



**Japan-EU Think Tank Roundtable
“Next Steps in Global Governance”**

Tokyo 13-14 January 2005

EU and Asian Integration Processes Compared

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Summary

Enlargement, economic and political integration are distinctive features of the international political and economic scene at the beginning of the 21st century. Whereas the European Union (EU) is fully integrated, Asia on the other hand still lags behind with regard to economic and political integration. EU-style political integration processes will not take place in East and Southeast Asia any time soon and Asian governments will continue to favour bilateral over multilateral trade free trade agreements for the foreseeable future. Compared to Europe, the Asian institutionalisation process is usually referred to as “nascent” and the “principle of non-interference in internal affairs” (formulated in the charter of the Association of Southeast Asian Nations (ASEAN)) will remain an obstacle to further economic and political integration in Asia.

However, given the different cultural backgrounds and history, it would be a mistake to compare the success of the EU integration process with the less impressive state of Asian economic and political integration. EU-style integration does not necessarily set the standards by which Asian integration can be measured.

The comparative analysis of the EU and Asian integration below will seek to explain why Asia will not experience EU-style integration and in the processes assess whether China, the region’s economic powerhouse with impressive economic growth rates, is likely to become the engine of economic and political integration in Asia.

Japan’s economic recovery on the other hand needs to become sustainable and stable over the next years to enable the country to once again become a leader of political and economic integration in Japan.

Japan will need to concentrate on the recovery of its own economy before being able to dedicate sufficient time and energies to be on the forefront of Asian economic and political integration. However, it remains to be seen whether Japan is willing and able to take a leadership role in Asian economic integration in light of its close alliance with the US, Japanese protectionism and reluctance to change patterns of trade and economic co-operation.

The different regions of Asia will be designated as Northeast, East and Southeast Asia in this paper.

1. Introduction

The EU, the model case for codified and institutionalised integration, became an institution of 25 Member States in May 2004. A number of other European countries are set to join the EU, which has itself the ambitious goal of becoming the most competitive economy in the world by 2010. Regional economic integration and regional free trade agreements are trends that go far beyond the EU. NAFTA for example, a group of three countries, the US, Canada and Mexico, wants to establish a free trade zone (Free Trade of the Americas) with 31 countries in Central and South America by the end of 2005. Asia's economic and political integration record is significantly less impressive, despite recent initiatives to establish bilateral and multilateral free trade agreements across the region.

Following a brief overview of the rationale and stations of EU integration, the paper will, among other points, discuss the current state and prospects of further Asian (mainly economic) integration, assess the pros and cons of concepts of Asian-style "practical integration," discuss the role of free trade agreements in Asia and elaborate on the obstacles to Asian integration. Special attention will be given to China and Japan and their roles in economic and political integration in Asia.

It will be analysed whether China is likely to become the engine of political and economic integration and whether Japan will be willing and able to take a leadership in Asian integration despite its close alliance with the US, its economic crisis, economic protectionism and nationalism.

The paper concludes that stable Japan-Chinese relations and reconciliation between the two countries will be key to further economic and political integration in Asia. Recent Chinese-Japanese tensions and trade frictions as well as the inability to overcome the legacy of World War, however, will continue to remain an obstacle to further economic and political integration in Asia.

2. EU Integration-Avoiding Wars

Political integration and reconciliation in Europe began with European economic integration after centuries of war and conflict. Co-ordination of inner-European economic activity in key sectors such as coal and steel was the basis of Jean Monnet's vision for a united and peaceful Europe and led to the establishment of the European Coal and Steel Community (ECSC). The Treaty of Rome triggered the EU's process of integration over the years and the free movement of goods has been extended from steel and coal to manufactured goods. Later on then, the Common Agricultural Policy (CAP) was established as the EU's market for agricultural products. The EU dealt with monetary affairs in the 1970s which led to the establishment of the European Monetary System (EMS) in 1979. The EMS supported the stability of European currencies and was the forerunner of the euro, established in 1999. The literature suggests that one of the main factors that fostered European integration was the response of EU policymakers to the challenge posed by the growing economic interdependence through the project of a European common market. No EU Member State wanted to be left

behind and undertook individual and increasingly common initiatives to achieve the goal of European economic and political integration.

Today, the EU is fully integrated: politically, economically and it has a common market, a common currency and (at least on paper) a common foreign and security policy (CFSP). However, integration did not happen overnight and is a process that started more than 60 years ago (see Annex).

3. EU-Style Integration Versus “Pragmatic Integration” in Asia

The merits of regional integration (within the boundaries of a geographically limited area, however, are not universally acknowledged. Regional integration and regionalism, some scholars argue, contradict the globalisation of economic and political relations. They suggest that the EU is to be understood as an exception in a world that is increasingly characterised by the erosion of national borders and economic interaction within a geographically region. In the 1990s Asian scholars introduced the concepts of “soft integration” (or “soft regionalism”) in Asia. This integrationist approach was centred around the Japanese economy and differs fundamentally from the EU’s “hard integration” based on politically set arrangements. Asian nations have been reluctant to embrace EU-style integration strategies and tend to pursue strategies of “open regionalism” and “open integration,” coming together when it fits their interests. “Open integration” Asian-style embraces concepts of loose integration and pragmatic integration, excluding legally-binding decisions that constrain action in key policy areas. In this context, the literature also speaks of “open regionalism” in Asia indicating that (economic) integration initiatives are not necessarily limited to one region. The concept of “open regionalism” also advocates integration processes not supported by formal institutions.

Today, Asian integration can still be best described as market-driven integration. Whereas the benefits of political integration in Asia are not yet fully acknowledged, economic integration is perceived as beneficial when it yields economic benefits for all parties involved.

4. Asia -Time to Integrate (Economically)

Further economic integration in Asia – institutionalised or not – will become necessary if Asia wants to increase its share in world trade. From 1980-2000 Asia has more than doubled its share in world trade and (geographically) far-reaching free trade agreements will do their share to increase this share. Today, East Asia (Japan, China and South Korea) surpasses the EU and NAFTA in terms of population and has a lead over both in terms of gross national income measured at purchasing-power parity. Further Asian integration would not only strengthen economic co-operation, but will become necessary to tackle problems such as poverty, environmental pollution, water shortage and deforestation in Asia. It will also become necessary to secure a sustainable supply of energy in Asia. Especially China’s growing demand for crude oil needs to be mentioned in this context. Recently, China has surpassed Japan as the world’s second biggest importer (second only to the US) of crude oil and the Organization for Economic Cooperation and Development (OECD) predicts that East Asia will become the largest net importer of crude oil by 2020.

An economically integrated Asia will enable Asian governments to jointly negotiate the conditions of Foreign Direct Investment and limit the degree of freedom for short-term capital flows in Asia. Massive short-term capital flows were believed to have been one of the causes of the 1997/1998 Asian financial crises. Following the crisis, Asian governments made increased efforts to foster integration in the field of regional monetary policies even if the establishment of an Asian Monetary Fund (AMF), designed to provide Asian governments with emergency funds in times of economic crisis, has yet to be realised. Back then, many Asian governments, including Japan, acknowledged the need to become less dependent on the US dollar. This has led to the Miyazawa and Chang Mai initiatives advocating currency swaps amongst central and regional banks in Asia. In 2002 Thailand's Prime Minister Thaksin Shinawatra launched the idea of an Asian bond market which eventually led to the establishment of the Asian Bond Fund June 2003. The objective of the fund is to encourage Asian governments to issue bonds to be reinvested within Asia. Thereby, the use of the US dollar will decline as the bonds will be traded in local Asian currencies.

5. Asia: Integration without Institutionalisation

Unlike in Asia, EU integration was accompanied by an institutionalisation process. Indeed, institutionalisation and institution-building is not considered beneficial in the Asian context. There are fears that institutions will oblige governments to give up sovereignty in key policy areas. From an Asian perspective, regional integration does not have to be supported by institutions imposing legally-binding rules and norms on members of institutions. Institutionalised regional economic integration will not become a priority for Asian nations any time soon and Asian governments will continue to advocate and pursue export-led growth regimes and economic strategies above all in their plans for attracting foreign direct investment (FDI). The lack of EU-style political and economic institutionalised integration is not necessarily a weakness but rather strength for Asian countries as this keeps the integration processes "flexible" and preserves its legally non-binding status. The reluctance of Asian countries to promote efforts to institutionalise their relations can also be explained by a shared feeling of distrust that regional bureaucratic structures will become independent of their state sponsor. While regional organisations and forums in Asia (APEC, ASEAN, ARF and others) are already playing a role fostering trans-national networks, they have yet to become policy-making institutions.

How can the relative weakness of formal institutions in Asia be explained? A comparison with the EU suggests two answers: different international norms and domestic state structures in Asia and Europe. Whereas the introduction of the norm of multilateralism was a key strategy of US foreign policy in Europe after World War II, US foreign policy in Asia on the other hand has advocated bilateralism and bilateral alliances. In Asia, it was not in US interest to support or create regional institutions that would constrain US foreign policies. Instead, the US established system of bilateral alliances with Asian nations. Today, US support for multilateralism in Asia is lukewarm at best as it threatens to reduce American economic and political influence.

Domestic state structures in Asia do not favour and support the establishment of formal institutions operating with legally-binding decisions, rules and laws. The Association of Southeast Asian Nations (ASEAN), established in 1967 as an initiative to co-ordinate economic and foreign policies amongst Southeast Asian nations, stands for a regional institution without the instruments and capabilities to implement legally-binding policies. Unlike the EU, ASEAN acts according to the principle of non-interference in internal affairs of its member states. This principle, formulated in the ASEAN Charter, is indeed ASEAN's key principle significantly limiting the association's influence on member states policymaking. The EU and its highly rationalised bureaucracies on the other hand are well equipped to deal with public law and formal institutions.

6. China-The Engine of Regional Integration?

Whereas in the 1980s Japan was the engine of economic growth and integration in Asia, China, supported by impressive and seemingly sustainable economic growth rates, is set to become the economic powerhouse and motor for integration in Asia. In recent years, China has emerged as the foremost proponent of creating the so-called East Asian Economic Community by 2020.

Furthermore, Beijing has proposed to establish free trade agreements with ASEAN by 2010 and China's economic performance and ability to attract FDI worth more than \$53 billion in the first 10 months of 2004 is impressive. According to World Bank development indicators, China's gross national income (GNI) is sixth in the world measured in nominal terms and already second when adjusted to reflect purchasing-power parity standards. If China can sustain its current economic growth rates, the Organization for Economic Cooperation and Development (OECD) predicts that China's gross domestic product may account for one fifth of the world's total in 2020, surpassing the US (11%) and Japan (5%).

Unlike Japan, whose free trade efforts are thus far limited to the signing of a free trade agreement with Singapore (the so-called Japan-Singapore Economic Agreement for a New Partnership) China has committed itself to the liberalisation of a number of agricultural products when implementing FTAs with ASEAN countries. This concession is of particular interest to countries such as Vietnam and Thailand, the biggest exporters of agricultural products in Southeast Asia. Japan continues to insist on excluding agricultural products from the free trade agreement, and Japan's agricultural sector is too heavily subsidized (and the country's farming lobby too strong) to enable Tokyo to implement free trade agreements with rice-producing countries, such as Vietnam and Thailand.

Despite China's recent free trade initiatives, however, China is still and above all perceived as the engine of economic growth and not necessarily of economic integration. Like other developing countries in Asia, China will be mainly concerned with the development of its own economy and it is not yet fully clear whether China's economic multilateralism will prevail over Beijing's bilateral instincts and strategies with regard to trade. Regardless of perceived uncertainties with regard to China's economic strategies in Asia, policymakers across Asia advocate engaging China economically (and politically). China, the argument goes, is already too important economically and politically to exclude

from regional integration processes. An engaged China, it is being argued, will ensure political stability in Asia, will help to avoid rivalry with Japan and will result in economic benefits for China and its economic partners in Asia. Asian governments, including China, will continue to favour bilateral over multilateral co-operation and agreements. The positive side of pursuing bilateral over multilateral arrangements, however, is obvious in the Asian context: agreements can work on a trial-and-error basis, leaving scope for improvement in successive agreements.

Although China is still (and itself a receiver of Japanese ODA worth 1 billion US per year), Beijing could (given that the country's economy continues to grow at current growth rates) over the long-term take over Japan's role as generous donor of economic and financial assistance to developing economies in Asia.

Apart from the project to implement a free trade agreement with ASEAN by the year 2010, China has signed over the last years signed a number of bilateral economic agreements with Southeast Asian nations underlining Beijing's ambitions to strengthen its role as dominant economic power in the region. However, China's ambitions to become the engine of regional economic and political integration will, amongst others, be measured by the outcome of China's initiative to establish a China-ASEAN free trade agreement by 2010.

China, as many analysts maintain, still prefers dealing with its neighbours bilaterally and is committed to "conditional multilateralism." "Conditional multilateralism" stands for a multilateralism which suits Chinese interests and does not jeopardise Beijing's ability to apply rules of inter-state relations "flexibly."

7. Regional Integration and Japan's Economic Crisis

Over the last decade, economic integration in Asia has been hindered by the sluggish growth of the Japanese economy. The Japanese economic crisis led to decreased Japanese investments in the region as well as to significant cuts of Japanese Overseas Development Assistance to Asian nations. Despite the fact that Japan is still by far the largest economic power in the region, Japan's decade-long economic crisis have led many Asian governments to fear that Japan's ability to foster regional economic integration will remain very limited in the years to come.

A full and sustainable recovery of the Japanese economy is imperative to achieve further regional economic integration as Japan is still by far the largest investor in East and Southeast Asia.

Until a decade ago, Japan was the engine of regional economic growth and integration. However Japan's decade-long economic crisis, its recession and slow economic growth rates turned the country into the 'sick man of Asia' suffering from economic stagnation and left unable to promote and implement economic integration initiatives in the region. Currently, Japan is focusing on the full recovery of its economy and a return to sustainable economic growth rates.

Japan's current seemingly stable economic recovery (dating back to the end of 2002 and mainly sustained and supported by growing exports to China) give

reason to believe that Japan's economy is on the path of economic recovery and growth, despite the fact that the government's estimated economic growth rates turned out to be overly optimistic at the end of 2004. The expensive yen as well as slowing exports to China and the US, however, will put Japan's economic recovery efforts to the test in 2005. Analysts and economists agree that Japan will need more than just a few years of solid economic growth rates to leave economic stagnation and recession behind. Economists estimate that Japan would need to grow (apart from the necessity to further structural and economic reforms) to overcome the negative effects of the economic crisis and the burst of the economy's bubble at the beginning of the 1990s.

China's recent initiative to implement a free trade agreement with ASEAN by 2010, however, served as a wake-up call for Japan's policymakers urging them to consider free trade agreements with a number of ASEAN nations as well as with Mexico. However, Japan's powerful farming (lobby?) will remain the principal obstacle to free trade agreements with countries from Southeast Asia. Due to Japan's refusal to include agricultural products in any free trade agreements, free trade agreements between Japan and Southeast Asian nations (with the exception of Singapore) will remain off the agenda, at least for the time being.

8. Regional Integration-Japan's Goals and Motivations

Despite numerous Japanese promises to "return to Asia," Tokyo's business, political and security relations still focus on the US. Amongst Japan's neighbours in Asia (except South Korea which maintains an equally close military alliance with the US) its close alliance with the US is perceived as an obstacle to further integration in Asia. Japan's dependence on US foreign and security policies, manifested by the U.S.-Japan security alliance, is perceived to be the main reason why Japan will not be able to fully use its full economic and political influence to foster economic and political integration beyond the current level. Strong US pressure on Japan to favour its bilateral ties with Washington over multilateral agreements in Asia will make sure that Japan will not change its strategy any time soon.

Despite afresh cuts in Japan's Overseas Development Assistance (ODA) (for the sixth consecutive year), Japan is still by far the biggest donor of ODA in Asia and will continue to use economic and financial assistance as tools to implement its policies in Asia and beyond.

Although Japan has in recent years developed and implemented more assertive (and at times controversial) regional and global foreign and security policies, the country's so-called "foreign economic policy" (Jap. keizai gaikô) of pursuing its interests through economic and financial assistance as well as development aid will remain Japan's most effective and important policy tool.

Analysts maintain that Japan's plans to cut foreign aid in 2005 will send the wrong signal to Asian nations confirming Asian governments in their suspicion that Japan's interests in fostering further Asian economic integration is limited. Already in the past, Japan's policymakers were confronted with criticism that Japanese ODA to Asian countries is subject to numerous conditions serving above all to secure favourable market access for Japanese goods and products.

However, Japan is of course not the only country linking the provision of ODA to conditions and despite the recent cuts in ODA Japan will remain the biggest donor of ODA to Asian countries over many years to come.

While Japan's Ministry of Foreign Affairs protested against the recent cuts in Japanese ODA arguing that the cuts will harm Japan's foreign policy goals, the Japanese Ministry of Finance, on the other hand, maintains that fiscal restraints have made the cuts necessary. Japan's global ODA will drop by 3.8% in 2005 which will effect China, the biggest recipient of Japanese ODA. Currently, China's economy is receiving Japanese ODA worth one billion US dollars per year, an amount too high for those in Japan who claim that China is "misusing" Japanese ODA to upgrade its military. China's fast growing defence budget (China's defence budget saw a yearly two-digit percentage grow over the last 15 years) and the rapid modernisation of China's armed forces, it is being argued by conservatives and ultraconservatives in Japan, should be a reason to significantly cut ODA to China.

9. Japan- Able and Willing to Integrate?

Japan's government bureaucracy is hardly unified with regard to the perceived benefits and burdens of regional integration. The Ministry of Foreign Affairs, concerned with Japan's regional and global image, is, at least on paper, strongly committed to regional integration. Promoting Japan's "soft power" implementing regional and global policies through economic and humanitarian aid and economic assistance is still the ministry's main concern despite Japanese Prime Minister Koizumi's rhetoric on a more "assertive" Japanese foreign and security policy. The Ministry of Foreign Affairs advocates a leading role for Japan in regional integration although the Ministry is also concerned about providing a militarily growing China with Japanese ODA worth one billion US dollars per year.

Judging by the government's rhetoric, regional integration is a policy priority for the Japanese government. However, there are a number scholars and economists who argue that economic integration in Asia is far less important to Japan than the Prime Minister is making out. Regional economic integration, goes the argument, is not a real priority but rather a "passing opportunity" for Japan which is above all concerned about bilateral trade relations with the US and China. Indeed, as recent months have shown, exports to China and US are vital to achieve sustainable economic recovery in Japan in 2005 and beyond. Slowing exports to China and the US have already lead to a downward revision of Japan's economic growth rates for the year 2005.

Commentators critical of Japan's efforts to take an active or leading role in regional integration also argue that Japan's integration efforts are used to "distract" from Japan's domestic economic crisis. Japan's efforts to foster trade and monetary integration in Asia, it is being argued in this context, is little more than an attempt by Japan's policymakers to make up for the country's loss of international standing caused by the decade-long economic recession.

Unlike the leading European economies, Japan, it is being argued, is neither prepared to bear the adjustment costs of integration nor is Tokyo prepared to

replace protectionist strategies with the opening of the Japanese markets in all sectors (this is the main reason why implementing free trade agreements with Japan is still very problematic or in the case of free trade agreements between Japan and Southeast Asian nations, next to impossible).

Those in Japan who favour further economic integration and the opening of Japanese markets are confronted with powerful domestic lobbies in Japan opposed to further economic integration. Import-competing and non-traded businesses are the main interests group opposing economic integration. Their main goal is the maintenance of Japanese protectionism making it still extremely difficult to enter the Japanese market in many sectors, above all the agriculture sector.

Such Japanese-style protectionism has extremely negative implications for Japan's overall trade policies given that sectors such as agriculture, forestry and fishery comprise only a very small fraction of Japan's economy.

Despite the inner-Japanese resistance to further economic integration in Asia, Japan's policymakers do acknowledge the potential benefits for Japan linked to economic integration. Bilateral free trade agreements, closer monetary co-operation along the lines of the Chiang Mai initiative and intensified FDI flows will all be beneficial to the Japanese economy and trade relations even if the short-term adjustment costs are high. Japan is very likely to gain from intensified FDI flows as the country will stand to gain significantly from further shifting production abroad (above all to China).

Japan's policymakers over the next years are faced with the challenge of convincing business and opposing lobbies of the long-term benefits of Asian economic integration. In this context, the country's policymakers are faced with the task to explain to its business leaders and the public that shifting production abroad will not, as nationalist and ultraconservatives forces in Japan claim, lead to the "hollowing out" of Japanese industry.

10. Regional Integration and the Role of Chinese-Japanese Relations

Stable Chinese-Japanese relations are key for further regional integration in Asia. China and Japan are the region's biggest economies and regional economic integration will also depend on both countries' willingness to overcome the historical legacy of World War II.

Unlike China and Japan in Asia, France and Germany in Europe have addressed and solved the problems of the past. Germany made enormous efforts to achieve reconciliation with France after centuries of rivalries and wars. China and Japan are, at least for the foreseeable future, very unlikely to become the "France and Germany of Asia" fostering economic and political integration. Although China and Japan will continue to solve bilateral problems peacefully, economic competition and rivalry between the two countries is likely to grow further. In the recent past, China and Japan experienced bilateral trade frictions over the import of Chinese farm products to Japan. Back in 2001 Japan referred to WTO safeguard clauses causing China to impose retaliatory tariffs on Japanese exports. Avoiding further tensions, however, is of interest to both countries and in order to

sustain current economic growth rates, China needs to continue to attract Japanese capital and technology. Japan on the other hand will need to continue to take advantage of China's rapidly growing market and its supply of low-wage workers.

Recent Japanese-Sino tensions and trade frictions, however, give little reason for optimism that Japan and China are on the path towards stable and lasting reconciliation. Japan and China will not, at least for the foreseeable future, become the France and Germany of Asia jointly promoting economic and political integration in Asia.

11. Regional Integration and the Role of Free Trade Agreements (FTAs)

Conventional economic theories suggest that regional economic integration can only succeed after certain economic preconditions have been met, including: intense trade relations, complementarity of specialisation and common rules of trade. Asia seems to meet two out of the three of these preconditions and Asian free trade agreements are very likely to ensure that Asian nations will also develop and implement common rules of trade in the not so distant future.

When implemented in Asia, free trade agreements will be pushing forward the complementarity between developed and less developed countries. Furthermore, free trade agreements will create incentives and opportunities to reform domestic institutions in Asia. This seems to be of particular importance for Asian financial institutions in order to avoid another 1997/1998-style financial crisis in Asia as the domino effect of the crisis revealed the high degree of interdependence and interconnectivity between Asian economies. Free trade agreements will eventually eliminate tariffs and will require the implementation of common trade rules to ensure fair competition. China as the region's economic powerhouse will in particular benefit from common trade rules and transparency.

Economic integration in Asia will be measured by the level of success of fully implementing the ASEAN Free Trade Area (AFTA) which covers the ASEAN countries. However, the 2010 deadline to fully implement AFTA and eliminate all existing tariffs and trade barriers amongst its member states seems unrealistic. Since the beginning of 2004 Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand have reduced their tariffs on each other's goods to a maximum of 5%, but analysts widely agree that these tariffs cannot be reduced to zero any time soon. Since the 1990s, more than 40 bilateral free trade agreements have been introduced within and beyond Asia and the trend to favour bilateral over multilateral agreements is very likely to prevail.

Trade amongst China, Japan and South Korea has grown impressively over the last decade. While in 1990 the portion of their total trade was in the region of 10%, it is now more than 20%. According to the Korean Institute for Economic Policy, a Chinese-Japanese-Korean free trade agreement e.g. would boost China's gross domestic product (GDP) by 1.3%, South Korea's by 3.2% and Japan's by 0.2% (translating into an increase of \$820 million for China, \$12.7 billion for South Korea and \$12.3 billion for Japan).

12. Obstacles to Asian Integration

Many Asian scholars and politicians argue that Asia is too culturally “diverse” to achieve an EU level of political and economic integration. Asia, the argument goes, is too “heterogeneous” in terms of size, economic development, level of democracy and standard of living to achieve EU-style integration. Europeans; on the other hand, counter that this the argument of alleged “cultural heterogeneity” is merely used as an “excuse” not to integrate beyond the current level. Cultural differences in Europe, European scholars point out, have not hindered the EU integration process.

The significant gap in GDP per capita amongst Asian countries will remain an obstacle to further economic integration. Whereas Singapore’s GDP per capita amounts to roughly \$21,000 US, Vietnam’s GDP per capita amounts to only \$500. Economic integration in light of (very) different levels of economic development in Asia requires a sophisticated co-ordination process and a common understanding of the priorities of integration. Such co-ordination processes, however, are still underdeveloped, as economic development and not economic or political integration will remain the priority for Asia’s poorer countries for the foreseeable future. However, economic development will inevitably lead to further economic integration, as recent Asian free trade agreement initiatives have shown.

13. Conclusions

EU-style integration is not a model case for Asia and Asian integration and there is no agreement on who should lead the Asian integration processes neither within ASEAN nor in East Asia, or South Asia. Asian integration will, at least for the time being, remain mainly limited to economic integration through the establishment of free trade agreements. Whereas political integration in Asia will remain very limited, recent economic integration initiatives through bilateral and multilateral free trade agreements demonstrate that Asian governments are acknowledging the mutual benefits of economic integration and interdependence.

Asian integration and multilateral co-operation in the field of security will also remain very limited although it is hoped that the ASEAN Regional Forum (ARF) will gain influence and clout in shaping regional security through this dialogue forum. Despite its shortcomings, the ARF has been successful in engaging China into a regional security dialogue, even if the ASEAN principle of non-interference in internal affairs will continue to keep the forum from implementing legally-binding decisions in the field of regional security. With its growing economic weight and political influence, China is expected to take a leading role in the ARF and its recent initiative to include Defence Ministers in ARF meetings is an indication that China is willing to discuss regional security issues on a multilateral basis. As for further political integration in Asia, the above mentioned principle of non-interference in international affairs of other nations will continue to hinder integration that requires real sovereignty sharing.

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Annex**EUROPEAN INTEGRATION-KEY DATES AND EVENTS**

DATE	EVENT
May 9, 1950	Robert Schuman proposes pooling Europe's coal and steel industries.
April 18, 1951	European Coal and Steel Community (ECSC) Treaty signed in Paris.
March 25, 1957	European Economic Community (EEC) and European Atomic Energy Community (EURATOM) Treaties signed in Rome.
April 8, 1965	Treaty merging the institutions of the three European Communities signed.
July 1, 1968	Customs union completed
January 1, 1973	Denmark, Ireland, and the United Kingdom join the Community.
March 13, 1979	European Monetary System (EMS) becomes operational.
January 1, 1981	Greece joins the European Community.
June 29, 1985	European Council endorses "White Paper" plan to complete single market by end 1992.
January 1, 1986	Spain and Portugal join the Community.
July 1, 1987	Single European Act (SEA) enters into force.
June 26-27, 1989	Madrid European Council endorses plan for Economic and Monetary Union (EMU).
October 3, 1990	The five federal states of the former German Democratic Republic enter the Community as part of a united Germany.
October 21, 1991	European Community and European Free Trade Association (EFTA) agree to form the European Economic Area (EEA).
December 11, 1991	Maastricht European Council agrees on Treaty on European Union.
December 16, 1991	Poland, Hungary, and Czechoslovakia sign first Europe Agreements on trade and political cooperation.
January 1, 1993	Establishment of European Single Market
November 1, 1993	Treaty on European Union (Maastricht Treaty) enters into force
January 1, 1995	Austria, Finland, and Sweden join the European Union.
June 17, 1997	Treaty of Amsterdam is concluded.
March 12, 1998	European conference in London launches Europe-wide consultations on issues related to Common Foreign and Security Policy (CFSP) and Justice and Home Affairs (JHA).
March 30-31, 1998	EU opens membership negotiations with Cyprus, Czech Republic, Estonia, Hungary, Poland, and Slovenia.
May 2, 1998	Eleven EU member states qualify to launch the euro on January 1, 1999.
June 1, 1998	European Central Bank (ECB) inaugurated in Frankfurt, Germany.
January 1, 1999	EMU and euro launched in eleven EU countries.
May 1, 1999	Treaty of Amsterdam enters into force.
December 10-11, 1999	European Council meeting in Helsinki decides to open accession negotiations with Bulgaria, Latvia, Lithuania, Malta, Romania, and the Slovak Republic

	<i>and to recognize Turkey as a candidate country.</i>
<i>December 7 – 11, 2000</i>	<i>European Council agrees on Treaty of Nice. EU leaders formally proclaim the Charter of Fundamental Rights of the European Union.</i>
<i>February 26, 2001</i>	<i>Regulation adopted establishing the Rapid Reaction Force.</i>
<i>January – February 2002</i>	<i>The Euro becomes legal tender and permanently replaces national currencies in EMU countries.</i>
<i>December 12 – 13, 2002</i>	<i>The European Council announces that Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia will become EU members by May 1, 2004.</i>
<i>February 1, 2003</i>	<i>The Treaty of Nice enters into force.</i>
<i>April 16, 2003</i>	<i>Treaty of Accession (2003) is signed in Athens, Greece.</i>
<i>May 1, 2004</i>	<i>Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak Republic, and Slovenia become EU Member States.</i>

Source: European Union Delegation of the European Commission to the United States
<http://www.eurunion.org/infores/euguide/milestones.htm>