

Final Report of the East Asia Study Group

**ASEAN+3 Summit
4 November 2002
Phnom Penh, Cambodia**

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Executive Summary

While growing interdependence among East Asian countries in the age of globalization has been further strengthening regional cooperation, the 1997 Asian financial crisis has awakened the urgent need for institutionalized cooperation and stronger economic integration that transcends the geographical distinction between Northeast Asia and Southeast Asia. Since its inception in 1997, the ASEAN+3 process has taken up various measures to expand and deepen cooperation between the two sub-regions, and East Asian countries are now taking concrete steps toward achieving the goals of closer integration and overcoming commonly-held challenges. Mindful of challenges and opportunities, as well as of growing regional interdependence, the leaders of ASEAN+3 adopted the Joint Statement on East Asia Cooperation in 1999.

As proposed by President Kim Dae-jung of the Republic of Korea, the leaders of ASEAN countries, China, Japan, and Korea agreed to establish the East Asia Vision Group (EAVG) and the East Asia Study Group (EASG) in December 1998 and November 2000 respectively. The EAVG, consisting of eminent intellectuals from ASEAN countries, China, Japan, and Korea, submitted its Report to the Summit in Brunei Darussalam in 2001. The EASG, consisting of government officials, was established in March 2001. In accordance with its mandate, the EASG submits its Final Report to the ASEAN+3 Summit in Cambodia in 2002. The Final Report of the EASG provides assessment of two broad categories: assessment of the recommendations of the EAVG and assessment of the implications of an East Asian Summit.

Assessment of the Recommendations of the EAVG

The EASG finds that the recommendations of the EAVG will be useful in realizing the East Asian vision of peace, prosperity and progress. In the process of selecting concrete measures, the EASG has focused on identifying areas in which concrete progress could be made to achieve the vision of East Asia. Based on its assessment, the EASG has selected twenty-six implementable concrete measures with high priority. The measures include not only economic and financial cooperation measures, but also political, security, environmental, energy, cultural, educational, social, and institutional measures. Moreover, the Final Report of the EASG contains details about the selected concrete measures, such as reasons for their selection, expected benefits, comments, and recommendations.

Short-term Measures (17 Concrete Measures)

- Form an East Asia Business Council;
- Establish GSP status and preferential treatment for the least developed countries;
- Foster an attractive investment environment for increased foreign direct investment;
- Establish an East Asian Investment Information Network;
- Develop resources and infrastructure jointly for growth areas and expand financial resources for development with the active participation of the private sector;
- Provide assistance and cooperation in four priority areas: infrastructure, information technology, human resources development, and ASEAN regional economic integration;
- Cooperate through technology transfers and joint technology development;
- Develop information technology jointly to build telecommunications infrastructure and to provide greater access to the Internet;
- Build a network of East Asian think-tanks;
- Establish an East Asia Forum;
- Implement a comprehensive human resources development program for East Asia;
- Establish poverty alleviation programs;
- Take concerted steps to provide access to primary healthcare for the people;
- Strengthen mechanisms for cooperation on non-traditional security issues;
- Work together with cultural and educational institutions to promote a strong sense of identity and an East Asian consciousness;
- Promote networking and exchanges of experts in the conservation of the arts, artifacts, and cultural heritage of East Asian countries; and
- Promote East Asian studies in the region.

Medium-term and Long-term Measures, and Those that Require Further Studies (9 Concrete Measures)

- Form an East Asian Free Trade Area
- Promote investment by small and medium enterprises;
- Establish an East Asia Investment Area by expanding the ASEAN Investment Area;
- Establish a regional financing facility;
- Pursue a more closely coordinated regional exchange rate mechanism;
- Pursue the evolution of the ASEAN+3 Summit into an East Asian Summit;
- Promote closer regional marine environmental cooperation for the entire region;
- Build a framework for energy policies and strategies, and action plans; and
- Work closely with NGOs in policy consultation and coordination to encourage civic participation and state-civil society partnerships in tackling social problems.

Assessment of the Implications of an East Asian Summit

The ASEAN+3 framework has currently been making steady headway towards future undertakings of regional cooperation. It is important for East Asia to continue to build a durable institutional framework for region-wide dialogue and cooperation, since other major regions of the world, in terms of cooperation and integration, have been progressing at a rapid pace. As a means to further strengthening cooperation, the EAVG recommended “the evolution of the annual summit meetings of ASEAN plus Three into the East Asian Summit (EAS).”

The EASG has extensively explored the idea and implications of an EAS. Through in-depth study and discussions, the EASG finds that East Asian cooperation is both inevitable and necessary, that the deeper integration of an East Asian community is beneficial and desirable, and that such integration in East Asia will evolve over time. The discussions have also revealed concerns that ASEAN may be marginalized if the transition towards an EAS moves too fast and have noted the practical issue of whether an EAS would be encumbered with too many meetings. In addition, steps will be necessary to nurture a greater sense of ownership among all members in striving towards greater East Asian cooperation.

The EASG has come to the conclusion that, as a long-term desirable objective of the ASEAN+3, the EAS will serve to strengthen East Asian cooperation. The EASG is of the opinion that the ASEAN+3 framework remains the only credible and realistic vehicle to advance the form and substance of regional cooperation in East Asia. The EASG also stresses that the EAS should be part of an evolutionary and step-by-step process. To ensure the broadest level of acceptance, there is a need to gradually build up a similar comfort level among ASEAN countries, China, Japan, and Korea. To move forward, ASEAN countries, China, Japan, and Korea should explore ways to address the EAS-related issues practically and concretely. One practical step could be to convene regular DG-level meetings of ASEAN countries, China, Japan, and Korea to ensure progress and coherence in practical cooperation.

Conclusion/Recommendations

In sum, this Final Report presents the EASG’s recommendations of twenty-six implementable concrete measures with high priority, together with details about them. The

implementation of the measures requires a strong political commitment. The EASG recommends that East Asian countries prepare action plans on each concrete measure and have productive discussions on those plans within the ASEAN+3 process. Though the tasks ahead are large and daunting, the EASG is convinced that they can be surmounted with committed action. The EASG is confident about the work yet to be done, a lot of which is potentially outlined in this Final Report.

East Asians will ultimately live in a region of peace, prosperity and progress in this new millennium, since the successful implementation of the concrete measures recommended by the EASG will trigger the full utilization of the huge potentials of East Asia.

I. INTRODUCTION

1. At the Singapore Summit on 24 November 2000, the leaders of ASEAN countries, China, Japan, and Korea agreed to establish the East Asia Study Group (EASG), as proposed by the President of the Republic of Korea (ROK). The leaders at the Brunei Summit on 5 November 2001 asked the EASG to submit its Final Report to the ASEAN+3 Summit in Cambodia in 2002.
2. The EASG was officially launched on 17 March 2001, in Ho Chi Minh, Viet Nam. The EASG consists of thirteen SOM leaders of ASEAN countries, China, Japan, Korea, and the Secretary-General of ASEAN. The EASG was mandated to assess the recommendations of the East Asia Vision Group (EAVG) and, from that assessment, sort out a practical number of concrete measures that should be given high priority and are relatively easy to carry out. It was also commissioned to explore the idea and implications of an East Asian Summit and to submit its Final Report to the ASEAN+3 Summit in Phnom Penh, Cambodia in 2002. In accordance with its mandate, the EASG hereby submits its Final Report to the ASEAN+3 Summit.
3. On 22 July 2001, a Working Group at the level of Director-General was set up to assist the work of the EASG. Korea and the Chair of the ASEAN Standing Committee served as the Co-chairs of the EASG and its Working Group. In this regard, the ASEAN Co-chairs were Viet Nam (from March to July 2001), Brunei Darussalam (from August 2001 to July 2002), and Cambodia (from August to November 2002).
4. The EASG held six meetings from March 2001 to October 2002. Its Working Group also held six meetings from July 2001 to August 2002. The EASG adopted the Terms of Reference (TOR) at its second meeting in Ha Noi on 19 May 2001. The TOR – which includes objectives, guiding principles, scope of work, and modality of the EASG – is in Appendix.
5. The Working Group had intensive discussions on the EAVG Report and thoroughly assessed the fifty-seven concrete measures recommended by the EAVG. The Working Group acknowledged that the EAVG Report was comprehensive, far-reaching and positive, and that it presented many useful suggestions for fostering a sense of community identity from a long-term perspective. The Working Group also recognized

the need for efforts to realize the vision of building an East Asian community of peace, prosperity and progress set out in the Report.

6. In the selection of concrete measures, the Working Group focused on identifying areas in which concrete progress could be made to fulfill the vision in the EAVG Report and avoided concrete measures that overlapped with the numerous forums of regional cooperation already underway, such as within the ASEAN+3 and ASEAN+1 processes. At its fourth meeting in Kota Kinabalu on 18 April 2002, the Working Group completed its selection of concrete measures. The Working Group agreed to recommend twenty-six implementable concrete measures with high priority. These concrete measures were endorsed at the fifth EASG meeting held in Bandar Seri Begawan on 17 May 2002.
7. The twenty-six concrete measures are composed of seventeen measures for possible immediate implementation and nine measures for possible implementation in the medium-term or long-term, or requiring further studies. In the process of the selection of the concrete measures, the EASG made efforts to reflect a balanced view of accomplishing comprehensive cooperation among East Asian countries: the selected measures include not only economic and financial cooperation measures but also political/security, environmental/energy, social/cultural/educational, and institutional cooperation measures. Part II of this Report contains an overall assessment on and analysis of the EAVG's recommendations, as well as details about each selected concrete measure, such as reasons for selection, expected benefits, comments and recommendations, and so on.
8. At its fourth meeting, the Working Group discussed the implications of an East Asian Summit. The Working Group agreed that it was important to have a balanced view regarding the East Asian Summit, and that the Summit would evolve from the ASEAN+3 process. The Working Group also agreed that Singapore and Japan would jointly prepare a paper on the summation of the views and comments made by member countries.
9. Exchanges of views on the possible implications of the East Asian Summit were made at the fifth EASG meeting. The EASG agreed that the ASEAN+3 process would serve as a useful framework and a prime mover for the East Asian Summit, as it has an established mechanism that would provide the substantive aspect and the format of the East Asian Summit. The EASG meeting also stressed the need to develop the ASEAN+3 process

gradually to consolidate and deepen ASEAN+3 cooperation, as well as to reach a level comfortable to all member countries. At its fifth meeting held in Tokyo on 28 June 2002, the Working Group exchanged views on the implications of an East Asian Summit, based on the paper jointly prepared by Singapore and Japan. The result is incorporated in Part III of this Report.

10. The Working Group had an intensive and productive discussion on the draft of the EASG Report, which was prepared by Korea and Brunei Darussalam, at the fifth meeting in Tokyo on 28 June 2002. At its sixth meeting in Seoul on 29 August 2002, the Working Group continued its discussion on the draft of the Report, which was revised to reflect the results of its fifth meeting. The Working Group concluded the draft of the Final Report at the Working Group level. The sixth EASG meeting, held in Cambodia on 13 October 2002, endorsed the draft of its Final Report.
11. This Report is the fruit of a joint study conducted by ASEAN countries, China, Japan, Korea, and the ASEAN Secretariat for nearly two years. While carrying out its tasks in a cooperative spirit, members of the EASG and its Working Group have made their best efforts to reach their goal. In addition, they achieved a better understanding of other members in the region and generated mutual trust among themselves. Moreover, the members of the EASG have shared the view that cooperation among East Asian countries is not a choice but a compelling need for overcoming challenges and realizing the vision of East Asia set out in the Joint Statement on East Asia Cooperation by the leaders of ASEAN countries, China, Japan, and Korea in 1999 and in the EAVG Report. In this regard, the EASG stresses the importance of strengthening and expanding cooperation among East Asian countries.
12. Although the EASG concludes its function upon the submission of this Report to the ASEAN+3 Summit, the Report will remain and contribute to enhancing current regional cooperation into a broader dimension. The EASG recommends that ASEAN countries, China, Japan, and Korea make excellent action plans on the selected concrete measures, and successfully implement as many measures as possible. Through the implementation of the measures, cooperation among the countries will become deeper and deeper, and they will trust each other more and more. This, together with the fostered identity of East Asia, will contribute to advancing the realization of the vision of East Asia.

II. ASSESSMENT OF THE RECOMMENDATIONS OF THE EAST ASIA VISION GROUP

1. Overall Assessment of and Views on the Recommendations of the EAVG

13. The EAVG, which was set up as a Track II Group in October 1999 by the ASEAN+3 Summit, presented its Report at the ASEAN+3 Summit in Brunei Darussalam in November 2001, after having explored ways for two years to expand and intensify East Asian cooperation. The EAVG Report included twenty-two key recommendations in the fields of economic, financial, political/security, environmental/energy, social/cultural/educational, and institutional cooperation for the realization of the East Asian community.
14. During the Brunei Summit held in 2001, the leaders of ASEAN countries, China, Japan, and Korea highly appreciated the EAVG Report as a blueprint for the desirable future of East Asian regional cooperation. The leaders viewed that the Report contained key proposals and concrete measures to broaden regional cooperation, although some were bold yet feasible, such as the establishment of an East Asian Free Trade Area and liberalization of trade well ahead of APEC's goals.
15. In accordance with paragraph 3.1 of the TOR of the EASG, the EASG and its Working Group had intensive discussions on the recommendations of the EAVG. The EASG sincerely appreciated the efforts of the EAVG in producing the valuable Report to deepen and expand East Asian cooperation spanning a wide range of fields.
16. The EAVG Report portrayed a clear vision on the future of East Asia. Stressing the importance of pursuing open, gradual, and solid regional integration in East Asia, the Report called upon East Asian countries to take steps for building an East Asian community of peace, prosperity and progress as a long-term goal. If the vision of East Asia comes true, people in the region will have a more secured and prosperous future. While assessing the vision set out in the EAVG Report as positive, the EASG recognizes the need for making efforts to realize the vision of East Asia.
17. As the EAVG Report mentioned, the integration of East Asia will be a long process. The resolve of East Asian countries to transform the vision into a reality will serve as a great

catalyst and determine the speed and the depth of East Asian integration. The EASG emphasizes that it should focus on identifying areas in which concrete progress can be made to fulfill the vision in the Report.

18. Recognizing the need to accelerate genuine East Asian cooperation transcending the distinction between Northeast Asia and Southeast Asia, the EAVG Report drew up fifty-seven concrete measures in various fields to enhance regional cooperation into a broader dimension. The EASG views that the EAVG Report presented East Asian countries and people with a new paradigm for regional cooperation. The EASG also acknowledges that the comprehensive, far-reaching, and positive Report presented many useful suggestions for fostering a sense of common identity for East Asia from a long-term perspective.
19. However, the EASG finds that some concrete measures in the EAVG Report overlapped with numerous forms of regional cooperation already taken up within the ASEAN+3 and ASEAN+1 processes. In addition, the EASG takes note that due consideration should also be further given to certain key areas, such as tourism, forestry, and agriculture including food security, which are important to the East Asian region, but the EAVG Report did not include them in its suggestions for broadening regional cooperation.
20. In sum, the EAVG Report was comprehensive, progressive and positive. It provided East Asian countries with a good compass to show the right direction towards a bright future of East Asia. Containing valuable suggestions to bring the East Asian vision of peace, prosperity and progress into reality, the Report will contribute to paving the way toward an East Asian community.

2. Analysis of Recommendations

21. The EAVG proposed twenty-two key recommendations in six fields: economic, financial, political/security, environmental/energy, social/cultural/educational, and institutional cooperation. Under the key recommendations, the EAVG drew up fifty-seven concrete measures. Based on its analysis of each concrete measure, the EASG excluded thirty-one concrete measures from the list of its recommendations to the ASEAN+3 Summit. The following are the results of its analysis of the concrete

measures in the above-mentioned fields.

Economic Cooperation

22. The EAVG suggested the following fifteen concrete measures to strengthen economic cooperation among East Asian countries:

- Form an EAFTA well ahead of the Bogor Goal of trade liberalization set by APEC;
- Consolidate and encompass all existing bilateral and sub-regional FTAs;
- Establish a ministerial committee to oversee the development of an EAFTA;
- Establish GSP status and preferential treatment for the LDCs;
- Foster an attractive investment environment for increased FDI;
- Establish an East Asian Investment Information Network;
- Promote investment by SMEs and establish an administrative and financial support system;
- Establish an East Asia Investment Area by expanding the ASEAN Investment Area;
- Develop resources and infrastructure jointly for growth areas and expand financial resources for development, with the active participation of the private sector;
- Provide assistance and cooperation in three priority areas: infrastructure, IT, and human resources development;
- Increase ODA to less developed economies in the region;
- Cooperate through technology transfers and joint technology development;
- Develop IT jointly to build telecommunications infrastructure and to provide greater access to the Internet;
- Create a large pool of well-educated, flexible, and innovative human resources in the New Economy; and
- Form an East Asia Business Council.

23. The EASG attaches great importance to the promotion of trade in the region and acknowledges that an East Asia Free Trade Area (EAFTA) will help boost intra-regional trade and investments among East Asian countries. The establishment of an EAFTA may take the form of encompassing the bilateral and sub-regional Free Trade Areas (FTAs). In this light, it is desirable that the implementation processes of bilateral and sub-regional FTAs or FTA plus arrangements in East Asia be made transparent as much as possible by countries involved under the framework of ASEAN+3 consultations. There already exists a ministerial committee, in the form of the ASEAN+3 Economic

Ministers Meeting (AEM+3). Consequently, the EASG recommends that the leaders of ASEAN+3 task AEM+3 to conduct a feasibility study on the benefits, challenges, and implications of an EAFTA. The establishment of an EAFTA should take into account the differences in economic development of East Asian countries.

24. To narrow the developmental gaps, the EASG is of the opinion that it is an imperative need to further accelerate endeavors to assist the CLMV in financial, trade, and investment areas. In this regard, the EASG recognized that under the ASEAN Integration System of Preference, the original six member countries of ASEAN have extended preferential tariff treatment to the CLMV since 1 January 2002. Northeast Asian countries have also extended preferential treatment to some developing countries in ASEAN.
25. The EASG acknowledges the need for a study to be carried out to examine how to bring about an East Asia Investment Area (EAIA).
26. The EASG recognizes the ongoing work of East Asian countries to narrow the developmental gaps in the region, especially the development of the growth areas in the sub-region of ASEAN. In addition to the three areas recommended by the EAVG, the EASG views that “ASEAN Regional Economic Integration” will be included as an additional priority area, as identified in the Initiative for ASEAN Integration (IAI) Work Plan. However, increasing ODA is at the discretion of each country.
27. The EASG places high importance on the development of Information Technology (IT) for the realization of a knowledge-based economy. Well aware of the importance of IT, the ASEAN+3 process has been enhancing and deepening cooperation in the IT field. Greater participation of the private sector in economic cooperation should also be promoted for the development of the new economy. The development of human resources in the new economy can be mentioned as a part of a comprehensive program of Human Resource Development (HRD).

Financial Cooperation

28. In the field of financial cooperation, the EAVG recommended the following four concrete measures:

- Establish a regional financing facility;
- Launch an official forum to exchange views on macroeconomic and financial sector policies;
- Pursue a more closely coordinated regional exchange rate mechanism consistent with both financial stability and economic development; and
- Strengthen regional monitoring and surveillance processes within East Asia to supplement IMF global surveillance and Article IV consultation measures.

29. The EASG appreciates that the bilateral swap arrangements through the Chiang Mai Initiative (CMI) have already been implemented as a short-term liquidity support. The arrangements will be an initial step toward the establishment of a regional financing facility that will strengthen regional self-help and supplement the existing international facilities.

30. The ASEAN+3 Finance Ministers Meeting has been operating as a forum for cooperation in finance. A coordinated exchange rate mechanism becomes important with the growing inter-dependence among East Asian countries that have different exchange rate systems. Policy dialogue, which is a part of regional financial cooperation, is an ongoing activity performed through the ASEAN+3 Finance Ministers Process. Efforts are also being made to strengthen coordination through a bilateral and voluntary exchange of data on short-term capital flows. As a mechanism to be formally established in the long-term, an East Asian regional surveillance process will help enhance the financial stability in the region.

Political and Security Cooperation

31. The following thirteen concrete measures were suggested by the EAVG to promote political and security cooperation in East Asia:

- Adopt and implement a code of conduct to help govern relations on the basis of good neighborliness, mutual trust, and solidarity;
- Develop and observe effective rules and procedures to help guide cooperation;
- Nurture confidence-building among countries, especially exchanges, consultations, and other cooperative activities among military and defense officials;
- Establish and implement effective measures to prevent and avoid conflict, and manage

tensions;

- Strengthen the ASEAN Regional Forum;
- Cooperate toward agreement on the region's peace-keeping objectives;
- Strengthen mechanisms for cooperation on non-traditional security issues, including, in particular, mechanisms to stem piracy and drug trafficking;
- Promote sub-regional security dialogues;
- Encourage domestic efforts to promote peace, stability, social harmony, respect for the rule of law, accountability, and democratic progress as desirable common goals in their respective national polities;
- Exchange the best practices in addressing problems in governance;
- Promote exchanges among leaders and various social interest groups;
- Build a network of East Asian think-tanks; and
- Amplify the East Asian voice in international affairs, and make a significant contribution to the process of creating and evolving a new global order.

32. In the Joint Statement on East Asia Cooperation adopted in 1999, the leaders of ASEAN countries, China, Japan, and Korea underscored their commitment to handling their mutual relations in accordance with the purposes and principles of the UN Charter, the Five Principles of Peaceful Co-existence, the Treaty of Amity and Cooperation in Southeast Asia, and the universally recognized principles of international law. The ASEAN-China Joint Statement of 1997 and similar ASEAN-Japan and ASEAN-Korea Joint Statements of 1997 also spelled out principles and objectives of their cooperation, based on equality, mutual respect, and enhanced partnership for the promotion of common interests.

33. The EASG recognizes that confidence-building activities are being undertaken in the ASEAN Regional Forum (ARF). Within this framework, dialogue among military officials has further developed and has established the ARF Defense Dialogue. The ARF helps provide channels of communication to enhance mutual understanding. It is, therefore, desirable to strengthen the role of the ARF to encourage the dialogue. Taking into account the implications of international terrorism on the security of states, East Asian countries have agreed to enhance their cooperation on transnational issues. In this regard, the EASG is also of the opinion that East Asian countries should intensify consultation and cooperation on transnational issues that affect human security and regional stability.

34. The EASG regards it as important for East Asian countries to strengthen cooperation in addressing problems in governance, such as reducing corruption, undertaking legal reform, and achieving transparency, responsiveness, and efficiency in public administration. However, the implementation of these concrete measures should be left to each country concerned, given the political diversity and difference in national circumstances. The EASG believes that building a network of think-tanks among ASEAN countries, China, Japan, and Korea is important for expediting political cooperation in the region. Amplifying the East Asian voice in international affairs requires close coordination and consultation among East Asian countries.

Environmental and Energy Cooperation

35. In order to expand environmental and energy cooperation, the EAVG recommended the following thirteen concrete measures:

- Establish an East Asian environmental cooperative body, which includes a dispute settlement mechanism and a regional environmental database;
- Establish an Environment Ministers Meeting;
- Cooperate on problems of air pollution, transboundary pollution, land erosion, and deforestation;
- Formulate a joint action plan for sustainable environmental management with the provision of both financial and technical assistance;
- Facilitate exchanges to address urban development concerns;
- Take concerted actions in international forums to ensure effective implementation of all multilateral agreements;
- Introduce environmental education at the early stages of school curricula;
- Encourage the development of regional environmental networks and the activities of NGOs at the grassroots level;
- Endeavor jointly to ensure more effective management of water resources and fisheries;
- Promote closer regional marine environmental cooperation for the entire region;
- Stimulate research and development to explore alternative sources of cleaner energy;
- Establish regional nuclear cooperation arrangements; and
- Build a framework for energy policies and strategies, and action plans, such as the trans-ASEAN energy network projects.

36. Establishing an ASEAN+3 Environment Ministers Meeting will help institutionalize this

very important area of East Asian cooperation. The institutionalization of the Environment Ministers Meeting will help enhance and deepen cooperation on environmental issues. The EASG recognizes that ongoing cooperation under the ASEAN+3 mechanism will enable implementation of the measures of the enhancement of environmental education and the involvement of NGOs. ASEAN is currently focusing on efforts to ensure the supply of clean water through watershed management and prevention of contamination from pollution sources. To promote a clean regional marine environment, East Asian countries need close coordination and joint efforts to gain synergetic effects of various programs being undertaken in the region.

37. The EASG attaches importance to energy security for the sustainable development of the East Asian economy through cooperation among East Asian countries. Although there is no plan as yet for cooperation on nuclear energy, comprehensive cooperation through a framework policy will greatly enhance cooperation among East Asian countries in consideration of their existing national policies. Cooperation in research and development of alternative and/or cleaner energy sources can be included in the comprehensive strategy and policy on energy development in the East Asian region.

Social, Cultural, and Educational Cooperation

38. In the fields of social, cultural, and educational cooperation, the EAVG recommended the following nine concrete measures:

- Establish poverty alleviation programs;
- Review and address different forms of inequality and prejudice that may affect the respective societies;
- Work closely with NGOs in policy consultation and coordination to encourage civic participation and to promote state-civil society partnerships;
- Take concerted steps to expand and improve access to primary healthcare for the people, particularly at-risk groups, with special attention to HIV/AIDS and malaria;
- Implement a comprehensive HRD program for East Asia, focusing on the improvement of basic education, skills-training, and capacity-building;
- Work together with cultural and educational institutions to promote a strong sense of identity and an East Asian consciousness;
- Promote networking and exchanges of experts in the conservation of the arts, artifacts, and cultural heritage of East Asia;

- Promote East Asian studies in the region; and
 - Establish an East Asia Education Fund to finance basic education, literacy programs, and skills-training in the region.
39. The EASG recognizes that poverty is one of the root-causes of problems that threaten social justice and human security, and thus create social instability. East Asian countries, should, therefore, join their efforts to alleviate poverty in less developed countries. The EASG feels that the implementation of the measure of reviewing and addressing different forms of unequal relations and prejudice can be best done at the national level. In view of the important roles played by civil society in the field of development assistance, it is also important to work closely with NGOs in this process.
40. The EASG acknowledges that HRD is one of the key elements in combating poverty and ensuring economic and social development in East Asia. It recommends the elaboration of concrete measures towards comprehensive HRD.
41. The EASG recognizes that cooperation on health is governed by a lot of action plans on disease surveillance, tuberculosis, HIV/AIDS, community-based care for the elderly, and pharmaceuticals.
42. The EASG believes that the concept of East Asian consciousness and identity needs to be strongly promoted among scholars and the young generation. As most of the cultural and educational activities are loosely organized and carried out by various organizations, it is important to encourage and support the networking among those organizations and experts. The EASG recognizes that more discussions should be done before establishing a fund with the purpose of promoting education, considering the financial implication of a new fund.

Institutional Cooperation

43. In the field of institutional cooperation, the EAVG recommended the following three concrete measures to upgrade the current level of cooperation in East Asia:
- Pursue the evolution of the ASEAN+3 Summit into an East Asian Summit;
 - Institutionalize regional dialogues, including regular Meetings of Foreign Ministers and leaders of other sectors on diverse political and security-related subjects; and

- Establish an East Asia Forum consisting of the region's governmental and non-governmental representatives from various sectors, with the aim to serve as an institutional mechanism for broad-based social exchanges and, ultimately, regional cooperation.
44. The EASG is of the opinion that the East Asian Summit, as a long-term objective of the ASEAN+3, will serve to strengthen regional cooperation in East Asia. Regional dialogues have already been institutionalized, such as the Foreign Ministers Meeting and the Senior Officials Meeting. To ensure coherence and coordination in ASEAN+3 activities, the need for regular ASEAN+3 Directors-General Meeting was endorsed by the ASEAN+3 Foreign Ministers on 30 July 2002. The inaugural meeting of the ASEAN+3 Directors-General was held in Seoul, Korea on 30 August 2002.
45. The work of the EAVG and the EASG to find ways to promote the ASEAN+3 process concluded in November 2001 and November 2002 respectively. In order to maintain the momentum of East Asian cooperation that has been created, an East Asia Forum needs to be established.

Other Areas of Cooperation

46. The EASG is of the view that due importance should be given to the following areas that were not fully addressed in the EAVG Report:
- Food, Agriculture, and Forestry
 - Tourism
47. The EASG recognizes the importance of promoting cooperation to increase productivity and enhance competitiveness of food, agriculture, and forestry sectors in East Asia. The EASG welcomes the joint efforts being undertaken in the AMAF+3 process and recommends that active support be given to further promote cooperation, especially on transfer of technologies and joint Research and Development (R&D).
48. The EASG recognizes the efforts being undertaken in the forums of the ASEAN+3 Ministers of Tourism and the ASEAN+3 National Tourism Organization to promote closer tourism cooperation in East Asia. The EASG notes that ASEAN is intensifying tourism cooperation with the signing of the ASEAN Tourism Agreement at the Eighth

ASEAN Summit in Cambodia in November 2002. In this connection, the EASG is of the view that tourism is a significant area that should continue to receive attention and support in the ASEAN+3 process.

3. Identification of Implementable Concrete Measures with High Priority

3.1 Short-term Measures

3.1.1 Form an East Asia Business Council

49. Many East Asian countries had recorded double-digit economic growth rates over the past several years until the recent financial crisis. With the remarkable success in economic growth, countries in the East Asian region became increasingly interdependent on each other. For example, by the end of the 1980s, intra-regional trade among ASEAN countries, China, Japan, and Korea grew to 30% of the region's total trade. This figure swelled to 36.6% by 1996, but dropped to 31.5% in 1998, due to the 1997 financial crisis, and recovered to 33.9% in 1999. The region has also experienced such interdependence in investment.
50. The business sector in the region has greatly contributed to the rapid increase in intra-regional trade and investment. With globalization as well as liberalization in trade and investment, private sector-led economic cooperation becomes critical because the government sector alone cannot achieve satisfactory progress for common prosperity in East Asia. In this regard, the formation of an East Asia Business Council would strengthen cooperation among business sectors in the region and promote intra-regional trade and investment, contributing to the region's economic growth.
51. The East Asia Business Council, which will be composed of representatives from small and medium enterprises, and multi-national corporations in the region, will help members achieve their business objectives. It will facilitate dialogue among business representatives of each member country. The Council, representing business and commercial interests, will promote trade, investment, and industrial activities among East Asian countries. Each country's domestic body of the East Asia Business Council can also function as a mediator to provide foreign investors with information on and access to the market, and to discuss common problems in relation to investment. It will

also be able to advise the policy-makers on investment, market access, and international trade issues, such as the newly-launched Doha Development Agenda of the WTO.

52. ASEAN has already established joint business councils with several key Dialogue Partners, including Japan and China. ASEAN is also in the process of establishing the ASEAN Business Advisory Council. ASEAN and Korea established the Joint Business Council in the early 1990s but have not convened any following conference since its launch. Recently, ASEAN suggested that the ASEAN-Korean Business Council be re-activated in 2002. The re-activation of the ASEAN-Korean Business Council would facilitate the formation of an East Asia Business Council because East Asian countries can integrate and coordinate the business councils' work for the benefit of East Asian countries as a whole.
53. The EASG recommends to the leaders of ASEAN+3 countries that the AEM+3 process be assigned to expedite the establishment of the East Asia Business Council. Since the private sector initiatives need to play an important role in strengthening regional cooperation through expanding and deepening business activities, the private sector of ASEAN+3 countries should be encouraged to actively participate in the efforts for establishing an East Asia Business Council.

3.1.2 Establish GSP status and preferential treatment for the LDCs

54. East Asian countries represent the rich diversity of the region as well as disparities in stages of economic development. There is obvious disparity, with the rich countries claiming per capita GDP of more than US\$ 30,000, while the Least Developed Countries (LDCs) in the region have per capita GDP of less than US\$ 400. Mindful of this wide gap of per capita GDP, East Asian countries should strengthen regional cooperation to narrow the developmental gaps among themselves.
55. Foreign trade can be a propelling force in the development of LDCs, due to its direct and indirect benefits. In this regard, broadening market access for LDCs' products will contribute to reducing the developmental gaps among East Asian countries. Under the fierce competition in the world market, however, LDCs may be discouraged from actively participating in trade with other countries, due to their weak competitiveness. The establishment of GSP status and preferential treatment for LDCs will improve the

competitiveness of their exports and also give them impetus to actively participate in the world economy for further development.

56. Since 1971, the United Nations has identified LDCs. The Rules of the World Trade Organization (WTO) allow its members to provide preferential tariff treatment to products of LDCs on a generalized, non-reciprocal, and non-discriminatory basis. The ASEAN Integration System of Preference (AISP) stipulates the extension of tariff preferences to the CLMV by the original six member countries on a bilateral and voluntary basis from 1 January 2002. Under the AISP, the original six member countries will be expected to extend tariff preferences to nearly US\$ 400 million worth of the CLMV's exports. Most of the original six member countries of ASEAN, China, Japan, and Korea have already been offering GSP status and preferential treatment for the LDCs in East Asia.
57. Once GSP status and preferential treatment for the LDCs are established, the next question will be how to expand the coverage of preferential tariff treatment to the CLMV.

3.1.3 Foster an attractive investment environment for increased FDI

58. According to the "World Investment Report 2001" issued by UNCTAD, Foreign Direct Investment (FDI) flows to ASEAN countries, China, Japan, and Korea decreased from US\$ 82.82 billion in 1997 to US\$ 78.36 billion in 1999, while world FDI inflows rapidly increased from US\$ 477.91 billion to US\$ 1.07 trillion during the same period. In fact, FDI inflows to ASEAN countries reversed from US\$ 32.54 billion in 1997 to US\$ 14.7 billion in 1999.
59. Although the East Asian financial crisis has revealed problems inherent in foreign short-term capital flows, capital flows will nevertheless continue to play an important role as a powerful engine and a catalyst for achieving development. Long-term capital inflows in the form of FDI bring to the recipient country capital and foreign exchanges, as well as jobs, export markets, managerial ability, technical personnel, new technology, administrative organization, and innovations in product and production techniques.
60. East Asian countries have taken various measures to foster an attractive investment

environment for FDI. They have liberalized restrictions on FDI, offered tax incentives, provided special facilities, undertaken additional public service, and extended financial assistance. ASEAN has been making efforts to enhance the attractiveness of the region's investment environment through the implementation of the Framework Agreement on the AIA. The AIA initially extended national treatment and opened up almost all industries for FDI, with the exception of those in the Temporary Exclusion List and the Sensitive List. The AIA has also expanded its coverage by including services incidental to the manufacturing, agriculture, forestry, fishery, and mining sectors. Moreover, the ending date for the phasing out of the Temporary List for the manufacturing sector for the original six members countries of ASEAN and Myanmar will be advanced from 2010 to 2003, and Cambodia, Laos, and Viet Nam will have 2010 as the ending date. In order for East Asian countries to build closer economic relations, it is also necessary to share information as to the progress of the AIA.

61. The best strategy to increase FDI inflows is to foster an attractive investment environment. In this regard, the Agreement between Japan and Singapore for a New-Age Economic Partnership, the proposed FTA between ASEAN and China, and the Agreement between Japan and Korea for the Liberalization, Promotion and Protection of Investment would serve as good vehicles for fostering an attractive investment environment and increasing capital flows in East Asia. Besides removing restrictions on FDI or offering tax and other incentives, attention should also be given to sound macroeconomic fundamentals, transparent and non-discriminatory legal frameworks of FDI with well-functioning enforcement procedures, sensible policy regulations, fair and transparent tax systems, low-cost financing and credit systems, skilled human resources, infrastructure, corporate governance, reduction of bureaucratic red tape, anti-corruption, and so on. In all these areas, East Asian countries can cooperate to benchmark their FDI policies and regulations with those of successful countries in the region.

3.1.4 Establish an East Asian Investment Information Network

62. A private firm invests in a foreign country according to information on commercial profitability of, accessibility to, and constraints on its investment. Dissemination of information regarding investment opportunities and environment is indispensable for both investors and those who want to attract investment. Making a pool of information will greatly contribute to promoting investment by assisting foreign investors in their

investment decision and helping local businessmen find foreign partners. In this regard, establishing an East Asian Investment Information Network (EAIIN) would facilitate intra-regional investment flows by providing comprehensive and up-to-date information on investment opportunities and environments of each ASEAN+3 country.

63. Currently, Internet usage is increasing at a dramatic rate in most countries of East Asia. The Internet has become a crucial tool that accelerates business information flows. As more people rely on the Web as a source for business information, it will be more useful for East Asian countries to use the Internet as a tool for promoting investment in the region. If East Asian countries build a website to provide investment information and to link investment-related sites of each country, it will facilitate easier foreign investment in East Asia and at the same time enable local business people to disseminate their information and attract foreign investors. In addition to the Internet, investment information could be also disseminated through CD ROMs.

64. Under the cooperation and facilitation program of the AIA, ASEAN undertakes to establish databases for ASEAN Supporting Industries and ASEAN Technology Suppliers, as well as for the smooth flow of ASEAN investment data and information on investment opportunities in ASEAN. Therefore, it will not be difficult to establish an EAIIN. The investment promotion bodies, such as CCPIT of China, JETRO of Japan, KOTRA of Korea, I.E. Singapore of Singapore, and other relevant bodies, including the Board of Investment in ASEAN countries, have promoted investment by deploying a variety of activities. Especially in e-data exchanges, the above-mentioned bodies have already started exchanging their investment-related data, which are utilized by business people. The ASEAN-Japan Center will continue to strive for the promotion of export from ASEAN to Japan and for the acceleration of the investment inflow from Japan to ASEAN countries through diverse activities, such as providing a wide range of data and information on trade between ASEAN and Japan, and publishing information on the current investment climate of each ASEAN member country for the Japanese business community. The EAIIN would complement what ASEAN is doing under the cooperation and facilitation program of the AIA and make use of the ongoing activities of the ASEAN-Japan Center, as well as the above investment bodies, in order to promote investment among ASEAN countries, China, Japan, and Korea. Concerning the dissemination of information related to investment opportunities and environments among ASEAN countries, China, Japan, and Korea, it is also important to encourage the credit rating agencies in East Asia to share the information among themselves so as to

increase the credibility of their assessment.

65. To promote intra-regional investment, it is important for East Asian countries to facilitate the investment information flow while improving their investment environment. The establishment of an EAIIN would contribute to stimulating intra-investment, especially investment by more developed countries into less developed countries in the region. To this end, a study should be carried out to examine how to bring about the EAIIN.

3.1.5 Develop resources and infrastructure jointly for growth areas and expand financial resources for development with the active participation of the private sector

66. Many neighboring countries share common resources, which, if not jointly managed, may result in disadvantages to the poor, who often use common natural resources for their livelihood. Linking cross-border areas with their different factor endowments and different comparative advantages to form a larger grouping will enhance the potential for faster economic growth and increased trade because these differences in comparative advantage will complement each other. In addition to economic benefits, sustained cooperation among bordering areas will deepen interdependence and build trust, which are effective means of minimizing conflicts. Therefore, jointly developing the growth areas of the ASEAN sub-region is very important for narrowing the developmental gaps and preventing conflicts among East Asian countries.
67. At the Fourth ASEAN Summit in Singapore in 1992, the leaders adopted the Singapore Declaration that set directions on ASEAN economic cooperation, including the establishment of sub-regional arrangements. To develop these arrangements, ASEAN countries have actively expedited the implementation and further development of growth areas in order to narrow developmental disparities among member countries and to reduce poverty. The sub-regional arrangements involve areas that may be at a considerable distance from their respective capitals but happen to be located close to each other. The proximity of markets will help reduce costs resulting from their economic activities.
68. There are six major growth areas in Southeast Asia: (1) Indonesia-Malaysia-Singapore Growth Triangle, (2) Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), (3)

Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Areas (BIMP-EAGA), (4) Greater Mekong Sub-region (GMS), (5) the inter-state areas along the West-East Corridor (WEC) of Mekong Basin in Viet Nam, Laos, Cambodia and Northeastern Thailand within the ASEAN-Mekong Basin Development Cooperation Scheme, and (6) Cambodia-Laos-Viet Nam Triangle Development Area.

69. Development of the growth areas will be stimulated through promoting trade and investment. FDI in export-oriented industries utilizing natural resources of the areas will greatly contribute to their development. Furthermore, the improvement of infrastructure will facilitate the development of the growth areas. In this regard, it is worth reviewing the recommendation that the government sector play a greater and more proactive role, extending beyond that of facilitator, by removing bottlenecks and providing special incentive schemes to boost private sector investment based on each area's comparative advantage and natural endowment. To accelerate the development of the growth areas, efforts should be also made to attract greater participation of China, Japan, and Korea, as well as ASEAN. Especially, encouraging investment by the private sector of China, Japan, and Korea is important to expedite the economic potential of sub-regional growth areas.

3.1.6 Provide assistance and cooperation in four priority areas: infrastructure, IT, human resources development, and ASEAN regional economic integration

70. Given the disparity in the stages of development among East Asian countries, it is important to make concerted efforts to narrow developmental gaps among these countries for the region's common prosperity and dynamic and sustained growth. For the effective use of assistance to less developed countries, it is important to identify priority areas correctly and then to focus cooperation on the areas. In the Joint Statement on East Asia Cooperation in 1999, the leaders of ASEAN countries, China, Japan, and Korea underscored their commitment to building upon existing consultative and cooperative processes, as well as to joint efforts, on various levels and in various areas. The following actions initiated by respective East Asian countries contribute to the implementation of this Joint Statement. In "Japan's Medium-Term Policy on Official Development Assistance" adopted in August 1999, Japan clarified its intention to provide support for HRD and for regional development initiatives, and to adjust its assistance to social and economic infrastructure development to conform to the needs

and conditions of individual countries. As for cooperation in the field of IT, the East Asia ICT Cooperation Conference held in Okayama in September 2001 contributed to the promotion of East Asian cooperation in this field. Moreover, Japan announced a “Comprehensive Cooperation Package to Address the International Digital Divide” prior to the G-8 Kyushu-Okinawa Summit in July 2000, and made its intention known that Japan was ready to give positive assistance centering on the following four fields: (1) Raising Awareness and Contributing Intellectually to Policy and Institution-building, (2) Developing and Training of Human Resources, (3) Building IT Infrastructure and Providing Assistance for Network Establishment, and (4) Promoting the Use of IT in Development Assistance. Under the framework of the ASEAN+3 Economic Ministers Meeting, Japan also strives for the realization of projects, such as “Asia e-learning Initiative” and “Asia Common Skill Standard Initiative for IT engineers.”

71. At the Fourth Informal ASEAN Summit in Singapore in November 2000, the leaders agreed to launch an Initiative for ASEAN Integration (IAI). Subsequently, at the 34th ASEAN Ministerial Meeting in Ha Noi in July 2001, foreign ministers of ASEAN countries adopted the Ha Noi Declaration on Narrowing the Development Gap for Closer ASEAN Integration. The Declaration identified four priority areas for development: infrastructure, HRD, Information and Communication Technology (ICT), and regional economic integration, with commitments to devote special efforts and resources to promote effective cooperation and mutual assistance to narrow the developmental gaps among ASEAN countries.
72. For infrastructure development, the Declaration places emphasis on strengthening the transportation linkage for the flow of goods and people in the region. It also highlights the implementation of the trans-ASEAN energy networks to ensure the security and sustainability of energy supplies in ASEAN.
73. For HRD, the Declaration encourages the efforts for human resources development in newer member countries of ASEAN. They include the establishment of programs and educational and training institutes, broader usage of English as a tool of communication, benchmarks and time-tables in the field of education, and comprehensive assessment of training needs of government officials with active support by member countries as well as non-member countries of ASEAN.
74. For ICT, the Declaration calls for urgent implementation of the e-ASEAN Framework

Agreement and the Asian IT Belt initiative, recognizing the importance of ICT in narrowing the developmental gaps. It also emphasizes the need for liberalizing trade and investment in the ICT industry and assessment of the needs of new ASEAN members.

75. For regional economic integration, the Declaration supports the ongoing efforts of ASEAN economic integration, such as the AFTA, the AIA, and preferential import treatment for new member countries. It also supports the sub-regional development of growth areas in ASEAN.
76. ASEAN has stepped up efforts in mobilizing more assistance and cooperation from its original six member countries as well as from its Dialogue Partners, especially China, Japan, and Korea, to assist new ASEAN member countries in infrastructure, HRD, ICT, and regional economic integration. To narrow the developmental gaps between new and original member countries of ASEAN, it is essential for the original six member countries and Northeast Asian countries to step up extending cooperation and assistance to new member countries of ASEAN in the four priority areas.

3.1.7 Cooperate through technology transfers and joint technology development – FDI and strategic alliance

77. Technological cooperation is vital for sharing prosperity among East Asian countries because technology has been a leading force in economic development by increasing productivity. However, it is becoming more and more difficult for developing countries to acquire advanced technologies, while it remains relatively easy to acquire older technologies. With fierce competition in technological invention and innovation, new technologies become the object of strict protection, which takes precedence over cooperation. The wave of liberalization and privatization has accelerated the emergence of multinational corporations (MNCs), which are equipped with their own research centers or are financing research teams. The MNCs are, however, more concerned with their own profits than with the sharing of technology. Moreover, most developing countries lack the ability to adapt and improve imported technologies to suit local conditions and to develop more appropriate technologies for themselves. In this regard, it is very important for East Asian countries to cooperate through technology transfers and joint technological development.

78. FDI and strategic alliances between enterprises in the East Asian region will play a major role in promoting technology transfers and joint technological development. FDI-related technology flows can offer more relevant and up-to-date skills that are more in demand by the fast-changing global market. FDI also introduces advanced managerial and marketing expertise. Through joint ventures, local firms are able to increase their capacity of technology absorption effectively.
79. Strategic alliances will provide recipient countries with new technology for production and will also help them promote their capabilities to make good use of it. Through strategic alliances, local firms in developing countries will be able to develop new technologies with the help of their allied firms in developed countries and adjust those technologies to satisfy their needs in enhancing productivity and competitiveness. In this respect, strategic alliances with firms of developed countries will help boost the technological growth of the developing recipient countries.
80. To strengthen technological cooperation, East Asian countries should start with identifying feasible technological cooperation areas. Then the governments in the region should encourage private companies to exchange technology on a commercial basis while increasing free transfer of government-owned technologies, except those that are restricted from transfer due to security or other reasons. It is worthwhile to consider setting up a technology transfer network consisting of a collection of technical Web sites containing information about technologies that enterprises in the region can transfer or need to develop jointly if an East Asia Business Council is established.

3.1.8 Develop IT jointly to build telecommunications infrastructure and to provide greater access to the Internet

81. Rapid progress in ICT, including the emergence of the Internet, has been providing opportunities for new cooperative endeavors in the region. Facilitation of speedier exchanges of knowledge and information, and trade expansion through the utilization of the information infrastructure will be the fruits to be harvested from such endeavors. In the East Asian region, joint development of building telecommunications infrastructure and providing greater access to the Internet at reduced costs to users will contribute to strengthening the region's competitiveness in the global market.

82. However, the rapid growth of the information and telecommunication industry has been turning out to be a double-edged sword, increasingly revealing negative aspects as well as positive ones. The digital divide translates directly into a developmental gap, widening the disparities between the information-haves and the information-have-nots domestically, as well as between developed and developing countries. This gap will lead to polarization that will ultimately undermine the economic development and prosperity of all, resulting in negative social and political fallout. In order to narrow the digital divide among East Asian countries, cooperation should also focus on providing technical assistance for the development of IT in less developed East Asian countries with the help of the private sector.
83. Aware of the need for closer cooperation to develop the information and telecommunication industry, ASEAN countries, China, Japan, and Korea have been accelerating their efforts for cooperation among themselves. At the Fourth Informal ASEAN Summit in Singapore in November 2000, the leaders of ASEAN signed the e-ASEAN Framework Agreement, which aims at promoting cooperation in the ICT sector to reduce the digital divide within ASEAN countries with the participation of both public and private sectors. The Framework Agreement also calls for the liberalization of trade in ICT products, ICT services, and investments. China, Japan, and Korea are actively joining in the efforts to establish the trans-East Asian network for better access to ICT for all people in the region. As for Japan's cooperation in this field, one of the four pillars of Japan's "Comprehensive Cooperation Package to Address the International Digital Divide" announced in July 2000 was to build an IT Infrastructure and to provide assistance for network establishment. Korea proposed the establishment of an East Asian Special Fund to address the digital divide and carry out the East Asia IT Internship Program. East Asian countries should strengthen their cooperation in the ICT sector to narrow the digital divide in the region, in the process doubling the efforts by both public and private sectors of the region.

3.1.9 Build a network of East Asian think-tanks

84. Think-tanks can serve as a bridge between the academic community and political decision-makers. Think-tanks can give early warning to governments and civic social groups before the problems become serious. Focusing on analysis of important issues, they can concentrate on new political, economic, and societal trends that will be

potential problems in the near future, and they are able to detect new problems in advance. In addition, think-tanks can come up with measures and policy alternatives to solve new problems to help decision-makers find appropriate solutions. Furthermore, think-tanks can function as opinion leaders by fostering favorable environments for decision-makers to adopt new policies to address problems because they are able to provide the public with in-depth studies on new policies and benefits to be produced by implementing such policies. Expanding globalization and deepening interdependence among East Asian countries have necessitated think-tanks in the region to establish a network to carry out their tasks more effectively because it becomes more and more difficult for a country to solve new problems without cooperation from other countries.

85. Building a network of think-tanks will facilitate cooperation in decision-making processes and coordination of policies in the East Asian region. With the network, East Asian think-tanks can accelerate exchanges of views on issues important to the peace and security in the region. By using the network, think-tanks in the region can effectively analyze common problems that East Asian countries are facing, and draw up harmonized solutions to the problems. Moreover, the network will encourage think-tanks to exchange the best practices in addressing problems in policy making and implementation. The network will also provide think-tanks with good opportunities to jointly explore long-term policy issues of strategic importance to the region.
86. ASEAN has several think-tanks at national and regional levels, including the ASEAN ISIS (Institute of Strategic and International Studies). The ASEAN ISIS, established in 1984, is made up of nine member institutes from nine member countries: BDIPS Brunei Darussalam, CICIP Cambodia, CSIS Indonesia, LIFA Laos, ISIS Malaysia, ISDS Philippines, SIIA Singapore, ISIS Thailand, and IIR Viet Nam. It has provided ASEAN with critical policy recommendations based on sound judgment and empirical research. Moreover, ASEAN ISIS has been a key player in the creation of the Council for Security Cooperation in the Asia Pacific (CSCAP) that has contributed to the discussion of regional political and security issues in the Asia-Pacific region. The ASEAN ISIS has also established a wide and vibrant network of research institutions with like-minded counterparts in Northeast Asia.
87. It will be relatively easy to establish a network of East Asian think-tanks because ASEAN has experience in building the ASEAN ISIS and extending it through its network of institutions in Northeast Asian countries. Once a network of East Asian

think-tanks is established, the network will make a great contribution to promoting political cooperation and deepening cooperative relationships among East Asian countries.

3.1.10 Establish an EAF consisting of the region's governmental and non-governmental representatives from various sectors, with the aim to serve as an institutional mechanism for broad-based social exchanges and, ultimately, regional cooperation

88. Both the EAVG and the EASG have served as catalysts that have generated a strong impetus for the pursuit of closer cooperation in the East Asian region. It is important that the momentum of East Asian cooperation generated by the EAVG and the EASG be maintained and further strengthened as ASEAN countries, China, Japan, and Korea move smoothly along the long road towards the realization of the vision of building an East Asian community of peace, prosperity and progress, which was presented in the EAVG Report.
89. During the ASEAN+3 Summit in Brunei Darussalam in 2001, the EAVG's recommendation of the establishment of an East Asia Forum (EAF) received support from the leaders of ASEAN countries, China, Japan, and Korea. For the purpose of providing diverse perspectives on regional cooperation to the governments of ASEAN countries, China, Japan, and Korea, the EAF needs to be set up soon in order to maintain the momentum. In this way, the current efforts for regional cooperation will continue without any interruption.
90. The EAF, consisting of representatives from government, business, and academic circles, will function as a think-tank for broad-based social exchanges and, ultimately, regional cooperation. The EAF will also contribute greatly to fostering an East Asian identity among the people in the region by providing a forum for extensive exchanges and cooperation in various fields. In addition, the complementary nature of its participants will provide fuller and more diverse perspectives on regional cooperation. The EAF will be modeled as a Track II process, with a view to encouraging dialogue and interaction, developing networking, and promoting an exchange of views and generation of ideas in the region.
91. The EAF will focus its activities on exploring and suggesting practical ways and means

to further strengthen regional cooperation. By suggesting constructive ideas and ways for cooperation, the EAF will contribute to consolidating the ASEAN+3 cooperation process, which has been operating as an institutional mechanism of regional cooperation in the region. In view of the role of the EAF, various ASEAN+3 cooperation bodies will have the EAF do research and/or studies in order to further strengthen and deepen regional cooperation. The EASG suggests that details of the establishment of the EAF be discussed in the ASEAN+3 process, particularly the ASEAN+3 DGs Meeting, after the ASEAN+3 Summit in Cambodia in November 2002.

3.1.11 Implement a comprehensive human resources development program for East Asia focusing on the improvement of basic education, skills-training, and capacity-building

92. Effective use of physical capital itself depends on human capital. If there is under-investment in human capital, productive utilization of physical capital will be limited because technical, professional, and administrative people will not be able to use physical capital effectively. As the world is moving towards a knowledge-based economy, human capital becomes a more important factor in a country's quest for strengthening its competitiveness. Further sustainable development of a country will be closely dependent on the effective development of its human resources through education, skills-training, and capacity-building. Deepening interdependence among East Asian countries has increased the necessity for strengthening regional cooperation in the development of human resources.
93. It is obvious that investment in education and skills-training deserves high priority. Such investment will contribute to enhancing labor productivity. A lack of investment in education and skills-training increases the risk of unemployment as well as income disparities. In most instances, economic returns on investment in education and skills-training seem to exceed returns on alternative kinds of investment, and developing countries obtain higher returns than developed countries. Capacity-building efforts should focus on strengthening educational, research, and skills-training institutions, extension agencies, NGOs, and community organizations.
94. In order to promote structural reforms and to stimulate economic activities in East Asia, it is imperative to improve the capabilities of administrative management in local governments and in various kinds of law enforcement, and so on. Japan and Korea will

provide technical assistance in those fields by sending their experts, holding seminars, and offering other assistance schemes. Priorities related to HRD are clearly spelled out by the ASEAN leaders in the Ha Noi Declaration and the Ha Noi Plan of Action. The Declaration states that “the maintenance and creation of employment shall be a primary consideration in strategies for economic recovery and growth.” To this end, the leaders agreed that an essential part of the strategy would be to “train people for the demands and opportunities of the industries of today and tomorrow.” In addition, at the ASEAN+3 Summit in Manila in November 1999, the leaders adopted the Joint Statement on East Asia Cooperation in which they agreed to “heighten cooperative efforts in such areas as the implementation of the ASEAN HRD Initiative by establishing a Human Resource Development Fund ...”

95. The ASEAN Regional Project on Human Resource Development Planning aims to identify and recommend measures that will greatly contribute to economic development. Possible measures are: the establishment of a network among leading HRD Institutions in ASEAN countries and a regional HRD Work Program to facilitate training/capacity-building on human resource planning and development; the development of a regional labor market information system; and the integration of HRD policy options and practices into the overall national development planning process. Northeast Asian countries, holding the conviction that HRD is a key factor of economic development and nation-building, have cooperated with ASEAN countries to implement HRD programs. Planning and implementing HRD is not easy. East Asian countries can also cooperate in the development of human resources through exchanges of the best practices and experiences among themselves.

3.1.12 Establish poverty alleviation programs

96. With rapid economic growth, most East Asian countries have successfully reduced poverty over the past two decades. However, as of 1998, the region still had 278 million poor people living on less than one US dollar a day. In addition, the poor do not have enough food, adequate shelter, easy access to basic education and health care, protection from violence, or a voice in what happens in their communities. Poverty is one of the root-causes of various problems that threaten social justice and human security, creating regional instability. The recent financial crisis aggravated the situation. In this regard, regional cooperation is needed to significantly help less developed countries to fight

poverty, illiteracy, and disease.

97. ASEAN countries have closely cooperated within the Framework Plan of Action on Rural Development and Poverty Eradication and the ASEAN Action Plan on Social Safety Nets. The project of Training of Facilitators on Rural Development and Poverty Eradication was completed in June 2001. The project of Building and/or Enhancing Capacities for Research, Assessment and Monitoring of Poverty in ASEAN countries is being developed. The ASEAN Foundation is expediting funding consideration for the projects on Training of Facilitators on Rural Development, enhancing public awareness and poverty assessment and monitoring under the Framework Plan of Action on Rural Development and Poverty Eradication. To fight poverty, Japan announced its position in “Japan’s Medium-Term Policy on Official Development Assistance” in August 1999 that it would provide active support to the socially vulnerable to improve their living standards and domestic conditions, and adjust its assistance to poverty alleviation programs to conform to the needs and conditions of individual countries. Cooperation in East Asia could take the form of developing a program of follow-up activities for existing projects on poverty/social safety nets currently being implemented. Some issues which could be addressed are: the need for extending networking among poverty alleviation facilitators in the region; the need for improvement of data collection systems to meet specific crisis-generated needs; and the need for capacity-building for appropriate monitoring systems for poverty alleviation programs.
98. Poverty is not immutable. Economic growth can effectively reduce poverty when accompanied by a comprehensive program for social development. Therefore, every country needs to have a comprehensive national poverty reduction strategy that provides adequate budgetary allocations for human capital, targeting of basic social service for the poor, removal of gender discrimination, an effective population policy, and social protection. Moreover, countries should link their poverty programs to their national and international economic policies because this link will be crucial in a world of increasing economic interdependency.

3.1.13 Take concerted steps to provide access to primary healthcare for the people, particularly at-risk groups, with special attention to HIV/AIDS, tuberculosis, and malaria

99. Providing primary healthcare is a main element of the welfare system of most countries.

It not only guarantees the basic needs of the citizens but also helps them participate in economic activities without being troubled by diseases. However, many people in the East Asian region suffer from various diseases, including HIV/AIDS, tuberculosis, and malaria. Moreover, there have been demographic transitions, such as urbanization, industrialization, migration, environmental change, socio-economic and political changes, and globalization. These have serious impacts on household formation, labor force participation, work environments, and consumption patterns, affecting lifestyles and health in the region.

100. Many East Asian countries are experiencing a double burden of diseases, whereby before the traditional infectious diseases have been fully controlled, non-infectious diseases and newly emerging and re-emerging infectious diseases are increasing. The recent financial crisis has reduced people's access to primary healthcare in the region. Now, East Asian countries are urged to take concerted measures to tackle the issue of primary healthcare through cooperation among themselves.

101. ASEAN cooperation on health is governed by action plans on disease surveillance, tuberculosis, HIV/AIDS, community-based care for the elderly, and pharmaceuticals. Action programs on malaria control and dengue fever are currently under preparation. Recognizing that at least 1.6 million people are living with HIV/AIDS in the ASEAN region, and that the number is increasing rapidly, the leaders of ASEAN adopted the Summit Declaration on HIV/AIDS during the ASEAN Summit in Brunei Darussalam in November 2001. They also adopted Phase II of the ASEAN Work Program on HIV/AIDS, which will constitute an action program for implementing the directives in the Summit Declaration.

102. To prevent the spread of infectious diseases effectively, East Asian countries are required to strengthen their cooperation in fighting diseases. It is desirable for Northeast Asian countries to support ASEAN countries' efforts to fight infectious diseases. Strengthening efforts of developed countries for improving access to primary healthcare for people of less developed countries will contribute to the control and prevention of infectious diseases and to poverty alleviation. Efforts for better healthcare systems will include the provision of technical cooperation, generic drugs, exchanges of healthcare experts, support for the education for public awareness, and special care programs for socially vulnerable groups, such as children, elderly people, and women.

103. It is also necessary to accelerate the public-private partnership to improve healthcare conditions because the private sector can also play an important role in providing the required health services to citizens. In many countries, the number of commercial enterprises involved in the financing and delivery of health services has been increasing. NGOs have also played an important role in providing health services. In this regard, the governments of East Asian countries need to form a close partnership with the private sector in such a way that cooperation to provide healthcare will be efficient.

3.1.14 Strengthen mechanisms for cooperation on non-traditional security issues, including, in particular, mechanisms to stem the tide of piracy, drug trafficking, and cyber crime

104. In the wake of globalization, various non-traditional security issues, such as piracy, drug trafficking, illegal migration, smuggling of small arms, money laundering, cyber crime, international terrorism, and other issues affecting human security, have become more organized, diversified, and pervasive. Transnational crime poses threats not only to security and stability, but also to economic development and prosperity. Especially, the terrorist attacks on the United States on 11 September 2001 have increased people's awareness of the severity, pervasiveness, and the international linkage of terrorism and new kinds of threats to security. As transnational crime becomes more organized and threatening, it becomes more and more urgent for the governments of East Asian countries to establish mechanisms for coordination and cooperation on the new security challenges that we are facing in today's global arena.

105. ASEAN has endeavored to deal with non-traditional security issues for decades. In 1976, leaders of the founding member countries of ASEAN adopted the Declaration of ASEAN Concord, which urged cooperation to prevent drug use and trafficking. Currently, ASEAN concentrates its efforts on combating drug trafficking on the ASEAN and China Cooperative Operations in Response to Dangerous Drugs (ACCORD). Japan and Korea, though not direct parties of ACCORD, highly appreciate the ACCORD Plan of Action and are able to continue to assist and enhance ownership of ASEAN countries and China to combat this problem. Japan is ready to consider providing up to US\$ 100,000 through the Japan-ASEAN General Exchange Fund. Such a move would lead towards greater linkages between ASEAN and the +3 countries.

106. Another matter of concern is the fact that the number of incidents of piracy is on the rise.

Because shipping traffic is heavy in East Asia, concrete multilateral cooperation in this area is indispensable. Japan hosted the Regional Conference on Combating Piracy and Armed Robbery against Ships in April 2000 and the Asian Cooperation Conference on Combating Piracy and Armed Robbery against Ships in October 2001. The purpose of these Conferences was to discuss the perspective of medium-term and long-term regional cooperation on anti-piracy. The agenda dealt with in the conferences indicates serious efforts to lay the foundation of East Asian cooperation in combating piracy. In addition, the EASG appreciates the ongoing efforts made by ASEAN countries, China, Japan, and Korea, which attach great importance to the First Governmental Experts Working Group Meeting to develop a Regional Cooperation Agreement on Anti-Piracy in Asia held in Tokyo in July 2002. It recommended that ASEAN countries, China, Japan, and Korea make the utmost efforts to finalize and adopt the agreement text.

107. Cyber crime, likewise, is also a matter of growing concern. Recently, cyber crime has been and is having increasingly serious impacts on the peace, security, prosperity and progress, and on the social and moral fabric of the East Asian region. In order to fight cyber crime effectively, East Asian countries should strengthen regional collaboration and enhance the capacity of law enforcement agencies with advanced equipment and experts, while working closely with INTERPOL, the UN, and its specialized agencies.

108. The ARF has served as an important forum to promote political and public awareness and to enhance commitment and cooperation in addressing non-traditional security issues. The ARF Experts' Group Meeting on Transnational Crime, held on two occasions – in Seoul in 2000 and in Kuala Lumpur in 2001 respectively – has actively and intensively discussed measures to eradicate transnational crimes, such as terrorism, piracy, illegal migration, and trafficking of small arms. At the ARF Meeting in Bandar Seri Begawan in July 2002, the ARF issued a Statement on Measures against Terrorism Financing and established an Inter-Sessional Meeting on Counter-Terrorism and Transnational Crime (ISM on CTTC). In this regard, the ASEAN+3 Foreign Ministers Meeting in Bandar Seri Begawan on 30 July 2002 welcomed China's proposal to convene the ASEAN+3 Ministerial Meeting on Transnational Crime, which could be held back-to-back with the Fourth ASEAN Ministerial Meeting on Transnational Crime (AMM-TC) in Thailand in 2003.

109. ASEAN has progressively intensified its efforts to combat transnational crimes. In 1997, ASEAN issued the ASEAN Declaration on Transnational Crime as the basic framework

for regional cooperation to combat transnational crimes. As a follow-up to that Declaration, ASEAN adopted the ASEAN Plan of Action to Combat Transnational Crime in 1999 and subsequently drew up the Work Program to implement the ASEAN Plan of Action to Combat Transnational Crime, which entails information exchange, cooperation in legal matters, law enforcement, training and institutional capacity-building, as well as extra-regional cooperation. Under the Ha Noi Plan of Action, ASEAN is strengthening the regional capacity to address all major forms of transnational crime. It will be an effective way to enhance regional cooperation for China, Japan, and Korea to participate in the activities of ASEAN on combating transnational crimes and to provide necessary assistance and expertise. In this regard, the Work Program to Implement the ASEAN Plan of Action to Combat Transnational Crime could serve as a basis to facilitate ASEAN+3 cooperation. In addition, in accordance with the agreement to establish a consultative mechanism among the police authorities of China, Japan, and Korea at the summit meeting of the leaders of the three countries on the occasion of the ASEAN+3 Summit held in Brunei Darussalam in 2001, Korea hosted the Consultative Meeting among Police Authorities on Transnational Crime in April 2002 in Seoul. The Meeting discussed, among other matters, coordination of all the security measures for the 2002 FIFA World Cup, as well as mutual cooperation on drug trafficking, organized crime, and cyber terrorism.

3.1.15 Work together with cultural and educational institutions to promote a strong sense of identity and an East Asian consciousness

110. The EAVG Report proposed the formation of an East Asian community of peace, prosperity and progress for the full development of all people in the region. Common interests and regional identity will expedite genuine regional cooperation.

111. Fostering a strong sense of East Asian identity and congeniality is essential for expediting genuine regional cooperation and, moreover, for helping reach the ultimate goal of East Asian integration. Together with the concrete measure, "Promote East Asian studies in the region," East Asian countries should attach great importance to the issue of regional identity and work closely to develop it. Building a strong sense of identity and an East Asian consciousness is a goal to be sought through continuous efforts by both government and civic leaders, since it is related to having people realize the common fate of the region and to changing the way of thinking. In this regard, cultural

and educational institutions will be the main actors in promoting a sense of identity through education, publicity, and research. They will provide regional people with information and knowledge on the historical background of the region and on both similar and different aspects of culture. They will also provide the ways and means for the people to strengthen their identity.

112. Efforts have already been made among the ASEAN countries. The Fourth ASEAN Summit held in Singapore in 1992 emphasized the need to speed up the development of a regional identity and solidarity within the major ASEAN universities. Furthermore, the ASEAN Foundation was launched in July 1998, based in Jakarta, and intended to promote greater awareness of ASEAN among ordinary people in member countries and increase opportunities for contact among the people of ASEAN countries. In addition, the ASEAN Committee on Culture and Information has continuously undertaken programs that will further enhance mutual understanding and solidarity among ASEAN countries and its people.

113. ASEAN's efforts for promoting regional identity have paved the way for developing East Asian identity. It will help link scholars and historians of ASEAN countries with those of China, Japan, and Korea. Moreover, the ASEAN Committee on Culture and Information and one of the institutes of China, Japan, or Korea could serve as focal points to develop cooperation among institutions to promote East Asian identity and consciousness. However, building a sense of East Asian identity requires active and continuous support by the governments of East Asian countries because regional identity cannot be built in the short-term. With support from the governments, more educational and cultural institutions of Northeast Asian countries will be able to engage in intensive cooperation and collaborative projects with related institutions and universities of ASEAN countries.

3.1.16 Promote networking and exchanges of experts in the conservation of the arts, artifacts, and cultural heritage of East Asia

114. With a long history of civilization of more than 5,000 years and a variety of cultural and religious backgrounds, the East Asian region boasts an abundance of arts, artifacts, and cultural heritage. The cultural affinity among countries in East Asia also shows that people in the region have been sharing culture and ways of life that transcend the

distinction between Northeast Asia and Southeast Asia. Due to economic, political, and social problems, however, some countries in the East Asian region have difficulties in conserving and developing arts, artifacts, and cultural heritage effectively and are experiencing the erosion of their valuable cultural resources. Therefore, enhancing regional cooperation in the field of culture will bear fruit in conserving the arts, artifacts, and cultural heritage, and in fostering a sense of regional identity.

115. The promotion of networking and exchanges of experts will be a good way to utilize knowledge and information of experts of nations in the region. Networking and people-to-people exchange programs will also activate the systematic documentation of cultural resources in the region through close consultation and cooperation among experts. The systematic documentation through research, video, or publication not only ensures preservation of the cultural heritage but also enhances further awareness of the need for its revitalization. The involvement of young people in the programs of conserving cultural heritage is important because it will foster their appreciation, respect, and understanding of the rich heritage of East Asian cultures and traditions, which is necessary for tomorrow's decision-makers.

116. East Asian countries are making efforts to protect cultural heritage. Mindful of the urgency to take action, ASEAN adopted the ASEAN Declaration on Cultural Heritage at the 33rd ASEAN Ministerial Meeting and a Memorandum of Understanding in 2000 to carry out national campaigns to promote ASEAN's thrusts in conserving cultural resources. An ASEAN youth camp and a people-to-people exchange program were implemented to conserve cultural heritage. Moreover, it is desirable to expand ASEAN's efforts to East Asian countries for conserving cultural resources. Within ASEAN, a networking system is being put in place through the ASEAN Cultural Heritage Information Network. This portal site can be linked up with related sites in East Asia.

3.1.17 Promote East Asian studies in the region

117. Promoting regional study of East Asia is another important aspect of developing the sense of identity of East Asia. It will provide East Asian people with knowledge to understand the commonality of historical experiences and cultural norms and values of East Asia, and it will also remind them of the need to facilitate regional integration. Member countries should encourage their educational and research institutions to

establish East Asian studies courses/programs through financial and institutional assistance. Furthermore, the inclusion of the study of East Asian languages will enhance mutual understanding among East Asians. Through cooperative programs of study, research, workshops, and seminars among relevant institutions in the region, the promotion of East Asian studies will be further accelerated. The establishment of networks among regional study programs will also be an effective way to boost the exchange of knowledge and information.

118. ASEAN has actively promoted ASEAN studies in universities in member countries; the ASEAN University Network (AUN) has been a major contributor in these efforts to promote ASEAN studies. In supporting the establishment of ASEAN studies courses/programs in member universities, a summary report on existing courses or programs on ASEAN studies has been compiled to serve as a reference for the further development of ASEAN studies programs with a common regional content. The AUN has also developed course syllabi and identified course materials for ASEAN studies. The course syllabi and materials will ultimately be developed into an ASEAN Studies Program, which will also be made available on-line.

119. The EASG appreciates the ongoing efforts made by ASEAN countries to promote ASEAN studies and recognizes that these efforts should be expanded to cover the whole East Asian region. The ASEAN Committee on Culture and Information is able to support the promotion of East Asian Studies because its efforts in producing source materials for the teaching of Southeast Asian culture and history can be expanded to cover East Asia. Up to now, China, Japan, and Korea have carried out the collaborative programs for closer partnership among academics. ASEAN and Korea have been implementing the Academic Exchange Program between the AUN and the Korean Association for South East Asian Studies (KASEAS). Japan has also been collaborating with the AUN in higher education through the Southeast Asia Engineering Education Development Network. Possible collaboration between China and ASEAN is also under exploration. These efforts can be combined to cover the whole region of East Asia. Thus, it will be possible for East Asian studies to be conducted with enhanced efficiency and effectiveness, making a significant contribution to the development of a true sense of East Asian identity.

3.2 Medium-term and Long-term Measures, and Those that Require Further Studies

3.2.1 Form an EAFTA

120. The EASG recommends this measure as a long-term measure with high priority. FTAs are increasingly recognized as a means to expand trade and investment opportunities, promote economic growth and sustainable development, and catalyze other forms of cooperation among countries of the region. Now, there are growing numbers of bilateral and regional FTAs all over the world, with the belief that FTAs can accelerate the momentum of trade liberalization and strengthen the WTO-centered multilateral trading system. NAFTA and MERCOSUR have been successfully operating. Moreover, the introduction of the EURO has accelerated the integration of the EU. These trends have increased the need to enhance and deepen economic cooperation in the East Asian region through the efforts for an EAFTA. The realization of an EAFTA would boost intra-regional trade and investment with the creation of a huge market of almost 2 billion people, the largest in the world.

121. In the East Asian region, efforts for establishing FTAs are already underway. ASEAN has been continuing its efforts to implement the accelerated schedule of the ASEAN Free Trade Area (AFTA), as agreed by the Sixth ASEAN Summit in 1998. At the ASEAN+1 Summit in 2001, China and ASEAN agreed to form an FTA within 10 years with special and differential treatment and flexibility to the new ASEAN countries. Japan and ASEAN have been doing a joint study for Closer Economic Partnership (CEP). Korea and ASEAN are also considering the possibility of establishing an FTA. In addition to the efforts for the sub-regional FTAs, many countries in the region are involved in discussions on strengthening the economic partnerships at the bilateral level. In this regard, Japan and Singapore have already concluded the Agreement for a New-Age Economic partnership (JSEPA). Moreover, Japan has begun its work to build up economic partnerships in a bilateral framework with other ASEAN countries. Japan is ready for consultations on an economic partnership based upon the framework of JSEPA or for making that framework a reference. As the EAVG Report clearly stated, the establishment of an EAFTA could be achieved by adopting a building block approach, and consolidating the existing bilateral and sub-regional FTAs in the region. In this regard, the ongoing progress in the discussions of establishing many bilateral and sub-regional FTAs could pave the way for establishing an EAFTA.

122. The EASG recommends that the governments of East Asian countries consider the establishment of an EAFTA as a long-term goal, taking into account the variety of differences in developmental stages and the varied interests of the countries in the region. In this regard, it is desirable for the governments of East Asian countries to conduct a study on the impacts of an EAFTA on the region with the active participation of experts from academic and business circles as a process to establish an FTA covering the whole region. In addition, transparency in implementation processes of bilateral and sub-regional FTAs is indispensable under the framework of ASEAN+3 consultations. Thus, the AEM+3 should be assigned to conduct a feasibility study on the benefits, challenges, and implications of an EAFTA and to recommend the appropriate architecture of the EAFTA. In order to realize the idea of an EAFTA, it is important that the feasibility and the influences of the EAFTA be discussed not only in the AEM+3 meetings but also in the ASEAN+3 Foreign Ministers Meeting.

123. East Asian countries should also encourage investment among themselves and dismantle trade barriers because trade and investment are virtually inseparable elements, crucial in the process of deepening and broadening regional economic cooperation. As two sides of the same coin, the promotion of the one may also help boost the other and vice versa. In this regard, the EASG recommends that the formation of an EAFTA go hand in hand with the establishment of an East Asian Investment Area.

3.2.2 Promote investment by SMEs

124. The EASG recommends this measure as a medium-term measure with high priority. Small and Medium Enterprises (SMEs) are indispensable for economic growth. As important providers of intermediate goods and services, the development of SMEs contributes to industrial growth and fosters competitiveness. SMEs also supply ideas, skills, and innovation. Strong SME sectors attract foreign investors and enable them to establish and expand domestic linkages. Moreover, SMEs play a key role in improving employment and welfare. The promotion of SMEs in labor-intensive industries will create more jobs and generate more household income. SMEs thus play a critical role in achieving equitable and sustainable growth.

125. However, SMEs need an appropriate administrative support system to maximize their potential because they are normally vulnerable due to their small size and low capability.

They face many challenges that prevent them from achieving their full potential. These challenges are particularly significant in the areas of HRD and access to financing, markets, technology, and information. To promote investment by SMEs, governments should eliminate administrative impediments to SMEs' operations. In addition, governments should provide SMEs with better access to finance because SMEs tend to have difficulties accessing banks or capital market funds, due to lack of assets or track records. Moreover, SMEs need support from appropriate business development services in management, training, marketing, technology, and information.

126. As it is clearly stated in the Joint Statement on East Asia Cooperation issued in November 1999, the leaders of ASEAN countries, China, Japan, and Korea agreed to bolster efforts to strengthen SMEs. It must be noted that in ASEAN, SMEs account for about 90% of all manufacturing establishments, and they constitute the majority of industrial enterprises. Since East Asian countries attach great importance to the development of SMEs, they should cooperate to promote intra-regional investment by SMEs because closer regional cooperation would further widen the window of opportunity for SMEs. Through cooperation with each other, SMEs may reduce costs, share risks, and foster exchanges of information and know-how. Encouraging SMEs in the region to have joint ventures or linkages with other member countries' SMEs will contribute to the promotion of intra-regional investment by SMEs. Establishing a database on investment policies and opportunities of East Asian countries will also facilitate intra-regional investment by SMEs because it will provide potential investors with information on foreign investment.

127. The EASG notes that the idea of establishing an ASEAN+3 SME network will facilitate intra-regional investment by SMEs in the East Asian region. The SME network will help disseminate information on markets for the SMEs, address and solve complaints in relation to the investment, and boost competitiveness of participating SMEs. The EASG recommends that the governments of ASEAN countries, China, Japan, and Korea participate actively in establishing the SME network.

3.2.3 Establish an East Asia Investment Area by expanding the AIA

128. The EASG recommends this measure as a long-term measure with high priority. The importance of FDI has been growing for the economic development of the newly

industrializing and developing countries in East Asia. In the era of globalization, the developing countries in East Asia that are lacking capital for new entrepreneurial activities have been turning their eyes to foreign investors as a new source of capital. On the other hand, the region also has several countries that are rich in capital and have many enterprises seeking relocation of their companies or factories. Therefore, the establishment of an investment area in the region will greatly contribute to promoting intra-regional FDI because it will provide greater scope for division of labor and industrial activities across the region, creating opportunities for greater industrial efficiency and cost competitiveness. Moreover, it will encourage investors to think increasingly in regional terms and to adopt a regional investment strategy and network of operations.

129. The leaders of ASEAN countries, China, Japan, and Korea agreed, in the Joint Statement on East Asia Cooperation issued in November 1999, to strengthen efforts in accelerating investments. The progress of the implementation of the Joint Statement was made through various efforts of ASEAN countries, China, Japan, and Korea. As for the efforts made by ASEAN, the ASEAN Vision 2020 adopted in 1997 states that ASEAN will realize the AIA by 2010 and free flow of investments by 2020.

130. ASEAN has already been making efforts to establish an investment area, since the signing of the Framework Agreement on the AIA in Manila on 7 October 1998 by ASEAN ministers. Under the AIA arrangement, ASEAN countries are committed to opening up manufacturing, agriculture, forestry, fisheries and mining sectors, and to granting national treatment to ASEAN investors by 2010 and to all investors by 2020, with each country having some exceptions. In order to attract larger volumes of FDI, full realization of the AIA would be advanced from 2020 to 2010 for the first six member countries of ASEAN and to 2015 for the newer member countries. The ASEAN region is a leading recipient of FDI flows in the developing world. Among the components of resource flows into ASEAN countries, FDI constitutes a considerable share, indicating the importance of FDI as a major source of finance for economic development. Between 1990 and 1997, FDI represented an annual average of 40 % of the net resource flows to ASEAN countries. In Northeast Asia, meanwhile, Japan and Korea signed the Agreement for the Liberalization, Promotion and Protection of Investment in March 2002. Under the Agreement, the two countries extend equal treatment to investors of the other country except in certain areas. Moreover, the process of strengthening the economic partnerships between Japan and ASEAN is underway.

131. The EASG recommends that East Asian countries review the possibility of establishing an EAIA with a view to fully utilizing the region's potential for economic growth. The establishment of an EAIA will not only help increase the foreign investment flows to the developing countries in the region but will also benefit the developed countries in the region by expanding the window of opportunity to invest. Any plans to establish an EAIA should be carefully studied, since the Framework Agreement has no provision to extend the membership to non-ASEAN countries. Moreover, the expansion may be construed as discrimination to other investors outside of this arrangement. In this regard, the EASG calls for the governments of the region to carefully review the possibility of establishing an EAIA over a longer period of time. To this end, a study could be carried out to examine how to bring about the EAIA.

3.2.4 Establish a regional financing facility

132. The EASG recommends further study of this measure with high priority. In the era of globalization of financial markets and worldwide liberalization of capital flows, even countries with sound and stable financial structures cannot be immune to the difficulties of neighboring countries. Having achieved impressive economic development, the East Asian region was startled by and unprepared for the devastating financial crisis in 1997. Unlike previous crises, such as the one during the oil shocks in the 1970s, the crisis in 1997 has revealed not only the vulnerability of East Asian countries to conditions arising from the globalization of financial markets and massive capital flows, but also the fragility of their financial structure. The crisis was a wake-up call for East Asian countries to establish measures to cooperate and to coordinate their financial policies to prevent the recurrence of such a crisis and minimize its effects, should another financial crisis erupt.

133. Since the Asian financial crisis, various efforts have been made to strengthen financial cooperation. At the global level, discussions have been made to reform the international financial architecture to better cope with the more integrated international financial market. At the various international forums, such as the IMF and G7, the focus has been on restructuring of international financial facilities, increasing the transparency of financial information, strengthening the prudential regulations on the financial market, and introducing a better exchange rate system. At the regional level, finance ministers of

ASEAN countries, China, Japan, and Korea, in recognition of financial interdependence in East Asia, agreed to strengthen a regional financing arrangement to supplement existing international facilities in May 2000. The Initiative, called the “Chiang Mai Initiative,” consists of two components: an expanded ASEAN Swap Arrangement and a network of Bilateral Swap Arrangements (BSAs) among ASEAN countries, China, Japan, and Korea. Now, eight BSAs between Japan-Korea, Japan-Thailand, Japan-the Philippines, Japan-Malaysia, China-Thailand, China-Japan, China-Korea, and Korea-Thailand, with a combined size of US\$ 22 billion, have been signed as a short-term liquidity support. Negotiations on several other BSAs are underway.

134. The Chiang Mai Initiative will assist member countries in need of funding and supplement the IMF program at a time of crisis. The Chiang Mai Initiative is very significant, since it is the first concrete agreement among ASEAN countries, China, Japan, and Korea to strengthen cooperation in the financial area. Starting from the Chiang Mai Initiative, East Asian countries will be able to broaden and deepen their cooperation and coordination to ensure financial stability for further economic development. In addition to the Chiang Mai Initiative, other appropriate mechanisms for regional financial arrangements should be explored in order to lessen the financial risks and contagion brought about by increasingly interdependent global financial systems. As an initial step, studies on regional self-help and liquidity support mechanisms should be conducted.

135. During the early days of the Asian financial crisis, Japan suggested that an Asian Monetary Fund (AMF) could help East Asian economies in trouble and check financial contagion in the region. Though there are pros and cons to the idea of establishing an AMF, a regional financing facility could provide financial resources to supplement IMF programs in the region. The IMF itself cannot fully provide enough funding for affected countries during a crisis as severe as the Asian financial crisis of 1997. Therefore, it is necessary to have supplementary funding available on a permanent and assured basis. In this regard, it is worthwhile to study the establishment of a regional financing facility. When studying it, East Asian countries need to be in harmony with the discussion on the reform of the financial system at the international level.

3.2.5 Pursue a more closely coordinated regional exchange rate mechanism consistent with both financial stability and economic development

136. The EASG recommends further study of this measure with high priority. While it is very difficult to spell out in comprehensive terms exactly what caused the recent Asian financial crisis, it is clear that the crisis was largely due to a rapid outflow of short-term capital, which had been a huge inflow in the first half of the 1990s. Moreover, the lack of coordination of the exchange rate mechanisms among East Asian countries worsened the crisis. The fact that many ASEAN countries pegged their currencies to the US dollar, worsened their economic situation and drained their foreign currency assets. The crisis increased and spread to Indonesia, Singapore, Malaysia, Hong Kong, and Korea, causing East Asian countries to fall into the spiral. Having been hit by the crisis, countries in the region have become aware of the need to coordinate the exchange rate mechanism in the region for both financial stabilization and economic development.
137. ASEAN countries, China, Japan, and Korea maintain different exchange rate systems given their different economic conditions and policies. First, there are some countries with a fixed exchange rate and selected capital controls or de-internationalization of the domestic currency. The second method uses a fixed exchange rate with a currency board. The third kind of exchange rate mechanism is a managed float of various kinds. Given the variety of exchange rate systems, together with deepening interdependence among East Asian countries, a more closely coordinated exchange rate mechanism is becoming essential for financial stability in the region.
138. Even though the adoption of a single currency for the region can be one possible option as the strongest form of coordination, differences in developmental stages and economic backgrounds among East Asian countries will remain major stumbling blocks to the creation of it, at least for the foreseeable future. Still, East Asian countries should pursue ways to coordinate their exchange rate mechanisms and keep their exchange rate mechanisms within reasonable ranges in order to maintain financial stability and accommodate some volatility of international capital movement in order that economic growth can be sustained without sudden external shock. Presently, it may not be possible for the financial authorities in the region to come up with firm rules, but frequent consultation among regional authorities and some coordinated actions in both monetary and foreign exchange areas can be sought. In ASEAN, a study to look at currency issues and exchange rate arrangements is already being implemented under the ASEAN

Finance Work Program. ASEAN countries, China, Japan, and Korea need to extend the study in the East Asian region.

3.2.6 Pursue the evolution of the ASEAN+3 Summit into an East Asian Summit

139. The EASG recommends this measure as a long-term measure with high priority. Growing interdependence and the recent financial crisis in East Asia have provided a strong impetus for institutionalizing cooperation in this region. As a way to institutionalize regional cooperation, the EAVG recommended that East Asian countries pursue the evolution of the ASEAN+3 Summit into an East Asian Summit. At the Singapore ASEAN+3 Summit in 2000, a number of leaders suggested the idea of an East Asian Summit (EAS). Following the initiation from the leaders, the EASG has been assigned the task of exploring the implications of an EAS.

140. Through in-depth study and discussions, the EASG has come to the conclusion that, as a long-term desirable objective of the ASEAN+3, the EAS will serve to strengthen regional cooperation in East Asia. The EASG is of the opinion that the ASEAN+3 framework remains the only credible and realistic vehicle to advance the form and substance of East Asian cooperation. The EASG also stresses that the EAS should be part of an evolutionary and step-by-step process. To ensure the broadest level of acceptance, there is a need to gradually build up a similar comfort level among ASEAN countries, China, Japan, and Korea.

141. As one of the two major tasks of the EASG, detailed study results on the implications of an East Asian Summit are in Part III of this Report.

3.2.7 Promote closer regional marine environmental cooperation for the entire region

142. The EASG recommends this measure as a long-term measure with high priority. With vast spanning coastline and major shipping sea-lanes, the East Asian region's rich marine resources have long been central to its development because the resources provide food, employment, and economic welfare. In many parts of the region, dynamic economic development has been made mostly in coastal areas but at the expense of the environment, from upstream pollution, domestic and industrial effluent, more areas of

landfill, increased dredging, and the erosion of coastlines and coastal habitats. The rapid economic growth has also put enormous pressures on the marine environmental situation of the region. Over-fishing, excessive exploitation of the coral reef, sea grass and mangrove, and expansion of aquaculture farms have further damaged the marine environment and resources in the region. Moreover, oil spills have become serious along major shipping routes in recent years.

143. Aware of the seriousness of marine environmental problems, the United Nations Environment Program (UNEP) introduced the Regional Seas Program in 1974, which has provided the most comprehensive institutional framework for regional cooperation in the seas and oceans. China, Japan, and Korea belong to the North-West Pacific Plan (NOWPAP). Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, Viet Nam, China, and Korea are participating in the East Asian Seas Action Plan. The Action Plans draw the strategy and substance of the programs, based on the region's particular environmental challenges, as well as its socio-economic and political situation.

144. However, to preserve the marine environment in the East Asian region effectively, it may be insufficient that the governments of ASEAN countries, China, Japan, and Korea simply participate in the Work Plans of the UNEP regional programs. As economic relations are further expanding and deepening among East Asian countries, closer regional cooperation in protection and preservation of the marine environment becomes more important. To effectively deal with the marine pollution which may affect more than one country, what is required is the strengthening of regional cooperation to cover the entire region by transcending the geographical distinction between Northeast Asia and Southeast Asia, while consolidating collaboration with the relevant activities of other international organizations in the region.

145. East Asian countries have made great efforts to preserve the marine environment on a regional basis. The ASEAN Working Group on Coastal and Marine Environments has overseen ASEAN cooperation on the protection of the coastal and marine environment in Southeast Asia. The Working Group will focus on the promotion of regional policies and activities for prevention and control of marine pollution and management of ASEAN coastal zones as generally identified in the Ha Noi Plan of Action. Moreover, ASEAN will develop a Regional Action Plan for the Protection of the Marine Environment from Land-based and Sea-based Activities by 2004, according to the Ha Noi Plan of Action.

146. Northeast Asian countries have also accelerated their efforts to effectively preserve their marine environment. Since 1999, China, Japan, and Korea have held an annual Tripartite Environment Ministers Meeting (TEMM) to discuss issues of mutual concern, including land-based marine pollution prevention, and to further strengthen trilateral environmental cooperation. To prevent the degradation of the marine environment, Japan organized the Cooperative Marine Environmental Monitoring in the Asian Marginal Seas Meeting in 1998 and 2000, with the participation of environmental scientists from China, Korea, Malaysia, the Philippines, Singapore, and Viet Nam.

147. Regional cooperation will provide a useful vehicle for addressing environmental issues of common concern. Now, ASEAN countries, China, Japan, and Korea are moving towards strengthening and institutionalizing cooperation in the entire region. In this regard, the EASG welcomes the launching of the ASEAN+3 Environment Ministers Meeting starting from 2002 because cooperation in marine pollution prevention will also be intensively discussed at the Meeting. The official mechanism to address environmental issues will have synergetic effects by combining the efforts of each sub-region for marine environmental protection and will offer valuable opportunities to share information and technology related to the environment.

3.2.8 Build a framework for energy policies and strategies, and action plans, such as the trans-ASEAN energy network projects: special attention for electrification and energy needs of the rural population

148. The EASG recommends that this measure receive further study with high priority. Energy is playing a central role in achieving the goals of sustainable development, as well as improving the quality of people's lives. Energy consumption activities are closely linked with economic and social development. Therefore, an increase in demand for energy is inescapable in view of the high economic growth prospects in East Asian countries. With the recovery from the recent financial crisis, most countries in the region will face soaring energy demands. Sustainable energy development requires cooperation among countries because fossil fuels can be depleted and produce pollution. As the East Asian region includes both net energy exporting and importing countries, there is room for further cooperation in the field of energy. Because many people in the East Asian rural areas are not able to access electricity and depend heavily on traditional sources of

energy, regional cooperation should also underscore electrification and energy needs of the rural population in the region.

149. Now, East Asia is experiencing a growth in the demand for energy that is outgrowing supply within the region and is thus becoming increasingly vulnerable in energy security. The strengthening of energy security in Asia has, therefore, become a pressing issue, and requires a joint effort involving the whole region. In this regard, it is important for the region to build a framework for energy policies and strategies, and action plans, such as the trans-ASEAN energy network projects. However, it is not easy to build a common East Asian framework for energy policies and strategies that will be supportive of sustainable energy development because there exists disparities in stages of economic development in the East Asian region, and the energy demand-supply situation varies widely by country. Therefore, it will be appropriate and realistic to take a step by step approach, starting with having common understanding on the direction of regional energy cooperation and gradually broadening the areas of cooperation. The EASG recognizes that the Seminar on Energy Security in Asia held in March 2002 in Japan was meaningful in fostering a common understanding on the direction of cooperation on energy among ASEAN countries, China, Japan, and Korea. It recognizes that the first SOME+3 Consultations held in July 2002 in Indonesia also contributed to the enhancement of closer policy discussions among ASEAN countries, China, Japan, and Korea.

150. East Asian countries are reviewing various energy network projects. Northeast Asian entities are exploring various proposals on large energy projects, such as the Energy Silk Route Project and the Irkutsk Gas Project. However, these proposals all face formidable political, economic, technical, and environmental obstacles that must be overcome before being implemented. Energy has played a vital part in moving ASEAN countries towards economic integration. With the vast reserves of 22 billion barrels of oil, 227 trillion cubic feet of natural gas, 46 billion tons of coal, 234 gigawatts of hydropower, and 20 gigawatts of geothermal capacity, the countries have actively pursued cooperation for the full utilization of their energy potentials. The ASEAN Vision 2020 adopted in 1997 calls for cooperation to establish interconnecting arrangements for electricity and natural gas within ASEAN through the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline. Under the Ha Noi Plan of Action for the energy sector, ASEAN countries are to institute the policy framework and implementation modalities by 2004 for early realization of the Trans-ASEAN Gas Pipeline and the ASEAN Power

Grid. The ASEAN Plan of Action for Energy Cooperation 1999-2004 reiterates the implementation of an integrated ASEAN energy network, consisting of the ASEAN Power Grid and Trans-ASEAN Gas Pipeline Projects.

151. The EASG appreciates the comprehensive efforts of ASEAN for intra-regional energy cooperation and suggests that China, Japan, and Korea actively support and participate in the efforts of ASEAN. The vast energy network projects cannot be realized without information-sharing, greater access to advanced technology, and mobilization of necessary financing. Closer regional cooperation in energy development will help realize the projects and contribute to strengthening the region's energy security. It is worthwhile to bear in mind that regional energy cooperation is also viable with close collaboration with countries outside the region, since East Asian countries alone are not able to secure a stable supply of energy. Close coordination with international organizations and multilateral frameworks is also instrumental in strengthening the region's energy security.

3.2.9 Work closely with NGOs in policy consultation and coordination to encourage civic participation and state-civil society partnerships

152. The EASG recommends further study of this measure with high priority. As the society becomes diversified and complicated, more and more new social problems are emerging, making it more and more difficult for governments, with their limited capacity, to respond effectively to the problems. With the development of democracy, the influence of non-governmental organizations (NGOs) has made it difficult for governments to implement their policies without the cooperation of NGOs. Therefore, governments have recognized the need to develop cooperation and coordination with NGOs for smooth implementation of their policies.

153. In most cases, the efficiency of social programs, especially in poverty reduction and social safety net programs, can be enhanced by improving transparency, enhancing the quality of information-reporting, increasing monitoring of leakage, strengthening the involvement of civil society, and disseminating more information on programs down to the grassroots level. NGOs are able to serve as watchdogs in ensuring effective delivery of social services to designated target groups, pointing out where governments need to improve their performance. In addition, NGOs often have the best knowledge of local

communities and their needs, although they sometimes lack material resources. However, NGOs alone cannot ensure the success of social programs. A strategic partnership between governments and NGOs tends to increase the possibility of the success of social programs. With the recent financial crisis, many East Asian countries have faced growing needs to strengthen social programs and improve their efficiency. In this regard, the EASG emphasizes the importance of the collaboration between government and NGOs, and government-social partnership in carrying out social programs, such as poverty alleviation and social safety net programs.

154. In order to enhance NGOs' contribution to the delivery of social services, the governments of East Asian countries need to promote their participation in the process of planning and implementing social programs, with special attention to NGOs' activities that are related with the welfare of disadvantaged and vulnerable people. The governments also need to establish legislative and regulatory frameworks, under which the NGOs can participate in social development programs and strategies. In addition, it is necessary for the governments to improve capacity-building for civil society and people's organizations. Finally, networking and exchanges of expertise and experience among the NGOs should also be strengthened.

155. East Asian countries can cooperate to improve capacity-building for civic participation and state-civil society partnerships in East Asia by fostering awareness and understanding of the importance of the civil society's participation in social programs. Sharing information and experiences on the best practices among the countries will also contribute to promoting collaboration between governments and NGOs in policy consultation and coordination on social programs. Enhanced collaboration between governments and NGOs will promote NGOs' activities and deepen intra-regional cooperation among NGOs in East Asia. Intra-regional cooperation among NGOs will not only contribute to closer partnerships between governments and civil society but will also promote a sense of identity among East Asian people.

156. It will also be necessary for East Asian countries to encourage NGOs to participate in the field of development assistance because NGOs, as grassroots organizations, have direct contact with beneficiaries of the assistance, and can provide such a service as building organizational structures for developmental projects in rural areas.

III. ASSESSMENT OF THE IMPLICATIONS OF AN EAST ASIAN SUMMIT

Background

157. The growth and evolution of cooperation in East Asia – i.e., ASEAN countries, China, Japan, and Korea – is both inevitable and necessary. As one of the world's current leading centers of growth, East Asia has come to be regarded as one of the three major regions in the world.

158. In confronting similar challenges of nation-building and economic development with similar historical and cultural backgrounds, some countries in East Asia had, till the mid-1990s, successfully attempted to develop cooperation, as exemplified by the formation and expansion of ASEAN and the long-lasting cooperative schemes between ASEAN and Japan, as well as in ASEAN's dialogue relations with China and Korea. Through their national resilience and sound development policies, many East Asian countries achieved rapid growth, which gave rise to regional prosperity and confidence, and in turn underlay a greater potential for East Asian integration. Nevertheless, such potential had not been commonly perceived seriously, and cooperation had not subsumed the whole East Asian region, till the Asian financial crisis in 1997 that poured cold water on East Asia's economic miracle. It was in fact this very event that tempered and toughened this region, re-awakening us to the value of working together and building a solid framework for cooperation in this region.

159. In this context, the leaders of the ASEAN+3 Summit agreed, in a Joint Statement on East Asia Cooperation issued in 1999 in Manila, *'to promote dialogue and to deepen and consolidate collective efforts...'* and *'to enhance this dialogue process and strengthen cooperation with a view to advancing East Asian collaboration in priority areas of shared interest and concern, even as they look to future challenges.'*

The Need for East Asian Cooperation

160. Statistics underline the importance of cooperation among countries in East Asia and reveal the tremendous potential for growth in this region and the rationale for creating a broader cooperative regional framework. East Asia represents 23% of the world's GDP

and 40% of its foreign reserves. Investment has also continued to grow rapidly. East Asia constitutes roughly one third of the world's population, which points to the potential size of the growing East Asian market in the foreseeable future. These figures illustrate the increasing potential of East Asia to become one of the three major economic regions in the world.

161. Also, through the Asian financial crisis, countries in East Asia realized the dark side of globalization, which could render individual East Asian countries more vulnerable to global economic forces. This crisis served as a warning signal that capital market destabilization could suddenly deprive people and countries of enormous economic benefits accumulated through their sustained trade and investment efforts. This provided a compelling reason for stronger economic integration and cooperation in East Asia to improve its economic stability and resilience in a form of regional cooperation and market integration, and triggered the formation of ASEAN+3 Summit Meeting in 1997 in Kuala Lumpur.

162. This development coincided with an emerging process to manage and overcome political difficulties, which had existed among nations in this region. In the past, political rivalries, historical animosities, and ideological confrontation posed barriers to cooperation. Southeast Asia achieved rapprochement as the Cold War regime crumbled. Regional cooperation has also enabled Northeast Asia to begin a process of dealing with sensitive historical memories, which had prevented their cooperation over the past half a century.

Development of East Asian Cooperation Underway

163. This nascent process took form when ASEAN initiated leaders' level meetings in 1997 with China, Japan, and Korea, building on its existing dialogue relations with them. This ASEAN+3 framework has currently been making steady headway towards future undertakings of regional cooperation. For the last five years, ASEAN+3 Summit Meetings have been held annually, while numerous ministerial meetings have also been convened, including Foreign, Finance, Economic, Tourism, Agriculture, Environment, and Labor Ministers Meetings. The ASEAN+3 process has provided a practical and ready-made mechanism to germinate the seeds for greater East Asian cooperation.

164. Actual cooperation has just begun to take shape in concrete measures. One effort currently underway is the Chiang Mai Initiative, whose goal is to construct regional mechanisms to avert recurrence of a financial crisis by, among other things, utilizing bilateral currency swap arrangements as a virtual safety net. Now, the visibility of a common basket of currencies has become higher. Beyond such cooperation in the financial sphere, similar concrete cooperative attempts to deal with problems in this region are needed.

165. Compared with the other major regions of the world, where efforts of cooperation and integration have been progressing at a rapid pace, as highlighted by expanding market integration in Europe and the move towards a free trade area of the Americas, East Asia still needs to build up a durable institutional framework for region-wide dialogue and cooperation. There is a growing awareness among East Asian countries of the need for such a framework to manage the dynamic changes ahead.

Challenges for East Asia

166. ASEAN countries, China, Japan, and Korea share a common destiny. East Asia is our natural constituency, and Northeast Asia and Southeast Asia are inextricably intertwined economically, politically, and socially. The EAVG recommended “*the evolution of the annual summit meetings of ASEAN+3 into the East Asian Summit*” and the “*institutionalization of regional dialogues including regular meetings of Foreign Ministers and leaders of other sectors on the range of political and security-related subjects*” as a means to further strengthening this cooperation.

167. As mandated by the ASEAN+3 leaders, the EASG was set up “to explore practical ways and means to deepen and expand the existing cooperation” among those nations, and “prepare concrete measures and, as necessary, action plans for closer cooperation in various areas.” The EASG, according to its terms of reference, has assessed the recommendations of the EAVG and explored the idea and implications of an East Asian Summit.

168. Some of the key issues the EASG had to consider were:

- First, whether an EAS is the start point or end point of East Asian cooperation;

- Second, how the pace and timing of the evolution would relate to the very process that the ASEAN+3 is trying to achieve; and
- Third, what is the nature of the entity that we want to realize? Who will be the members, and what will be the criteria for membership?

State of Discussions

169. The EASG carried out extensive and candid discussions on the implications of an EAS to ASEAN and the broader region. Taking into account the extent and level of ASEAN+3 cooperation, the emerging sentiment at this juncture is that the ASEAN+3 framework represents the most viable and practical way to move the nascent East Asian process forward. There is also a general feeling that evolution of an EAS should proceed in a gradual and balanced way, and a building-block approach is the best way forward. The EASG's discussions have revealed a solid foundation and strata that can form the basis of a strong East Asian partnership. These foundational principles are:

- East Asian cooperation is inevitable and necessary;
- ASEAN should remain the driving force of East Asian cooperation;
- Deeper integration of an East Asian community is beneficial and desirable;
- Integration in East Asia will evolve over time as we consolidate the coherence, efficiency, and progress of the ASEAN+3 framework;
- Consolidation will require practical and concrete steps to enhance cooperation;
- An EAS is a desirable long-term objective, but it must be part of an evolutionary process that builds on the substantive comfort levels of the existing ASEAN+3 framework; and
- There should be continuing discussions to bridge the spectrum of views, in particular the following concerns, to forge greater understanding of the purpose and direction of East Asian cooperation, and to explore ways to advance the process:
 - How to build up comfort levels;
 - How to avoid marginalization of ASEAN;
 - Duplication/overlap of activities;
 - Need to give greater ownership to China, Japan, and Korea;
 - Proliferation of meetings;
 - Need for clarity of objectives and issues which the EAS should pursue;

- Need for the ASEAN+3 framework to remain the vehicle in the East Asia process of integration; and
- Participation issue in the ASEAN+3 context.

Moving Forward

170. To move forward, we should explore ways to address these concerns practically and concretely. One practical step could be to convene regular DG-level meetings of ASEAN countries, China, Japan, and Korea, which can ensure progress and coherence in practical cooperation.

IV. CONCLUSION/RECOMMENDATIONS

171. Growing interdependence in East Asia has called for strengthening cooperation between Northeast Asia and Southeast Asia. Since its inception in 1997, the ASEAN+3 process has taken up various measures to expand and deepen cooperation between the two regions. The recent financial crisis in East Asia has provided an impetus for structured cooperation between these regions, spurring the recognition that East Asia needs to institutionalize its cooperation. This cooperation is very important, since it transcends the distinction between Northeast Asia and Southeast Asia. The EAVG and the EASG, each a moving force behind the momentum of such East Asian cooperation, concluded their work in November 2001 and November 2002 respectively. It is important to maintain and develop the momentum of East Asian cooperation generated by the EAVG and the EASG.

172. This Report not only introduces ideas for regional cooperation in East Asia but also suggests implementable concrete measures, together with details about them, such as reasons for their selection, expected benefits, comments, and recommendations. In this Report, the EASG recommends twenty-six implementable concrete measures with high priority to strengthen and bring existing cooperation among East Asian countries to the next level. Most of the measures cannot be automatically implemented upon the submission of this Report to this ASEAN+3 Summit. How to implement each selected measure will require study and discussion by relevant cooperation platforms within the ASEAN+3 process. Support for the selection rationales and belief in the benefits to be produced by the selected measures will facilitate the implementation of the measures.

173. Now, the remaining job – the implementation of the selected concrete measures in this Report – is up to member countries. The implementation of the measures requires a strong political commitment. The EASG recommends that East Asian countries prepare action plans on each concrete measure and have productive discussions on the action plans within the ASEAN+3 process. They should consolidate a cooperative spirit and implement as many measures as possible. While it may be more difficult to implement the measures than to prepare the action plans for their implementation, East Asian countries will overcome whatever difficulties rest on the path ahead.

174. The successful implementation of the concrete measures recommended by this Report can trigger the full realization of the huge potentials of East Asia, enabling East Asian countries to accelerate regional cooperation and to reduce the existing developmental gaps in the region. Moreover, member countries will gain a better understanding of one another, and they will be able to develop greater trust among themselves through the implementation of the concrete measures. Meanwhile, the identity of East Asia will also be greatly fostered. Advanced mutual understanding and trust, together with strengthened regional identity, will promise a bright future for East Asia.

175. Dramatically enhanced cooperation transcending the geographical distinction between Northeast Asia and Southeast Asia will prevent the recurrence of a financial crisis similar to the one that occurred in 1997; moreover, enhanced regional cooperation will minimize the effects of such a crisis, should it happen. Interdependence among East Asian countries will also deepen greatly. In addition, institutionalized regional cooperation will allow the region to overcome new challenges and utilize new opportunities effectively in the age of globalization and will therefore expedite regional integration. East Asia will become one of the most prosperous regions in the world. In the future, East Asians will ultimately be witnesses to the realization of the vision set out in the EAVG Report. Unlike in the last century, they will live in a region of peace, prosperity and progress in the new millennium.

Appendix

Terms of Reference of the East Asia Study Group

I. Objectives and Principles

1. The Leaders of the ASEAN+3 at their Singapore Summit on 24 November 2000 agreed to the establishment of the East Asia Study Group (EASG). The EASG will explore practical ways and means to deepen and expand the existing cooperation among ASEAN, the People's Republic of China, Japan and the Republic of Korea, and prepare concrete measures and, as necessary, action plans for closer cooperation in various areas.
2. In carrying out its activities, the EASG will be guided by the following principles:
 - 2.1 The EASG is part of the ASEAN+3 process.
 - 2.2 The East Asian cooperation should be pursued step-by-step to take into account the current status of the region and the diversity and the linkage of the economies, peoples and cultures of East Asia. It should also take into account the important role of ASEAN in advancing the peace, stability and development of the region.
 - 2.3 The EASG should pursue East Asian cooperation with an open posture to the rest of the world.
 - 2.4 The EASG should make its decision on the basis of consensus.
 - 2.5 The EASG should avoid duplication with existing regional bodies in terms of the scope and subjects of its activities.
 - 2.6 The EASG should promote East Asian cooperation with the aim of fostering a sense of common regional identity in East Asia.
 - 2.7 The EASG should pay attention to the need to reduce the existing development gaps in the region for mutual benefit.

II. Scope of Work

3. In the context of the Joint Statement on East Asia Cooperation of the ASEAN+3 Summit in Manila in 1999 and the discussions of the Leaders at their various ASEAN+3 Summits, the EASG will:
 - 3.1 assess the recommendations of the EAVG; and
 - 3.2 explore the idea and implications of an East Asian Summit.
4. Based on the results of its study and assessment, the EASG will sort out a practical number of concrete measures that should be given high priority and are relatively easy to carry out. In doing so, the EASG will take into account activities of the other ASEAN+3 forums.
4. In relation to the above, the EASG should take into account the decision of the ASEAN Foreign Ministers+3 Meeting on the modality for the implementation of the Joint Statement on East Asia Cooperation.

III. Modality

6. The EASG will consist of the 13 SOM leaders of the ASEAN Member Countries, the People's Republic of China, Japan, and the Republic of Korea, and the Secretary-General of ASEAN.
7. A Working Group will be set up to assist the EASG. It shall be at the level of Director-General designated by the governments and an ASEAN Secretariat official designated by the Secretary-General of ASEAN.
8. The timing of the EASG meetings will be appropriately coordinated with the schedule of ASEAN SOM while the timing of the Working Group meetings will be coordinated with the schedule of ASEAN Standing Committee.

9. Two Co-Chairmen for the EASG and for the Working Group, one from ASEAN Member Countries and the other from either the People's Republic of China, Japan or the Republic of Korea, will be appointed by each side. The Member Country chairing the ASEAN Standing Committee will act as the Coordinator for the ASEAN side whereas the People's Republic of China, Japan and the Republic of Korea will elect their own Coordinator. The Member Country of the EASG that will host each meeting will provide the administrative service such as the arrangement of meetings and documentation of the results.

10. The EASG will remain operative until the ASEAN+3 Summit in 2002. The EASG will report its progress to the ASEAN+3 Summit in 2001 and submit its final report to the ASEAN+3 Summit in 2002.