

# ASEAN Economic Integration in the World Economy<sup>\*</sup>

— Toward the ASEAN Economic Community (AEC) —

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*The Association of Southeast Asian Nations (ASEAN) has been the representative of regional economic cooperation and integration among developing countries. As part of the structural changes of the world economy, ASEAN has implemented intra-regional economic cooperation since 1976. The new goal is the establishment of the ASEAN Economic Community (AEC). ASEAN has also been an important axis of regional economic cooperation and free trade agreements (FTA) in East Asia. This paper examines the deepening of Intra-ASEAN economic cooperation toward AEC, within the structural change of the world economy.*

*JEL Classification: F02, F13, F14, F15, F53*

*Keywords: World Economy, ASEAN, AFTA, AICO, AEC, APT, East Asian Community, Economic Cooperation, Economic Integration, FTA*

## 1. Introduction

The Association of Southeast Asian Nations (ASEAN) has been the representative of regional economic cooperation and integration among developing countries, within the structural change of the world economy. In East Asia, ASEAN has been the sole source of regional cooperation. Founded in 1967, ASEAN has promoted deepening and widening of regional cooperation since its founding, deepening its political and economic cooperation and fostering other types of cooperation. The five original members in 1967—Indonesia, Malaysia, the Philippines, Singapore, and Thailand— welcomed Brunei in 1984, Vietnam in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. Consequently, ASEAN presently extends throughout Southeast Asia.

ASEAN has implemented intra-regional economic cooperation since 1976. The ASEAN Free Trade Area (AFTA), which was approved at the 5th ASEAN Summit in 1992, was established by the six original member countries in 2003. The new goal is the establishment of the ASEAN Economic Community (AEC), including AFTA.

The world economy has been in a wave of structural change and has been unstable. Globalization due to the growth of international economic interdependence, especially the growth of the international capital movement, has been the base of development for ASEAN countries since the mid-1980s. However, this led to the

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<sup>\*</sup> This paper is based on Shimizu, K. (2009a) "Introduction: ASEAN Economic Integration in the World Economy" in Ishikawa, K., Shimizu, K. and Sukegawa, S. (eds.) (2009), *ASEAN Economic Community (AEC)*, Japan External Trade Organization (JETRO) (in Japanese).

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Asian economic crisis in 1997, and has also helped create global imbalances, the subprime loan problem and the current world economic crisis. As part of these structural changes of the world economy, ASEAN has promoted deepening and widening of regional cooperation. ASEAN is in the process of establishing AEC. ASEAN has also been an important axis of regional economic cooperation and free trade agreements (FTA) in East Asia.

This paper examines the deepening of Intra-ASEAN economic cooperation toward AEC, within the structural change of the world economy, and addresses its major impacts on East Asian Economic Cooperation. The author has analyzed intra-ASEAN economic cooperation within the structural changes of the world economy, on a specific and long-term basis (Shimizu, 1998a, 1998b, 1999, 2004, 2005, 2008 2009c, etc.). This paper will build upon these past papers. Section 2 discusses the experiences of intra-ASEAN economic cooperation during the period from 1976 to 2003. Section 3 analyzes new developments in intra-ASEAN economic cooperation toward AEC from the beginning of “the ASEAN Concord II” in 2003. Section 4 discusses ASEAN and the East Asian regional economic cooperation. The concluding section summarizes these analyses.

## **2. Intra-ASEAN Economic Cooperation during the Period from 1976 to 2003**

### **2.1. Intra-ASEAN Economic Cooperation during the Period from 1976 to 2003**

Founded in 1967, ASEAN began intra-ASEAN economic cooperation at the 1st ASEAN Summit in 1976. This economic cooperation, based upon a report formulated by a United Nations Team (“Economic Cooperation among Member Countries of the Association of Southeast Asian Nations”), was carried out according to “ASEAN’s Strategy for Collective Import Substituting Industrialization for Heavy and Chemical Industries (ASEAN’s strategy for CISI).” This strategy was designed under restricted foreign direct investment (FDI) and was conducted through collective self-reliance policies. However, the strategy suffered a setback from failures, resulting from conflicts of economic interests among the ASEAN countries, in the implementation of three policies: ASEAN Industrial Projects (AIP), ASEAN Industrial Complementation (AIC), and the Preferential Trading Arrangement (PTA) (along with the ASEAN Industrial Joint Venture, AIJV, also started in 1983). Failures in the creation of an interdependent market within ASEAN were a further cause of early setbacks.<sup>1)</sup>

At the 3rd ASEAN Summit in 1987, that strategy (“ASEAN’s strategy for CISI”) was switched to a new strategy “ASEAN’s strategy for Collective FDI-dependent and Export-oriented Industrialization (ASEAN’s strategy for CFEI).” This was because the base of intra-ASEAN economic cooperation was changed according to the structural changes of the world economy. A decisive turning point came in the form of the Plaza Accord in September 1985. After the Plaza Accord, the international division of labor by MNCs began to take place at an increasingly faster pace with the

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<sup>1)</sup> Refer to Shimizu (1998a, 1998b, 1999, 2004), about intra-ASEAN economic cooperation from 1976 to 2003.

high yen and cheap dollar. The FDI from Japan to Asian NIES and ASEAN countries increased rapidly. In addition, there was another change that had occurred inside ASEAN. ASEAN countries switched foreign capital policies drastically, from FDI-regulated policies to FDI-attractive policies, in the mid-1980s. These fundamental changes in the conditions of intra-ASEAN economic cooperation forced a switch from the previous strategy ("ASEAN's strategy for CISI") to a new strategy.

"ASEAN's strategy for CFEI" was a new model strategy for intra-economic cooperation or economic integration among developing countries, which was the strategy to support ASEAN countries' FDI-dependent and Export-oriented Industrialization collectively. At the heart of this new strategy was the Brand-to-Brand Complementation (BBC) Scheme.

ASEAN's strategy for CFEI reached a significant turning point and a new phase, along with historical structural changes surrounding ASEAN starting in 1991, resulting from changes in the cold war framework and the rapid economic growth in East Asia. These changes promoted the deepening and widening of intra-ASEAN cooperation. In other words, AFTA, ASEAN Industrial Cooperation (AICO): the developed scheme of BBC and the ASEAN Investment Area (AIA) were promoted as extensions of ASEAN's strategy for CFEI, and the enlargement of ASEAN to include the countries of Indochina.

This change of cold war structure was the decisive factor of globalization in East Asia. This change led to expansion of market and economic space for ASEAN. Furthermore, Indochina countries joined ASEAN: Vietnam joined in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. Consequently, ASEAN now extends throughout Southeast Asia.

However, ASEAN countries were hurt by the Asian economic crisis. This crisis began in Thailand with its currency crisis in 1997, which immediately had a great impact on other ASEAN countries. ASEAN countries faced serious problems including negative economic growth, demand decline and stagnant FDI.

ASEAN sought various measures to cope with this economic crisis. At the Informal ASEAN Summit in December 1997, ASEAN adopted "ASEAN Vision 2020," which stated the long-term goal of ASEAN. At the 6th ASEAN Summit in December 1998, "Statement on Bold Measures," to cope with this economic crisis. However, these measures were not so effective to cope with the crisis in the short-term. Assistance from East Asian countries was more effective.

With the 1997 Asian economic crisis as a turning point, intra-ASEAN economic cooperation entered a new phase because the structures of the world economy and the East Asian economy surrounding ASEAN had changed to a great extent. The first change was China's rapid growth and its expanding influence. China maintained its rapid growth of over 7% during and after the Asian economic crisis, which contrasted starkly with conditions in ASEAN countries. Trade and investment, which led to this rapid Chinese growth, grew rapidly. China came to attract FDI and consequently put great pressure on ASEAN countries. The second change was the stagnation of worldwide trade liberalization by the WTO and the evolution of FTAs. The third change was the increased interdependency throughout East Asia including China, and the development of the foundation for economic cooperation throughout East Asia.

Some examples of intra-ASEAN economic cooperation after the Asian economic crisis are illustrative. In fact, AFTA was almost established by the six ASEAN original member countries in January 1st, 2003. In addition, AICO was agreed upon at the informal ASEAN Economic Ministers Meeting in April 1996 and came into effect in November 1996. No case was approved for more than one year. However, in 1998, some cases about auto-parts were approved in the background of the Asian economic crisis. Actually, AICO was centered upon the complementation of auto parts for Japanese automobile makers.

## **2.2. Centrifugal Forces of Intra-ASEAN Economic Cooperation**

Numerous problems and centrifugal forces affected intra-ASEAN economic cooperation existed. These hampered the progress of intra-regional economic cooperation. Some of these centrifugal forces had existed since the beginning.<sup>2)</sup>

In addition to the centrifugal forces described above, other centrifugal forces have arisen in relation to structural changes occurring in the world economy in the wake of the Asian economic crisis. First, ASEAN enlarged its membership to include the countries of Indochina, encompassing wide income disparities and differences in industrial competitiveness. That enlargement enhanced centrifugal forces mainly in terms of intra-regional conflicts of interests between developed countries and developing countries.

Second, the positions with respect to intra-regional economic cooperation have become unstable among ASEAN member countries. Particularly, with the evolution of FTA, member countries acted strategically on behalf of their own industries. The third centrifugal force was the creation of wider cooperative frameworks such as the ASEAN Plus Three and the evolution of the FTA. These all increased the probability of absorption of ASEAN by wider frameworks. Fourth, multi-national corporation (MNC) activities in a wider area than ASEAN would strengthen the centrifugal force. Through resolution of these centrifugal forces, ASEAN fostered deepening of intra-ASEAN economic cooperation in the structural change of world economy.

## **3. New Development of Intra-ASEAN Economic Cooperation toward AEC since 2003**

### **3.1. The “Declaration of ASEAN Concord II” and AEC**

The 9th ASEAN Summit meeting in October 2003 and a series of meetings was a major turning point for intra-ASEAN economic cooperation.<sup>3)</sup> The “Declaration of ASEAN Concord II” in the 9th Summit meeting in Bali, Indonesia in October

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<sup>2)</sup> First, there remained various factors that were capable of causing conflicts of interest among ASEAN member countries. Second, ASEAN had neither the policies nor organizations to resolve these conflicts among member countries. For example, ASEAN had no common policies, such as “methods for the redistribution of income or the reallocation of capital,” for countries suffering disadvantages arising from economic cooperation (e.g. common policies, such as Common Agricultural Policy (CAP) or a Common Regional Policy as in the EC or EU). Third, ASEAN market interdependence was low, although the dependence of trade and investment on major powers outside ASEAN was high. Fourth, the increasing interdependence in the East Asian and the Asia-Pacific regions and some activities of multinational corporations (MNCs) were centrifugal forces for intra-ASEAN economic cooperation.

<sup>3)</sup> Refer to Shimizu (2004, 2008, 2009c), about new developments in Intra-ASEAN economic cooperation.

of 2003 presented a plan to realize an ASEAN Community, which consisted of the ASEAN Security Community (ASC), the ASEAN Economic Community (AEC) and the ASEAN Social and Cultural Community (ASCC).

AEC was stated as the core of these three Communities. The “Declaration of ASEAN Concord II” stated that “the ASEAN Economic Community is the realisation of the end-goal of economic integration as outlined in the ASEAN Vision 2020, to create a stable, prosperous and highly competitive ASEAN economic region in which there is a free flow of goods, services, investment and a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities in year 2020.”<sup>4)</sup> The goal was to realize a single market or a common market that includes factor movement. For that reason, this idea had the potential to strengthen intra-ASEAN economic cooperation or integration.

Regarding the AEC, the High-Level Task Force (HLTF) on economic integration, which was set up by the AEM, compiled proposals and submitted them to the AEM. The AEM accepted two key proposals and adopted them in the “Declaration of ASEAN Concord II.” One was to give priority to the integration of 11 sectors. The other was to establish an effective dispute settlement system.

The attraction of FDI remained a very important factor for AEC. That is, the AEC concept had an aspect of “ASEAN’s strategy for CFEI.” The former Secretary-General of ASEAN Secretariat, Rodolfo C. Severino stated that ASEAN leaders were deeply concerned over the weakened ability of the ASEAN countries to attract foreign direct investment, and that ASEAN leaders were convinced that the only way for Southeast Asia to meet these challenges was to deepen the integration of the ASEAN economy in a way that was credible to investors.<sup>5)</sup>

For ASEAN member countries, FDI and exports remained the keys to development. However, China and India had emerged as major competitors. In these circumstances, ASEAN heads sought the deepening of intra-ASEAN economic cooperation and integration to attract additional FDI.

At the 10th ASEAN Summit in Vientiane, Laos, in November 2004, following the “Declaration of ASEAN Concord II” at the 9th Summit of the previous year, an approach aimed at establishing an ASEAN community was discussed. At that summit, the Vientiane Action Programme (VAP) was adopted; it was the second action program to realize the “ASEAN Vision 2020.” Actually, VAP embraced a more

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<sup>4)</sup> “Declaration of ASEAN Concord,” <http://www.aseansec.org/15159.htm>. Refer to ASEAN Secretariat (2003), ISEAS(2003), ASEAN-ISIS (2003), Hew (2005), Severino (2006), Hew (2007), Shimizu (2008), Ishikawa (2009), as for AEC.

<sup>5)</sup> “At the ASEAN Summit in Phnom Penh on 4 November 2002, Prime Minister Goh Chok Tong of Singapore had proposed that the next stage in regional economic integration be named the ASEAN Economic Community. He and a few other ASEAN leaders were deeply concerned over the weakened ability of the ASEAN countries to attract foreign direct investment, on which all of them depended for sustained economic growth. This development was a consequence of the changes wrought by the Asian financial crisis in investors’ perceptions of Southeast Asia’s economic prospects. Some of the proverbial ‘observers’ attributed it also to the surge of China and, later India as competing destinations for investment. Those ASEAN leaders were convinced that the only way for Southeast Asia to meet these challenges was to deepen the integration of the ASEAN economy in a way that was credible to investors.” Severino (2006), pp. 342–343.

concrete goal than the first action program: the Hanoi Plan of Action (HPA). First, VAP was predicated on the basis that ASEAN heads agreed to pursue the comprehensive integration of ASEAN towards the realization of an ASEAN Community by 2020 as envisioned in the “Declaration of ASEAN Concord II.” Second, it addressed the development issues and special needs of the less-developed ASEAN Member Countries, narrowing the development gap in ASEAN countries. Third, it addressed the work of developing an ASEAN Charter.<sup>6)</sup>

### **3.2. Establishment of the ASEAN Charter and Development of Intra-ASEAN Economic Cooperation toward the Establishment of AEC**

At the 11th ASEAN Summit in December 2005, ASEAN heads signed the “Kuala Lumpur Declaration on the Establishment of the ASEAN Charter.” At the 12th ASEAN Summit, the “Cebu Declaration on the Blueprint of the ASEAN Charter,” and the “ASEAN Declaration on the 15-Year Foundation of the ASEAN Community” were signed. As for the ASEAN Charter, ASEAN heads signed “the Cebu Declaration on the Blueprint of the ASEAN Charter” to endorse the “Report of the Eminent Persons Group (EPG) on the ASEAN Charter” and they directed the High Level Task Force to complete the drafting of the ASEAN Charter in time for the 13th Summit in Singapore in 2007. The ASEAN heads affirmed the commitment to accelerate the establishment of an ASEAN Community, as envisioned in the “ASEAN Concord II,” by five years and agreed on the “Cebu Declaration on the Establishment of the ASEAN Community by 2015.”

At the 13th ASEAN Summit in November 2007, first, ASEAN heads signed the “ASEAN Charter.”<sup>7)</sup> This was the first time that ASEAN signed a Charter. All ASEAN heads including Myanmar signed the ASEAN Charter at this Summit, though the Myanmar issue was one of main issues at this Summit.

Second, ASEAN leaders announced the “Declaration on the ASEAN Economic Community Blueprint” and adopted the “ASEAN Economic Community Blueprint (AEC Blueprint).” The AEC Blueprint was a roadmap in which each ASEAN member country should abide by and implement the AEC by 2015. The “Declaration on the ASEAN Economic Community Blueprint” stated “the AEC Blueprint will transform ASEAN into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy.”<sup>8)</sup> The AEC Blueprint was the first adopted Blueprint for ASEAN Community including ASC, AEC and ASCC.

After ten member countries ratified the ASEAN Charter, the ASEAN Charter came into force in December 2008 at the Special ASEAN Foreign Ministers’ Meeting in Jakarta. In fact, ASEAN was not based on a charter or treaty, but merely on a declaration (the “ASEAN Declaration: Bangkok Declaration” in 1967). The establishment of the ASEAN Charter will accelerate ASEAN cooperation and integration

<sup>6)</sup> “Vientiane Action Program,” <http://www.aseansec.org/VAP-10th%20ASEAN%20Summit.pdf>.

<sup>7)</sup> “Charter of the Association of Southeast Asian Nations,” <http://www.aseansec.org/21069.pdf>. Refer to Shimizu (2009b), as for the ASEAN Charter.

<sup>8)</sup> “ASEAN Economic Community Blueprint,” <http://www.aseansec.org/21083.pdf>. Refer to Ishikawa (2009), as for the AEC Blueprint.

in the ASEAN Community. The establishment of the ASEAN Charter will be an important step for the establishment of AEC. The establishment of the ASEAN Charter itself had the purpose of establishing AEC.

Recent intra-ASEAN economic cooperation has yielded some concrete results. Regarding AFTA, as of 2008, the average tariff for the six ASEAN original member countries under the CEPT Scheme had declined to 0.97%. The average tariff for the CLMV countries had declined to 1.95%.<sup>9)</sup>

As for the AICO, as of August 2008, 150 cases were approved. Regarding the automotive industry, which ASEAN countries had protected as an import-substituting industry and a strategic industry, the international division of labor by MNCs had been established with assistance from BBC and AICO.

For instance, Toyota Motor Corp., which held a large share of the ASEAN automotive market, had been complementing main auto parts in the ASEAN region under BBC, AICO and AFTA. As an extension of these complementations, Toyota began to produce a strategic world car: the Innovative International Multipurpose Vehicle (IMV) in Thailand for the first time in the world in August 2004.<sup>10)</sup> The world's largest production base of this IMV was in ASEAN, particularly in Thailand. This production and complementation of IMV was an extension and development of intra-ASEAN complementation.

The ASEAN region is one of the most important production bases for the Japanese companies. The deepening of ASEAN intra-regional economic cooperation and the establishment of AEC will also be important for Japanese companies.

### 3.3. Key Characteristics of Intra-ASEAN Economic Cooperation

The experiences and new developments of intra-ASEAN economic cooperation have been analyzed. To discuss ASEAN and the recent East Asian regional cooperation, some key characteristics of intra-ASEAN economic cooperation will be examined. These key characteristics are: first, the request for external cooperation from intra-ASEAN economic cooperation, and, second, the request for intra-ASEAN cooperation from extra-regional cooperation.

The acquisition of foreign capital, including FDI and financial assistance, and the securing of export markets remain as important factors affecting intra-ASEAN economic cooperation. In other words, it shares characteristics of "ASEAN's Strategy for CFEL." The initial BBC and AICO, AFTA and AIA were also extensions of "ASEAN's Strategy for CFEL."

Therefore, because it remains inevitable for ASEAN to secure foreign capital

<sup>9)</sup> Refer to Sukegawa (2009). Refer to Ishikawa, Shimizu and Sukegawa (2009): Chapter 9-13, as for implementations of AFTA and AICO in each ASEAN country.

<sup>10)</sup> According to Toyota Motor Corp., IMV was an integrated new model between the one-ton pickup truck "Hilux" and the "TUV" ("Kijang" in Indonesia). It was a special model that only slightly depended on Japan-made parts and did not depend on a Japan-based model. Toyota produced numerous auto parts in Thailand and ASEAN countries by widely expanding intra-regional complementation and local procurement. In fact, IMV greatly expanded intra-regional complementation and local procurement. As for the complementation of manufacturing main auto parts, diesel engines were made in Thailand, gasoline engine in Indonesia, and manual transmissions in the Philippines and India. Refer to Shimizu (2005, 2008, 2010).

and export markets, the formation of a wider framework including East Asian regional cooperation and the FTA is unavoidable for ASEAN.

In summary, it seems unavoidable for ASEAN to secure capital and markets for development; at the same time, it is vital to secure financial assistance from external partners to achieve their own cooperation. Consequently, it is necessary to develop a wider framework including East Asian regional cooperation and FTA. Unfortunately, establishing a wider cooperative framework might threaten the very existence of ASEAN. For those reasons, it is imperative for ASEAN to secure the initiative in East Asian regional cooperation, and to strengthen its own cooperation and integration.

#### **4. ASEAN and East Asian Regional Economic Cooperation: Expansion of Intra-ASEAN Economic Cooperation to East Asian Regional Economic Cooperation**

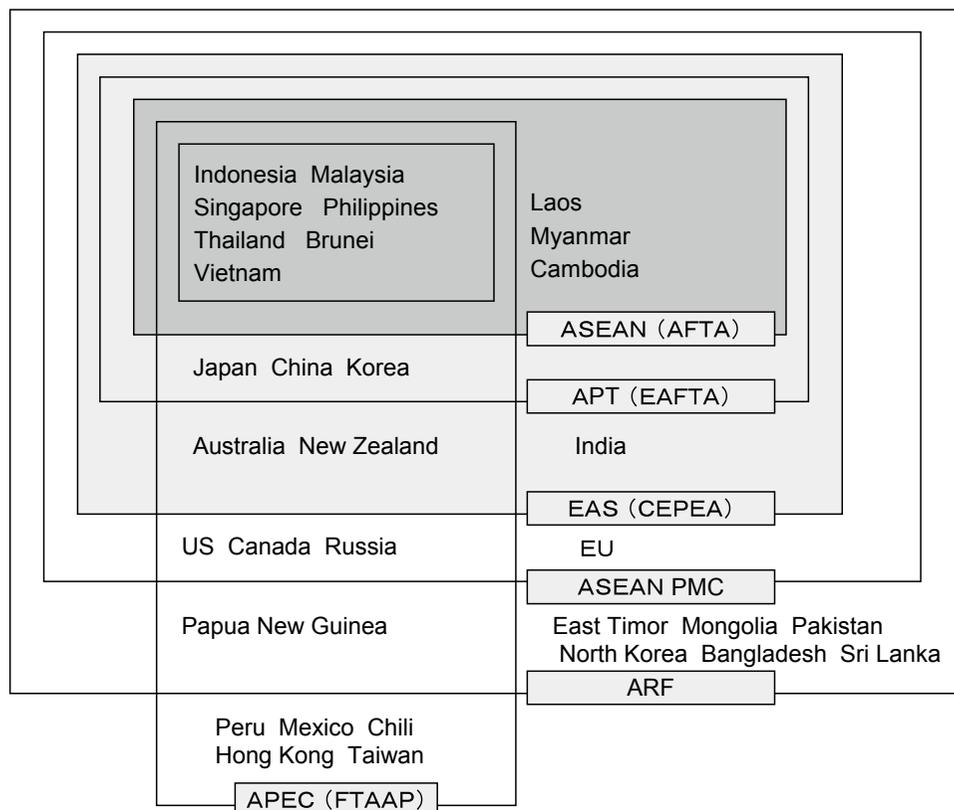
East Asian regional cooperation has been implemented since the ASEAN Plus Three (APT: ASEAN Plus Japan, China, and Korea) Summit meeting held in December 1997 during the Asian economic crisis (Refer to Fig. 1 for the East Asian regional cooperation and Free Trade Area Concept).<sup>11)</sup> With ASEAN as a crucial axis, East Asian regional cooperation was implemented in a multilayered fashion. ASEAN has the initiative in ASEAN Plus One FTAs, as exemplified in the ASEAN-China Free Trade Area (ACFTA) and the ASEAN-Japan Comprehensive Economic Partnership (AJCEP), along with APT and the East Asian Summit (EAS). ASEAN is now working to acquire additional investment and support. In addition, ASEAN has an initiative to apply its rules in the institutionalization of FTA.

ASEAN seeks a wider economic cooperation over an extensive region including East Asia, because of its characteristics of intra-ASEAN economic cooperation. Furthermore, for ASEAN, intra-regional and extra-regional economic cooperation have been implemented simultaneously. Actually, ASEAN had consistently shown results in extra-regional economic cooperation (the External Economic Joint Approach), which began in 1972. Moreover, ASEAN was able to secure export markets and obtain financial assistance.

In recent years, extra-regional economic cooperation yielded important results in East Asian regional economic cooperation. ASEAN is maintaining its important role in the current East Asian regional cooperation. For example, ASEAN has provided an arena for negotiations in East Asia and the Asia-Pacific region, as underscored in the ASEAN Post-Ministerial Conference (PMC), the ASEAN Regional Forum (ARF) and APT meetings, and has taken the initiative in these negotiations. As an important axis of regional economic cooperation and free trade agreements (FTA) in East Asia, ASEAN has continued to expand. Some bilateral FTAs between each ASEAN country and Japan, and AJCEP between ASEAN and Japan have been established.

Lastly, it is noteworthy that ASEAN's rules are extending into East Asian regional cooperation. First, for example, the ASEAN Swap Arrangement (ASP)

<sup>11)</sup> Refer to Shimizu (2008, 2009c), about ASEAN and the East Asian economic cooperation.

**Figure 1. Regional Cooperation and Free Trade Area Concept in East Asia****Note:**

ASEAN: Association of Southeast Asian Nations

AFTA: ASEAN Free Trade Area

APT: ASEAN Plus Three

EAFTA: East Asia Free Trade Area

EAS: East Asia Summit

CEPEA: Comprehensive Economic Partnership in East Asia

ASEAN PMC: ASEAN Post-Ministerial Conferences

ARF: ASEAN Regional Forum

APEC: Asia Pacific Economic Cooperation

FTAAP: Free Trade Area of the Asia-Pacific

expanded into the Chiang Mai Initiative (CMI). Second, the AFTA rules including the rules of origin are also expanding into East Asian FTAs including ACFTA, with ASEAN as their axis. For instance, the AFTA rules related to rules of origin were adopted in ACFTA. Third, mutual recognition and harmonization of regulation are also initiated by ASEAN: “ASEAN Mutual Recognition Arrangement on Engineering Services,” “Agreement on the ASEAN Harmonized Electrical and Electronic Equipment (EEE) Regulatory Regime,” and “Agreement to Establish and Implement the ASEAN Single Window” were signed in December 2005. Moreover, it was

decided that the criteria for EAS participation would be based on ASEAN criteria. It is also possible that the ASEAN Charter might suggest the direction of the East Asian Cooperation. For those reasons, the deepening direction of intra-ASEAN economic cooperation will play a key role in East Asian regional cooperation.

## 5. Conclusion

Within the structural changes of the world economy, ASEAN has promoted a deepening and widening of regional cooperation. With the major turning point of the "ASEAN Declaration of Concord II" in October, 2003, intra-ASEAN economic cooperation entered into a new stage, which had a goal of AEC including a single market or a common market. ASEAN is now working to strengthen intra-regional economic cooperation and integration toward the establishment of AEC, by resolving a myriad of centrifugal forces. In other words, ASEAN is formulating new methods to resolve economic issues among member countries: actively seeking to narrow the development gaps among member countries and establishing the ASEAN Charter. All these methods are factors to establish AEC.

ASEAN has been an important axis of regional economic cooperation and FTA in East Asia. ASEAN's rules are extending into East Asian regional cooperation. The deepening direction of intra-ASEAN economic cooperation will play a key role in East Asian regional cooperation.

However, there are some centrifugal forces in intra-ASEAN economic cooperation. For example, there are unstable domestic political situations such as in Thailand, the Myanmar problem and the absence of a leader to promote ASEAN cooperation. Also there is the creation of wider cooperative frameworks such as the Trans-Pacific Strategic Economic Partnership Agreement.

The Japan-China-Republic of Korea (ROK) Summit Meeting was held in December, 2008 in Kyushu, Japan. This was the first time for the Japan-China-ROK Summit Meeting to be held independently, not in ASEAN but in one of these three countries. It is possible for ASEAN to decrease the initiative in East Asian Regional cooperation.

The world economic crisis hurt ASEAN economies. The decrease of US demand which provided the final demand for ASEAN products will damage the exports of ASEAN countries, which have pursued export oriented industrialization. The world economy is now entering a new stage. ASEAN must deepen intra-ASEAN economic cooperation and realize AEC, to cope with this crisis in the short-term, and to develop in the long-term.

At the 14th ASEAN Summit in February-March 2009, the ASEAN Heads discussed the global economic and financial crisis and its adverse impact on the ASEAN region. They stressed the importance of deepening ASEAN integration to maintain its resilience while remaining open to global and regional trade. At this Summit, the other two Blueprints to realize an ASEAN Community: the ASEAN Political-Security Community (APSC) Blueprint and the ASEAN Socio-Cultural Community (ASCC) Blueprint were adopted.

The year 2010 had many major milestones for ASEAN. On January 1st 2010, AFTA was realized with ASEAN-6 removing 99.65% of all tariff lines under the Com-

mon Effective Preferential Tariff Scheme (CEPT) for AFTA, while Cambodia, Laos, Myanmar and Vietnam have reduced 98.96% of total tariff lines to 0-5% range.<sup>12)</sup> The ASEAN Trade in Goods Agreement (ATIGA) came into effect in May. ACFTA and the ASEAN-Korea Free Trade Agreements (AKFTA) were realized on January 1st. AJCEP has also been established. The ASEAN-Australia-New Zealand FTA (AANZFTA) and the ASEAN-India Trade in Goods Agreement came into force on January 1st.

The deepening of ASEAN intra-regional economic cooperation and the establishment of AEC will be important for not only ASEAN but also Japan and Japanese companies. ASEAN is one of the most important partners for Japan. The ASEAN region is one of the most important markets and production bases for Japanese companies. The further deepening of the Japan-ASEAN partnership will be imperative.

ASEAN must strengthen the cooperation and integration of its own members. On the other hand, its direction will also dictate the direction of East Asian regional cooperation. It is ASEAN itself that plays the key role in East Asian regional cooperation including the East Asian community.

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<sup>12)</sup> "Economic Ministers Urge Closer Coordination with Sectoral Bodies Da Nang, Vietnam, 25 August 2010," <http://www.aseansec.org/24985.htm>.

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