

What role can Japan play to enhance ASEAN's economic competitiveness?

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# Introduction

- At the time of its inception on 8 August, 1967, ASEAN was a political block, not an **economic project** to enhance the region's **economic competitiveness**.
- It was only in 1992, **when** the ASEAN Free Trade Area (AFTA) agreement was signed, that ASEAN began pursuing its **first serious economic agenda** (Imada and Naya, 1992).



Signing of Bangkok declaration to establish ASEAN in 1967

# Rise of Japan and its relations with ASEAN

- The formative years of ASEAN in the 1970s coincided with the period of Japan's rapid economic expansion in the region.
- Large volumes of Japan's exportation of **synthetic rubber** was perceived as a **serious economic threat** to countries exporting natural rubber, such as Malaysia and Indonesia.
- In 1972, the Malaysian government requested that Japan take "**self-restraint**" measures to solve these trade tensions. However, the Japanese government under Prime Minister **Kakuei Tanaka** (from July 1972 to December 1974) refused to take any such measures (Yamakage, 2012).



Kakuei Tanaka (1918-1993)

# Diplomatic breakthrough

- In the efforts to mitigate the trade frictions between ASEAN and Japan, Indonesian Minister of Foreign Affairs **Adam Malik**, as Chairman of the ASEAN Standing Committee, achieved a diplomatic breakthrough by making an official ASEAN recommendation on **synthetic rubber issues** to Japan (Nasrudin, 2023).



Adam Malik (1917-1984)

# ASEAN-Japan Synthetic Rubber Forum in 1973

- In the ASEAN Ministerial Meeting (AMM) in 1973, the foreign ministers of the countries in the region **jointly criticized Japan** for producing and exporting large volumes of synthetic rubber.
- To respond to the criticisms, the Japanese government made a **compromise**. It agreed to set up the Japan-ASEAN Synthetic Rubber Forum in 1973. The event marked an **official beginning** of Japan-ASEAN relations (Yamakage, 2012).



6th ASEAN Ministerial Meeting in 1973

# Theory of Japan-ASEAN relations during the “rise of Japan”

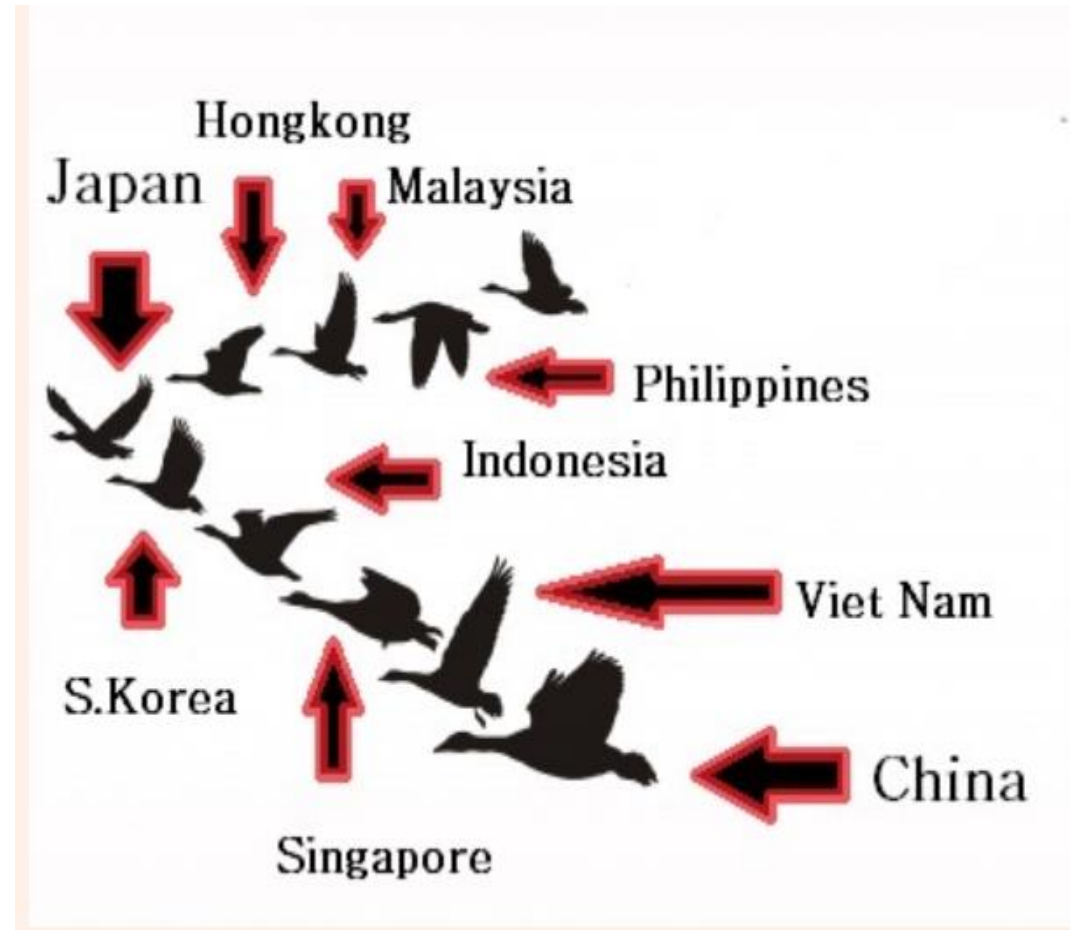
- Japan’s economic contribution to ASEAN during the period of “rise of Japan” was theoretically formalized by Kaname Akamatsu in his “**flying geese**” model of Asian economic development (Akamatsu, 1962)
- According to the model, in the first stage of economic development, all production bases were concentrated in Japan. In the second stage, some labour-intensive industries were transferred from Japan to newly industrialising economies (NIEs), such as South Korea, Taiwan and Singapore



Kaname Akamatsu (1897-1974)

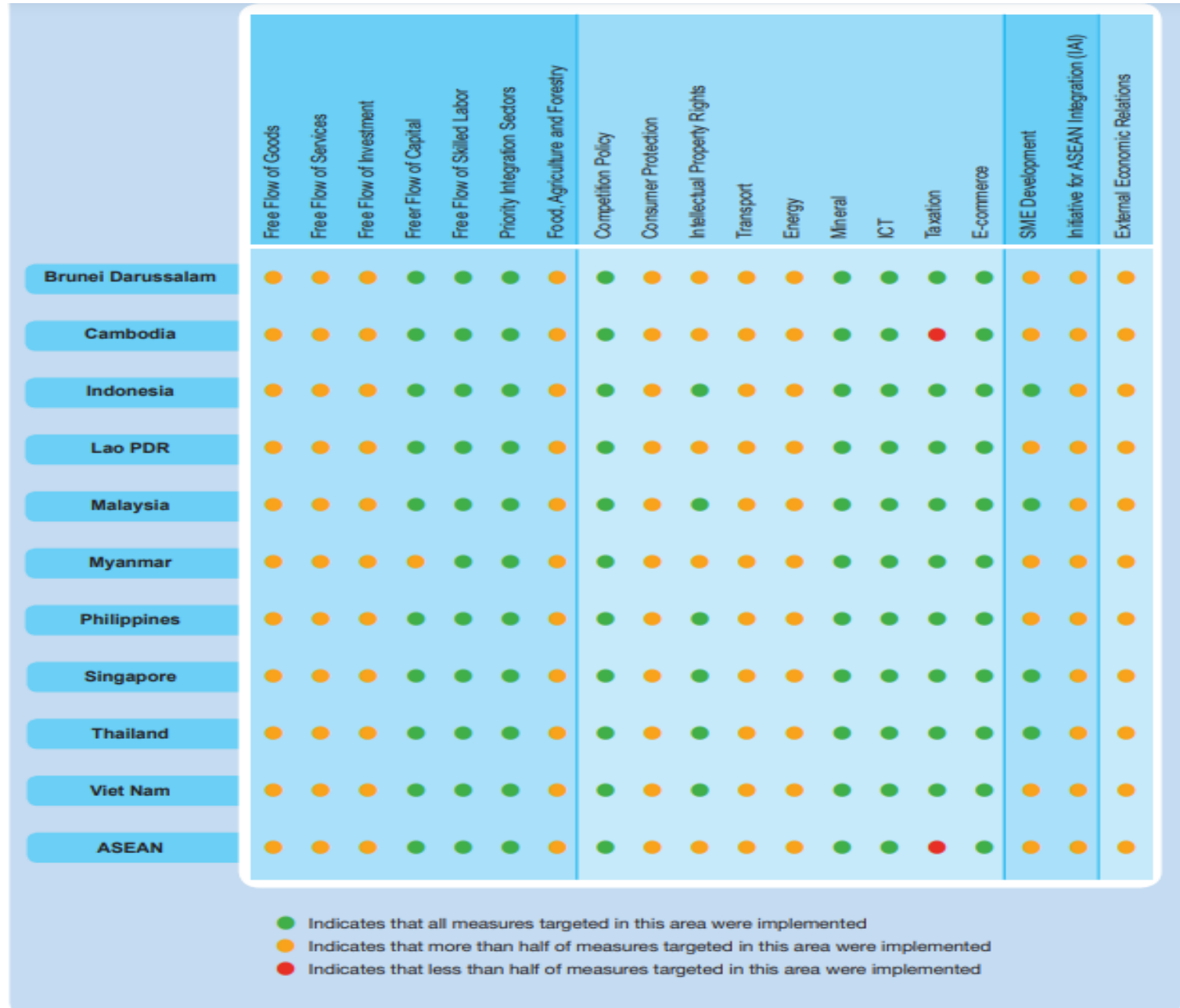
# Third stage of economic development

- In the third stage, the labour-intensive industries were transferred to Southeast Asia.
- Japan also contributed to enhancing ASEAN's economic competitiveness through Japanese **Foreign Direct Investment** (FDI).
- In other words, Japanese FDI has provided support to ASEAN countries' pursuit of industrialization since the 1980s.



# ASEAN Economic Community in 2015

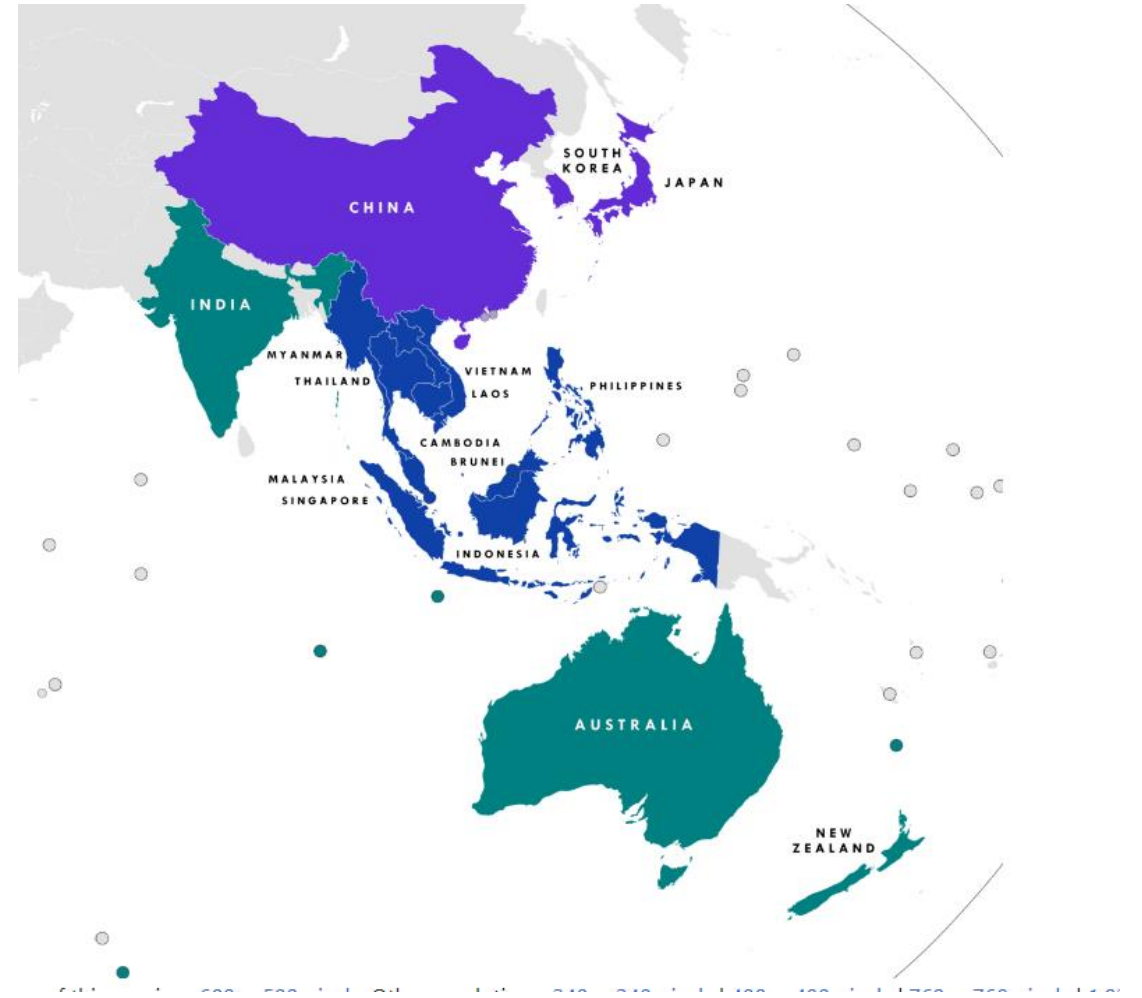
- In 2008, ASEAN countries showed aspirations to become an “**EU-style community**” by signing the ASEAN Charter.
- In 2015, an ambitious **ASEAN Economic Community (AEC)** was established.
- However, only 401 measures out of 506 could be achieved in the efforts to become a fully integrated community (Menon and Melendez, 2017)





# Springboard for wider integration

- The unique characteristic of ASEAN Economic Community (AEC) is the pursuit of “**open regionalism**”.
- The four pillars of the AEC are: 1) single market and production base, 2) a highly competitive economic region, 3) a region of equitable economic development, 4) **a region that is fully integrated with the global economy.**
- In this context, AEC could be seen as a springboard for wider multilateral liberalization (Menon, 2014).



ASEAN Plus six countries (China, Korea, Japan, Australia, New Zealand, India)

# Theory of ASEAN's open regionalism

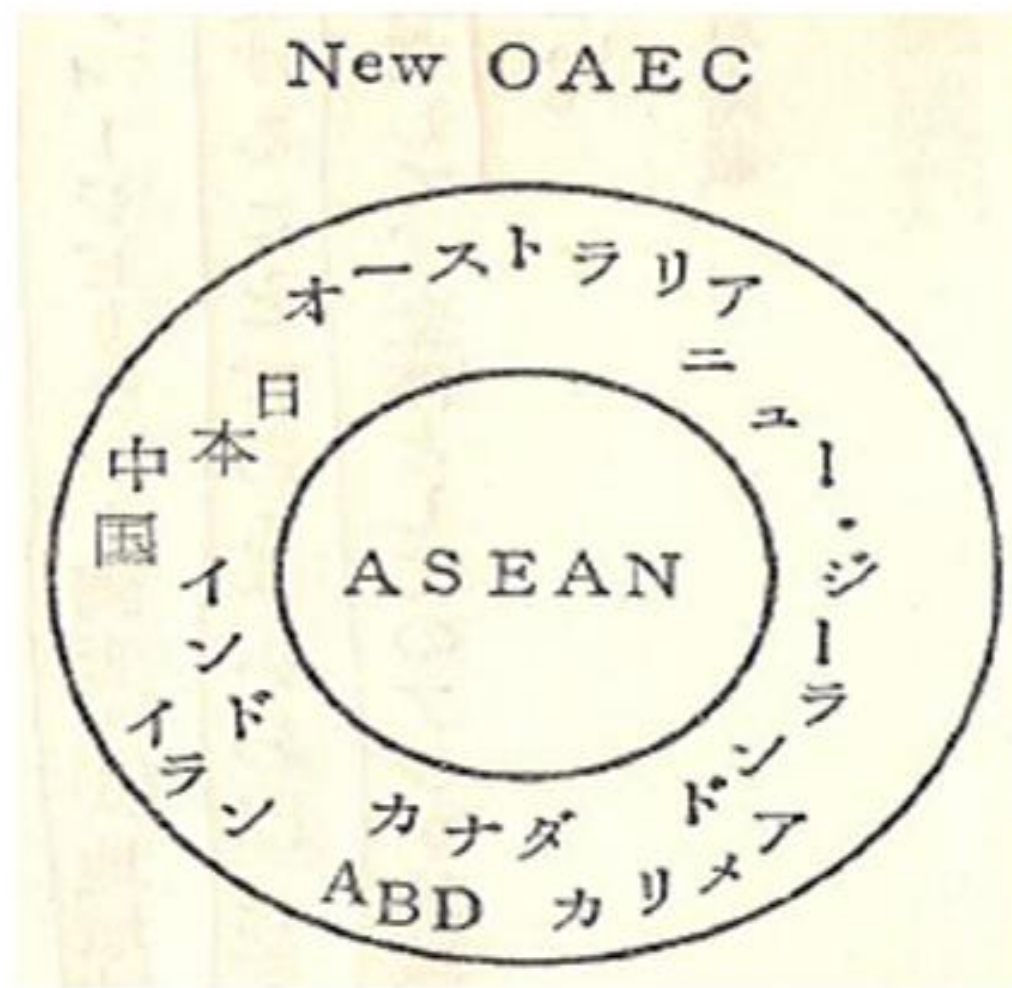
- ASEAN's open regionalism is not a new concept for economic integration experts.
- The progressive idea of "ASEAN open regionalism" was first voiced and promoted by Japanese economist Noboru Yamamoto in 1985.



Noburu Yamamoto (1912-1991)

Yamamoto (1985) theorised that, in a wider economic integration in the region, ASEAN would play a central role in consolidating and coordinating the neighbouring countries' efforts.

Figure 4: ASEAN Centrality in the Asian regionalism



Source: Yamamoto (1985)

# Establishment of RCEP

As Yamamoto has predicted, ASEAN formed the **Regional Comprehensive Economic Partnership** (RCEP) by signing free trade agreement (FTA) with five major dialogue partners, namely, Australia, New Zealand, China, South Korea and Japan on 15 November, 2020.

RCEP agreement took effect on 1 January 2022 after 60% of ASEAN member countries (more than 6 ASEAN countries) and dialogue partner countries (more than 3 non-ASEAN countries) had ratified the agreements.

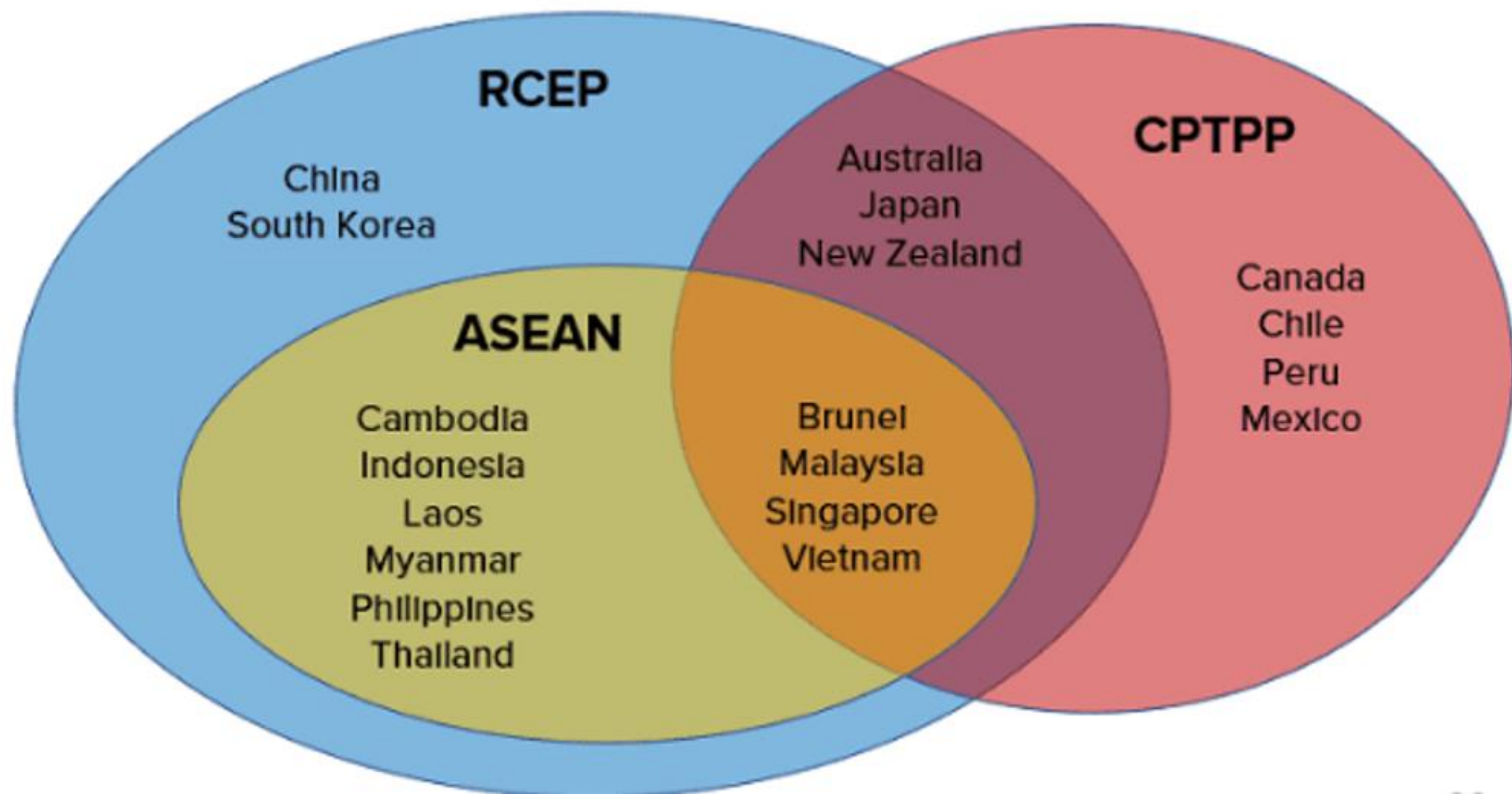


# From globalisation to multiplex regionalism

The establishment of RCEP could be a sign of the “end” of globalization. Global economy enters a new phase of a “**multiplex theater of regionalisms**”. There are currently three economic blocks, namely, Europe, North America, and Asia.



# Trade groupings involving Asia-Pacific nations



	<b>GDP (billion International\$) 2023</b>	<b>GDP per capita (international\$) 2023</b>	<b>Economic growth (2013-2023)</b>	<b>Population (million) 2023</b>
RCEP	I\$ 56,822 billion	I\$ 24,519	5.6%	2,317 million
ASEAN	I\$ 12,766 billion	I\$ 18,650	4.9%	685 million
EU	I\$ 23,578 billion	I\$ 53,803	1.8%	483 million
BRICS	I\$ 68,842 billion	I\$ 19,085	5.4%	3,607 million
CPTPP (Comprehensive and Progressive Agreement for TPP or TPP11)	I\$ 18,157 billion	I\$ 35,233	2.1%	515 million

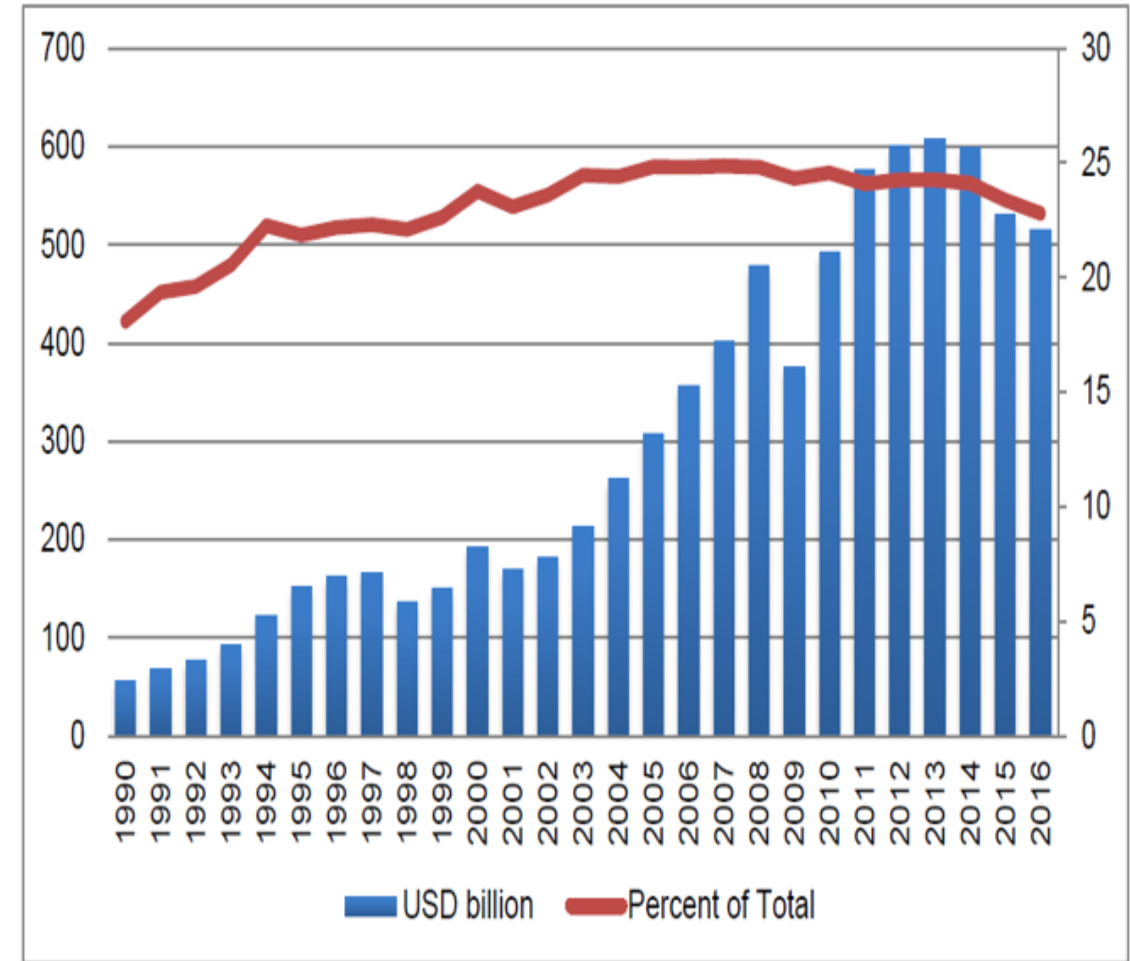
Note: BRICS is currently not an economic integration. It is an interstate economic association of nine countries -- Brazil, Russia, India, China, South Africa, the United Arab Emirates, Iran, Egypt, and Ethiopia

# 1. Japan's role (Intra-regional trade)

What can Japan do in the new global economic reality?

Firstly, there is a steady rise in the volume of intra-regional trade in ASEAN. However, this share in the total global trade remains unchanged at around 20-25%.

Japan can work with ASEAN countries to boost the **intra-regional trade** (e.g., creating “Made-in ASEAN”).





## 2. Japan's role (non-tariff barriers)

- The main problem for RCEP is the non-tariff barriers (NTBs).
- Between 2000 and 2015, there was a rapid rise in NTBs from 1,634 to 5,975 (Ing, 2016).
- Japan can work with ASEAN countries to **reduce NTBs in the region**, e.g., through harmonization of regulatory requirements.

Country	Total (Number)	SPS (%)	TBT (%)	Export related measures (%)	Others (%)
Brunei	516	31	56	9	4
Cambodia	243	15	50	29	7
Indonesia	638	20	51	12	18
Lao PDR	301	13	30	27	30
Malaysia	713	36	47	10	7
Myanmar	172	44	24	20	12
Philippines	854	27	42	17	13
Singapore	529	24	59	9	7
Thailand	1630	48	34	8	9
Viet Nam	379	37	37	17	8
ASEAN Total	5975	29	43	16	12

Notes: SPS = Sanitary and Phytosanitary Standards; TBT = Technical Barriers to Trade

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Thank you so much

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