Chapter-4
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There is a convergence of political, economic and social interests between India and Australia in connection with the Southeast Asia. It is obligatory and complimentary for both to maintain close neighbourly relations with Southeast Asians. Their long-term security, economic and political interests are interrelated. Both India and Australia were British colonies in the historical past but there has been sharp divergence in their perception and policies during Cold War years. They have remained associated with the Commonwealth and some other regional forums. Both of them have faith in democratic system. (“Australia-India New Horizons: Towards A Strengthened Partnership”, Speech by Alexander Downer, Minister for Foreign Affairs, Australia 1996)

Australia’s relations with India have been consistently cordial but rarely close. Before 1991, relations were sometimes overshadowed by differing Cold War allegiances, but links were maintained by shared active membership in the Commonwealth. The relationship has been characterised by long periods of relative indifference punctuated by fitful efforts to deepen mutual involvement. Prime Minister Rajiv Gandhi visited Australia in 1986, for example, a reflection of the strong personal rapport he developed with Prime Minister Hawke, but the expressions of amity and good intentions did not lead to development of substantial new connections between the two countries. Underlying the lack of progress was the fact that the two countries’ economies had little complementarity. Australia’s traditional strategic, economic and cultural orientation towards North America and Western Europe also found little common ground with India’s focus on its own region and the Soviet Union.

Recent years have, however, seen the beginnings of change. The post-1991 opening of the Indian economy has the potential to enmesh with Australia’s efforts to broaden its already strong links with the countries of Asia. Trade between the two countries has grown significantly. The Indian government’s decision in 1994 to reduce tariffs on coal and wool widened opportunities for sales of these major Australian export
commodities which, in 1995, made up 65 per cent of Australian exports to India. India's efforts to attract foreign investment and technology for much-needed infrastructure development was also presented openings for Australian business. As well as its telecommunications technology, Australia's mining expertise has the potential to find a growing role in India, with the main obstacle being slow progress on reform of India's restrictive mining regulations.

Australia's trade and investment in India is still very low compared with the countries of East Asia and further growth will depend essentially on continuing economic development in India. But the Australian government will have an important role in ensuring that the lack of attention to India that has marked past Australian policy does not allow new opportunities in India to be passed by. Recognition of the increasing importance of India led the Australian Government to sponsor a major trade, cultural and scientific promotion of Australia in India from October to December 1996 (under the title 'Australia-India New Horizons'). Although the Australian press chose to focus on organisational problems at one cultural event, the promotion appears to have had some success at improving Australia's profile in India. The previous Labor government and now the Coalition government have also recognised that developments in the Indian Ocean region, especially in South Africa and India, warrant increased attention as a complement to Australia's deepening involvement with Pacific Rim countries.

The development of greater economic and strategic ties with India has only really just begun and, for the foreseeable future they are unlikely to assume anything like the importance of relations with East and Southeast Asia. There will be a particular need for Australia to take account of Indian sensitivities as it upgrades its involvement in the Indian Ocean region. The Indian government reacted negatively to Australia's 1995 initiative on the establishment of an Indian Ocean regional grouping because it saw the proposal as overly ambitious and the attempt to include security issues on the agenda as inevitably involving sensitive issues such as Kashmir and nuclear weapons. The continuance of significant differences of approach on some key issues was underscored by the contrary positions taken by Australia and India over the Nuclear Non-Proliferation Treaty. Nevertheless it would seem important for the Australian government to give
sustained attention to the Indian Ocean region to ensure that new ideas do not lapse in the manner that has sometimes characterised Australia-India relations in the past. The emergence of greater economic complementarities between Australia and India, Australia's growing involvement in Southeast and East Asia, and India's efforts to build greater links in the region suggest that the affairs of two countries are likely to intersect to an increasing extent in the near future.

They tend to identify themselves as the integral part of the Southeast Asians. But Australian projection of being a part of Southeast Asians had been more pronounced ever since its association with Southeast Asia Treaty Organisation (SEATO). The membership with the ASEAN proved more successful than India in the post 1954 era.

India was faced with certain constraints in the beginning while dealing with the Southeast Asia. Indian leaders believed Southeast Asia as their cultural extension and thereby treated the region as its integral part and which was disliked by the latter. It was indeed counter productive whenever our leaders and intellectuals tried to locate Indian Culture and civilisation in the Southeast Asian region. Although Indian intellectuals and diplomats started changing their perception decades ago, but it was not fast enough to cope with the challenges like India being identified with the Soviet block and Communist Vietnam, was viewed more as a threat, than a prospective partner for the ASEAN. It was only after the end of the Vietnam War and the dissolution of the Soviet Union that we witness substantial changes in the perception of the ASEAN towards India.

It was in 1992 that India became the sectoral partner of the ASEAN and it was in 1996 that it became the full dialogue partner and subsequently the member of ARF. On the other hand, Australia became an observer of the ASEAN immediately after its formation in 1967 and remained closely associated with the ASEAN deliberations. Australia has been a senior partner of the ASEAN and played constructive role in peace making and peace keeping. India’s contribution towards conflict resolution between Cambodia and East Timor had been globally recognized. The geopolitical realities of the region suggest that India has to learn a lot from Australian experiences while dealing with the Southeast Asia. Australia, China and India are the three large states on the three sides
of the Southeast Asia and their understanding and common strategies can transform socio-economic contours of the Asians.

Australia and India, the advocates of democracy and human rights, can contribute to building a regional consensus against terrorism and ethnic disputes. Australia built Lao-Thai Friendship Bridge over Mekong and thus directly linked China and ASEAN with the roadways. This phenomenon inspired Japan to construct another bridge over Mekong to facilitate trade and investment. Now the attention is given to link ASEAN with South Asia directly through rail and roadways. Tamu - Moreh road is insufficient to fulfill regional requirements. The network of railways and highways are needed to promote trade, investment and tourism and in that endeavour the contribution of India, China and Australia may prove crucial.

Australia has emerged an important partner of India especially in the post-Cold War era. It attaches importance to "Australia in line with its Look East policy" and Australia reciprocates the feeling through evolving "Look West Policy". Indian and Australian interests compliment each other in the ASEAN region and we attach importance to her because the two are collectively associated with ASEAN dialogue partnership, ASEAN Regional Forum and Indian Ocean Rim-Association For Regional Cooperation. India and Australia have been closely associated with regional peace negotiations and they contributed together in peace keeping in Cambodia. Australia claimed to be an integral part of the ASEAN region and considered latter as an area of its forward defence". Its substantial contribution in Southeast Asian Treaty Organisation, (SEATO) Five-Power Defence Pact (FPDP) and anti-Communist crusades were appreciated by the ASEAN leaders. (Gopal 2002: 159-66) On the other hand, India stood far behind in these calculations. Although Indians considered ASEAN region under the cultural and geographical domain of the sub-continent and spoke about cultural, linguistic and religious similarities and reminded of Southeast Asian references in various Indian literature and folklores, it did not influence much to transform ASEAN attitudes. It was only when India and Australia worked together for restoration of peace in Cambodia; it proved a turning point positively. ASEAN began to attach importance to India after the signing of the Cambodian peace pact in 1991. India became a "sectoral dialogue partner"
of the ASEAN in 1992 which was upgraded to full dialogue partnership status in 1996. Hence India also became a partner in ASEAN Regional Forum in the same year. The summit meeting of the ASEAN in Brunei in 2001 decided to hold a summit level meeting of the ASEAN and India, which was held in 2002 to provide new dimension and dynamism to our growing relations. (Ministry of External Affairs, Government of India, Annual Report, New Delhi 2001-2002: 13)

In fact, India, China and Australia are the three big countries on three sides of the ASEAN and they have great potentials to contribute to the security and prosperity of the ASEAN region. India and Australia are democratic regimes and their perspective about democracy and human rights are similar. If there is peace, stability and development in the ASEAN region, it is bound to suit the interests of the countries in the region, and at the same time, if there is chaos and anarchy, it will harm the interests of regional prosperity and integrative spirits. Both India and Australia will have to forget the lessons of cold war years and evolve a new mindset and common strategies with the ASEAN to promote our regional interests.

Australia and India were colonised by Great Britain for centuries and the two evolved democratic traditions, law and judicial system in the post-independence era. Australia opened its High Commission in New Delhi in 1944, much before India's independence and both became the partners in the commonwealth. (Australian Information Service, News Release, Australian High Commission, New Delhi October 1986) Senior officials from India's Ministry of External Affairs and Australian Department of Foreign Affairs have been meeting regularly in talks alternating between New Delhi and Canberra at which major international, regional and bilateral issues affecting the two countries are reviewed. Both the countries have established Joint Ministerial Commission, joint-Business council, and joint working Group on Energy and Minerals to promote trade and investment relations. Australian exports to India have been increasing at the rate of 30 per cent in the past five years and India is considered 13th largest export market of Australia. On the other hand, Australia is the eighth largest investor in India and shows keen interests in promoting joint venture projects. India - Australia relations received new momentum with the visit of Jaswant Singh, Minister of
External Affairs in June 2001 when India - Australia Foreign Ministerial Framework dialogue was launched. During this dialogue, a range of activities of mutual interest were identified. The highlight was the announcement to hold a security dialogue which was later held in New Delhi on 30 August 2001. This was preceded by Track II diplomacy in the form of India-Australia Security Round Table in New Delhi between Australian Defence Studies Centre and the centre for the Study of National Security, Jawaharlal Nehru University. (Australian Information Service, News Release, Australian High Commission, New Delhi October 1986: 13) These deliberations are bound to compliment the endeavours of the ARF whose primary goal is to promote confidence building and preventive diplomacy.

Needless to say that the partnership is growing slowly, but Trade and investment opportunities are expanding. Australian Department of Foreign Affairs and Trade have come out with a comprehensive study, entitled, India's Economy at the Midnight Hour: Australia's India Strategy, (1994) has examined business opportunities at length. It points out substantial growth in trade ever since 1992 wherein the exports grew by 24 percent and imports grew by 28 percent over the 1991 figures. India's trade linkages with Australia in the beginning were limited. India used to export camels and import coal in the colonial period but subsequently Indian garments, jewellery, footwear and spices also attracted the attention of the Australians. (Department of Foreign Affairs and Trade, India's Economy at the Midnight Hour: Australia's India Strategy, Canberra 1994: 129) In 1993, India was Australia's 15th largest export market. Australian exports to India were worth A$ 920 million while imports from India were worth A$ 407. Major Australian exports were cooking coals, wool, specialised machinery, and non-ferrous metals and ores. India exported textiles, clothing and footwear products. It also exported pearls, gems, fruits, nuts and chemicals. (Department of Foreign Affairs and Trade, India's Economy at the Midnight Hour: Australia's India Strategy, Canberra, 1994: 130-31)

Direct investment relations started growing in the 1990s. From A$ 16 million in 1989, it grew to Aus $ 21 million in 1991 in wholesale business activities, manufacturing and financial sectors. (Department of Foreign Affairs and Trade, India's Economy at the Midnight Hour: Australia's India Strategy, Canberra, 1994: 134-35) This figure increased
to A$ 41 million in 1992 in different collaborative areas. Although Australian investments in India were small in view of the total Australian investments abroad (A$ 36 billion), it was encouraging that the beginning was made. The largest Australian corporate presence in India is the ANZ Bank, resulting from its acquisition of the Grindlays International Banking network in 1984. ANZ Grindlays has 56 branches in India till Standard Chartered Bank acquired ANZ Grindlays in 2000. Other areas where Australia has made investments are financial services, cellular phones, concrete products, railway parts and radio communications. Notable Australian companies which have established joint ventures or consultancy agreements with Indian counterparts are Telstra with Modi Group for cellular telephones, Lexmark International for computer printers, Command Petroleum Holdings NL of Australia with Videocon Marubeni to develop offshore oil field of Ravva and Southern Pacific Hotels corporation to develop five-star hotels in India. India is also trying to reciprocate Australian investments. The two most significant investments are by Oberoi International Hotels which jointly manages the Windsor Hotel in Melbourne and the Tata Group, which operates a computing services unit in Australia. (Department of Foreign Affairs and Trade, STARS Database 2001)

It is understood that there is a vast scope for expanding trade and investment relations. The export opportunities for Australia in India are in the areas of manufacturing, wholesale and retail trade, construction, electricity, gas, transport and communications. India may like Australian collaboration in environmental, mining and agricultural technologies, telecommunications and education services. However, these relations can develop in the desired direction with the coordination of the ASEAN. The ASEAN Vision 2020, adopted in 1997, which was aimed at accelerating the process of economic integration in the region, proposed to create a stable, prosperous and highly competitive ASEAN economic region allowing for a free flow of goods, services, investments and capital, in addition to equitable development and reduction in poverty and socio-economic disparities. (ASEAN ‘Vision 2020’ 1997) These endeavours would get a substantial support if the volume of trade and investments of India with the Eastern neighbours are promoted. The Hanoi Plan of Action (1998), the first action plan of the ASEAN Vision, has proposed development of trans-ASEAN transportation network,
consisting of major interstate highway and railway networks, principal ports and sealanes for maritime traffic, inland waterway transport and major civil aviation links. It also focussed on interoperability and interconnectivity of the national telecommunications equipment and services, and on building tans-ASEAN energy networks consisting of the ASEAN power grid and the trans-ASEAN gas pipeline. (Sharma and Mehta 2000: 9)

It was in line with ASEAN vision that two projects, i.e. BIMST-EC and Ganga-Mekong cooperation, were mooted. Thailand had taken keen interests in the emergence of BIMST-EC but it was a coincidence that thereafter Thailand became embroiled in the economic crisis. There was great shortage of foreign currencies in 1997-98 when several banks and development projects were closed. This crisis gradually spread far and wide and work on several projects in different parts of ASEAN was stopped. This had adversely affected work on Ganga-Mekong Project, which has immense potentials to link ASEAN business with India. This project is not yet proving vibrant. Recent developments under the BIMST-EC and Mekong-Ganga cooperation framework have little output to cheer about. The partners of these groupings have a feeling that further cooperation among the member countries are needed in a focussed manner in order to achieve their goals and objectives. They have resolved that India, Myanmar and Thailand should work closely together on the development of infra-structure and transport linkages between the three countries in order to enhance trade, investment and tourism flows. (Ministry of External Affairs, Government of India, Annual Report, New Delhi 2001-2002: 21) It is indeed a reality that if the goals of Ganga-Mekong projects are achieved, it would compliment globalisation and free trade. Australia, Japan, Korea and China would have a direct access to enter India and other South Asian markets and it would facilitate trade between East Asia and West Asia. Australian expertise and technologies are superior and its presence in the region would further strengthen regionalism with its involvement in key projects in South Asia.

Australia has substantial contribution in establishing peace in Asia. It had participated in the UN peace keeping in Korea in 1949-50. It sent contingents of armed forces to participate in Vietnam War in 1967-68 under the aegis of SEATO. It supported Malaysia and Singapore against communist subversion under FPDP in 1957-58 and
assumed important role in conflict resolution in Cambodia during 1987-91. While playing its role in Asian affairs, Australia thought as an Asian and acted as an Asia. Whenever it kept ASEAN into confidence on major issues, its credentials of Asian identity was not questioned. However, on occasions when Australia ignored ASEAN opinion, it became subject of criticism. On some issues, like decolonisation, nuclear-free-zone (NPT) and fight against terrorism, Australian positions have been criticised. They are often perceived to adopt double standards on those issues and their actions are projected as the product of European mindset. It is quite well known that kanaks in New Caledonia have been fighting for independence ever since 1981. There has been lot of bloodshed and assassinations in that country in the past two decades. There have been demographic transformations and abuses of human rights have been reported. Again the movement for independence in Bougainville is a grave threat for the security of Papua New Guinea. The violence and bloodshed have been endemic on that island as well. Both New Caledonia and Bougainville are situated in the Backyard of Australia and naturally Australia was expected to assume a role in the conflict resolution. Again there had been racial conflict in Fiji, where the indigenous Fijians were trying to establish their racial and political dominance. All those areas were not focussed by the Australians but independence struggle in East Timor attracted their attention from the very beginning. Australia offered shelter to East Timorese support groups and fugitives and aided and abetted their political activities. It constantly remained in touch with East Timorese and Indonesian leaders and influenced Indonesian President B.J. Habibie to hold referendum. When Habibie announced to hold referendum, there were reactions and disturbances in East Timor. It was reported that Indonesian armed forces were aiding local Timorese militias to attack outspoken supporters of independence for East Timor. Australia expressed its concern and came forward to support the referendum processes. In August 1999, Australia provided police forces to protect referendum and sought UN intervention when East Timorese overwhelmingly voted for independence and provoked pro-Jakarta militias to indulge in large-scale destruction of life and property. Australia committed to hold referendum, also contributed the commander for peace keeping. Australia sent the largest single contingent (4,500 personnel) to the International force for East Timor. It subsequently dispatched about 2000 personnel to help the UN Transitional
Administration in East Timor (UNTAET). (McQueen 2002: 105) In the entire operation for referendum, US$20 million were spent, of which US$14 million were contributed by Australia. The share of Australian contribution in peace making and peace keeping in East Timor were far bigger than it had made for peace keeping in Cambodia, but the outcome of the two operations were different for Australia. The ASEAN leaders expressed their appreciation and gratitude to Australia for whatever it did to resolve the conflict in Cambodia, but their response to Australian role in East Timor were critical and negative. Indonesia was most unhappy with Australia for its operations in East Timor. Malaysia too was not happy and it was found that the over all response of the ASEAN leaders were of distrust. Their perceptual problems cropped up because Australia did not coordinate its East Timor activities with the ASEAN countries. As a partner in ASEAN, ARF, APEC and ASEM, it should have understood the opinion and sensitivities of the ASEAN countries before assuming an active major role in East Timor. It is a fact that Australia has lost much of goodwill in the ASEAN region and it would require great efforts and wisdom to bring about the situation in relations which prevailed before 1999. (Ghoshal 2002: 180)

NPT is another area on which Australian perception and policies attract criticisms from New Zealand. Australia claims to be a strong supporter of NPT and had been an active sponsor of the Rarotonga Treaty in 1985. However, when the treaty was signed, it was not Australia but New Zealand which banned the movement of nuclear ships in its waters and stopped ANZUS operations at Christchurch. Australia continued to assist its ANZUS partners and allowed movement of the nuclear ships. It has been unable to articulate and voice regional opinion against nuclear experimentation and nuclear dumping in the South Pacific region. (Ayson and Ball 2006:248-56) But when India conducted its nuclear experimentation in 1998, Australian reactions were strong and vociferous. On 14 May 1998, Australian Foreign Minister, Alexander Downer described Pokharan II as "Outrageous acts" while imposing sanctions on all bilateral, political and defence exchanges and on all humanitarian aid against India. (Australian High Commission, News Release, "Indian Nuclear Tests", New Delhi 14 May 1998) Indian responses to Australian reactions were limited. On 28 May 1998 India suspended all
bilateral military cooperation by disallowing Australian naval ships from visiting Indian ports and territorial waters and by cancelling all overflight facilities to Australian military aircrafts. (Government of India, Press Information Bureau, "India to withdraw Defence Attaché from Australia", New Delhi 28 May 1998) Thus there were strains in our bilateral relations. (Kaul 2000: 365-75) Analysts including those in Australia felt it was undiplomatic for a country which assiduously cultivated India to handle the nuclear testing issue in an insensitive way. Australia also tried to influence ASEAN countries in condemning India at the 3rd ASEAN informal summit at Manila in 27 November 1999.

Again Australia is keen to participate in fight against terrorism. Its leaders have given statements to that effect at international forums. It abhors the horrendous crimes of September 2001 committed by Al Qaida network in the US. Although Taliban and Al Qaida were liquidated in Afghanistan but these organisations generated international links. They have groomed Jemmah Islamiyah in Southeast Asia for the resurgence of Islamic powers. The operations of Al Qaida supporters are to spread the gospels of the Prophet Mohammad and establish Shariat laws for governance. They are trying to terrorise the people to accept the superiority of Islam over other religions. They have been indulging in large scale violence in areas where Christians, Buddhists or Hindus are located. They have inhuman ways and violent means to express their opinion and their brutal activities in Mindanao (the Philippines) and Bali (Indonesia) are shocking. Although steps were need to contain them, but it requires multi-lateral efforts to evolve common policies to tackle them. Indonesian and Malaysian governments are thinking that their security forces are sufficient to pin them down but recent developments suggest that their strength is limited. Islamic fanatics have increased their political influence at the highest levels. They are important elements in power politics of those countries and they have taken advantage of the evolving democratic institutions. Islam is increasingly interpreted as an essential element of nationalism is some countries of Southeast Asia and under the situation any harsh steps against Muslim fanatics or terrorists cannot be envisaged.

It is in this context that the ASEAN should be referred to for a suitable solution.

Australia, India, Japan, China and Korea are the important dialogue partners. If they
adopt a collective stand and articulate their opinion effectively at ASEAN post-ministerial meetings, and if they display their legitimate concerns against the spread of terrorism, especially Jemmah Islamiyah in a concerted fashion, the solutions may be searched within the ASEAN framework. Such a resolution supported by the ASEAN countries and dialogue partners can contain the rise of terrorist outfits. No country should try to intervene unilaterally in sensitive affairs. Moreover the ASEAN countries have been following the policy of non-interference in the internal affairs of one another and "Treaty of Amity and cooperation" is one of the basic guidelines for the conduct of diplomacy in regional politics. Although explosive situation prevails over the question of sovereignty of the Spratly islands and every claimants have right to protect their areas under their jurisdiction, yet they are searching out peaceful regional solution. They are indeed concerned about the rise of terrorist networks and they may be looking for peaceful regional solution.

In the broader context Australian debate on the extent to which the nation can or should align its policies with those of Southeast Asian nations or with the region as a whole. Antecedents for this debate can be found in the nineteenth century, and ‘Southeast Asia’ has been a preoccupation of Australian foreign policy makers since Federation. (Stargardt 1977)

Former Prime Ministers Paul Keating (1991-96) and Gough Whitlam (1972-75) both claim to have invented the idea of pursuing engagement or community in the Asia/Pacific region and both wrote books advancing their respective claims. (Whitlam 1981; Keating 2000) On the conservative side of politics, Percy Spender (Foreign Minister 1949-51) and R. G. Casey (Foreign Minister 1951-60, later head of state) paid great attention to diplomacy in the Southeast Asian region and also wrote books on this theme. (Spender 1969; Casey 1955)

In the era of the Hawke and Keating Labor governments, the nation's policymakers sought to enmesh Australia in the developing web of Asian multilateral institutions. Australia was one of the founding members of APEC, and the impetus towards the formation of an Asia-Pacific equivalent of the CSCE/OSCE
(Conference/Organisation for Security Cooperation in Europe) – realised in the ASEAN Regional Forum – was provided in part by the government advised by policy intellectuals. (Ball & Kerr 1996: 1-16) Australian scholars and officials were also active participants in the efflorescence of ‘Track 2’ organisations, notably CSCAP (Council for Security Cooperation in the Asia Pacific). A popular metaphor had Australia depending upon and balancing three sets of relationships, those entailed by the US alliance, by global obligations consequent upon UN membership, and by the strategy of Asian engagement.

The putative reasons for this trend to regional ‘engagement’ became a subject much debated in scholarly and policy literature. Economic, security and even social and cultural calculations informed this policy turn. The arguments ranged from the suggestion that growing economic complementarity would bring a convergence of economic and even social systems, (Garnaut, 1989) to the proposition that Southeast Asian engagement was a desirable or even logical policy to follow once Australia had embraced extensive immigration from Southeast Asia and also multiculturalism. On the security front, the notion that Australia was moving from seeking security ‘against’ Asia towards pursuing a security relationship ‘in Asia’ or ‘with Asia’ was one of the (essentially rhetorical) arguments advanced for helping to establish a CSCE/OSCE mechanism in the region. Some proponents of this view also extended the analysis to anticipate an era when Australia’s security bilateralism would be superseded by a comprehensive regional security system.

While the phrase ‘our region’ was often embedded in many of Prime Minister Paul Keating’s pronouncements, the precise geographical scope was ill-defined, though care was taken never to exclude the ‘Pacific’ wing (and thus by implication ties to the United States) of Australia’s network of economic and security relationships. The reality of Southeast Asia policy was thus less than fully partisan. Regarding this debate, Rawdon Dalrymple, in some respects a champion of a comprehensive national alignment with Asia, remarks ‘there is not sufficient focus on and interest in East Asia by Australians to generate a dynamic of the kind required to support a policy thrust such as
that which Paul Keating sought to implement’. If Keating’s enthusiasm for Asia was largely unqualified, it was also exceptional. (Dalrymple 2003: 108-141)

Upon its accession to power in 1996, the Howard administration in its approach to external issues designedly adopted a tone crafted to differentiate it from its Labor predecessor. It described its philosophical position as ‘realist’ and defined its principal objective in this area as a pursuit of ‘the national interest,’ defined in terms of the physical security of Australia and its citizens and their economic prosperity. In the words of the 1997 White Paper, *In the National Interest*: Preparing for the future is not a matter of grand constructs. It is about the hard-headed pursuit of the interests which lie at the core of foreign and trade policy: the security of the nation and the jobs and standard of living of the Australian people. In all that it does in the field of foreign and trade policy, the Government will apply this basic test of national interest. (*In the National Interest, Australia’s Foreign and Trade Policy*, Canberra: Department of Foreign Affairs and Trade 1997: iii)

Whereas in the Keating era republicanism was on the political agenda and aspects of the British inheritance and historical record were derided in favour of a new regional and historical identity, Howard rejected such re-evaluations as belonging to the ‘black arm band’ school of history. In a phrase that often occurred thereafter in public pronouncements and speeches, he declared: ‘we do not have to chose between our history and our geography’ (a phrase by repetition modified only to include the preamble, ‘time has only strengthened my conviction that ...’). Though in foreign policy the Howard-Downer administration did not explicitly reject the idea of ‘engagement’ with Asia, it deemed this strategy as desirable only if it served ‘the national interest’ thus defined, and if it did not require or encourage the abandonment of essential values and traditions – understood in terms of transparency and the rule of law.

As the Coalition government, and the Prime Minister in particular, became more confident in the execution of foreign policy, references to the philosophical assumptions behind government thinking became more frequent and more extended. The most consistently expressed was a dogged adherence to an insistence on the primacy of the
state in international affairs. In a major foreign policy speech in early 2005, delivered at a time when Australian bilateralism had scored some notable successes but when a place at the East Asian Summit remained elusive, the Prime Minister reaffirmed his view of the primacy of the state and also of the limitations of regional institutions. On the former he said that the ‘need for strong, effective and accountable states is a theme that emerges again and again in thinking about our global future. Despite all we know about the importance of non-state actors in the international system, the nation state remains the focus of legitimate action for order and justice in our world.’ On the latter, he argued Australia apparently did not ‘face a choice between multilateral institutions and alternative strategies to pursue our nation’s interests’, and while he acknowledged that there was enhanced interest in regional institutions, he expressed the view that ‘this region can only fulfil its promise in the 21st century with an open and inclusive architecture.’ (John Howard, Speech to the Lowy Institute 31 March 2005)

As will be considered subsequently, the decision to accede to the ASEAN Treaty of Amity and Cooperation was not taken without considerable resistance. Following that decision, the government’s declared position on the primacy of the state did not change. Speaking to the Asia Society in New York, Howard reaffirmed his view of the state and declared that ‘what matters most for our regional engagement is the substance of relations between countries, more so than the formal architecture of any diplomatic exchange’. (John Howard, Interview 7 April 2005)

At this time, the Prime Minister left specific comment on the EAS to Alexander Downer. And though he had come a long way from the somewhat condescending views of 2000 and 2001, and though he was careful to describe the Summit as ‘a very significant step forward in our engagement with ASEAN, and with the nations of East Asia generally’, Downer did not raise any great expectations regarding what this new process might achieve or portend. As he remarked in 2005, ‘the EAS is not an end in itself but one means towards the objective of building more effective regional associations of practical benefit to the Asia-Pacific region’. (Alexander Downer, Interview 12 April 2005)
If the state is the pre-eminent building block of the international system, then bilateral arrangements with states sharing the same policy objectives are likely to prove the best way to advance the national interest. The most striking invocation of bilateralism by the Howard government was its animation of the treaty mechanisms of ANZUS in response to the September 11 terrorist attacks. Throughout the Howard-Downer administration the maintenance and strengthening of the relationship with the United States was ostensibly the most important policy objective. The US was variously described as a country that shares many of Australia’s national values, as the strongest economy in the world and as the dominant global military and security power. The most comprehensive and arguably the least advantageous of all the main trade and investment bilateral arrangements that were negotiated by the Howard government was that with the United States. (Capling 2004) This fraternal view of the US accords, of course, with the traditional contention of the Coalition parties that they have consistently been the true trustees of the relationship with the US. It also reflected some specific attitudes regarding, on the one hand, the limitations of Asian multilateralism, and on the other the extent to which regional bilateralism could deliver in areas of policy of central concern to the Howard government. On the latter point, as will be later elaborated, it is noteworthy that Howard and Downer pursued closer bilateral defence and security ties with Indonesia, Japan and India (though not with China).

In the early years of the Howard-Downer administration there was a deliberate strategy of reducing that emphasis placed on the regional multilateralism that had been a distinctive feature of the Keating era. Thus, although the 1997 foreign policy White Paper, *In the National Interest*, described the ASEAN Regional Forum as ‘an important step forward towards the creation of a sense of strategic community’, it was careful to state the limitations of the institution: ‘The Government does not regard regional approaches to security as a replacement for strong bilateral security arrangements.’ (In the National Interest, Australia’s Foreign and Trade Policy, Canberra: Department of Foreign Affairs and Trade 1997: 38)

The 2003 White paper, *Advancing the National Interest*, expressed a similar point of view regarding the pre-eminence of the state and thus bilateralism: The actions of
nation states and their governments still have the greatest bearing on the world’s security and economic environment. So Australia depends on the strength of its bilateral relations around the world to advance its national interests. The greater part of the day-to-day work of Australia’s foreign and trade policy is bilateral advocacy – working to influence governments and others to take decisions that suit Australia’s as well as their own interests. *(Advancing the National Interest, Australia’s Foreign and Trade Policy, Canberra: Department of Foreign Affairs and Trade 2003: 7)*

Following September 11, in Australia as elsewhere, security issues have taken on the greatest prominence in the national agenda. According to the Howard government, the most significant threats to Australian security were posed by trans-national terrorism and by the proliferation of weapons of mass destruction. In describing the national strategy to deal with those threats prominence was given to bilateral agreements and also to the role of coalition operations. The negotiation of these mechanisms may be taken to illustrate the somewhat robust nature of the Howard government’s fundamental assumptions in an era of complex international interdependence. On the issue of terrorism, two government reports on the threat and measures to deal with it were released in 2004. *(Department of Prime Minister and Cabinet 2004)*

ASEAN, the ASEAN Regional Forum and APEC were all noted as having played a part in counter-terrorist activities, but bilateral efforts – especially between Indonesia and Australia, notably the establishment of the Jakarta Centre for Law Enforcement Cooperation (subsequently to involve other regional nations) – were given by far the greatest attention. Nevertheless, Australia co-hosted the Regional Ministerial Meeting on Counter-Terrorism in Bali in February 2004, and was prepared to participate in the declaratory diplomacy of the region, signing the ASEAN-Australia Joint Declaration for Cooperation to Combat International Terrorism on 1 July 2004. Regarding the problem of WMD proliferation, again the ASEAN Regional Forum received a brief mention, but global regimes and such ad hoc strategies as the PSI (Proliferation Security Initiative) provided the substance of the document. The most comprehensive statement of the Australian defence outlook was *Advancing the National Interests* which was released in
2003 to update the previous White Paper which had appeared prior to September 11. (Department of Defence, *Australia's National Security* 2003)

The document was more complimentary, noting 'the effectiveness of ASEAN as a force for change and the resolution of regional issues' and acknowledging the role of the Regional Forum in confidence building. (*A Defence Update* 2005: 13)

The regional financial crisis that began in mid-1997 negated the widely shared expectation, as expressed in the 1997 White Paper, that an increasingly prosperous Asia would inexorably bring Australia into its economic orbit while compelling a more judicious and nuanced approach by Canberra to more self-confident and perhaps even more assertive and capable neighbouring powers. The financial crisis highlighted the ambivalence in the Coalition's approach to the region. On the one hand, the government rapidly responded by providing US$1 billion to each of the international relief programs for Thailand, Indonesia and Korea. On the other, the crises provided an opportunity for the government to point to the distinctiveness of Australia's economic and even social systems as an explanation for why the nation - not being genuinely embedded in the region - was immune from the regional contagion. (Wesley 2002: 301-24) From being a pupil of the Asian dragons in the previous decade, Australia now volunteered itself as an instructor in the ways of reform. The government was successful in managing a significant reorientation in Australia's trade in Southeast Asia.

After decades in which Canberra had opposed bilateral trade agreements in support of its preferred alternatives of multilateralism and open regionalism, the Howard government adopted this strategy. Bilateral free trade agreements were concluded with Singapore (2003) and Thailand (2005) and negotiations commenced for similar agreements with China, Japan, Malaysia and the Republic of Korea (as well as Chile).

**The debate on the Treaty of Amity and Cooperation**

The original Treaty of Amity and Cooperation in Southeast Asia was intended exclusively for ASEAN member states. It was subsequently amended in 1987 and again in 1998 in order to allow other states to accede to the Treaty, and it became an ASEAN
objective to encourage its regional partners to take this step as an indicator of their regard for the goals of the organisation. The Treaty gives expression to the principles that animate the organisation. It affirms mutual respect for sovereignty, independence, equality, and territorial integrity, and the right for states to conduct their affairs free of external interference; in addition, the states party affirm that they will not engage in any activity that threatens the stability and wellbeing of another state and will avoid any use of force. As amended, the TAC also provides for the establishment of a High Council with dispute resolution powers.

The Treaty has never been taken to infringe the rights of states to remain within military alliances, notably FPDA and the various US arrangements with Thailand, the Philippines and Singapore. Nor does the treaty entirely remove the appeal to force in relations between the members of ASEAN. In 2005, for example, the territorial dispute between Malaysia and Indonesia in the Sulawesi Sea region led to the mobilisation by both sides of naval and air forces. And China’s accession to the TAC has had no discernible impact on Beijing’s plans to build multiple dams on the Mekong River, despite the deleterious effects this will undoubtedly have on water and thus food supply in the downstream states of Laos, Cambodia, and Vietnam. (Liebman 2005: 281-304)

Nevertheless, if the document is read carefully, it might be taken to imply that the conduct within Southeast Asia of all signatories should be bound by its principles. In the case of Australia, ANZUS provides for concerted action with the United States in order to respond not only to armed attack but also to the emergence of (unspecified) mutual threats in the ‘Pacific Area’. Post-September 11, the United States has affirmed its right to act unilaterally against both terrorists and ‘rogue states’ and has perceived developments in international terrorism in Southeast Asia as inimical to its interests. Australian lives have been lost due to terrorist attacks in Indonesia and Australian interests directly threatened by terrorist groups in that country and also in Singapore. In this context, in December 2002, the Prime Minister expounded a pre-emptive doctrine of his own. As he said in a media interview:
it stands to reason that if you believed that somebody was going to launch an attack against your country, either of a conventional kind or of a terrorist kind, and you had the capacity to stop it and there was no alternative other than to use that capacity then of course you would use it. (John Howard, ‘Sunday’ interview 1 December 2002)

These comments produced a storm of denunciations in Southeast Asia, with Malaysian Prime Minister Dr Mahathir threatening to withdraw from counter-terrorism cooperation with Australia, and a New Straits Times editorial describing Howard as ‘Uncle Sam’s Foremost Flunky’.

According to press accounts and commentaries, by this time Downer had become convinced of the need to enter the TAC. (Kelly 2006; Richardson 2005: 351-65) Meeting in Cebu in April 2005, the ASEAN Foreign Ministers acted to clarify the criteria that would provide entry to the EAS. Aspirant states would have to have substantive relations with ASEAN, be full Dialogue Partners, and accede to the TAC. Now that this requirement was formally stated, Australia would have to make a positive decision, otherwise an invitation would not be forthcoming. Downer was apparently able to persuade Howard of the advantages of accession. Only a week after the Prime Minister’s dismissive comments, Downer made the following remarks on the TAC: “we’ve got some problems with the treaty. I mean the thing is in this country we do interpret treaties and other legal documents very literally. I mean we take the words to mean what they say and so, you know, that is obviously a problem for us in terms of some of the language of the treaty. But I don’t want to go into it in any more detail except to say two things. One, I’m very optimistic that Australia will be part of the East Asian Summit process and I think that is very good news for Australia in terms of its participation in regional architecture. In terms of the Treaty of Amity and Co-operation well, I’ve had discussions during President Yudhoyono and Abdullah Badawi’s visits about this issue with my counterparts and further discussions last night with the Indonesian Foreign Minister, I think we can work our way through this issue”. (Alexander Downer, Interview 12 April 2005)
On 28 July 2005 a joint Australia-ASEAN communique announced Australia’s intention to enter the treaty. By this time Korea and Japan, despite their similarly active alliance relationships with the US, had themselves found it possible to accede to the TAC.

There is a further reason why Howard and Downer were for so long reluctant to countenance entry to the TAC regime. One of the criticisms made of the Keating administration was its readiness to enter international agreements independent of public or parliamentary scrutiny. Though very little criticism was voiced at the time, later on one of the complaints levelled at Keating related to the secrecy of his negotiation of the Agreement on Maintaining Security with Suharto’s Indonesia, an accord (Keating was later candid enough to admit) that would never have transited the House of Representatives. (Hartcher 1996: 18-27) An early foreign policy reform of the Howard administration was the introduction of a parliamentary standing committee – JSCOT (the Joint Standing Committee on Treaties) – to scrutinise all new treaty commitments. If Australia was to enter the TAC regime a government statement would be needed on the national interest entailed in such a step, and some of the very arguments made by government spokespersons for the last five years would have to be confronted. And given the ASEAN timetable, and especially the fact that a final decision on invitations to the EAS was to be made at the meeting of ASEAN foreign ministers in Vientiane, 25-27 July 2005, the government’s late manoeuvre meant its decision to accede had to be announced before the standing committee could review the issue.

The national interest analysis prepared for JSCOT was instructive of the government’s position. While Australia long satisfied the other conditions for participation in the EAS, the TAC posed a problem. (Joint Standing Committee on Treaties 2005) Following negotiations with his ASEAN counterparts, Alexander Downer wrote to the Lao Foreign Minister, Somsavat Lengsavad, outlining the position Australia had adopted on the TAC. Accession would not be ‘inconsistent with Australia’s treaty commitments, including on security matters’, notably ANZUS and Five Power. It would not place any limitation on Australia’s rights and obligations as a member of the United Nations, nor would it have any bearing on Australia’s relations with states outside of
ASEAN. And the dispute resolution role of the High Council would only apply with Australia’s express consent. The submission made a point of underlining the limitations that apply to accepting the ‘renunciation of the threat or use of force’ as required by Article 2 of the TAC by explicit reference to Article 51 of the UN Charter which recognises the right of states to engage in self-help for their national defence. (*Joint Standing Committee on Treaties* 2005: para 13)

Notwithstanding the limitations identified in Australia’s relations with the region in the analyses of Rawdon Dalrymple and Alison Broinowski, there is still plentiful evidence for the assertion that the Australian embrace of Asia is deepening with every year that passes. (*Dalrymple* 2003; *Broinowski* 2003) Being concerned explicitly with regional institutions, yet in some respects these are the bearers and essential animators of participation in Asian institutions if that participation is to be sustained and credible. A few data items must here suffice to illustrate the dimensions of this foundation. Of the approximately 800,000 Australians who live abroad, there are some 10,000 in China, more than 50,000 in Hong Kong, 12,000 in Indonesia and over 12,000 in Japan. (*Fullilove & Flutter* 2005) There are more members of the Australian Diaspora in Southeast Asia than in North America. Data from the 2001 census show that Chinese has now displaced, after 50 years, Italian as the second language of Sydney. Around 200,000 students from East and South East Asia study in Australian educational institutions each year. In Malaysia alone there are more than 100,000 alumni of Australian educational institutions, including some in very senior positions. The largest ten source countries for short-term visitors to Australia (mostly tourists, business visitors and family movements) include six from East Asia, namely (in descending order of magnitude) Japan, Singapore, China, South Korea, Malaysia and Hong Kong. This picture is almost directly mirrored in the destinations of departing Australians. (*Australian Bureau of Statistics* 2005)

More familiar trade data illustrate a similar trend. Of all Australian merchandise exports, 53 percent go to East and Southeast Asia, and by 2006 China had displaced the United States to become Australia’s second largest merchandise trading partner (though if service and investment flows are aggregated the US remains Australia’s largest economic partner). China’s rapid growth has been the most important determinant of the
programs as well as in security. In 2005, Australia announced the funding of 600 new postgraduate scholarships for Indonesians students to study in Australia. And in 2005, the Australian Defence Force resumed joint training with Indonesia’s Kopassus Special Forces as a counter-terrorism measure.

The Centre for Democratic Institutions at the Australian National University, funded by AusAID, has been conducting training programs for parliamentarians and officials not only from the Pacific, but also from Vietnam, Cambodia, Indonesia and East Timor.

As analysed by Michael Wesley, through a series of regional meetings he has labelled ‘the Bali process’, the Howard government attempted to promote a broader understanding of the problems posed by people-smuggling and money-laundering. (Wesley 2007: 189-200) After patient preparation of the diplomatic ground a considerable degree of policy convergence resulted, to an extent thereby bureaucratising and thus de-politicising what had been contentious issues, and opening the way for deeper functional cooperation between law enforcement, customs and immigration authorities. As the key partner in the process has been Indonesia, bilateral relations have also been significantly enhanced.

To mark the thirtieth year of ASEAN-Australia dialogue in 2004, the Australian Department of Foreign Affairs and Trade released two studies, one devoted to an overview of the relationship and the other to an analysis of Australian aid to the group. On aid, the ASEAN Australia Economic Cooperation Program (AAECP), which was described by the ASEAN secretariat as ‘the cornerstone of ASEAN-Australia dialogue relations’, had expended to that time over A $200 million principally on technology transfer and training. (‘ASEAN-Australia Dialogue’ 2004; AUSAID 2004) The emphasis in the program, which included funds especially for expenditure in Myanmar/Burma, Cambodia and Laos, was on governance and on bridging the gap between the less developed states and the original ASEAN membership. As a source of aid the AAECP, though undoubtedly useful and welcome, was not especially generously funded. To place
its budget in perspective, in 2004-05 Australian bilateral assistance to Indonesia, the Southeast Asia’s largest recipient of Australian aid, stood at around A $151.7 million.

The official overview of the relationship recounted the many and varied trade, aid, and education ties that bind Australia to the countries of Southeast Asia. But the ties thus enumerated were overwhelmingly bilateral and largely (setting aside FPDA) economic. In addition to the development dimension already noted, the specific contribution of ASEAN as an organisation was restricted largely to its role as facilitator and chair of the ASEAN Regional Forum. (Department of Foreign Affairs and Trade, ASEAN and Australia: Celebrating 30 years 2004)

Bilateralism was the preferred option on the issues that counted most. The February 2004 regional meeting on counter-terrorism in Bali, co-hosted by Alexander Downer and Dr Hassan Wirajuda, at which representatives from all ASEAN countries were present, was part of a concerted attempt to develop a network of issue specific linkages. The Coalition government considered that the twelve bilateral memorandums of understanding negotiated on counter-terrorism – with Malaysia, Thailand, the Philippines, Indonesia, Brunei, East Timor, and Cambodia, in addition to agreements with Papua New Guinea, India, Pakistan, Turkey and Fiji, as well as the stationing of AFP officers in the capitals of most of those countries – constituted the best available arrangement for international cooperation on this issue. And according to the Howard government’s view, Australia’s success in the region was pre-eminently to be measured by such indicators.

With Southeast Asia of enduring strategic relevance, and Jakarta and Canberra facing the common dangers posed by Islamic extremism, a network of law enforcement, counter-terrorism and human security links with Indonesia were forged, culminating in the bilateral Framework for Security Cooperation adopted in November 2006. The ‘Framework for Security Cooperation’, subsequently referred to as the Lombok Treaty, was signed by the foreign ministers of the two countries on 13 November 2006. For the most part, it brought together pre-existing initiatives, as could be seen by the fact that (under Article 6) the extant Indonesia-Australia Ministerial Forum was specified as the
implementing mechanism. Indonesia did secure, however, a novel guarantee that Australia would not support or foster separatist movements in its territory, clearly a provision included with West Papua in mind. But as Downer noted in his remarks at the time, this measure would not obstruct freedom of speech or other freedoms recognised in Australia, so quite what would be meant by this undertaking in practice was not clear. (Alexander Downer, ‘Joint Press Conference with Indonesian Foreign Minister Dr Hassan Wirajuda’ 13 November 2006)

The foreign policy direction of the Rudd government has yet to become completely explicit though the earliest initiatives have been suggestive. Already Australia has joined the Kyoto Protocol and announced the withdrawal by mid-year of Australian combat forces in Iraq. Setting aside these first steps in policy, some further inferences can be drawn from long-established Labor positions on external issues. (Rudd 2004) While the leadership was careful in the 2007 election campaign to underscore the strength of bonds to the US, there was undoubtedly unease at the extent of Washington’s unilateralism and, accordingly, automatic support for further adventures of this character (for example, punitive action towards Iran) cannot now be assumed. On China, Kevin Rudd has stated the need to construct a long term framework for comprehensive relations, to transcend what has been criticised as an excessively economic approach. By contrast, the Labor Party has been cautious on the deepening of security relations with Japan; they have also expressed explicit criticism of the Howard government’s decision to sell uranium to India in the absence of Delhi’s membership of the Nuclear Non-Proliferation Treaty. Much greater attention will be paid to Asian regionalism and to multilateral strategies more generally. While the term ‘global governance’ was never to be found in Coalition pronouncements this is one with which the present government is conversant. These commitments have yet to be tested, however, by the exigencies of global events.

Australia’s national leadership passed to individuals who have explicitly embraced the notion of ‘global governance’ and have expressed strong criticism of the Coalition’s priorities and of their neglect of the advantages represented by adept multilateral diplomacy. In particular, while in opposition, Kevin Rudd’s qualified approach to Japan (and, to an extent, to India) could be contrasted with his enthusiasm for
a more comprehensive and longer term China connection. It remains to be seen, however, to what extent the diplomatic momentum of the past decade is amenable to a significant course correction.

The ASEAN is an organisation with 10 members and 10 dialogue partners, encompassing powerful countries of the Asia-Pacific. Southeast Asia has 500 million people with US$37 billion of income and US$720 billion of external trade. (Sharma and Mehta 2000: 5) if dialogue partners are included, the volume of income and external trade of the association is larger. The ASEAN is endeavoured at acceleration of economic growth, social progress, cultural development and regional peace and stability. All these aforementioned issues are important for development of the region. Although the issues of democracy, human rights and terrorism are pertinent and there may be compelling circumstances to attend them, but ASEAN will not tolerate imposed solution.

India attaches utmost importance to ASEAN under the framework of "Look East Policy". Hence our economic, cultural and security understanding and partnership are growing. Indo - ASEAN trade grew from US$2.9 billion in 1992 to US$6.5 billion in 1996. Bilateral trade grew further to US$7.35 billion 1999 but came down subsequently to US$6.96 billion in 2001. (Ministry of External Affairs, Government of India, Annual Report, New Delhi 2001-2002: 13) India considers its partnership with the ASEAN as an important step towards globalisation and free trade. It is through the ASEAN that India can aspire to promote its interest in Asia-Pacific. It is also through ASEAN that it would like to promote its interest in Australasia. It is desirable on the part of Australia to understand the emerging paradigm and framework for possible intervention in the region and trust India for regional strategies.

East Asia Summit and India

There is little dispute about the rise of Asia as the most dynamic region in world politics. This region accounts for nearly 60% of the world's more than 6.1 billion population and nearly $30bn of GDP that outweighs that of Europe. Asia commands global attention both for its economic growth (and potential for growth) as also the
security challenge. Economic growth of the region is led by China and India, but many other economies are also growing fast. In security terms, it is not only the main theatre for the pervasive and, what seems to be an unending, global war on terrorism, but also is the region of persisting and protracted political and ethnic conflicts and insurgencies. Asia also poses the challenge of global security for being the continent where most of the emerging and aspiring nuclear weapon states are located. And then, there is the most haunting spectre in Asia of poverty and inequality, democratic denial and distortions, failed and failing states, human rights abuses and spread of HIV/AIDS and Avian Flu.

Economic growth in Asia is driven almost wholly by its eastern flank i.e. East Asia. Except for the location of energy (hydrocarbon) resources in West and Central Asian regions, centers of trade, investments, financial reserves, natural resources, manufacturing hubs, service providers, human resources and science and technology development are located in East Asia. All the dynamic economies, expanding markets and major regional players like China, Japan and India also belong to Asia's eastern and southeastern flank. There are several regional cooperation initiatives being pursued in Asia, but one of the most successful and innovative among them is the Association of Southeast Asian Nations (ASEAN), which, along with the Asia Pacific Economic Cooperation (APEC), involves East Asian countries. East Asia's proclivity towards going beyond regional cooperation and initiating newer, resilient and enduring processes for regional integration is also clearly evident. China's initiative in organizing the Boao forum, Thailand's urge for setting up an Asian Cooperation Dialogue and Japan's pursuance at track two level, of Japan, ASEAN, China, India and Korea (JACIK) forum may be recalled in this respect. Amidst all these efforts, yet another initiative has been taken in the form of East Asia Summit (EAS) in December 2005 to advance the cause of cooperation and regional integration in Asia.

The EAS is different from some of the other regionalism initiatives in East Asia. In contrast to ASEAN and APEC, it is much broad-based and does not have any direct or indirect association with any extra-regional great power. In that sense, it is driven by authentically indigenous impulses from within the region in true sense. It is also broad-based in its scope and agenda. While the initial EAS thrust is on building free trade area,
eventually, its aim is to help evolve an Asian community that will cover strategic (political and security) and cultural aspects of the 'regional architecture'. The question of EAS' economic and strategic potentials as well as prospects i.e. building of the Asian Community is not going to be without challenges and pitfalls, which will be identified and addressed in this paper. India's inclusion in the EAS, however deserving, came after considerable diplomatic efforts on the part of not only India but also a number of other countries at the last moment.

The origin of the idea of EAS can be traced to the then Malaysian Prime Minister Mohammad Mahathir's call for setting up an East Asian Economic Group (EAEG) in December 1990.¹ There could have been diverse considerations behind this proposal. Most important of them was Mahathir's reaction to the emergence of trade blocks in the Western economies, which he considered could be "an impediment to fair and just trade" in the world elsewhere. There was also the fear that emergence of trade blocks may suck most of the investments from countries like Japan, at the cost of tiger and developing economies of Asia. Mahathir was perhaps also reflecting the disappointment resulting from the failure of Uruguay Round of negotiations on world trade which got stuck on the issues of agricultural subsidies. This failure raised the possibility of expansion of managed trade and aggressive resort to unilateral action on the part of the developed economies by invoking the article of Super 301. Therefore, if the crisis in the multilateral trade was to be responded to by the developed countries by building regional blocks, then Asia also could not avoid this option.

However, the possibility of Mahathir thinking of engaging China and Japan more closely with the economic dynamics of Southeast Asian economies also cannot be ruled out. This could also have a positive political fall out. Such economic engagement could soften Southeast Asian countries apprehensions about China in future. It is interesting to recall in this respect that the idea was mooted before the Chinese Prime Minister when Mahathir also referred to China's policy of peaceful co-existence. He said: "ASEAN's success in economic development and regional cooperation might not have come about as

¹ Mahathir made this proposal in his banquet speech before the visiting Chinese Prime Minister Li Peng in Kuala Lumpur on December 10, 1990. Text of the speech is available at the website of the Malaysian Prime Minister's Office.
easily if we had not earned the cooperation and understanding of big powers like the People’s Republic of China, a close neighbour. We are happy to see China’s commitment to the principles of peaceful co-existence and non-interference in each other’s internal affairs often reaffirmed by China. This has been a vital factor in the building up of confidence between the People’s Republic of China and Malaysia”.  
(www.pmo.gov.my/ucapan/?t=2003&b=all&m=s&p=mahathir)

Years later while inaugurating Malaysia-China Partnership Summit in 2003 at Seri Kambangan, Malaysia; he referred to his EAEG proposal as a possible mechanism for defusing any potentially dangerous disputes. This proposal could also be a mechanism for “resolving challenges and creating opportunities for Southeast Asian countries to benefit from China’s prosperity and stability.” (For the summary of Mahathir’s Statement at the Partnership Summit 2003, see People’s Daily Online http://english.peopledaily.com.cn/. Also see Peoples’ Daily September 19, 2003. http://english.people.com.cn/200309/19/eng.)

The Malaysian proposal of EAEG was endorsed by all the ASEAN members, except Indonesia which appeared somewhat reserved. Japan, South Korea and China did not endorse the proposal “fearing it would exacerbate trade friction with the US, their largest single market.” (Richardson 1993) This fear was based on the fact that the strongest opposition to this idea came from the US. The then US Secretary of States, James Baker claims in his memoirs that he had done his best to kill this idea. (Acharya Financial Times (London) December 14, 2005). He described it as a dangerous idea that would draw a line in the Pacific Ocean and split Japan and the US. The US Vice-President Don Quayle termed EAEG as an attempt to duplicate and undermine APEC. (Business Times (Singapore), May 25, 1991) In view of such criticism, EAEG was renamed as East Asian Economic Caucus (EAEC) and was redefined as being not more than a pressure group within the APEC.

Most of these critics were answered by Mahathir and his close advisors and supporters. The Director General of Malaysian Institute of Strategic and International Studies, Noordin Sopiee asserted that the EAEC stood for open and global trading system
as its aim was to resist the erosion of multilateralism and rise of the tendency to manage trade through regional blocks. It was neither exclusivist nor racist because the EAEC will just work as a pressure group to raise East Asia's concerns in multilateral economic diplomacy. It did not only exclude the Western or the white nations as even the east Asian countries like North Korea, Laos, Myanmar and Cambodia were out of it. He further added that even UN and GATT were not all inclusive. "EAEC was founded purely on economic and geographical considerations, not upon exclusivism and racism". (Sopiee 1995) Mahathir himself argued on these lines to assuage Western apprehensions that his proposal was not aimed to push the US and the West out of the Asia-pacific region.

Such explanations however, did not cut much ice with the US policy makers and analysts. (Goh 2005) The US also added a security dimension to its reservations on the EAEG proposal. The US Under Secretary of Defence Joseph Nye said in a presentation in Tokyo that if the idea of EAEG was pursued, the US may consider withdrawing from the region's security structure because the US would be excluded from the region economically. (APEC and the Environment: A Report to the Rio + 5 Conference 1997, www.focusweb.org/publications/1997/APEC%20and%20the%20environment.htm) The fear of Chinese domination in the region was projected by underlining the rise in China's air and sea power capabilities. Japan was also signaled that it may have to pay more for security if it wanted to keep the US troops on its territory and the US military presence in the region.

It was suggested that such unhealthy prospects would be strengthened if Mahathir's proposal really got going. Mahathir tried to persuade Japan to take the leadership of his EAEC proposal so as to meet some of the US objections and assure the US that the proposal did not mean to harm the US economic stakes in the region. But Japan was not willing to take the lead on EAEC. Besides US reservations on the proposal, Japan was apprehensive that its leadership would not be accepted in many of the Southeast Asian countries where it was perceived as an expansionist and imperialist power. From Japan's perspective, it was considered safer to operate in the Asia-Pacific region under the overall security and economic umbrella of the US rather than appear to
be willing to emerge as a leader or a competitive power centre in the region. (Mjoset and Nordhaug 1999) In the face of Japanese unwillingness and US opposition, the EAEC proposal had to be put on the back burner.

The EAEC idea was again revived in the context of the currency crisis in Southeast Asia in 1997. This crisis lasted for nearly three years. To deal with the crisis, Malaysian Prime Minister Mahathir had even tried to delink his country’s currency from the US dollar. Other ASEAN countries also started thinking of innovative ways to deal with the economic pressures. The establishment of ASEAN + 3 (China, Japan and Republic of Korea) (APT) Summit mechanism was one of the regional responses to the economic crisis.

China refused to devalue its currency with the view of helping the ASEAN economies and Japan had provided significant amounts of assistance to these countries though Japanese economy itself was under considerable pressure. The APT at its summit meeting in 1999 issued a Joint Statement in support of East Asian Cooperation. Their main concern was the growing domination of APEC by the US and the use of this mechanism to manage trade to the disadvantage of the ASEAN and regional economies. In this Joint Statement, the APT countries agreed to “advancing East Asian collaboration in priority areas of shared interests and concerns…”. (Text of the “Joint Statement On East Asia Cooperation”, para 5. Third ASEAN Informal Summit, Manila, November 27-28, 1999. ASEAN Secretariat www.aseansec.org/691.htm) The revival of the idea therefore, had its original anti-West/anti-US thrust. Japan, a western strategic ally was also feeling the heat of the US economic pressures at a time when regional economies were already facing problems.

With the objective of reviving the economic dynamism of the APT countries, two separate groups, one on East Asian Vision and second on East Asian Study Group, were appointed in December 1998 and November 2000 respectively. The Vision group submitted its report in March 2001, suggesting 23 measures not only in economic and financial sectors but also in political, security, environmental, energy, cultural, educational, social and institutional sectors to revive the region’s dynamism. It also
mandated the East Asia Study Group to submit its report to the APT in 2002 which was accordingly done when the APT met in Cambodia.

The East Asia Study Group strongly urged moves towards institutionalizing East Asian Cooperation and recommended the setting up of an East Asian Forum. At the second meeting of the East Asia Forum in Kuala Lumpur on December 6, 2004, the Malaysian Prime Minister Dato Abdullah Badawi drew a ‘route map’ for building East Asian Community, starting with the East Asian Summit proposed to be held in Kuala Lumpur in December 2005. (Key Note address of Prime Minister Badawi at the Second East Asia Forum Meeting on December 6, 2004, Text, ASEAN Secretariat. http://www.aseansec.org/16952.ht.) EAS may be seen as the culmination of these efforts.

The core question that had to be resolved before convening the EAS was about its composition; whether it was to be an institutionalization of the APT or it should acquire a broader canvass. There were divisions on this issue both within the ASEAN and also in the +3 component of APT. Within the ASEAN, Malaysia was strongly for APT group of ten countries to become an East Asian group on the lines of Mahathir’s idea of EAEC. Mahathir, even after voluntarily laying down his Prime Ministership was actively canvassing the retention of original EAEC form. He was not in favour of including any other country except the APT members. On the inclusion of countries like Australia, Mahathir said that Australia was neither East nor Asian and that its inclusion will add no value to the group except to enable Australia to function as a proxy for the US.

Singapore, Indonesia and Japan, were equally emphatic in broadening the group by inviting other important regional countries like India, Australia or even US. At the +3 level, China favoured the existing 13 (10+3) APT countries without any more inclusions but Japan insisted on a broader group and inclusion of India, Australia and New Zealand.

It was clearly evident that Japan had shed off its earlier reservations about the viability of an East Asian group and was willing even to play an active role in its constitution. Geo-strategic and economic context of the region had changed and Japan was now seeking an active and politically assertive role not only in regional but world affairs. (Jain, 2006) In view of China’s growing economic and political clout, Japan was apprehensive that an
APT group will come under Chinese influence and domination. The only way to keep China constructively engaged in the region while deterring its propensity to dominate was to get other players into the regional grouping.

After a series of discussions at various levels, finally a consensus emerged in the form of a three way criteria that said that, (i) membership of EAS should be based on accretion to ASEAN Treaty of Amity and Cooperation (TAC), (ii) any prospective member must have substantive relationship with ASEAN and, (iii) have the status of ASEAN dialogue partner. India and New Zealand acceded to the Treaty of Amity and Cooperation, to qualify for the EAS membership. Australia also did so, but only at the last moment, just before the EAS met. There again Australia emphasized that its singing the Treaty of Amity and Cooperation would not affect its ‘existing security arrangements’, Australia’s obligations and rights under the UN Charter and Australia’s relations with the countries other than members of ASEAN’. (“The East Asia Summit”, Strategic Comments, IISS, December 2005)

The Malaysian Prime Minister described Australia and New Zealand as not being East Asian countries. The US has refused to sign the TAC and as such could not claim membership of EAS. The US could not have joined the EAS also because of strong Malaysian and Chinese opposition. Conceptually, US could not be a part of Asia, least of East Asia. (Milner and Johnson, 2002) At the last moment, since the Russian President Putin was present in Kuala Lumpur for the ASEAN summit, Malaysia invited Russia to meet the EAS leaders as a guest at the first EAS held in Kuala Lumpur in December 2005.

The Summit

Sixteen countries participated in the first EAS summit in Kuala Lumpur on December 14, 2006. The 16 countries involved in the first EAS in December 2005 are Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia plus the three additional members of ASEAN Plus Three China, Japan, South Korea plus India, Australia and New Zealand.
For a general profile of all the participating countries, see the Table below.

**TABLE 4.1**

**Country Profiles Of East Asia Summit Members**

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<tbody>
<tr>
<td>Australia</td>
<td>20.2 m</td>
<td>A$1=US$0.7666 (Jun2005)</td>
<td>692.4</td>
<td>33,629</td>
<td>2.6</td>
</tr>
<tr>
<td>Brunei</td>
<td>0.4 m</td>
<td>A$1=B$1.2815 (Jun 2005)</td>
<td>5.7</td>
<td>15,764</td>
<td>1.6</td>
</tr>
<tr>
<td>Myanmar</td>
<td>50.2 m</td>
<td>A$1=710.5280 Kyats(2004)</td>
<td>10.4</td>
<td>205</td>
<td>1.3</td>
</tr>
<tr>
<td>Cambodia</td>
<td>13.8 m</td>
<td>A$1=3,131.68 Riels (Jun 2005)</td>
<td>4.6</td>
<td>317</td>
<td>1.9</td>
</tr>
<tr>
<td>China</td>
<td>1,299.8 m</td>
<td>A$1=6.3450 Yuan (Jun 2005)</td>
<td>1,851.2</td>
<td>1,416</td>
<td>9.1</td>
</tr>
<tr>
<td>India</td>
<td>1,080.3 m</td>
<td>A$1=33.4125 Rupees (Jun 2005)</td>
<td>750.8</td>
<td>685</td>
<td>7.1</td>
</tr>
<tr>
<td>Indonesia</td>
<td>223.8 m</td>
<td>A$1=7,384.79 Rupiah (Jun 2005)</td>
<td>280.9</td>
<td>1,237</td>
<td>5.7</td>
</tr>
<tr>
<td>Japan</td>
<td>127.3 m</td>
<td>A$1=83.2790 Yen (Jun 2005)</td>
<td>4,694.3</td>
<td>36,841</td>
<td>1.2</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>48.2 m</td>
<td>A$1=775.9676 Won (Jun 2005)</td>
<td>819.2</td>
<td>16,897</td>
<td>3.1</td>
</tr>
<tr>
<td>Laos</td>
<td>5.8 m</td>
<td>A$1=8,061.24 Kip (Feb 2005)</td>
<td>2.7</td>
<td>451</td>
<td>7.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>25.5 m</td>
<td>A$1=2.9132 Ringgit (Jun 2005)</td>
<td>129.4</td>
<td>4,989</td>
<td>4.8</td>
</tr>
<tr>
<td>New Zealand</td>
<td>4.1 m</td>
<td>A$1=NZ$1.0820 (Jun 2005)</td>
<td>108.7</td>
<td>26,373</td>
<td>2.7</td>
</tr>
<tr>
<td>Philippines</td>
<td>86.2 m</td>
<td>A$1=42.3019 Pesos (Jun 2005)</td>
<td>95.6</td>
<td>1,088</td>
<td>5.1</td>
</tr>
<tr>
<td>Singapore</td>
<td>4.2 m</td>
<td>A$1=$1.2815 (Jun 2005)</td>
<td>116.3</td>
<td>27,180</td>
<td>3.7</td>
</tr>
<tr>
<td>Thailand</td>
<td>64.6 m</td>
<td>A$1=31.3293 Baht (Jun 2005)</td>
<td>178.1</td>
<td>2,736</td>
<td>4.5</td>
</tr>
<tr>
<td>Vietnam</td>
<td>82.6 m</td>
<td>A$1=11,594.08 Dong (2004)</td>
<td>51.0</td>
<td>610</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: Data from Country Fact Sheets, Department of Foreign Affairs and Trade, Government of Australia, Canberra.
is leading ASEAN to emphasize ASEAN community building as a priority over the East Asian Community building. For the time being, the ASEAN priority has been endorsed against the Chinese preference for ‘ASEAN plus three’ to serve as the core of the EAS. China had accordingly drafted the Summit Declaration and was keen to host the second summit, but could not carry the rest of the members along on its preference. India and Japan on the other hand are insistent on laying stress on the larger canvas of community rather than limiting the initiative to ASEAN or ASEAN +3. India was forceful in its demand that the commitment to the idea of building “community” must be highlighted in the summit document. (Congressional Report on East Asian Summit November 25, 2005)

The acceptance of ASEAN as a core and priority for building ASEAN Community first could be seen as a compromise between the Chinese and Indian positions. The competitive drives of the three tiers of EAS namely; ASEAN, ASEAN+3 and ASEAN+1, which does not seem to have died out after the adoption of the Summit Declaration making the process ASEAN driven, will have to be harmonized for the EAS processes to advance. In effect the EAS process will amount to ASEAN in dialogue with the rest of the EAS members. If the ASEAN community building takes longer than expected and the EAS process drags, non-ASEAN members of the EAS may start losing enthusiasm, if not interest, altogether in it.

The mundane aspects of institutionalization however, being put in place. Senior Officers Meetings (SOM) have started taking place to carry the Summit decisions forward. The first EAS ad hoc consultations of the SOM were held in Karambunai Sabah, Malaysia on May 20, 2006. These discussions paved the way for the second SOM. It was then decided to have an EAS Foreign Ministers luncheon consultation, to give final shape to procedural matters, including periodicity of the Summit. The second EAS SOM consultations and the Ministerial luncheon meeting were held on July 26, 2006 in Kuala Lumpur. It was reiterated that the second EAS would be held in Cebu, Philippines in December 2006. The EAS would continue to serve as a “discussion forum” for dialogue on “strategic, economic and political issues” of mutual concern. The EAS was not expected to undertake specific proposals but to facilitate speedier integration of ASEAN. The EAS Foreign Ministers expressed deep concern on the failure of the Doha round and
because that was being pursued in the form of FTA within ASEAN. But cooperation on these five identified areas was also expected to be carried forward through the “existing ASEAN mechanisms.

The fourth area of tension in the EAS is its relationship with other regional organizations functioning in the region, such as ASEAN, ARF, APEC and various other sub-regional groups. The boundary between ASEAN and EAS is hazy and even confusing. If the purpose of the EAS is to encourage ASEAN community building, then what is ASEAN meant for and what independent identity ASEAN or EAS can retain vis-à-vis each other. The question that is posed here is that if EAS will help ASEAN build itself as a community than what will ASEAN mechanism on its own do. There is also a realization that ASEAN community building has challenges and the whole process will be slower.

Talking to the journalists after the ASEAN Foreign Ministers retreat at Bali on April 20, 2006, the Singapore Minister George Yeo said; “There was a collective impatience at the speed at which ASEAN was moving. There was a strong wish expressed by all of us that the Secretariat should be strengthened, follow-up should be improved, and that we need a stronger structure and better mechanisms to achieve our internal coordination”. (Press Release of the Ministry of Foreign Affairs, Singapore April 20, 2006)

If this situation persists than ASEAN can even become a drag rather than a driver for the EAS process. There are opinions in the ASEAN countries that may wish the EAS process to advance slowly so that ASEAN’s identity is not blurred. Besides ASEAN there is also the ARF, the only forum of its type in the Asia-pacific region to deliberate upon security issues. Here again the boundaries are not well defined between ARF and the EAS’ role in ensuring peace and security in the region.

Then there is a question of relationship between APEC and EAS. It may be recalled here that the idea of East Asian grouping had emerged in reaction to the perception of US domination of APEC. China and Malaysia have even argued that the East Asian countries should form a pressure group within the APEC to ensure protection of their rights. The Philippines President Mrs. Gloria Arroyo joined the Malaysian Prime
Minister in urging ASEAN to ‘embrace China, Japan, South Korea and India’ to form a larger grouping under EAS so that this larger group could face US, Europe and other emerging entities strongly on economic matters. (The Strait Times February 22, 2005) Perceptions in the US have been quite contrary to this.

Fred Bergsten, former US Treasury Under Secretary, and the present Director of Institute for International Economics was of the view even before the convening of EAS that it could grow only through “the process of hemispheric integration” through APEC. In a speech in Tokyo on September 2, 2005, he said: East Asia project, like the European and North American regional integration projects before it, must be embedded in broader geographical initiatives to assure realization of its positive potential for the world at large and to assure other countries notably the United States, that it is irrevocably headed in a constructive direction. (Bergsten 2005)

By implication, the EAS, as it has emerged without the US and with the aim of becoming a source of pressure on APEC, may not be seen as heading ‘in a constructive direction’. How will the US react to its evolution remains to be seen, though apprehensions are ripe among the EAS diplomats that the US might pay greater attention to the APEC, strengthen it even by including more members like India in order to undermine the EAS.

The dynamics of the tension points identified above will unfold gradually with the process of EAS evolution and the prospects of community building. The possibility of these points slowing down and distorting the process of EAS evolution exists considerably. No body should however, also have any doubt that the resilience of EAS members and progress in the regional integration may gradually weaken and even eliminate these tension points. More so because the potential of economic integration in EAS is much stronger and every member country realizes that greater economic integration and cooperation in the region will be beneficial to all. Let us look at the potential and prospects of community building in the EAS region.
Potential and Prospects – Economic

EAS is a region of strong and fast growing economies. It is considered the third pole of world economy after the US and Europe. Its four major economic players namely Japan, China, India and Korea are among the twelve largest ranking global economies. Besides these four major players, at least half of the remaining 12 economies of the region are fastest growing economies like that of Singapore, Thailand, Vietnam, Malaysia etc. All of them put together account for nearly one fourth of the global economy as a whole (Burton et al 2006)

As a region, the EAS has sustained an impressive growth momentum, except for the period of economic crisis during 1997-2000. This growth has continued after the crisis period and will be sustained in coming years. In 2004 and 2005, the EAS registered 7.9% and 7.2% growth respectively. The estimates for 2006 and 2007 are 7.5% and 6.9% respectively. According to the Asian Development Bank’s estimates, this growth will be sustained by the ‘broad-based expansion’ and diversification in the major industrial countries of the region like China, Japan, Korea and India, and robustness of the global Information Technology regime. In maintaining this high growth, the EAS countries have shown their resilience and dynamism in adjusting with the ‘increasing energy costs’, ‘persistent inflationary pressures, tighter money conditions and financial volatility’. (Regional Economic Outlook - Asia and Pacific, International Monetary Fund May 2006)

The prospects of sustained higher growth scenario in the EAS region may be hampered by some unexpected development like the fall in ‘external demands’, unmanageable hike in energy costs, decline in global ‘financial conditions’ and unexpectedly faster cooling down of the over-heated Chinese economy. It is however hoped that the regional leaders are conscious of these hazards and are prepared to address them. (Regional Economic Outlook - Asia and Pacific, International Monetary Fund May 2006) Some broad parameters of economic comparison between EAS and other developed regions are presented in Table 4.2:
### TABLE 4.2

EAS and the Developed Countries’ Regional Groupings (Billions, US Dollars)

<table>
<thead>
<tr>
<th>Parameters</th>
<th>EU</th>
<th>NAFTA</th>
<th>JACIK (14)</th>
<th>EAS (16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross National Income, PPP</td>
<td>10137</td>
<td>12847</td>
<td>16058</td>
<td>16716</td>
</tr>
<tr>
<td>% of World Total</td>
<td>20.14</td>
<td>25.53</td>
<td>31.91</td>
<td>33.22</td>
</tr>
<tr>
<td>GDP (Gross)</td>
<td>10505</td>
<td>12431</td>
<td>7262</td>
<td>8198</td>
</tr>
<tr>
<td>% of World Total</td>
<td>29.37</td>
<td>34.76</td>
<td>21.24</td>
<td>22.92</td>
</tr>
<tr>
<td>Exports (2002)</td>
<td>3523</td>
<td>1486</td>
<td>1657</td>
<td>1757</td>
</tr>
<tr>
<td>% OF World Total</td>
<td>46.50</td>
<td>19.62</td>
<td>21.88</td>
<td>23.20</td>
</tr>
<tr>
<td>International Reserves</td>
<td>285</td>
<td>170</td>
<td>1657</td>
<td>1757</td>
</tr>
<tr>
<td>Population(Millions)</td>
<td>381</td>
<td>425</td>
<td>3065</td>
<td>3089</td>
</tr>
<tr>
<td>% of World Total</td>
<td>6.12</td>
<td>6.83</td>
<td>49.27</td>
<td>49.65</td>
</tr>
</tbody>
</table>


It is clear from the table that the EAS is ahead of the other regional groupings in the presented economic indicators except that EU is better in GDP gross and percentage and exports in gross only. The table also established that even the ASEAN plus three plus India would be better off by joining hands with Australia and New Zealand under the proposed East Asian Community.
Trade

The growth model of the 'tiger economies' in EAS region has been trade driven. According to one estimate, the share of Asian countries in world trade rose from 11 to 26 percent between 1960 and 2005. This growth in trade encouraged industrialization, shifting the economic base from agriculture to labour intensive manufacturing, and in the recent years, to the more capital intensive and high-tech industries. (Regional Economic Outlook - Asia and Pacific, International Monetary Fund May 2006) As a result, new jobs were created, wages were increased and prosperity spread. In view of this experience, the growth strategy of EAS is likely to be trade based. The community building exercise for ASEAN as well as the entire East Asia has adopted the goal of pan-Asian free trade regime through sub-regional building blocks.

There is considerable economic diversity in the EAS region. Broadly, ASEAN and Australia are strong in primary products (both agricultural produces and minerals), China has emerged as the manufacturing centre of the world, India’s strength lies in service sector and information-technology and Japan has a sound capital base. Thus there are complementarities in trade and production structures of the EAS members. At the core of such complementarities is the emergence of China as the manufacturing hub in the region and also as the major exporter. China has a surplus with the developed countries at a level of more than $200 billion and for most of these exports; it imports raw materials and primary products from its regional neighbours. China also imports food and other agricultural products from its neighbouring countries. Accordingly, the Asian neighbours have surplus trade with China. This has created a mutually advantageous interdependence between China and its neighbours, both sharing in each others prosperity and together generating integrative structures in the region. This pattern may continue depending on the rise in demands from the developed markets and China’s manufacturing capabilities. According to the projections made for 2020, China’s exports to its neighbouring region and the developed economies are as follows:
TABLE 4.3

China’s Balance of Trade (In Billions, US Dollars)

<table>
<thead>
<tr>
<th>With the Asian Neighbours</th>
<th>Japan: (-5)</th>
<th>NIE: (-135)</th>
<th>ASEAN: (-41)</th>
</tr>
</thead>
<tbody>
<tr>
<td>With the Developed Economies</td>
<td>USA: (+166)</td>
<td>EU: (+66)</td>
<td>Rest: (+71)</td>
</tr>
</tbody>
</table>

Note: (-) indicates negative and (+) indicates positive. NIE stands for newly industrialized economies of Southeast Asia.

In simple terms, this indicates that while China earns US$ 303 billion from the developed world, it makes its Asian neighbors richer every year by US$ 181 billion. This gives stakes to these neighbors in China’s growth and prosperity, and consequently its economic rise. There is however, another view of this interdependence based on China’s phenomenal growth and production power.

The Chinese growth is distorting and redefining production processes in the neighboring countries as they are pushed out of the export markets in the West being captured by China. Their domestic economic policies are also being influenced in favor of sustaining this interdependence. What happens if the Chinese growth gets a jolt. The economies of all the neighboring countries would be adversely affected, perhaps like the crisis of 1997-99. And above all, all this growth and economic dynamism is heavily dependent upon considerable exploitation of the Chinese labour force which at times shows signs of restiveness. (Burkett and Hart-Landsberg 2005) All these negative aspects may emerge as challenges in the long run, but until then ever one seems to be relishing the advantages of the region’s growth and its growing interdependence.

The significance of trade in the EAS region’s growth was mentioned earlier. Accordingly, trade has been conceived as one of the most important instrument of building economic community in the region. All the EAS countries and the sub-regions
within EAS are vigorously pursuing the strategy of working out Free Trade Agreements (FTA) with each other. There are three identifiable levels where such Agreements are being negotiated and finalized; one within the ASEAN, then between ASEAN and its 'plus' partners and at the third level, between one EAS member and the other, bypassing the ASEAN route. It is hoped that such trade linkages will help create a web of interdependencies to advance the process of integration in the region.

The FTA strategy for community building is logical and has its own strengths. But there are problems and difficulties in this respect as well. One is that the plethora of bilateral FTA links being forged, particularly by more open economies like that of Singapore and Thailand, are also creating duplicate and some times even incompatible and contradictory structures as well. This, to some extent is also causing diversion of trade. Some of these bilateral FTAs are undermining or slowing down the progress towards regional FTA that should provide an umbrella structure for facilitating and reinforcing trade flows, by creating trade rather than diverting it. The process of building trade linkages is slow and long-term in the multilateral pattern. For instance, ASEAN’s projected dates for the finalization of FTA(s) with China is 2010, with India 2011 and with Japan 2012. Even the intra-group ASEAN FTA will proceed in two stages, with the ASEAN six by 2007 and with the relatively poorer and underdeveloped new ASEAN members – Myanmar, Laos, Cambodia and Vietnam - joining later in 2015, as these economies are not in a position to sustain FTA with their more advanced member economies.

The FTA process is slow also because many countries are hesitant in including some of their key products in the free trade basket. Malaysia’s protection of its palm oil and car industries is a case in point. India’s insistence on a strong negative list in its FTA with ASEAN may also be mentioned here as it is delaying the finalization of the agreement that was due in December 2005. Yet another problem in the field of trade is the failure to carry out FTA commitments in practice. *(The Economist July 29, 2004)* There are many in ASEAN including Philippines President Gloria Arroyo, who did not expect the group’s integration and community building before 2020. It is agreed that the EAS integration and community building can be accomplished only after the ASEAN process has successfully been completed.
Economic integration and community building in EAS cannot remain confined to the trade matters. In fact trade integration is not enough to sustain higher economic growth in the region unless the FTA arrangements are accompanied by additional measures like easy capital mobility, harmonization of customs procedures, product standardization and free movement of labour and services. It is being gradually realized that liberalized trading arrangements can be broadened into Comprehensive Economic Partnership Arrangements (CEPA) to multiply gains. According to RIS studies, the liberalized trade gains of US$147 billion can grow up to US$210bn under a broad-based RTA i.e. CEPA. This makes a difference of US$63 billion and explains the growing emphasis on CEPA in the place of FTA. (Kumar, 2005) A comparative look at the welfare gains in the region from FTA and CEPA is provided in Table 4.4.

**TABLE 4.4**

<table>
<thead>
<tr>
<th>Countries</th>
<th>FTA</th>
<th>Comprehensive Economic Cooperation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>1.76</td>
<td>4.05</td>
</tr>
<tr>
<td>South Korea</td>
<td>2.63</td>
<td>3.98</td>
</tr>
<tr>
<td>China-Hong Kong</td>
<td>0.58</td>
<td>2.53</td>
</tr>
<tr>
<td>India</td>
<td>1.37</td>
<td>2.79</td>
</tr>
<tr>
<td>Australia</td>
<td>1.61</td>
<td>4.07</td>
</tr>
<tr>
<td>New Zealand</td>
<td>2.96</td>
<td>5.81</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.85</td>
<td>7.03</td>
</tr>
<tr>
<td>Malaysia</td>
<td>3.42</td>
<td>5.62</td>
</tr>
<tr>
<td>Philippines</td>
<td>1.35</td>
<td>3.50</td>
</tr>
<tr>
<td>Singapore</td>
<td>1.86</td>
<td>3.07</td>
</tr>
<tr>
<td>Thailand</td>
<td>3.36</td>
<td>5.40</td>
</tr>
</tbody>
</table>

The table clearly brings out the advantage of CEPA over the normal FTA. By expanding the scope of FTA, every one in the region will gain. The highest gains of nearly or more than three percent of the GDP will accrue to Japan, Indonesia and New Zealand. The least gainers will be India, South Korea and Singapore, of less than 2 percent of their GDP.

Process of economic integration in the region would therefore, follow the CEPA route. This will require considerable time and effort on the part of the member countries as they will have to harmonize their economic interests to mutual benefit, not only in relation to regional priorities but also in view of their economic interests outside the region, in relation to even the developed economies.

The preference for CEPA approach was clearly evident at the ASEAN Economic Ministers Conference (AEM) in August 2006. It was decided at that meeting to lower the barriers to the flow of not only goods but also services within ASEAN to expedite its march towards an economic community. The Joint Statement issued on the occasion emphasized the importance of “Mutual Recognition Arrangements” under which “free movements of professional and skilled labour in ASEAN’ could be facilitated. (Joint Media Statement of ASEAN Economic Ministers Meeting, Kuala Lumpur 22 August 2006, Para 16.) To influence the agenda of the AEM, Japan took what is called the Nikai Initiative to offer a US$ 100mn fund to promote economic community building in the wider East Asian region. The thrust of this initiative is on Economic Partner Agreement (EPA) that could cover agriculture, technology, services, trade, investment, currency and financial matters. This EPA approach will give Japan an advantage in shaping the East Asian regional market to suite its own long-term interests. (Bernama.com, Malaysian National News Agency August 19, 2006)

The AEM meeting clearly reflected the strong sense of competition that if ASEAN did not move fast to integrate their market, they would lose in the regional economic architecture. The ASEAN Secretary General Ong Keng Yong admitted in a press statement that “competition is for real now. More and more attractive investment locations are coming up, not only in China and India but elsewhere in the world. If we
want to be in the marathon race we cannot stop for too long". (The Hindu August 20, 2006) There is a serious and genuine fear within ASEAN that if its economic integration process goes slow, other faster growing economies will take a lead. It is this fear that has prompted ASEAN to hasten the target for economic community building from 2020 to 2015. There are however, observers that ASEAN would not succeed as it is not a 'homogenous region' and the idea of free movement of labour is fraught with serious security issues. (Tan August 23, 2006) In contrast to the ASEAN haste, the Japanese initiative for greater economic partnership is driven by the desire to assume the role of economic leadership in the region.

Financial & Monetary Cooperation

Monetary cooperation is an essential component of economic integration. It plays a decisive role in trade facilitation and other diverse economic activities as well. The idea of monetary and financial cooperation in the East Asian region was triggered by the experience of economic crisis of the late seventies (1997-2000). China's refusal to devalue its currency Yuan to help ease the balance of payments pressure on its Southeast Asian neighbours and Malaysia's firm decision to delink its currency from the US dollar were the two most significant decisions in the region in response to the crisis. It is widely accepted that the region enjoys a huge capital reserve between Japan, China, India, Korea and ASEAN. These reserves are locked up in unproductive activity, and if released for financing development, growth and economic crisis management, the liquidity can yield substantial benefits.

The Chiang Mai (in Thailand) initiative of the APT countries in May 2000 was the first move in the direction of structuring financial and monetary cooperation in the region. A swap arrangement emerged out of this initiative which has two aspects namely; (i) an ASEAN swap arrangement with a reserve of US$ 1bn, and bilateral swap arrangements between one of the three plus partners China, Japan or Korea) on the one side and any one of the ASEAN members on the other. (Bird and Rajan 2002)
These arrangements are being reviewed for improvement to enlarge the size of the reserve and evolve a collective mechanism to activate and monitor the swap. The swap arrangement has not been seriously challenged or even tested for its viability as there has not been any repeat of the 1997-2000 type financial crisis in the region. The Chiang Mai Initiative was followed by the establishment of Asian Bond Fund in June 2003 and Asian Bond Market Initiative in August 2003. The objective of these initiatives and arrangements is to help needy “public and private sectors raise and invest long-term capital”. (Rajan RIS Discussion Paper No. 107)

In addition to the swap arrangements and the Bond Fund, a proposal has been developed at the non-governmental level to establish a Reserve Bank of Asia. There are estimates that the total foreign exchange reserves of the EAS members may be more than US$ 2 trillion by the end of 2005. Most of these reserves have been tied up to the low yielding US Treasury Bonds. A part of these reserves can tremendously boost developmental activity in Asia and protect it from future shocks in monetary sector. Even a US$ 100bn. can create an Asian SDR or an Asian Currency Unit (ACU), capable of providing spurt to trade, a mechanism for exchange rate stability and funding for regional public goods and infrastructural development projects. (Kumar 2005)

Energy

While looking at the growth prospects of the East Asian Region, the risk of unaffordable rise in the energy costs was mentioned. This has prompted the EAS leaders to include energy as an important part of their agenda in building the East Asian economic community. The significance of cooperation in energy field also arises from the fact that the consumption of energy in East Asia is growing at the rate of 6 to 7 percent per annum. This means a frantic search and competition for hydrocarbon energy sources (oil and gas) among the regional countries, particularly those which are growing faster, like China and India. Another dimension of energy scene in East Asia is that almost 60% of the region’s energy still comes from coal, resulting in greater carbon emission and pollution. To meet both the challenges of supply and “environmental sustainability” regional cooperation in the field of energy is a priority. One may also bear
it in mind here that the conflict potential that exists in the region in areas like South China Sea is linked to the control of and access to the potential of energy resources there. Cooperation is necessary to avoid the prospects of conflict in this area.

A number of prospective areas of cooperation in energy sector among the East Asian countries have been identified and are even being explored. They include research and information exchange on energy related issues, attempts at evolving common policy priorities and possibly a consensus on energy, collaboration in energy transmission infrastructure like the oil and gas pipelines, co-ordination of energy import strategies to avoid unproductive competition, work towards building a common energy market, know-how for the efficient use of energy, and energy related environmental protection. (Drysdale 2005) The East Asian countries can institutionalize energy cooperation. Essential and integral components of such cooperation could be respect for and compliance with international law, co-ordination of ‘oil stockpiling’ in the region, support and promotion of trans-national energy projects related to production and supplying of energy, an improved and easy availability of energy data and information, and finally, coordinated maritime energy security efforts. 2 The East Asian countries could also consider building ‘Asian Strategic Petroleum Reserve’ and put in place an ‘Asian Emergency Response System’ to deal with unexpected energy pressures such as those created by sudden and steep rise in oil prices, as being witnessed currently. (Kumar 2005) Many of these ideas, particularly those related to non-conventional sources and transportation of energy are expected to be intensively discussed during the Second EAS in Cebu (Philippines) in December 2006.

There is considerable scope for the EAS to cooperate in the area of non-conventional, alternative and renewable energy resources. The Chairman’s statement of the first EAS has made a specific mention of ‘fuel efficient technologies’ and ‘alternative energy sources’ (para5). Attention has been drawn to the development and use of biofuels in this regard. Thailand has a long standing programme for producing ‘gasohol’ and

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there are reports that a number of EAS countries including India, Japan, China, Philippines and Indonesia are working in this field. (Srivastava 2006)

The prospects of wind energy are also being seriously explored in some of the East Asian countries. Civil Nuclear energy is an important area in this respect with Japan, India and China being in a position to share technology and know how in this field. However, this is also a sensitive area in view of ASEAN's firm commitment to non-proliferation. EAS can strengthen regional think tanks working in the energy field, like ASEAN Energy Centre to help develop specific projects in the identified areas of regional cooperation. The attempts being made currently to augment the region's energy resources and supply infra-structure may be stepped up through investments in oil and gas exploration as well as pipeline projects.

Besides these three core areas of economic integration, EAS region needs to develop transport infrastructure and connectivity. Proposals like a road link from India to Vietnam, or the revival of old silk route by China are already in discussion among the EAS members. Organisation of an ASEAN car rally by India in 2004 was an attempt to highlight the significance of connectivity. Such projects obviously require huge investments, but will also make considerable contribution to the community building process in economic, security and cultural fields. Cooperation is also required in developing and exchanging critical technologies to cope with the challenges of nutrition, health and social welfare. Avian flu is one of the most dreaded health hazards that can seriously undermine the EAS region's growth and economic dynamism. According to the World Bank estimates a 'severe avian flu pandemic among humans' could cost as much as US$1.25 trillion, equal to 3.1% of global GDP. (The World Bank Report June 29, 2006) This is the reason why increasing importance is accorded to cooperation in fighting the flue and this issue is included in the security agenda of EAS related forums.
Potential and Prospects – Strategic and Political

EAS is a strategic initiative and great deal of economic integration and community building under this initiative would be decisively influenced by strategic and political harmony as well as cooperation in security field in the region.

It seems that there is greater potential for strategic discord than concord in the EAS at present. The first sign of strategic discord in the EAS was evident on the occasion of the Summit itself when China refused to have a bilateral meeting with Japan. The Japanese Prime Minister Koizumi’s visit in October - barely two months before the Summit ignoring Chinese protestations - to Yashukuni Shrine that symbolized Japanese martyrdom in fighting against China during the Second World War, was the apparent reason for the Chinese snub to Japan. There are persisting Cold War legacies between these two Asian neighbours and there is also a clash in their nationalisms. (Satoh 2006) The Chinese textbook portrayal of the Japanese had created a huge controversy between the two countries. It is, however, difficult to say if this discord is a reflection of the clash of two Asian nationalisms or of the competition for political space and influence in the region. The perspectives of both China and Japan are also quite divergent from each other on the way the East Asian community has to be built, though both are committed to the EAS initiative and do not seem to have much of a problem with the US exclusion at least at this stage. There is a possibility, and also hope, that the next Japanese Prime Minister may play the Chinese dimension of Japanese nationalism softly than was the case with his predecessor and that may improve political climate between the two countries. What happens if Japan wants to play a greater Asian role to distance itself from the US, a fear that continues to haunt a section of the US policy makers and analysts. (Junkerman 2006) Developments like Japan’s growing trade and economic engagement with China and the rest of East Asia as compared to that with the US is reinforcing such fears. (Pekkanen 2005) US is encouraging Japan to undertake greater security obligations in Asia and build its capabilities accordingly. (India Defence May 2, 2006) This is being done with the view of balancing China but it can also stimulate Japanese aspirations to increasingly play its Asian role with greater degree of independence from the US. However, the lingering discord between Japan and China and the prospects of Japan seeking a greater
political and economic role in Asia, particularly under the US umbrella in the near future will not go down very well with China and definitely mar the prospects of strategic consensus in the EAS group.

Analysts also underline that ‘congagement’ (containment and engagement) between the other two Asian giants India and China, also has the potential of creating difficulties in the evolution of the EAS community building. China has, after strong initial resistance, accepted India in the EAS and India is also trying to engage with China as constructively as possible on bilateral as well as regional relations. The results of such engagement are reflected in the growing bilateral trade and improved overall political atmosphere. However, competitive and conflictual aspects are inherent in Sino-India Relations. (Muni 2004: 83-96) That the ASEAN countries’ welcome to India to the EAS was driven by, amongst other considerations, the urge to balance China is widely known and accepted. If this balancing goes beyond acceptable limits to China and starts assuming the dimensions of counter-balance and containment, evolution of community in the EAS region could be adversely affected. There are also differences between India and China on how the EAS be driven, by ASEAN or ASEAN plus three, as noted earlier. The tension generated by these differences may also impact the process of community building, since India and China are the two biggest members of the group.

China’s inevitable rise as the regional primate in EAS is a core issue in community building. There are mixed perceptions about China’s rise and its regional consequences within ASEAN. (Banlaoi 2003: 98-107) There is positive shift in these ASEAN perceptions and China seems to be working hard to reinforce such positive thinking. China has used its economic strength and diplomacy to drive home the point that engagement with China is mutually advantageous even for the smallest and the weakest member of the region. But concerns about China’s future behavior persist particularly in Indonesia, Thailand, Singapore and Philippines. Continuing projections of China’s systematic and speedy efforts at military modernization emanating from diverse
US sources reinforce the sense of future uncertainty about China in the region.\(^3\) The question of South China Sea disputes has been put on the back burner and China has gradually come round to approaching this issue in a multilateral framework but its legal and territorial aspects have not yet been amicably sorted out. Lingering concerns draw strength from such unresolved questions as well. More so because, China has in principle not abandoned the use of force in pursuance of its vital national interests such as on the question of Taiwan.

The issue of Taiwan and the prospect of China eventually emerging as regional power to dominate the EAS region is a constant point of reference in how the US looks towards China and the process of community building in the region. The US interests and stakes in the region would not permit it to see EAS dominated by China.

Accordingly, the US is seen by many as being actively interested in encouraging the emergence of a viable Asian balance in the region with the help of other major Asian players like Japan, Australia and India. (Cossa 2006) China sees this as their “potential military encirclement”. (Glossarman 2004) China is trying to handle its relations with the US carefully as it has enormous economic and strategic stakes in maintaining stability, but Taiwan issue is sensitive and tension prone. The evolution of EAS community will be decisively influenced by the overall dynamics of Sino-US relationship.

It is interesting to note that in most of the major power bilateral relations described above; strategic tensions exist simultaneously with ever growing economic engagements. This is yet another reason why the EAS may be dominated by economic integration agenda more than the building of a security community. But this creates an uneasy environment and may at some stage starts impinging adversely on the community building processes, if it is not the case already.

\(^3\) Rand report on Chinese Response to US Military Transformation and Implications for the Department of Defence, Rand Corporation, 2006. Pentagon has regularly been releasing assessments of Chinese military modernization.
Besides the major power equations, there also is the question of mutually incompatible political systems of the EAS members and divergence in their priorities on the values of human rights, democracy and freedom. An obvious difficulty arising out of this divergence can be seen on the issue of Myanmar. The ASEAN foreign ministers have taken a tough position on Myanmar at their July 24, 2006 meeting. (Reuters website July 25, 2006) The EAS members have different approaches to the Myanmar’s democracy question. At the first EAS Foreign Ministerial level consultations in Kuala Lumpur on July 26, 2006, following the ASEAN meeting, India strongly pleaded that while democracy should prevail, “we cannot isolate Myanmar”. (The Hindustan Times July 26, 2006) Such differences hamper the evolution of political and strategic consensus among the EAS members. It was noted earlier that EAS has a problem of undefined boundaries with other organizations like ARF and the structure of alliances and major powers’ military presence in the region on security issues. This ambiguity in the EAS’ security role and agenda may continue for some time more, it seems.

The lack of internal consensus is diluting the initial enthusiasm for the EAS and slowing down the process of community building. This seems to have forced ASEAN to “whittle down” the EAS’ 17 areas of security cooperation to mere five at the July 26 consultations. India, for instance, resented that the approved areas did not even include terrorism. The five areas for security cooperation identified are “energy, education, finance, maritime security and avian influenza. (Bernama, Malaysian National news Agency July 26, 2006) This suggests that a wider and non-conventional framework of regional security that includes human and developmental security has been adopted. Reflection of the human security emphasis could be seen subsequently as well. For instance, after the meeting of the Southeast Asian Defence Ministers, Indonesia’s Defence Minister Juwono Sudarsono said: “It is important that at the end of the day, equitable economic development become part of the long-term security community all across the region... At the end of the day, stability, political stability, as well as security in the military sense – much depends on social justice within each country”.

The stress on human security issues in the EAS may also be seen in the context of the regions ground reality where hard core security issues are addressed through the
prevailing structures of bilateral and multilateral alliances which enable even extra-regional powers like the US to station troops in some of the EAS countries. The US has more than 80,000 troops stationed in Japan, South Korea, Australia, Singapore and Thailand under bilateral and multilateral arrangements. (Cordesman and Kleiber 2006: 27-28) The only security forum driven by ASEAN available in the region is ARF and one may expect it to play its role in addressing regional security issues. But the ARF has no capacity to take outright military operations. Its emphasis so far has been on debate and discussion of security related issues with a view to regional confidence building measures. It is slowly gearing itself to preventive measures but adequate and effective mechanisms have yet to be contemplated and developed. On the eve of the recently held ARF Ministerial meeting in July 2006, the organization's inability to deal effectively with the critical and complex issues like the Korean proliferation or human rights and democracy violations in Myanmar was voiced by commentators and analysts. (Desker 2006) The enhanced importance to 'energy security' seems justified in view of the deteriorating conflict situation in the West Asian region which is the main source of oil and gas supplies; galloping oil prices and growing demand for energy in the region, particularly in faster growing big economies of China and India.

The possibility of the growing economic engagement within the region, whether bilateral, multilateral or regional, softening strategic divergence cannot be ruled out. The example of US and China working together in the six party parleys to dissuade North Korea from the path of nuclear proliferation needs to be highlighted here. No one, however, is sure if this effort in Northeast Asia will succeed and become a model to deal with such other situations. And yet, the issues like Taiwan are extremely complex and sensitive to produce a six party model for its resolution. Similarly the EAS can theoretically throw its collective weight on issues like Myanmar and East Timor to moderate them but such possibility, in practical terms, looks remote because in the internal conflicts, the questions of sovereignty and non-interference assume greater significance.

The region is already full of internal conflict situations and instances of terrorism. Major brunt of insecurity arising out of these threats will have to be borne by the
individual states. At the regional level organizations like the ARF may have to prepare itself for dealing with these challenges or the East Asian Community may provide for a response mechanism to address the internal security threats and their regional spillovers. Many of the ASEAN members are not very enthusiastic about regional interference in their internal affairs. That is why the concept of “troika” evolved by ASEAN has not been able to make any significant dent in internal conflict situations.

India’s Participation

The establishment of EAS is an event of great significance for India. It is a revival of its nearly sixty years old initiative to integrate Asia, though the initiative has not been taken by India. India had started thinking about the Asian integration even before its independence from the British colonial rule. Nehru the first Prime Minister of independent India wrote during the late thirties: “If there are to be federations...there should be an Eastern Federation... such (a federation) must inevitably consist of China and India, Burma and Ceylon, and Nepal and Afghanistan should be included. So should Malaya. There is no reason why Siam and Iran should also not join, as well as some other nations. That would be a powerful combination of free nations joining for their own good as well as for the world’s good”. (Nehru 1941: 327)

The EAS does not include the West Asian countries and some other members of the EAS, like Singapore, had not even come into existence then. India made very important moves to build Asian regionalism as soon as it became independent. The convening of the conferences on Asian Relations and Indonesia in 1947 and 1949 respectively by India may be recalled here. The First Asian relations conference in March 1947 was convened when India had not yet even become formally independent. That underlined India’s enthusiasm for and commitment to the cause of Asian unity and solidarity.

However, India’s Asia project fumbled under the pressure of Cold War, Asian rivalries and lack of economic dynamism in the region and in India. (Muni 1998: 100-20) The idea of engagement with its extended Asian neighbours on the eastern front,
however, was never given up by India. There was deep Indian involvement in Indo-China Peace in the process of the execution of Geneva Agreements of 1954 on the region. India also tried to influence, but in vain, the establishment of ASEAN outside the framework of Cold War in 1967.

The policy approach was systematically reactivated under its “Look-East” policy launched in the early 1990s. Under this policy, India has been pursuing a vigorous multi dimensional engagement with ASEAN. (Devare 2006) Notwithstanding considerable success in this policy, there were strong initial reservations on India’s membership of the EAS. Such reservations came from two directions; China, who thought that India’s presence in the grouping could be a constraining factor for its own initiatives and priorities in shaping the proposed East Asian Community; and Malaysia, whose initial idea of an East Asian Group or Caucus had not been conceived to extend towards the west so much as to include India.

However, India’s participation in the EAS was seen as advantageous by many other regional countries like Japan, Singapore, Indonesia and Thailand. It has been noted earlier that Singapore, Indonesia and Japan strongly pleaded for India’s inclusion in the EAS. They argued India’s case on the basis of India’s both, economic and strategic strengths. These arguments impacted the thinking of all those, including China and Malaysia, which were initially hesitant, on India’s participation initially. Acknowledging the thrust of these arguments, the Chairman of the EAS, Malaysian Prime Minister Abdullah Badawi told the 11th ASEAN summit in Kuala Lumpur on December 12, 2005 that:

“We believe that India is a country to watch. With improved relations with its neighbours as well as the US, India has the potential of being an important partner in our region...we could encourage India to play its role for the promotion of peace, security and stability in East Asia as well as advancing international peace and equitable development”. (Outlook, December 13, 2005) The logic of India’s economic dynamism is formidable with a US$ 700 billion sized economy sustaining a growth level of 7-8% per annum. India’s middle class, the ‘consumer brigade’, is more than 350 million strong
and growing. According to the Goldman Sachs much talked about Bricks study of 2003, India is expected to be third largest economy in the world after the US and China by 2032, with a potential of registering fastest growth for the next nearly 50 years. India’s contribution to the global and Asian growth is 10 and 20 percent respectively. (Kumar 2005)

One of the factors that will sustain this economic dynamism of India is its growing engagement with the dynamic economies of East Asia. Describing the EAS as a natural extension of the ASEAN-India engagement process, Indian Prime Minister Dr. Man Mohan Singh underlined the importance of Pan-Asian FTA in building the East Asian Community. On the eve of the EAS, he said:

"I believe the objective basis for the economies of our region to come together already exists. The subjective desire to create an East Asian Community, bringing together ASEAN, China, Japan, Korea and also Australia and New Zealand is manifest. Like the North American Free Trade Area, and the expanding European Union, a Pan-Asian FTA will be a dynamic, open and inclusive association of the countries of our vast region. This will not be easy, and it cannot be done in a day. There will be skeptics. But for believers, it is eminently possible". (Indian Prime Minister Address at Special Leaders’ Dialogue of ASEAN Business Advisory Council in Kuala Lumpur, December 12, 2005.)

The question of trade figured prominently at the EAS. India has made significant strides in increasing its trade with the EAS members. Its trade with China, Korea and ASEAN has grown very impressively during 2003 and 2004. For instance, with China the increase in 2004 was 75%, with Korea the growth in 2003 was 48% and with ASEAN 30% over the past couple of years. The latest figures available on India’s trade with the EAS members are presented in Table 4.5.
<table>
<thead>
<tr>
<th>Indicators/Countries</th>
<th>IMPORTS Total and (Percentage Share)</th>
<th>EXPORTS Total and (Percentage Share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>3582.76 (3.28)</td>
<td>2245.09 (3.42)</td>
</tr>
<tr>
<td>Brunei</td>
<td>0.54 (0.00)</td>
<td>0.32 (0.00)</td>
</tr>
<tr>
<td>Cambodia</td>
<td>0.24 (0.00)</td>
<td>0.17 (0.00)</td>
</tr>
<tr>
<td>China</td>
<td>6768.92 (6.20)</td>
<td>4252.67 (6.48)</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2536.53 (2.32)</td>
<td>1292.26 (1.96)</td>
</tr>
<tr>
<td>Japan</td>
<td>3142.02 (2.87)</td>
<td>1523.26 (2.32)</td>
</tr>
<tr>
<td>Laos</td>
<td>00.05 (0.00)</td>
<td>0.05 (0.00)</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2246.41 (2.05)</td>
<td>1043.44 (1.59)</td>
</tr>
<tr>
<td>Myanmar</td>
<td>398.54 (0.36)</td>
<td>236.28 (0.36)</td>
</tr>
<tr>
<td>New Zealand</td>
<td>107.25 (0.09)</td>
<td>64.88 (0.90)</td>
</tr>
<tr>
<td>Philippines</td>
<td>181.92 (0.16)</td>
<td>96.91 (0.14)</td>
</tr>
<tr>
<td>Rep. Korea</td>
<td>3492.32 (3.14)</td>
<td>1794.98 (2.73)</td>
</tr>
<tr>
<td>Singapore</td>
<td>2584.63 (2.36)</td>
<td>1337.03 (2.23)</td>
</tr>
<tr>
<td>Thailand</td>
<td>833.62 (0.76)</td>
<td>525.01 (0.80)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>81.09 (0.74)</td>
<td>52.69 (0.80)</td>
</tr>
</tbody>
</table>


According to these figures, India has a large cumulative trade deficit with its EAS partners. It shares this characteristic with China which also has a trade deficit with its Asian neighbours on a cumulative basis. Highest of India's deficit is with China, South Korea, Australia, Indonesia, Malaysia and Japan in that order. India sells more to Singapore than it imports from and has a favourable balance to the tune of
US$1310.18mn. India also has a small surplus in its trade with the EAS countries like Brunei, Cambodia, Laos, New Zealand, Philippines and Vietnam.

There are, however, problems in the finalization of FTA between India and ASEAN because of India’s insistence on a negative list to protect some of its vital industries and agricultural sectors. Even during the EAS summit, Prime Minister Singh had to plead with the ASEAN members on the compulsions of India’s democratic processes and the pace of economic reforms. India has reduce the number of products on the negative list from more than 2000 to less than 1000, but the negative list continues to exist. The FTA negotiations expected to be concluded by December 2005 have not been concluded so far though negotiations continue. The frustration on these negotiations by ASEAN was expressed by Malaysia when it said in June 2006 that FTA negotiations with India have been suspended. India has countered this position. India’s contention is that ASEAN has accepted even longer negative lists with its other FTA partners. To break the deadlock, in August, India has offered to reduce the negative list from 850 to 560 items, which has allowed a debate within ASEAN to restart the stalled negotiations. ASEAN members are still insisting for the negative list to be reduced to 400 and reduce the target dates for some of the products from 2022 proposed by India. (The Hindu and Indian Express, August 25, 2006) The talks may start again soon, but a hard bargaining from both the sides should be expected. Eventually however, the two sides will come to terms with each other as the long term economic advantages to both the sides are immense and they also cannot allow the trade issues to vitiate the overall atmosphere of close understanding between the two sides.

One of the problem areas is related to agricultural products. The difficulty there seems to be arising out of Malaysia’s desire to get the Indian market opened for its palm oil exports, while India is trying to preserve its vegetable oil industries and oil seeds related agricultural sectors. India is not the only country with which ASEAN is facing difficulties in concluding FTA. There are difficulties with the ‘plus three’ partners as well and there are difficulties within ASEAN. The ASEAN Secretary General Ong Keng Yong told the EAS foreign ministers in July 2006 that trade talks were “less than ideal” not only with Australia and New Zealand but also with India, China and Japan.
"Protectionist tendencies seem to be the fundamental hurdle”. Behind such delays was the “lack of ASEAN consensus which could be attributed to the negotiators going to the session without sufficient mandate”. (‘Officials: ASEAN dragging feet on trade’, July 26 2006) Such difficulties are however, inevitable when basic interests are at stake. But India is committed to push with its economic engagement with the region. So also is ASEAN. It may be hoped that these difficulties will be sorted out soon.

Besides trade, India is also keen on monetary integration of the EAS region and cooperation in the energy sector. India’s infrastructural sector will need investments of more than US$500bn in the coming 4 to5 years. The East Asian countries are already involved in India’s infrastructural sector and they can take further advantage of the opportunity available. There are estimates that ASEAN alone can contribute to the tune of about US$ 155 billions towards building India’s infrastructure. Of this amount, some US$ 25 billion may go to the telecommunication sector, US$ 55 to rail, road and air transport and US$ 75 to power sector. It is, however, not only India who is at the receiving end. India is contributing significantly to the development of poorer ASEAN countries and its engagement with the region will cast a positive impact and enhance the welfare gains of the EAS group as a whole. Individual countries in the group may be affected in the range of 20% to 50% gains as indicated in the table below:
TABLE 4.6
India and the Regional Gains to ASEAN Plus
(In US$ millions)

<table>
<thead>
<tr>
<th>Countries/Grouping</th>
<th>ASEAN Plus</th>
<th>ASEAN Plus without India</th>
<th>With India’s Inclusion</th>
<th>Percent gains for ASEAN Plus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>150695</td>
<td>124065</td>
<td>26630</td>
<td>21.5</td>
</tr>
<tr>
<td>Korea</td>
<td>14976</td>
<td>11683</td>
<td>2392</td>
<td>20.5</td>
</tr>
<tr>
<td>China-HK</td>
<td>16328</td>
<td>10810</td>
<td>5517</td>
<td>51.0</td>
</tr>
<tr>
<td>ASEAN (5)</td>
<td>19405</td>
<td>14585</td>
<td>4821</td>
<td>33.1</td>
</tr>
<tr>
<td>India</td>
<td>9937</td>
<td>..</td>
<td>..</td>
<td>..</td>
</tr>
<tr>
<td>Asia</td>
<td>210441</td>
<td>162115</td>
<td>48326</td>
<td>29.8</td>
</tr>
</tbody>
</table>

Source: Computable General Equilibrium (CGE) analysis using GTAP, by Dr. S. K. Mohanty of RIS. (Dr. Mohanty’s unpublished paper for Observer Research Foundation).
The simulation was undertaken with the assumption that all these countries have comprehensive economic cooperation among them with liberalization in trade, investment and natural resource persons.

The highest gainer is China (plus Hong Kong) at more than 50%, followed by ASEAN (Five developed) to the tune of 33.1%. The region as a whole will gain to the extent of nearly thirty percent. And here in lies the logic of India’s welcome by the regional countries into the EAS.

India’s engagement with East Asia is not confined to economic partnership. East Asia is an important strategic entity for India and it looks forward to a multi-dimensional engagement with the emerging community. India is a strategic partner of both China and Japan. There is notable improvement in India’s bilateral economic relations with China and, as noted earlier, the two neighbours are also seriously pursuing the settlement of their boundary problem in a constructive, give and take manner. The visit of India’s Defence Minister Pranab Mukherji to China in May 2006 was reflective of the positive thrust in Sino-Indian relations. There are areas of conflict, like China’s strategic support
to Pakistan and India’s continuous shelter to the Dalai Lama and Tibetan refugees, but these issues are not allowed to interfere in the constructive engagement. There are also areas of competition between the two like in Myanmar and the former Indo-China countries, but there is no acrimony resulting from this competition. As noted above, while India would like to see a balanced and stable East Asian community emerge, it would not prefer to be seen as a factor in the community to counter and contain China. India’s strategic partnership with Japan has just begun to take shape. There is considerable economic and strategic potential in their relationship that to be harnessed. India’s positive engagement with the regional influencers can be helpful in promoting the cause of community building and maintenance of regional stability.

India has defence cooperation relationship with a number of EAS members. This cooperation ranges from providing training to supply and servicing of weapons. Many of such agreements in the past did not prove successful. India is reviewing mechanisms and related arrangements for strengthening its defence cooperation with the extended neighbours in East Asia. There are prospects of the Indian private sector being involved in defence production and supplies which will greatly improve India’s defence diplomacy in the region. India has also conducted naval exercises with almost all the EAS members and is actively participating in counter-terrorism efforts under the ASEAN, ARF and BIMSTEC frameworks of sub-regional groupings. (Devare 2006: 45-87) During 2002-2203, India also provided naval escort to the US ships crossing Malacca Strait. This has helped India project its capacity to offer its contribution to anti-piracy, relief and rescue missions in the Indian Ocean and South China Sea areas in the region. (Annual Reports, Ministry of Defence, Government of India, New Delhi) These subjects are being actively pursued under the ARF agenda. During Tsunami 2004, India has also demonstrated impressive capacity to contribute to disaster relief management in the region. (Muni 2006)

India’s deep cultural and civilizational links with the EAS countries are widely known. India can play a major role in cultural and people to people cooperation with the region, which can reinforce the economic momentum for community building. The Indian middle class is growing and with it, the flow of tourists from India to Southeast
Asia has significantly increased in the recent years. In 2004, for instance, more than a million Indians visited ASEAN countries which were 30% higher than the previous year. (ASEAN Tourism Statistics 2005) With this, the demands for better connectivity, including ‘open skies’ policies, have also gained strength. India’s entertainment industry has considerable potential to contribute significantly in building people to people ties and thus enhancing community building processes in East Asia. The Bollywood products are hugely popular in the region, with a number of countries showing Indian films daily on their Television channels.

India’s stakes in building East Asian Community are indeed deep and there is a growing realization in the region that India’s participation in EAS is a positive factor. India would like to see the community building process pursued as speedily as possible. It would prefer the collective wisdom and leadership of the community members to assert itself without getting bogged down on the technical complexities of the community being driven by ASEAN or ASEAN plus three. There should also be no attempt to have different categories of EAS members and no one should try to marginalize the others.

**Prospects**

The establishment of the EAS is a landmark development in the emergence of Asia in contemporary world politics. From the EAS platform the process of Asian community building has just begun. This process may not move very fast and progress in community building will be incremental. The possibility of a comparatively faster movement on the economic front is possible, particularly in the context of difficulties in the multilateral trade negotiations. The collapse of the Doha round as a result of developed economies’ refusal to make compromises may be recalled in this respect. It may also be recalled that the EAS initiative was sparked as a result of parochial economic moves on the part of the developed countries. The pressures created by the approach of the developed economies may nudge the Asian countries towards greater accommodation and compromises with each other in order to protect and promote their future collective advantages.
The challenges in the way to community building in Asia are many and formidable. The US and the West has already started getting alarmed at the Asian emergence and they may not see the rise of Asia as an independent and power center in the positive light. Internally, we have noted earlier the areas of tensions within the EAS and there may arise difficulties in developing synergies across clash of interests and perceptions. The EAS countries economies stand at different levels of development and despite a basic and broad compatibility existing among them their harmonization on specific aspects of these interests may take time and effort.

The EAS also has a number of aspiring and major powers. There are legacies of apprehensions of smaller countries towards these powers. As some of these powers, like China, are growing at a phenomenal speed the fears of smaller countries about the growing powers seeking domination over them cannot be ruled out. It is assumed that the regional great powers are aware of this perception and they will do their best so that apprehensions and suspicions about their future conduct are set at rest to facilitate the community building in the region.

It may be observed that if Australia, India and ASEAN coordinate their regional policies and diplomacy in evolving a common consensus on growing threats to regional stability "peace and development, it may prove immensely beneficial. Australia territorially is closely linked to Asia, but its mindset has yet to cope with the geopolitical realities of Asia in letter and spirits. Its population dominated by the people of European origin and its alliance with the western world may prove an asset if they are viewed as an important Asian link with the Western World. (Keating, 2000) Australian endeavours to promote democracy, human rights and free trade are the ideals of civilised society and they may be meaningful only in tune with Asian realities.