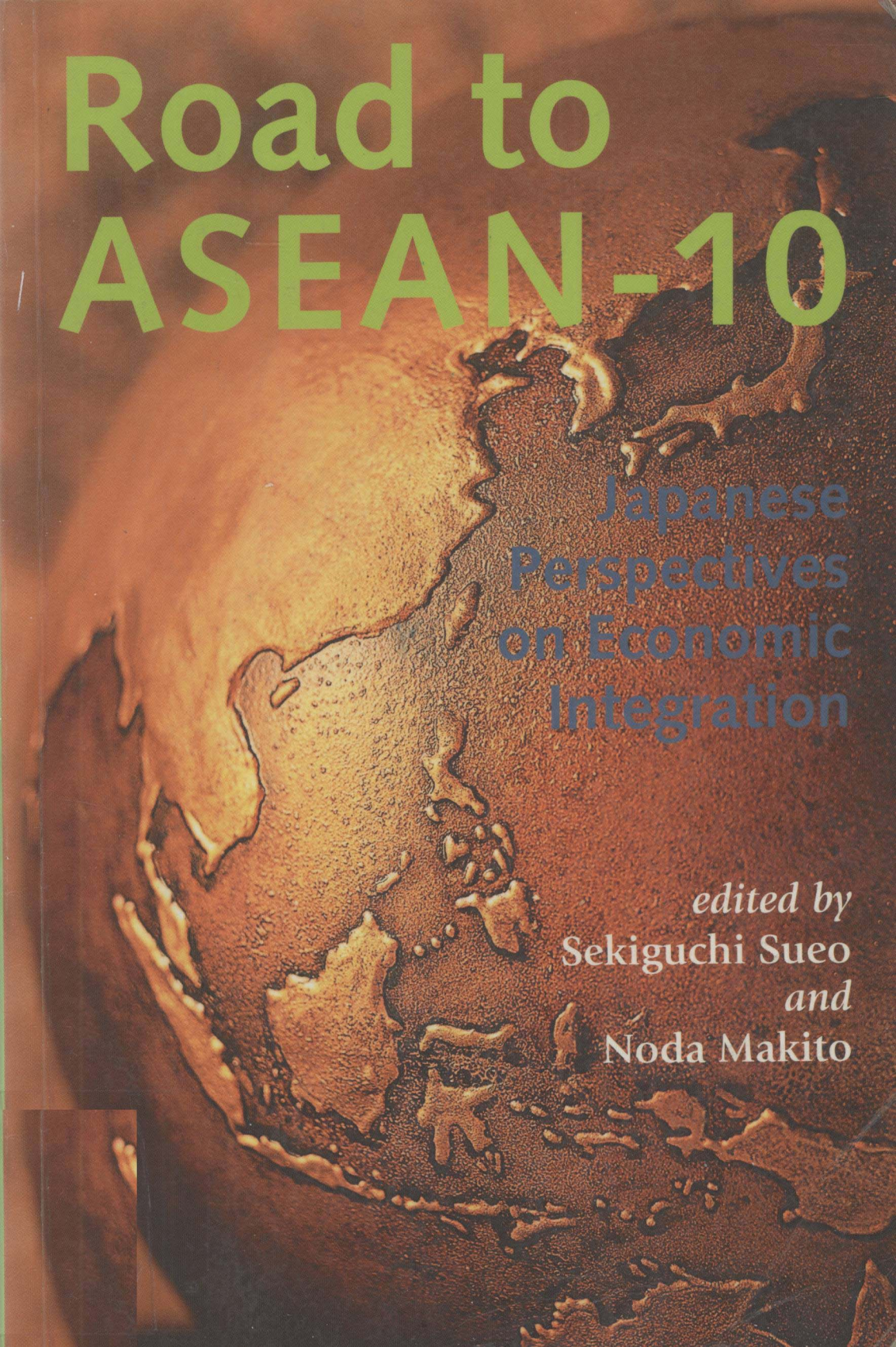


Road to ASEAN-10



Japanese
Perspectives
on Economic
Integration

edited by
Sekiguchi Sueo
and
Noda Makito

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Economic Integration

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ISEAS Institute of Southeast Asian Studies • Singapore

JCIE Japan Center for International Exchange • Tokyo & New York

Road to ASEAN-10

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Foreword

THIS VOLUME presents the research of a study group of emerging intellectual leaders in Japan organized in early 1997, under the guidance of Sekiguchi Sueo, professor of economics at Seikei University in Tokyo, to examine the prospects of ASEAN-10. The study project is part of the Global ThinkNet Fellows Program, which is an integral part of the Global ThinkNet Program of the Japan Center for International Exchange (JCIE). The Global ThinkNet Program is a multipronged, policy-relevant research and dialogue program launched in 1996 with the generous support of the Nippon Foundation. The program is designed to stimulate joint policy research and dialogue domestically and between Japan and other countries by building a broad network of policy research institutions and researchers.

The Global ThinkNet Fellows Program was conceived as an effective way to develop the human resources in Japan that are essential to augment Japan's positive contributions to the international community. Seven study groups have been organized since the inception of the program in 1996. The study groups are organized around a critical international issue and with the participation of six or seven promising young researchers under the guidance of one or more senior scholars. These young scholars participate in a monthly study seminar, often with resource persons such as senior scholars, political leaders, and government officials, and also take part in field trips within Japan or abroad. The participants are expected to submit papers in Japanese and English; these papers are turned into publications such as this volume.

The ASEAN-10 study project, the fifth project of the Global ThinkNet Fellows Program, was launched before the advent of the Asian economic crisis in July 1997. The crisis has certainly dampened the earlier bullish prospect of the region and has also brought about major political

upheaval, such as the resignation of President Suharto of Indonesia, who had been considered to be a cornerstone of ASEAN solidarity. Nevertheless, ASEAN has moved on to come closer to achieving its earlier aspiration of "one Southeast Asia" by acceding Cambodia into the organization on April 30, 1999. The focus of the ASEAN-10 study group seemed to be fully justified despite the recent setbacks, as ASEAN continues to function as a viable regional group in the political as well as the security arena, and the future of the association is bound to have a major impact on the future of Asian regional order as well as on the international community at large.

This belief in the continuing importance of closely watching the evolution of the regional organization was reinforced when the members of the study group made an eight-day field trip to ASEAN member countries in 1997. They met with intellectual leaders in workshops in Myanmar, Thailand, and Singapore to discuss their draft papers, and they also met with government leaders such as Myanmar Foreign Minister Ohn Gyaw and Brigadier General David Abel, minister of national planning and economic development. These extremely productive and stimulating meetings were made possible through the efforts of Aye Lwin, director-general of ASEAN affairs of the Myanmar Ministry of Foreign Affairs, and of close friends and regular collaborators of JCIE in the region, including Suchit Bunbonkarn of Chulanlongkorn University of Thailand and Chia Siow Yue, director of the Institute of Southeast Asian Studies in Singapore. I wish to take this opportunity to thank them for their generous support on behalf of Professor Sekiguchi and the entire group.

This project would not have been possible without the dedicated leadership of Professor Sekiguchi, who paid personal attention to each of the participants of the study group as they prepared their research papers. I also wish to express my gratitude to the participants of the project, who endured the rigorous activities of the study group and produced the papers which constitute this volume.

Last but not least, I wish to express my most sincere appreciation to the Nippon Foundation for its generous financial support not only for this particular study group but for the entire Global ThinkNet Program.

Yamamoto Tadashi

PRESIDENT

JAPAN CENTER FOR INTERNATIONAL EXCHANGE

Abbreviations

- ADB Asian Development Bank
AFTA ASEAN Free Trade Area
AIA ASEAN Investment Area
AIC ASEAN Industrial Complementation (scheme)
AICO ASEAN Industrial Cooperation (scheme)
AMM ASEAN Ministerial Meeting
APEC Asia-Pacific Economic Cooperation (forum)
ARF ASEAN Regional Forum
ASC ASEAN Standing Committee
ASEAN Association of Southeast Asian Nations
ASEAN-5 Indonesia, Malaysia, the Philippines, Singapore, and Thailand
ASEAN-4 Indonesia, Malaysia, the Philippines, and Thailand
ASEAN-ISIS ASEAN Institutes of Strategic and International Studies
ASEAN-PTA ASEAN Preferential Trading Arrangement
ASEAN-7 Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam
ASEAN-6 Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand
ASEAN-10 Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam
ASEM Asia-Europe Meeting
BBC Brand-to-Brand Complementation (scheme)
CEPT Common Effective Preferential Tariff (scheme)
CER Closer Economic Relations (pact)
CMEA Council for Mutual Economic Assistance
CSCAP Council for Security Cooperation in the Asia Pacific
EAEC East Asian Economic Caucus
FDI foreign direct investment
FUNCINPEC National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia

GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
G-8	Canada, England, France, Germany, Italy, Japan, Russia, and the United States
GNP	gross national product
G-7	Canada, England, France, Germany, Italy, Japan, and the United States
HS	Harmonized Commodity Description and Coding System
IMF	International Monetary Fund
JETRO	Japan External Trade Organization
MAPA	Manila Programme of Action
MITI	Ministry of International Trade and Industry (Japan)
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NGO	nongovernmental organization
NIEs	newly industrializing economies (generally Hong Kong, South Korea, and Taiwan)
OHQ	operational headquarters
PAFTAD	Pacific Trade and Development Conference
PECC	Pacific Economic Cooperation Council
PMC	(ASEAN) Post Ministerial Conference
RCA	revealed comparative advantage (index)
SEATO	Southeast Asia Treaty Organization
SITC	Standard International Trade Classification
SLORC	State Law and Order Restoration Council (of Myanmar)
SOE	state-owned enterprise
SOM	(ASEAN) Senior Officials Meeting
SPDC	State Peace and Development Council (of Myanmar)
TAC	Treaty of Amity and Cooperation (in Southeast Asia)
TFP	total factor productivity
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
WTO	World Trade Organization

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Road to ASEAN-10

Introduction

Sekiguchi Sueo

THE ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN) was formed in 1967 mainly to counter the political influence of communist countries such as China and North Vietnam but shifted its emphasis to economic cooperation as the threat of communism faded. The original members—Indonesia, Malaysia, the Philippines, Singapore, and Thailand (the ASEAN-5)—have been joined by Brunei, Vietnam, Laos, and Myanmar. Cambodia, whose participation was delayed because of domestic political unrest, was admitted to ASEAN in April 1999, making the ASEAN-10 a reality.

The ASEAN-10 have a market of 480 million people (see table 1) but lack a common political system. Among the new entrants, for example, Myanmar's military dictatorship targets economic stability and development, Vietnam's official aim is to construct a socialist market economy, and Cambodia remains politically unstable despite the birth of a new regime under the leadership of Hun Sen after the election in 1998.

The ASEAN-5 should continue to play a guiding role. The democratization of the ASEAN-5 has been subordinated to economic development. In this regard, almost all ASEAN members have been "developmentalistic." In most member countries, the top political leaders stayed in power for many years and then handpicked their successors. The Philippines has been an exception since the mid-1980s when the Aquino administration replaced the Marcos regime. Thailand is another exception in that power has shifted quickly among political leaders, even though military factions remained prominent in these struggles.

Anticommunism was once the ASEAN-5's most important unifying factor. The threat of China, North Vietnam (backed by China), and the

Table 1. Main Economic Indicators of ASEAN-10 in 1995

	Code	Population (000)	GDP: MP (1987 US\$mn)	GNP (US\$mn)	GDP per Capita (US\$)	M-Exports (US\$mn)	M-Imports (US\$mn)	Trade Surplus (US\$mn)
Brunei	BRN	285	3,109	7,170	10,908	NA	NA	NA
Cambodia	KHM	10,024	1,328	2,718	133	855	1,213	-358
Indonesia	IDN	193,277	139,065	190,105	720	45,417	40,918	4,499
Laos	LAO	4,882	1,772	1,694	363	348	587	-239
Malaysia	MYS	20,140	62,597	78,321	3,108	74,037	77,751	-3,714
Myanmar	MMR	45,106	NA	NA	NA	846	1,335	-489
Philippines	PHL	68,595	43,193	71,865	630	17,502	28,337	-10,835
Singapore	SGP	2,987	40,173	79,831	13,451	118,268	124,507	-6,239
Thailand	THA	58,242	107,365	159,630	1,843	56,459	70,776	-14,317
Vietnam	VNM	73,475	59,940	17,634	816	5,026	7,272	-2,246
ASEAN-10		477,012	458,541	608,967	1,062	318,758	352,696	-33,938
Japan	JPN	125,213	3,018,176	4,963,587	24,104	443,116	335,882	107,234
North Korea	PRK	23,867	NA	NA	NA	NA	NA	NA
South Korea	KOR	44,851	254,003	435,137	5,663	125,058	135,119	-10,061
Japan + Koreas		193,931	3,272,179	5,398,724	19,241	568,174	471,001	97,173
China	CHN	1,200,241	577,486	744,890	481	148,797	129,113	19,684
Hong Kong	HKG	6,190	73,726	142,332	11,911	173,754	192,774	-19,020
Macao	MAC	450	3,621	NA	NA	1,976	2,021	-45
PRC and related		1,206,881	654,834	887,222	543	324,527	323,908	619
Mongolia	MNG	2,461	3,183	767	1,294	NA	NA	NA
Grand Total		1,880,285	4,388,737	6,895,679	2,392	1,211,459	1,147,605	63,854

Source: World Bank (1997).

Note: GDP per capita is in constant US\$ prices of 1987. Population of the countries for which GDP is unavailable is deducted in calculating per capita GDP of the region.

MP: Market prices; "M" in M-Exports and M-Imports: Merchandise trade.