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The Dynamism of East Asian Economic Integration

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Abstract

The East Asian economic integration started in 1990 due to increase regionalism in Europe and North America and the difficulties of concluding the Uruguay Round of trade negotiation. The 1997 Asian financial crisis is an eye opener for East Asia to integrate their economies. The conceptual leap on East Asian economic integration occurred in 2001 when the East Asian Vision Group submitted a report on an East Asian Community to the leaders of the ASEAN+3 meeting. The purpose of this paper is to explain the factors that influence the economic integration in East Asia. Integration act as a platform for East Asia to discuss on economic issues and play a much-needed role to balance the power of North America and Europe. It also strengthened the region integration into the world economy. The factors that accelerate the economic integration in East Asia include economy, security, political, leadership, the Asian financial crisis, historical, socio-cultural, regional identity and knowledge management. The economic integration in East Asia can be measured by the intensity of intra-regional trade and economic interdependence. The region is believed to be a role model of market-driven economic integration.

1. Introduction

Asia Pacific Economic Cooperation (APEC)¹ was launched in the late 1980s as part of the Asian and American response to the success of European regionalism.² Soon after, in December 1990, after the breakdown of the Brussels negotiations in the Uruguay Round, the then-Prime Minister of Malaysia, Dr Mahathir Mohamad suggested the formation of what he called the 'East Asian Economic Group' (EAEG).³ The EAEG proposal aimed to counter the threat posed by the emergence of trade blocs in the EU and North America and to provide a stronger voice for Asia

¹ APEC is a grouping that includes the Western (and, thus, non-Asian) nations of Australia, the United States, New Zealand and Canada.

² at that time called the European Community and now called European Union.

³ 'East Asia', according to Dr Mahathir, is 'a crescent of prosperous nations extending from North-East Asia to South-East Asia...from Tokyo to Jakarta' (Asian Business Review, 1994:68-69). In short, at this stage, the economies of East Asian cover seven ASEAN economies (of Brunei, Indonesia, Malaysia, Philippines, Singapore, Vietnam and Thailand), China, Japan and South Korea. This proposal was made during the state visit of Chinese Premier Li Peng to Kuala Lumpur, Dr Mahathir Mohamad suggested in a banquet speech of EAEG. Japan was recommended by Mahathir to take a leading role.