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East Asian Economic Community Post Brexit: Regaining The Momentum

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Earlier this month in Beijing, I was invited by the Network of East Asian Think-tanks (NEAT) to speak, from Indonesian think tank perspective of course, on the road map towards East Asian Economic Community (EAEC). NEAT was established based on a proposal by the East Asian

Vision Group (EAVG) and the East Asian Study Group (EASG) under the auspices of the ASEAN+3 summit meeting, is a Track II (unofficial) network of research institutions that complements official government-to-government (Track I) relationships. The timing cannot be better than this since we met right after the UK opt out the EU (Brexit). It is the very momentum to shed the light for East Asian Regional Cooperation at the form of ASEAN plus three scheme. This is the chance to restore the global economic imbalance, this is the time to utilize the so called The Asian Century. What about the Europe? Let's forget about them, they are at the beginning of the end.

Having established since 1967, ASEAN is actually going nowhere. We are lacking of the right impetus to do the leapfrogging. If we see the data, ASEAN intra-regional trade share is pushing hard to reach 30 percent target as it was expected by the Secretariat meeting in 2011. In 2016, the figure is far reaching the target (25 % of ASEAN intra-regional trade share). Having this in mind, it is fair to say that ASEAN need prodigious pull factors that come externally. Let it be the EAEC, the Regional Comprehensive Economic Partnership (RCEP), the Trans Pacific Partnership (TPP) or even the Free Trade of the Asia-Pacific (FTAAP), they are all can hit ASEAN to the next level of competitiveness. But what makes EAEC should be targeted before we hit others? The answer can be found under a standard gravity model in international economics. To ensure the base line in integration, we need shared culture, shared community, shared border and not to mention shared identity. All of this certainly existing within the ASEAN Plus Three (APT), as the core of East Asian Economic Community. Of course that this will not be a single undertaking as we need to expand more under a more open regionalist framework. But his schematic will undoubtedly serve as the base line under the lowest common denominator. Let's call it the East Asian way. This view is supported by fellow colleagues from Malaysia, Myanmar, Cambodia, Laos, Japan, Vietnam, Thailand and China. Singapore kept quite though, I was not so sure why.

The spirit of regionalism in East Asia is not entirely new. It was first introduced as East Asian Economic Caucus (EAEC) in 1990 by former Malaysian Prime Minister Dr. Mahathir bin Mohammad and encompasses the Association of Southeast Asian Nations (ASEAN) member states, China, South Korea and Japan. Japan though refused participation due to the exclusion of the Western nations, which were already members of APEC and many other notable regional organizations in East Asia.

The EAEC was a reaction to ASEAN's integration into the Asia-Pacific Economic Cooperation (APEC) by Dr. Mahathir, who is known for his strong Asian standpoint. His suggestion apparently articulated his dissatisfaction with ASEAN joining APEC, which includes Western nations, an idea he was strongly opposed to. The aggressive Western-critical speech by Mahathir without

consultations with his colleagues in other states scared most East Asian countries away from this idea. Japan especially, felt compromised by this. The way he introduced this idea of EAEC was perceived as greatly ineffectual, as he was even rejected by his colleagues in ASEAN. Mahathir tried to support the idea by stressing that the EAEC conforms to the General Agreement on Tariffs and Trade (GATT), but this step also brought hardly any results. In any way, it failed to grasp the audience.

But right after the financial crisis, China, Japan and Korea began to show great interest in establishing FTAs with its ASEAN counterparts. They then gradually tried to made an official attempt to discuss stronger economic bonds within the EAEC scheme. As far as the CJK FTA is concerned, up until now the CJK countries still cannot find their way to conclude the negotiations. It is true that China, Japan and Korea have made massive progress in the wake of FTA signings with other countries, but none of which are accomplished among them. This is not a very good news since the CJK countries is expected to serve as a pull factor for the APT scheme. Being acknowledged as the economic front runners, Japan, China and Korea are assumed to have heavy responsibility for the economic welfare in the East Asian region. It is very obvious that East Asian regionalism cannot be put into practice without these countries' strong support. Fortunately, enough, my economic modelling suggests that although the CJK FTA is nowhere near in the short run, the behavior will be more or less convergence in the future. With this, a spill-over effect to ASEAN countries will persist as it will serve as a solid baseline for the APT.

Regionalism in East Asia will enable the region to cope with the future challenges of globalization and remain internationally competitive. An integrated East Asia would lead to the advancement in economies of scale, fuller development of production networks. As the former Indonesian Minister of Foreign Affairs Ali Alatas said in 2001, APT is equal to peace plus prosperity as it can contribute substantively to the achievement and maintenance of sustained and sustainable peace, stability and security and welfare in this part of the world.