

A European Perspective on Asia

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For someone with my background, it is perhaps right to start with a general political remark:

Every international organization needs from time to time a grand project, un grand projet, as the French say. Why? Because:

- a grand project mobilizes energies,
- a grand project promotes integration,
- a grand project allows leaders to give themselves a profile.

Without such a grand project, any international organization would fall apart, or fall into oblivion.

The whole of the EU is such a grand project; we have lately gone through a series of grand projects such as the monetary union, eastern enlargement, and we are now standing before the grand project of negotiations with Turkey.

In my years in the European department of the Federal Foreign Ministry, we used to say: „Même les choses impossibles“. We did not believe that monetary union was actually possible, but we worked for it already in the Eighties. Such is the essence of European integration, a series of „concrete utopias“.

Now, what does that mean for ASEAN? ASEAN's grand project these days is to create a free trade zone, first amongst themselves and then with their great neighbours.

You might even argue that a free trade zone inside ASEAN should long have been created. In fact, it makes eminently sense. First, intra-ASEAN trade is as yet relatively modest. Over the decade 1990 to 2000, it has hovered around 22% of total trade. It is true that foreign trade and export capacity of ASEAN have grown sensationally, tenfold on average for the five original members from 1980 to 2003, but the share of intra-ASEAN trade has nearly stagnated. For each of them, other countries have been larger trading partners than their fellow ASEAN countries, be it Japan, the US, or China. Surely, this is in part due to the composition of their exportable goods, identical in many cases to that of the other ASEAN countries, but also to trade barriers which still exist between themselves. Take for comparison the EU's intra-trade, which has long surpassed the threshold of 50%, thanks to true market integration.

A second reason for genuine free trade between ASEAN countries is that it increases their attractiveness for foreign would-be-investors. Investors prefer large economic spaces for their production, for their marketing, their capital goods movements. For them, ASEAN is as of yet too fragmented, and ASEAN countries

know that. Much of their uneasiness with China sucking up so much of our investment has to do with just that.

Third, a free trade zone is a necessary first step for the free movement of goods. We know from EU experience that much has to follow, essentially the non-tariff-barriers as we say, such as health and safety standards, the protection of intellectual property, the free movement of capital, etc.

So, a free trade zone is in my eyes a worthwhile grand project for ASEAN. But it would have to be genuine free trade for „approximately the entire trade between participating countries“, as the venerable Article 24 of the GATT-Agreement says. Selective preferences, or „freer trade“, as some ASEAN sources say these days, would not be good enough. For every trade preference discriminates against other trading partners, and non-discrimination is the essence of GATT and the WTO, with good reasons. We in the EU also bend over backwards to respect this rule in our free trade conventions with ACP and need the consent of WTO contracting partners, and the WTO would closely observe what ASEAN does as well.

A free trade zone is therefore an ambitious undertaking, and this leads me to my next point:

Is the current institutional structure of ASEAN strong enough to support such an undertaking? As we see it, this structure is essentially government-to-government with a small secretariat, a pure secretariat. That is to say, proposals for action can only come from governments, in particular the government that happens to be in the chair of ASEAN for the current year. The problem with such proposals is that the other governments will always say, or feel, that such proposals are biased in favour of the interests of the proposing capital. Believe me, this kind of suspicion is unavoidable, and this is the weakness of government-to-government structures.

You know that we in the EU have the Commission in Bruxelles, which knows all our interests and can therefore make unbiased, non-partial proposals. I know ASEAN does not want a supranational institution, and I do not say it needs one, but it needs one neutral, non-partial authority. It could give its secretariat such a role, but that would in fact be a different secretariat from today's with much more competence on substance.

One could then ask whether a proposal for a free trade zone is such a difficult issue. My answer is yes, because a free trade zone is not a one-off operation. It is a process, it comes by successive steps of demobilizing customs in a fixed time schedule. That is a delicate operation, touching on delicate interests, and ASEAN countries must be convinced that each step is in itself finely balanced. I foresee from experience that no government, no capital will be credited with having made such a finely balanced proposal for gradual customs removal. Endless negotiations, and the quest for ever more exceptions for „national champions“ will be the outcome, and in the end all governments will say: If only we had a neutral authority as a credible proposal-maker! This is in fact where the EU Commission could be helpful, with its wealth of experience in how to match diverging national interests.

I said ambitious, and I say a free trade zone is twice as ambitious in the current composition of ASEAN. It would have been much easier between the original