REGIONAL BLOCS AND ECONOMIC SECURITY:
ASEAN, APEC, EAEG

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Amitav Acharya and Ken Christie
National University of Singapore

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Amitav Acharya
Lecturer
Department of Political Science
National University Of Singapore
"We can no longer take the view that trade is trade and foreign policy is foreign policy. Economics is politics. Trade is security."
(Dato' Abu Hassan Omar, Minister for Foreign Affairs, Malaysia, July 1988)

Introduction

With the end of the Cold War, regional security concerns in Asia-Pacific have increasingly focussed on economic security. A heightened awareness of economic threats and vulnerabilities is visible not only in the economic policies of the individual countries of the region. It has also emerged as a powerful catalyst of change in the direction and scope of Asia-Pacific regional cooperation. It has especially affected the role of the Association of Southeast Asian Nations, a regional group founded in 1967 with the professed objective of fostering regional economic cooperation. Once thought as the very model of regionalism in the developing world, ASEAN has come under increasing pressure to adjust to emerging economic realities which challenges the viability of its narrow sub-regional agenda. In particular, ASEAN faces a dilemma in choosing between two alternative frameworks for wider regional cooperation in the Asia-Pacific context. The first is represented in the evolution of Asia-Pacific Economic Cooperation (APEC), a loose forum of Asia-Pacific nations which disavows protectionism and promotes cooperation. The second is a proposal, mooted by Malaysia, for an East Asia Economic Grouping (EAEG) which, at least according to its initial blueprint, would lay the basis of a inward-looking trading bloc that would counter the emergence of
similar blocs in Europe and North America.

ASEAN faces a crucial but painful challenge of choosing its course through these competing frameworks. Its choice will have far reaching implications for the international economic system for two reasons. First, it will have a significant bearing on the future of ASEAN itself, especially if it is to retain a hard-earned reputation for being one of the most successful regional groupings in the Third World. Second, and closely related to the first, ASEAN's choice would have a major impact on the direction of economic cooperation elsewhere in the Third World, just as ASEAN's initial success as a regional political grouping inspired many such similar efforts in the Third World.

This paper argues that the choice facing ASEAN is essentially a choice between two alternative conceptions of economic security which has governed the attitude of the developing countries towards international and regional trade cooperation. The first conception derives from the theory of interdependence, in which economic security of nation-states is identified with their access to and participation within an open multilateral international regime governing trade and financial transactions. For individual nation-states, economic security is an outer-directed conception which calls for "economic strategies based on maximisation of wealth through extensive trade." The conditions of economic security are rooted in the "embedded Liberalism" of the post-war international economic order, of which the Gatt system is of central importance. Since export-oriented growth strategies leading to high levels of trade dependence create
vulnerabilities to any decline of openness in the international trade regime, the primary objective of economic security policy becomes linked to the preservation of access to international markets and finance. In a regional context, this conception of economic security is pursued through strategies of strong collective external bargaining by regional actors against outside economic partners and foes, but it rules out inward-looking, protectionist trading blocs that militate against the free international trade regime and invite retaliation from affected partners.

The second conception of economic security is distinctively mercantilist in its orientation. At the level of the nation-state, it posits a linkage between economic self-reliance, growth and security. Applied to a regional context, it corresponds to the idea of regional trading blocs that promote intra-bloc economic liberalisation while shielding the regional actors from unwelcome external competition. The underlying assumption is that intra-regional market integration and external protectionism creates the conditions for maximising the potential for growth and reducing the economic vulnerabilities of the regional actors. This conception of regional economic security is operationalised through measures, ranging from a free trade area to a customs and economic union, that are theoretically not inconsistent with the an open multilateral trade regime, such as the Gatt system in the post-war period. But if pursued to the extreme, they lead to protectionist trade blocs. In recent years, the emergence of such regional trading blocs has been foreseen by a number of scholars with
the decline of the Gatt system and the increasing "regionalisation" of global economic activity under the auspices of the three economic superpowers: the U.S, Japan and Germany.iii

The response of the ASEAN members to the APEC and EAEG can be understood in the context of the respective appeal of the two conceptions of economic security. This paper is an attempt to understand ASEAN's dilemma. It begins by looking at the essential nature of ASEAN's hitherto-pursued course of regional economic cooperation, and then examines the challenges that have led it to move towards wider regional trade structures. In subsequent sections, the paper analyses the grouping's evolving attitude towards the APEC and EAEG frameworks in an effort to understand which conception of economic security holds the greatest appeal to regional actors and the reasons for the choice.

The Concept of Economic Security in ASEAN

If ASEAN's founding fathers saw regional economic cooperation as a means of enhancing the conditions of their security, then it was in the belief that the ASEAN framework would facilitate intra-regional conflict resolution and thereby enable the member countries to concentrate on economic growth in a climate of political stability. As one writer put it: ASEAN's goal was to create "an environment conducive to economic development and the reinforcement of social and political stability".iv In contrast, regional economic integration, of the variety that was popular in Latin America and Africa in the
1960s, had never been a professed ASEAN goal. ASEAN economic regionalism consisted of measures that were geared not so much intra-regional integration or cooperation as to promoting favorable economic relations with external trading partners:

"ASEAN regionalism is stronger in its external relations than in intra-ASEAN cooperation. Thus, ASEAN economic regionalism takes the form of a joint effort in securing a larger external market and better terms for exports rather than in establishing a customs union or a free trade area vis-a-vis the non-ASEAN countries."

Evidence for this assertion emerges when one compares ASEAN's record of trade liberalisation with its role in external bargaining. ASEAN trade cooperation is centered on the scheme called ASEAN Preferential Trading Arrangements, whose basic agreement was signed in 1977. The PTA provided for a number of measures to liberalise and increase intra-ASEAN trade including long-term quantity contracts, liberalisation of non-tariff measures on a preferential basis, exchange of tariff preferences, preferential terms for financing of imports, preference for ASEAN products in procurement by government bodies. Yet the impact of the PTA has been limited, despite the rise of intra-ASEAN trade as proportion of total ASEAN trade rose from 13.5% in 1973 to a peak of 20% in 1983 (it fell to 16% in 1985). Much of the total intra-ASEAN trade volume is accounted for by bilateral trade between Singapore and Malaysia and Malaysia and Indonesia. In addition, about 65% of intra-ASEAN trade is fuel trade (mineral fuels, lubricants and related materials). Thus, the increase in intra-ASEAN trade in the early 1980s was due largely to increase in fuel prices,
rather than to increase trade in industrial products. The Prime
Minister of Singapore, Goh Chok Tong, neatly summed up the limitations
of the PTA in contributing to ASEAN market integration:
There are at present 15,752 items in the PTA with a minimum margin
of preference of 25 per cent. More than 5,000 of these items enjoy
up to a maximum of 50 per cent. This is an impressive list - in
terms of number of items. However, intra-ASEAN trade under the
ASEAN PTA Scheme has not grown significantly. The volume of PTA
trade in ASEAN is less than 1% of the total ASEAN trade. Traders
have often complained that the items of greatest interest to them
have not been accorded preferential tariffs. Many of the products
are not being produced or manufactured in ASEAN member
countries.\textsuperscript{vii}

Several factors explain ASEAN's limited success in
intra-regional trade liberalisation. Lingering bilateral suspicions
and fears of unequal distribution of gains of regional cooperation have
thwarted many ambitious schemes. Political cooperation has been a
precondition of economic regionalism; but the main direction of
political cooperation, centered on ASEAN's high-profile international
diplomatic efforts to resolve the Cambodian problem, has not been
matched by an willingness to accept national sacrifices to enhance the
grouping's collective economic potential.
As a result, few would disagree that the remarkable growth rates
achieved by ASEAN economies owes to national, rather than regional
efforts. to the extent that these national economic strategies are
heavily conditioned by access to international capital and markets,
ASEAN states have been wary of the harmful effects of regional
integration for their philosophy of national economic development.
According to one report on ASEAN economic cooperation:
ASEAN countries owe their economic prosperity to trade and investment links with the outside world. Measures in the name of regional integration that discriminates against more efficient producers can undermine this. ASEAN must continue to maintain its outward-looking orientation and remain competitive in world markets.⁸⁸

Against this backdrop, it is hardly surprising that ASEAN's role in collective external bargaining has taken precedence over the goal of intra-regional integration. Collective bargaining was seen from the very outset as an essential part of the common preference among ASEAN members for export-led growth strategies. Beginning in the early 1970s, collective external bargaining featured three aspects. The first is commodity prices; ASEAN has often been regarded as nothing more than "a politically motivated lobby for negotiating favorable commodity prices."⁹⁹ A major example was bargaining with Japan over natural rubber. Japan had been accused of producing and dumping synthetic rubber in the international market, thereby undercutting ASEAN producer of the commodity. ASEAN's efforts were successful in winning major concessions from Japan. The second object of collective bargaining was geared to securing greater market access for ASEAN products. The highlight of this effort was ASEAN's success in expanding the coverage of its exports in the EC's generalised system of preferences. The third aspect is ASEAN's united position at multilateral trade negotiations, starting with the coordination of positions at the Tokyo round of GATT talks. This was followed by similar coordination at Uruguay round, which assumed increased urgency as the result of the crisis over the agricultural subsidies.⁹⁰
Thus, ASEAN's preferred course towards regional economic security has focused on the objective of expanding and maintaining access to the international markets and capital, rather than creating inward-looking trade structures. But ASEAN's philosophy of regional economic security has come under increasing stress. This explains its somewhat reluctant search for a wider regional economic forum is based on a realization that the existing ASEAN framework provides no guarantee of advancement in either the market integration nor in collective bargaining objectives and role. To be sure, ambitious proposals to reform and strengthen ASEAN economic cooperation exist. There is also optimism that recent changes in the international economic climate would improve conditions for strengthening ASEAN economic cooperation within the existing ASEAN framework. This optimism is due to several factors. The trade minister of Indonesia believes that ASEAN's future economic direction looks bright not only because of "changing structures of our economies towards manufacturing", which provides greater scope for intra-ASEAN division of labour, but also due to a "growing awareness of the potential of ASEAN among the business community... partly related to the difficulties in preserving or increasing our market share in Europe, Japan and the United States."

Indeed, the role of the private sector in furthering ASEAN economic cooperation has been recognised. As Singapore's Trade and Industry Minister put it, "The approaches of the [ASEAN] governments towards economic development have shifted significantly to enable
these private free enterprise links to grow and therefore to enable the reality of economic integration and co-operation to proceed quietly and eventually, decisively. Yet, even if ASEAN economic cooperation receives a new boost, it may not be adequate to meet the economic threats of the 1990s. The realisation is evident that such cooperation would not suffice in protecting ASEAN members from the emerging threats in the international economic environment.

The threats include two important elements. The first is protectionism in the traditional Western markets. This predates the crisis in Uruguay Round of Gatt talks, but the latter has certainly contributed a sense of urgency. In March 1991, Singapore's Goh Chock Tong specifically argued that it was in ASEAN interests to see free trade and GATT work but if this was not the case "and others are forming trading arrangements, if GATT talks fail and Japan-US talks break down, then there is no choice but for us to look after our own interests by following what others do". In the same conference speech he also proffered the view that economic co-operation would proceed regardless of whatever regional security arrangements were agreed on in future implying that economic stability and co-operation is a prerequisite for security. Later, surveying economic trends in the multilateral trading system, Goh warned:

...the failure of the Brussels Round reminded us that the two largest

* He was of course referring to worries about the apparent formation of trade blocs in Europe and North America and making the point that ASEAN might be forced to consider similar measures in response. See Straits Times 5 March 1991.
economic powers in the world, the US and the EC, can hold the entire multilateral trading system to ransom when they disagree on a single issue like agriculture. Also the impending North American Free Trade Area and the enlarged EC could settle new trading rules between them to our detriment. Hence, there is a need for the East Asian region to have its own voice to protect its economic interests.\textsuperscript{xiv}

The second is the fear of declining flow of investment from Western powers as the East European market opens up. As the former Finance Minister of Malaysia, Daim Zainuddin, warned: "...the expected diversion of private foreign capital to Eastern Europe would...necessitate that ASEAN lay greater stress on the intra-regional flow of capital, to lessen the dependence on external sources to maintain the momentum of growth."\textsuperscript{xv} This fear is to some extent overstated, but recent Japanese warnings regarding a crunch in the availability of investment capital is likely to aggravate fears held by ASEAN governments regarding the competition they will face in attracting Western capital.

In addition, two other factors have underscored the need for ASEAN governments to move beyond the ASEAN framework. The first is a realisation that the combined economic strength of ASEAN is not adequate to counter the threat of protectionism. As a prominent Malaysian policy-analyst put it:

\begin{quote}
We cannot escape the fact that in GDP terms, just two nations - Japan and the United States - constitute more than 80 per cent of the Pacific. The total GDP of the Asean Six constitutes only 1.8 per cent of the total GDP of the Pacific.\textsuperscript{xvi}
\end{quote}

Second, the degree of market integration between ASEAN members and other Asia-Pacific states far exceeds than among ASEAN countries
themselves. This is a situation which is unlikely to change in the future. Faced with the twin threats of protectionism and declining availability of international capital, ASEAN states have explored the potential of two wider regional forums to enhance the prospects for their economic security.

APEC

James Schubert has detected at least three phases in the growth of international organisations in Asia that are relevant to understanding the evolution of APEC.\textsuperscript{xvii} Pacific organisations sponsored by Japan were perhaps the most idealistic and relied on external versions such as the EEC and EFTA (European Free Trade Association). Kiyoshi Kojima's Pacific Area Free Trade Association (PAFTA) was conceptualised around the emulation of successful European integration but was discarded with the development of ASEAN.

In the 1970's the emphasis shifted from integration of regional economies towards containing or ameliorating the negative political spillover effect which resulted from growing economic interdependence. It was first and foremost an "economic security" measure which political factors such as the American withdrawal from Vietnam had induced. Australia entered the debate actively at this stage forming a study group with Japan; the ideas stimulated in this forum led to the Organization for Pacific Trade and Development (OPTAD) which was to be consciously modelled on the OECD and given somewhat restricted responsibilities in a similar manner to the latter
organization. Its purpose was intentionally modest: It would attempt to improve intergovernmental economic relations and intentionally not attempt to replace them or in any sense become a supranational Government. Nor would such an organization...... try to evolve into a common market."xviii

OPTAD was characterised by a lack of cohesion and lack of central purpose. Trade appeared important for instance, foreign direct investment, energy, resources and links with the Soviet bloc also were placed on the agenda which served as terms for consultation but were hardly a solid base for the establishment of a fully fledged intergovernmental organization. OPTAD's evolution can be effectively characterised as the "underdevelopment" of Pacific organization."xix

The initial impetus for APEC came from the Australian Prime Minister Bob Hawke when he suggested the idea at a speech in Seoul, South Korea in January 1989 when visiting President Roh Tae Woo. Some precedents for this "new" version were available. The Pacific Economic Co-operation Conference had been initiated in 1980 as the result of various academic and political initiatives. Hawke however was convinced of the need for a more formal intergovernmental vehicle for co-operation which could allow the region as a whole to co-ordinate an approach to GATT and increase the liberalisation of trade in the area."xx And in part such moves were initially believed to a reaction to the anticipation of European integration (particularly in the event of the programme for 1992) and in addition the Free Trade Agreement between Canada and the US.

The first meeting of the group which comprised ministers from 12
Pacific states (the US, Canada, Japan, Australia, New Zealand, South Korea and the six countries in ASEAN) met between 5-7 November 1989 in Canberra, Australia. The atmosphere was one of political caution and some suspicion. ASEAN Governments on the whole were lukewarm to the scheme, in part because the focus seemed likely to be on Japan and its prospects of holding a leadership position. As the initiative came from a non-Asean state, suspicion of Australia's motive were also clear. Membership criteria were also in question; the concept embraced many nations and economies from the Pacific Rim which could be extended from India to Chile and the Soviet Union to Vanuatu as one author pointed out; in such an event this entity could have been "so large as to be unwieldy, and would accordingly become defined not for what was included and common but for what was excluded". ASEAN made their choices early for instance blocking the invitations to Hong Kong, China and Taiwan. This organisation wanted to be the model for activities concerning co-operation and were against any new organisation like APEC reducing the activities or status of ASEAN.

As it turned out the meeting of this regional grouping (of no small importance considering they produce more than half of gross world products and account for 38% of world exports) produced little more than rhetoric and a vague conclusion that the Asian and Pacific countries should press their case at the Uruguayan Round of GATT talks at the end of 1990. If the evolution of APEC appeared slow it was not for lack of bureaucratic officialdom; 300 officials and 25 Ministers met in Canberra. For the US Assistant Secretary of State for
East Asian and Pacific Affairs Richard Solomon, it was a "milestone in Pacific Basin cooperation" and an "idea whose time had come". At this point we will deal with the major obstacles and problems that APEC faced in the context of four major constraints. These constraints are not mutually exclusive and often overlap in form and content; they are membership, the role of ASEAN, the weakness in institutional development and the divergence in terms of views within ASEAN and between members of ASEAN and the rest of the actors involved.

The membership problem has always been one of the most difficult to solve in any formulation of Asia-Pacific co-operation. The difficulty of "who to include and who to exclude" has limited the development of such organizations and APEC is the latest in the line to postpone such crucial decisions. China, Taiwan and Hong Kong as potential entrants has posed a problem for all concerned. At the second meeting of APEC in July 1990 the agreement was to delay a decision granting the three China's entrance until the next year. It was the US initially that pressed for the inclusion of the latter three in the first talks in Canberra but were prevented from this by stiff opposition from ASEAN. Despite the fact that Japan was prepared to accept Hong Kong as a participant which after all had an identity in GATT and was the eleventh largest world trading body, it was also reticent like ASEAN in drawing in Taiwan and China as partners. At this time in 1989 Indonesia had still not restored diplomatic relations with China. Indonesia and Malaysia as members of the non-aligned movement also had problems with the inclusion of South Korea but not North Korea.
A second constraint facing the institutional development of APEC emerged in the form of the role of ASEAN and its perceptions of the organization. For instance in the first meeting in Canberra ASEAN did not want any security issues on the agenda in line with its view that ASEAN is traditionally a conflict reduction mechanism and it is unnecessary to move beyond that forum in South-East Asia. On the whole they were fairly lukewarm to the entire scheme being suspicious of the principal instigators in Australia and Japan. The idea that carried strong currency was that ASEAN should be the model for the new activities and that any new grouping should not on any account reduce the activities or status of ASEAN.

ASEAN was particularly sensitive about its perceived role as a back-up mechanism; the Indonesian Foreign Minister Ali Alatas wanted to have APEC meetings focus on the annual ASEAN post ministerial council after the ASEAN Foreign Ministers meetings. Clearly the intention was to present ASEAN as the model for intergovernmental processes in the region; the idea was to assess the ASEAN experience and proceed from there. ASEAN and APEC were commonly linked in terms of an "umbilical cord" for his purposes. Singapore on the other hand took a more balanced approach with the trade and industry minister Lee Hsien Loong arguing that "to us, ASEAN and APEC are really concentric circles to which we belong. They have different processes, they have different memberships. The areas of common interest within ASEAN are not necessarily the areas of common interest in APEC."\textsuperscript{xxv}

Despite these reservations, however, ASEAN slowly moved towards
accepting APEC. Three factors related to the perceived utility of APEC for ASEAN's economic security interests accounted for this shift. The first related to its role as a forum for managing trade conflicts within the region; as the Minister for Industry and Resources of Brunei put it, APEC could "...serve as a means to help reduce trade and economic tensions...[and] provide a forum in which we could consult each other".xxvi The second factor was APEC's role in multilateral trade negotiations. As Singapore's Trade and Industry Minister put it: "APEC will be an useful informal group for the purposes of the GATT Uruguay Round, of like-minded countries with a common interest in a successful outcome of the Round".xxvii A third contribution of APEC was seen to lie in countering some of the uncertainties in the regional investment climate caused by developments in Eastern Europe; "At a time when Eastern Europe is attracting more attention from the developed countries, APEC will provide an extra incentive for Japan and other major regional economies to strengthen their ties with ASEAN."xxviii

But ASEAN's endorsement of APEC was not without conditions. Specifically, four were put forward: (1) APEC should not deal with political and security issues; (2) APEC should not lead to the formation of a trade bloc; (3) APEC's institutional arrangements should not reduce the importance and role of existing Asia-Pacific institutions for cooperation and; (4) ASEAN's machinery should be the centre of APEC process.xxix

Despite these conditions, ASEAN's willingness to participate considerably brightened the outlook for APEC. But this was
short-lived; as APEC framework was soon to meet with a new challenge in the form of the idea of a East Asia trade bloc proposed by Malaysia.

**EAEG**

The call for the establishment of the EAEG was made by Malaysia in December 1990, soon after the collapse of the Uruguay Round Talks over agriculture subsidies. The outlines of the idea were indicated by Malaysia's Primary Industries Minister two days before the collapse of the Gatt talks. In advocating the need for a "regional trading bloc", the minister described the proposal as a move to "counter the threat of protectionism and regionalism in world trade". The most striking aspect of the EAEG was not that it was proposed at all, but the exclusion from it membership of the key members of APEC, including the US and Australia. The EAEG was to comprise the ASEAN countries, Taiwan, Hong Kong, and Japan, with the latter clearly being assigned the pivotal role.

On the face of it, the EAEG concept and Japan's leadership of it is firmly rooted in the economic realities of the region. The emergence of East Asia as a distinctive economic region, based on trade, investment and aid linkages have paralleled the decline of transpacific trade between the US on the one hand and Japan and the NIEs on the other. Trade among East Asian countries is expected to exceed trans-Pacific trade in the 1990s. In terms of investment, the 1980s saw a six-fold increase in Japanese private investment in the region. South Korean and Taiwanese investment in Southeast Asia has added to the massive influx of Japanese capital, creating a
strong sense of regional economic identity. This has been accompanied by a consolidation of intra-regional division of labour in East Asia.

The Malaysian concept was notably lacking in specifics as to what form of cooperation would be undertaken within the EAEG framework. But if the intention was to test the reaction of the ASEAN partners to the idea of an inward-looking trade bloc that would "counter the emergence of protectionism and regionalism in world trade" through similar methods, then it clearly made little headway. The clearest support for the proposal came from Singapore, whose views were expressed by Goh Chok Tong during a visit to Malaysia in January 1991. Goh, who had reportedly received assurances that the EAEG would be Gatt-consistent, stated that the EAEG "...will boost the multilateral free trade system, supplement Asean economic cooperation, and give greater meaning to Apec ...without jeopardising our traditionally important trading ties."xxxiv

But other ASEAN members, not convinced if a genuine trade bloc would indeed be possible within the Gatt framework and acceptable to the major trading partners of ASEAN, expressed reservation. Indonesia's rejection of the idea of an EC-style trading bloc in East Asia had been expressed before the Malaysian proposal was mooted.xxxv After an initial "cool" response to the idea,xxxvi Thailand later bluntly insisted that it did not "want the new grouping [EAEG] to overshadow Asean and...to conflict with Apec". xxxvii Similar disapproval marked the response of the Philippines.

But the most serious obstacle to the concept soon materialised
in the form of American and Japanese rejection. Strong opposition from the US was clearly stated by Richard Solomon, Assistant Secretary of State for East Asia and Pacific:

"We think this is a very unwise direction to proceed. We think that the reason there's been such a dramatic expansion in the economies of East Asia is because you've had open markets...And if you have regional trading blocs developing, it will even have a more unfortunate effect because many of the countries mentioned [in the Malaysian proposal] are not natural trading partners. They are competitors".\textsuperscript{xviii}

The Japanese response to EAEG was similarly negative. The view that Japan was "not willing to support any kind of regional trading bloc" was conveyed to Mahathir not long after his initial proposal.\textsuperscript{xxxix} This might have been the crucial factor in the subsequent development of the EAEG concept. For whatever might have been the initial Malaysian intention, the concept as it emerged in the wake of the spate of reservations and rejections was to be a consultative forum to enhance the collective bargaining power of the regional states. As the Trade Minister of Malaysia put it:

As a start, the EAEG would be a consultative forum wherein countries in the East-Asia region would consult, on an ongoing basis, trade and economic issues of mutual concern. Initially it could cooperate to ensure the success of the UR. [Uruguay Round] This consultative process would, in due time, be strengthened so as to enhance economic cooperation with the aim to increase trade and investment opportunities.\textsuperscript{xl} (emphasis original)

If EAEG is to be a mere consultative forum, then its usefulness might be questioned on the ground that such consultative roles can be better undertaken within the APEC framework. This has prompted the US to contend that despite the Malaysian assurance that the EAEG would
not wreck APEC, this is precisely what would happen if the former is to become viable.\textsuperscript{xli} In so far as ASEAN countries and Japan are concerned, the EAEG would not find acceptance unless it is restricted to being a "pressure group" that might later "develop into a free trade area consistent with Gatt".\textsuperscript{xlii} This would mean a clear disavowal by the grouping of any common external tariffs that would smack of protectionism. As things stand now, this is the optimum scenario for the realisation of the EAEG, although the EAEG idea would continue to evolve and some believe that the future direction of EAEG, including the question whether it would be a protectionist trade bloc, would depend on trends in Gatt and policies of EC and North American trading bloc.

Conclusion

The ASEAN countries continue to adhere to a conception of economic security that rejects inward-looking trade structures and seeks the maintenance of an open and multilateral international trade regime. This explains their acceptance of APEC, despite initial apprehensions, on the basis that it would help to enhance ASEAN's bargaining position in international trade negotiations. It also explains their strong reservations about the idea of a East Asian trade bloc under Japanese leadership, which the EAEG concept initially seemed to represent. This position has survived the current crisis in the international trade regime as well as ASEAN's fears of protectionism in Western markets.

Yet, the EAEG concept is unlikely to fade away. Two sets of factors
would be crucial to its future. The first is the emergence of a regional economy in East Asia based on rapidly proliferating trade, investment and aid linkages and integrated production structures. As a Report by the Congressional Research Service put it, "Whether a formal [East Asia] trading bloc is created or not is actually somewhat immaterial because a de facto trading bloc already is emerging. It is arising out of economic necessity and, barring draconian barriers, will continue to grow regardless of whether or not free trade among the various economies develop". Second, the prospects for EAEG would depend upon political attitudes in ASEAN and Japan. While Malaysia's ASEAN partners have responded cautiously to the EAEG, they have agreed that the concept be considered and subjected to closer examination at various ASEAN forums. The final outcome of the Uruguay Round and the future direction of the EC and the North American free trade area would be critical in shaping ASEAN's attitude towards the EAEG. A united ASEAN endorsement of the EAEG would make it more acceptable to Japan, for as Mohammed Ariff argues, Japan cannot ignore the fact that the EAEG presents it with "a golden opportunity to lead East Asia towards its destiny". In addition, there are signs that some factions within the ruling LDP are not averse to the idea of a regional economic arrangement. The state of US-Japanese trade and political relations is yet another uncertain variable that would be crucial to the future of the EAEG. The coming decade promises to be a period of transition in regional economic relations in East Asia, and the emerging economic realities in the region will severely test ASEAN's existing
conceptions of, and approaches to, economic security.
NOTES

i. The classic exposition of the logic of economic security from the perspective of interdependence theory is Robert O. Keohane and Joseph S. Nye, Power and Interdependence: World Politics in Transition (Boston: Little, Brown, 1977)


vii. Keynote Speech by Mr Goh Chok Tong, Prime Minister and Minister for Defence, Republic of Singapore, At the CSIS-Asia Society Conference in Bali, 4 March 1991, p. 3

viii."Summary Record: New Directions For ASEAN Economic Cooperation", in Proceedings of the Second ASEAN Roundtable, Kuala Lumpur, 20-21 July 1987, p.8


x. For an Overview of ASEAN's role in Gatt, see M. Hadi Soesastro, "ASEAN's Participation in GATT", Indonesian Quarterly, vol. 15, no.1 (January 1987), pp. 107-27
Apart from trade liberalisation and collective bargaining, ASEAN's economic regionalism include measures to promote industrial development and energy and food security. ASEAN industrial development cooperation has three main aspects. The first is ASEAN Industrial Projects, launched in 1978. These included an Ammonia-urea project in Indonesia, an urea project in Malaysia, a rock salt soda ash project in Thailand, a copper fabrication plant in the Philippines and a Hepatitis B vaccine project in Singapore. The second is the ASEAN Industrial Complementation Scheme, whose Basic Agreement was signed in June 1981. The Scheme is aimed at promoting industrial development in the region by permitting the private sector to agree in advance to industrial specialisation, thereby eliminating "unnecessary competition among ASEAN countries". It provided for vertical and horizontal specialisation. But the number of industrial projects suitable for component production has been limited and getting ASEAN members to agree on a scheme has proved to be difficult. Hence the rationale for the third element in ASEAN industrial cooperation, called the ASEAN Industrial Joint Venture Scheme. Launched in 1980, this scheme aims at encouraging private sector participation in intra-ASEAN industrial cooperation. AIJV schemes require participation by only two private sector partners.

In addition, ASEAN economic cooperation includes food and energy security programmes. In 1977, ASEAN members agreed to an ASEAN emergency petroleum sharing scheme comprising the national oil corporations of the member countries. An ASEAN Food Security Reserve System in 1979 "to provide mutual support in the time of emergencies as well as an early warning system for such emergencies". An ASEAN Emergency Rice Reserve of 50,000 tons has been set up.

Initially it was India that supplied the impetus in Asia and specifically aiming at organising developing countries in the 1950's. In the early 1960's Japan had a brief role in organising the Pacific and finally towards the latter end of the decade South-East Asian nations assumed more of a profile particularly with the formation of ASEAN. For other work that deals with this process see M. Hadi Soesastro, "Institutional aspects of ASEAN-Pacific Economic Co-operation," in ASEAN and Pacific Economic Co-operation (Bangkok: Economic and Social Commission for Asia and the Pacific, 1983).

Lawrence B. Krause, Pacific Economic Cooperation: Suggestions for Action (Petaling Jaya: Heinemann Educational Books, 1981), p. 136. Interestingly enough the pattern for the future of APEC is also being conceived along the lines of the OECD. The Paris based group does bring together top policy makers and allows Government to discuss problems and compare views but ultimately it's role is that of a high powered think-tank. It cannot play the role of the EEC for instance; although it has a capacity for political persuasion, in the final analysis it lacks institutional bite. If APEC evolves along these lines then it will fail to become a supranational organization and that at present would appear to suit the other members of ASEAN.

See Miles Kahler, "Organizing the Pacific" in Robert Scalapino et al. Pacific-Asian Economic Policies and Regional Interdependence (Berkeley: University of California, Institute of East Asian Studies, 1988), pp. 329-351. Kahler discusses the obvious reticence of Governments to set up a formal vehicle of co-operation in an
intergovernmental body. All that remained in the wake of OPTAD he argued was the "6 plus 5" dialogue between ASEAN and the industrialized countries of the Pacific (instituted in 1984)" (p.333).


xxi. Cotton, "Apec: Australia Hosts Another Pacific Acronym", p.171

xxii. The Economist, 11 November 1989


xxiv. The Economist, 4 August 1990


xxvi. Speech by Naji Abdul Rahman Taib, Minister for Industry and Resources, Brunei, to APEC Ministerial Meeting, 30 July 1990, p.4

xxvii. Speech by Lee Hsien Loong, Minister for Trade and Industries, Singapore, before the Indonesia Forum, Jakarta, 11 July 1990, p.9

xxviii. Ibid, p.9

xxix. Noordin Sopiee, "Pan-Pacific Talks: ASEAN is the Key", International Herald Tribune, 4-5 November 1989, p.4


xxxi. Later, in the wake of concerns regarding the exclusion of important regional actors, such as Australia, Malaysia was to insist that there was no "exclusion list" for EAEG and that Australia's participation would be possible at a subsequent stage.

xxxii. See Paul Evans, "The Changing Context of Security Relations in Eastern Asia", Paper prepared for the workshop on "Korea and the
Changing Asia-Pacific Region", 8-9 February 1990

xxxiii. International Herald Tribune, 8-9 December 1990

xxxiv. The Business Times (Singapore), 12-13 January 1991

xxxv. The Straits Times, 29 October 1991

xxxvi. the Straits Times, 8 January 1991

xxxvii. The Straits Times, 18 March 1991

xxxviii. The Straits Times, 22 December 1990


xli. Speech at the Eighth Meeting of the Pacific Economic Cooperation Conference, Singapore, 20-22 May 1991

xlii. The Straits Times, 6 April 1991

xliii. The Business Times (Singapore), 8 January 1991


xlv. Mohammed Ariff, "EAEG can provide Asean with chance for a more active role", Straits Times, 20 June 1991, p.26