

The 3rd Euro-Asian Summer School 2011 Report

Kyoko Otsuka
4th grade - Faculty of Law
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Abbreviation and definitions:

AMRO – ASEAN+3 Macroeconomic Research Office

CMI – Chiang Mai Initiative (2001)

CMIM – Chiang Mai Initiative Multilateralization (2009)

ECB – European Central Bank

EU – European Union

EUMS – European Union Member States

EZMS – Euro Zone Member States

FTA – Free Trade Agreement

EPA – Economic Partnership Agreement

IMF – International Monetary Fund

JBIC – Japan Bank for International Cooperation

Prof. – Professor

The East Asian Community – Regional integration in the East Asia, but the possible member states varies depending on theory

The Northeast Asia – China, Japan, and Korea

I. Introduction

With sovereignty of individual countries, integration of countries sounds as a mere dream. Today, however, as we could observe in Europe and Latin America, regionalism is becoming a trend; there is a tendency to unite as a region in order to protect and strengthen the region in globalizing world. The course, Euro-Asian Summer School, is a course that enables students to learn EU as a case of regional integration and to compare it with East Asian community.

This paper's objective is to summarize lectures, especially the ones related to the regional integration, given at Seoul National University and Sciences Po and to seek potential of the East Asian Community. The lectures in this course provided both positive and skeptical perspective, importance and difficulties of integration of the East Asian Community as well as comparative perspective with EU integration. Due to my poor ability of summary, I have to admit that this paper has failed to keep its consistency, but I hope this would help

me remember what I have experienced through this course.

II. Lectures at the Seoul National University

A. Importance of People-to-People Communication (Prof. Tanaka)

A regional integration does not complete in a year or two, and EU was no exception. For a smooth integration, mutual understanding and trust among the people within the area is essential, and Prof. Tanaka points out that EU has been growing with “long experience of people-to-people exchange, especially by vast number of youth exchange”.

In 1963, Franco-German Treaty of Co-operation was signed, and exchanges and communication between France and Germany in the field of education and youth was officially started. At peak, the annual number of exchanged youth has reached 300,000; the total amount of people exchanged surpassed 7 million by 2003 and the number keeps increasing today.

Youth exchanges in East Asian countries, on the other hand, are not as active as the case of EU. One remarkable data was provided by Prof. Tanaka and according to his data, only 3,000 Japanese students study in Korea and 18,000 in China. Even though 99,000 students are coming from Korea and China, current communication does not seem to be sufficient for mutual understanding and trust among three countries.

B. Monetary Integration Concept in East Asia (Prof. Ogawa)

The regional monetary cooperation is among one of the main subjects for the regional market integration. Roughly, the purpose of the regional monetary cooperation was said to be a stabilization of currency within the region, which is becoming crucial due to the recent financial crisis in a global scale. Prof. Ogawa explained recent studies about monetary situation in East Asia, and then he proposed a way to strengthen Asian monetary cooperation, or AMU. This section will focus on a way to AMU.

In a short term, Prof. Ogawa suggests AMU for surveillance on exchange rate policy as a first step toward unity. Second step, or the first stage for the transaction path, is to create a financial product denominated in terms of a regional common currency unit and to have the financial product sold and traded in related markets. Components have to be compatible – free capital is precondition, and ability to control currency is also necessary.

In a long term, the monetary officials should start creating and defining

AMU for transaction and make a daily announce of its value. Then, they should explore the regional frame work in order to enhance intra-regional exchange rate stability and avoid exchange rate misalignments through economic policies, such as exchange rate policy. Also, he claims that they should encourage member countries to promote capital account liberalization along with economic development and financial infrastructure. Along with above, the officials need to promote economic and monetary integration, such as FTA/EPA and CMI, within the region.

C. Economic Cooperation and Integration in East Asia (Mr. Chang-Sang Cho)

Mr. Cho is a director at Trade Policy Division in Ministry of Strategy and Finance in Korea. He gave a lecture from his own perspective, focusing on economic cooperation and integration in East Asia.

Currently in Northeast Asia, the scale of trade and investment among Korea, China, and Japan is enlarging rapidly. In terms of governmental cooperation in East Asia, financial cooperation, such as CMIM, was preceded, and China-ASEAN FTA, Japan-ASEAN FTA, and Korea-AEAN FTA have been signed simultaneously. In the Northeast Asia, Korea-China-Japan Summit Meeting is held annually. They have agreed to hold trilateral joint study for FTA among Korea, China, and Japan and it is still under negotiation.

According to Mr. Cho, Korea has shifted toward "New Asia" Cooperation since 2008, which means Korea will put more emphasis on Asian countries rather than on US, China, Japan, and Russia respectively; Korea is now seeking to expand economic cooperation and to increase the role and contribution in Asia. Its vision of East Asian Economic Community consists of two parts: East Asian Economic Cooperation and East Asian FTA. East Asian Economic Cooperation contains economic network and cooperation committees. The blue-prints, however, is still under discussion.

D. Business Relations among China, Japan, and Korea in a Globalizing World (Prof. Hwuy-Chang Moon)

Usually, a business has a competitive nature, which produces losers; however, Mr. Moon claims that the balance of collaboration and competition is a key of success for companies. In the lecture, Prof. Moon first illustrated the source of competitiveness and then introduced a new perspective of competitiveness through the Diamond Model and the Double Diamond Model.

According to traditional models, abundant natural resources and cheap labor were competitive factors, and government policy focused on targeting and protection in 1980s. Surprisingly, countries with rich resources became poor and undeveloped countries comparing to resource scarce countries, and government's protection policy resulted in higher cost for consumers and lower competitiveness for companies. A major reason for these results was explained as following: fundamental for success was formed by motivation to save resources and to win competition, instead of abundant cheap resources as traditional model has explained. Poor resources forced actors to become more rational. Therefore, Prof. Moon argues that disadvantages could be changed into advantages.

In the Diamond Model, the new perspective of competitiveness of a country is analyzed into four categories: 1.factor conditions 2.demand conditions 3.related and supporting industries 4.firm strategy, structure, and rivalry. Factor conditions focus on production side, such as efficiency and cost, and demand conditions focus on consumer side, such as sophistication of market and its size. Existence of related industries shows possibilities of clustering and synergies. Firm strategy, structure, and rivalry category shows competitiveness in the field. By analyzing in accordance with the model above, it shows that all countries have various strengths and weaknesses of their own.

In the Double Diamond Model, Prof. Moon illustrated the balance of international diamond and a domestic diamond. Through successful globalization, as shown in Singapore, diamond becomes fully balanced, and the competitiveness reaches near its top.

Lastly, Prof. Moon claimed that the following is important for higher competitiveness: 1.model-based analysis, 2.comprehensive approach 3.globalization to increase opportunities. This lecture, in overall, showed how countries with disadvantages sought their way to success and how to find the balance of advantage and disadvantages.

E. East Asian Economic Integration and Japan-Korea-China Relationship (Prof. Young-rok Cheong)

In this lecture, Prof. Lee has gone through the major historical events in the East Asian Region from 17th century. In terms of economic integration, Prof. Cheong mentioned Japanese colonization in today's ASEAN countries and pointed out that the initial purpose was an economic integration instead of increase in national appearance. As we know, Japan could not prevent itself from so-called

invasion to other countries in East Asia, and result was a failure. Since the end of WWII, neither China, which stayed as a communist country, nor Japan, which had a trauma of causing such a disaster, nor Korea could take an initiative toward integration of the East Asian region.

Importance of strengthening the economic integration was highlighted right after the currency crisis of 1997, which started in Asia. The idea of group security was realized through Chiang Mai initiative in 2001, and it has been a base of monetary security until today.

F. Rhythm, Culture, Soft Power, and International Relations (Prof. Geun Lee)

Prof. Lee claimed that globalization in culture is spreading around the world, homogenizing rhythm and music. Similarly, he emphasized that soft power could be a key for China to attract others instead of hard power, which is mere coercion. Prof. Lee argues that the hard power has its limitation, and he explained that it could result in nuclear bomb and military oppression. Since world is being cautious to military rules by Chinese government, he claimed that China could moderate its international relationship by using soft power.

Just like McDonald and American characters has spread American ideas around the world, China also has its own unique food and culture with potential of accepted by people around the world. Also, Prof. Lee mentioned that the US in 1960s were not much different from current China for that the US did not allow women and African Americans to vote until mid-1900s and that they did not care about the environment. Thus, China may take over the US in decades.

However, Prof. Lee gave counter-argument toward his theory saying that soft power has limited power in political scene, and therefore, he concluded that it would not be rational for China to put more emphasis on soft power.

III. Lectures at Sciences Po. and Brussels

A. The EU: At the Crossroad (Prof. Patrick A. Messerlin)

Comparing to East Asia, European countries seemed to have integrated successfully so far. Prof. Messerlin, however, claims that EU has made several basic mistakes. In his lecture, Prof. Messerlin explained basic mistakes and 3 challenges that EU is facing today: internal market, trade and neighborhood policies, and the euro crisis.

Originally, EU looked for something similar to "federal model" of 19th

century, which aimed for larger in size, harmonization within the region instead of dynamic diversity, and centralization instead of national responsibilities. Prof. Messerlin argues that EU had to challenge 21st century model, a “community model”. In addition, due to lack of major role by the Commission, it has low esteem, and it has to be changed in order to overcome today’s challenges.

First challenge that Prof. Messerlin mentioned was disappointing results of internal market in services. Although EU has declared service liberalization as early as 1956, trade cost indices show low performance in service especially comparing to China. Looking into individual EUMS, convergence in trade costs is not apparent. By looking at the data of Protect Market Regulations (PMR), not only small EUMS but also large EUMS has protected economy.

Second challenge is commercial and neighborhood policies. Regarding commercial policies, there are too many goals with heavy political fights and little support; even member states are having difficulty unify their opinion. Also, neighborhood policy made strict regulations toward neighboring countries; hence, it did not boost EU economy nor neighboring countries’ economy.

Third challenge is the euro crisis. Euro required EZMS to behave as the German economy, or export structure, but obviously not all EZMS has export structure. Also, ECB’s monetary policy was not strong enough to push for domestic reforms in individual EZMS. Regarding this crisis, Prof. Messerlin proposes two options: 1. ECB as the lender of last resort of government bonds 2. Eurobonds (bonds with joint-several guarantee). Either way, Euro Zone has to clarify the responsibility of each EZMS and avoid moral hazard.

In conclusion, serious changes have to be discussed to overcome EU challenges.

B. European Identity (Mr. Jean-Charles Massera)

An artist’s opinion regarding the European identity was very vague and his opinion was difficult to understand. His point in this lecture, in my opinion, is that identity as Europe is difficult to distinguish by itself and that national identity usually comes from fear.

A student from Italy gave an opposing comment toward his comment of European identity. Her main claim was that European integration increased the variety of choice instead of structuring a brand new concept of Europe. Other student gave a round of applause to her comment, which showed most student agree with her opinion.

Personally, I believe her opinion is quite similar to my understanding of European Union. Even though European countries integrated, each MS still have its own language, culture, food, and people. Through my stay in Paris, I am now quite positive that these countries are not enthusiastic about integrating language or becoming familiar with neighbor's language – I have not seen any German signs in any public spaces in Paris. Therefore, even though there might be European identity, it is hard to distinguish and give a definition.

D. Unification of the European Art

This lecture questioned how people could determine European art, and how to it. It focused especially on cinema and argued how Europe is having a difficult time pursuing European cinema. Importance of this topic was emphasized as that the market of European art consists up to 3% of the EU GDP. Comparing to the EU budget, which is only 1% of the EU GDP, it is not difficult to see how big the market is. However, definition of the market of European art is not clear, thus detail of it is still unclear.

Focusing on the European cinema, it reminded me of major cinema industries in the world, Hollywood. Hollywood has developed successfully as a mecca of movies. However, even though its theme never focused on the US, every Hollywood made movies look as the American movies, even movies as "Last Samurai", "Memoirs of Geisha", and "Harry Potter", which origins are not America. In addition, a student asked for the definition of the "European Cinema" and the speaker had a difficulty answering her question.

My conclusion is that perhaps the EU does not have to distinguish its movies from others to protect their own culture.

IV. Visit to JBIC and EU Institutions

A. Visit to JBIC

Mr. Kumagai from Frankfurt office and Mr. Teshima from Paris office gave us a lecture on what JBIC in Europe is focusing and on their view over current economic situation in Europe. Even though JBIC is planning to close their Frankfurt office, EU and its surrounding countries seem to have great potential of building and maintaining infrastructure.

B. Visit to the European Parliament (A speaker from Parliament,)

During our stay in Paris, we had an opportunity to visit European Parliament and Commission in Brussels. In Brussels, we had 3 main lectures about Parliament, European institutions, and EU and Japan relation.

After a brief explanation of the Parliament, the Italian speaker said that one problem about the Parliament is that the election of representatives depends heavily on the current situation in individual nations – if the administration is functioning well, people would vote for similar people, and if not, people would react in an opposite way. It shows that the Parliament does not reflect people's pure opinion regarding the EU.

C. Visit to the EU Commission (Mr. Ralf von Amelin (external speaker team) and Ms. Luisa Ragher (European Union Action Service))

At the commission, we had a brief lecture about the commission. Then, Ms. Ragher, who is in charge of Japan and EU relationship gave us a lecture about the relationship of Japan and EU. She explained EU and Japan's relationship through recent joint declaration made by EU and Japan, and she also told us that EU has set Japan as a strategic partner of EU.

Regarding Japan and EU relationship, students' main question was "What is attractive about Japan in particular?" However, Ms. Ragher seems not to have detailed answer to our question. Later, we learned from Prof. Messerlin that the definition for "strategic partner" is "a country which EU does not know how to deal with", and it was quite convincing because U.S., China, Russia are also included as EU's strategic partner.

Even though we both seem not to know how to build strong relationship, I still hope that EU and Japan would continue cooperate with each other to survive in the new age of rapidly emerging countries and declining developed countries.

V. Conclusion

Through these lectures, I have become more skeptical about the regional integration in Asia. Main reason of this is political and economic differences among countries in Asia. Despite the political factors, even economic cooperation in the East Asia seems to be quite different from the situation in EU, because China has almost 13 times the population of Japan, which is the second largest country in Asia in terms of population. Thus, it is clear that the economic situation in Japan and China would be completely different in decades or even within years. Integration of the region would be difficult to maintain without balance, and it

Euro-Asian Summer School Report
Kyoko Otsuka

would be difficult to balance out powers in Asia.

Again, due to lack of ability to summarize, it was difficult to cover everything that was mentioned through the entire course. I would like to emphasize that I had learned different perspectives concerning the regional integration, and it was a great opportunity to stop and learn about what is happening in this complicated world today. I would like to thank every speaker (even though I do not think I have understood fully) for sharing their knowledge and ideas, and I also would like to thank all of the staffs, who have worked so hard to run this program.