

The Recent Development of Economic Integration in East Asia^{*}

Yul Kwon^{**}

I. Introduction

Since the 1997 financial crisis, there has been a distinct movement toward a cooperative framework in East Asia. The first ASEAN Plus Three (encompassing ASEAN, China, Japan and Korea, and hereafter APT) Summit Meeting was held in December 1997. The APT process saw the strongest development from 1998 to 2001. Now it serves as an institutional process for dialogue, not only for social, cultural and political issues, but also on formal economic integration in East Asia.

In this respect, the APT framework is an important element for fostering East Asian regionalism. After the financial crisis, East Asian countries realized the need for closer economic integration and developed an interest in promoting free trade agreements (FTAs). Thus, numerous feasibility studies

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** 대외경제정책연구원(KIEP) 동서남아팀장. ykwon@kiep.go.kr

and negotiations on bilateral FTAs between Asian countries were launched, fueling the momentum for regional economic integration.

In particular, at an ASEAN+3 Summit in Singapore in 2000, Chinese Premier Zhu Rongji proposed that China form an FTA with ASEAN. The ASEAN-China FTA was officially agreed upon at the Sixth APT Summit in Cambodia in November 2002. Reacting to counter this agreement, Japan eagerly pursued general cooperation with ASEAN, and soon agreed to an FTA with Singapore. The Japan-Singapore FTA was signed in January 2002, and in 2003, Japan instituted practical steps toward promoting FTAs with each Southeast Asian economy, signing a framework for a comprehensive economic partnership with ASEAN during the Seventh APT Summit in Bali.

Recently, there has been a growing consensus among APT countries that East Asia needs its own regional trading bloc to counter the rush for FTAs in other regions. Discussions on the East Asian FTA (EAFTA) were officially initiated at the ASEAN+3 Summit in Manila in November 1999. And at a summit in Bandar Seri Begawan from November 5~6, 2001, ASEAN leaders resolved to promote economic linkages among East Asian countries toward integrating the ASEAN region with China, Japan and the Republic of Korea (hereafter CJK).

As shown in the process of its FTA negotiations with China, ASEAN has tried to woo Japan, Korea and India into establishing closer economic partnership with economies in Southeast Asia. Interestingly, regional integration under the ASEAN+1 process may provide an important building block for establishing an East Asian integrated market. Although APT countries have taken different standpoints on the EAFTA, they held the

common belief that an EAFTA would help boost intra-regional trade and investment as suggested by the East Asia Study Group (EASG).

This paper aims to examine the current state of East Asian regionalism, focusing on the APT framework and to evaluate its performance and challenges for the economic integration in the region. The paper will also focus on a possible FTA between ASEAN and Korea, and discuss the direction in which an ASEAN-Korea is expected to move.

II. East Asian Regionalism and ASEAN Plus Three Process

1. The History and Rationale of the APT Framework

East Asian countries have seen remarkable economic growth over the past few decades, functionally increasing their interdependence by promoting foreign direct investment and trade liberalization in the region. East Asia,¹⁾ which has shown a dynamic growth pattern, has achieved condensed economic growth since the mid-1980s. It has become an important part of the world economy next to NAFTA and the EU. ASEAN Plus Three, an economic entity organized with the 10 ASEAN member countries plus Korea, Japan and China, accounted for 19.7 percent of the total world GDP and 20.8 percent of total trade in 2003 (see tables 2-1 and 2-2).

Before the financial crisis, the high economic growth rates of the East Asian countries was based mainly on their sequential industrialization and

1) Generally speaking, there are various geographical definitions of East Asia that include both Southeast Asia and Northeast Asia. In this paper, we will concentrate on ASEAN+3.

the resultant intra-regional spillover. This sequence of industrialization is often called the flying geese pattern. As East Asian countries realized sequential industrial development on the basis of rapid industrialization and development of specialized mutual dependent relations, intra-regional trade and investment expanded.²⁾ As a consequence, the East Asian economy developed in the following sequence: Japan → Asian NIEs → ASEAN China → CLMV (according to the wild geese flying pattern), with the dynamic development process of East Asia fueled by industrial development due to product cycles.

Though East Asia experienced large economic setbacks from the financial crisis in 1997/98, it began to recover in 1999 through decisive economic reform measures and restructuring of the industrial sector (initiated in 1998). The crisis created an opportunity to build a solid regional economy through various reform policies.

Table 2-1. GDP of ASEAN+3 in the World (US billion \$, %)

	1996~2000		2001		2002		2003	
	GDP	Ratio(%)	GDP	Ratio(%)	GDP	Ratio(%)	GDP	Ratio(%)
ASEAN	597.3	1.97	545.3	1.75	605.5	1.87	676.0	1.86
CJK	5,865.0	19.35	5,814.8	18.66	5,780.5	17.82	6,325.1	17.42
ASEAN+3	6,462.3	21.32	6,360.1	20.41	6,386.0	19.68	7,001.1	19.28
NAFTA	9,884.6	32.60	11,437.8	36.71	11,865.6	36.57	12,483.8	34.38
EU	8,413.2	27.75	7,935.9	25.47	8,667.7	26.71	10,508.1	28.94
WORLD	30,317.6	100.00	31,154.4	100.00	32,446.2	100.00	36,309.6	100.00

Source: Global Insight, 2004. *World Overview*. Second Quarter 2004.

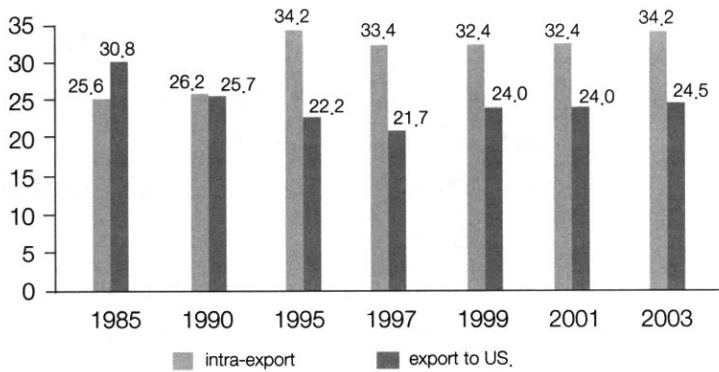
2) (Ito 2001: 61).

Table 2-2. Trade Volume and Ratio of ASEAN+3 in the World (US billion \$)

	1998		2000		2003	
	Volume	Ratio (%)	Volume	Ratio (%)	Volume	Ratio (%)
ASEAN	599.0	5.48	804.3	6.20	920.6	5.99
CJK	1,320.9	12.10	1,785.1	13.75	2,270.9	14.78
ASEAN+3	1,919.9	17.58	2,589.4	19.95	3,191.5	20.77
NAFTA	2,297.3	21.04	2,850.4	21.96	2,824.5	18.38
EU	4,073.6	37.30	4,468.3	34.43	5,552.1	36.14
WORLD	10,920.7	100.00	12,979.5	100.00	15,364.7	100.00

Source: IMF, June 2004, *Direction of Trade Statistics*: Quarterly.

Figure 2-1. Intra-ASEAN+3 Exports and Export Dependency on the U.S. (%)



Notes: ASEAN 6 except Brunei, Myanmar, Cambodia and Laos.

Source: IMF, *Direction of Trade Statistics*(KOTIS database).

The ASEAN+3 intra-export ratio was 25.6 percent in 1985 and 26.2 percent in 1990 but increased to 34.2 percent in 1995 because of the trend toward ASEAN economic integration and the rapid economic growth of China and ASEAN in the early 1990s. The ASEAN+3 export ratio with the U.S. decreased from 30.8 percent in 1985 to 22.2 percent in 1995 and 24.5

percent in 2003 (Figure 2-1). Although the intra-export ratio had decreased since the financial crisis, it increased to 34.2 percent in 2003 with the economic recovery in the region.

Although interdependence among East Asian countries has expanded, there has been no serious attempt to activate East Asian economic cooperation in terms of a formal economic integration similar to the EU or NAFTA. However, ASEAN has been promoting economic integration since the early 1990s and most of the Southeast Asian region is now a free trade area. Vietnam, Myanmar, Laos and Cambodia joined the regional bloc in the late 1990s to create ASEAN 10, and the East Asia Economic Caucus (EAEC)³⁾ proposed by former Malaysian Prime Minister Mahathir was officially agreed upon at the ASEAN Ministerial Meeting (AMM) in July 1993. However, plans to form the EAEC were deferred due to negative reactions from the United States, Japan and Australia.⁴⁾

Nevertheless, ASEAN and China have continuously promulgated the view that the East Asian economic entity needs to be independent from the Americanized Pacific-Asian economic regional order. The transformations being undertaken in socialist countries such as Vietnam and China have brought greater stability to the East Asian economy, while ASEAN has played a significant role in fostering a unique regional community in East

3) Mahathir first suggested the EAEG (East Asian Economic Group), but this title was changed to EAEC after the idea was formally adopted by ASEAN. (Hadi 2001: 226)

4) At that time, the United States, through Secretary of State James Baker, dissuaded the Korean and Japanese trade ministers from attending the EAEC in November 1991. In January 1992, U.S. President George Bush gave the warning that EAEC would be seen as a trade barrier during visits to Japan and Singapore. The Clinton administration also expressed objections to the EAEC, stating that it could be an obstacle to APEC processes.

Asia through political and economic cooperation. ASEAN formed AFTA, accelerating economic integration in the area for expanded trade and investment. ASEAN also established the ASEAN Regional Forum in 1994 to strengthen its negotiating power against countries outside the region.

ASEM was another effort promoted by ASEAN, addressing the need for strengthened cooperation among East Asian countries in response to Europe's integration through the EU. Following a proposal by then-Prime Minister Goh Chok Tong of Singapore, ASEM held its first summit in Bangkok in 1996 with the participation of APT and 15 European countries.

The APT summit came into being when Mahathir invited Japan, China and Korea to attend an informal summit to mark ASEAN's 30th anniversary. Since then, ASEAN held a summit-level conference every year and concentrated on strengthening APT dialogue on the basis of the regimentation of ASEAN with formal invitations for Korea, China and Japan. Participation of East Asian countries in ASEM helped ASEAN identify states that would be included in the APT framework as an intergovernmental forum among East Asian countries.⁵⁾

East Asian countries have started to discuss ways to promote economic cooperation (including an East Asian FTA) under the APT framework. The emergence of a regional identity was evident in discussions on potential regional cooperative systems at the Hanoi summit following the financial crisis in 1998.⁶⁾

5) This meant that Hong Kong and Taiwan were not invited to the 1997 ASEAN Summit (Suzuki 2004: 6).

6) APEC represents open regionalism but its role as a regional entity has recently been called into question due to its unsatisfactory response to the financial crisis.

Moreover, as the crisis painfully demonstrated the urgent need for policy coordination, the APT summits have contributed to strengthening the notion of an 'East Asian' region over an 'Asia Pacific' region. Eliminating the factor of unstable exchange rates by harmonizing each country's macroeconomic policy and regulating short-term capital flows to prevent a reoccurrence of the crisis are important issues for the entire region. ASEAN has played a crucial role in promoting regional solidarity and expanding into an APT dialogue by inviting China, Japan and Korea into the summit.

2. The Multi-layered Structure of the APT Framework

The APT framework has a multi-layered structure, consisting of three levels: ASEAN+3, ASEAN+1, and CJK. The APT summit has been held annually (as officially agreed at the 1999 Manila Summit) and ministerial meetings in foreign affairs, economics and finance were established permanently in 2002 to discuss various issues and regional cooperative programs. In 1999, on the occasion of the APT summit, Keizo Obuchi, then Prime Minister of Japan, initiated another new summit among China, Japan, and the ROK, known as the CJK summit. The three leaders mainly discussed economic issues in 1999, and the CJK summit was recognized as an annual summit in 2000.⁷⁾

Eight ministerial meetings have been held so far, including the Senior Officials Meeting (SOM) and Senior Economic Officials Meeting (SEOM). Moreover, the establishment of diverse cooperative channels such as the East

7) (Suzuki 2004: 11-13).

Asia Vision Group (EAVG) and the Vice Finance Ministerial meetings has strengthened systematic fundamentals for intra-regional cooperation.

At the second APT summit, EAVG was formed at the suggestion of then-President Kim Dae-jung of Korea in order to facilitate general cooperation on political and socio-economic issues. A report involving a fundamental plan for East Asian intra-regional cooperation and mid- and long-term outlook was presented at the APT summit in 2001. The EAVG report broadly presented prospects for cooperation in six fields: economics, finance, policy, environment, socio-cultural issues and institutions.

In the third summit held in Manila in November 1999, the “Joint Statement on East Asian Cooperation” of the APT Summit was adopted. During the Fourth APT Summit held in Singapore in November 2000, the APT leaders put forth broad views and various practical plans for “the future of East Asia” and “enrichment of East Asian cooperation.” In 2001, they endorsed the idea of an East Asian Economic Community. The Brunei summit dealt with the EAVG report at the governmental level and organized the East Asian Study Group (EASG), searching for concrete cooperative plans that would encompass East Asian economic integration.

As a consequence, the EASG was inaugurated in 2001 and the final EASG report was released at the 2002 summit held in Cambodia. The EASG final report encompassed 26 projects, including 17 short-term projects and nine mid-to-long-term research plans. As a means to further strengthen cooperation, the EASG recommended that the annual APT summit meetings be developed into the East Asian Summit (EAS) and also advocated the formation of an East Asian Free Trade Area.⁸⁾

8) See the final (EASG report 2002: 3).

However, the APT process has already been overshadowed by the ASEAN-China initiative towards a comprehensive economic cooperation agreement, which includes the free trade agreement (FTA) that was signed in 2002.⁹⁾ After China agreed to the FTA with ASEAN, Japan, confronted with losing its position of leadership on East Asian economic cooperation, eagerly pursued general cooperation with ASEAN and promptly agreed to an FTA with Singapore. The Japan-Singapore FTA was signed in January 2002, and Japan then instituted practical steps toward promoting FTAs with each Southeast Asian economy in 2003, signing a Framework for Comprehensive Economic partnership with ASEAN during the Seventh ASEAN+3 summit in Bali. In addition, the Japanese government hosted a Japan-ASEAN summit in December 2003 and held the Japan-ASEAN commemorative summit as a prelude to firmer economic relations with ASEAN.

In this respect, it is evident that at the highest policy levels, the emphasis on APT cooperation has shifted from region-wide efforts to separate ASEAN+1 agreements. While China and Japan are competitively promoting bilateral FTAs with ASEAN, ASEAN has reinforced its capacity as an FTA hub in the region.

III. Comparative Study of FTA Policies in East Asia

1. Early Realization of AFTA

ASEAN has promoted its economic integration since the early 1990s. ASEAN-10 were created by extending membership to the CLMV countries,

9) (Hadi 2003: 6).

resulting in a single market and production base of 542 million people and GDP of \$686 billion.

Table 3-1. Major Indicators of ASEAN members (2003)

	Area	Population	GDP	GDP per capita	Export	Import
	1000km ²	Million \$	Billion \$	US\$	100 mill. \$	100 mill. \$
Singapore	0,65	4,2	91,4	21,829	1,579	1,285
Thailand	513	64,0	143,3	2,241	784	742
Malaysia	330	25,1	103,7	4,141	1,050	793
Indonesia	1,920	214,0	208,6	977	390	390
Philippines	300	81,0	79,3	978	348	361
Brunei	5,8	0,4	4,7	12,973	44	13
Vietnam	327	81,2	39,0	481	195	216
Laos	237	5,6	2,0	364	4	5
Myanmar	680	53,5	9,6 ¹⁾	179 ²⁾	24 ³⁾	20 ³⁾
Cambodia	180	13,8	4,2	305	18 ³⁾	23 ³⁾
ASEAN10	4493,45	542,2	686,31	1,265	4820	4241
China	9,600	1,293	1,411,0	1,092	4,385	4,131
Japan	378	127,6	4,301,4	33,717	4,491	3,418
Korea	99	48,1	605,0	12,585	1,981	1,750

Note: 1) IMF estimates 2) ASEAN estimates 3) 2002 data.

Source: ASEAN Statistics Unit, EIU, Global Insight, IMF.

In particular, ASEAN has promoted the early realization of AFTA and has eagerly propelled Southeast Asian market integration through its so-called AFTA-Plus policy, which includes the ASEAN Framework Agreement on Services (AFAS), ASEAN Investment Area (AIA), the standards and conformity assessment, and the integration and harmonization of customs valuation.

The core elements of ASEAN's economic integration are as follows: first, the Common Effective Preferential Tariff (CEPT) requires that tariff rates levied on a wide range of products traded within the region be reduced to no

more than five percent; second, ASEAN Industrial Cooperation (AICO) has been enacted as a limited low tariff initiative for industrial cooperation; and third, AIA is in the enactment stage as a measure for free investment. In addition to eliminating non-tariff barriers and protecting intellectual property rights, implementing the ASEAN Framework Agreement on Mutual Recognition Arrangements (MRAs), the ASEAN Integration System of Preference and policy cooperation are being propelled.

These processes are efforts toward single market integration in Southeast Asia corresponding to the enlargement of the Chinese economy. In addition, they aim to attract FDI and to raise economic efficiency and industrial development in the long term. ASEAN was especially active in promoting AFTA at the ASEAN summit in December 1998. It also adopted the Hanoi Action Plan (HAP) to strengthen intra-regional cooperation.¹⁰⁾ Furthermore, at the third ASEAN informal summit held in the Philippines in November 1999, it was agreed that intra-regional tariffs would be removed by 2010 for the original ASEAN members and by 2015 for the CLMV members.

In this regard, the AFTA has now been virtually established. ASEAN Member Countries have made significant progress in the lowering of intra-regional tariffs through the Common Effective Preferential Tariff (CEPT) Scheme for AFTA. More than 99 percent of the products in the CEPT Inclusion List (IL) of ASEAN-6, comprising Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand, have been brought down to the 0-5 percent tariff range.

10) (Kwon 2002). ASEAN has implemented a number of steps toward the early realization of AFTA after the financial crisis: At the Hanoi summit, members adopted the Hanoi Action Plan as a concrete program for ASEAN Vision 2020, adopted in the second ASEAN informal summit held in Kuala Lumpur in 1997.

Table 3-2. Number of Tariff Lines of CEPT by country

Country	Number of Tariff Lines					Percentage				
	IL	TEL	GEL	SL/HSL	Total	IL	TEL	GEL	SL/HSL	Total
Brunei D. (HS-96)	6,337	-	155	-	6,492	97.61	-	2.39	-	100
Indonesia (AHTN)	11,028	-	100	25	11,153	98.88	-	0.90	0.22	100
Malaysia (AHTN)1)	11,661	273	85	19	12,038	96.90	2.27	0.67	0.16	100
Philippines (AHTN)	11,015	-	27	19	11,061	99.58	-	0.24	0.17	100
Singapore (AHTN)	10,705	-	-	-	10,705	100.00	-	-	-	100
Thailand (AHTN)	11,029	-	-	-	11,029	100.00	-	-	-	100
ASEAN-6	61,775	273	363	63	62,474	98.88	0.44	0.58	0.10	100
Cambodia (HS-96)	3,115	3,523	134	50	6,822	45.66	51.64	1.96	0.73	100
Lao PDR (HS-96)	2,962	437	74	78	3,551	83.41	12.31	2.08	2.20	100
Myanmar (HS-96)	4,777	630	48	17	5,472	87.30	11.51	0.88	0.31	100
Vietnam (AHTN)	10,143	33	424	89	10,689	94.89	0.31	3.97	0.83	100
CLMV	20,997	4,623	680	234	26,534	79.13	17.42	2.56	0.88	100
ASEAN 10	82,772	4,896	1,047	297	89,012	92.99	5.50	1.17	0.33	100

Source: ASEAN Secretariat, as of June 2004.

Note: 1) roughly calculated from Malaysia's submission of 2004 CEPT Package in AHTN which is in MS Word format.

As of June 2004, tariffs on 98.9 percent (61,775 tariff lines out of total 62,474 tariff lines) of products in the Inclusion List (IL) of the ASEAN-6 were reduced to the 0-5 percent tariff range (refer to table 3-2). The operation rates of each country are at 100 percent for Singapore, 97.6 percent for Brunei, 96.9 percent for Malaysia, 100 percent for Thailand, 99.6 percent for the Philippines and 98.9 percent for Indonesia. In particular, tariffs on 60.89 percent of the products in the IL of ASEAN-6 eliminated as Thailand and the Philippines have complied with their commitment under the Protocol to Amend the CEPT-AFTA Agreement for elimination of Import Duties,

On the other hand, ASEAN's newer members, namely CLMV, are not far behind in the implementation of their CEPT commitments with almost 80 percent of their products having been moved into their respective CEPT ILS.

Of these items, about 66 percent already have tariffs within the 0-5 percent tariff band. Viet Nam has until 2006 to bring down tariff of products in the Inclusion List to no more than 5 percent duties, Laos and Myanmar in 2008 and Cambodia in 2010.

Table 3-3. Number of Tariff Lines at 0% in 2004 CEPT Package for ASEAN-6

Country	Number of Tariff Lines			Percentage		
	0%	> 0%	Total	0%	>0%	Total
Brunei D. (HS-96)	5,110	1,233	6,337	80.64	19.46	100
Indonesia (AHTN)	5,091	5,937	11,028	46.16	53.84	100
Malaysia (AHTN)	5,892	5,769	11,661	50.53	49.47	100
Philippines (AHTN)	5,439	5,576	11,015	49.38	50.62	100
Singapore (AHTN)	5,859	0	5,859	100.00	0.00	100
Thailand (AHTN)	5,379	5,650	11,029	48.77	51.23	100
Total ASEAN-6	32,770	24,165	56,929	57.56	42.45	100

Source: ASEAN Secretariat, as of June 2004.

Table 3-4. Number of Tariff Lines at 0% in the 2004 CEPT Package for CLMV

Country	Number of Tariff Lines			Percentage		
	0%	> 0%	Total	0%	>0%	Total
Cambodia (HS-96)	238	2,877	3,115	7.64	92.36	100
Lao PDR (HS-96)	54	2,908	2,962	1.82	98.18	100
Myanmar (HS-96)	165	4,612	4,777	3.45	96.55	100
Vietnam (AHTN)	3,257	6,886	10,143	32.11	67.89	100
Total CLMV	3,714	17,283	20,997	17.69	82.31	100

Source: ASEAN Secretariat, as of June 2004.

Following the signing of the Protocol to Amend the CEPT-AFTA Agreement for the Elimination of Import Duties on 30 January 2003, ASEAN-6 has committed to eliminate tariffs on 60 percent of their products

in the IL by the year 2003. As of this date, tariffs on 64.12 percent of the products in the IL of ASEAN-6 have been eliminated. The average tariff for ASEAN-6 under the CEPT Scheme is now down to 1.51 percent from 12.76 percent when the tariff cutting exercise started in 1993.¹¹⁾

ASEAN Member Countries have also resolved to work on the elimination of non-tariff barriers. A work programme on the elimination of non-tariff barriers, which includes, among others, the process of verification and cross-notification; updating the working definition of Non-Tariff Measures (NTMs)/Non-Tariff Barriers (NTBs) in ASEAN; the setting-up of a database on all NTMs maintained by Member Countries; and the eventual elimination of unnecessary and unjustifiable non-tariff measures, is currently being finalized.

As integration with the world economy increases, ASEAN finds itself facing important opportunities and challenges including the need to better integrate the new members into the regional and global economy. ASEAN leaders have agreed to develop the Initiative for ASEAN Integration (IAI) and a Roadmap for Integration of ASEAN (RIA) so that the benefits of ASEAN integration are shared. Moreover, since January 2002, ASEAN has adopted the ASEAN Integration System of Preferences scheme whereby preferential tariffs are offered to the newer members by the older members

11) The implementation of the CEPT-AFTA Scheme was significantly boosted in January 2004 when Malaysia announced its tariff reduction for completely built up (CBUs) and completely knocked down (CKDs) automotive units to gradually meet its CEPT commitment one year earlier than schedule. Malaysia has previously been allowed to defer the transfer of 218 tariff lines of CBUs and CKDs until 1 January 2005. (see www.aseansec.org)

on voluntary and bilateral basis based on products proposed by the CLMV countries.

Table 3-5. Number of Tariff Lines in the Scheme

Preference-Receiving Country	Preference-Giving Country ¹⁾				
	Brunei D. ²⁾ (0% tariff)	Indonesia (0-5% tariff)	Malaysia (0% tariff)	Philippines (0% tariff)	Thailand (0-5% tariff)
Cambodia	8	41	89	-	309
Lao PDR	14	23	12	-	187
Myanmar	79	294	282	67	460
Viet Nam	1	82	170	10	34
Others ³⁾	-	-	-	2	-
Total	102	440	553	79	990

Note: Data as of September 2004.

1) Singapore has zero tariffs.

2) Brunei has yet to issue AISP legal enactment.

3) Tariff preference on these two tariff lines will be extended to all CLMV countries.

Source: ASEAN Finance and Macroeconomic Surveillance Unit Database.

In November 2000, the ASEAN Leaders agreed to launch an ‘Initiative for ASEAN Integration’(IAI) programme, which gives direction to and sharpens the focus of collective efforts in ASEAN to narrow the development gap between ASEAN’s older and newer members. To realise the objective, the ASEAN Leaders, at their Summit Meeting in Phnom Penh in November 2002 endorsed a Work Plan (with 48 projects) that will ensure dynamic and sustained growth of the region and prosperity of the peoples.

The current six-year IAI Work Plan (July 2002 June 2008) for the CLMV countries has been developed to assist these countries which are lagging behind catch up with the rest by ensuring that the economic wheels of their economies move at an accelerated pace. The current IAI Work Plan for

CLMV focuses on four priority areas, namely infrastructure development, human resource development, information and communication technology and promoting regional economic integration (Trade in Goods and Services, Customs, Standards and Investments) in the CLMV countries.

Table 3-6. ASEAN-6 Contribution to IAI Work Plan
(Funding Secured as at 1 November 2004)

Country	Funding Secured (USD)	Projects
Brunei	1,500,000	5
Indonesia	599,000	5
Malaysia	803,911	16
Philippines	2,728	2
Singapore	474,263	4
Thailand	419,881	10
Total	3,799,783	42

Source: ASEAN Secretariat IAI Unit.

As of January 2005, there were 84 projects in the IAI Work Plan at various stages of implementation. Funding has been secured for 66 projects (78.6%), of which 28 projects have been completed and 14 projects are being implemented. In addition to the ASEAN-6 contribution to the IAI Work Plan, 11 Dialogue Partner countries and development agencies have also supported IAI Work Plan projects by providing funding assistance totaling US\$ 14.1 million. The top five donors are Korea, Japan, India, UNIDO and Australia contributing a total US\$ 13 million (or 82.6 percent of funding by development partners). Korean Government has agreed to contribute US\$ 5 million over the next five years to fund five IAI projects.¹²⁾

12) To implement the projects of effectively, the Korean Government designates Korea

As a result of successful implementation of the CEPT scheme, trade among ASEAN countries grew from \$43.7 billion in 1993 to \$99.7 billion in 2002. Before the financial crisis struck in mid-1997, intra-ASEAN exports had been increasing by 29.6 percent, which was significantly higher than the rate of increase of total ASEAN exports, which grew 18.8 percent during the same period.¹³⁾ Intra-ASEAN trade performance for the period 2001-2002 was also on the positive side, increasing as a percentage of total ASEAN trade from 22.12% in 2001 to 22.56% in 2002. Intra-ASEAN trade for the first two quarters of 2003 registered an increase of 4.2 and 1.6 percent for exports and imports respectively.¹⁴⁾

ASEAN has actively continued its economic integration efforts, which encompass liberalization of trade in goods, services, investment and other measures, as a matter of commitment and necessity in light of the new global challenges. Thus, at the Ninth ASEAN Summit in Bali in October 2003, the Bali Agreement II was established. This agreement outlines a framework for achieving an ASEAN Economic Community (AEC), which should be the end-goal of economic integration as outlined in the ASEAN Vision 2020. The AEC will be characterized by a single market and production base, with free flow of goods, services, investment and skilled labor, and free flow of capital. According to 'ASEAN 2020' presented in 1997, member countries are to pursue economic integration and plan to set up an HLTF (high working-level group on AEC) to examine future implementations.

International Cooperation Agency (KOICA) as the implementing agency.

13) (ASEAN Secretariat 2002: 5).

14) (ASEAN Secretariat, *Annual Report 2003-04*: 18).

2. Progress of Bilateral FTAs in East Asia

Since the financial crisis in East Asia, a trend towards regionalism has sprung up in East Asia, as shown by the number of FTAs being discussed between ASEAN and other countries (refer to figure 3-1). It seems that East Asian economies are beginning to pay attention to FTAs due to the diffusion of worldwide regionalism.¹⁵⁾ However, since the financial crisis, there has been an increased understanding in the importance of intra-regional interdependence and greater efforts to focus on the strategic aspects of economic integration in the region. Correspondingly, there has been a realization that it may be difficult to obtain prompt results from liberalizing multilateral trade under the WTO system because of the sheer number of participating countries. In contrast, FTAs make it possible to liberalize trade more extensively due to the relative facility of negotiations. For this reason, FTAs have emerged as a main issue for the export-promoting East Asian countries.

ASEAN transformed into a unique regional entity alongside the expansion in regionalism that occurred in East Asia after the financial crisis. As East Asian countries began to seriously recognize the need for regionalism, FTAs have become a major issue. In particular, through the regular meetings of the ASEAN+3 Summits, East Asian countries have been aggressively promoting FTAs and Southeast Asian countries have been promoting FTA negotiations

15) There were 143 FTAs reported to the WTO as of the end of June 2002. Among these, 76 FTAs had been contracted since the advent of the WTO in 1995. Only three of the FTAs are in the Pacific-Asian area.

with countries outside East Asia, including Australia, India and the United States.¹⁶⁾

Before the crisis, most ASEAN members held a negative position on promoting their own bilateral FTAs with other regions, fearing that AFTA's internal solidarity would be compromised. Although ASEAN as a whole is propelling the strategic goal of expanding economic cooperation in the region, each member is now taking a different approach to this cooperation. There has been friction among ASEAN members who have faced economic difficulties over internal trade liberalization, generating skepticism about the possibility of further liberalization.¹⁷⁾ Specifically, Malaysia and some other Southeast Asian countries have criticized the ASEAN members that have formed bilateral FTAs, charging that such bilateral agreements weaken regional cooperation agreements such as AFTA and allow economies outside the region to enter the regional market. Nevertheless, Singapore and Thailand have adopted the strategy of securing bilateral FTAs.

In particular, Singapore has already signed bilateral FTAs with New Zealand, Japan, EFTA, Australia and the United States. It is also in negotiations to form FTAs with Mexico, Canada, the Republic of Korea and India. Thailand is considering FTAs with Australia, the United States, Japan and India, while the Philippines is considering FTAs with the United States and negotiating to form an FTA with Japan. Singapore released a new national development strategy in February 2003 that is expected to enhance its profile as a leading global city.¹⁸⁾

16) (Bergsten 2000 and Eichengreen 2002).

17) (Cheong 2002).

18) Singapore made the ERC a government concern under the guidance of Goh Chok Tong and has sought a future plan and workout program. The ERC reported a

Thailand was expected to adopt a protectionist position with the introduction of the Thaksin government, but it is now promoting FTAs with large economies such as the United States and Japan. The Thai government has selected the United States, Australia, Bahrain, Peru, India, Japan and Korea as potential FTA partners. Following feasibility discussions with India in November 2001, Thailand began to prepare for an FTA with two negotiations expected by the end of 2003.

Recently, active FTA discussions involving India, Thailand and Singapore and the promotion of an FTA between India and ASEAN are contributing to the advancement of East Asian regionalism, extending the new trend to the economic relationship between India and Southeast Asia. In 2001, China and Japan moved to discuss respective FTAs with ASEAN, accelerating general ASEAN FTA discussions.¹⁹⁾ India announced that it would promote FTAs at the India-ASEAN Summit held in Phnom Penh in November 2002. As a consequence, it has now set aside 100 items for the early reduction of tariff products (from 2006).

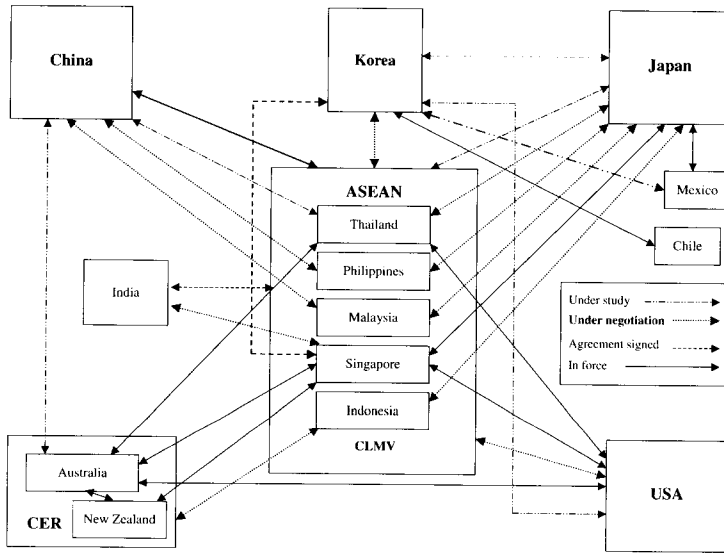
An inclusive cooperative agreement was concluded at the ASEAN-India Summit held in Bali in October 2003. This was the first step toward strengthening the structural cooperative foundation for a regional trade agreement. It also contributes to forming a Southeast Asian economic cooperation framework. Although the time limit to finalize negotiations on FTAs has been delayed for 10 years, if India tries to contract an FTA with

national strategy, "New Challenges, Fresh Goals Towards a Dynamic Global City," as a blueprint of Singapore's economic and long-term national vision until 2018, including an FTA strategy.

19) In 2001, the trade volume of India with ASEAN was \$9.7 billion whereas that of China was \$41.6 billion. Chinese trading benefits have been increased every year.

Thailand and Singapore respectively, the political and economic effects will be significant for regional cooperation and East Asia as a whole.

Figure 3-1. Hubs and spokes in East Asia



Note: Summary as of February 2005, including movements with countries outside East Asia.

Source: Kwon (2003, 2004).

3. Strengthening Economic Integration in East Asia

In spite of efforts toward an early realization of intra-regional market integration and the potential of a Southeast Asian market, AFTA is basically small compared to the EU or NAFTA and it has structural limitations related to so-called south-south cooperation. AFTA fundamentally represents a horizontal integration among developing countries and is unable to assert

strong economic solidarity due to the absence of a leading country, as well as a lack of consensus and political stability.

To cope with these structural weaknesses, ASEAN has tried to expand economic cooperation with the Northeast Asian countries, proposing various cooperation arrangements beyond Southeast Asia. This has led to the establishment of ASEM, which enables ASEAN+3 to develop links with other regions, such as Europe. The East Asian side in this process is being strengthened by the development of the ASEAN+3 dialogue, a process linking Southeast Asia to Northeast Asia.²⁰⁾ However, ASEAN has been largely indifferent to the concept of an East Asia FTA and institutional integration as means of economic integration with Northeast Asia. As mentioned earlier, ASEAN intends to expand its negotiating power as an FTA hub in East Asia under the ASEAN+1 process.

ASEAN took the role of FTA hub in East Asia and the full-scale discussion for an East Asia FTA began when the Republic of Korea, following China and Japan, proposed to examine the FTA possibility with ASEAN at the ASEAN-Korea Summit held in Bali, in October 2003. India is also quite active in pushing forward with an FTA with ASEAN. However, given the level of economic cooperation such as trade and investment volumes, it is more likely that ASEAN countries will favor the three Northeast Asian countries.

This chapter estimates the economic benefits of three ASEAN+1 FTAs in East Asia using the Computable General Equilibrium (CGE) model.²¹⁾

20) (Hadi 2002: 47).

21) To analyze the numeric economic benefits of the FTA, KIEP has conducted the study on the feasibility of FTAs in East Asia. For this purpose, KIEP has used a general-equilibrium model, known as the Global Trade Analysis project (GTAP Model)

The economic benefits of East Asia FTA have also been calculated since the majority of ASEAN countries emphasize the need to establish the East Asia FTA in the medium and long-term. Although the benefits from FTA vary, ranging from trade liberalization and improvement of non-tariff barriers to expansion of investment flows and the economy of scale, for convenience, only the impact of tariff elimination is assessed in this study. It would have been better to study the country-specific impact of FTA for analyzing the over all impact on this ten-member association, however, technical difficulties has limited the research to the region as a whole rather than individual countries. For calculation, the 1997 tariff rate of GTAP Database (published in 2002) was adapted. Table 3-7 shows the impact of four hypothetical FTAs on each participating country. The results of the simulation find that all four FTAs will bring economic gains to their members, while non-members will have to bear the loss. For example, the ASEAN-China bilateral FTA will bring the positive effects on the GDP of both parties, but the negative effects will fall on the GDP of Korea and Japan, outside the FTA. The prediction is that ASEAN may enjoy the greatest benefits from the bilateral agreement with Japan, but relatively lower benefits from the one with China. Actually, ASEAN is expected to reap the far larger benefits from the overall East Asia FTA than from the bilateral FTAs with three Northeast Asian countries. The analysis also suggests that the bilateral FTAs will profit ASEAN more than the three Northeast countries.

The finding of CGE simulation show that the expansion of ASEAN into the Northeast Asia would result in substantial economic benefits, which

and the Computable General Equilibrium model (Kwon, Cheong, Park 2003).

explains why ASEAN countries are attracted to the three Northeast Asian countries as FTA partners.²²⁾

Although the deeper integration of an East Asian community is beneficial and desirable, East Asian economic integration still faces numerous restrictions and limitations including the following: East Asian countries have wide differences in terms of their economies²³⁾ as well as socio-cultural and political systems. These differences hinder the establishment of common principles and norms in the process of negotiations for East Asian integration.²⁴⁾ In addition, if East Asian solidarity rapidly develops toward an economic community centering on the APT process, countries outside the region, especially the United States and Australia, are expected to voice concerns over their changing influence in the region. Considering that most East Asian countries highly depend on the United States market, promoting rapid economic integration may cause undesirable trade friction with the United States.

22) Given that this study is confined to static effect of tariff elimination, total gains would be much greater including those from the improvement of non-tariff barriers, the economy of scale, and the rising investment flows. Therefore, it should be stressed that the estimates provided here are only the part of the total benefits from ASEAN expansion, and the static analysis model also underestimates the economic impacts. Lastly, trade liberalization under the FTA agreement necessarily generates the pressure for restructuring as well as its costs. The restructuring costs are not included in this study. However, despite the short-term costs, restructuring will turn to be advantageous by strengthening the economy in the medium and long run.

23) According to the World Bank's designation of developing countries, Cambodia, Myanmar and Laos are included in the list of least developed countries (LDC), whereas the GDP per capita of Singapore and Japan are above \$20,000. In other words, the development gap in the region is extremely large.

24) (Kim 2004: 291).

Table 3-7. The Impact of FTAs in East Asia on Regional GDP (percent)

	China-ASEAN FTA	Japan-ASEAN FTA	Korea-ASEAN FTA	East Asia FTA
China	0.08	-0.02	-0.01	0.36
Japan	-0.01	0.04	-0.01	0.10
Korea	-0.03	-0.04	0.13	1.01
ASEAN	0.23	0.43	0.41	0.73
ROW	-0.00	-0.01	-0.00	-0.02

Source : Kwon, Cheong, and Park (2003).

IV. Promoting Economic Cooperation between ASEAN and Korea

1. Overview of ASEAN-Korea Economic Relations

Economic relations between ASEAN and Korea have expanded significantly over the past decades. Corresponding to ASEAN's potential as one of the largest emerging markets, Korea's trade with ASEAN has been growing remarkably. Moreover, the region's attractiveness as an investment location for Korean companies has consolidated the economic relationship between ASEAN and Korea.

In 2003, ASEAN became Korea's fifth-largest trading partner, taking 10.4 percent of Korea's total trade volume (refer to Table 4-1), and its third-largest investment destination in cumulative terms. This largely derives from the complementary industrial structures and efforts by the private and public sector.

Table 4-1. Korean Exports to and Imports from ASEAN

(US million \$, Percent)

	Total Exports	Exports to ASEAN	Share	Total Imports	Imports from ASEAN	Share
1996	129,715	20,311	15.7	150,339	12,074	8.0
1997	136,164	20,365	15.0	144,616	12,549	8.7
1998	132,313	15,328	11.6	93,282	9,135	9.8
1999	143,685	17,708	12.3	119,752	12,250	10.2
2000	172,268	20,134	11.7	160,481	18,173	11.3
2001	150,439	16,459	10.9	141,098	15,916	11.3
2002	162,471	18,400	11.3	152,126	16,757	11.0
2003	193,817	20,253	10.4	178,827	18,459	10.3
*2004	207,591	19,800	9.5	183,058	18,220	10.0

Note : *2004 data includes January–October.

Source: KOTIS, Korea International Trade Association.

Although bilateral trade and investment between ASEAN and Korea decreased sharply due to the East Asian financial crisis, economic relations between the two sides have rapidly recovered. In particular, bilateral trade rebounded to US\$24.5 billion at the end of 1998 and expanded to US\$38.7 billion last year, higher than the pre-crisis level. Korean exports to ASEAN increased 38 percent to reach US\$20.3 billion in 2003 while imports from ASEAN, which included electronics (US\$4.9 billion), crude oil (US\$1.8 billion) and liquefied natural gas (US\$2.3 billion), reached US\$18.5 billion.

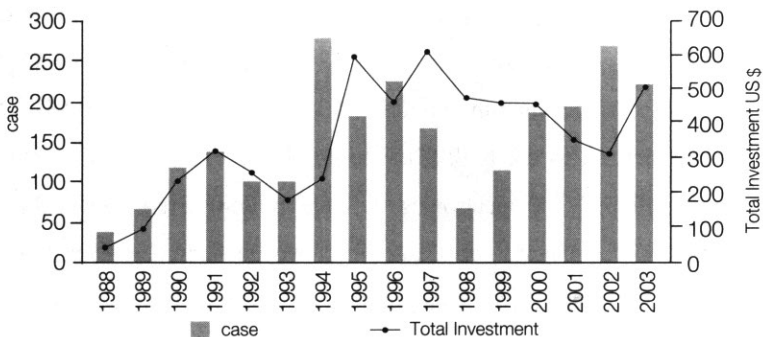
Korea has recorded a consistent trade surplus with a peak surplus of US\$7.8 billion in 1997. However, since the financial crisis, ASEAN's deficit has been decreasing, and the balance of trade between the two economies is moving toward equilibrium.²⁵⁾

25) According to ASEAN Secretariat, ASEAN recorded trade surplus of \$1.65 billion in 2001 with Korea [www.aseansec.org/Trade/File/AN_ROK_PS.htm].

Korean investment to ASEAN began to increase in the late 1980s, concentrated in labor-intensive industries such as footwear, textiles and electronics. Even though Korea's investment in Southeast Asia declined in 1993 and 1994 due to many Korean companies investing heavily in China, it increased again when large Korean conglomerates began directing investments towards ASEAN countries, including Indonesia and Vietnam.

However, Korean investment toward ASEAN has greatly declined due to the financial crisis and it remains below the level of 1997. The emergence of China has been another reason for the relative decline of Korean investment. From the aspect of investment scale, investment to ASEAN had continuously increased from the mid-1980s, followed by a downward trend after the financial crisis, and another upward climb from 2003 (See Figure 4-1).

Figure 4-1. Trend of Korean Total Investment to ASEAN



Source: The Export-Import Bank of Korea Database.

ASEAN's share in Korea's total investment decreased to 7.4 percent in 2001 due to stagnation of the ASEAN economy and the rapid increase of investment in China. Nevertheless, investment in Southeast Asia climbed upwards again with the recent recovery of the ASEAN economy. In 2003,

Korea's total investment to ASEAN reached US\$508 million (14.4% of total dollar amount) in a total of 222 cases.

Table 4-2, FDI Inflows to ASEAN by Country (US thousand \$)

	2001	2002	2003	Total (remaining amount)
Malaysia	19,872	6,189	6,428	334,284 (8.4%)
Thailand	30,777	31,480	26,496	528,458 (13.3%)
Indonesia	169,480	64,728	78,528	1,237,984 (31.1%)
Singapore	40,918	48,166	234,343	422,798 (10.6%)
Philippines	56,9333	26,732	16,363	500,374 (12.6%)
Vietnam	46,280	135,403	136,512	880,822 (22.1%)
Cambodia	5,540	3,877	9,219	34,618 (0.9%)
Myanmar	2,948	660	0	29,678 (0.7%)
Laos	35	50	115	7,090 (0.2%)
Brunei	0	0	0	1,937 (0%)

Source: The Export-Import Bank of Korea Database.

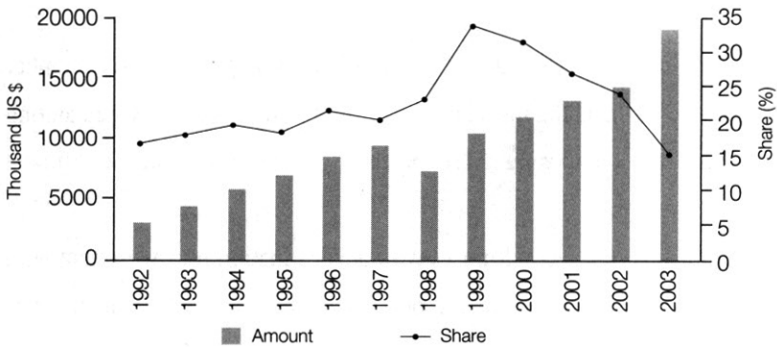
Table 4-2 indicates the scale of investment of Korea to ASEAN member countries. Indonesia is the most significant FDI destination for Korea among ASEAN nations composing 31.1 percent of the remaining investment amount.

Vietnam is now the second-most favorable destination for investment with 22.1 percent. Although Korea has only been investing in Vietnam since 1992, the country has emerged as the second most popular destination among ASEAN members, leading Thailand, Malaysia, and the Philippines. Among the ASEAN 10 members, 98 percent of total investments are concentrated in the ASEAN 6, which includes Indonesia, Vietnam, Thailand, Philippines, and Singapore, while only 2 percent are focused on Myanmar, Cambodia, Laos, and Brunei.

Korea has maintained close economic and diplomatic relationships with ASEAN members due to its geographical and cultural proximity. Moreover, Korea has shared the knowledge gained from its own economic development experience with ASEAN members, and has made efforts to help narrow the wide development gap in Southeast Asia.

Accordingly, a large share of Korea’s official development assistance (ODA) has been directed toward ASEAN members to strengthen development cooperation as a top priority. For both grant aid and concessional loans (EDCF)²⁶⁾, ASEAN members received more than a quarter of Korea’s ODA. In 1987-2003, ASEAN is the largest destination of Korea’s ODA in cumulative terms with an amount of US\$670 million.

Figure 4-2. Trend of Korea’s Grant toward ASEAN Members (1992-2003)

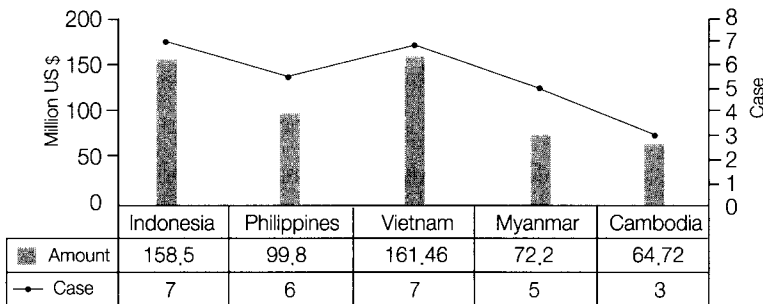


Source: KOICA annual report.

26) Economic Development Cooperation Fund (EDCF) is a bilateral ODA loan program, which was established by the Korean government on June 1, 1987. Its objectives are to help developing countries spur industrial growth and improve economic stability.

To support the Initiative for ASEAN Integration (IAI), Korea has provided US\$5 million for five related projects, including capacity-building in trade in goods and services for Cambodia, Laos, Myanmar and Vietnam (hereafter CLMV) countries to enhance understanding on the benefits of trade liberalization.

Figure 4–3. Korea's Official Loan (EDCF) by Country (1987–2003)



Source: EDCF annual report.

2. The Recent Development of an ASEAN–Korea FTA

In its rush to catch up on free trade agreements, Korea also completed joint studies on FTAs with Japan and Singapore in September 2003, beginning negotiations with both countries in early 2004. Korea and Singapore have held a total of ten rounds of negotiations from January to November this year, and have made efforts to conclude a comprehensive FTA that covers nine areas including trade in goods and services, investment, government procurement, Mutual Recognition Agreement (MRA), Intellectual Property

Rights (IPR) and cooperation. As Korea and Singapore concluded their deal last month, the two countries will finalize the text of the agreement after working-level meetings and legal examination, and receive approval from the Ministry of Legislation, the Cabinet Council, the President, and then seek ratification from the National Assembly after signing the agreement.²⁷⁾

Furthermore, Korea is pursuing a Korea-ASEAN FTA. Korea and ASEAN formed the ASEAN-Korea Experts Group (AKEG), which prepared the Report of the Joint Study on Comprehensive Closer Economic Relations between ASEAN and Korea. At the first ASEAN Economic Ministers and Korea consultation (AEM+1), held on September 4, 2004 in Jakarta, Indonesia, the Ministers welcomed a recommendation to establish the ASEAN-Korea Free Trade Area (AKFTA). Finally, leaders agreed on a “Joint Declaration on Comprehensive Cooperation Partnership between the Korea and ASEAN” and decided to start negotiations for AKFTA at the Korea-ASEAN summit in Laos at the end of November in 2004.²⁸⁾

The negotiations on the AKFTA started in February 2005 and will be completed within two years. The AKFTA will be realized at an earlier date, with a goal of achieving as high level of liberalization, whereby at least 80% of products will have zero tariffs in 2009, and with consideration for special and differential treatment and additional flexibility for new ASEAN Member Countries. The AKFTA will have differentiated timelines for the ROK and

27) Korea's President Roh Moo-hyun and Singaporean Prime Minister Lee Hsien Loong announced the conclusion of a Free Trade Agreement (FTA) at the Korea-Singapore summit meeting on November 29, held on the occasion of the summit meeting of ASEAN+3 [www.mofat.go.kr/press].

28) ASEAN also decided the accession to the Treaty of Amity and Cooperation by Korea.

ASEAN-6 on the one hand, and Viet Nam including Cambodia, Laos and Myanmar on the other.²⁹⁾

V. Summary and Implication

There has been a growing trend toward regionalism in East Asia since the 1997 financial crisis. And growing regionalism elsewhere has made it necessary for East Asia to focus more on securing common regional interests in the multilateral trading arena. This trend for East Asian economic integration is accelerating under the APT process. The APT leaders at the Manila summit in November 1999 agreed on broad economic cooperation, and the EAVG recommended the formation of an East Asia FTA in 2001.

Although the deeper integration of an East Asian community is beneficial and desirable, it is essential to ensure a cohesive response to new challenges in the global economy when reaping the fruits of liberalization.³⁰⁾ To this end, economic cooperation must be broadened and deepened in East Asia in the future.

As recommended by the EASG, the APT framework remains the only credible and realistic vehicle to advance the form and substance of regional cooperation in East Asia. The EASG also stressed that the EAS be part of an evolutionary and step-by-step process. Given the diversity of APT countries,

29) Negotiation between ASEAN and Korea as a whole; taking into account sensitivities in particular sectors and the different stages of economic development of each participating country, in particular, provision of S&D treatment to ASEAN and additional flexibility for the CLMV countries in the implementation of measures [www.aseansec.org/16815.htm].

30) (EAVG Report 2001).

in terms of stage of economic development, political system, and variety of cultures, a great deal of time and effort will be required to establish an EAFTA. In particular, the multi-layered structure of the APT framework results from its members having different strategies toward cooperation in the region.

It is necessary and inevitable for East Asia to continue to build a durable institutional framework for region-wide dialogue and cooperation, as other major regions of the world progress at a rapid pace in terms of economic integration. To strengthen cooperation, the EASG recommended that the APT summit evolve into an East Asian Summit (EAS). However, ASEAN members worry that they may be marginalized if the transition towards an EAS moves too fast.³¹⁾ Thus, there has been further fragmentation as some ASEAN countries eagerly negotiate bilateral FTAs with China, Japan, and Korea.³²⁾

Despite this fact, it can be said that bilateral FTAs in the region are not just the most feasible form of regional integration, but they may also trigger a domino effect of regionalism throughout East Asia.³³⁾ In this regard, ASEAN is one of the most feasible partners for Korea, considering Korea's high economic dependence. ASEAN and Korea have a combined population of 584 million and a combined GDP of US\$1.07 trillion. According to KIEP estimates, the ASEAN-Korea FTA is expected to boost ASEAN's GDP by 0.41 percent and Korea's GDP by 0.13 percent.

31) (EASG Report 2002: 3).

32) (Hadi 2003: 7).

33) Choi 2004: 288).

So far, Korea and ASEAN have become increasingly complementary in expanding their areas of cooperation. As ASEAN and Korea continue to develop their economies, not only the potential, but the need to increase economic partnership will grow. However, in order to effectively meet the challenges of our time, Korea and ASEAN need to reflect upon what has been achieved in the past, and come up with a new framework for the future.

In such an environment, it is important that a Joint Declaration on Comprehensive Cooperation Partnership between the Korea and ASEAN and the comprehensive joint study on closer economic relations between the two sides focus not only on promoting economic activities, but also on providing a broad understanding for a new framework for ASEAN-Korea cooperation in the 21st century. In particular, an appropriate and flexible timeframe for a possible FTA was considered, taking account of the economic levels and sensitive sectors of both sides. Because an FTA between Korea and Singapore was successfully concluded in the early 2005 as planned, this may serve to facilitate Korea's pursuit of FTAs with ASEAN.

Finally, both Korea and ASEAN have set economic integration between their economies at the top of the agenda in order to enhance economic cooperation and to overcome recent trends toward global regionalism.³⁴⁾ The FTA with ASEAN could eventually expand into an FTA encompassing all of East Asia in the future.

34) Korea has suggested an East Asian Free Trade Area among ASEAN Plus Three and such idea became one of the main suggestions in the East Asia Study Group Report, published in 2002.

Key words : regionalism, economic integration, Free Trade Agreement (FTA), ASEAN plus Three (APT), East Asian Community

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국문초록

최근 동아시아 경제통합의 성과와 과제

권 율

(대외경제정책연구원)

그동안 ASEAN을 포함한 동아시아 각국의 비약적인 경제성장과 상호 의존성 증대에도 불구하고 제도적 측면에서 경제통합논의는 매우 미진하였다. 그러나 금융위기에 대한 공동대응이라는 현실적 요구를 바탕으로 ASEAN+3 정상회의가 매년 개최되면서 동아시아 역내 주요 현안은 물론 다양한 경제협력방안이 다각적으로 논의되고 있다. 특히 이러한 제반 논의가 상당부분 ASEAN을 매개로 이루어지고 있고, 역내 공식 협의기구인 ASEAN+3 협력체제의 경우에도 ASEAN의 결속력에 크게 영향을 받고 있다는 점은 주목할 만하다.

현재 ASEAN+3 협력체제는 대외경제정책 공조뿐만 아니라 금융 및 산업정책, 역내 개발협력 등 다양한 차원에서 각국의 이해관계를 조율하고, 실질적인 경제통합을 모색할 수 있는 협의체로서 기능하고 있다. 더욱이 지역주의 추세가 보다 강화되어 동아시아의 역내 무역·투자관계에서 나타나는 '기능적 통합'에 상응한 제도적 기반의 필요성이 보다 증대된다면, ASEAN+3 협력체제를 매개로 역내 경제통합 움직임은 보다 가속화될 것으로 보인다.

그러나 최근에는 지역주의 추세가 강화됨에 따라 ASEAN+3 협력체제를 매개로 한 동아시아 차원의 경제통합 움직임과 함께 역내 개별국 간의 FTA도 활발히 진행되고 있다. 이와 같이 역내 경제통합 움직임을 제도화하려는 다층적 협력체제가 구조화되면서 중국과 일본은 동아시아 지역의 리더 자리를 두고 경쟁하고 있고, 2001년 중국과 ASEAN의 FTA 합의로 ASEAN+1 협력체제가 ASEAN+3 협력체제를 압도하고 있는 실정이다.

일본과 중국이 동아시아 경제통합의 주도권을 차기하기 위하여 ASEAN과 개별적인 관계를 유지하려고 하고, ASEAN 각국은 이슈에 따라서 동북아 3국과 더 적절한 채널을 활용하기 위해 ASEAN+3과 ASEAN+1 차원의 협력체제 구축을 지속적으로 발전시키고자 노력하고 있다. 이에 따라 한국의 경우에도 2003년도 ASEAN+1 정상회의를 통해 한·ASEAN FTA 공동연구를 추진키로 ASEAN측과 합의한 이래 2004년 공동연구를 마치고, 금년 내 한·ASEAN FTA 추진을 위한 상품협상을 완료하기 위해 적극적인 노력을 기울이고 있다.

따라서 본 연구는 그동안 ASEAN은 동남아와 동북아의 균형 있는 협력 관계보다는 중국, 일본과 개별적으로 포괄적인 협력협정을 체결함으로써 ASEAN+1 차원에서 양자간 지역통합에 중점을 두어 왔음을 밝히고 있다. 특히 본 연구는 ASEAN+1 차원의 FTA 출범이 동아시아 차원의 경제통합을 보다 가속화시키는 요인으로 작용하고 있고, 한국과 ASEAN의 FTA 추진도 중장기적으로는 동아시아 자유무역지대 출범 가능성을 보다 현실화하는 데 기여할 것이라는 전망을 제시하고 있다.

주제어 : 지역주의, 경제통합, 자유무역협정(FTA), 동아시아공동체.