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Intra-ASEAN Economic Cooperation: Research Issues and Methods

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ASEAN is one important variable in determining the direction of structural changes in the world economy, through 1) encompassing a growing Asia, 2) embodying the effort for regional integration of developing countries and 3) assuming part of the management of the world economy.

Preceding ASEAN Studies do not explain why economic cooperation was pursued, what was the rationality in economic cooperation, or what lessons can be offered for the theory of economic integration.

The economic rationality of ASEAN economic cooperation, political implication in ASEAN economic cooperation, and the question of whether ASEAN economic cooperation can be an economic integration model for developing countries are discussed.

This paper examines issues and approaches of study relating to intra-ASEAN economic cooperation.

1. Introduction

With the end of the "Golden Age," which spanned the quarter century after the Second World War (WW II), the world economy entered an era of historic structural change. It was historic in the sense that those changes would not be repeated over time. As with the case of past structural changes, the structural changes starting in the 1970s were deep and wide, including polar movements in innovation and growth. "The Growing Asia"¹ and "Asian Miracle"² no doubt reflected these structural changes. On the other hand, one should not forget criticisms against those Asian studies, notably that of Krugman.³ Yet, in spite of all possible limitations in growth that might exist today in Asia, the growth of the New Industrializing Economies (NIES) embodied the new growth model,⁴ turning around the pessimistic image depicted by the

1 Watanabe (1985).

2 International Bank for Reconstruction and Development/World Bank (1993).

3 Krugman (1994).

4 International Bank for Reconstruction and Development/World Bank (1991).

"Asian Stagnation."⁵ Furthermore, the continuous growth in the ASEAN (Association of Southeast Asian Nations) countries and China indicated that the East and Southeast Asian region was a center of growth in the world economy in the 1980s.

Therefore, looking ahead to the growth and structure in the East and Southeast Asian region will definitely have crucial significance in clarifying the fundamental direction in the structural changes of the world economy. ASEAN is composed of this growing East and Southeast Asia. ASEAN countries, excluding Singapore, have proved that their economic growth could be of a certain model by following in the footsteps of NIES countries such as Singapore, Hong Kong, South Korea and Taiwan. Thus, the significance of comprehensive political economic studies on ASEAN countries lies in thoroughly understanding the structural changes in the modern world economy.

In addition, one needs to focus on ASEAN as a regional integration that includes intra-regional economic cooperation. First, developing countries that gained independence after WW II have tried regional integration from the standpoint of not only achieving a political and economical independence but also searching for the prescription for the North-South problem or low-development problems. Generally, we tend to pay attention to well-known examples of economic integration such as the European Community (EC) /European Union (EU) or the North America Free Trade Agreement (NAFTA). However, post-war examples of economic integration were also common in developing countries. To name some examples, there were the Latin America Free Trade Agreement (LAFTA) and Central American Common Market (CACM) as well as Union Douaniere et Economique de L'Afrique Centrale (UDEAC) in the 1960s; Mano River Union (MRU), Centro de Estudos Afro-Orientais (CEAO) and Economic Community of West African States (ECOWAS) in the 1970s. Among these economic integrations in developing countries, ASEAN has been regarded as the most successful example. If this was the case, in other words, if ASEAN has implemented regional integration as the model for developing countries, an analysis of ASEAN regional integration would play a significant role in examining the direction of modern international relations as well as in providing solutions for the North-South problem. Even if ASEAN would not be the model, the author believes that, through solving problems and offering answers, a political economic study on the ASEAN regional integration would provide meaningful suggestions to the search for historic structural changes in direction of the modern world economy and international relations.

5 Myrdal (1971).

Second, regional integration or regional cooperation are currently pursued in the East and Southeast Asian region or Asia-Pacific region⁶ as a positive component. The United States (U.S.) promoted NAFTA as if to counter the growing Asia and the integrating Europe. At the same time, the U.S. had organized the Asia-Pacific Economic Cooperation (APEC), which includes "Great China,"⁷ promoting the creation of its extensive free trade area. Those changes in international relationships, closely connected to the reorganization in the Asia-Pacific region after the end of the Cold War, have generated the belief that "economically and politically, the Asia-Pacific region has materialized into one system."⁸ Since the First ASEAN Summit in 1976, ASEAN has maintained a complementary and harmonic, yet tense relationship among member countries while developing intra-ASEAN cooperation. There is no doubt that structural changes in the world economy are characterized by the formation and reorganization of the multilayered international cooperation system, which includes the Group of Seven (G7) and the Summit after the collapse of the Bretton Woods system, a deepening and widening EU, NAFTA and the would-be regional cooperation system in the Asia-Pacific (APEC). The regional cooperation/integration or international cooperation are indispensable factors in reorganizing the post-war economy. The general belief concerning the world economy after WWII is that free, indiscriminate and multilateral markets have been pursued. However, as Sasaki (1993b) pointed out, those markets had to be supported by resolving "aggregative government failures" by the international cooperation or the management of world economy. In the 1980s, with structural changes in the world economy, international cooperation was required to reorganize itself.⁹

To summarize the above, it is obvious that ASEAN is one important variable in determining the direction of structural changes in the world economy, through 1) composing the growing Asia, 2) encompassing an effort for regional integration of developing countries and 3) assuming part of the management of the world economy.

2. Previous Research on ASEAN Studies

Some Japanese studies on ASEAN have contributed to ASEAN studies, while some studies on ASEAN have been developed by such organizations as

6 "Asia-Pacific" is a concept that includes the Asian region and Pacific region. APEC defines the Asia-Pacific in this context.

7 *Economic Report of the President*, 1994, p. 221.

8 Yamakage (1991b), pp. 110-111.

9 Sasaki (1993b).

the Institute of Southeast Asian Studies (ISEAS) in Singapore.

The pioneers who had focused on ASEAN regional cooperation/integration were the group of researchers led by Okabe at the Japan Institute of International Affairs. Okabe (ed.) (1977, 1987, 1989) were his typical works on ASEAN. Okabe approached ASEAN by confronting it with the new functionalism: an integration model promoted by the establishment of the European Coal and Steel Community (ECSC). As stated in Okabe (1987), he contended that integration models such as the new functionalism by which EC is formulated as a reference system were not applicable to ASEAN. Instead, Okabe wrote, ASEAN's functions should be pursued to sedate intra-ASEAN conflicts and to negotiate collectively with outer-ASEAN countries. Thus, ASEAN was destined to become a relatively loose organization based on declarations not charters and treaties, and accordingly, its policy-decision system was a unique system called the "consensus model."¹⁰

These studies liberated ASEAN studies from the framework of new functionalistic integration theory. Simultaneously, they overcome the limitation of new colonialistic views, in which ASEAN was regarded as an anticommunist regional cooperation system in accordance with the reorganized Asian strategy of the U.S. after the Vietnam War.¹¹ At the same time, Okabe's studies were an effort to understand ASEAN internally.

A number of theses by Yamakage began with an effort to understand ASEAN internally, defining ASEAN's position behind the background of international relations that included regional integration. Yamakage attributed the cause for establishing ASEAN to the tensions among Southeast Asian countries, clarified its starting point as "the symbol of pursuing security," thus pointing out its unique identity as a security-oriented community, and its goal to nation-build.¹² According to Yamakage, anticommunism was "neither a sufficient condition nor a requirement" for regional cooperation.¹³ Just as Okabe did, Yamakage denied the ASEAN analysis by the new functionalism approach. Yamakage went further by combining the development of integration theory after the failure of new functionalism and that of integration in developing countries. He understood regional integration as "an extensive perception as a cooperative orientation in the broad 'place' where international relations can be established."¹⁴ Regional integration was taken as a universal event of international relations. From this standpoint, Yamakage comprehensively analyzed

10 Pushpa (1985), pp.11-13.

11 Okakura, Eguchi and Shibata (1973).

12 Yamakage (1987b), p.191.

13 Yamakage (1983a), p.6.

14 Yamakage (1983b), p.98.

the development of cooperative systems following the establishment of ASEAN and pointed out similarities between ASEAN and EC regarding the "opportunity for integration and expansion of orientation."¹⁵ In short, Yamakage reconstructed the integration theory with ASEAN analyses.¹⁶ Furthermore, he proposed that ASEAN regional integration simultaneously progressed with each national integration in ASEAN countries ; in other words, ASEAN was a form of "regional integration for each national integration."¹⁷ In other aspects, Yamakage found that ASEAN economic cooperation became difficult due to the conflicts of interest among member countries, which derived from the premise of individual nation-building.¹⁸ Also, because Asia-Pacific regional cooperation was about to materialize as one whole system,"¹⁹ ASEAN could not advance to self-conclusive integration. In this manner, Yamakage has pointed out the dynamism of ASEAN integration which also included tense relations.²⁰

Studies by Okabe and Yamakage have elevated ASEAN studies to a higher level. However, there are several questionable points in their contention. For example, although, as Yamakage stated, anticommunism might have been "neither a sufficient condition nor a requirement" for establishing ASEAN, this may mislead some to perceive that the characteristics of ASEAN were separated from communism. Even if ASEAN was launched based on intra-ASEAN factors, ASEAN was clearly established and reorganized by the Cold War system by the U.S. Since the 1970s the U.S. had positioned ASEAN in line with the Guam Doctrine.²¹ For that reason, the U.S. expected Japan's economic assistance to ASEAN countries, and ASEAN has been prescribed by strategies of outside-powers such as Japan and the U.S.

Yamakage did not overlook the above matters. Both Okabe and Yamakage understood ASEAN's function in collective negotiation with outside-powers. Yamakage also knows the Cold War factors have accelerated the establishment of the security community.²² Though political analysis on ASEAN was put aside at the onset by Okabe and Yamakage, it must be further developed along with the development of ASEAN.

Studies by Okabe and Yamakage were conducted basically from a political perspective. That was a limitation in analyzing ASEAN. Okabe did not exam-

15 Yamakage (1983b), p. 111.

16 Refer to Yamakage (1983b), Yamakage (1994a).

17 Refer to Yamakage (1987a).

18 Refer to Yamakage (1981b, 1994a).

19 Yamakage (1994a), pp. 110-111.

20 Yamakage (1994d) presented the hypothesis that ASEAN has sub-systematized itself while the Cold War collapsed and the Asia-Pacific International Order came into place.

21 *The Department of State Bulletin*, LXII, 1593, January 5, 1970, pp. 381-387.

22 Yamakage (1987b), p. 197.

ine economic cooperation and integration. Yamakage (1994c, 1991b) did examine them. Yet, they were basically political analyses on the political process of ASEAN economic cooperation/integration, and on the political relations among ASEAN countries on ASEAN economic cooperation/integration. In other words, although Yamakage (1994c) analyzed the reality of the failed 10-year economic cooperation from the 1976 first ASEAN Summit to 1986 with some help from Suriyamongkol (1988), the main issue of Yamakage (1994c) is providing the answer to "how politics came to a standstill in economic cooperation."²³ Thus, what became clear was the conclusion from a political analysis that "there was little progress due to the structural conflict of interests."²⁴ Moreover, Yamakage (1991b) also "focused on political relations between ASEAN member countries rather than debating the realities and theories on ASEAN economic integration."²⁵

In other words, those studies do not explain why economic cooperation was pursued, what was the rationality in economic cooperation, and what lessons can be offered for the theory of economic integration. If those studies were ASEAN analyses from an internal perspective, they must have an economic analysis.

As a foundation from studies by Yamakage and Okabe, ASEAN studies are currently urged to move towards a new phase, which will include economic studies. However, there had been very little effort in Japan to approach ASEAN from an economic analysis. There were a few economic analyses among ASEAN studies edited by Okabe. Fukami (1977) evaluated ASEAN in terms of the development of the global economy. He explored the efficacy of ASEAN economic cooperation. But what he conducted was merely making the "first approach" to ASEAN economic cooperation as Fukami himself admitted. Matsuo (1977) also briefly explained various measures in ASEAN economic cooperation. Yamazawa (1987) also briefly mentioned the existing condition of intra-ASEAN economic cooperation.

Taniguchi (1980) was one of few studies with such titles as "ASEAN" ("ASEAN Industrial Development and Intra-ASEAN Economic Cooperation"). Yet, it was mainly about preferred industries for industrial development in ASEAN countries. Thus, this analysis also briefly mentioned the Preferential Trading Arrangement (PTA) and ASEAN Industrial Projects (AIP).

Meanwhile, there was Nishiguchi (1980) from the lineage of studies other than Okabe and Yamakage. Nishiguchi (1980) indicated that ASEAN economic

23 Yamakage (1994c), p. 12.

24 Yamakage (1994c), p. 18.

25 Yamakage (1991b), p. 94.

integration would be implemented by foreign capital (MNCs : multinational corporations) following the new colonialism. However, this analysis did not quite deal with ASEAN economic cooperation and integration ; it was an understanding of ASEAN economic integration from the standpoint of foreign capital interests.

The first full-fledged series of efforts to thoroughly understand ASEAN from an internal economic perspective in opposition to the ASEAN studies in politics was Twu (1983, 1982). In a series of studies (Twu, 1978, 1980a, 1980 b), Twu analyzed development and movements in regional integration in the third world in the "postwar historic and economic relations (the North-South problem)."²⁶ Twu clarified the origin of third-world regional integration ; it originated from the idea "Joint Self-help" as well as its extended idea "Collective Self-reliance", which were the ideas established in the movements of the North-South problem in the First United Nations Conference on Trade and Development (UNCTAD) in 1964 and the Declaration of the Establishment of the New International Economic Order (NIEO) in 1974. Furthermore, in Twu (1983), ASEAN economic cooperation and integration were viewed in the context of the North-South problem after WW II. Twu depicted the important influence from NIEO and "Collective Self-reliance" for ASEAN economic cooperation and integration. NIEO stated here was about building a new international order that would replace the International Monetary Fund (IMF) and General Agreement on Tariff and Trade (GATT) System in order to correct the inequality between advanced and developing countries. "Collective Self-reliance" meant to build regional groups by economically dependent developing countries and to grow out of economical dependence on advanced countries (especially MNCs).²⁷ "Collective Self-reliance" also focused on obtaining bargaining power against advanced countries. Its "major object was to grow out of the dependent structure built by MNCs."²⁸ In an effort to understand ASEAN, Twu approached the economic rationality called "Collective Self-reliance," that runs through economic cooperation and integration in developing countries after WW II.

Twu (1983), while tracing the facts on ASEAN economic cooperation and integration, defined ASEAN as a regional economic integration in the third-world ("Collective Self-reliance") and explained its characteristics. Specifically, Twu presented three characteristics of ASEAN economic cooperation as compared to third-world regional economic cooperation such as LAFTA. These

26 Twu (1980b), p. 94.

27 Twu (1980a, 1980b).

28 Twu (1980b), p. 18.

three characteristics were 1) backwardness (ASEAN economic cooperation was not established until the late 1970s; political cooperation preceded economic cooperation), 2) precocity (the extra-regional joint approach preceded intra-regional economic cooperation), and 3) dependency (dependency on aid from outside-Powers, the high trade ratio with extra-regional countries). Twu's studies, though their time span was limited to the early 1980s, went beyond the scope of a new colonialistic ASEAN analysis and are noteworthy for the internal perspective on ASEAN.²⁹

ASEAN studies concerning economic cooperation have been done in the institutes such as ISEAS in Singapore and ISIS (Institutes of Strategic and International Studies) in Malaysia. ISEAS and ISIS have actively conducted these studies particularly since the 1980s. Since its establishment in 1968, ISEAS has released a number of ASEAN studies in politics, economy and social issues. In 1979 the ASEAN Economic Research Unit was set up at the Institute. This unit has released a series of research notes and discussion papers, research books of ASEAN economic cooperation and integration, and a quarterly journal: the ASEAN Economic Bulletin (since 1984). ISIS has also released studies regarding ASEAN economic cooperation including Noordin, Chew and Lim (1988).

Worthy to mention among them were studies of individual cooperation policies: Mohammed, Fong and Thillainathan (1977), Solidum and Seah (1987), Suriyamongkol (1987), Chee and Suh (1988) and Chee (1988) on AIP, AIC, AIJV; Hamzah (1989) on extra-ASEAN economic cooperation; Skully (1979), Skully (1985) and Sheng (1988) on financial cooperation; Imada, Montes and Naya (1991), Imada and Naya (1992) on AFTA. Noordin, Chew and Lim (1988), which include some of the above papers, are typical theses concerning ASEAN economic cooperation, covering many aspects.

However, those studies did not answer the abovementioned issues: why economic cooperation was pursued, what was the rationality in economic cooperation, and what lessons can be offered for the theory of economic integration. This is simply because those studies were merely studies of individual cooperation policies of ASEAN.

Yet, there were two studies that have gone beyond this limitation and the author referred especially. The first study was Rieger (1985). This was a typical study that analyzed the ASEAN trade or market integration, modifying the statistics by country and by product items. This paper analyzed ASEAN market integration and empirically examined interdependent relations between

²⁹ Subsequently, Twu's focus shifted from ASEAN economic cooperation and integration to "NICS" and "Eastern Capitalism."

ASEAN countries. It managed to compensate for 1) lack of data on the export from Singapore to Indonesia, 2) large differentials between the export from Singapore to the partner countries and the import to Singapore from the partner countries, and 3) the lack of data on Taiwan's trade statistics (standard trade data "Direction of Trade" by IMF include these lacks). In that respect, Rieger's studies approached one aspect on the economic rationality of ASEAN economic cooperation. However, Rieger's studies only covered up to the year 1983 and, in particular, the time-series data in the product-by-product analysis was that of 1982 only. Thus, unfortunately, Rieger's studies did not comprehensively cover ASEAN economic cooperation.

The second study was Suriyamongkol (1988). This study covered the political process from the beginning of ASEAN economic cooperation (especially on AIP) to 1987. The purpose of the study was to look into political dynamics and political processes in ASEAN economic cooperation. Although, for this reason, the main topics were the political process and focused in AIP, it was a comprehensive study regarding ASEAN economic cooperation. Suriyamongkol also attributed the failure of economic cooperation to political reasons. In that sense, Suriyamongkol shared a fundamentally similar view with Okabe and Yamakage. Thus, this study did not delve into economic cooperation *per se*.

In general, the above examples of analyses indicate that the cause of lack of progress in ASEAN economic cooperation was the political difficulty. In addition to Yamakage, Okabe and Suriyamongkol, there were other studies. Pangestu, Soesastro and Ahmad (1992) stated "the main obstacle in implementing ASEAN economic cooperation was the lack of political commitment."³⁰ From this kind of viewpoint, the ASEAN Economic Research Unit at ISEAS analyzed political factors that had affected ASEAN economic cooperation. The result was the publication of ASEAN Political Studies that included Crouch (1984) and Indorf (1984). Also included in this series was Pushpa (1985), which analyzed the ASEAN decision-making system and formulated it as the "consensus model." However, as the author reiterated above, as not only those political analyses but also economic analyses in economic cooperation or integration were needed.

It is also necessary to pay attention to the contention that another reason for the lack of progress in ASEAN economic cooperation was that various policies were government-led, not led by the private sector, or that policies did not go along with the policy of economic liberalization. For instance, Naya and Plummer (1991) compared AIP, AIC and AIJV by the degree of "private-sector

30 Pangestu, Soesastro and Ahmad (1992), p. 350.

31 Naya and Plummer (1991), p. 265.

oriented"³¹ and rejected AIP for not matching the private-sector oriented trend. At the same time, the study insisted that it could get profits by combining AIJV and PTA for ASEAN economic cooperation. Langhammer (1991) also stated that AIP did not fit private and decentralized economic decisions of ASEAN economy, and AIC would obstruct the private-sector production.³² It perceived AIC's failures in relation to economic liberalization and roles of the private sector. Such as in these papers, there were some papers that suggested that ASEAN economic cooperation should be led by the private sector instead of the government. Naya and Plummer (1991) perceived that the development of ASEAN economic cooperation had been moving towards "private-sector orientation" from AIP, to AIC, AIJV. The study regarded the private-sector orientation as the axis for ASEAN economic cooperation.³³ Pangestu, Soesastro and Ahmad (1992) also shared the same view by saying that the role of the private sector has increased. However, the direction of ASEAN economic cooperation had not been so simply decided, as Shimizu (1998a) Chapter 4 and Shimizu (1993, 1998b, 1999) stated.

In actuality, the above contention is deeply related to the role of MNCs. Pangestu, Soesastro and Ahmad (1992) stated that "market-driven intra-ASEAN linkages"³⁴ had been established. They insisted that intra-ASEAN economic cooperation that includes FTAs would attract more investments in ASEAN region by MNCs. However, those contentions were insufficient in terms of empirical analyses and theoretical analyses, though they were important enough to point out the important role of MNCs in ASEAN economic cooperation

Finally, issues of economic studies on ASEAN economic cooperation surface. Thus, to be discussed next will be the economic rationality of ASEAN economic cooperation, political implications in ASEAN economic cooperation, and the question of whether ASEAN economic cooperation can be an economic integration model for developing countries.³⁵

3. Issues and Methods

It is clear what is urgently needed for economic studies in ASEAN economic cooperation. Above all, the most pressing issue is to discuss the economic rationality of ASEAN economic cooperation. What kind of historic condi-

32 However, there are some doubts about Langhammer (1991) concerning whether ASEAN countries' economies were consistently decentralized.

33 Naya and Plummer (1991), p. 265.

34 Naya and Plummer (1991), p. 338.

35 There were few studies to evaluate ASEAN as a model of economic integration for developing countries, and the understanding of ASEAN from the standpoint of economics or economic integration theory is rare.

tions did ASEAN economic cooperation have to cope with? What strategies did ASEAN adopt for them? What economic rationality was the foundation of those ASEAN strategies? How were those ASEAN strategies implemented? When implemented, what economic rationality did those ASEAN strategies have? If those strategies did not work out, what were the problems? Were the setbacks caused by the lack of economic practicality? Was it caused by the clash between economic rationality and political rationality? Furthermore, how did political factors influence ASEAN economic cooperation?

These questions must be answered, and only by doing so will it be possible to discuss ASEAN's fundamental issues. Those issues include : 1) How was ASEAN economic cooperation connected with "Growing Asia"? 2) Can ASEAN economic cooperation be a model of economic cooperation/integration for developing countries? 3) What position will ASEAN get in the reorganized international cooperation system, especially in the Asia-Pacific region?

To make the above points clear, we need to verify the role economic studies are supposed to play in the ASEAN study, in which political and economic studies have been crossed. ASEAN economic cooperation is a policy. A certain policy will be formulated by various types of actors, based upon their own information and their own ideology and theory, and upon their own political and economical positions, and upon their own feasible political means, for some problems. Next, the policy will be selected within the policy-decision organization and carried out by political justification in some form, producing some result. When analyzing and evaluating the formation and development of policies, the economic analysis must clarify the economic aspects of the problem and assess the economic rationality of corresponding policies. Thus, the analysis must shed light on how the policy solves the problem, or not, as well as what types of tensions and problems the policy generates. The economic analysis of policy helps clarify the essence and function of that policy, while complementing the political analysis. This standpoint has to be preserved in the ASEAN analysis as well. By doing so, the analysis can compensate for the missing parts in previous ASEAN studies abovementioned.

This economic analysis is not an empirical analysis in which the hypothesis given by a certain economic theoretical model is verified. Rather, it is a "political economic" analysis. This term "political economy" was not the original meaning used in classical economics. When classic economics referred to "political economy," it was not the economics about "societas domestica" but the economics about "societas civilis," which was the political society. However, because classical economics submitted an empirical theoretical model of self-conclusive market economy, and also because the old civil society was divided into the state and the civil society, the term "political economy" was replaced

by “economics” in the 20th century.

However, the market society is not a self-conclusive body such as assumed by economics. As Sasaki (1993) described, first, market society is determined historically in relation with various types of “non-market societies” such as nation-state, customs or technology. Particularly, in the international economic relations, market societies are determined by the historical nation-states; they are not only the historical products by nature but also their development phases and social structures are also historical. Thus, the economic analysis of international relations or world economy must have connections with the political analysis.³⁶ In other words, the economic cooperation/integration is composed of the historical structures of world politics and world economy.

Second, the non-self-conclusiveness of market society becomes obvious in economic policy. To analyze the origin, rationality and function of integration policy, one cannot ignore its relationship with historical and political structural changes in the non-market society. In other words, it is necessary to have an analysis that does not merely apply a theoretical model which reflects the abstract market society. This is easy to accept when considering the political implications of economic integration.³⁷

In relation to the above, we must understand that there are many problems and limitations to the integration theories. In short, there is no economic integration theory model sufficient for providing hypotheses. The author has confirmed the effectiveness and limitations of the integration theories based on EC and EU, in Shimizu (1994, 1998a). The key points are as follows.

First of all, the integration theories in politics cannot be called “integration theories” used in the empirical scientific and analytical sense. There are various integration theories in politics including the new-functionalism, yet none of them are empirical science theory. In other words, they are not based on the repeated experiences over many times. Those are merely abstracts of irreversible political change in history. For this reason, we cannot call them “in-

36 Refer to Sasaki (1993a).

37 In regards to the necessity of political implications in economic cooperation and integration (for instance, on the clash between economic and political rationality, or on how political factors can influence economic cooperation and integration), Sasaki (1994b) described them in line with the study of European integration. Sasaki stated, first, that economic integration could be realized by political factors except for its economic rationality. Sasaki stated, second, even if the economic integration could be realized through its economic rationality, that 1) the integration would become more political in terms of external competition or membership as long as it remained the second-best answer, 2) because the integration would change income distribution and resource allocation in the free market, it would be necessary to secure political legitimacy, 3) the integration would press the sovereign state system by nation-states to modify.

38 Shimizu (1994), p.228, Shimizu (1998a), p.116.

tegration theories” that contain empirical scientific and analytic meanings.³⁸

On the other hand, even integration theory that depends on the empirical scientific theory model has a large limitation. The economic integration theories have been theorized by following and affirming the existing integration. Thus, they are independent respectively. In other words, the economic integration theory exists only as a patchwork piece. It is as if sometimes the theory explains the rationality of the customs union from a static trade theory or sometimes it explains the dynamic aspect from the theory of public goods or sometimes it explains the rationality of the common market from the capital movement model, for example of MacDougall (1960). Individual integration theory make a partial rationality of the integration independent from other conditions, and simultaneously merely explain under the given condition of extremely strict assumptions. For this reason, a certain theory can become irrelevant when its assumption is removed. For example, the theory of the customs union is relevant only in a static condition. Then, “growth,” an important factor in the actual integration will be left out of the range. Ultimately, by economic integration theories, only one part of the economic rationality can be theorized and perceived under the given condition.³⁹ Therefore, when understanding the economic rationality of economic cooperation/integration, one must be careful about applying the theory model to the reality. Also, an analysis that can go beyond the limit of that application is necessary.

As stated in Shimizu (1994, 1998a), integration in reality is prescribed by historic structures outside or surrounding the market, which include politics. It is extremely historic and structural. Integration is determined by historical and structural factors in the case of either the customs union and the common market or the common policy. For instance, in regards to market integration, the issue of historic tense relations countering a certain outer world as well as the membership issue will be included. Market integration is given only as a second-best answer for issues that cannot be resolved through a global best answer. For this reason, the economic rationality of integration must be understood together with historic international conditions and the leadership, which prescribe integration. In addition, the economic rationality must be understood in relation to the allocations of specific productive powers and technology, in other words, with non-market social relations.

39 Shimizu (1994), pp.252-253, Shimizu (1998a), p.190-191. However, this does not mean to deny integration theories completely. They can explain individual economic rationality in individual aspects. Yet, those theories cannot be generalized to the entire integration process. In other words, the effectiveness of integration theories is extremely low. With this limitation in mind, we must build new integration theories, in which the stylized facts in modern integrations are incorporated (Shimizu, 1994, pp.253-254, Shimizu, 1998a, pp.191-192).

Furthermore, integration will include not only the market integration such as the customs union and the common market (negative integration) but also the common policy such as the redistribution of income and the reallocation of capital (positive integration). Experience with EC and EU indicates these. In some cases, such positive integration precedes negative integration, and the positive integration is the requirement for the realization of integration.⁴⁰ Integration can include international political issues and settlements over redistribution of income among member countries. Thus, the integration including intra-ASEAN economic cooperation must be studied by political economic analysis.

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Notes

This paper is based on Shimizu, K. (1998a), *Political Economy of Intra-ASEAN Economic Cooperation*, Minerva Shobo, Kyoto, the introductory chapter.

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