

(Comment) Chapter 1.The Framework of Multiple and Multi-Layered Regional Cooperation:
3.ASEAN's New Role in the Asia Pacific Region:Can It Be a Driving Force of the Wider Regional Economic Cooperation?

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Comment

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In this presentation, a very comprehensive explanation was given of the development of ASEAN as a regional organization. This included political, security, and economic factors in the international environment.

First of all, let me summarize the points of discussion in accordance with my understanding. Mr. Okamoto divided the development of ASEAN into three phases. The first phase was from the 1960s through the 1970s and on to the first half of the 1980s. In this period, the stress was on joint coordination in matters of politics and security to ensure the domestic stability and economic growth of the member states. Economically, primary products constituted the majority of the exports. Import substitution type industrialization policies and economic growth were of relatively high importance. In other words, the highest priority was given to economic nationalism. Regional economic cooperation was considered to be unnecessary to the growth of the individual member states.

In the latter half of this period, however, that is, from the late 1970s to the early 1980s, almost all of the ASEAN countries started to adopt outwardly directed export-oriented industrialization policies to one extent or another. At the same time, movement began to appear toward regional economic cooperation. Four economic agreements, including the PTA, were concluded. None of these, however, was able to produce any substantial results. On the other hand, a formal dialog began with the industrialized nations of the Asia Pacific Region in the 1970s and results were achieved in the diplomatic field. These movements in the second half of the first period laid the groundwork for the second period.

The second phase began after the recovery from the global recession when the U.S. dollar lost ground against other major currencies in 1985, prompting Japan and the Asian NIEs to move production and export facilities to the developing countries and thereby creating a surge in foreign direct investment. During this period, countries began liberalizing and deregulating in order to promote growth. As a result, tremendous changes occurred in the economic structures of the ASEAN countries. The shares of the manufacturing sector in production and industrial products in exports grew and the share of intermediate goods and capital goods rose in imports. Overall, economic structures were formed which were reliant on foreign direct investment. In other words, the economic structures became dependent to a considerable degree on foreigners for capital, technology, and markets. This in turn led to a greatly increased interdependence with advanced industrialized countries outside of the region.

The third phase has been that of the early 1990s, where ASEAN has started once

again to take the initiative in regional economic cooperation. Of course, AFTA is at the center of all of this. Behind that, Mr. Okamoto points to five factors: (1) the deepening interdependence with the advanced countries outside the region, (2) the end of the Cold War and the resultant loss of the geographic importance of Southeast Asia, (3) the relative decline of the U.S. as an economic power and the resultant start of treatment of the developing countries of Southeast Asia as equal partners in trade relations, (4) the rise of regionalism in North America and Europe and the jump in foreign investment in China, a competitor country, and (5) the discord in the Uruguay Round.

This summarizes the report of Mr. Okamoto, which focused in particular on economic factors. A detailed discussion was also made of factors other than economic ones in the report. I am at a loss, but could not find any points on which to comment. The problem seems to lie in the future, however. That is, ASEAN does not have that high a regional economic interdependence compared with other regions, yet it is starting from this in establishing the AFTA. The biggest question here is whether AFTA will succeed. As pointed out by Mr. Okamoto, however, whether or not business within the region grows depends to a great extent on the strategies of multinational corporations. The ASEAN countries have their hopes as to the future economic structure, but the question is how to realize this in practice. Leaving aside matters such as the requisite institutions and infrastructure and other environmental factors, it would probably be difficult to formulate any specific strategies. At the same time, however, it is clear that attraction of further foreign investment will require not only reduction of tariffs within the region, but also overall economic liberalization.

On the other hand, the sustained economic development of the ASEAN states requires promotion of liberalization of trade and commerce. Specifically, there is the question of how ASEAN will deal with APEC, which is dominated by larger powers.

I would like to finally raise two questions in relation to this. In his conclusion, Mr. Okamoto said that, first, "to be a driving force of the APEC process, it is desirable for ASEAN to form a coalition with middle powers and pursue an open regionalism" and, second, "if the coalition can compromise on liberalization measures (unilateral or multilateral) and maintain its unity, the possibility of successful endorsement of its initiatives will greatly increase."

The first question is whether such a compromise would be possible. The second question relates to the fact that China, which is included in the EAEC, would not be included in such a coalition with middle powers. Would a coalition not including China have a valid negotiating power? It is true that China is a major power and is a powerful competitor, but it is in a competing position when it comes to economic relations with the West and Japan.