japan, and Korea.

c ASEAN+3 countries, Australia, New Zealand, and India.

Source: Kawai and Wignaraja 2007:30 (Table 1).

The rise of China since the opening up of its economy in the late 1980s has contributed toward the development of new trade triangles between the main home countries of MNCs such as the USA, EU and Japan, ASEAN and China. A new division of labor is forged in which ASEAN's exports to China has increased, offsetting some of ASEAN's previous exports to Japan and the USA (Ravenhill 2006: 23).

The relative intensity of trade among ASEAN with the Plus Three countries and Plus Six countries can be measured in terms of the export and import intensities of ASEAN-5 with these countries. Table 4 shows that the export intensity between the ASEAN-5<sup>4</sup> are higher with the Plus Three countries than the Plus Six countries, from 1990-2000 but in 2005, they are about the same. Hence the exports of the ASEAN-5 are more biased toward the Plus Three countries than to the Plus-Six countries. Similarly the import intensity index shows that the imports of the ASEAN-5 are also more biased toward the Plus Three countries than to the Plus Six countries. The fall in both the export and import index when India, Australia and New Zealand are added to the calculation of these indexes show that the latter countries are exporting and importing more from the world than from the ASEAN-5 countries (see Appendix 1 for the formula used to calculate the index).

<sup>4</sup> Comprising of Indonesia, Malaysia, the Philippines, Thailand and Singapore.

**Table 4. ASEAN-5's Export Intensity Index and Import Intensity Index**

Partners	Export Intensity Index				Import Intensity Index			
	1990	1995	2000	2005	1990	1995	2000	2005
<b>Plus 3</b>	2.04	1.45	1.56	1.46	2.75	2.52	1.76	1.46
<b>Plus 6</b>	1.88	1.39	1.55	1.48	2.52	2.31	1.63	1.34

Source: IMF, Direction of Trade Statistic (DOTS)

<http://www.imfstatistic.org/dot/> (Accessed on 12 September 2007)

## 5. State-Driven Processes

Apart from the market-driven processes as explained above, ASEAN has also established state-driven processes with the Plus Three and Plus Six countries.

### 5.1 ASEAN Plus Three (APT) and ASEAN Plus Six (APS)

The ASEAN Plus Three (APT) cooperation began in December 1997 and was institutionalized in 1999 (ASEAN Secretariat undated: 1). The APT has adopted the Report of the East Asian Vision Group (EAVG) of 2001 and the Report of the East Asia Study Group (EASG) of 2002.

Based on the recommendation of the EASG, four short-term measures have already been implemented. These are:

- The establishment of the ASEAN Plus Three Study Group on Facilitation and Promotion of Exchange of People and Human Resources Development;
- The establishment of the Network of East Asia Think-tanks (NEAT);
- The establishment of an East Asia Forum;
- The formation of and East Asia Business Council (EABC).

Following the 2004 agreement by ASEAN Leaders to convene the East Asian Summit, the first Summit was convened in December 2005 with the participation of the ten ASEAN members as well as China, Japan, Korea, India, Australia and New Zealand. The Second Summit convened in January 2007 and another scheduled in November 2007.

### 5.2 The Evolving FTAs involving ASEAN

The protracted negotiations under the Doha Round as well as dissatisfaction with the perceived gains from multilateral liberalization has instigated a proliferation of FTAs in East Asia, where the number of FTAs have increased from one in 1976 to 102 in 2007 (Table 5). Out of these 102 FTAs, 36 agreements have been concluded, while 41 are still being negotiated and another 25 are proposed. Japan has concluded bilateral agreements with Singapore, Malaysia, Philippines and Thailand while it is still negotiating a bilateral with Indonesia and an ASEAN-wide agreement (Kawai and Wignaraja 2007:44). Korea and China, on the other hand, has concluded a

region-wide agreement with ASEAN in 2006 and 2005, respectively. India, Australia together with New Zealand are still negotiating a regional trade and investment agreement and a free trade agreement respectively, with ASEAN. India is also negotiating individually with Singapore and Thailand and there is also a proposed bilateral with Malaysia and Indonesia. Australia and New Zealand has concluded a bilateral agreement each with Singapore and Thailand while they are still negotiating for their respective bilateral agreements with Malaysia.

Hence as at 2007, ASEAN has region wide arrangements with China and Korea and Japan has concluded bilateral agreements with four out of the ASEAN-5 countries.

**Table 5. Growth of FTAs in East Asia, 1976-2007**  
Cumulative number of FTAs

Year	No. of FTAs	Status of FTAs <sup>a</sup>		
		Concluded	Under Negotiation	Proposed
1976	1	1	0	0
1986	1	1	0	0
1996	4	3	0	1
2000	7	3	1	3
2001	10	5	2	3
2002	14	6	4	4
2003	23	9	5	9
2004	42	14	16	12
2005	67	21	30	16
2006	96	31	42	23
2007 <sup>b</sup>	102	36	41	25

Notes:

- a Concluded FTAs include those signed and/ or under implementation; FTAs under negotiation cover those with or without a signed Framework Agreement; and proposed FTAs include official pronouncements of parties to negotiate an FTA or actually a feasibility study.

b Data as of June 2007

Source: Kawai and Wignaraja 2007: 32.

## 6. Cooperation based on Common Interests and Common Values

### 6.1 Common Interests

Any group of states seeking to cooperate does so, at least initially, out of perceived common interests (Levine 2007; 102). The process of community building can only evolve if there are these initial efforts at cooperation even though they may be limited in scope and intensity at the outset. In the case of the APT, the advent of the Asian Financial Crisis in 1997 triggered the importance of regional financial stability as a major area of cooperation, as seen by the initiatives taken for monetary and financial cooperation.

#### 6.1.1 Financial Stability

The APT agreed to enhance “self-help and support mechanisms in East Asia” through the APT framework at the APT Summit in November 1999. In view of this, different initiatives have emerged over time. These include:

- A regional financing arrangement called “the Chiang Mai Initiative (CMI)” was launched in 2000 to create a network of bilateral swap arrangements (BSAs) among the APT members to address short-term liquidity difficulties in the region and to supplement the existing financial arrangements. As of 2006, the total amount of BSAs is US\$75.0 billion (Institute for International Monetary Affairs 2006, 31);
- To prevent financial crises, the APT Finance Ministers have established an Economic Review and Policy Dialogue (ERPD) for discussing the financial developments in the region. This process facilitates the early detection of irregularities and the swift implementation of remedial policy actions;
- In May 2001, the APT Finance Ministers have also agreed to exchange data on bilateral capital flows among the APT countries, on a voluntary basis, to monitor short-term capital flows;
- The Asian Bond Markets Initiatives (ABMI) was established to develop more efficient and liquid bond markets in Asia, thereby enabling the regions’ savers to better utilize their savings for Asian investment;
- An APT Research Group was established in 2003 to explore ways for furthering financial cooperation and to promote financial stability in the region from the input of researchers and research institutes in the APT countries;

### *6.1.2 Non-Traditional Security, Pandemic Threats, and Environmental Concerns*

Cooperation on non-traditional security issues, pandemic threats and environmental issues has also been raised as their causes and effects are transnational and require regional cooperation (NEAT Final Report 2006: 1). Specifically, eight types of transnational crimes such as human trafficking, drug trafficking, and money laundering, terrorism, sea piracy, arms smuggling, international economic crime and cyber crime have been adopted as areas of cooperation. Energy security cooperation is another area of cooperation that is being considered. In the case of pandemic threats, containing avian flu and the Severe Acute Respiratory Syndrome (SARS) have also been raised as areas for cooperation. Institutional frameworks for dealing with environmental problems such as deforestation, forest fires, chemical pollution, air pollution, marine and river contamination and global warming are also being explored as areas of cooperation.

## **6.2 Common Values**

Although some have used common cultural traits to represent the values of East Asia, including for example the premium placed on family, community, and social harmony as well as on duty (Lee et al 2006: 19), the inclusion of India, Australia and New Zealand has made the gaps in the values system more acute. However, as diverse as

the values may be among the APT and APS, inter-state relations in ASEAN are governed by the “fundamental principles” of the Treaty of Amity and Cooperation in Southeast Asia (TAC), 1976 (Levine 2007:109; Severino: 168). These include:

- Mutual respect for the independence, sovereignty, equality, territorial, integrity, and national identity of all nations;
- The right of every state to lead its national existence free from external interference, subversion, or coercion;
- Noninterference in the internal affairs of one another;
- Settlement of differences or disputes by peaceful manner;
- Renunciation of the threat or use of force; and
- Effective cooperation among themselves

The TAC was amended by the Second Protocol in 1998, allowing non-ASEAN members to accede it. Several of ASEAN’s Dialogue Partners have acceded to it such as China and India in 2003; and Japan, Republic of Korea, Russia and Pakistan, Australia and New Zealand in 2005.

## **7. Conclusion: The Way Forward**

Basic economic indicators of the ASEAN Plus Six countries show a diverse group of countries that are at different levels of economic development as well as economic size, factor endowments, economic structures, trade orientation as well as socio-cultural backgrounds and political systems. The vision of forging a community with such a diverse group of countries is a testimony to political imagination.

However, the realization of such a bold imagination has to be anchored to existing realities. Current economic linkages are strongest between the ASEAN Plus Three rather than the ASEAN Plus Six. The existing networks can be further hastened with the formation of a Free Trade Area between these countries. While MNCs have succeeded to create economic linkages based on profit-seeking objectives, the deepening of the existing linkages will require government to government initiatives that can overcome barriers to trade such as regulations, customs, exchange rate systems, product standards and other institutions. Therefore removing these barriers would reduce the costs of trade between these countries.

The fundamental premise of the ASEAN Plus Three is the creation of East Asian community. The Network of East Asian think-tanks (NEAT) Third Country Coordinators Meeting and its 2<sup>nd</sup> Annual Conference in 2005 provided the guiding principles of community building in East Asia. It set the goal of community building to be the promotion of the welfare and well-being of the people and the realization of the East Asian vision of cooperative “peace, prosperity and progress”. The community building should be based on the foundation of universally recognized values. These include among others, good governance, the rule of law, democracy, human rights and international law and norms. This community building does not mean that East Asia will be exclusive and non-members are kept out form the growth process in the region. Instead, the community should promote openness, transparency, inclusiveness and comprehensiveness.

If the East Asia Summit approach is adopted, the East Asian community will comprise 16 participants representing more than 60% of the world's population and possesses a combined GDP greater than that of the European Union. This grouping will then be more about economic integration than about building a community because of the size and complexity involved would make the process of community building so arduous. It would provide increased trade benefit to members but unlikely to create a community with shared values and that promote the well-being of its people. There is even uncertainty in achieving the economic integration goal if the example of the Free Trade Area of the Americas (FTAA) is used as an example. The progress of the FTAA was severely hampered by the size of the integration.

Another pertinent question is the membership of the ASEAN Plus Six. Currently the Oceania is represented by Australia and New Zealand and the South Asia by India. The question is what about the other countries in those regions – should they too be invited as members of ASEAN Plus Six if they meet the criteria set? Thus, the efforts to achieve an East Asia community will be more challenging when the membership becomes larger.

ASEAN took a long time to agree to the idea of creating an ASEAN economic, security and cultural communities. If ASEAN, a much smaller group than ASEAN Plus Six, with much less serious political differences and cultural diversity, then the prospect of building a community to a large regional grouping, which is more complex is questionable. The ASEAN efforts show the difficulty in building a community - for a long time its progress was dependent on the lowest common denominator and the concept of non-interference. Thus, community building in ASEAN Plus Six will be much slower. At this stage the more realistic expectation is for ASEAN Plus Six to be a platform for strategic dialogue and to concentrate on economic cooperation.

These challenges are succinctly summarized below:

“In any case, community has an entirely different connotation. Unlike Europe, which has many common characteristics, it is difficult to think of a single trait that be said to be pan-East Asia. Culturally diverse, economically uneven, geographically vast, with a large number of unresolved problems and suspicions leftover from history, East Asia has many unsettled issues that are obstacles to a community” (Naidu, 2005)

The East Asia Summit is being established as forum for dialogue on broad strategic, political and economic issues of common interest and concern with the aim of promoting peace, stability and economic prosperity in East Asia. It is unlikely to replace the well established East Asian regional mechanism and institutions such as ASEAN, ASEAN regional Forum and ASEAN Plus Three. The East Asia Summit will complement these initiatives.

In conclusion, the ASEAN Plus Three process with its well established mechanisms must be at the centre of the East Asian community building efforts. The convening of the First East Asia Summit in 2005 leading to the birth of ASEAN Plus Six initiatives is a complement to the ASEAN Plus Three process where the former serves as a forum for dialogue on broad strategic issues of common interest. A community can only be truly achieved if these three challenges can be overcome- first the challenges of cohesion; second the challenge of conviction and third the challenge

of implementation. At present, the ASEAN Plus Three process is the most likely mechanism to make community building in East Asia a reality.

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## Appendix 1

The export intensity index of country  $i$  to country  $j$ ,  $IEX_{ij}$  is defined as follows:

$$IEX_{ij} = \frac{(\text{Exports from } i \text{ to } j / \text{Exports from } i \text{ to world})}{(\text{Imports of } j \text{ from world} / \text{imports of world} - \text{imports of } j \text{ from world})};$$

By the same token, the import intensity index of country  $j$  from country  $i$ ,  $IIM_{ij}$  is defined as:

$$IIM_{ij} = \frac{(\text{Imports from } i \text{ to } j / \text{Imports from world to } j)}{(\text{Exports of } i \text{ to world} / \text{exports from world} - \text{exports from } j \text{ to world})}$$