

Engaging the US in Asia

By **HATAKEYAMA Noboru**

A high official of the US government told me last October in Washington DC as follows. “China proposed an ASEAN+3 (Japan, China and South Korea) FTA, excluding the United States. Even a former Japanese METI minister proposed an ASEAN+3+3 (Australia, India and New Zealand) FTA, excluding the United States.” My comment on this issue is as follows.

The United States is not located in East Asia. Therefore it is strange for the United States to join an “East Asian” FTA per se. Many Americans counterargue that, although not located in East Asia, the United States should be qualified to join an East Asian FTA because the country has been offering the biggest market to this area and ensuring this area’s national security through bilateral security arrangements with many countries. It is true. However, it is also true that, right after World War II, the United States assisted European economic restoration mainly through the Marshall Plan and protected European security through the establishment of NATO. Nevertheless, the United States did not join the EEC or the EC. In view of this history, why does the United States try to join an FTA in East Asia alone?

Of course it is in the interest of East Asian countries to have the United States engage in this area. The only reason for us not to agree with the idea of US participation in an East Asian FTA (EAFTA) is just because the United States is not located in East Asia. It is just a matter of geography, not a matter of geopolitics. Therefore it is significant if we can come up with an idea to overcome this geographical difficulty.

A binational joint study conducted recently by the Japan Economic Foundation, the Chicago Council on Global Affairs and the Pacific Council on International Policy offered three ideas to address this difficulty.

The first idea is to create an APEC FTA. APEC does include the United States as a member. However, APEC has been a nonbinding organization since its establishment in 1989. Its leaders declared clearly at their summit in Bogor, Indonesia, that industrialized economies will completely liberalize trade and investment by 2010 and non-industrialized economies will do so by 2020, but this statement is not binding. In order for us to engage the United States in this area legally, the joint study recommends that APEC should have an FTA among its members. Then the US economy will be linked institutionally to this area.

By the way, one of the difficult issues in formulating an Asian-wide FTA is the Taiwan issue. Although it is natural for Taiwan to join such an FTA since the size of Taiwan's economy is larger than any other ASEAN country, China is always opposed to Taiwan’s participation in international organizations. However, Taiwan is a member of APEC, not as a country but as a customs territory. Therefore Taiwan can be a member of an APEC FTA with such qualification almost automatically.

The second idea referred to by the joint study is for the United States to have an FTA with ASEAN as a whole. In FTA negotiations ASEAN devised the so-called ASEAN-plus-one formula. Typical examples are the ASEAN-China FTA concluded in November 2004 and the ASEAN-South Korea FTA concluded in May 2006. In addition, ASEAN as a whole has been negotiating FTAs separately with Japan, India and the CER (Australia and New Zealand).

Each FTA between ASEAN and a country can be called an ASEAN-plusone FTA. Japan proposed an FTA consisting of ASEAN plus 6 (Japan, China, South Korea, India Australia and New Zealand). These six countries are all partners of an ASEAN-plus-one FTA. Therefore, the joint study proposed, the United States has to approach ASEAN as a whole to negotiate an ASEAN-plus-US FTA so that the United States can gain a seat in “pan-Asian trade negotiations.”

The third idea is to develop a Japan- US FTA. According to the joint study, this FTA should overcome resistance to liberalization on agriculture, services, investment, intellectual property rights, antidumping, and migration. As of now South Korea and the United States are negotiating an FTA between them with the target of concluding it by the end of 2006 so that it will be in time for fasttrack deliberations in the US Congress. If the negotiations are concluded successfully, it will be an excellent precedent for a Japan-US FTA. On the other hand, if the negotiations for a US-South Korea FTA turn out to be unsuccessful, it will certainly encourage opposition groups against a Japan-US FTA in Japan.

Needless to say, the really successful conclusion of WTO negotiations would make any bilateral or regional economic integration such as the EU and NAFTA unnecessary. In that case, formulating an EAFTA would also become unnecessary. Then an argument on whether the United States would be in or out will disappear. There are many people in the world wishing this will be the case.

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