

Effects: Economic development and legal integration

**1. Overview of issues [20 sec]**

Territorial disputes pose a serious problem for the economic development of those countries involved. In particular, under the framework of legal integration, ongoing and unresolved disputes present a challenge for East Asian economies to successfully integrate and harmonise their legal systems.

**2. Long-term: Formation of an “Asian Union” [1 min]**

To begin with, we want to address the broader, long-term consequences facing joint economic development.

The key issue is this: Unless we find a resolution to these border disputes, it will be very difficult to establish *any* form of East Asian community. Whether we aim for a trilateral China-Japan-South Korea relationship, or a more regional “10+3” ASEAN grouping – these maritime disputes create a barrier to open dialogue and forward-thinking negotiations between the countries involved.

**3. Forming an AU: Sea of Japan example [1 min 30 s]**

To use the Liancourt Rocks/ Dokdo Islands as an example, how can South Korea and Japan further trade negotiations, if they cannot settle this maritime dispute in the Sea of Japan? The tension between the government (and sometimes the citizens) will make it very difficult for harmony and agreement to be reached between the disputing countries.

**4. Trilateral agreement: China, Japan and South Korea**

Therefore, before countries in the East Asian region can continue their discussion on integrating their legal systems, a mutual resolution must be reached for existing border disputes. China, Japan and South Korea first begun co-operative talks in 1999, so celebrated their 10<sup>th</sup> anniversary of co-operation in October 2009. The leaders of these three countries were very optimistic, and believed that this trilateral integration would “systemise the East Asian economy ... and provide the further development of this region with organisational structure.”

**5. Illustrative: Lagging trilateral agreement [2 min 30 s]**

However, perhaps it is fair to assess that progress in achieving this harmonised group has lagged in light of ongoing territorial disputes. Greater advancements have been made between countries who do not have these type of conflicts – such as the China-ASEAN Free Trade Area, officially launched on 1<sup>st</sup> January 2010 This agreement is an important first step and backbone for an eventual “10+3” East Asian community.

**6. Co-operative framework: Hindered by disputes**

However, without a strong trio between China, Japan and South Korea, it may be difficult for this regional community to establish a co-operative framework. For these reasons, we believe it is vital that maritime and territorial disputes must be firstly resolved, before the countries in East Asia can successfully integrate their legal systems. This presents a challenging long-term economic development problem for this region.

**7. Short-term: Economic backlash [3 min]**

At the same time, there are two significant short-term implications on economic development.

The first is that in an increasingly globalised economy, a dispute between two countries will inevitably impact on its consumers and businesses. Communities around the world are more and more interested in legal issues which arise, and there can be strong views held about border disputes. In particular, the citizens of one country tend to firmly believe that the disputed island *does* belong to their government.

**8. Economic backlash: East China Sea example [4 min]**

As a result of these strong opinions, the concern is that consumers and businesses may boycott the goods and services of the disputing country.

For example, regarding the East China Sea dispute over the Senkaku/ Diaoyu Islands, in September 2010 there were outraged protests held in several cities in China – and further in April 2012 when it was proposed that these islands would be purchased by the government. During the Shanghai Expo in 2012, a planned concert by a Japanese band was cancelled. Business transactions and investments between China and Japan declined during 2012 as a result of this dispute.

**9. Short-term: Unutilised commodities [4 min 30 sec]**

The second short-term impact arises from the disputed islands themselves. The reality is that most territorial conflicts have an economic or financial basis. Countries fight over land because it is economically valuable. In particular, disputed islands tend to be abundant in seabed minerals and resources.

The problem is that while maritime disputes are unresolved, no country can legally (or politically) exploit these resources for economic gain. Of course, the longer a dispute is dragged out, the longer the waiting period.

**10. Unused resources: South China Sea example [6 min]**

For example, the South China Sea Islands – that is, the Paracels and Spratlys Islands – have vast reserves of natural resources. Scientists have estimated oil reserves as high as 213 billion barrels – which is 10x the volume of oil reserves held by the United States. In the context of this dispute, the interested parties include Vietnam, the Philippines, Malaysia and China.

While there remains no resolution to this problem, these valuable resources continue to be untapped and unutilised. This results in a “lose-lose” situation for all the countries involved, and a hindrance to the growth and development of all the *economies* involved.

**11. Economic and legal perspectives [7 min]**

This is an economic development issue – and in some aspects, also a regional stability issue – in terms of energy security.

From an economic perspective, these untapped resources represent an opportunity cost whilst countries fight over the right to control and use these islands. From a legal perspective, perhaps it is through integration of our legal systems that we *can* reach a joint and mutually beneficial solution.

This will firstly promote the short-term economic development of the respective countries through allowing valuable resources to be utilised, and through maximising internal economic growth – and secondly allow for ongoing dialogue and negotiation of an East Asian community in the long-term.

**10. Conclusion: The importance of legal integration [8 min]**

As economic development and regional stability are our ultimate end goals, it is very much in the interests of all East Asian countries to see the successful resolution of these territorial disputes.

My team member Amy will now discuss *how* our countries can come together and resolve these difficult issues through the mechanism of legal integration.