

Towards New Economic Cooperation in Northeast Asia ; Lessons from the Franco-German Coalition *

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Key words (주제어): 독불연합(Franco-German coalition), 엘리제 조약 (Elysee Treaty), 동북아 협력(Northeast Asian cooperation), 자유무역협정(Free Trade Agreement), 한중일 자유무역협정(China-Japan-Korea FTA)

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I. Introduction

The Franco-German coalition¹⁾ has been a transcendent force behind the European integration ever since the early years of the European Economic Community (EEC). European integration resulted from two World Wars, where France and Germany had been opposed. The Franco-German reconciliation within the European project was the only solution of four centuries of conflict in Central Europe. It is important to keep in mind that the main reason for the creation of the European Coal and Steel Community (ECSC) and the European Economic Community (EEC) was the definitive end of the Franco-German tensions that had exploded into two World Wars. Hence, the Franco-German axis became one of the pillars of the European project, as well as its motor.²⁾

Because Europe has successfully achieved its regional (political and economic) integration, analysts have often suggested that other regions, such as Northeast Asia, might learn from European experience. Unlike Europe, Northeast Asian countries have not devoted much efforts to the establishment of regional economic blocs until recently. Northeast Asia even takes a negative attitude towards the regional integration by not driving forward NEA FTA (Northeast Asian Free Trade Agreement). Especially, the different positions of two major players in the region, Japan and China, which have somehow conflicting interests, make NEA FTA or close economic cooperation difficult.³⁾ However, considering the current global trend towards regional economic cooperation, East Asian economic integration would be inevitable.⁴⁾

The main purpose of this paper is to examine some possible lessons from the experiences of European integration for Northeast Asian regional economic cooperation. Especially we will try to draw some implications from the Franco-German relations in

terms of its pivotal role as a driving force and an impetus in the process of European integration. Before analysing the implications, it would be necessary to have a look through the history of European integration and concretely to the influence of the Franco-German relationship in the European Community (EC)/ European Union (EU). Section III provides a review of economic integration trends in Northeast Asia. Section IV seeks to draw some possible lessons from the role of Franco-German coalition for Northeast Asian regional economic integration. Section V will be the conclusion. To summarise the point, we will suggest that Japan and Korea would have to take a leading role in creating an opportunity for Northeast Asian economic integration including NEA FTA. It can be understood as a kind of Korean-Japan coalition in the process of East Asian regional integration.

II. Franco-German coalition in the process of European integration

1. A brief history

"France is our closest and most important partner. Europe is founded on the Franco-German understanding, on our close partnership with France. This relationship is not interchangeable and that will also apply to the future of European integration. European integration was a French idea. The significance of France's strategic far-sightedness and political courage in joining forces in the cause of European integration with its 'arch enemy' Germany, which brought war to France three times. The German question could only be definitively answered within the framework of European integration, whose hard core

Germany and France have formed for decades. Germany and France therefore have not only a pragmatic but also a much more profound, historical interest in continuing and intensifying their partnership." (from a speech by Federal Minister Fischer to the German Bundestag on 31 May 2001).

Robert Schuman in his declaration of 9th May 1950, planned by Jean Monnet, affirmed that "the coming together of the nations of Europe requires the elimination of the age old opposition of France and Germany."⁵⁾ Thus, it was perceived that the only solution of the Franco-German opposition was through the European integration. The Schuman declaration of 1950 is regarded as the founding of Franco-German cooperation, as well as the of the ECSC of 1951, which included the Benelux states. Since that, the Franco-German axis became one of the pillars of the European project. In the first part of the history of European integration, however, France played a role of leadership. Until mid-sixties, we can affirm that the Franco-German motor did not exist *per se*, it was France who assumed the leadership and Germany accepted the French proposals. Nevertheless, it is not possible to say that it was a unilateral leadership, however, France was the country who led the main progress of the European construction.⁶⁾

The Franco-German bilateral relationship had been developed in a multilateral framework, that is Europe and its integration, at the beginning of the sixties. The leaders of France and Germany, Charles de Gaulle and Konrad Adenauer, felt that it was necessary to build a bilateral treaty of co-operation. In 22 January 1963, France and Germany signed the Treaty on Franco-German Co-operation, known as the 'Elysee Treaty'. The treaty contained a number of agreements for joint cooperation in foreign policy, economic and military integration and exchange of student education. The treaty

was signed under difficult political situations as that time and criticized both by opposition parties in France and Germany, as well as from the United Kingdom and the United States.⁷⁾ The treaty achieved a lot in initiating European integration and a stronger Franco-German co-position in transatlantic relations. Although this treaty did not form part of the process of European integration, in some way it did influence and affect the rest of the membership of the European Communities. The regular meetings of two of the considered 'big' countries and the co-ordination of their positions before EC meetings, gave them a negotiating power and greater capacity of guiding the European project.⁸⁾ When the close Franco-German relationship did not go further, and thus, either the progress on the European. Between 1963 and 1974, the European project lived a period of stagnation exemplified in the crisis of empty chair when de Gaulle abandoned the Council of Ministers from July 1965 to January 1966 or the two vetoes to the entry of the UK in 1963 and 1967. From 1974, the major advances made in the European project were again a result of proposals formulated jointly by France and Germany, and it was from then onwards that it became appropriate to refer to the 'Franco-German engine'.⁹⁾

The bilateral relationship between Bonn and Paris is, in its intensity, unique among the EU Members. The two governments tried to coordinate their positions on EC/EU issues, whether at formal bilateral meetings of government ministers and leaders (at the breakfast meetings of the German Chancellor and the French President at the European Council Summits or in the Committee of Permanent Representatives) or through day to day contacts of French and German civil servants in Bonn, Paris and Brussels. This kind of bilateral relations had major impacts on European integrations, whether it is positive or negative. In fact, the Franco-German relationship clearly

developed in a long period of collaboration, not only in the bilateral framework but also within the EC shown in the creation of the European Council (based on an idea of Giscard d'Estaing) or the European Monetary System (EMS).

2. The Franco-German axis as a reality: economic and political alliances

In the economic field, France and Germany put much efforts to narrow down their different views and sometimes even contrasting perspectives between themselves. For instance, the internal market was seen in France as an opportunity to create a strong Europe-wide economy in competition against the Japanese and Americans. For Germany, the internal market in Europe was the fulfillment of the neo-liberal philosophy of a free flow of goods, capital and services. Furthermore, in the field of economic and monetary union (EMU), there was loud criticism from German side, because Maastricht treaty includes a clear plan of 'Europeanization of the Mark' but formulates very weak security and defence policies. While economic and monetary union is sensible from a German view point, there is concern that France retains some trump cards in the domain of security and defense policy.¹⁰⁾

However, sincere efforts have been shown from two countries to move together or to create joint perspectives in those important security and economic issues, and those efforts of two countries have been quite successful and fruitful. Probably, the most obvious element of the cooperation in France and in Germany was monetary policy. Monetary policy in both countries has become primarily concerned with the internal and external stabilization of the currency. But fiscal policies, too, were geared toward the same objective: consolidating government budgets.¹¹⁾ In addition, successful efforts

were made in the two countries to hold labour costs in check in order to bring about a recovery of business profits from their decline during the crisis years in the 1970s and early 1980s. Even though some differences in policy outcomes still persisted between the French and German economies, the patterns of their macroeconomic policy strategies during 1970s and 1980s seemed strikingly similar.¹²⁾

In addition, from the historical point of view, most important policy area for France and Germany was agriculture covering the first half of the 1960s, when CAP (Common Agricultural Policy) was created. And agricultural trade policy was also high-lightened in the 1990s when the EU was put under intense pressure by its trading partners to reduce its level of agricultural protection in the GATT (General Agreement on Tariff and Trade) Uruguay Round. When two governments fell out over the Blair House accord negotiated with the US by the Commission and French government opposed it, the Uruguay Round policy-making process in the EU ground to a standstill. At the September 1993 council meeting, however, the German government rallied to the support of the French government, taking the remaining 'pro-Blair House' member states and the Commission along with it. Especially in the case of the revision of the Blair House accord, but also in that of the CAP reform, bilateral Franco-German mediation seems to have played a decisive role in shaping EU decisions. It does not seem to be an exaggeration to emphasize that, in the European politics of the Uruguay Round, as one participant in the process argued, the Franco-German relationship was 'absolutely determining.' The government of two nations are still making enormous efforts to merge the biggest enterprises of the Franco-German industrial alliance, and it is interesting to note that once united the Franco-Germans enterprises often rise to

world leadership in their respective fields, such as : European Space Agency, EADS (The European Aeronautic Defence and Space Company)¹³⁾, and Airbus.

Franco-German coalition contributed a lot in the field of common policies, not only economic-financial areas but also politico-security sectors. The two countries manage a common European policy in regard to European integration and also foreign affairs. A strong example of this is the Iraq War that aligned the Franco-German alliance with Russia in opposition to American foreign policy. When these two countries agreed on new steps towards new security arrangements in Europe, significant political advances became on the one side feasible, and on the other side they raised fears in partner countries of a dominating German-Franco axis in Europe. In this regard, the reaction to the Franco-German proposal to create a EuroCorps (European wide common military cooperation)¹⁴⁾ was typical. The proposal was not fully realized until 1992 because of fears from other neighbouring countries. So France and Germany had to make sure that they will always go together or to work together for the sake of Europe in order to guarantee stable/peaceful status in European security. These efforts were somehow successful and convincing for other European countries. Also, there was a strategic political assumption that in the new political environment Germany and France must go forward together in order to avoid a conceivable re-nationalization of security policy.¹⁵⁾

III. Regional Cooperation in Northeast Asia

Compared to the creation of ECSC in 1952 and of EEC in 1958 and on the basis of persistent efforts among European countries toward integration, the possibility of Northeast Asian regional cooperation only began to be discussed in the late 1980s. In

contrast to European case, therefore, there is no notable progress of economic integration in Northeast Asia until now. Prior to the onset of the Asian financial crisis in 1997, ASEAN (the Association of Southeast Asian Nations) was the only economically integrated body in East Asia. The Asian financial crisis has prompted serious discussions regarding regional economic cooperation in Northeast Asia. The first meeting of Summit of China, Japan and Korea was held in the year of 1999 in the framework of ASEM (Asia Europe Meeting) and they met several times more. But unfortunately they could not meet in December 2005 in Kuala Lumpur, Malaysia in the occasion of EAS (East Asia Summit) due to the rejection of Chinese and Korean side to meet Japanese Prime Minister who insisted worship to holy shrine. The joint committee of C-J-K FTA (China, Japan and Korea Free Trade Agreement) already published a final report which said C-J-K FTA is economically beneficial for all three participants, but it was suspended, and at the moment there is no vision for the start of negotiations. Korea and Japan already negotiated six times for the bilateral free trade agreement but nothing has been practically advanced for realization of J-K FTA (Japan Korea FTA). China and Japan dare to start even a discussion for any kind of economic integration between two countries. So, Northeast Asian countries tend to pursue economic cooperation only through multi-lateral organizations like GATT/WTO (World Trade Organization).¹⁶⁾ According to the WTO, however, almost all member countries of the WTO are affiliated with one of more regional trading blocs with the only exception of Northeast Asia.¹⁷⁾

However, many researchers and academics continuously propose the idea of a regional FTA between China, Korea, and Japan, together with the discussions on a Korea-Japan FTA first. More recently, several Chinese economists have proposed

trilateral FTA. It is noteworthy that Chinese scholars proposed the idea, a position that seemed unlikely until recently.¹⁸⁾ The Development Research Center (DRC) of China, the National Institute for Research Advancement (NIRA) of Japan, and the Korea Institute for International Economic Policy (KIEP) embarked on a joint research project on economic cooperation in November 2000. Their joint report and policy recommendations on "strengthening trade relations between China, Japan, and Korea" were presented to the respective leaders prior to the Brunei Summit meeting on November 5, 2001. These recent movements towards economic integration in Northeast Asia can be explained by several factors. First, through the Asian financial crisis, Asian countries realized the need for close cooperation in economic and financial affairs. Second, Japan's economic recession and its active efforts toward regional integration as a countermeasure to domestic decline have also stimulated economic cooperation in Northeast Asia. Third, China's accession to the WTO in 2001 has necessitated numerous policy changes including significant reductions in China's tariffs, the removal of non-tariff barriers that currently impede neighbouring countries' exports to China, the opening up of its service sector and the further protection of intellectual property rights. China's globalization and reform policies have stimulated economic integration in the region.¹⁹⁾

IV. Lessons from the Franco-German coalition

Of course, the historical background of regional integration in Northeast Asia is quite different from that of Europe in many aspects. Most of all, whilst Germany made a clear apology for its past wrong doings to other neighbouring countries, Japan, war

criminal in Asia, has not definitively expressed regret for its past behaviour since the end of war. So the other Asian countries are still concerned about a Japanese re-militarization movement. More importantly, Northeast Asia differs significantly from Europe in terms of its economy size and GNP per capita exceeds USD 30,000. This is in contrast to the case of China where GNP per capita still remains at around USD 1,000-1,500. In addition, European countries generally lack natural resources, but discrepancies exist between resource-rich and resource-poor countries. The level of technology among European countries is similar, however, as most of them are OECD countries. On the contrary, in Northeast Asia, Japan is the only country with abundant natural resources and world-top class high-tech and industrial technology.

With above reasons, regional cooperation in Northeast Asia would encounter a different situation from that of EU integration. However, EU integration can provide some meaningful implications for Northeast Asian countries, especially for China, Japan, and Korea. According to a recent official KIEP report²⁰⁾, barriers to promoting a C-J-K FTA are characterized as : excessive competition in trade, differences in political system, a leadership struggle between China and Japan, and a lack of understanding for each other. These can not be resolved in a short period. During strengthening economic cooperation, the three countries may find ways to deal with these issues. And we believe that Northeast Asian countries should learn from the experiences of the European integration, especially from the role of Franco-German leadership/coalition.²¹⁾

As mentioned in the earlier part of this paper, the main purpose of this paper is to analyze and to draw some implications from Franco-German relations in the framework of European integration for the case of Northeast Asian regional cooperation. We believe that the first thing to learn from the Franco-German coalition is ‘thorough

reconciliation approach' between two countries which had several wars. Second is German economic contribution without any pre-conditions to the Community as a richest country. Third, France demonstrated political leadership and Germany financially supported French initiatives. Fourth, France and Germany were fully aware of keeping the principle of negotiation, so-called 'give and take.' Fifth is the particular characteristic of the Franco-German relation in terms of very close personal relationship between leaders. For example, Helmut Kohl and Francois Mitterand enjoyed close mutual interaction and emotional exchange. They met often and had many conversations between themselves. Sixth, leaders of two countries also demonstrated strong political leadership at national and community level when it was necessary. Seventh, France and Germany tried to increase community-level interest rather than seeking their own country level interest throughout the entire integration process. This attitude made them possible to persuade other neighbouring countries into much closer European integration.

V. Conclusion

The above mentioned findings imply many things to Northeast Asian countries for their economic cooperation and integration. However, the most important thing to do is 'who and how' puts these implications into practice. First of all, we believe that Korea can be the first country to do this. Severe competition between China and Japan in the region may be able to create a unique opportunity for Korea to act as a regional mediator. Secondly, we also believe that Japan is the very country which should learn from Germany in many senses. If two countries could apply the European experiences (i.e., Franco-German axis) to Northeast Asia, the J-K FTA would not be too difficult to

be implemented in the foreseeable future. Both Korea and Japan recognize that the J-K FTA is mutually beneficial and the effects of integration are bigger than any other bilateral FTA. Therefore, the J-K FTA is the only possible alternative in Northeast Asia in short-term. If so, the J-K FTA would be a springboard for the C-J-K FTA or an Northeast Asia FTA (NEA FTA) in the long run. And then, we think, China will finally follow Korea and Japan. The integration among three countries (e.g., C-J-K FTA or NEA FTA) will not only enhance the economic prosperity but also guarantee regional peace. To realize this, it is again important that Japan and Korea have to take a leading role in creating an opportunity for Northeast Asian economic integration. The Franco-German axis in Europe can be revived in Asia as a type of the Korean-Japanese coalition.

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Abstract

Towards New Economic Cooperation in Northeast Asia ; Lessons from the Franco-German Coalition*

Ki-Sik Hwang**

This paper seeks to examine some possible lessons from the experiences of European integration for Northeast Asian regional economic cooperation. Especially it considers the Franco-German coalitions as a driving force/impetus in the process of European integration, and tries to draw some implications from it. With this aim, it briefly explains the European integration history and examines the influence of the Franco-German relationship in the European Community (EC) and the European Union (EU). And it also provides a review of economic integration trends in Northeast Asia. To summarise the point, we suggest that Japan and Korea would have to take a leading role in creating an opportunity for Northeast Asian economic integration such as Northeast Asia Free Trade Agreement (NEA FTA). It can be understood as a kind of Korean-Japan coalition in the process of East Asian regional integration.

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- 1) The France–Germany relations, Franco–German partnership, or Franco–German axis are terms to describe relations between France and Germany. After 1945, cooperation replaced a three centuries old French–German enmity between the two countries that had led to World Wars. Especially in the context of the European Union, the cooperation between the countries reaches immense coordination and collaboration. So it is widely accepted that Franco–German coalition has been one of the driving factors in the process of European integration. See Laia Mestres, “The Franco–German motor before the Eastern enlargement: the causes of its decline.” *Institut Universitari D'estudis Europeus Working Paper* no. 33, 2002.
 - 2) *ibid.*, p. 1–2.
 - 3) Jong–Won Lee and Sung–Jo Park (eds.). *Economic cooperation and Integration in Northeast Asia: New trends and perspectives*. LIT Verlag Berlin, 2006
 - 4) *Ibid.*, p. 9.
 - 5) Taking from the internet, you can find it in the web of Pol Europeu Jean Monnet, Institut Universitari d'Estudis Europeus. UAB: <http://www.uab.es/iuee>. (online accessed on 30/Oct/2007).
 - 6) Gisela Handricks and Annette Morgan, *The Franco–German axis in European integration*. Edward Elgar, 2001. p. 33–35.
 - 7) Alistair Cole, *Franco–German relations*. Pearson Education, 2000. p. 3–8.
 - 8) In the EEC–6, Italy, France and Germany were the big members, while Belgium, Luxembourg, and Holand were considered to be the small ones, taking the population as the reference.
 - 9) Laia Mestres, *op.cit.*, p. 2
 - 10) A similar view is shared by some existing authors including : Christian Deubner, "Food for thought in leftovers: France, Germany and the coming IGC on institutional reform", Conference paper presented in '*Franco–German relations and European integration: A transatlantic dialogue*'. Washington DC 16 September 1999. And Hendriks and Morgan, *op.cit.*
 - 11) For more detailed debates on the economic system of Germany and France, see Peter Hall, *Governing the Economy*, New York / Oxford: Oxford University Press, 1986. See also Peter Hall and David Soskice, *Varieties of Capitalism*,. Oxford University Press, 2001.
 - 12) See Jorg Boche, "The political economy of Franco–German relations: National strategies and cooperation in the European Community", Paper presented at *the*

Biennial Conference of the European Community Studies Association May 22-24, 1991. p. 8-13.

- 13) The European Aeronautic Defence and Space Company (EADS). EADS is a large European aerospace corporation, formed by the merger on July 10, 2000 of DaimlerChrysler Aerospace AG (DASA) of Germany, Aérospatiale-Matra of France, and Construcciones Aeronáuticas SA (CASA) of Spain. The company develops and markets civil and military aircraft, as well as missiles, space rockets, satellites, and related systems.
- 14) The Eurocorps' creation can be considered as the result of the Elysée Treaty signed on January 22nd, 1963 by the French President, Général de Gaulle, and the German Chancellor, Konrad Adenauer. In this treaty aiming at strengthening the French-German relationship both countries committed themselves to cooperate in the field of defence. Apart from a closer political relationship, both countries planned personnel exchanges between their respective armed forces and cooperation in the field of defence industry. In 1987, President Mitterrand and Chancellor Kohl decided to intensify the military cooperation between France and Germany: they announced the setup of the French-German Security and Defence Council that allowed the creation of the French-German Brigade, operational since 1991. On October 14th, 1991, both heads of state and government informed the chairman of the Council of Europe, in a common letter, of their intention to reinforce this military cooperation. Thus they laid the foundations of a European army corps in which the other WEU members could participate. On the occasion of the La Rochelle summit on May 22nd, 1992, François Mitterrand and Helmut Kohl took the official decision of creating the Eurocorps, simultaneously with the adoption of the common report of the French and German Defence Ministers. For more detailed information about Eurocorps, please see the official website of Eurocorps. http://www.eurocorps.net/history/eurocorps_history/ (online accessed on 30/Nov/2007).
- 15) For understanding of Franco-German role in the European political cooperation, see most notably, Peter Schmidt, "The contours of the European security and defense identity and the transatlantic connection", Conference paper presented in '*Franco-German relations and European integration: A transatlantic dialogue*'. Washington DC 16 September 1999. And Michel Foucher, "The challenge of post-Kosovo Europe: implementing the stability Pact", Conference paper presented in '*Franco-German relations and European integration: A transatlantic dialogue*'. Washington DC 16 September 1999.

- 16) For more detailed information, See, Jong-Won Lee and Sung-Jo Park (eds), *Economic cooperation and Integration in Northeast Asia: New trends and perspectives*, LIT Verlag Berlin. 2006. Also see Karl-Peter Schonfisch and Bernhard Seliger (eds.), *ASEAN plus three (China, Japan, Korea)-towards an economic union in East Asia?*, Hanns Seidel Stiftung. 2004.
- 17) WTO, *Focus Newsletter*, December 2000, p. 14.
- 18) Professor Hai Wen and Zhang Xi proposed a trilateral FTA and professor Angang Hu proposed a FTA between China, Hong Kong, Japan and Korea.
- 19) For more detailed discussion about recent movement towards economic integration in Northeast Asia and its reasons, see notably, Lee and Park (eds), *op.cit.*, Part 1.
- 20) Inkyo Cheong *et al.*, "A China-Japan-Korea FTA: current progress and tasks", KIEP, December 2003, p. 270.
- 21) Some other authors such as Pascha (2003) have also emphasized some important lessons from European integration for East Asian regional cooperation (see Werner Pascha, "Economic integration in East Asia and Europe: A compared." Paper presented at the international conference on *ASEAN plus three in the light of European integration: the valuable lessons*, Seoul ASEM Institute for International Relations et al., December 2, 2003, Korea Press Centre, Seoul). According to Pascha, despite superficial differences, it is interesting to note that the divergent starting conditions and decision-making mechanisms have led to a rather different landscape of integration mechanisms. The EU has developed considerable stability along its path, offering a high degree of intra-regional economic activity, at the expense of dynamism and possibly an eventual overreach of its capabilities (Pascha, *ibid.*, p. 41).