

Introduction

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Introduction

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As of May 5, 2003, there have been 184 regional trade agreements (RTAs) of which the World Trade Organization (WTO) has been notified. In the latter half of the 1990s in particular, the world witnessed a wave of RTAs. Since 1995, 119 additional RTAs have been formed. Furthermore, China has accelerated its open-door policy since 1992 and has participated in globalization. Responding to globalization, both ASEAN and Japan have felt the need to promote regional cooperation by formation of a free trade area as well as enhancement of development and technical cooperation.

This suits the business interests of ASEAN and Japan. There has been a rapid pace of technological advancement, especially in information technology (IT), and product life cycles in some categories of manufactured goods have grown increasingly shorter. Thus, the business sector has utilized overseas production bases more efficiently. For instance, Japanese assembly facilities operating in ASEAN used to procure most of their materials and parts from Japan. Currently, they are adapting to the global procurement system, meaning procurement from third countries as well as the host countries. However, they have been suffering from problems such as complicated customs procedures and diverse standards. The importance of creating a seamless business environment suited to new business styles has been increasing.

Against this background, in Singapore in January 2002, Prime Minister Junichiro Koizumi proposed an Initiative for ASEAN-Japan Comprehensive Economic Partnership (AJCEP). Since then, AJCEP has been discussed at various international conferences. However, AJCEP has not yet been clearly conceptualized.

To support the AJCEP initiative, IDE-JETRO of Japan and research

institutes of five ASEAN member countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) started a joint study project and held an ASEAN-Japan Research Institute Meeting (AJRIM) on “Japan-ASEAN Strategy for Upgrading Industries and Competing in East Asia” in Bangkok on October 25, 2002. We discussed strategy to enhance competitiveness in the context of market integration. Also, the Bangkok meeting agreed to submit a joint study report regarding the vision of AJCEP to present to AEM-METI in September 2003.

For this purpose, all the members of AJRIM met in Tokyo on July 22, 2003 to finalize the joint study report. For the second AJRIM on “Toward ASEAN-Japan Comprehensive Economic Partnership”, a draft version of the joint study report and two background reports were prepared: *ASEAN-Japan Comprehensive Economic Partnership: Vision and Tasks Ahead* and *ASEAN-Japan Competitive Strategy Report*. These background reports provided a solid basis for discussions to finalize the joint study report. We also had a symposium on July 23 to present our study results to public audiences and deepen our understanding of AJCEP, commemorating the ASEAN-Japan Exchange Year 2003. Through two days discussion we were able to confirm ASEAN-Japan economic relations and their role in the East Asian economy. We shared the following ideas during the discussions:

- (1) AJCEP is based on the long-standing economic relationships that ASEAN and Japan have established, and AJRIM welcomes this initiative.
- (2) AJCEP will be a building block for the East Asian Economic Community that covers ASEAN+3, Hong Kong, and Taiwan. That will enable East Asia to be equivalent to other economic blocks such as the Americas and the EU.
- (3) In the process of regional integration, ASEAN is now expected to be a hub. Japan will play the key role in the formation of the East Asian Economic Community, because its economy is huge and its trade is by and large complementary with other economies in the region.
- (4) In order to play the expected role successfully, however, each ASEAN economy needs to go through structural reform. Among other issues, reduction of barriers, such as complicated customs procedures and diverse regulations, and strengthening of competitiveness are essential. One of the pillars of competitiveness-enhancing policy is capacity building.
- (5) To achieve an integrated ASEAN, assistance to latecomers (CLMV:

Cambodia, Laos, Myanmar, and Vietnam) is indispensable. Japan and the more advanced ASEAN economies should be more committed to assisting CLMV and building a framework of ASEAN-wide cooperation.

- (6) The role of the ASEAN Secretariat should be reconsidered. It should be transformed from an intergovernmental entity into a regional institution empowered to monitor, adjust, and implement policies among the member governments.
- (7) For the success of AJCEP, Japan must resolve the agricultural issue, while ASEAN countries must sort out their domestic affairs. Another hot issue is liberalization of mobility of people, which should also be discussed positively. Negotiations on trade in services at the WTO deal with this issue, but it will take time to finalize it. Therefore, it is more effective and realistic to utilize free trade agreements (FTAs) for gradual liberalization in this area.

This volume is a compilation of all the papers in the background report *ASEAN-Japan Comprehensive Economic Partnership: Vision and Tasks Ahead*. The ideas mentioned above are found in this volume.

Part I of this volume contains three papers. Yamazawa discusses economic partnerships between ASEAN and Japan and considers what elements need to be incorporated in AJCEP, thus providing a framework for the joint study report. Oyamada presents a simulation of the results of an ASEAN-Japan FTA, based on a forward-looking applied general equilibrium model. The study shows some interesting results. For example, the reduction of barriers to primary products, including agricultural products, would benefit both ASEAN and Japan. Nipon emphasizes the reduction of barriers to agricultural trade on the Japanese side, because many ASEAN members, including CLMV, have potential comparative advantages in agricultural products.

Part II collects the responses to the Yamazawa's paper from the research institutes of the ten ASEAN countries. They welcome the initiative of AJCEP, but differ in degree of support for AJCEP. For example, Malaysia supports AJCEP strongly and regards Japan as a reliable partner, while Thailand supports it as a step toward a broader East Asian Economic Community. Singapore emphasizes an initiative by ASEAN both in AJCEP and in the East Asian Economic Community. In contrast, CLMV express interest in bilateral assistance from Japan as well.

The joint study report by AJRIM is appended for your reference. It was submitted to AEM-METI in Phnom Penh on September 3, 2003.

Lastly, it is our hope that ASEAN-Japan economic relationships will develop further and will be a true building block toward a broader East Asian Economic Community.