

Presentation of the report on East Asian Integration
Opportunities and Obstacles for Enhanced Economic
Co-operation

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Summary of proceedings

Mr. Lamy opens the meeting by noting that he will be talking in his previous capacity since the report was commissioned when he was president of Notre Europe. The report compares the European and the Asian integration processes, but Europe appears as a reference point rather than as a model to be reproduced. The idea is to compare the chemistry of the European and Asian approaches to integration. The report, written in a spirit of academic freedom, seeks to understand the ingredients offered by the region that can be combined in an integration process. There are three ingredients in the East Asian integration process: one is financial and monetary, another has to do with institutions and leadership, and the third relates to trade and economic integration. The point is to understand how they interact with one another. The former Notre Europe president refers to recent international gatherings and activities that prove the interest there is in the subject of the report. The first East Asia Summit (EAS) was held in Kuala Lumpur last December with India but without the US. A forum attended by business leaders and academics from Japan, China and South Korea was held in Seoul in February: it called for closer economic co-operation between the three countries. Japan has been holding bilateral talks with Thailand and with ASEAN.

Mr. Kazumasa Kusaka, Japanese vice-minister for international affairs at the ministry of the economy, trade and industry (METI), notes that the commitment he sees is not only to regional integration but also, even more importantly, to global liberalisation. He sets out to compare European and East Asian integration. East Asia is not so far behind Europe as far as economic integration is concerned. Intra-regional trade in 2003 was about 60% in the EU as against 53% in East Asia (EA). The last twenty years has seen a twenty point increase in EA, starting from 33%, as against an 8 point increase in the case of the EU. Mr. Kusaka notes that the processes are different. In the EU integration was concept and institution driven. The process was

initiated through economic policy tools in the coal, steel and nuclear energy sectors, sectors where conflicts can arise. There was a political aim, namely security. What we are witnessing in East Asia is a *de facto* economic integration process led by trade and investment in the private sector.

Institutional arrangements for the East Asia region, which are necessary to promote more sustainable economic development, have been discussed since the 1980s. APEC (Asia Pacific Economic Co-operation), established in 1989, is one of the results of those discussions. Taking the political and security environment into consideration in the process of institutionalisation would not have been feasible without paying close attention to the strategic role of the US. That is why the US is one of APEC's founding members. APEC's success has had more to do with broadening the regional co-operation process than with deepening it. The East Asia Initiative has been revisited in recent years. An ASEAN+3 summit was held in 1997, the three referring to Japan, Korea and China. The East Asia Summit (EAS) which was held late last year had a wider membership. In these for a the development of an "East Asia community" was discussed, but community still needs to be written with a small "c". The pace and difficulty of the institutionalisation process in East Asia is largely due to the diversity and differences among the countries of the region. There would be a comparison to make with the conditions of Turkey's accession to Europe.

Despite this diversity, the East Asia financial crisis was an important turning point in creating momentum for the further promotion of regional co-operation. Japan played a major role in helping the recovery of many of the stricken countries, with aid amounting to \$ 30 bn to East Asia as part of "The New Miyazawa Initiative" through loans and loan guarantees from JEXIM and MITI Insurance. Regional co-operation frameworks have been developed within the ASEAN+3 group. Examples include the Chiang Mai Initiative (CMI), which established an East Asian network for short term exchanges of currencies, the Asian Bond Markets Initiative (ABMI), based on the idea that regional savings, with their high rates, should be combined with regional investment projects through local currency denominated bonds, thus by-passing the dollar and the euro, and the "Manila framework" which acts as a back-up to the IMF in its financial stabilisation role in the region.

The main point on the agenda for further integration in East Asia is the issue of building a sustainable relationship with a rising China. Dynamic economic growth in China has acted as the engine of regional economic development. It is perfectly rational for any given company to invest in and to export to China. The problem arises when you aggregate. When any number of companies are acting on their own in this way, the collective consequence is a significant increase in risk. The Japanese government has concluded free trade agreements (FTAs), which include investment and intellectual property right protection, with ASEAN countries and Korea, and may conclude one with India, in part to increase the awareness that there are alternative investment destinations. JETRO named it the "China plus one" strategy, meaning that, after a first investment in China, the second one could be outside China. Historically, in Europe, no nation has been in an absolutely dominant position, neither France nor Germany on the continent, nor the UK, nor Russia. ASEAN countries and Korea and Japan need a vision of partnership that promotes integration but doesn't compromise their independence. In initiating APEC, MITI had two principles in mind, one, "ASEAN is the core of APEC" and, two, "Equal partnership". In this respect, India

needs to be positioned on the map of East Asian integration. India is a nation with a large economic potential that also shares our common values centred on democracy and market economies. India, Australia and New Zealand were invited to the EAS last December. How to promote a sustainable relationship with China, whose behaviour, for example, can influence world oil prices, should be not only an East Asian concern, but a global concern, one that affects even Europe.

There are substantial movements in the direction of East Asian integration but there still remain many issues to resolve. The main question still to be answered is what is the outlook for the East Asia region, a region with half the world's population.

Heribert Dieter, from the German Institute for International and Security Affairs at Berlin, was the overall co-ordinator of the report and the author of the section dealing with monetary regionalism and financial markets. He begins by noting that East Asia is the world's fastest growing region. China is still the region's most dynamic economy. Japan appears to have overcome fifteen years of weakness with 4% growth, on an annual basis, in the fourth quarter of last year. Growth is fuelled by economic integration – both trade and investment are at unprecedented levels. Yet, compared to Europe, the institutions dealing with economic integration are weak. Trade integration is primarily driven by bilateral trade agreements. Co-operation in monetary affairs remains weak. Leadership issues remain unresolved. The report commissioned by JETRO analyses the progress and potential of East Asian integration. The main questions raised are as follows.

Can integration proceed without the leadership issue coming to the fore and being solved?

What is the potential of monetary regionalism, what is the potential for a single European currency (the euro as a model)?

As far as commercial integration is concerned, are the patterns of microeconomic dynamics similar to those in the European integration process?

How do geopolitics influence integration in Asia?

The idea of monetary regionalism really appeared as a sequel to the traumatic financial crisis Asia suffered in 1997. The entire region was affected by an unexpected economic and financial crisis: no warnings were provided. The IMF did not provide first-class crisis management: liquidity came too late, with unacceptable conditionality attached. Ever since, the countries in the region have been searching for new ways to stabilise their financial markets.

Asian central banks have been accumulating reserves, an obvious expression of a new era. China including Hong Kong now holds \$ 945 bn, South Korea \$ 216 bn (a tenfold increase since 1997), Singapore \$ 120 bn, which is more than the amount China held in 1997. The region is thus buying insurance against another crisis.

Monetary regionalism sets itself four goals, first, the avoidance of (severe) financial crises, second, regional management of financial crises (rather than turning to the IMF), third, the provision of

efficient, well functioning financial markets that match the highest standards of efficiency and, fourth, the facilitation of trade in goods and services by providing stable monetary conditions.

Integration in its conventional form provides for trade first followed by finance. Such sequencing does not seem appropriate for East Asia. One proposal is to turn sequencing around, with financial integration coming first followed by integration of markets for goods and services. A first step would be the regional pooling of reserves. Then would come a regional exchange rate stabilisation mechanism, then an economic and monetary union and finally a political union. Another proposal, put forward by Yunjong Wang, would provide for limited co-operation in liquidity assistance, monitoring and exchange rate stabilisation.

In 1997 Japan proposed an Asian Monetary Fund. The proposal was rejected by the IMF, the USA and China. The Chiang Mai Initiative, dating back to the year 2000, provides for bilateral swap agreements, where local currency is exchanged against international currency to protect the economy against a crisis. The Initiative covers the ASEAN+3 countries. The endeavour is cautious – the amounts involved are modest. But it is a starting point for monetary integration from what was a very low level – ASEAN finance ministers had never met prior to 1997. In 2005 the bilateral swap system was turned into a multilateral fund. The available amounts doubled, reaching some \$ 80 bn. Yet the project remains vague and ambiguous, with no operational structure, no monitoring mechanism. The goals are unclear. Is this the nucleus of monetary regionalism or simply a mechanism to provide liquidity? There is also a conflict between China and Japan over the future course of the process, with Japan wanting monitoring mechanisms to secure repayment, a step which China is not ready to take.

Before 1997 there was no joint monitoring. Today monitoring and surveillance are part of the regional policy dialogue and are seen as confidence building measures. However it is not clear whether the monitoring could, or could not, lead to sanctions. The sanctions option would prove more difficult to implement, because the institutional environment does not exist. There is no equivalent to the European Commission, to the European Court of Justice or to the European Parliament. And monitoring by itself will not avert a financial crisis.

Before 1997 regional bond markets were weak. Regional bond markets, designed to keep the region's savings in the region and to permit financing with no associated exchange risk, have grown since that period. Developed, that is deeper, bond markets provide for greater choice and enhanced stability. The development of regional bond markets leads to a reduced volume of business activity in New York and London. There have been several efforts to strengthen bond markets, among them the Asian Bond Market Initiative (ABMI), involving the ASEAN+3 countries, and the Executives' Meeting of East Asia and Pacific Central Banks (EMEAP) including Australia and New Zealand. Japan was behind the creation of the EMEAP in 1991. The importance of the meeting has grown since 2000. The United States is not a member. There is a two stage process with two successive Asian Bond Funds, the first dollar denominated, the second denominated in local currencies.

The conventional exchange rate debate turns around the question of whether Asia is an optimum currency area, an OCA. Cost benefit analysis shows a trade-off between micro-economic efficiency and macro-economic flexibility. According to Eichengreen and Bayoumi, Asia is as suitable as

Europe was for a currency union. The main residual question has to do with political will. Is there the same political will as in Europe to integrate and to give up a measure of sovereignty in the process. After the Asian crisis there was an intensive debate over the appropriate exchange rate mechanisms. The IMF espoused the bipolar view, either a hard peg or a free float. The truth is that a free float is not an option for many developing countries, since the cost of hedging is too high, and that there is no support from the Fund for fixed exchange rate regimes. The IMF prods countries to build up their reserves. Several options are discussed in the report: anchors, baskets and other concepts to enhance exchange rate stability. An intra-regional exchange rate mechanism along the lines of the European Monetary System is deemed plausible. Then one would have to determine whether the yen or the yuan should serve as an internal anchor. The yen suffers from Japan's high public debt, amounting to 170% of GDP and from its exchange rate volatility vis-à-vis the dollar. The yuan suffers from China's fragile financial sector and from its lack of convertibility.

When considering the alternatives, one is brought back to the rivalry question. Will China lead East Asia or will Japan? If the leadership issue is unresolved, there will be competing regimes. China might consider a greater Chinese currency union with itself, Hong Kong and Taiwan. For Japan, such a (currently unlikely) scenario would be a cause for concern, with the creation of a competitor to the dollar and the euro without Japanese participation. The cost of holding foreign reserves should be highlighted. They have a low return, estimated at not more than 2% in real terms. Investment, for instance in education or in infrastructure, yields higher returns, typically around 5%. In other words, developing countries are paying a lot for the insurance provided by their reserves, more than \$ 120 bn in 2005. By way of comparison, official development assistance (ODA) amounted to only \$ 50 bn in 2005.

Richard Higgott from the University of Warwick is the author of the section of the report dealing with leadership and institutions. He considers that the two have been neglected when explaining economic governance in the case of East Asia. Leadership is one of the most difficult analytical concepts in the lexicon of modern day policy sciences. The key distinction is between structural/institutional leadership and agency oriented/political leadership. Though the distinction is far from watertight, it provides a useful way of identifying the problems of, and the prospects for, leadership over the short to medium term in the case of East Asian regional co-operation. More specifically it enables one to distinguish between hegemony and leadership.

Leadership is not the same as hegemony, that is economic and military preponderance. Leadership can be intellectual and inspirational. If we look at the development of the EU, for example, we can see both kinds of leadership over the life of the organisation. As far as leadership in Asia in the early 21st century is concerned, the specific questions pertain to the roles of the main actors in the region in the short (1-5 year) to medium (15-20 year) term period.

One should appreciate the historical context of the US role in East Asia since the Second World War, especially when drawing comparisons with its historical role in the reconstruction of Western Europe. The role of the US in East Asian integration has been inadvertent rather than intentional. US policy with regard to the regional agenda is significantly shaped by its own agenda, and, since 9/11, this has been an increasingly security-driven agenda, which has pushed back the previous

so-called liberal economic agenda, an agenda that underwrote the US's previous bilateral and multilateral policies towards the region. The US, via a range of initiatives, gave considerable impetus and assistance to the early collaborative efforts of the European project. This is not the case in East Asia today. Indeed, Beeson (2005) would argue that one of the key reasons for the slowness of enhances economic co-operation in East Asia has been the constraining role played by the US in the Cold War context.

East Asia is unlikely to replicate the European experience that more or less followed a neo-functional logic of integration. Balassa used the term economic integration to refer to the creation of formal co-operation between states and the forward movement from a free trade area to a customs union, a common market, a monetary union and finally total economic integration.

Several factors account for the uniqueness of the East Asian co-operation scheme, starting with the financial crisis of the late 1990s, which proved to be a watershed for regionalism in East Asia. The crisis demonstrated the ineffectiveness of APEC and triggered initiatives for regional monetary co-operation. Higgott considers this sort of instrumental regionalism in monetary matters as a starting point for deepened regional integration in East Asia.

The unprecedented degree of interaction in this field suggests a growing self-definition of "East Asia" as a discernible voice in the region.

The formation of a genuine East Asian identity is further fostered by the changing leadership role of the US which functions as an exogenous catalyst in the "East Asianisation" of the Western Pacific seaboard. Regional players no longer easily submit themselves to Washington's control and they are on the move to secure greater autonomy from the erstwhile hegemon. Higgott then turns to the future of regional leadership in East Asia. The "new regionalism" in East Asia is characterised by an enhanced economic dialogue both among the states of Northeast Asia (China, Japan and South Korea) and between these states and those of Southeast Asia through the development of the ASEAN+3 process. A decisive factor in shaping the future direction of this new regionalism is how the relationship between the major regional actors, i.e. China and Japan, will evolve. China has replaced the US as Japan's main trading partner. In the longer term the Chinese-Japanese relationship is likely to grow more competitive rather than more complementary.

Moreover, Higgott suggests that a brand of "regulatory regionalism" is emerging in Asia that is distinct from the European model in that it links national and global understandings of regulation via the intermediary regional level. Regionalism in East Asia is not trade-centred; it is developing most rapidly in the area of monetary co-operation. It does not carry the sovereignty-shedding baggage that is commonly associated with the European integration process.

Jean-Christophe Defraigne from Metz University is the author of the section of the report dealing with commercial integration. The number of free trade areas (FTAs) is growing rapidly. Existing regional institutions (ASEAN and APEC) do not seem to be the appropriate institutional frameworks for further liberalising intraregional trade and deepening regional integration. There are overlapping agreements with conflicting liberalisation timetables, a phenomenon referred to as the "spaghetti bowl". For multinational enterprises (MNEs) operating in East Asia, the environment

is opaque and uncertain. Some degree of supranationality is necessary to co-ordinate the FTAs and make them consistent with one another and to regulate and enforce deep commercial integration.

This section of the report attempts to determine the necessary conditions that a supranational regulatory framework must meet to foster and enforce commercial integration. One may ask if the European experience is relevant for defining the necessary conditions. The report conducts a comparative analysis of the Asian and European integration processes. It shows

- that different sequences were involved in the underlying microeconomic dynamics
- that the macroeconomic configuration was different
- and that the geopolitical configuration was also different

Different sequences were involved in the underlying microeconomic dynamics. The European Integration Process (EIP) featured two phases, a first phase (1950-1990) focusing on the single market and the pursuit of economies of scale, and a second phase (1990-?) focusing on microeconomic dynamics based on the regionalisation of production processes (RPP). The East Asia Integration Process (EAIP) featured a first phase (1960-2000) focusing on microeconomic dynamics based on RPP. Its second phase could be focusing on the establishment of a single market and the pursuit of economies of scale. Its purpose would be

- to reduce dependency on Western markets
- to strengthen the bargaining position vis-à-vis the US and the EU in trade negotiations
- and to achieve regional integration in services along the lines of what was done in the North American Free Trade Area (NAFTA) and in the Single European Market (SEM).

The second difference has to do with the macroeconomic configuration. The EIP featured a degree of symmetry between member states in terms of economic development, technological leadership and demography. No single leader could impose a regional division of labour on his own. Negotiations were balanced and necessary to break the deadlock generated by protectionism and national champion strategies. There was a need for supranational institutions. Maintaining economic and social cohesion was not too costly. The most populated members were also the most advanced. The regional paymasters (Germany and France, later the UK) kept supranational institutions under control and in so doing managed to preserve a degree of legitimacy. The EAIP on the other hand is much more asymmetrical (compare Japan with Indonesia and Laos). Japan is a regional leader in terms of technology and intangible assets. MNEs from the regional leader organised the regional division of labour. Protection and national champion strategies are not as widespread. There is a less immediate need for supranationality to break the deadlock of protectionism. Maintaining economic and social cohesion will be costly. The most populated members (China and Indonesia) are not the most advanced. The regional paymaster (Japan) cannot keep supranational institutions under its control while keeping some degree of legitimacy.

The third difference relates to the geopolitical configuration. The Soviet Bloc was a common threat for the EIP countries. The Franco-German axis provided undisputed regional leadership at the geopolitical level. The US acted as a benevolent referee and as paymaster (in the case of the European Payments Union, the Marshall Plan and the North Atlantic Treaty Organisation). For the

EAIP countries the common threat is US unilateralism and the “Washington-Treasury-IMF complex” as well as “Fortress Europe”. There is no undisputed regional leadership at the geopolitical level. There is mutual distrust between Japan and China. There is no benevolent referee. The US plays divide and rule in East Asia.

Enforcing a “deep” regional trade agreement (RTA) in East Asia will prove a challenge. There are several paths leading to East Asian integration. One would be purely economical regional integration on the American model. There is an inherent risk of political backlash in such a course because of a lack of political and economic legitimacy (in the Americas one has seen it in Bolivia and Venezuela). In the Americas, the US “only” faces Brazil, while in Asia Japan faces China, which is not the same thing in terms of size and military power. So far the EAIP is similar to the American model. Reacting to China’s proposal of creating a FTA with ASEAN by 2010, Japan has taken a series of bilateral initiatives with ASEAN economies and with South Korea. The Economic Partnership Agreement reached with Singapore in 2002, which includes “WTO +” commitments (i.e. the so-called Singapore issues) is used as a benchmark for the on-going negotiations with the other ASEAN 4 economies (Indonesia, Malaysia, the Philippines and Thailand) and with South Korea. If successful this could create a Japanese led web of relatively harmonised bilateral RTAs in the region. But then China could feel cornered by such a Japanese web. Enforcing any deep ASEAN + 3 RTA in China would pose a problem. The size of China gives her more room for manoeuvre than the Latin American economies had in the Free Trade Association for the Americas negotiation. China has other foreign direct investment (FDI) sources than Japan. She has a large expanding domestic market and substantial overseas markets other than East Asia.

There is also the possibility of an original East Asian way to deeper integration with supranational institutions. A number of conditions would have to be met including the following.

- RTAs cannot be purely top-down exercises imposed by governments on economic agents: they need to respond to existing underlying microeconomic dynamics
- The right group to begin deepening the EAIP is neither APEC (too wide) nor ASEAN (no regional paymaster and leader) but ASEAN + 3 (though not including the latecomers)
- There must be undisputed leadership: Japan stands out because of its economic and technological level; geopolitically a China-Japan axis would seem appropriate
- The common threat bringing the players together could be US unilateralism, the failure of multilateralism or simply too weak a bargaining position in multilateral negotiations.
- Japan would need to propose some kind of supranational bodies in which China and other East Asian partners would be given more weight than the one they presently carry in the region. These supranational institutions would be involved in
 - harmonising financial services regulations
 - integrating capital markets
 - lifting the domestic obstacles to transnational mergers and acquisitions in order to enable the creation of East Asian

- supranational enterprises; such enterprises would make a powerful lobby in favour of the EAIP and of locking-in a set of transferred powers at the supranational level
- Japan could act as regional paymaster to ease the phasing out of non-competitive, protected, “national champions” in East Asia and to encourage the production of public goods in the region.
 - There would have to be a change in the organisation of Japanese Official Development Assistance (ODA): instead of unilaterally launching utilitarian projects aimed at helping Japanese MNEs in their regional expansion, Japanese ODA would have to move towards financing a sort of supranational East Asian cohesion fund.
 - One would need to take account of the fact that the economic weight of Japan in East Asia is far more important than that of the Franco-German axis ever was in the EIP.

Professor Masahisa Fujita, from the Institute of Economic Research at Kyoto University, was the discussant. He endorsed the rejection of the five stage Balassa approach and drew attention to the similarities between the instrumental regionalism concept and the concept of functional regionalism which is popular in Asia. Nobody in Asia has ever moved away from the Vienna Concert idea of what international relations should be like. He looked at the way shares of world GDP had shifted over the 1980-2000 twenty year period between NAFTA, the EU 15 and ten East Asian countries (China, Indonesia, Japan, Hong Kong, the Republic of Korea, Malaysia, the Philippines, Singapore, Thailand and Taiwan).

	shares of aggregate world GDP	
	1980	2000
EU 15	29%	25%
NAFTA	27%	35%
East Asia	14%	23%
Total	70%	83%

He advocated the integration of India into the East Asian trading bloc. India's population is 1 bn. Graduates with engineering degrees numbered 290 000 in India in 2003, as against 200 000 in China and 100 000 in Japan. India features democracy and the rule of law which will prove to a strength in the long run (as Bhagwati said in 2005 “the PC and the CP are incompatible”). India is

developing its capital markets and has proven capacities in highly skilled service industries. According to Goldman Sachs (2003), China's GDP is due to overtake Japan's in 2015 and India's GDP should be doing the same in the early 2030s. China today seems to be at the stage Japan had reached in 1960. In the long run, there will be three economic giants in Asia, China, India and Japan, followed by the four tigers and by the rest of ASEAN (0.5 bn people).

Why should regional integration be pursued? There are limits to what the WTO can offer so there is an interest in adding to what the world organisation contributes. East Asia is now disadvantaged with regard to the EU, NAFTA and MERCOSUR and needs to make up for its handicap. *De facto* integration is already taking place through the market mechanism. Intra-regional trade already accounts for 54% of total East Asian trade, as against 58.7% in the case of the EU. Such integration needs to be actively promoted and anchored through institutional co-operation and agreements. The Asian monetary crisis of 1997 showed how necessary regional financial co-operation was. An increasing number of issues lend themselves to regional co-operation – security, the environment, energy, resources, infectious diseases...The initiative for further integration can only come from ASEAN or Japan. Promoting regional integration in East Asia can be subdivided into six tasks.

- Task 1 Further development of comparative advantages and competitiveness in the individual countries and in the region
- Task 2 Further promotion of *de facto* regional integration through trade and investment and through the activities of multinational firms
- Task 3 Further promotion/deepening of FTAs (complementing the WTO)
- Task 4 Further development of regional systems for financial and monetary regionalism
- Task 5 The development of various institutional co-operative schemes based on the "functional approach"
- Task 6 The development of comprehensive co-operative schemes leading to the creation of an "East Asian Community" (integration the Asian way)

Professor Fujita then dwells on Asian diversity. There are very significant income disparities in East Asia, both among countries (from one to a hundred) and within countries (from one to ten or twenty). There are major geographical differences when one considers Northeast Asia and Southeast Asia, or when one contemplates moving from the islands to the coasts and on to Central Asia or from the tropics to subarctic latitudes. Then there is the issue of religion and culture as the region features Buddhism, Confucianism, Islam, Hinduism, Christianity and Shintoism. One finds democratic regimes together with socialist, communist and other forms of dictatorships. There are between 200 and 2000 different ethnic groups in Indonesia alone. There is a considerable variety of languages. Professor Fujita sees Asian diversity being harnessed to foster both competition and co-operation in the right market, political and institutional conditions, and these in turn gradually leading to a deepening of Asian integration. In time a third core region could be emerging. Unification in diversity could be the trade mark of an East Asian way.

Vice Minister Kusaka believes the Chinese are good at “divide and rule”. No country can afford to lose the Chinese market. Japan’s motivation in Asia is more geopolitical or geoeconomical than mercantilist. ASEAN + 3 should be the core of East Asian integration.

Doktor Dieter considers that the level reached by energy prices is reducing the pace of globalisation. Japan should be more ambitious in designing its projects (the Japanese approach to regional relations seems to be too cautious).

Professor Higgott states that one of the most impressive dialogues in the region is the dialogue of the central bankers which reminds him of the meetings at the BIS in Basel. Pascal Lamy was impressed by the governor of the Central Bank of China.

In his concluding remarks, former **Notre Europe president Pascal Lamy** points out that what the study has validated is that East Asian Integration remains a positive and basic strategy for Japan. There is a strong interest to do some benchmarking relating to the integration process. There are two ways to integrate further. One is to leave things more or less as they are: given the economic forces at play and the interests of multinational firms, integration may happen anyway, without a strong political input by an actor which has the capacity to do so. The other option, which, built on his EU experience, is his preferred option, is integration with institutions and political inputs.

Mr. Tsuyoshi Nakai, director-general of JETRO Paris, refers to the possibility of organising an open seminar in Tokyo as a follow-up. Pascal Lamy says he would be available for such a meeting provided a Great Wall of China is set up to separate his present duties from his previous ones.