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EAST ASIA SUMMIT AND INDIA

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Introduction

There is little dispute about the rise of Asia as the most dynamic region in world politics. This region accounts for nearly 60% of the world's more than 6.1 billion population and nearly \$30bn of GDP that outweighs that of Europe. Asia commands global attention both for its economic growth (and potential for growth) as also the security challenge. Economic growth of the region is led by China and India, but many other economies are also growing fast. In security terms, it is not only the main theatre for the pervasive and, what seems to be an unending, global war on terrorism, but also is the region of persisting and protracted political and ethnic conflicts and insurgencies. Asia also poses the challenge of global security for being the continent where most of the emerging and aspiring nuclear weapon states are located. And then, there is the most haunting spectre in Asia of poverty and inequality, democratic denial and distortions, failed and failing states, human rights abuses and spread of HIV/AIDS and Avian Flu.

Economic growth in Asia is driven almost wholly by its eastern flank i.e. East Asia. Except for the location of energy (hydrocarbon) resources in West and Central Asian regions, centers of trade, investments, financial reserves, natural resources,

manufacturing hubs, service providers, human resources and science and technology development are located in East Asia. All the dynamic economies, expanding markets and major regional players like China, Japan and India also belong to Asia's eastern and southeastern flank. There are several regional cooperation initiatives being pursued in Asia, but one of the most successful and innovative among them is the Association of Southeast Asian Nations (ASEAN), which, along with the Asia Pacific Economic Cooperation (APEC), involves East Asian countries. East Asia's proclivity towards going beyond regional cooperation and initiating newer, resilient and enduring processes for regional integration is also clearly evident. China's initiative in organizing the Boao forum, Thailand's urge for setting up an Asian Cooperation Dialogue and Japan's pursuance at track two level, of Japan, ASEAN, China, India and Korea (JACIK) forum may be recalled in this respect. Amidst all these efforts, yet another initiative has been taken in the form of East Asia Summit (EAS) in December 2005 to advance the cause of cooperation and regional integration in Asia.

The EAS is different from some of the other regionalism initiatives in East Asia. In contrast to ASEAN and APEC, it is much broad-based and does not have any direct or indirect association with any extra-regional great power. In that sense, it is driven by authentically indigenous impulses from within the region in true sense. It is also broad-based in its scope and agenda. While the initial EAS thrust is on building free trade area, eventually, its aim is to help evolve an Asian community that will cover strategic (political and security) and cultural aspects of the 'regional architecture'. In this paper, we propose to discuss the evolution of EAS and the post-Summit developments. The paper will address the question of EAS' economic and strategic potentials as well as prospects. The transition from potential to prospects i.e. building of the Asian Community is not going to be without challenges and pitfalls, which will be identified and addressed in this paper. India's inclusion in the EAS, howsoever deserving, came after considerable diplomatic efforts on the part of not only India but also a number of other countries at the last moment. The paper will also look at the significance of EAS for India and what role, if any, the latter can play in promoting the EAS objectives.

Evolution of A Concept: From Economic Group to the Summit

The origin of the idea of EAS can be traced to the then Malaysian Prime Minister Mohammad Mahathir's call for setting up an East Asian Economic Group (EAEG) in December 1990.¹ There could have been diverse considerations behind this proposal. Most important of them was Mahathir's reaction to the emergence of trade blocks in the Western economies, which he considered could be "an impediment to fair and just trade" in the world elsewhere. There was also the fear that emergence of trade blocks may suck most of the investments from countries like Japan, at the cost of tiger and developing economies of Asia. Mahathir was perhaps also reflecting the disappointment resulting from the failure of Uruguay Round of negotiations on world trade which got stuck on the issues of agricultural subsidies. This failure raised the possibility of expansion of managed trade and aggressive resort to unilateral action on the part of the developed economies by invoking the article of Super 301. Therefore, if the crisis in the multilateral trade was to be responded to by the developed countries by building regional blocks, then Asia also could not avoid this option.

However, the possibility of Mahathir thinking of engaging China and Japan more closely with the economic dynamics of Southeast Asian economies also cannot be ruled out. This could also have a positive political fall out. Such economic engagement could soften Southeast Asian countries apprehensions about China in future. It is interesting to recall in this respect that the idea was mooted before the Chinese Prime Minister when Mahathir also referred to China's policy of peaceful co-existence. He said:

ASEAN's success in economic development and regional cooperation might not have come about as easily if we had not earned the cooperation and understanding of big powers like the People's Republic of China, a close neighbour. We are happy to see China's commitment to the principles of peaceful co-existence and non-interference in each other's internal affairs often reaffirmed by China. This has been a vital

¹ Mahathir made this proposal in his banquet speech before the visiting Chinese Prime Minister Li Peng in Kuala Lumpur on December 10, 1990. Text of the speech is available at the website of the Malaysian Prime Minister's Office.

factor in the building up of confidence between the People's Republic of China and Malaysia.²

Years later while inaugurating Malaysia-China Partnership Summit in 2003 at Seri Kembangan, Malaysia, he referred to his EAEG proposal as a possible mechanism for defusing any potentially dangerous disputes. This proposal could also be a mechanism for “resolving challenges and creating opportunities for Southeast Asian countries to benefit from China’s prosperity and stability.”³

The Malaysian proposal of EAEG was endorsed by all the ASEAN members, except Indonesia which appeared somewhat reserved. Japan, South Korea and China did not endorse the proposal “fearing it would exacerbate trade friction with the US, their largest single market.”⁴ This fear was based on the fact that the strongest opposition to this idea came from the US. The then US Secretary of States, James Baker claims in his memoirs that he had done his best to kill this idea.⁵ He described it as a dangerous idea that would draw a line in the Pacific Ocean and split Japan and the US. The US Vice-President Don Quayle termed EAEG as an attempt to duplicate and undermine APEC.⁶ In view of such criticism, EAEG was renamed as East Asian Economic Caucus (EAEC) and was redefined as being not more than a pressure group within the APEC.

Most of these critics were answered by Mahathir and his close advisors and supporters. The Director General of Malaysian Institute of Strategic and International Studies, Noordin Sopiee asserted that the EAEC stood for open and global trading system as its aim was to resist the erosion of multilateralism and rise of the tendency to manage trade through regional blocks. It was neither exclusivist nor racist because the EAEC will just work as a pressure group to raise East Asia’s concerns in multilateral economic diplomacy. It did not only exclude the Western or the white nations as even the east Asian countries like North Korea, Laos, Myanmar

² Ibid.

³ For the summary of Mahathir’s Statement at the Partnership Summit 2003, see *People’s Daily Online* <http://english.peopledaily.com.cn/>. Also see *Peoples’ Daily*, September 19, 2003. <http://english.people.com.cn/200309/19/eng>.

⁴ Michael Richardson, “Some in East Asia fear US”, *International Herald Tribune*, February 9, 1993; www.iht.com/articles/1993/02/09.asia.php.

⁵ As referred to in Amitav Acharya, “East Asian integration is a test for the big powers”, *Financial Times* (London), December 14, 2005.

⁶ *Business Times* (Singapore), May 25, 1991.

and Cambodia were out of it. He further added that even UN and GATT were not all inclusive. "EAEC was founded purely on economic and geographical considerations, not upon exclusivism and racism".⁷ Mahathir himself argued on these lines to assuage Western apprehensions that his proposal was not aimed to push the US and the West out of the Asia-Pacific region.

Such explanations however, did not cut much ice with the US policy makers and analysts.⁸ The US also added a security dimension to its reservations on the EAEG proposal. The US Under Secretary of Defence Joseph Nye said in a presentation in Tokyo that if the idea of EAEG was pursued, the US may consider withdrawing from the region's security structure because the US would be excluded from the region economically.⁹ The fear of Chinese domination in the region was projected by underlining the rise in China's air and sea power capabilities. Japan was also signaled that it may have to pay more for security if it wanted to keep the US troops on its territory and the US military presence in the region.

It was suggested that such unhealthy prospects would be strengthened if Mahathir's proposal really got going. Mahathir tried to persuade Japan to take the leadership of his EAEC proposal so as to meet some of the US objections and assure the US that the proposal did not mean to harm the US economic stakes in the region. But Japan was not willing to take the lead on EAEC. Besides US reservations on the proposal, Japan was apprehensive that its leadership would not be accepted in many of the Southeast Asian countries where it was perceived as an expansionist and imperialist power. From Japan's perspective, it was considered safer to operate in the Asia-Pacific region under the overall security and economic umbrella of the US rather than appear to be willing to emerge as a leader or a competitive power centre in the

⁷ Noordin Sopiee, "Political Issues Associated with Economic Cooperation in Asia", July, 1992. Also see his "The Development of an East Asian Consciousness" in E. Sheridan (Ed.), **Living With Dragons: Australia Confronts its Asian Destiny**, Allen and Unwin, Sydney 1995.

⁸ C. Fred Bergsten, "Embedding Pacific Asia in the Asia-Pacific: The Global Impact of An East Asian Community", Speech at Japan National Press Club, Tokyo, September 2, 2005. Also see, Evelyn Goh, Meeting the China Challenge: The US in Southeast Asian Regional Security Strategies, *Policy Studies 16*, East West Center, Washington 2005.

⁹ **APEC and the Environment**, A Report to the Rio + 5 Conference, 1997. www.focusweb.org/publications/1997/APEC%20and%20the%20environment.htm.

region.¹⁰ In the face of Japanese unwillingness and US opposition, the EAEC proposal had to be put on the back burner.

The EAEC idea was again revived in the context of the currency crisis in Southeast Asia in 1997. This crisis lasted for nearly three years. To deal with the crisis, Malaysian Prime Minister Mahathir had even tried to delink his country's currency from the US dollar. Other ASEAN countries also started thinking of innovative ways to deal with the economic pressures. The establishment of ASEAN + 3 (China, Japan and Republic of Korea) (APT) Summit mechanism was one of the regional responses to the economic crisis.

China refused to devalue its currency with the view of helping the ASEAN economies and Japan had provided significant amounts of assistance to these countries though Japanese economy itself was under considerable pressure. The APT at its summit meeting in 1999 issued a Joint Statement in support of East Asian Cooperation. Their main concern was the growing domination of APEC by the US and the use of this mechanism to manage trade to the disadvantage of the ASEAN and regional economies. In this Joint Statement, the APT countries agreed to "advancing East Asian collaboration in priority areas of shared interests and concerns...".¹¹ The revival of the idea therefore, had its original anti-West/anti-US thrust. Japan, a western strategic ally was also feeling the heat of the US economic pressures at a time when regional economies were already facing problems.

With the objective of reviving the economic dynamism of the APT countries, two separate groups, one on East Asian Vision and second on East Asian Study Group, were appointed in December 1998 and November 2000 respectively. The Vision group submitted its report in March 2001, suggesting 23 measures not only in economic and financial sectors but also in political, security, environmental, energy, cultural, educational, social and institutional sectors to revive the region's dynamism. It also mandated the East Asia Study Group to submit its report to the APT in 2002 which was accordingly done when the APT met in Cambodia.

¹⁰ Lars Mjoset and Kristen Nordhaug, "Atlantic and Pacific Integration: A Comparative Study of Post-War Western Europe and Asia", February 1999. www.ciaonet.org/conf/mj/01.

¹¹ Text of the "Joint Statement On east Asia Cooperation", para 5. Third ASEAN Informal Summit, Manila, November 27-28, 1999. ASEAN Secretariat. www.aseansec.org/691.htm.

The East Asia Study Group strongly urged moves towards institutionalizing East Asian Cooperation and recommended the setting up of an East Asian Forum. At the second meeting of the East Asia Forum in Kuala Lumpur on December 6, 2004, the Malaysian Prime Minister Dato Abdullah Badawi drew a 'route map' for building East Asian Community, starting with the East Asian Summit proposed to be held in Kuala Lumpur in December 2005.¹² EAS may be seen as the culmination of these efforts.

The core question that had to be resolved before convening the EAS was about its composition; whether it was to be an institutionalization of the APT or it should acquire a broader canvass. There were divisions on this issue both within the ASEAN and also in the +3 component of APT. Within the ASEAN, Malaysia was strongly for APT group of ten countries to become an East Asian group on the lines of Mahathir's idea of EAEC. Mahathir, even after voluntarily laying down his Prime Ministership was actively canvassing the retention of original EAEC form. He was not in favour of including any other country except the APT members. On the inclusion of countries like Australia, Mahathir said that Australia was neither East nor Asian and that its inclusion will add no value to the group except to enable Australia to function as a proxy for the US.

Singapore, Indonesia and Japan, were equally emphatic in broadening the group by inviting other important regional countries like India, Australia or even US. At the +3 level, China favoured the existing 13 (10+3) APT countries without any more inclusions but Japan insisted on a broader group and inclusion of India, Australia and New Zealand.

It was clearly evident that Japan had shed off its earlier reservations about the viability of an East Asian group and was willing even to play an active role in its constitution. Geo-strategic and economic context of the region had changed and Japan was now seeking an active and politically assertive role not only in regional but

¹² Key Note address of Prime Minister Badawi at the Second East Asia Forum Meeting on December 6, 2004. Text, ASEAN Secretariat. <http://www.aseansec.org/16952.ht>.

world affairs.¹³ In view of China's growing economic and political clout, Japan was apprehensive that an APT group will come under Chinese influence and domination. The only way to keep China constructively engaged in the region while deterring its propensity to dominate was to get other players into the regional grouping.

After a series of discussions at various levels, finally a consensus emerged in the form of a three way criteria that said that, (i) membership of EAS should be based on accretion to ASEAN Treaty of Amity and Cooperation (TAC), (ii) any prospective member must have substantive relationship with ASEAN and, (iii) have the status of ASEAN dialogue partner. India and New Zealand acceded to the Treaty of Amity and Cooperation, to qualify for the EAS membership. Australia also did so, but only at the last moment, just before the EAS met. There again Australia emphasized that its signing the Treaty of Amity and Cooperation would not affect its 'existing security arrangements', Australia's obligations and rights under the UN Charter and Australia's relations with the countries other than members of ASEAN'.¹⁴

The Malaysian Prime Minister described Australia and New Zealand as not being East Asian countries. The US has refused to sign the TAC and as such could not claim membership of EAS. The US could not have joined the EAS also because of strong Malaysian and Chinese opposition. Conceptually, US could not be a part of Asia, least of East Asia.¹⁵ At the last moment, since the Russian President Putin was present in Kuala Lumpur for the ASEAN summit, Malaysia invited Russia to meet the EAS leaders as a guest at the first EAS held in Kuala Lumpur in December 2005.

The Summit

Sixteen countries participated in the first EAS summit in Kuala Lumpur on December 14, 2006. For a general profile of all the participating countries, see the Table below.

¹³ Purnendra Jain, "A Balancing Act: Japan's Asia Challenge and India", *Indian Foreign Affairs Journal*, Vol.1, No.2, April-June, 2006.

¹⁴ "The East Asia Summit", *Strategic Comments*, The International Institute For Strategic Studies, London, Vol.11, Issue 10, December 2005. <iiss.org/publication/strategic-comments/past issues> .

¹⁵ Anthony Milner and Debroah Johnson, "The Idea of Asia", A paper prepared for Faculty of Asian Studies. Australian National University, 2002. <http://eprints.anu.edu.au/arcchiv/0000513/00/idea.htm>.

TABLE 1**East Asia Summit Participants: Statistical Information**

Country	Population	Exchange Rate	GDP (US \$bn)	GDP per capita (US\$)	Real GDP growth (% change)
Australia	20.2 m (2004)	AS1=US\$0.7666 (Jun2005)	692.4	33,629	2.6
Brunei	0.4 m (2004)	AS1=B\$1.2815 (Jun 2005)	5.7	15,764	1.6
Myanmar	50.2 m (2004)	AS1=710.5280 Kyats(2004)	10.4	205	1.3
Cambodia	13.8 m (2004)	AS1=3,131.68 Riels (Jun 2005)	4.6	317	1.9
China	1,299.8 m (2004)	AS1=6.3450 Yuan (Jun 2005)	1,851.2	1,416	9.1
India	1,080.3 m (2004)	AS1=33.4125 Rupees (Jun 2005)	750.8	685	7.1
Indonesia	223.8 m (2004)	AS1=7,384.79 Rupiah (Jun 2005)	280.9	1,237	5.7
Japan	127.3 m (2004)	AS1=83.2790 Yen (Jun 2005)	4,694.3	36,841	1.2
Republic of Korea	48.2 m (2004)	AS1=775.9676 Won (Jun 2005)	819.2	16,897	3.1
Laos	5.8 m (2004)	AS1=8,061.24 Kip (Feb 2005)	2.7	451	7.0
Malaysia	25.5 m(2004)	AS1=2.9132 Ringgit (Jun 2005)	129.4	4,989	4.8
New Zealand	4.1 m (2004)	AS1=NZ\$1.0820 (Jun 2005)	108.7	26,373	2.7
Philippines	86.2 m (2004)	AS1=42.3019 Pesos (Jun 2005)	95.6	1,088	5.1
Singapore	4.2 m (2004)	AS1=\$1.2815 (Jun 2005)	116.3	27,180	3.7
Thailand	64.6 m (2004)	AS1=31.3293 Baht (Jun 2005)	178.1	2,736	4.5
Vietnam	82.6 m (2004)	AS1=11,594.08 Dong (2004)	51.0	610	7.8

Source: Data from Country Fact Sheets, Department of Foreign Affairs and Trade, Government of Australia, Canberra. (The data is as compiled by the Market Information and Analysis Section, DFAT, using the latest data from the ABS, the IMF and various international sources. Please note that data listed for GDP statistics and unemployment rates are either IMF or Economist Intelligence Unit forecasts for 2005.)

This table shows huge demographic and economic diversity in the region. The population extremes range from 1299.8mn and 1080.3mn of China and India respectively to 0.4mn of Brunei, 4.1mn of New Zealand and 4.2mn of Singapore. There is a gap of nearly 8mn between the second highest India and the third highest Indonesia. On the economic front, the region has both highly developed and extremely poor countries. While Myanmar and Cambodia have the per capita GDP at 205 and 317 dollars, those of Japan and Australia are as high as 36,841 and 33,629 dollars respectively, followed closely by New Zealand at 26,373 and Singapore at 27,180 dollars. The countries of the region also have divergent legacies of strategic

perspectives, political systems and developmental strategies. We shall take note of these factors as they impinge on the community building process subsequently.

The Summit Declaration and the Chairman's Statement clearly projected a strategic vision of building an East Asian Community. The Summit was established as a "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". Peace and stability were given precedence over 'economic prosperity'. The issues of peace and stability discussed at the summit included 'de-nuclearisation of the Korean peninsula', 'regional and international terrorism', and 'maritime security'.

While the strategic goal of the summit was described as "promoting cooperation in political and security issues", the developmental goals were spelled out in details and specifics. They included;

...financial stability, energy security, economic integration and growth, eradicating poverty and narrowing the development gap in East Asia, through technology transfer and infrastructure development, capacity building, good governance and humanitarian assistance and promoting financial links, trade and investment expansion and liberalization;...

The Chairman's statement added 'sustainable development' and 'democracy' to this list and said that the group would help evolve "concerted regional and global" responses to these challenges. The Chairman's statement took a special note of the Doha Round of WTO deliberations, emphasizing the need for real gains for "trade in agricultural and non-agricultural market access and services". The concern for regional and global trading regime that had triggered the initiative towards EAS was evident here.

The EAS agenda also included promotion of 'cultural understanding, people to people contacts', 'environmental protection, prevention of infectious diseases and natural disaster mitigation'. A separate Declaration on the Avian Influenza Prevention was adopted by the summit.

Regarding the institutional aspects, the EAS was to be “an open, transparent and outward looking forum”. It was expected to meet “regularly” but the periodicity of such meetings was left to be decided later. ASEAN constituted core of the EAS and the whole process of community building was expected to be ASEAN driven. Indicating the priorities in community building, the Chairman’s statement said that the members “expressed full support for ASEAN’s efforts to realize the ASEAN community. We also recognize that the East Asia community is a long term goal...”¹⁶ Elaborating on the community building process, the Chairman’s statement (para 10) identified its three levels; ASEAN, ASEAN +3, and the EAS group (ASEAN +3 and ASEAN +1). It said:

...ASEAN as the driving force is an integral part of the overall evolving regional architecture. We also agree that the East Asian region had already advanced in its efforts to realize an East Asia community through the ASEAN +3 process. In this context we believed that the EAS together with the ASEAN +3 and the ASEAN +1 processes could play a significant role in community building in the region.

The format of the EAS was kept “informal”, “retreat style”, in the interest of “frank, spontaneous and free-flowing” discussions at the level of leadership. It was called a leaders-led group. The decisions flowing out of these discussions were to be followed up, coordinated and implemented by the “officials and the ASEAN Secretariat”.

Tension Areas in Community Building

The evolving dynamics of regional architecture outlined in the Summit statement and the Chairman’s declaration, may have to resolve some of the inherent areas of tension in the EAS. One of these areas is the question of membership. It has been noted earlier how this issue was critical while establishing EAS. This question continues to be relevant because the proposed East Asian Community is expected to be an “open, transparent and outward looking” organization. In the Chairman’s statement, Russia’s interest in being a part of the EAS had been welcomed with the assurance that it will be considered for future summits. Russia on its own has started lobbying strongly for its EAS membership. The Deputy President of the Russian

¹⁶ Chairman’s statement, para 9. Text from ASEAN Secretariat, <http://www.aseansec.org/18104.htm>.

Federation Council described cooperation with the East Asian region as a foreign policy priority and urged that the “Russian regions of Siberia and the Far East should increasingly integrate into Asian, South East Asian countries’ economic dynamics.” He also described the period of past 10 years of Russia-ASEAN cooperation as a “historic decade”.¹⁷ Russia has been projecting its energy clout to the region through cooperation with China in this field. Energy is a priority sector in East Asian cooperation. There are however political implications of Russia’s admission to the EAS. Russia fulfills only two of the three criteria for membership laid down before the Summit. It has a ‘Dialogue Partner’ status with the ASEAN and is also a signatory of the Treaty of Amity and Peace. But the substance of Russia’s economic and strategic relationship with ASEAN is not very strong. The possibility of a quiet Chinese support to Malaysia for the Russian participation in the EAS cannot be ruled out. This could be the Chinese answer to those who want to keep China in balance by securing membership for the non-APT countries like Australia, New Zealand and India. This could also be the extension of Central Asian precedent where the Shanghai Cooperation Organisation includes both China and Russia but not the US.

Any such move on the part of the EAS to admit Russia would trigger greater US pressures. We have noted the US reservations on the Summit earlier. US Secretary of Defence Donald Rumsfeld and Deputy Secretary of State Robert Zoellick had spoken against the exclusion of US from the EAS. So did the Secretary of State Condoleezza Rice.¹⁸ All of them apprehended that the US exclusion would facilitate China’s domination of the EAS and create security complications for the region.

The US concerns for China’s domination of the East Asian region arise out of a realization that steadily, the US is losing its economic and strategic standing in the area. There is uncertainty about the US clout in the region and the extent of its economic engagement in terms of trade and investments, has been reduced with the rise in China’s economic ties with the countries of the region.¹⁹ The US difficulty in joining the EAS arises, to begin with the anti-west thrust of the initiative. In addition

¹⁷ In interview to a Latin American News Agency in Moscow on July 5, 2006. Prensa Latina, <http://www.plenglish.com/Article.asp?ID=%>.

¹⁸ As quoted in Amitav Acharya, Financial Times, (London) December 14, 2005.

¹⁹ M. Taylor Fravel and Richard J. Samuels, “The United States as an Asian Power: Realism or Conceit?”, *Audit Of the Conventional Wisdom*, MIT Centre For International Studies, Massachusetts Institute of Technology, Cambridge, MA, 2005. <http://www.mit.edu/cis/>.

to this, the US cannot fulfill the membership criteria as it stands today because by signing the ASEAN Treaty of Amity, the US does not want to restraint its right to use force in pursuance of its interests in the region, particularly in view of the tension in the Taiwan Strait and the question of North Korea's nuclear proliferation. The possibility of the US creating difficulties in the process of community building in East Asia or strengthening the APEC to undermine the EAS cannot be ruled out.

The question of membership has the potential of keeping the EAS evolution under tension. Some other countries (and entities) like Pakistan, North Korea, France, Taiwan and the European Union may also seek membership of the EAS.²⁰ Mahathir had strongly objected to Australia's membership of EAS saying that "Australia is basically European and it has made clear to the rest of the world that it is the deputy sheriff for America".²¹ This disqualifying European characteristic may also apply to Russia if it is admitted to the group later. To ward off the possible tensions to be generated on the membership issue, it has been decided to freeze the present membership for two years.²² But it remains to be seen as to how long such a freeze can be kept in place if the promise of building an "open, transparent and outward looking" community has to be honoured.

The second area of tension in EAS relates to the question of institutionalization and institution building. The position adopted at the summit clearly makes EAS an ASEAN driven organization. This has suddenly exposed the ASEAN to its internal weaknesses and a lurking fear that the EAS community might sideline ASEAN. This fear is leading ASEAN to emphasize ASEAN community building as a priority over the East Asian Community building. For the time being, the ASEAN priority has been endorsed against the Chinese preference for 'ASEAN plus three' to serve as the core of the EAS. China had accordingly drafted the Summit Declaration and was keen to host the second summit, but could not carry the rest of the members along on its preference. India and Japan on the other hand are insistent on laying stress on the larger canvas of community rather than limiting the initiative to ASEAN or ASEAN

²⁰ France has signed the Treaty of Amity and Taiwan has said that it "deserves a seat at the EAS table". Taipei Times, December 19, 2005.

²¹ As quoted in Taipei Times, December 08, 2005. <http://www.taipitimes.com/news/world/archives/2005/12/08/2003283497>.

²² Statement of the ASEAN Secretary General Ong Keng Yong. Times of India online, May 20, 2006.

+3. India was forceful in its demand that the commitment to the idea of building “community” must be highlighted in the summit document.²³ The acceptance of ASEAN as a core and priority for building ASEAN Community first could be seen as a compromise between the Chinese and Indian positions. The competitive drives of the three tiers of EAS namely; ASEAN, ASEAN+3 and ASEAN+1, which does not seem to have died out after the adoption of the Summit Declaration making the process ASEAN driven, will have to be harmonized for the EAS processes to advance. In effect the EAS process will amount to ASEAN in dialogue with the rest of the EAS members. If the ASEAN community building takes longer than expected and the EAS process drags, non-ASEAN members of the EAS may start losing enthusiasm, if not interest, altogether in it.

The mundane aspects of institutionalization however, being put in place. Senior Officers Meetings (SOM) have started taking place to carry the Summit decisions forward. The first EAS ad hoc consultations of the SOM were held in Karambunai Sabah, Malaysia on May 20, 2006. These discussions paved the way for the second SOM. It was then decided to have an EAS Foreign Ministers luncheon consultation, to give final shape to procedural matters, including periodicity of the Summit. The second EAS SOM consultations and the Ministerial luncheon meeting were held on July 26, 2006 in Kuala Lumpur. It was reiterated that the second EAS would be held in Cebu, Philippines in December 2006. The EAS would continue to serve as a “discussion forum” for dialogue on “strategic, economic and political issues” of mutual concern. The EAS was not expected to undertake specific proposals but to facilitate speedier integration of ASEAN. The EAS Foreign Ministers expressed deep concern on the failure of the Doha round and considered ways in which this failure could be dealt with. If the unfolding direction of EAS deliberations is any indication, the EAS will “develop incrementally” and in a “de-institutionalised” (that is, in informal retreat and consultation pattern) form.²⁴ Interestingly, there were reported claims by the Japanese official sources that the Chinese and the Japanese foreign ministers had a successful meeting during these consultations. This low key outcome

²³ “Japan, China Clash Over East Asian Summit”, The Yomiuri Shimbun, November 25, 2005, as cited in Congressional Report on East Asian Summit, op. cit.

²⁴ Vietnam News, July 27, 2006. <http://nietnamnews.vnagency.com.vn>. On EAS Ministers meeting also see, P. S. Suryanarayana, “Doha impasse a challenge: meet”, The Hindu, July 27, 2006. John Aglionby, “The art of toilet diplomacy”, The Guardian, July 27, 2006.

of the EAS Ministerial consultations was a reflection of the uncertainties and tension points (under discussion), among the EAS members.

The third area of tension is about streamlining the agenda. EAS has adopted a very wide agenda and it may not be possible to work effectively on all the parts of the agenda. In any case it is not practically possible to make progress on all the items of the agenda simultaneously. There is a general understanding that the economic agenda will be pursued more vigorously as compared to cultural and political/security agenda. Within the economic agenda also, there are indications that the trade matters will be taken up on priority towards building pan-Asian free trade area.

There is considerable interest in addressing the question of energy security and explore the possibility of evolving a common currency for EAS. But both energy and currency issues are complex and there may be considerable divergence in the perspectives of the member countries on how best to deal with these issues. Political and security agenda of the EAS is far more vague and unstructured. If the first summit declaration is any indication, the Summit will react to contemporary issues of concern and give its consensus position on such issues.

Multilateral arrangements on specific issues like Maritime security or internal conflicts are still far from being contemplated. The task of setting agenda priorities and define specific issues for pursuance will naturally fall on the SOM and such other decision-making structures that are evolved. The SOM decided on a 17 item agenda for the EAS Summit but at the luncheon consultations of the Foreign Ministers on July 26, 2006, this was reduced to five "priority areas", namely energy, finance, education, avian influenza and maritime security involving disaster relief. Trade was not mentioned because that was being pursued in the form of FTA within ASEAN. But cooperation on these five identified areas was also expected to be carried forward through the "existing ASEAN mechanisms.

The fourth area of tension in the EAS is its relationship with other regional organizations functioning in the region, such as ASEAN, ARF, APEC and various other sub-regional groups. The boundary between ASEAN and EAS is hazy and even

confusing. If the purpose of the EAS is to encourage ASEAN community building, then what is ASEAN meant for and what independent identity ASEAN or EAS can retain vis-à-vis each other. The question that is posed here is that if EAS will help ASEAN build itself as a community than what will ASEAN mechanism on its own do. There is also a realization that ASEAN community building has challenges and the whole process will be slower.

Talking to the journalists after the ASEAN Foreign Ministers retreat at Bali on April 20, 2006, the Singapore Minister George Yeo said; “There was a collective impatience at the speed at which ASEAN was moving. There was a strong wish expressed by all of us that the Secretariat should be strengthened, follow-up should be improved, and that we need a stronger structure and better mechanisms to achieve our internal coordination”.²⁵

If this situation persists than ASEAN can even become a drag rather than a driver for the EAS process. There are opinions in the ASEAN countries that may wish the EAS process to advance slowly so that ASEAN’s identity is not blurred. Besides ASEAN there is also the ARF, the only forum of its type in the Asia-pacific region to deliberate upon security issues. Here again the boundaries are not well defined between ARF and the EAS’ role in ensuring peace and security in the region.

Then there is a question of relationship between APEC and EAS. It may be recalled here that the idea of East Asian grouping had emerged in reaction to the perception of US domination of APEC. China and Malaysia have even argued that the East Asian countries should form a pressure group within the APEC to ensure protection of their rights. The Philippines President Mrs. Gloria Arroyo joined the Malaysian Prime Minister in urging ASEAN to ‘embrace China, Japan, South Korea and India’ to form a larger grouping under EAS so that this larger group could face US, Europe and other emerging entities strongly on economic matters.²⁶ Perceptions in the US have been quite contrary to this.

²⁵ Press Release of the Ministry of Foreign Affairs, Singapore, April 20, 2006.

²⁶ “East Asia Summit’s birthing pains”, The Strait Times, February 22, 2005.

Fred Bergsten, former US Treasury Under Secretary, and the present Director of Institute for International Economics was of the view even before the convening of EAS that it could grow only through “the process of hemispheric integration” through APEC. In a speech in Tokyo on September 2, 2005, he said:

East Asia project, like the European and North American regional integration projects before it, must be embedded in broader geographical initiatives to assure realization of its positive potential for the world at large and to assure other countries notably the United States, that it is irrevocably headed in a constructive direction.²⁷

By implication, the EAS, as it has emerged without the US and with the aim of becoming a source of pressure on APEC, may not be seen as heading ‘in a constructive direction’. How will the US react to its evolution remains to be seen, though apprehensions are ripe among the EAS diplomats that the US might pay greater attention to the APEC, strengthen it even by including more members like India in order to undermine the EAS.

The dynamics of the tension points identified above will unfold gradually with the process of EAS evolution and the prospects of community building. The possibility of these points slowing down and distorting the process of EAS evolution exists considerably. No body should however, also have any doubt that the resilience of EAS members and progress in the regional integration may gradually weaken and even eliminate these tension points. More so because the potential of economic integration in EAS is much stronger and every member country realizes that greater economic integration and cooperation in the region will be beneficial to all. Let us look at the potential and prospects of community building in the EAS region.

Potential and Prospects – Economic

EAS is a region of strong and fast growing economies. It is considered the third pole of world economy after the US and Europe. Its four major economic players namely Japan, China, India and Korea are among the twelve largest ranking global economies. Besides these four major players, at least half of the remaining 12

²⁷ Text of the speech, <http://www.iie.com/publications/papers/bergsten0905.pdf>.

economies of the region are fastest growing economies like that of Singapore, Thailand, Vietnam, Malaysia etc. All of them put together account for nearly one fourth of the global economy as a whole.²⁸

As a region, the EAS has sustained an impressive growth momentum, except for the period of economic crisis during 1997-2000. This growth has continued after the crisis period and will be sustained in coming years. In 2004 and 2005, the EAS registered 7.9% and 7.2% growth respectively. The estimates for 2006 and 2007 are 7.5% and 6.9% respectively. According to the Asian Development Bank's estimates, this growth will be sustained by the 'broad-based expansion' and diversification in the major industrial countries of the region like China, Japan, Korea and India, and robustness of the global Information Technology regime. In maintaining this high growth, the EAS countries have shown their resilience and dynamism in adjusting with the 'increasing energy costs', 'persistent inflationary pressures, tighter money conditions and financial volatility'.²⁹

The prospects of sustained higher growth scenario in the EAS region may be hampered by some unexpected development like the fall in 'external demands', unmanageable hike in energy costs, decline in global 'financial conditions' and unexpectedly faster cooling down of the over-heated Chinese economy. It is however hoped that the regional leaders are conscious of these hazards and are prepared to address them.³⁰ Some broad parameters of economic comparison between EAS and other developed regions are presented in Table 2:

²⁸ David Burton, Wanda Tseng, and Kenneth Kang, "Asia's Winds of Change", *F&D-Finance and Development*, A quarterly Magazine of the IMF, June 2006, Volume 43, Number 2.

²⁹ Asian Development's latest report released by the head of its Office of Regional Economic Integration and Asia Economic Monitor, Mashahiro Kawai in July 2006. Investment Research Information Services, July 18, 2006. Also see, **REO: Regional Economic Outlook - Asia and Pacific**, International Monetary Fund, May 2006.

³⁰ Ibid.

TABLE 2**EAS and the Developed Countries' Regional Groupings (Billions, US Dollars)**

Parameters	EU	NAFTA	JACIK (14)	EAS (16)
Gross National Income, PPP	10137	12847	16058	16716
% of World Total	20.14	25.53	31.91	33.22
GDP (Gross)	10505	12431	7262	8198
% of World Total	29.37	34.76	21.24	22.92
Exports (2002)	3523	1486	1657	1757
% OF World Total	46.50	19.62	21.88	23.20
International Reserves	285	170	1657	1757
Population(Millions)	381	425	3065	3089
%of World Total	6.12	6.83	49.27	49.65

EU-European Union, NAFTA-North American Free Trade Association, JACIK-Japan, ASEAN, China, India, Korea, EAS-East Asia Summit.

Source: RIS, based on *World Development Indicators 2005*, CD-ROM; IMF, *International Financial Statistics, 2004*. As in Nagesh Kumar, "Towards A Broader Asian Community: Agenda For the East Asian Summit", **RIS Discussion Paper**, RIS-DP # 100. November, 2005, RIS New Delhi. (Table 1, p. 9).

It is clear from the table that the EAS is ahead of the other regional groupings in the presented economic indicators except that EU is better in GDP gross and percentage and exports in gross only. The table also established that even the ASEAN plus three plus India would be better off by joining hands with Australia and New Zealand under the proposed East Asian Community.

Trade

The growth model of the 'tiger economies' in EAS region has been trade driven. According to one estimate, the share of Asian countries in world trade rose from 11 to 26 percent between 1960 and 2005. This growth in trade encouraged industrialization, shifting the economic base from agriculture to labour intensive manufacturing, and in the recent years, to the more capital intensive and high-tech industries.³¹ As a result, new jobs were created, wages were increased and prosperity spread. In view of this experience, the growth strategy of EAS is likely to be trade based. The community building exercise for ASEAN as well as the entire East Asia has adopted the goal of pan-Asian free trade regime through sub-regional building blocks.

³¹ *ibid.*

There is considerable economic diversity in the EAS region. Broadly, ASEAN and Australia are strong in primary products (both agricultural produces and minerals), China has emerged as the manufacturing centre of the world, India's strength lies in service sector and information-technology and Japan has a sound capital base. Thus there are complementarities in trade and production structures of the EAS members. At the core of such complementarities is the emergence of China as the manufacturing hub in the region and also as the major exporter. China has a surplus with the developed countries at a level of more than \$200bn and for most of these exports, it imports raw materials and primary products from its regional neighbours. China also imports food and other agricultural products from its neighbouring countries. Accordingly, the Asian neighbours have surplus trade with China. This has created a mutually advantageous interdependence between China and its neighbours, both sharing in each others prosperity and together generating integrative structures in the region. This pattern may continue depending on the rise in demands from the developed markets and China's manufacturing capabilities. According to the projections made for 2020, China's exports to its neighbouring region and the developed economies are as follows:

TABLE 3
China's Balance of Trade

(In Billions, US Dollars)	
With the Asian Neighbours:	Japan: (-)5; NIE: (-) 135; ASEAN: (-) 41;
With the Developed Economies:	USA: (+) 166; EU: (+) 66; Rest: (+) 71. ³²
Note: (-) indicates negative and (+) indicates positive. NIE stands for newly industrialized economies of Southeast Asia.	

In simple terms, this indicates that while China earns US\$ 303 billion from the developed world, it makes its Asian neighbors richer every years by US\$ 181billion. This gives stakes to these neighbours in China's growth and prosperity, and consequently its economic rise. There is however, another view of this interdependence based on China's phenomenal growth and production power. The

³² Of 1997 US Dollars; Based on IADB Modelling. Source: Zhang Yunling, "China-ASEAN Relations: Opportunities and Challenges", (Dr. Zhang Yunling is the Director of the Institute of Asia-Pacific Studies, Chinese Academy of Social Sciences). http://www.mof.go.jp/jouhou/soken/kouryu/h14/chu14_07d.pdf.

Chinese growth is distorting and redefining production processes in the neighboring countries as they are pushed out of the export markets in the West being captured by China. Their domestic economic policies are also being influenced in favor of sustaining this interdependence. What happens if the Chinese growth gets a jolt. The economies of all the neighbouring countries would be adversely affected, perhaps like the crisis of 1997-99. And above all, all this growth and economic dynamism is heavily dependent upon considerable exploitation of the Chinese labour force which at times shows signs of restiveness.³³ All these negative aspects may emerge as challenges in the long run, but until then ever one seems to be relishing the advantages of the regions growth and its growing interdependence.

The significance of trade in the EAS region's growth was mentioned earlier. Accordingly, trade has been conceived as one of the most important instrument of building economic community in the region. All the EAS countries and the sub-regions within EAS are vigorously pursuing the strategy of working out Free Trade Agreements (FTA) with each other. There are three identifiable levels where such Agreements are being negotiated and finalized; one within the ASEAN, then between ASEAN and its 'plus' partners and at the third level, between one EAS member and the other, bypassing the ASEAN route. It is hoped that such trade linkages will help create a web of interdependencies to advance the process of integration in the region.

The FTA strategy for community building is logical and has its own strengths. But there are problems and difficulties in this respect as well. One is that the plethora of bilateral FTA links being forged, particularly by more open economies like that of Singapore and Thailand, are also creating duplicate and some times even incompatible and contradictory structures as well. This, to some extent is also causing diversion of trade. Some of these bilateral FTAs are undermining or slowing down the progress towards regional FTA that should provide an umbrella structure for facilitating and reinforcing trade flows, by creating trade rather than diverting it. The process of building trade linkages is slow and long-term in the multilateral pattern. For instance, ASEAN's projected dates for the finalization of FTA(s) with China is 2010, with India 2011 and with Japan 2012. Even the intra-group ASEAN

³³ For this contrary view, see Paul Burkett and Martin Hart-Landsberg, "Thinking About China: Capitalism, socialism and class struggle", *New Socialist*, <http://newsocialist.org/newste/ndex/php?.id=241>.

FTA will proceed in two stages, with the ASEAN six by 2007 and with the relatively poorer and underdeveloped new ASEAN members – Myanmar, Laos, Cambodia and Vietnam - joining later in 2015, as these economies are not in a position to sustain FTA with their more advanced member economies.

The FTA process is slow also because many countries are hesitant in including some of their key products in the free trade basket. Malaysia's protection of its palm oil and car industries is a case in point.³⁴ India's insistence on a strong negative list in its FTA with ASEAN may also be mentioned here as it is delaying the finalization of the agreement that was due in December 2005. Yet another problem in the field of trade is the failure to carry out FTA commitments in practice.³⁵ There are many in ASEAN including Philippines President Gloria Arroyo, who do not expect the group's integration and community building before 2020. It is agreed that the EAS integration and community building can be accomplished only after the ASEAN process has successfully been completed.

Economic integration and community building in EAS cannot remain confined to the trade matters. In fact trade integration is not enough to sustain higher economic growth in the region unless the FTA arrangements are accompanied by additional measures like easy capital mobility, harmonization of customs procedures, product standardization and free movement of labour and services. It is being gradually realized that liberalized trading arrangements can be broadened into Comprehensive Economic Partnership Arrangements (CEPA) to multiply gains. According to RIS studies, the liberalized trade gains of US\$147 billion can grow up to US\$ 210bn under a broad-based RTA i.e. CEPA. This makes a difference of US\$ 63 billion and explains the growing emphasis on CEPA in the place of FTA.³⁶ A comparative look at the welfare gains in the region from FTA and CEPA is provided in Table 4.

³⁴ The Economist, July 29, 2004

³⁵ *ibid.*

³⁶ Nagesh Kumar, "Towards a Broader Asian Community: Agenda for the East Asia Summit", **RIS Discussion Papers**, RIS-DP # 100, New Delhi, November 2005.

TABLE 4**Welfare Gains from East Asian Economic Integration**

Countries	FTA	(Percentage of GDP) Comprehensive Economic Cooperation
Japan	1.76	4.05
South Korea	2.63	3.98
China-Hong Kong	0.58	2.53
India	1.37	2.79
Australia	1.61	4.07
New Zealand	2.96	5.81
Indonesia	3.85	7.03
Malaysia	3.42	5.62
Philippines	1.35	3.50
Singapore	1.86	3.07
Thailand	3.36	5.40

Source: S.K. Mohanty, Unpublished paper on EAS, July 2006. Based on author's Computable General Equilibrium (CGE) analysis using GTAP

Note: Addition increase in Welfare as a percentage of GDP of individual Countries in the Event of FTA and CEC in the Region.

The table clearly brings out the advantage of CEPA over the normal FTA. By expanding the scope of FTA, every one in the region will gain. The highest gains of nearly or more than three percent of the GDP will accrue to Japan, Indonesia and New Zealand. The least gainers will be India, South Korea and Singapore, of less than 2 percent of their GDP.

Process of economic integration in the region would therefore, follow the CEPA route. This will require considerable time and effort on the part of the member countries as they will have to harmonize their economic interests to mutual benefit, not only in relation to regional priorities but also in view of their economic interests outside the region, in relation to even the developed economies.

The preference for CEPA approach was clearly evident at the ASEAN Economic Ministers Conference (AEM) in August 2006. It was decided at that meeting to lower the barriers to the flow of not only goods but also services within ASEAN to expedite its march towards an economic community. The Joint Statement issued on the

occasion emphasized the importance of “Mutual Recognition Arrangements” under which “free movements of professional and skilled labour in ASEAN’ could be facilitated.³⁷ To influence the agenda of the AEM, Japan took what is called the Nikai Initiative to offer a US\$ 100mn fund to promote economic community building in the wider East Asian region. The thrust of this initiative is on Economic Partner Agreement (EPA) that could cover agriculture, technology, services, trade, investment, currency and financial matters. This EPA approach will give Japan an advantage in shaping the East Asian regional market to suite its own long-term interests.³⁸

The AEM meeting clearly reflected the strong sense of competition that if ASEAN did not move fast to integrate their market, they would lose in the regional economic architecture. The ASEAN Secretary General Ong Keng Yong admitted in a press statement that “competition is for real now. More and more attractive investment locations are coming up, not only in China and India but elsewhere in the world. If we want to be in the marathon race we cannot stop for too long”.³⁹ There is a serious and genuine fear within ASEAN that if its economic integration process goes slow, other faster growing economies will take a lead. It is this fear that has prompted ASEAN to hasten the target for economic community building from 2020 to 2015. There are however, observers that ASEAN would not succeed as it is not a ‘homogenous region’ and the idea of free movement of labour is fraught with serious security issues.⁴⁰ In contrast to the ASEAN haste, the Japanese initiative for greater economic partnership is driven by the desire to assume the role of economic leadership in the region.

Financial & Monetary Cooperation

Monetary cooperation is an essential component of economic integration. It plays a decisive role in trade facilitation and other diverse economic activities as well. The idea of monetary and financial cooperation in the East Asian region was triggered by

³⁷ Joint Media Statement of ASEAN Economic Ministers Meeting, Kuala Lumpur, 22 August, 2006. Para 16.

³⁸ Bernama.com, Malaysian National News Agency, August 19, 2006. Peoples Daily On Line, August 19, 2006, <http://english.people.com.cn/>.

³⁹ The Hindu, August 20, 2006.

⁴⁰ Mr. Joseph Tan was quoted in India Today Online, “Asean’s Goal 2015”, August 23, 2006.

the experience of economic crisis of the late seventies (1997-2000). China's refusal to devalue its currency Yuan to help ease the balance of payments pressure on its Southeast Asian neighbours and Malaysia's firm decision to delink its currency from the US dollar were the two most significant decisions in the region in response to the crisis. It is widely accepted that the region enjoys a huge capital reserve between Japan, China, India, Korea and ASEAN. These reserves are locked up in unproductive activity, and if released for financing development, growth and economic crisis management, the liquidity can yield substantial benefits.

The Chiang Mai (in Thailand) initiative of the APT countries in May 2000 was the first move in the direction of structuring financial and monetary cooperation in the region. A swap arrangement emerged out of this initiative which has two aspects namely; (i) an ASEAN swap arrangement with a reserve of US\$ 1bn, and bilateral swap arrangements between one of the three plus partners (China, Japan or Korea) on the one side and any one of the ASEAN members on the other.⁴¹

These arrangements are being reviewed for improvement to enlarge the size of the reserve and evolve a collective mechanism to activate and monitor the swap. The swap arrangement has not been seriously challenged or even tested for its viability as there has not been any repeat of the 1997-2000 type financial crisis in the region.⁴² The Chiang Mai Initiative was followed by the establishment of Asian Bond Fund in June 2003 and Asian Bond Market Initiative in August 2003. The objective of these initiatives and arrangements is to help needy "public and private sectors raise and invest long-term capital".⁴³

In addition to the swap arrangements and the Bond Fund, a proposal has been developed at the non-governmental level to establish a Reserve Bank of Asia. There are estimates that the total foreign exchange reserves of the EAS members may be more than US\$ 2 trillion by the end of 2005. Most of these reserves have been tied up

⁴¹ G. Bird and R. S. Rajan, "The Evolving Asian Financial Architecture", Essays in International Economics, No.26, Princeton University, February 2002. Y. C. Park, "Beyond the Chiang Mai Initiative: Prospects for Regional Financial and Monetary Integration in East Asia", 2004, as cited in Ramkishan S. Rajan, "Monetary and Financial Cooperation in Asia: Emerging Trends and Prospects", **RIS Discussion Paper, RIS-DP#107**, RIS New Delhi, March 2006.

⁴² Ramkishan S. Rajan, **RIS Discussion Paper No. 107**, op.cit, p.6-7.

⁴³ Ibid.

to the low yielding US Treasury Bonds. A part of these reserves can tremendously boost developmental activity in Asia and protect it from future shocks in monetary sector. Even a US\$ 100bn. can create an Asian SDR or an Asian Currency Unit (ACU), capable of providing spurt to trade, a mechanism for exchange rate stability and funding for regional public goods and infrastructural development projects.⁴⁴

Energy

While looking at the growth prospects of the East Asian Region, the risk of unaffordable rise in the energy costs was mentioned. This has prompted the EAS leaders to include energy as an important part of their agenda in building the East Asian economic community. The significance of cooperation in energy field also arises from the fact that the consumption of energy in East Asia is growing at the rate of 6 to 7 percent per annum. This means a frantic search and competition for hydrocarbon energy sources (oil and gas) among the regional countries, particularly those which are growing faster, like China and India. Another dimension of energy scene in East Asia is that almost 60% of the region's energy still comes from coal, resulting in greater carbon emission and pollution. To meet both the challenges of supply and "environmental sustainability" regional cooperation in the field of energy is a priority. One may also bear it in mind here that the conflict potential that exists in the region in areas like South China Sea is linked to the control of and access to the potential of energy resources there. Cooperation is necessary to avoid the prospects of conflict in this area.

A number of prospective areas of cooperation in energy sector among the East Asian countries have been identified and are even being explored. They include research and information exchange on energy related issues, attempts at evolving common policy priorities and possibly a consensus on energy, collaboration in energy transmission infrastructure like the oil and gas pipelines, co-ordination of energy import strategies to avoid unproductive competition, work towards building a common energy market, know-how for the efficient use of energy, and energy related

⁴⁴ Nagesh Kumar, "Towards a Broader Asian Community", op.cit, and **Reserve Bank of Asia: Institutional Framework for Regional and Financial Cooperation**, RIS, New Delhi, May 2003.

environmental protection.⁴⁵ The East Asian countries can institutionalize energy cooperation. Essential and integral components of such cooperation could be respect for and compliance with international law, co-ordination of 'oil stockpiling' in the region, support and promotion of trans-national energy projects related to production and supplying of energy, an improved and easy availability of energy data and information, and finally, coordinated maritime energy security efforts.⁴⁶ The East Asian countries could also consider building 'Asian Strategic Petroleum Reserve' and put in place an 'Asian Emergency Response System' to deal with unexpected energy pressures such as those created by sudden and steep rise in oil prices, as being witnessed currently.⁴⁷ Many of these ideas, particularly those related to non-conventional sources and transportation of energy are expected to be intensively discussed during the Second EAS in Cebu (Philippines) in December 2006.

There is considerable scope for the EAS to cooperate in the area of non-conventional, alternative and renewable energy resources. The Chairman's statement of the first EAS has made a specific mention of 'fuel efficient technologies' and 'alternative energy sources'. (para5). Attention has been drawn to the development and use of bio-fuels in this regard. Thailand has a long standing programme for producing 'gasohol' and there are reports that a number of EAS countries including India, Japan, China, Philippines and Indonesia are working in this field.⁴⁸

The prospects of wind energy are also being seriously explored in some of the East Asian countries. Civil Nuclear energy is an important area in this respect with Japan, India and China being in a position to share technology and know how in this field. However, this is also a sensitive area in view of ASEAN's firm commitment to non-proliferation. EAS can strengthen regional think tanks working in the energy field, like ASEAN Energy Centre to help develop specific projects in the identified areas of regional cooperation. The attempts being made currently to augment the region's

⁴⁵ Peter Drysdale, "Energy Security In East Asia", Asia-Pacific School of Economics and Government, Australian National University, Canberra. (Presentation at Asian Energy Forum, Tokyo, November 25, 2005). http://eneken.ieej.or.jp/en/seminar/aef2005/PP_Drysdale_session1.pdf.

⁴⁶ Some of these points emerged at the NEAT (Network of East Asian Think Tanks) Working Group on Energy Security Cooperation in East Asia, at its meeting in Singapore on May 6, 2005. http://www.ceac.jp/e/pdf/neat_wg5.pdf.

⁴⁷ Nagesh Kumar, "Towards a Broader Asian Community", op.cit, p.13.

⁴⁸ Channel news Asia, July 28, 2006. <http://www.channelnewsasia.com>. Also see, Siddharth Srivastava, "Wonder Plant to Fuel India", Asia Times Online, May 18, 2006. www.asiatimes.com.

energy resources and supply infra-structure may be stepped up through investments in oil and gas exploration as well as pipeline projects.

Besides these three core areas of economic integration, EAS region needs to develop transport infrastructure and connectivity. Proposals like a road link from India to Vietnam, or the revival of old silk route by China are already in discussion among the EAS members. Organisation of an ASEAN car rally by India in 2004 was an attempt to highlight the significance of connectivity. Such projects obviously require huge investments, but will also make considerable contribution to the community building process in economic, security and cultural fields. Cooperation is also required in developing and exchanging critical technologies to cope with the challenges of nutrition, health and social welfare. Avian flu is one of the most dreaded health hazards that can seriously undermine the EAS region's growth and economic dynamism. According to the World Bank estimates a 'severe avian flu pandemic among humans' could cost as much as US\$1.25 trillion, equal to 3.1% of global GDP.⁴⁹ This is the reason why increasing importance is accorded to cooperation in fighting the flue and this issue is included in the security agenda of EAS related forums.

Potential and Prospects – Strategic and Political

EAS is a strategic initiative and great deal of economic integration and community building under this initiative would be decisively influenced by strategic and political harmony as well as cooperation in security field in the region.

It seems that there is greater potential for strategic discord than concord in the EAS at present. The first sign of strategic discord in the EAS was evident on the occasion of the Summit itself when China refused to have a bilateral meeting with Japan. The Japanese Prime Minister Koizumi's visit in October - barely two months before the Summit ignoring Chinese protestations - to Yashukuni Shrine that symbolized Japanese martyrdom in fighting against China during the Second World War, was the apparent reason for the Chinese snub to Japan. There are persisting Cold War legacies between these two Asian neighbours and there is also a clash in their

⁴⁹ "Avian Flu: The Economic Costs", The World Bank, website report, June 29, 2006.

nationalisms.⁵⁰ The Chinese textbook portrayal of the Japanese had created a huge controversy between the two countries. It is, however, difficult to say if this discord is a reflection of the clash of two Asian nationalisms or of the competition for political space and influence in the region. The perspectives of both China and Japan are also quite divergent from each other on the way the East Asian community has to be built, though both are committed to the EAS initiative and do not seem to have much of a problem with the US exclusion at least at this stage. There is a possibility, and also hope, that the next Japanese Prime Minister may play the Chinese dimension of Japanese nationalism softly than was the case with his predecessor and that may improve political climate between the two countries. What happens if Japan wants to play a greater Asian role to distance itself from the US, a fear that continues to haunt a section of the US policy makers and analysts.⁵¹ Developments like Japan's growing trade and economic engagement with China and the rest of East Asia as compared to that with the US is reinforcing such fears.⁵² US is encouraging Japan to undertake greater security obligations in Asia and build its capabilities accordingly.⁵³ This is being done with the view of balancing China but it can also stimulate Japanese aspirations to increasingly play its Asian role with greater degree of independence from the US. However, the lingering discord between Japan and China and the prospects of Japan seeking a greater political and economic role in Asia, particularly under the US umbrella in the near future will not go down very well with China and definitely mar the prospects of strategic consensus in the EAS group.

Analysts also underline that 'conengagement' (containment and engagement) between the other two Asian giants India and China, also has the potential of creating difficulties in the evolution of the EAS community building. China has, after strong initial resistance, accepted India in the EAS and India is also trying to engage with China as constructively as possible on bilateral as well as regional relations. The results of such engagement are reflected in the growing bilateral trade and improved

⁵⁰ Haruko Satoh, "The Odd Couple: Japan and China – The Politics of History and Identity", Japan Institute of International Affairs Commentary", August 4, 2006. http://www2.jiia.or.jp/en_commentary/200608/04-harukoSatoh.html.

⁵¹ John Junkerman and Gavan McCormack, "Japan's Political and Constitutional Crossroads", Znet Japan, http://www.9-jo.jp/en/appeal_en.html.

⁵² Saadia Pekkanen, "Japan's FTA Frenzy", as quoted in M. Taylor Fravel and Richard J. Samuels, "The United States as an Asian Power: Realism or Conceit", op.cit.

⁵³ See one of the recent reports on this theme, "US, Japan agree on Japanese military expansion in Asia", India Defence, May 2, 2006. <http://www.india-defence.com/print/1858>.

overall political atmosphere. However, competitive and conflictual aspects are inherent in Sino-India Relations.⁵⁴ That the ASEAN countries' welcome to India to the EAS was driven by, amongst other considerations, the urge to balance China is widely known and accepted. If this balancing goes beyond acceptable limits to China and starts assuming the dimensions of counter-balance and containment, evolution of community in the EAS region could be adversely affected. There are also differences between India and China on how the EAS be driven, by ASEAN or ASEAN plus three, as noted earlier. The tension generated by these differences may also impact the process of community building, since India and China are the two biggest members of the group.

China's inevitable rise as the regional primate in EAS is a core issue in community building. There are mixed perceptions about China's rise and its regional consequences within ASEAN.⁵⁵ There is positive shift in these ASEAN perceptions and China seems to be working hard to reinforce such positive thinking. China has used its economic strength and diplomacy to drive home the point that engagement with China is mutually advantageous even for the smallest and the weakest member of the region. But concerns about China's future behavior persist particularly in Indonesia, Thailand, Singapore and Philippines. Continuing projections of China's systematic and speedy efforts at military modernization emanating from diverse US sources reinforce the sense of future uncertainty about China in the region.⁵⁶ The question of South China Sea disputes has been put on the back burner and China has gradually come round to approaching this issue in a multilateral framework but its legal and territorial aspects have not yet been amicably sorted out. Lingering concerns draw strength from such unresolved questions as well. More so because, China has in principle not abandoned the use of force in pursuance of its vital national interests such as on the question of Taiwan.

⁵⁴ Some of these aspects have been discussed in S.D. Muni, "September 11: The Asian Giants get Closer", in Marika Vicziany, David Wright-Neville and Peter Lentini (Eds), **Regional Security in the Asia Pacific-9/11 and After**, Edward Elgar, Cheltenham, UK. Northampton, MA, USA, 2004. pp. 83-96.

⁵⁵ S. D. Muni, **China's Strategic Engagement with the New ASEAN**, IDSS, Singapore, 2002. Romel C. Banlaoi, "Southeast Asian Perspectives on the Rise of China: Regional Security after 9/11", *Parameters*, Summer 2003, pp. 98-107.

⁵⁶ For instance see a recent Rand report on **Chinese Response to US Military Transformation and Implications for the Department of Defence**, Rand Corporation, 2006. Pentagon has regularly been releasing assessments of Chinese military modernization.

The issue of Taiwan and the prospect of China eventually emerging as regional power to dominate the EAS region is a constant point of reference in how the US looks towards China and the process of community building in the region. The US interests and stakes in the region would not permit it to see EAS dominated by China.

Accordingly, the US is seen by many as being actively interested in encouraging the emergence of a viable Asian balance in the region with the help of other major Asian players like Japan, Australia and India.⁵⁷ China sees this as their “potential military encirclement”.⁵⁸ China is trying to handle its relations with the US carefully as it has enormous economic and strategic stakes in maintaining stability, but Taiwan issue is sensitive and tension prone. The evolution of EAS community will be decisively influenced by the overall dynamics of Sino-US relationship.

It is interesting to note that in most of the major power bilateral relations described above, strategic tensions exist simultaneously with ever growing economic engagements. This is yet another reason why the EAS may be dominated by economic integration agenda more than the building of a security community. But this creates an uneasy environment and may at some stage starts impinging adversely on the community building processes, if it is not the case already.

Besides the major power equations, there also is the question of mutually incompatible political systems of the EAS members and divergence in their priorities on the values of human rights, democracy and freedom. An obvious difficulty arising out of this divergence can be seen on the issue of Myanmar. The ASEAN foreign ministers have taken a tough position on Myanmar at their July 24, 2006 meeting.⁵⁹ The EAS members have different approaches to the Myanmar’s democracy question. At the first EAS Foreign Ministerial level consultations in Kuala Lumpur on July 26, 2006, following the ASEAN meeting, India strongly pleaded that while democracy should prevail, “we cannot isolate Myanmar”.⁶⁰ Such differences hamper the

⁵⁷ Congressional report on EAS, op.cit; Brad Glossarman, “Sino-US Relations and Regional Security”, *Issues & Insights*, Vol.4, No.7, August 2004, Shanghai, China. Ralph A. Cossa, “US – China Relations and East Asian Regionalism: What Lies Ahead”, *Issues & Insights*, Vol.6-No.1, January 2006.

⁵⁸ As quoted by Brad Glossman, *ibid*.

⁵⁹ Reuters website, July 25, 2006.

⁶⁰ Head of the Indian delegation Rao Inderjit Singh, Minister of State for defence, said in a press interview at Kuala Lumpur. The Hindustan Times, July 26, 2006. www.hindustantimes.com.

evolution of political and strategic consensus among the EAS members. It was noted earlier that EAS has a problem of undefined boundaries with other organizations like ARF and the structure of alliances and major powers' military presence in the region on security issues. This ambiguity in the EAS' security role and agenda may continue for some time more, it seems.

The lack of internal consensus is diluting the initial enthusiasm for the EAS and slowing down the process of community building. This seems to have forced ASEAN to "whittle down" the EAS' 17 areas of security cooperation to mere five at the July 26 consultations. India, for instance, resented that the approved areas did not even include terrorism.⁶¹ The five areas for security cooperation identified are "energy, education, finance, maritime security and avian influenza."⁶² This suggests that a wider and non-conventional framework of regional security that includes human and developmental security has been adopted. Reflection of the human security emphasis could be seen subsequently as well. For instance, after the meeting of the Southeast Asian Defence Ministers, Indonesia's Defence Minister Juwono Sudarsono said: "It is important that at the end of the day, equitable economic development become part of the long-term security community all across the region... At the end of the day, stability, political stability, as well as security in the military sense – much depends on social justice within each country".⁶³

The stress on human security issues in the EAS may also be seen in the context of the regions ground reality where hard core security issues are addressed through the prevailing structures of bilateral and multilateral alliances which enable even extra-regional powers like the US to station troops in some of the EAS countries. The US has more than 80,000 troops stationed in Japan, South Korea, Australia, Singapore and Thailand under bilateral and multilateral arrangements.⁶⁴ The only security forum driven by ASEAN available in the region is ARF and one may expect it to play its role in addressing regional security issues. But the ARF has no capacity to take

⁶¹ Bernama, (Malaysian National news Agency), July 26, 2006.

⁶² Ibid.

⁶³ AFP dispatch on May 10, 2006.

⁶⁴ Anthony H. Cordesman and Martin Kleiber, **The Asian Conventional Military Balance in 2006**, Center for Strategic and International Studies, June 26, 2006. (Figure 8, pp.27-28). The break up of the US forces presence is like this: Japan - 51700, South Korea – 30,619, Australia – 140, Singapore – 153, Thailand – 225.

outright military operations. Its emphasis so far has been on debate and discussion of security related issues with a view to regional confidence building measures. It is slowly gearing itself to preventive measures but adequate and effective mechanisms have yet to be contemplated and developed. On the eve of the recently held ARF Ministerial meeting in July 2006, the organization's inability to deal effectively with the critical and complex issues like the Korean proliferation or human rights and democracy violations in Myanmar was voiced by commentators and analysts.⁶⁵ The enhanced importance to 'energy security' seems justified in view of the deteriorating conflict situation in the West Asian region which is the main source of oil and gas supplies; galloping oil prices and growing demand for energy in the region, particularly in faster growing big economies of China and India.

The possibility of the growing economic engagement within the region, whether bilateral, multilateral or regional, softening strategic divergence cannot be ruled out. The example of US and China working together in the six party parleys to dissuade North Korea from the path of nuclear proliferation needs to be highlighted here. No one, however, is sure if this effort in Northeast Asia will succeed and become a model to deal with such other situations. And yet, the issues like Taiwan are extremely complex and sensitive to produce a six party model for its resolution. Similarly the EAS can theoretically throw its collective weight on issues like Myanmar and East Timor to moderate them but such possibility, in practical terms, looks remote because in the internal conflicts, the questions of sovereignty and non-interference assume greater significance.

The region is already full of internal conflict situations and instances of terrorism. Major brunt of insecurity arising out of these threats will have to be borne by the individual states. At the regional level organizations like the ARF may have to prepare itself for dealing with these challenges or the East Asian Community may provide for a response mechanism to address the internal security threats and their regional spillovers. Many of the ASEAN members are not very enthusiastic about regional interference in their internal affairs. That is why the concept of "troika"

⁶⁵ Barry Desker, "The worth of the ASEAN Regional Forum", INS Security Watch, July 28, 2006; Deva Mohd. Ridzam "Asean-US enhanced partnership a coming to terms by Super Power", New Strait Times Online, July 23, 2006. Anthony Rowley, " ARF A Window For Progress On Key Issues", Business Times, July 24, 2006.

evolved by ASEAN has not been able to make any significant dent in internal conflict situations.

India's Participation

The establishment of EAS is an event of great significance for India. It is a revival of its nearly sixty years old initiative to integrate Asia, though the initiative has not been taken by India. India had started thinking about the Asian integration even before its independence from the British colonial rule. Nehru the first Prime Minister of independent India wrote during the late thirties:

If there are to be federations...there should be an Eastern Federation... such (a federation) must inevitably consist of China and India, Burma and Ceylon, and Nepal and Afghanistan should be included. So should Malaya. There is no reason why Siam and Iran should also not join, as well as some other nations. That would be a powerful combination of free nations joining for their own good as well as for the world's good.⁶⁶

The EAS does not include the West Asian countries and some other members of the EAS, like Singapore, had not even come into existence then. India made very important moves to build Asian regionalism as soon as it became independent. The convening of the conferences on Asian Relations and Indonesia in 1947 and 1949 respectively by India may be recalled here. The First Asian relations conference in March 1947 was convened when India had not yet even become formally independent. That underlined India's enthusiasm for and commitment to the cause of Asian unity and solidarity.

However, India's Asia project fumbled under the pressure of Cold War, Asian rivalries and lack of economic dynamism in the region and in India.⁶⁷ The idea of engagement with its extended Asian neighbours on the eastern front, however, was never given up by India. There was deep Indian involvement in Indo-China Peace in the process of the execution of Geneva Agreements of 1954 on the region. India also

⁶⁶ Jawaharlal Nehru, **The Unity of India: Collected Writings, 1937-1940**, London 1941, p. 327.

⁶⁷ S.D. Muni, "Nehru's India in Asia: The Anatomy of a Blurred Vision", in Surjit Mansingh (ed.) **Nehru's Foreign Policy, Fifty Years On**, Mosaic Books, New Delhi, 1998, pp.100-120.

tried to influence, but in vain, the establishment of ASEAN outside the framework of Cold War in 1967.

The policy approach was systematically reactivated under its “Look-East” policy launched in the early 1990s. Under this policy, India has been pursuing a vigorous multi dimensional engagement with ASEAN.⁶⁸ Notwithstanding considerable success in this policy, there were strong initial reservations on India’s membership of the EAS. Such reservations came from two directions; China, who thought that India’s presence in the grouping could be a constraining factor for its own initiatives and priorities in shaping the proposed East Asian Community; and Malaysia, whose initial idea of an East Asian Group or Caucus had not been conceived to extend towards the west so much as to include India.

However, India’s participation in the EAS was seen as advantageous by many other regional countries like Japan, Singapore, Indonesia and Thailand. It has been noted earlier that Singapore, Indonesia and Japan strongly pleaded for India’s inclusion in the EAS. They argued India’s case on the basis of India’s both, economic and strategic strengths. These arguments impacted the thinking of all those, including China and Malaysia, which were initially hesitant, on India’s participation initially. Acknowledging the thrust of these arguments, the Chairman of the EAS, Malaysian Prime Minister Abdullah Badawi told the 11th ASEAN summit in Kuala Lumpur on December 12, 2005 that:

We believe that India is a country to watch. With improved relations with its neighbours as well as the US, India has the potential of being an important partner in our region...we could encourage India to play its role for the promotion of peace, security and stability in East Asia as well as advancing international peace and equitable development”.⁶⁹

The logic of India’s economic dynamism is formidable with a US\$ 700 billion sized economy sustaining a growth level of 7-8% per annum. India’s middle class, the ‘consumer brigade’, is more than 350 million strong and growing. According to the

⁶⁸ K. Kesavapani, **India’s Tryst With Asia**, Asian Institute of Transport Development, New Delhi 2006. Sudhir Devare, **India & Southeast Asia**, Institute of Southeast Asian Studies, Singapore, 2006.

⁶⁹ *Outlook*, December 13, 2005. New Delhi, (quoting a PTI dispatch). http://www.outlookindia.com/pti_news.asp?id=341405.

Goldman Sachs much talked about Bricks study of 2003, India is expected to be third largest economy in the world after the US and China by 2032, with a potential of registering fastest growth for the next nearly 50 years. India's contribution to the global and Asian growth is 10 and 20 percent respectively.⁷⁰

One of the factors that will sustain this economic dynamism of India is its growing engagement with the dynamic economies of East Asia. Describing the EAS as a natural extension of the ASEAN-India engagement process, Indian Prime Minister Dr. Man Mohan Singh underlined the importance of Pan-Asian FTA in building the East Asian Community. On the eve of the EAS, he said:

I believe the objective basis for the economies of our region to come together already exists. The subjective desire to create an East Asian Community, bringing together ASEAN, China, Japan, Korea and also Australia and New Zealand is manifest. Like the North American Free Trade Area, and the expanding European Union, a Pan-Asian FTA will be a dynamic, open and inclusive association of the countries of our vast region. This will not be easy, and it cannot be done in a day. There will be skeptics. But for believers, it is eminently possible.⁷¹

The question of trade figured prominently at the EAS. India has made significant strides in increasing its trade with the EAS members. Its trade with China, Korea and ASEAN has grown very impressively during 2003 and 2004. For instance, with China the increase in 2004 was 75%, with Korea the growth in 2003 was 48% and with ASEAN 30% over the past couple of years. The latest figures available on India's trade with the EAS members are presented in Table 5.

⁷⁰ Nagesh Kumar, "Towards a Broader Asian Community", op.cit.

⁷¹ Indian Prime Minister's Address at Special Leaders' Dialogue of ASEAN Business Advisory Council in Kuala Lumpur on December 12, 2005. <http://mediaindia.nic.in/speech/2005/12/12/12ss01.htm>.

TABLE 5**India's Trade With EAS Members**

(in US\$ Million)

Indicators/ Countries	I M P O R T S		E X P O R T S	
	Total and (Percentage Share) 2004-05	Total and (Percentage Share) 2005-06	Total and (Percentage Share) 2004-05	Total and (Percentage Share) 2005-06
Australia	3582.76 (3.28)	2245.09 (3.42)	690.19 (0.85)	372.50 (0.84)
Brunei	0.54 (0.00)	0.32 (0.00)	4.87 (0.00)	2.21 (0.00)
Cambodia	0.24 (0.00)	0.17 (0.00)	17.08 (0.21)	8.79 (0.01)
China	6768.92 (6.20)	4252.67 (6.48)	5344.88 (6.63)	2637.99 (5.74)
Indonesia	2536.53 (2.32)	1292.26 (1.96)	1295.58 (1.60)	510.77 (1.15)
Japan	3142.02 (2.87)	1523.26 (2.32)	2019.30 (2.50)	1037.31 (2.34)
Laos	00.05 (0.00)	0.05 (0.00)	2.53 (0.00)	3.51 (0.00)
Malaysia	2246.41 (2.05)	1043.44 (1.59)	1043.17 (1.59)	466.12 (1.05)
Myanmar	398.54 (0.36)	236.28 (0.36)	109.73 (0.13)	53.73 (0.12)
New Zealand	107.25 (0.09)	64.88 (0.90)	88.76 (0.11)	80.48 (0.18)
Philippines	181.92 (0.16)	96.91 (0.14)	395.16 (0.49)	224.04 (0.50)
Rep. Korea	3492.32 (3.14)	1794.98 (2.73)	996.00 (1.23)	714.32 (1.61)
Singapore	2584.63 (2.36)	1337.03 (2.23)	3824.94(4.74)	2647.21 (5.99)
Thailand	833.62 (0.76)	525.01 (0.80)	879.56 (1.09)	464.71 (1.05)
Vietnam	81.09 (0.74)	52.69 (0.80)	531.92 (0.66)	255.16 (0.57)

Source: Department of Commerce, Government of India. (Export- Import Data Bank). <http://dgft.delhi.nic.in/>.

According to these figures, India has a large cumulative trade deficit with its EAS partners. It shares this characteristic with China which also has a trade deficit with its Asian neighbours on a cumulative basis. Highest of India's deficit is with China, South Korea, Australia, Indonesia, Malaysia and Japan in that order. India sells more to Singapore than it imports from and has a favourable balance to the tune of US\$1310.18mn. India also has a small surplus in its trade with the EAS countries like Brunei, Cambodia, Laos, New Zealand, Philippines and Vietnam.

There are, however, problems in the finalization of FTA between India and ASEAN because of India's insistence on a negative list to protect some of its vital industries and agricultural sectors. Even during the EAS summit, Prime Minister Singh had to plead with the ASEAN members on the compulsions of India's democratic processes and the pace of economic reforms. India has reduce the number of products on the negative list from more than 2000 to less than 1000, but the negative list continues to exist. The FTA negotiations expected to be concluded by December 2005 have not been concluded so far though negotiations continue. The frustration on these negotiations by ASEAN was expressed by Malaysia when it said in June 2006 that FTA negotiations with India have been suspended. India has countered this position. India's contention is that ASEAN has accepted even longer negative lists with its other FTA partners. To break the deadlock, in August, India has offered to reduce the negative list from 850 to 560 items, which has allowed a debate within ASEAN to restart the stalled negotiations. ASEAN members are still insisting for the negative list to be reduced to 400 and reduce the target dates for some of the products from 2022 proposed by India.⁷² The talks may start again soon, but a hard bargaining from both the sides should be expected. Eventually however, the two sides will come to terms with each other as the long term economic advantages to both the sides are immense and they also cannot allow the trade issues to vitiate the overall atmosphere of close understanding between the two sides.

One of the problem areas is related to agricultural products. The difficulty there seems to be arising out of Malaysia's desire to get the Indian market opened for its palm oil exports, while India is trying to preserve its vegetable oil industries and oil seeds related agricultural sectors. India is not the only country with which ASEAN is facing difficulties in concluding FTA. There are difficulties with the 'plus three' partners as well and there are difficulties within ASEAN. The ASEAN Secretary General Ong Keng Yong told the EAS foreign ministers in July 2006 that trade talks were "less than ideal" not only with Australia and New Zealand but also with India, China and Japan. "Protectionist tendencies seem to be the fundamental hurdle". Behind such delays was the "lack of ASEAN consensus which could be attributed to the negotiators going to the session without sufficient mandate".⁷³ Such difficulties

⁷² The Hindu, August 25, 2006; The Indian Express, August 25, 2006.

⁷³ "Officials: ASEAN dragging feet on trade", July 26, 2006. <http://tvnz.co.nz/view/page/>.

are however, inevitable when basic interests are at stake. But India is committed to push with its economic engagement with the region. So also is ASEAN. It may be hoped that these difficulties will be sorted out soon.

Besides trade, India is also keen on monetary integration of the EAS region and cooperation in the energy sector. India's infrastructural sector will need investments of more than US\$500bn in the coming 4 to 5 years. The East Asian countries are already involved in India's infrastructural sector and they can take further advantage of the opportunity available. There are estimates that ASEAN alone can contribute to the tune of about US\$ 155 billions towards building India's infrastructure. Of this amount, some US\$ 25 billion may go to the telecommunication sector, US\$ 55 to rail, road and air transport and US\$ 75 to power sector. It is, however, not only India who is at the receiving end. India is contributing significantly to the development of poorer ASEAN countries and its engagement with the region will cast a positive impact and enhance the welfare gains of the EAS group as a whole. Individual countries in the group may be affected in the range of 20% to 50% gains as indicated in the table below:

Table 6
India and the Regional Gains to ASEAN Plus

(In US\$ millions)

Countries/Grouping	ASEAN Plus	ASEAN Plus without India	With India's Absolute Gains	Inclusion % gains for ASEAN Plus
Japan	150695	124065	26630	21.5
Korea	14976	11683	2392	20.5
China-HK	16328	10810	5517	51.0
ASEAN (5)	19405	14585	4821	33.1
India	9937
Asia	210441	162115	48326	29.8

Source: Computable General Equilibrium (CGE) analysis using GTAP, by Dr. S. K. Mohanty of RIS. (Dr. Mohanty's unpublished paper for ORF). The simulation was undertaken with the assumption that all these countries have comprehensive economic cooperation among them with liberalization in trade, investment and natural resource persons.

The highest gainer is China (plus Hong Kong) at more than 50%, followed by ASEAN (Five developed) to the tune of 33.1 %. The region as a whole will gain to the extent of nearly thirty percent. And here in lies the logic of India's welcome by the regional countries into the EAS.

India's engagement with East Asia is not confined to economic partnership. East Asia is an important strategic entity for India and it looks forward to a multi-dimensional engagement with the emerging community. India is a strategic partner of both China and Japan. There is notable improvement in India's bilateral economic relations with China and, as noted earlier, the two neighbours are also seriously pursuing the settlement of their boundary problem in a constructive, give and take manner. The visit of India's Defence Minister Pranab Mukherji to China in May 2006 was reflective of the positive thrust in Sino-Indian relations. There are areas of conflict, like China's strategic support to Pakistan and India's continuous shelter to the Dalai Lama and Tibetan refugees, but these issues are not allowed to interfere in the constructive engagement. There are also areas of competition between the two like in Myanmar and the former Indo-China countries, but there is no acrimony resulting from this competition. As noted above, while India would like to see a balanced and stable East Asian community emerge, it would not prefer to be seen as a factor in the community to counter and contain China. India's strategic partnership with Japan has just begun to take shape. There is considerable economic and strategic potential in their relationship that awaits to be harnessed. India's positive engagement with the regional influentials can be helpful in promoting the cause of community building and maintenance of regional stability.

India has defence cooperation relationship with a number of EAS members. This cooperation ranges from providing training to supply and servicing of weapons. Many of such agreements in the past did not prove successful. India is reviewing mechanisms and related arrangements for strengthening its defence cooperation with the extended neighbours in East Asia. There are prospects of the Indian private sector being involved in defence production and supplies which will greatly improve India's defence diplomacy in the region. India has also conducted naval exercises with almost all the EAS members and is actively participating in counter-terrorism efforts under the ASEAN, ARF and BIMSTEC frameworks of sub-regional

groupings.⁷⁴ During 2002-2003, India also provided naval escort to the US ships crossing Malacca Strait. This has helped India project its capacity to offer its contribution to anti-piracy, relief and rescue missions in the Indian Ocean and South China Sea areas in the region. These subjects are being actively pursued under the ARF agenda. During Tsunami 2004, India has also demonstrated impressive capacity to contribute to disaster relief management in the region.⁷⁵

India's deep cultural and civilizational links with the EAS countries are widely known. India can play a major role in cultural and people to people cooperation with the region, which can reinforce the economic momentum for community building. The Indian middle class is growing and with it, the flow of tourists from India to Southeast Asia has significantly increased in the recent years. In 2004, for instance, more than a million Indians visited ASEAN countries which was 30% higher than the previous year.⁷⁶ With this, the demands for better connectivity, including 'open skies' policies, have also gained strength. India's entertainment industry has considerable potential to contribute significantly in building people to people ties and thus enhancing community building processes in East Asia. The Bollywood products are hugely popular in the region, with a number of countries showing Indian films daily on their Television channels.

India's stakes in building East Asian Community are indeed deep and there is a growing realization in the region that India's participation in EAS is a positive factor. India would like to see the community building process pursued as speedily as possible. It would prefer the collective wisdom and leadership of the community members to assert itself without getting bogged down on the technical complexities of the community being driven by ASEAN or ASEAN plus three. There should also be no attempt to have different categories of EAS members and no one should try to marginalize the others.

⁷⁴ Sudhir Devare, **India and SE Asia: Towards Security Convergence**, Institute of Southeast Asian Studies, Singapore, 2006. (See the Chapter on "Growing Security Convergence?"). For more details, see Annual Reports, Ministry of Defence, Government of India, New Delhi.

⁷⁵ SD Muni, "India's Strategic Engagement with Southeast Asia", *Indian Defence Review*. Other references.

⁷⁶ ASEAN Tourism statistics. www.aseansec.org/5167.htm.

Prospects

The establishment of the EAS is a landmark development in the emergence of Asia in contemporary world politics. From the EAS platform the process of Asian community building has just begun. This process may not move very fast and progress in community building will be incremental. The possibility of a comparatively faster movement on the economic front is possible, particularly in the context of difficulties in the multilateral trade negotiations. The collapse of the Doha round as a result of developed economies' refusal to make compromises may be recalled in this respect. It may also be recalled that the EAS initiative was sparked as a result of parochial economic moves on the part of the developed countries. The pressures created by the approach of the developed economies may nudge the Asian countries towards greater accommodation and compromises with each other in order to protect and promote their future collective advantages.

The challenges in the way to community building in Asia are many and formidable. The US and the West has already started getting alarmed at the Asian emergence and they may not see the rise of Asia as an independent and power center in the positive light. Internally, we have noted earlier the areas of tensions within the EAS and there may arise difficulties in developing synergies across clash of interests and perceptions. The EAS countries economies stand at different levels of development and despite a basic and broad compatibility existing among them their harmonization on specific aspects of these interests may take time and effort.

The EAS also has a number of aspiring and major powers. There are legacies of apprehensions of smaller countries towards these powers. As some of these powers, like China, are growing at a phenomenal speed the fears of smaller countries about the growing powers seeking domination over them cannot be ruled out. It is assumed that the regional great powers are aware of this perception and they will do their best so that apprehensions and suspicions about their future conduct are set at rest to facilitate the community building in the region.
