TOWARDS AN
EAST ASIAN COMMUNITY

Region of Peace,
Prosperity and Progress

EAST ASIA VISION GROUP REPORT
LETTER OF TRANSMITTAL

LETTER FROM THE EAST ASIAN VISION GROUP MEMBERS, TO ASEAN PLUS THREE LEADERS, TRANSMITTING THE VISION REPORT

Dear Leaders of ASEAN plus Three:

We have the honor of submitting to you the report of the East Asian Vision Group. The report aims to offer a common vision for East Asia that reflects the rapidly changing regional and global environment, as well as to provide direction for future cooperation among East Asian nations. The East Asian Vision Group has deliberated on such key questions as what the ultimate goals of East Asian cooperation should be, how such goals can be achieved, and what institutional framework is required. The results of our deliberations are contained in this report.

The East Asian Vision Group was created in October 1999 by the Summit of ASEAN plus Three. Since its inauguration, the members of the East Asian Vision Group have discussed issues, developed ideas, and formulated agendas for East Asian cooperation. Throughout a comprehensive series of five meetings over the past two years, we have reached a consensus that we should envision East Asia as evolving from a region of nations to a bona fide regional community, a community aimed at working towards peace, prosperity and progress. We are agreed on the necessity of such cooperation in all aspects of society including economic, political, security, environmental, social, cultural and educational areas. We also recognize that the East Asian cooperation process should move beyond government efforts to involve the broader society and the people of the region. In addition, we have agreed that
East Asian cooperation should not duplicate the existing work of other related organizations, but rather build upon existing consultative and cooperative processes.

In sum, our task was to raise issues and conceive a vision for greater cooperation among the nations of East Asia. We hope our report will make a modest contribution to the way in which you consider concrete implementation measures for further regional cooperation. Included in the report is the proposal for the evolution of the annual summit meetings of ASEAN plus Three into the East Asian Summit and for the establishment of an East Asian community.

It is our hope and belief that the governments and peoples of East Asia will work together for our common future.

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EXECUTIVE SUMMARY

East Asia is quickly becoming a distinctive and crucial region in the world. In the new millennium, irrevocable trends including globalization, the information revolution, and growing interdependence among regions present East Asia with new challenges and opportunities for regional collaboration.

In particular, the Asian financial crisis of the recent past provided a strong impetus to strengthen regional cooperation. It has spurred the recognition that East Asia needs to institutionalize its cooperation to preempt or solve similar problems that may arise.

The East Asian Vision Group thus wishes to create a vision that would inspire East Asian peoples and governments to work towards building an “East Asian community” that will address the region’s future challenges and advance mutual understanding and trust.

The Vision Group envisions East Asia moving from a region of nations to a bona fide regional community where collective efforts are made for peace, prosperity and progress. The economic field, including trade, investment and finance, is expected to serve as the catalyst in this community-building process.

The East Asian community will be based on cooperation and openness. It will be pursued with the purpose of contributing to what is good not only for the region but also for the world.

In proposing the formation of an East Asian community, we seek the following goals:
• Preventing conflict and promoting peace among the nations of East Asia;
• Achieving closer economic cooperation in such areas as trade, investment, finance and development;
• Advancing human security in particular by facilitating regional efforts for environmental protection and good governance;
• Bolstering common prosperity by enhancing cooperation in education and human resources development; and
• Fostering the identity of an East Asian community.

KEY RECOMMENDATIONS

The Vision Group makes the following key recommendations for the realization of the East Asian community:

Economic Cooperation

• Establishment of the East Asian Free Trade Area (EAFTA) and liberalization of trade well ahead of the APEC Bogor Goal.
• Expansion of the Framework Agreement on an ASEAN Investment Area to all of East Asia.
• Promotion of developmental and technological cooperation among regional countries, particularly to provide assistance to less developed countries.
• Realization of a knowledge-based economy and the establishment of a future-oriented economic structure.

Financial Cooperation

• Establishment of a self-help regional facility for financial cooperation.
• Adoption of a better exchange rate coordination mechanism consistent with both financial stability and economic development.
• Strengthening of the regional monitoring and surveillance process
within East Asia to supplement IMF global surveillance and Article IV consultation measures.

**Political and Security Cooperation**

- Promotion of norms, procedures and mechanisms for good management of intra-regional relations on the basis of neighborliness, mutual trust and solidarity.
- Establishing and strengthening of mechanisms for addressing threats to peace in the region.
- Broadening of political cooperation with respect to national governance issues.
- Amplification of the East Asian voice in international affairs and expansion of the region’s contribution to the process of creating and evolving a new global order.

**Environmental Cooperation**

- Institutionalizing bilateral and multilateral environmental cooperation within the region, as well as at the global level.
- Enhancement of public information and education in environment issues, and involvement of NGOs in the process.
- Ensuring more effective management of water and fisheries and combating of marine pollution.
- Joint development and exploration of new sources and supplies of energy within the region and embarking on efficient use of energy.

**Social and Cultural Cooperation**

- Establishment of poverty alleviation programs, where richer countries help the less-developed fight poverty, illiteracy and disease.
- Adoption of programs to provide greater access to basic healthcare services.
- Implementation of a comprehensive human resource development
program, focusing on the improvement of basic education, skills training and capacity building.

- Promotion of regional identity and consciousness, and cooperation on projects in the conservation and promotion of East Asian arts and culture.

- Establishment of an East Asia Education Fund to promote basic education, literacy programs, and skills training in the region.

**Institutional Cooperation**

- Evolution of the annual summit meetings of ASEAN plus Three into the East Asian Summit.

- Establishment of 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.
INTRODUCTION

What is the Vision?

1. We, the people of East Asia, aspire to create an East Asian community of peace, prosperity and progress based on the full development of all peoples in the region. Concurrent with this vision is the goal that the future East Asian community will make a positive contribution to the rest of the world.

2. For regional peace, we must cooperate to promote a stable and cooperative security environment based on mutual trust and respect. In the interest of common prosperity, we must promote trade, investments and financial cooperation. We should also be mindful of disparities in socio-economic development, educational attainment and technological advancement within the region. For human progress, we must improve governance, strengthen basic rights and advance quality of life.

3. The Vision Group envisions East Asia moving from a region of nations to a bona fide regional community with shared challenges, common aspirations, and a parallel destiny. The economic field, including trade, investment and finance, is expected to serve as the catalyst in the comprehensive community-building process.
Why an East Asian Community?

4. East Asia is quickly becoming a distinctive and crucial region of the world. In the new millennium, irrevocable trends such as globalization, the information revolution, and growing interdependence among nations will present East Asia with new challenges and opportunities for regional collaboration.

5. In the past, political rivalries, historical animosities, cultural differences and ideological confrontation posed barriers to cooperation among East Asian nations. Disparities in stages of development, trade and economic policies, and financial and legal frameworks have also impeded closer economic cooperation. In the social and cultural realms, significant poverty and illiteracy still plague the lives of millions in the region.

6. However, East Asian nations share geographical proximity, many common historical experiences, and similar cultural norms and values. The region has nations that are endowed with abundant skilled labor, entrepreneurs, natural resources, capital and advanced technology. Our many common challenges and complementary resources call for mutually beneficial cooperation and exchanges, not only in the economic realm, but also in the political, security, environmental, social, cultural and educational arenas.

7. Globalization of the world economy, together with the trend towards regional trading blocs, brings new challenges such as the need to define global standards, harmonize regulations, and engage in multilateral trade negotiations. These issues call for more deliberate regional cooperation and coordination as well as a united voice to advance the region's common interests.
8. In particular, the Asian financial crisis of the recent past has provided a strong impetus to strengthen regional cooperation. This has given rise to the recognition that East Asia needs to institutionalize its cooperation to solve similar problems and prevent new ones.

9. Given the historical legacy and future potential for rivalries and competition among East Asian nations, it is important to avoid the risk of future war in the region. We need to devise and institute mechanisms and practices to prevent conflicts, and manage them effectively when they arise.

10. East Asia lacks an institutional framework for region-wide dialogue and cooperation. There is a growing awareness among East Asian countries of the need for a framework at the regional level to manage the dynamic changes ahead.

11. The Vision Group thus seeks to promote a vision that would inspire East Asian peoples and governments to work towards building an East Asian community with a view to addressing the region's future challenges and to advancing mutual understanding and trust.

12. In proposing the formation of an East Asian community, we have the following goals in mind:

- To prevent conflict and promote peace among the nations of East Asia;
- To promote trade, investment, finance and development in the region;
- To advance human security and well-being, in particular by facilitating regional efforts for environmental protection and good governance;
- To bolster common prosperity by enhancing cooperation in education and human resources development; and
- To foster the identity of an East Asian community by encouraging active exchanges and regular dialogues at both the governmental and non-governmental levels.
Guiding Principles

13. **Shared Identity**  Together we shall develop a shared regional identity by working to galvanize the aspirations of our peoples, promote greater trust and confidence, and advance common interests so as to foster a new sense of regional community.

14. **Economic Cooperation as the Catalyst**  We expect cooperation in the economic field, in particular, trade, investment and finance, to serve as the catalyst in the comprehensive community-building process.

15. **People Focus**  We recognize that human resources are our strongest assets: hardworking, education-minded, thrifty and enterprising peoples are the backbone of our economic success. Their security, welfare and happiness are our ultimate goal. We shall develop our human resources with a particular focus on the young of East Asia.

16. **Inclusiveness**  Our efforts must involve the active participation of and partnership across the different sectors and strata of society. We need the commitment of not only the governments, but also the civil society sectors.

17. **International Norms**  Our efforts must be guided by respect for internationally accepted principles and norms of inter-state relations, including mutual respect for international law, good neighborliness and equality among countries.

18. **Regional Thinking**  While respecting the principle of national sovereignty, the overall mechanism for regional cooperation should be based on regional thinking and the welfare of all East Asians.
19. **Progressive Institutionalization**  Our vision can best be realized with the support of suitable institutions; organizational capacity is crucial for effective formulation and implementation of programs. We must, however, avoid duplication of the work of other related organizations and regional frameworks and instead complement their contributions.

20. **Harmony with the Global System**  Our regional community shall be outward-looking and open to the rest of the world. While we propose programs for regional cooperation, we must be active in pursuing our global linkages and making contributions to international peace and development efforts. Regional cooperation should be consistent with the broader global frameworks.
AGENDA FOR COOPERATION

I

Economic Cooperation

21. The Vision Group envisions the progressive integration of the East Asian economy, ultimately leading to an East Asian economic community. The Vision Group thus recommends that East Asia pursue the objective of economic integration through the liberalization of trade and investment, developmental and technological cooperation, and information technology (IT) development.

22. Globalization of the world economy is an irreversible trend that characterizes the economic environment of today and tomorrow. Open international trade and investment will be a key force for sustaining economic growth in East Asia and the global economy as a whole.

23. Growing regionalism elsewhere has created the need for East Asia to pay more attention to securing regional common interests in the multilateral trading arena. Economic integration in East Asia should lead to the reaping of the fruits of liberalization while promoting a cohesive response to new challenges in the global economy.
24. Economic integration in East Asia is already under way. With intra-regional trade and investment increasing at unprecedented levels, economic interdependence within the region has become the foundation for future growth. In addition, there are signs of further institutional economic integration in the region.

25. The political commitment to economic cooperation is already in place. The leaders of ASEAN plus Three at the Manila summit in November 1999 agreed on broad economic cooperation and mandated their economic ministers to oversee the implementation of the cooperation process on a regular basis.

26. The Vision Group envisages that the private sector would contribute significantly to the region’s economic prosperity and integration process. The Vision Group therefore recommends the formation of an East Asia Business Council representing small and medium enterprises and multi-national corporations in the region.

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Trade

27. Regional integration leads to more intra-regional trade, greater welfare gains and more resources to member economies. Once East Asia is represented as a single entity in international society, the member countries can secure their interests more effectively and contribute more actively to the global economy.

28. The Vision Group recommends the formation of an East Asia Free Trade Area (EAFTA) and liberalization of trade well ahead of the Bogor Goal set by APEC. In order to facilitate the formation of a region-wide FTA, East Asia needs to consolidate all existing bilateral and sub-regional FTAs within the region. We recommend the
establishment of a ministerial committee to oversee the development of an EAFTA.

29. The Vision Group also emphasizes that the regional integration arrangement should be consistent with World Trade Organization (WTO) agreements so as to reinforce the multilateral trading system.

30. The Vision Group calls for the EAFTA to be designed in such a way that will benefit all member economies. We also recommend the establishment of GSP status and preferential treatment for the least developed countries in the region.

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Investment

31. Acknowledging that the free flow of investment facilitates trade and helps sustain economic growth, the Vision Group urges East Asian countries to foster an attractive investment environment that ensures increased FDI flows within and into the region. This investment environment includes sound macroeconomic fundamentals, transparent and nondiscriminatory legal systems, sensible policy regulations, as well as skilled human resources.

32. The Vision Group calls for the establishment of an East Asian Investment Information Network to stimulate intra-regional investment and to improve the transparency of investment-related regulations. Furthermore, the Vision Group recommends promoting investment by SMEs and establishing an appropriate administrative and financial support system.

33. The Vision Group recommends the establishment of an East Asia Investment Area (EAIA) by expanding the Framework Agreement on ASEAN Investment Area (AIA) to cover East Asia as a whole.
Developmental and Technological Cooperation

34. Developmental and technological cooperation is vital for sharing prosperity among all nations in the region. The Vision Group believes that East Asian countries can benefit from this type of cooperation in a short period of time.

35. The Vision Group calls for the joint development of resources and infrastructure for growth areas in the region and the expansion of financial resources for development. Active participation of the private sector should be encouraged.

36. The Vision Group recommends that concerted efforts be made to narrow development gaps among East Asian countries for the region’s common prosperity and dynamic and sustained growth. In this regard, the Vision Group urges that greater cooperation and assistance be extended to countries at lower levels of development in three priority areas: infrastructure, information technology and human resources development.

37. The Vision Group recognizes the need for increased official development assistance (ODA) to less developed economies in the region to help narrow the economic gap.

38. The Vision Group recommends that technological cooperation be pursued through technology transfers and joint technology development. The Vision Group also urges East Asian governments to promote more active FDI and stronger strategic alliances in the region, starting with identifying feasible areas of technological cooperation.

39. The Vision Group encourages private companies to exchange technology on a commercial basis. We also recognize the need to
promote free transfer of government-owned technology in support of less developed areas in the region.

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**New Economy**

40. The development of new technologies such as information technology (IT), bio-technology, genetically modified organisms (GMO), and nano-technology creates new industries and enhances the efficiency of traditional industries by creating new trade opportunities and increasing productivity. The Vision Group recommends common efforts for the realization of a knowledge-based economy and the establishment of a future-oriented economic structure through cooperation in these new technologies. The Vision Group recommends the creation of a large pool of well-educated, adaptable and innovative human resources in the New Economy.

41. The Vision Group recommends the joint development of information technology to build telecommunications infrastructure and to provide greater access to the Internet at reduced costs to users.

42. Priority should be given to narrowing the digital divide among and within nations. The Vision Group recommends developing dialogues among East Asian countries on information technology and jointly creating an “East Asian Internet Project,” with the help of the private sector, to provide technical assistance for the development of information technology in less-developed East Asian countries.

43. To further improve the IT infrastructure in East Asia, the Vision Group recommends the following:

   i) **Trans-East Asian Information Superhighway** with high-speed
data transmission over fiber optic cables and regional telecommunications connections with essential regional network management and end-to-end coordination.

ii) Regional Software Technology Development and Multimedia Content Centers with joint research and joint ventures in developing new solutions as well as new software applications for East Asian Internet and e-commerce.

iii) East Asian Venture Capital Network to create a financial environment that would nourish Internet startups as well as strengthen East Asian capacity in IT skill development.

iv) Harmonization of Internet and e-commerce issues such as protection of intellectual property, privacy, curbs on Internet pornography, a tax framework and other legal infrastructure in order to build the foundations of the Internet economy.
II

Financial Cooperation

44. To enhance financial stability and economic efficiency in East Asia, the Vision Group proposes that East Asian governments adopt a staged, two-track approach towards greater financial integration: one track for establishing a self-help financing arrangement and the other for coordinating a suitable exchange rate mechanism among countries in the region.

45. The Asian financial crisis of the recent past revealed the vulnerability of East Asian countries to shocks arising from the globalization of financial markets and massive capital flows. It has demonstrated that East Asian countries urgently need to establish sound and stable domestic financial systems, good corporate governance and prudent macroeconomic policies. At the regional level, the financial crisis further highlighted the need for some form of institutional arrangement to prevent such crises, and to manage those that occur more effectively.

46. The Vision Group noted the progress made by ASEAN and the Manila Framework countries by having officials meet regularly to exchange
views on macroeconomic development in member countries. The Vision Group also welcomes the achievements made so far by ASEAN plus Three on the financial and monetary issues of regional interest, including the “Joint Statement on East Asian Cooperation” adopted in November 1999, the “Chiang Mai Initiative” of May 2000, and the finance ministers’ meeting in Honolulu in May 2001.

Regional Financing Arrangements

47. Looking ahead from what has been achieved in regional financing arrangements, the Vision Group proposes that steps be taken toward the establishment of a full-fledged regional financing facility such as the East Asian Arrangement to Borrow or an East Asian Monetary Fund. Such a facility should have conditionality that best fits the nature of a crisis, would be supplementary to the IMF, and would serve as a kind of safety net, acting as a regional lender of last resort working in collaboration with the IMF and other international facilities.

48. The monitoring and surveillance process is the bedrock on which the regional financing facility should rest. Such a process, properly developed and implemented, would provide early warning to prevent a financial crisis. It would also provide prompt and relevant information for assessing the financing needs of members requesting assistance and the potential contagion to other member countries. The Vision Group therefore recommends strengthening the regional monitoring and surveillance process within East Asia, which would supplement the IMF’s global surveillance and Article IV consultation.
Regional Exchange Rate Coordination

49. The Vision Group recommends that East Asian countries work out in stages an appropriate exchange rate regime consistent with not only financial stability but also economic development. Flexible but stable exchange rates are more compatible with long-term steady economic development than a pure float.

50. An anchor for such a flexible but more stable exchange rate regime would be real effective exchange rates consistent with economic fundamentals. Such a regime will help prevent exchange rate fluctuations from getting too large but at the same time accommodate some volatility of international capital movements. The use by individual countries of an effective exchange rate as an anchor suggests that a multiple currency basket will be more appropriate than a single currency dominant basket.

51. Greater regional integration of both international trade and finance will require increasingly closer cooperation in both macroeconomic policies and exchange rate alignment. In view of the large diversity among the East Asian economies today, the region could launch an official forum to exchange views on macroeconomic and financial sector policies through strengthening the aforementioned surveillance process.

52. As intra-regional trade continues to grow rapidly, the exchange rates of East Asian countries are likely to move more closely with one another. The Vision Group, therefore, calls for a more closely coordinated regional exchange rate mechanism. Such a mechanism will require much closer macroeconomic policy coordination on the monetary and fiscal policy fronts.
53. In the long run, the Vision Group envisages the possibility of East Asia evolving into a common currency area, if and when economic, political, social and other linkages develop to a point where tighter forms of monetary integration become feasible and desirable.
III

Political and Security Cooperation

54. The Vision Group envisions a peaceful, stable and cooperative East Asian community free from armed conflict, violence and hostilities, whether internal or external. Promoting political and security cooperation is vital to deal with threats to peace and other regional security problems.

55. The global security environment and the institutions for global governance have undergone drastic changes since the end of the Cold War. East Asian countries must be more effectively engaged in and make their own significant contribution to the process of creating and evolving a new global order.

56. We need to address traditional as well as new challenges to peace and security. Territorial and maritime disputes, border problems, competition for resources, transnational crimes and international terrorism are common challenges that require joint or cooperative responses.
Overall Management of Intra-regional Relations

57. The principal goal of political cooperation in East Asia is to promote neighborliness, mutual trust and solidarity among countries in the region. Disputes shall be addressed through peaceful means and on the basis of mutual respect.

58. East Asian countries should adopt and actively implement a code of conduct to help govern relations among them, including universally accepted principles of international law, respect for sovereignty, peaceful coexistence, renunciation of the use of force, and equality. The UN Charter and the Treaty of Amity and Cooperation in Southeast Asia can serve as a basis for regional cooperation in East Asian peace and security.

59. East Asian countries should develop and observe effective rules and procedures to guide cooperation, including the principle of reaching agreement through consultation, voluntary implementation, non-confrontation, sensitivity to concerns of affected states, and the creation of dispute settlement mechanisms.

60. The Vision Group calls for the evolution of the annual summit meetings of ASEAN plus Three into the East Asian Summit. We also recommend institutionalization of regional dialogues including regular meetings of foreign ministers and leaders of other sectors on the range of political and security-related subjects.