



# PLENARY SESSION I

## **Moderator**

**Jusuf Wanandi**

President Director, *The Jakarta Post*

## **Panel Speakers**

**Kim Kyungwon**

President Emeritus, Seoul Forum; former Korean Ambassador to the U.S.

**Narongchai Akrasanee**

Chairman, MFC Asset Management Plc.; former Minister of Commerce, Thailand

**Cheng Siwei**

Vice Chairman, Standing Committee of the National People's Congress, People's Republic of China

**Manfred Wilhelmy**

Chair, Chilean National Committee for Pacific Economic Cooperation

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## The Pacific Community: a Vision or an Illusion?

### **Jusuf Wanandi (Moderator)**

It is a great honor for me to chair this first plenary session. As you know, we have a very illustrious panel to discuss some ideas on the Pacific Community. Is it a vision or an illusion? How has it failed? So far, what challenges have come forward? What is the relatively new idea of an East Asian community, with the East Asian Summit at the end of the year, going to mean for Asia Pacific community building?

Let me introduce our panelists. I would like to start first with the general and strategic view of the region. Kim Kyungwon is of course well known to us here and one of the best strategic thinkers of the region and very lucid in his explanations and honest in his assessments. He has experience in academia, teaching in the United States and here in Korea, and has government service experience as the national security advisor to the Blue House and as the chief of staff and the advisor to the government and the president. He has followed regional developments and the role of Korea in this region.

The second person I would like to introduce is Narongchai Akrasanee from Thailand. He taught for sometime and was very active after that in the government of Thailand. As the Minister of Commerce, he was supportive of first the AFTA, the Asian Free Trade Agreement. He has been with PECC from its inception. In fact, you may argue that PECC has survived because of his efforts. Thailand hosted the second meeting after Canberra in Bangkok, and thus we were able to continue and survive for the last 25 years. Now, he is also a very active businessman, and I would like to ask him to provide his views on what business thinks of this regional cooperation and how it relates to the East Asian community.

The third speaker is Cheng Siwei, who is Vice Chairman of the National People's Congress of the People's Republic of China. He has had a long and illustrious career in congressional issues, foreign matters, chemical engineering, and industry, and in between has taken time to obtain his MBA from UCLA in the United States. He was a member of the Standing Committee of the People's Political Consultative Conference of China, and he is the Vice Chair of the Standing Committee of the National People's Congress of China. I have asked him particularly to speak about how he sees the role of China in the development of the region as there are so many questions asked now, especially by our American friends, about its relationship with the United States in the future.

Last but not least is Manfred Wilhelmy from Chile. He is now the Chair of the Chilean National Committee for PECC. He has been in academia and was trained as a lawyer and a political scientist specializing in international relations. Since 1990, he has worked on the Asia Pacific and its relationship with Chile and Latin America in general. In 1994 he has become an Executive Director of the Chile Pacific

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Foundation, which concentrates on establishing, developing, and strengthening the relationship between Chile and the Asia Pacific. Currently, he is the alternative member of ABAC from Chile.

So we have a very good group. I would like to ask Kim Kyungwon to give his views on the strategic developments at this stage and in the near future for our part of the world.

### **Kim Kyungwon**

My assignment is to speak about the strategic development of our region of the world. I will say bluntly that the most important geopolitical event since the end of the Cold War is hurricane Katrina and its effects on the United States. I say that this is a major geopolitical event because it will turn the United States inward, and the United States will concentrate on its domestic agenda and reduce its involvement in the rest of the world.

The first victim of this trend, which will intensify, is the Chinese leader's visit to Washington that was cancelled because of the impact of Katrina. Secondly, the United States has also lost prestige and credibility as a result of the way Washington dealt with or did not deal with the crisis. Many people in our part of the world are asking how this could happen in the superpower -- the most advanced country in the world, the most efficiently organized country in the world, the country that has sent troops abroad to maintain order. The United States' involvement in Iraq has never been convincing, but it is now going to be even more unconvincing after what happened on the streets of New Orleans. Most people will see that anarchy as shocking and the U.S. government as incompetent. This means that the U.S. is going to lose its international position of leadership or, at least, will lose the effectiveness of its leadership. In fact, I would suggest that the world is going to suffer from a leadership deficit in the coming years.

Who will lead if the United States recedes into its own domestic agenda? Yes, we can say that China is rising and will continue to rise, but it is not ready for leadership. Its concentration is modernization, which is also a domestic agenda. So, you have two major countries, the United States and China, concentrating on their respective domestic agendas, with one of them reducing its role as a world leader in the maintenance of the world order. In Japan, we find the situation frustrating because you have the right wing that ensures no genuine reconciliation will take place between Tokyo and its neighbors. On the other hand, it is not strong enough to dictate the terms of those relationships. Therefore, we keep hoping that Japan will do things that are required for genuine reconciliation with neighboring countries to occur. However, it is not likely to happen for some time. In addition, the Japanese economy is not fully recovered. Japanese foreign policy is also going to be adrift, in the sense that U.S. foreign policy has always had a significant impact on Japanese thinking. Accordingly, to the extent that the United States is going to withdraw from extensive involvement in the rest of the world, Japan may find it difficult to find its own direction. Russia is currently in love with a geopolitical concept called Eurasianism. However, geography does not guarantee greatness; rather it sets conditions for greatness. It is an open question as to whether Russia is capable of fully exploiting this concept of a Eurasian landmass.

Hence, I would say that the geopolitical picture is not going to be exciting. Our region is going to have to work out its own problems without the benefit of the United States. I do not know whether this is a blessing. Of course, some find this, the so called the uni-polar system that has been discussed since the

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end of the Cold War, more acceptable. The United States is going to be concentrating on its own affairs, dealing with its own problems, and in the meantime maybe developing a sense of modesty about its own limits as a global power. However, this is not something that the rest of the world should be joyful about. It means that leadership will be absent. Without leadership, it will be difficult to solve problems and to move things along and make progress. This is the position we are in.

### **Jusuf Wanandi**

Thank you. I would like to ask for the businessman's point of view to explain how business sees this region. It might be considered a challenge as well as an opportunity.

### **Narongchai Akrasanee**

Am I only a businessman? I am not a real businessman. I do not know how to maximize profits. I only make enough money to be able to go around enjoying conferences like this. I was taken aback a bit with Kim Kyungwon's analysis of the region. I have not really come to the conclusion or thought fully about the impacts of the events in Mississippi and Louisiana, but if Kim Kyungwon's prediction is correct, I would be so happy. If the U.S. would become more modest, I would be so happy. The last comment he made about this being a blessing in disguise was thought provoking. Of course, we are all sorry about the people in Mississippi. Now I would like to make five points and will take a longer view going back many years and trying to go forward many years in order to answer the questions raised.

The first is about whether the Pacific Community is a vision or an illusion. My view is that it was a vision in the past, but this vision is turning out to be an illusion at the moment. In the past, we had a vision of a nice and orderly integration in the Asia Pacific. If you remember earlier writings, they were talking about the flying geese, Professor Akamatsu's metaphor about countries moving together with Japan leading the group. We had the macroeconomic idea of the locomotive with the United States, the eagle, being the locomotive. So, we thought about this cooperation, the flying geese and the eagle with the Australian kangaroos. We thought that the dragon, China, would come along nicely, moving slowly and reluctantly. You know that is how they behaved at that time. I remember in Seattle that China was so reluctant. But then things turned out to be not quite what we thought. The leader of the geese got tired and is still tired, and I do not know how long it will remain tired. And the dragon started to fly. The vision is shattered. You have the eagle getting irritated with the dragon. Theory is all explained in the book by Kishore, *Beyond the Age of Innocence*. In this case, it is not the title of a love story but that of the eagle and how the eagle is behaving in the world. So, I think that the old APEC vision of 1993-94 which was put in place by PECC is turning out to be an illusion, and we have to think about a new kind of community.

The second point is what the business world thinks about the Pacific Community or integration? Despite what I have mentioned as disturbances to the original vision, I think we have all witnessed a very clear economic integration in East Asia with the United States and other western Pacific countries. I am sure that it was partly due to APEC's efforts, but also partly due to the Uruguay round in 1994. Business has benefited a lot from the growth and economic integration of Asia Pacific. It has gained from the integration of East Asia as well. So, with East Asia doing well and having good access to North American

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markets, we have seen this integration. Also, we have much evidence showing how business has become a very important player in this process. There are a number of new names, big corporations, taking over corporations elsewhere. We could name many of the East Asian companies that play an important role in the world.

The third point I would like to make is about the concerns of the business community. Having talked with business friends all over, I think that the concern is about politics. All issues are related to politics. There is the political sensitivity between China and Japan. Somehow, these two countries should adopt Lee Kwan Yew's idea: we cannot forget but we can forgive. Why don't they adopt this clever phrase? They keep not forgetting and not forgiving. So, this political sensitivity is our concern. The security rivalry between the U.S. and China is also of concern. If the effect of Katrina is to change this, it would be nice. For economists, the fundamental issues have also changed. Now it is about the U.S. versus East Asia in the form of macro imbalances. Now, key players include India. India was sleeping at the time that we were forming this community. At that time, we did not think the country was a commercial proposition at all. Now, India is definitely a commercial proposition. Accordingly, the issues involve Asia and the western Pacific. The way we look at it is now about Asia more than East Asia -- Asia and the western Pacific — thus trans-Pacific issues. Many of the problems we have or we see are being solved through FTAs effectively. We had evidence yesterday showing how things are being solved through FTAs rather than APEC or the WTO, i.e., not through open regionalism.

The fourth point regards APEC under its present framework. Would it be able to satisfy its member economies, communities, and so on? My answer is no. I think that members are not interested in the Bogor Goals. Many of them do not even know about it. They think that it is a goal made in a soccer match in Bogor. Members are not interested in open regionalism. So, if APEC does not change, it will be only about leaders coming together for a photo opportunity dressed in peculiar outfit.

Finally, the last point: if this is the case, what kind of community is needed? I propose that APEC evolve into a trans-Pacific Community concentrating on issues relating to trans-Pacific relationships. Stop referring to the Bogor Goals and stop referring to open regionalism. We should refer more to macro imbalances, structural adjustments, resource security, social and political security, etc. So, I propose that we change APEC to T-PEC. If APEC cannot change, we may want to change PECC to T-PECC. In 25 years, we can claim that we brought peace and prosperity to our community.

### **Jusuf Wanandi**

May I ask Cheng Siwei to give his views on what China thinks about all these new developments of regionalism? Trans-Pacific is a new idea. How does China view its own role in this development?

### **Cheng Siwei**

In my opinion, regional integration is a new development of globalization. Regional integration and globalization are complementary. We must first keep open regionalism as the spirit. Second, we should

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deal with the relationship between countries on an equal and mutually beneficial basis. Third, we would like to pursue substantial objectives rather than just take photos. I think this is very important. If we can do this, we can make regional integration and globalization mutually beneficial.

Talking about regional integration in East Asia, we are very glad to see that ASEAN plus three is moving forward although it still has a long way to go. They have a closer relationship for many different reasons, and I think that it will become much easier to get together and develop mutual understanding through trade and exchanging ideas. This is what happened in the European Union. I think that the regional integration helps to form a multi-polar world, which may be safer than a uni-polar world. Any country that would like to take a part in East Asian integration is welcome, but only under three conditions. First, they should express their willingness to join. Second, the integration should be on an equal and mutually beneficial basis. You cannot say, "Please open the door for me, but I will close my door to you." Third, it should be by the consensus of all members. Any country, if it wants to join this regional integration, should be welcome upon meeting these three conditions.

At present, the relationship between countries is getting closer. No country can do things only for its own benefit. Take trade for example. As you know, the foreign trade of China has grown quite fast. If you look at the numbers, you will know that China is a great seller but also a great buyer. Its surplus is only US\$32 billion with total foreign trade at US\$1.15 trillion, which means that the surplus is only 3%. Although you can say that we have a large surplus with the United States, US\$80 billion, and we have a fairly large surplus with European Union, US\$37 billion, on the other hand, we also have a US\$20 billion deficit with Japan, a US\$20 billion deficit with ASEAN countries, and a US\$34 billion deficit with Korea. In this case, actually, you cannot always ask for a balance in foreign trade. It is dynamic and fluctuates. We should take a reasonable view in this case and consider this problem as an economic issue rather than a political one.

We should take into account that any change would cause serious side effects. Say if our exports decrease, certainly our imports should decrease. It will hurt countries that have a surplus with us. Take the example of the United States: according to Morgan Stanley, the American people benefited from cheap Chinese goods worth US\$600 billion in the last decade. My point is that we should solve this through consultation and cooperation rather than through a trade war or confrontation. There will be no winner in a trade war. I think that only through negotiation, consultation, and cooperation, can we solve this problem. I heard just last night that we have reached a second agreement on textile trade with the European Union. We reached a mutually satisfactory result, and it was based on an equal basis. In some trade with other areas, we may share losses 50:50. I think that this is a right way to solve trade conflicts. I wish that we could develop a better relationship through consultation and cooperation. You know that China is still a developing country and still has a long way to go. Our GDP per capita is behind 100th place in the world. So, we would like to work hard to develop and achieve peaceful development in order to help our people live better lives. What we would like is to make all countries our friends and to make efforts to develop our own country. Therefore, China will never seek to be a global power nor take leadership of the world. We only want to be friends with all countries all over the world.

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## **Jusuf Wanandi**

May I give the floor to Manfred Wilhelmy who among the panel is the only one from Latin America? We definitely would like to listen to some Latin American views of how the trans-Pacific region has developed. Since Chile is the most active country in this regard, his views will be very important for us and this part of the world.

## **Manfred Wilhelmy**

I see two levels: one is Latin America and the Pacific and the other is Latin America and East Asia. There is a degree of overlap between these two different relationships. If by community we mean that there must be a sense of togetherness over the long term, we must share some important common purposes with a significant degree of cooperation that is ready to deal with differences to work them out. In addition, we must sustain policies over time while, as Narongchai Akrasanee suggested, we must adapt to new circumstances. I believe that in terms of these two criteria, Latin America is advancing towards effective participation in this community, but this is still very much uneven and incomplete.

In the past, our relations developed little because our international outlooks were mutually exclusive, which widened the gap between us. We were widely seen as the backyard of the United States. There has existed historically a low level of social interaction between East Asia and Latin America. For example, there are few immigrants from East Asia in our region. We had a so called "tyranny of geography" that made for very high transaction costs. After World War II, we were somewhat encapsulated in alignments that froze our respective diplomacies. Later on, we changed our perception of East Asia and became more interested as we witnessed the very dynamic development of Japan, later East Asia and ASEAN, and lately China. Also, today we might speak of the Asian "soft power" projecting over the world. Many business circles in my region are sensing business opportunities. On the East Asian side there is a lot of interest in securing a safe supply of commodities like oil, minerals, forestry products, and marine products that are abundant in our part of the world. Also, there is a more favorable post-Cold War environment that, however, has been clouded by some factors. We cannot forget September 11. Katrina is of course very important. I would not jump to any conclusions yet, but I would agree with Kim Kyungwon that there is a significant problem.

Latin America is not one of the three pillars in global economic development. We could only benefit from closer links to East Asia, and in this regard APEC and PECC are very crucial trans-Pacific bridges. However, we choose to define APEC, I agree with Narongchai Akrasanee that APEC needs a lot of rethinking. In terms of the agenda for Latin America, APEC is only 50% and the other 50% is an opportunity to network. The trans-Pacific elements are very crucial for us. In 1997, we did a lot of brainstorming, thinking up a good title for PECC XII, and today, eight years later, we are very happy that we chose the trans-Pacific theme as a motto. I believe that Latin American and Inter-American regionalism have no interest in encapsulating themselves in an isolated kind of arrangement within Latin America and the United States. Likewise, I would surmise that East Asia would not like to encapsulate this part of the world. The relations between East Asia and the rest of the world are extraordinarily dynamic.

However, the participation of Latin America in APEC and PECC is limited, geographically. Mexico, Chile, and Peru are in APEC and PECC. PECC also comprises Colombia and Ecuador. Even if these, plus perhaps

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Panama, should join APEC in the future, our friends from Brazil, Argentina, Venezuela, and other parts of Latin America would still be excluded. There is a new network modeled on the ASEM, which is called the Forum for East Asian-Latin American Cooperation (FEALAC), and I think that through dialogue between this Forum and the Pacific networks everybody could benefit. We would be able to bring in the non-Pacific parts of Latin America. Thus the region-to-region relationship could be enormously enriched. In this way, we could move to a more mature and developed set of relationships that would include more and better economic cooperation, including FTAs, and bilateral and multi-member arrangements like P4. P4 includes Singapore, New Zealand, Brunei Darussalam, and Chile. There is potential for enlargement in many areas of not only trade but beyond.

We need more dynamic links in investment. Latin America has to offer a better environment for East Asian investment. We have some initial experiences of investment in East Asia, which after some difficult starts become profitable and more interesting to us. Also, the capacity building and exchange of public policy is crucial to us. We have so much to learn from East Asia, but we also have some areas that may be found to be of interest to East Asia, such as the public-private partnership in various areas, experiences in rebuilding financial systems that were in terrible shape 25 years ago but are healthy now, the private pension fund systems that help to build social safety nets and develop capital markets, and privatization. It should go together with closer social and cultural links to increase mutual awareness in political dialogue for the sake of global understanding and security.

## QUESTIONS & COMMENTS FROM THE FLOOR

### **Jusuf Wanandi**

We have four views on the topic. I would like to pursue them further with some questions, but I think that you are also waiting to participate.

As the United States has been mentioned and we do not have a U.S. participant on the panel, I would like to suggest that maybe the first one to participate from the floor should be an American. Charles Morrison, why don't you start and give an American view?

### **No. 1: Charles Morrison from the United States**

I feel like I have been put on the spot. I did want to react just slightly to Kim Kyungwon's comment. I think the problems of the lack of leadership actually started long before Katrina. Katrina is a demonstration. The problem of leadership is at the domestic level in many of our economies. At the international level, it is in part a reflection of forces that are in the world, including globalization, pluralization, and democratization of our societies. So it is much harder perhaps to be a leader in the way it was previously.

Sometimes, it seems to me that we have two groups in the absence of strong national and international leadership. We have two groups who are providing leadership of a sort. The one group is Al Qaeda. They

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have a vision and they have provided a kind of leadership in a very disastrous direction. They gave us 9.11. The other group, I am afraid to say, is the group within the United States that sometimes goes by the title Neocons. The group gave us the vision, the leadership, and the Iraq war. I think that in the absence of strong national and international leadership, we have the danger of small groups who are very committed to causes of one sort or another but are not very leavened by broad perceptions of problems in the world.

So it is both a danger and an opportunity for us. It is a danger because these kinds of groups can take control of the trends of the world. However, at the same time it is an opportunity because groups of committed people, regional groups like PECC, have a vision embedded in the belief of community. We have the global community, the UN community, the regional communities, the sub-regional communities, and the national communities basically focused on the same set of values and trying to achieve the same kind of world. We have a situation that is very positive, and we can overcome these challenges that smaller and detrimental groups have given us.

## **No. 2: Kim Jin Hyun from Korea**

I would like to ask a question to the panel. When talking about the Pacific Community, we do not always clearly state what specific countries and areas are included. So, which communities are we talking about -- Asian communities or Pacific communities, ASEAN plus three, three plus three, or any others?

## **Jusuf Wanandi**

I shall start asking questions to enlighten this discussion. I would like to start by asking Kim Kyungwon to elaborate on what he thinks about the role of regional institutions like APEC and the East Asian Community, if he thinks there is going to be a certain vacuum of leadership. Regionalism and regional institution and leadership may not be complete, but I think that at least they could fill in some of the vacuum.

## **Kim Kyungwon**

The role of regional institutions is very important. I know that East Asia and Asia Pacific are the fastest growing and most dynamic economies of the world. With respect to institutional development, we are the least developed region in the world. There exists a paradox. On the one hand, you have economies that grow the fastest and societies that are dynamic. On the other hand there is no institutional development to compare with Europe, and we are without regional grouping such as North America. Even Africa has better and more mature institutions than ours. So, what are we going to do about this lack of institutions? Why is it that we do not have institutional development consistent with our economic performance? I think there are a number of reasons. Number one is that this region is composed of countries with great cultural, religious, and ideological diversity. Moreover, in terms of the degree of their power, our countries are so hierarchically organized. This is different from Europe, where in the 19th century

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European balance of power was managed by a consensus process involving five major powers that were all about equal size. There is also a problem of our region lacking a sense of identity. In Europe, there is a concept of European, so Europeans can identify themselves as European, but we do not frankly have that in East Asia. Nobody thinks himself as a Pacific person. It would be odd if someone introduced himself as Pacific. In this sense, we are more oriented towards national communities. Some effort is required to overcome these disadvantages in institutional development, and yet the hopeful thing is that recently there have been great efforts by a number of people in our region to try to get over the obstacles and bring about institutional development. This may or may not succeed. I do not know. However, it is hopeful that these efforts are being made. Finally, let me say just one thing. Why are we doing this? Why are we anxious to build our institutions? Primarily, we see that other regions have institutions and we feel that we are disadvantaged in that we do not have any institutions to deal with security and economic issues, particularly in a predictable way that only institutions are capable of ensuring.

### **No. 3: Jesus Estanislao from the Philippines**

I would like to address myself to both Kim Kyungwon and Narongchai Akrasanee. Narongchai asks for a rethinking of APEC and suggests going into a trans-Pacific economy rather than an Asia Pacific Community. Kim Kyungwon started by saying the humbling of the United States is probably not so bad and will open up less of a uni-polar world, perhaps more of a multi-polar world. The basic question that they have is that many times the frame of reference is still in Asian states. Yet, democratization, liberalization, and globalization have made nation states less important as reference points. You really open up many possibilities for networking and interaction between communities. My view, therefore, is that we might move forward if we give less emphasis to nation states and move towards creating frameworks set up by nation states but rather enabling sub-communities to interact with one another. So, in part, they become blocks for a trans-Pacific Community or an Asia Pacific Community that we may want to build. We are still embedded in the conceptual and intellectual frameworks that had been there for the past two to three centuries. But the world is changing into much more open networks thanks to APEC and everything that has been going on. Yet, probably, the community that we would like to build is what we have not accommodated in these new changes and dynamics that we see.

### **No. 4: Kenneth Waller from Australia**

I wanted to challenge comments by some of the panelists that the Bogor Goals is seemingly less relevant than it was. I think that the review that is being undertaken by ABAC recently in its Midterm Stocktaking points very strongly to the value of the Bogor Goals. Sixty-three business leaders across the region have come to this conclusion. There is something in this goal, which leads to openness and economic liberalization and growth in the region. If you just review the analysis of trends in the last twenty years or so, you could see that there has been a standing improvement across the region in economic growth and living standards. It is not a time to abandon the Bogor Goals but to enrich it. I think that the will of achieving the goal is increasing in this region. So, to those who want to abandon it, what is it that you put in its place? Is there something else you can offer that is more relevant?

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**No. 5: Young Soogil from Korea**

The theme of the session asks this question: is the Pacific Community a vision that is worth of being pursued or an illusion? I would like to listen to your answers to this question. I would also like to put forward the same question with regard to an Asian community. We often hear people talking affirmatively about Asia Pacific communities. In many cases, I find that what they have in mind is an Asian community rather than a Pacific-wide community.

**No. 6: Allen Choate from the United States**

I would like to pursue the point of renewing the commitment to what. If we are renewing the commitment to open regionalism and to the principles established in the Vancouver Statement, I think that the phrases that follow in their renewing the commitment should indicate clearly what the commitment is to. In that connection, I would like to ask the panelists' views on two things: one is how PECC or the Pacific Community as defined might be more effectively able to pursue the cooperative agenda for social development in human security within existing institutions. The other is what their expectations are from the forthcoming East Asian summit in Kuala Lumpur. That is another definition of what might be a Pacific Community.

**No. 7: Sri Adiningsih from Indonesia**

I would like to know your views regarding the development of so much bilateral and multilateral cooperation in this region. Especially, you know that APEC is kind of informal, and in the end there will be no commitment. We are discussing renewing the commitment. What will be the benefit or cost for moving forward to APEC? Will you be able to protect the commitment not just in the economic area but also in other areas? Can you make it more binding like ASEAN or any other multilateral free trade or economic cooperation?

**Jusuf Wanandi**

Let's start to answer some of the questions and cover them, and then if there are others we will entertain them. I just would like to ask the business point of view from Narongchai Akrasanee whether globalization will mitigate the absence of the United States in this part of the world. I would like to ask it to Cheng Siwei also specifically because there are so many questions about the China's view on the U.S. role in the future. You have said that in general terms of course you prefer a multi-polar approach. But, in this respect, the U.S. has heavy weight in this part of the world. So, how is China seeing that? I think that one of the main questions we have is definitely how China and U.S. relations will be in the future. May I ask you if you do not mind?

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## Narongchai Akrasanee

This is very difficult. When you have so many clever people in the room, the questions are all very difficult. I think that we should really start from globalization. We have to live in this globalized world. That being the case, it is not possible to define countries by their own geographic area. Therefore, in order for each country to live peacefully with prosperity, I think there are two layers of relationships. The one is community and the other is cooperation. To be realistic, we have to understand the meaning of community and the meaning of cooperation. Sometimes, we cannot expect to build a community out of certain sets of countries. That was what I meant when I was talking about the Pacific Community vision or illusion and the question raised by a gentleman from Korea from the floor. What we mean by the community when we started were members of APEC. That is the community we refer to. My point at the moment is different from that of the 1980s and 1990s. I do not think that we can build the community with APEC. However, we have very good cooperation between Asia and the Western Pacific. That is why I propose to change it to "the trans-Pacific." I have mentioned the Bogor Goals and open regionalism and so on. They have been very good for us, including the Uruguay Round. We have all been moving towards openness, but sometimes it has been a burden. Encouraging openness is fine. I think it is regional cooperation. But if you expect more than that, there is too much guilt felt.

Now, a community I think has to be based on some kind of proximity, familiarity, and history. I agree with Kim Kyungwon that it is very difficult to build a community in Asia, not because we have not had a sense of being "Asian" before but because we were disrupted, disturbed, and destroyed by the western powers in the 1500s through 1800s. It has only been from about 1920 to 1930 that we were able to try to rebuild our nations. So, I thought back to thirty years ago when we started ASEAN to build a community, a sense of regionalism or sub-regionalism rather than being just Thailand or Indonesia. I feel that I am very much ASEAN and I think that my ASEAN friends feel the same way. I am very concerned about ASEAN. I have been wishing for so many years for Indonesia to come back to the scene, and I am so happy that it has. ASEAN could go as far as Indonesians allowed us to go. That is of the feeling that we had in ASEAN. At that time, ASEAN was ready and we started. Then we came to East Asia, but formally it was not ready. We mainly dealt with Japan, and China was by itself. But now, it seems to me that China is ready and Korea is ready. The time may not be right now, but it is closer than before. That is why we agreed on the summit in December. We hope very much that this would allow us to think beyond ASEAN to East Asia, and I feel very comfortable coming here. I feel very comfortable going to Japan, because I define myself as being an East Asian and ASEAN.

The next group is the GMS, the Greater Mekong Subregion. We are very close to each other now. We speak the same language, look the same, and have the same origins. But we were not friendly to each other: Vietnam, Cambodia, Myanmar, Laos and so on, again because of western interference. Now, we are ready to try to build the community. However, we still have some troubles. Because most were trained in Russian languages unlike the Thai, we could not understand. But that will change for the next generation because of a historical relationship. I myself am very GMS. I have blood from all over the place and can claim myself to be GMS, including Indian and Chinese. This is the sense of community that we seek to build. By doing so, we can have peace and prosperity at the same time. However, we have to define what a feasible community is and what cooperation is required.

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## Cheng Siwei

As you know, at present, the United States is the only superpower and the most developed country in the world. We highly respect our relationship with the United States because we wish the U.S. to contribute to world development and peace. In addition, the relationship between China and the U.S. is not only important to the people of these two countries, but also very important to the world. We used to describe the China-U.S. relationship with three words: candid, constructive, and cooperative. However, recently, President Bush added another word "complicated." It means that we should handle problems between two countries with great care. So, if any problem is raised, we have to make a correct diagnosis and then we can decide what action we should take. I will just tell you a story. I was invited to the U.S. to Harvard, and I heard one American congressman saying that the trade imbalance was very serious because all ships coming from China were full and all ships going to China were empty. I said that was not surprising because what we sold were shoes, clothes, and toys that had to be shipped by vessels, but what the U.S. sold to us were chips that were sent by air cargo. Also, financial services, consulting services, and other services have to go with professionals, and no one at this time will take a ship from the United States to China. Therefore, we have to make the right diagnosis, and then we can find the right solution. That is very important. The trade imbalance is a political rather than an economic issue. If it is only an economic issue, we can solve it. I just tell my American friends a joke: if you can sell a space shuttle to us, the trade balance could be improved quite a lot. In this case, I think that we have to sit down and talk to find a way to solve this problem, like what we did with the European Union. So now, I can describe our Sino-American relationship in four words: candid, constructive, cooperative, and complicated. However, we would like to make the relationship a little less complicated.

## Kim Kyungwon

There was a question about putting so much emphasis on the role of nation states. I agree that we are often in danger of doing that. The role of nation states has been diminishing to a certain extent because of the globalization process. However, I want to warn you that it would be a major mistake to believe that the nation state is no longer an important element. It is a funny animal. When it appears to be finished, it comes back stronger than before. In our part of the world, for instance, you know that we are becoming more global in terms of relationships and integration. Lowering barriers to a large extent has been very successful. At the same time, you may realize that what mixes countries and people in our region and makes them move is often nationalism. It is the most powerful emotion that is affecting people in our part of the world. Japan and China, for instance, are uncomfortable due to nationalism, and in the Korean peninsula there is a contest between two regimes in the name of nationalism. So, regarding nation states, we should look at both sides of the phenomenon. On the one hand, nation states are becoming less and less important in our daily lives, and on the other hand, it is a mistake to dismiss them as being finished because they are not finished yet.

Another thing that I found to be interesting is the title of this session: is it a vision or an illusion? I am tempted to say that it is both. Often, an illusion will turn into a vision if the people work hard enough on the concept. We have no idea of knowing if it is a vision or an illusion until we have worked at it. When the bottom line is reached, we will know whether it was a vision or an illusion.

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## **Manfred Wilhelmy**

About a community, I think that we have to be very flexible and, in a healthy way, eclectic. We might have a very overarching large set of members of a community that might be very comfortable with several subsets where people develop different kinds of states, other entities, and relationships that are not shared by the rest but are compatible with relations with the rest. I believe that in a multi-layered structure we can feel very comfortable with our different kinds of approaches and specific sets of interests that need not necessarily collide. As the only non-Asian on this panel, if you allow me to say, this is a very interesting learning experience for us. In Latin America, we have a legalistic background. We come from the background of Roman law via Spain and France, etc., so we like treaty-based accords, even in our dealings with other parts of the world. However, in our approach to the Asia Pacific, we have found that there is a lot of emphasis on voluntarism and consensus. APEC is very much based on that kind of view. So, maybe we can find ways to advance the world's shared goals by finding a middle ground with this purely consensus-based approach. Also, few people would argue in the Asia Pacific that they would like to have a bureaucratic approach to building a macro region through some kind of imitation of what the Europeans have been trying for such a long time. However, the totally decentralized approach might not lead us to shared goals. We also need to find a middle ground there. In terms of actual agreements that have certain binding elements, we might think of coalitions of the willing that might be another element of healthy eclecticism.

Maybe I should not say this because I am not a trade economist. I am interested in questions about bilateralism. Yesterday, somebody presented us with very learned remarks about a spaghetti bowl. However, I believe there are various ways to engage in bilateral deals, and almost everybody is doing this. The negative effects of the spaghetti bowl can be minimized. One way to do it is to continue with unilateral liberalization while engaging in bilateralism. In the case of Chile, we had a nominal tariff rate of 11% some years ago that went down each year, and, if we factor in the bilateralism, now the average applied tariff rate is below 3%. Second, if you have a policy of entering into bilateral agreements with as many trading areas of the world as possible, you minimize trade distortion. In case of the Chilean economy, we now have bilateral agreements with most of Latin America, with the whole NAFTA area, with the European Union, and with Korea, and we are now negotiating with China. In addition, we expect to negotiate soon with Japan. This all covers a very large chunk of trade relations throughout the world. We should recognize that having an APEC-wide attempt to have a trade accord is a proposition worth looking into that might deal with some of the problems that have been mentioned.

## **Jusuf Wanandi**

I had hoped that this would be an opening shock for the next two days, and I hope that at least this has introduced some of the questions that you will deal with in the next two days. I do think, as a concluding remark, that the force of globalization of course has negative and positive sides, but in this case I think it has had a very positive impact. That is, it has brought about integration to the extent that we cannot even think of going alone. We have to be together because there is just no other way. Thank you for all your participation. Let us give a big hand to the panel.