

Plenary Session II

Squaring FTAs with the Bogor Goals: How Can IT Be Done?

East Asian Regionalism & the Doha Agenda: Addressing the Hard Questions

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Adapted from a paper presented
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at the Evian Group Hong Kong 2005 Meeting

Introduction – Setting the Setting

It is a great pleasure and honour to be invited to speak to PECC XVI.

However, having received the invitation only very recently, it is unfortunately simply impossible for me to write a new paper. What is reproduced below is an adaptation of a paper written by my colleague, Valérie Engammare, and myself in May as a basis for discussion at the 2005 Evian Group Hong Kong meeting. The contents are nevertheless highly relevant to the discussion at PECC XVI.

As the paper argues and as was borne out at the Evian meeting in Hong Kong, ***never in the last half-century has it been more important to preserve, indeed strengthen, the multilateral rules-based trading system, with close adherence to its underlying principles. Everything else is at best secondary, at worst highly disruptive.***

What are the current key global and regional driving forces?

1. We see the tremendous rise of new (or returning) players in the global trade arena, China especially, but also others. This also reflects the dynamic growth rates of the “new economic powers” in sharp contrast to the very anaemic state of the “old economic powers”, primarily Japan, Italy, France and Germany (the “miracles” of the 60s) and with the US engaged in what could become economic self-destruction.
2. This is not a disaster, this is, as the Germans say, *wunderbar!* Not only are new markets opening, but also new horizons and opportunities, not to mention the tremendous potential bonanza for consumers in the mass production of cheap goods. The greatest potential winners of this emerging 21st century global market are the poor. This point should be repeatedly stressed.
3. These tectonic global shifts, of course (!), require adjustments and especially reform among the old economic powers. ***Instead of seeking to curb the competitiveness of the new economic players, it is the primary responsibility of the old economic players to undertake fundamental reforms.*** To cite one fairly obvious example. The “problem” (if there is one) in the global textile industry is not China, but the uncompetitive textile manufacturers in the US and the old economic powers.

4. While there are powerful forces operating at the global level and attempts are made to create a genuine global market – with still many obstacles in the way – none of the major regional blocs are in especially good shape. In the European Union, there has been the referendum on the proposed constitution shock that has thrown leaders in disarray, but perhaps even more critically strong divergences are appearing between the economic performances and policies of the “dinosaurs” and the much more competitive economies, such as Ireland, Finland, Sweden, the Netherlands. In the Americas, Mercosur is experiencing difficulties, NAFTA is far from addressing some of the really critical issues, and is generally perceived as having profited the US above all, while the effort that was needed to move the CAFTA mole hill is revealing.
5. The region where the situation is the most precarious and potentially explosive is Asia. It is not necessary to catalogue all of the many powder kegs and anomalies here. It is abundantly clear that the intense hatred between Japan and China and Korea, and the rivalry between the China and Japan, undermine from the very start any idea of more formalised intra-regional arrangements. You do not build institutions in order to generate confidence, you establish confidence and then build the institutions. Confidence is the foundation for which there is no substitute.
6. What Asia, but also other parts of the world, is witnessing is a fairly violent resurgence of nationalism. This is true especially, but not exclusively, of Japan and China. Multilateralism is the only means, in comparison to other options, for seeking to contain this nationalism.
7. Unilateral voluntary trade liberalisation is much to be encouraged and much of the literature shows that this is where the best gains can be had. This was an important contribution from APEC, though one that has not been particularly prominent of late. For example, Japan’s half-baked EPA (economic partnership agreements) strategy lies in tatters for reasons that should have been obvious when the concept was first (half) baked. On the other hand, Japan would have provided great benefits to itself and to its trading partners had it engaged unilaterally in opening up its very closed markets. Since the EPAs are based on the mercantilist principle of reciprocity, apart from providing enjoyment to negotiators, they are of no constructive interest.
8. Similarly, the Zoellick idea of competitive liberalisation through bilateral and regional trade agreements has proved to be failure many persons warned him it would be. An anecdote from a Canadian businessman in respect to NAFTA illuminates the anomalies and absurdities of most FTAs, RTAs, etc. It is, he said, much cheaper and more expeditious to pay tariffs than to pay lawyers to determine whether your exports are in compliance with NAFTA rules. Business to be most effective should be operating in an environment of greatest possible simplicity. RTAs and their ilk are hellishly complicated, especially in areas such as rules of origin.

9. Apart from creating unnecessary complexity in the business environment, these numerous initiatives, many of which end up being still-born, take up an inordinate amount of time and effort.
10. Thus there are three basic rules that should be followed and that PECC should send as recommendations to policy makers:
 - a. Engage in as much voluntary unilateral trade liberalisation as possible.
 - b. Abandon and consign to the dustbin the mercantilist practices of reciprocity. The language of “offers” and “concessions” is Orwellian.
 - c. Focus all possible attention on the multilateral system and ensure that Doha is successfully completed.
 - d. Educate your population to gain a proper understanding of trade and especially how open markets benefit the poor.
 - e. Only under very special circumstances should regional, bilateral, etc agreements be even considered.
 - f. In Asia, efforts must really, really be exerted to building a regional environment of trust.

East Asian Regionalism - Integrative versus Disintegrative Forces

"It is impossible to go through life without trust: that is to be imprisoned in the worst cell of all, oneself"

Graham Greene

The picture

The first East Asian Summit, consisting of the 10 ASEAN countries, China, Japan and South Korea, will be convened in late 2005 in Malaysia. This initiative concretises – almost 15 years later – Malaysia's proposal to create an East Asian Economic Caucus (EAEC). Both in terms of population and output, the East Asian bloc would be gigantic, comprising 2 billion people – almost a third of the world's population – and counting for an ever-increasing share of global GDP¹. These developments in East Asia are bound ultimately to have a huge impact on the rest of the world. The Summit is a quite logical culmination of the economic development and market integration the region has experienced over the last couple of decades: intra-regional trade accounts today for about half of East Asia's total trade and intra-regional cross border investments have risen dramatically. Thus, economic issues are likely to dominate the Summit agenda. However, whereas economics have proved both the *raison d'être* for the Summit and the cement of intra-regional cooperation, it is politics that might play the role of a gatecrasher, as tensions that have arisen between Japan and its neighbours, China in particular, are likely to remain acute.

The mere fact that such a Summit will take place shows how much the landscape has evolved since the East Asia Economic Caucus had been proposed. The 1997/98 financial crisis made it urgent for countries to cooperate. Furthermore, while the EAEC was strongly opposed by Washington and undermined by Tokyo, Japan's prolonged economic paralysis has greatly weakened its role as regional leader, leaving room for China to take up the position. China's fantastic economic growth, its huge demand for imports, and its accession to the World Trade Organisation in 2001, have given it far more weight in regional affairs. In addition, East Asian countries have gained experience in negotiating bilateral and regional deals. Given these developments, current attempts to strengthen regional ties appear totally justified.

Also in December, in Hong Kong, East Asian countries² will meet the rest of the world trading community at the WTO Ministerial Meeting. The Ministerial will be crucial for the completion of the Doha Development Round and the future of the multilateral trading system. It is also important for the region, not only as the venue of the Meeting, but also because it could prove an important test for regional cohesion: the WTO Ministerial will be an opportunity to see whether regional dissensions and divergences can be overcome and whether cooperation is possible, at least on some critical issues.

The Case for Regional Institutional Cooperation in East Asia

As of today, regional institutional cooperation in East Asia has remained limited. The only formal grouping is the Association of Southeast Asian Nations (ASEAN), which

¹ See Keynote Speech by Pengiran Mashor Pengiran Ahmad, Deputy Secretary-General, ASEAN Secretariat "ASEAN Plus Three – Perspectives of Regional Integration in East Asia and the Lessons from Europe", 30 November – 1 December 2003, Seoul, Korea.

² All East Asian countries are members of the WTO, except for Lao PDR and Vietnam who are observers.

struggles to deepen integration, develop its institutions and keep the attention of its members. The very high reliance of ASEAN on its members, the absence of a true supra-national authority, and the principle of non-interference in other countries' affairs make it difficult for integration to move forward. Other forms of regional cooperation, such as the Chiang Mai Initiative on financial cooperation or the ASEAN Plus Three forum, are highly informal and little institutionalised. The ASEAN Regional Forum (ARF) on security matters is primarily a talk shop. There is no Asian court that can, for example, arbitrate on East Asia's many territorial disputes.

Thus, much remains to be done to transform a fragmented group of countries, in which GDP per capita ranged in 2004 from approximately USD 29'000 in Japan to USD 1'900 in Laos³, into a dynamic regional bloc and active global player.

Integration would first benefit East Asia itself. Economic integration would contribute to creating a large market, by abolishing the barriers that market-led integration alone cannot tackle, for instance tariff and non-tariff barriers. Economic integration would also play a crucial role in overcoming obstacles and providing solutions in energy supply. It would enable East Asian economies to take advantage of China's huge domestic market for their goods. The creation of regional institutions and programmes could also contribute to help the poorer countries benefit from these opportunities, as was successfully the case in Europe where low income countries such as Spain, Portugal, Greece and Ireland, were transformed into upper-income countries. In addition to East Asia itself, the rest of the world would also benefit from a more integrated region, which would become even more attractive for foreign exporters and investors. The creation of regional institutions could also bring more stability, and avoid destabilization and paralysis in the case of frictions among the countries, as is the case between Japan and its neighbours.

Concerning political integration, it would seem unrealistic to imagine that in the short to medium term, East Asia will be equipped with political institutions to which countries would be ready to transfer some elements of sovereignty. This is all the more the case in that institutions tend to be weak in most individual East Asian countries, hence not a solid foundation on which to build regional institutions. Furthermore, disparities in terms of size, political regimes, development, as well as the principle of non-interference – which underpins ASEAN cooperation – are likely to make political integration difficult. It is today more likely that the driving force of integration will be economic, for instance in the form of a free trade agreement, and that political integration will remain limited to a certain number of non-controversial issues, such as the fight against terrorism.

Still, political will is crucial if the impetus that has been given to East Asian cooperation is to be fruitful. And political will is highly required at this time, if tensions and divergences are to be overcome and if the December Summit is going to deliver more than just vague rhetorical declarations of good intentions. However, political will needs a vision and trust. To achieve this, East Asia will have to build on the integrative forces and seek to eliminate, or at the very least strongly weaken, the disintegrative forces.

In order to deepen East Asian integration, political will is needed not only in the region, but also abroad. In this regard, the other big players, especially the United States, should encourage moves towards East Asian integration. In the past, the

³ IMF, World Economic Outlook Database.

United States has opposed several initiatives, notably the creation of the East Asian Economic Caucus, as well as the proposal for an Asian Monetary Fund at the time of the East Asian financial crisis. Today, East Asian integration and the creation of regional institutions should be encouraged, as a means to contribute to the stability and development of the region, and consequently the world.

Disintegrative forces

The first and most negative disintegrative force is the great deal of mistrust that exists among certain countries in East Asia, in particular towards Japan. As has been repeatedly pointed out, but seemingly not absorbed, the creation of Europe would have been absolutely impossible had mistrust in respect to Germany lingered in any form. The mistrust in East Asia has deep historical roots, and continues to cast an ominous shadow, as occurred once again in the recent eruption of friction between Japan and both China and Korea, over Japanese revisionist school history textbooks and the Prime Minister's official visits to the Yasukuni Shrine. That this happened in spite of the growing economic interdependence between the countries shows, once again, that economic relations cannot override poor political relations and especially not the deep mistrust that pervades the region. The fact that East Asia has no real common institutions brings the risk of further tension escalation, which could have extremely negative consequences for the stability of the region. Nationalism makes it difficult to generate trust: it will prove difficult to deepen integration if nationalist attitudes prevail.

As Washington has been by far the most influential party in shaping the development of East Asia since the end of World War II, the question of who should assume the role of East Asian leadership has been, by and large, irrelevant. Convening the first East Asian Summit makes it inevitable that the issue of leadership will become increasingly manifest, which could create further tensions. Japan can no longer pretend to such leadership, both because of its problems in respect to establishing relations of trust with its neighbours, and because it is no longer an example of dynamism and economic success for its neighbours. China is of course a serious pretender to take East Asia's leadership, provided that other countries accept it, which is far from granted. The ASEAN countries could assume temporary leadership, as this would be the most easily workable solution, especially since ASEAN took the initiative to develop regional ties and to convene the Summit. This solution, however, would dilute ambitions and turn the East Asian Summit into not much more than another ASEAN Plus Three meeting.

A second obstacle is that Asian regional integration, in strong contrast to European integration, has traditionally been outward-oriented, mainly focusing on attracting foreign operators. For example, in respect to AFTA, the ASEAN free trade area, whereas it hardly affected intra-ASEAN trade, it was perceived as a positive move to attract foreign investors. Similarly, attraction of foreign investors has been highlighted as the motive for the creation of a vast ASEAN-China free trade area. Whereas openness towards the rest of the world is undoubtedly useful and necessary, it might not prove strong enough cement for intra-regional cooperation. Therefore, more focus should be set on regional opportunities, and East Asian cross-border movements of goods, services, capital, skills and labour.

East Asia as such is huge, not only as a production base, but also as a market. Its growing economies represent many opportunities for the region's companies, and regional cooperation should enable and encourage them to tap them. Enhanced East Asian cooperation should indeed remain open and by no means create a fortress, but

it should also foster awareness and the many business possibilities offered by the region. To achieve this, an ambitious agenda would be needed, focusing not only on trade and investment, but also encouraging movements of people, cross-border educational and training programmes and technology transfer.

Third, the differences existing between East Asian countries are often quoted as an obstacle to cooperation. Of course, in terms of size, population, economic structure and level of development, there are huge differences between East Asian countries. And it is true that great amounts of transfers (be they in the form of aid, trade or investment) would be needed to bring the poorer countries of the region closer to the level of the more prosperous. However, this is not a reason to dismiss regional integration a priori. Regional integration can best be achieved by an incremental approach, with mechanisms enabling poorer countries to participate without disproportionate costs. Institutions should be built progressively in order to fill the gaps existing between the different countries.

The starting point could be to create a council setting regional rules and supervising their enforcement, as well as an executive body monitoring day-to-day cooperation and dealing with specific issues such as trade facilitation and development programmes. There is little doubt that if East Asian countries aim for trade and investment liberalisation, more formal mechanisms than ASEAN and APEC need to be created. Open regionalism has proved that it was not leading to substantial liberalisation, and alternatives must be found⁴. No countries are too different to cooperate, provided that cooperation is based on the right mechanisms.

Fourth, the fact that ASEAN, East Asia's only formal regional grouping, provides weak benchmarks could contribute to lower ambitions for the December Summit. Integration in ASEAN has been relatively limited. Cooperation covers a wide range of issues, but few mechanisms are in place to create real integration. Important sectors have remained protected, notably the Malaysian automotive industry. And a strict observance of the principle of non-interference makes it difficult for ASEAN to deepen political integration, even though moves have recently been made towards increased institutionalisation. Some of its members – finding that integration in ASEAN is too slow – have engaged in bilateral deals. The ASEAN story shows that it is difficult to move integration forward without a more substantial transfer of sovereignty, regarding both economic and political issues.

However, at the broader East Asian level, perspectives of integration are different. If a free trade area were created in East Asia, it would cover both the biggest and the richest markets, namely China and Japan. These markets would provide incentives for comprehensive economic integration. In addition, the fact that ASEAN delivered only few results in terms of economic integration could prove an incentive for East Asian countries to look for better and more efficient mechanisms for the East Asian Community, rather than using the ASEAN model.

Integrative forces

The first push-factor for East Asian regional integration is a pre-existing and relatively strong market-led integration. Companies *do* produce on a regional scale. According to the World Bank, intra-regional trade in East Asia represented 26.5% of the region's GDP in 2002, which is more than in any developing region. Whereas, indeed, China

⁴ See Nagesh Kumar, *A Vision of an Asian Economic Community*, in "Towards an Asian Economic Community: Vision of a New Asia", RIS/ISEAS 2004.

attracts huge amounts of foreign direct investment (FDI), production processes are now fragmented, which makes it possible for smaller economies to compete at every stage of production.

Ironically, because regional integration is already a reality, one could wonder what would be the value of institutions monitoring the process. East Asian countries should answer this question at the meeting in Malaysia in December 2005 when they define the goals of regional cooperation. Institutions bring more stability and continuity, and, if they build on existing economic integration, they can contribute to develop and strengthen integration. Formal institutions are indeed less flexible than market mechanisms, but – in the case of an FTA for instance – they can also lock in existing advantages and bring new ones.

If the lack of complementarities between Southeast Asian countries has proved an obstacle to significant integration in the context of ASEAN, the picture looks different if East Asia is taken as a whole, and even more so if India is considered as well. There is a lot of potential for synergies between East Asian economies, in terms of natural resources, labour force, capital and technology. East Asian countries have specialized in different segments of industry. Integration of labour markets could also bring benefits, for instance if Southeast Asian workers could have better access to the Japanese labour market, especially in view of the rapid ageing of its population. By 2025 the median age in Japan will be 50, in contrast to 33 in Vietnam and Indonesia. Extending regional integration to India would also bring about great potential synergies between East Asia's competitiveness in manufacturing and hardware and India's competitive strengths in software and services.

Another integrative force of East Asian cooperation is a strong political will in certain countries, notably, but not exclusively, Malaysia, which since the 1990's has been the spearhead of East Asia's integration efforts. For China, regional integration is an opportunity to strengthen its ties with other countries in the region that feel threatened by its size and competitiveness both in export markets and in attracting inward investments. It is also for the region as a whole the occasion to be recognised as an important decision pole, and to free itself to some extent from US influence. Demographically and economically, Asia will be the "place where things happen" in the 21st Century. East Asian integration is thus an opportunity to give the region a power commensurate with its global importance, an opportunity that East Asian leaders certainly should not miss.

A third integrative force is the cluster of bilateral relationships within the region, whether free trade agreements or economic partnerships. ASEAN is at the core of this cluster that constitutes an important factor on which East Asian countries could build on when deepening regional cooperation. Existing agreements imply that countries in the region have gained experience in dealing with each other. The agreements also show the limits of bilateral cooperation; for example, negotiations between Japan and South Korea highlighted strong dissensions over agricultural and non-agricultural issues.

The fact that at the WTO developing countries – particularly big countries such as Brazil, India and China – have gained in importance and leadership gives East Asian countries reasons to become more self-confident. It also underlines the necessity to join forces, forge alliances and formulate constructive and articulate demands. East Asian regional cooperation could contribute positively to this trend, and it could also

provide a forum for cooperation with other countries, notably those of South Asia, including not only India, but also Pakistan, Bangladesh and Sri Lanka.

Whereas the issue of the participation of India in the East Asia Summit in December 2005 remains contentious, its inclusion would contribute to leveraging Asia's power at the WTO. If in the future an East Asian economic area were to be created, and if it included India, which is keen on joining, it would establish a market with more than 3 billion people. Whether or not this can be achieved in the medium term, East Asian regional integration initiatives should remain open for countries from South Asia to participate in some form or another.

To address the issue of the role of non-East Asian countries in the cooperation initiative, the rationale behind East Asia integration must be made clear, as well as the value-added that such a cooperation would bring. In other words, East Asia should be clear about where it wants to go. If the purpose is to go first with economic integration and then pursue political integration, it might be difficult to function with a lot of countries representing as many interests. If the purpose is to have pragmatic economic integration, then, it could make sense to include as many countries as possible.

Creating Trust

In order to deepen East Asian cooperation and build the foundations for an East Asia wide comprehensive free trade area, there are, as noted, a number of major obstacles that have to be tackled. Many of the disintegrative forces – such as, the outward-orientation of Asian regionalism, the development gap between East Asian countries, and the weak benchmark provided by ASEAN – can be overcome if East Asian leaders come with a proper vision and strategy for East Asian integration. These issues should be addressed as priorities at the December Summit in Kuala Lumpur, in part because, comparatively speaking, they are relatively low-hanging fruit.

Mistrust is a far more pernicious obstacle, for cooperation will lead to nowhere if countries that engage in it do not trust each other. Mistrust will abort any attempt to foster leadership in the region and it will intensify mercantilist and nationalist positions. In the coming months and years, it is thus crucial that East Asian countries make a particular effort to create trust.

Both Japan and China have a particularly important role to play. The greatest onus is on Japan and the need to cease its amnesia and insensitivity vis-à-vis its neighbours. Major concrete gestures of atonement, for example the erection of a memorial and monument in remembrance of the sex slaves, the victims of unit 731 and the Nanjing massacre in Tokyo, rather than empty rhetorical apologies are needed to lay real foundations for the establishment of an East Asian Community based on mutual trust. China also needs to make significant efforts in the area of trust and confidence building, partly because of its sheer size, but also because of other aspects of its policies, notably in the military area and in respect to territorial claims and to energy sources.

Multilateralism – A Building Block for Regionalism

Since the mid-1990s, the debate concerning the relationship between regionalism and multilateralism has focused on whether regionalism was a building block or a stumbling block to multilateralism. However, since the beginning of the Doha Development Round, expectations on the possible achievements not only of the

Round but also of the multilateral trading system in general have had to be scaled down. This process has been further intensified by the series of bilateral agreements launched by Washington in the wake of the Cancún collapse. In some circles, including influential ones, the WTO is no longer “the” way to achieve trade liberalisation and economic integration, but only “a” way among others. It has certain advantages over bilateral or regional approaches – notably, it has a global scope, can provide a platform to developing countries, and is probably the only forum where agriculture could (potentially) be liberalized. However, while its agenda is immense and global in scope, it is also highly dependent on national politics, which can lead it to being paralyzed by mercantilist attitudes and policies, as has occurred recently.

However, for East Asia and the future of East Asian economic integration, the multilateral trading system is of especially crucial importance, among other reasons because of the absence of the institutions and, arguably, the real spirit of regional integration. East Asia is the region in the world that is geopolitically the most fragile and potentially the most explosive. The multilateral system, therefore, not only can act as a guarantor against intra-regional tensions degenerating into actual conflicts, but indeed can also act as a “building block” for regional integration.

WTO negotiations are a good opportunity for East Asian countries to play a more active role globally than they have in the past. For ASEAN, it is also an occasion to overcome the dissensions opposing its members and work towards common positions on as many issues as possible. So far, ASEAN positions in the Doha Round have remained fragmented. Now that some of the most contentious issues – namely investment and competition – are no longer on the agenda, ASEAN countries should try to take a common stance in order to push for issues that are of interest to all its members.

The WTO is a good opportunity for China to test its leadership. WTO negotiations are for Beijing the occasion to demonstrate its desire for cooperation and exercise its international cooperation skills. These efforts could have significant beneficial consequences at the regional level as well. The Cancún Ministerial in 2003 showed that developing countries were ready to organise themselves. The leadership of certain big developing countries – notably Brazil, China and India – has been crucial. WTO negotiations are thus an opportunity to build alliances that would contribute to give more power to developing countries and to Asia as a region. In turn, alliances at the WTO could make it easier to include countries such as India in regional cooperation schemes.

In addition, WTO negotiations could have an impact on the future of East Asian cooperation as an opportunity to create trust. For instance, Japan has remained highly protectionist in respect to agriculture, which is of particular importance for several agriculture exporting Southeast countries, notably Thailand. Thus, if Japan were to take some decisive pro-active steps by eliminating, or, at the very least, significantly reducing, its agricultural protectionism, not only would it contribute to move the negotiations forward on other issues that are more relevant for the Japanese economy, but it would also contribute to generating more trust.

In addition to political aspects, a cohesive East Asian approach would also make sense on purely economic grounds. Multilateral trade liberalisation, by boosting East Asia’s exports to the rest of the world, would also stimulate intra-regional trade, given that the production process is decentralized.

As things currently stand, seven months prior to the Hong Kong Ministerial Meeting, prospects are somewhere between bleak and uncertain. They can and indeed should be turned around. The engagement of East Asian countries in constructive negotiations would be positive not only for the Round, but also for regional cooperation, thus making multilateral negotiations and regional cooperation mutually reinforcing.

The Bottom-Line

The 21st century world economy will increasingly depend on the growing markets and entrepreneurial dynamism of East Asia. The future of the East Asian economies will greatly depend on the state of the world economy, especially in respect to its trading and investment environment and policies. East Asia's remarkable economic performance and growing cross-border trade and investments over recent decades now require consolidation through regional institution building. Fostering more cohesive and dynamic Asian regionalism will both benefit from and contribute to more cohesive and dynamic globalisation, notably in the successful completion of the Doha Round.

The economic, political and geopolitical dynamics of East Asia of the late twentieth and early twenty-first centuries have often been compared in academic literature to the economic, political and geopolitical dynamics of Europe in the late nineteenth and early twentieth centuries. Asians, such as the Singaporean writer Kishore Mahbubani, have asserted the view that Asians, in contrast to Europeans, have succeeded in separating politics from economics. This is dangerous wishful thinking as many examples can illustrate. Europe also was complacently basking in such complacency in its heyday. In 1910, the prolific author Sir Norman Angell published *The Great Illusion*, which was translated into twenty-five languages and sold over two million copies, absolutely enormous for the time. In this book he asserted that: "international finance is now so interdependent and tied to trade and industry, that political and military power can in reality do nothing". Four years later World War I broke out. A key factor in the terrible carnage that ensued in Europe was the absence of trust between the key European powers. Following World War I, instead of engaging in building trust, mistrust continued to reign, indeed deepen, ultimately leading to the outbreak of World War II.

As a first step to building a solid East Asian Community, perhaps Tokyo should not only read some honest accounts of its own history, but also do some much needed homework on international history. So long as Japan remains imprisoned, as the quotation from Graham Greene so aptly evokes, in its own cell and fails to build trust with its neighbours, the architects of the East Asian Community in Kuala Lumpur will be doing no more than erecting a vast Potemkin village.

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