



A Report from the Study Group on Assistance to the Southeast Asian Region
- Regional Integration and Development Aid -

General Issues

March 2007 IFIC/ JICA

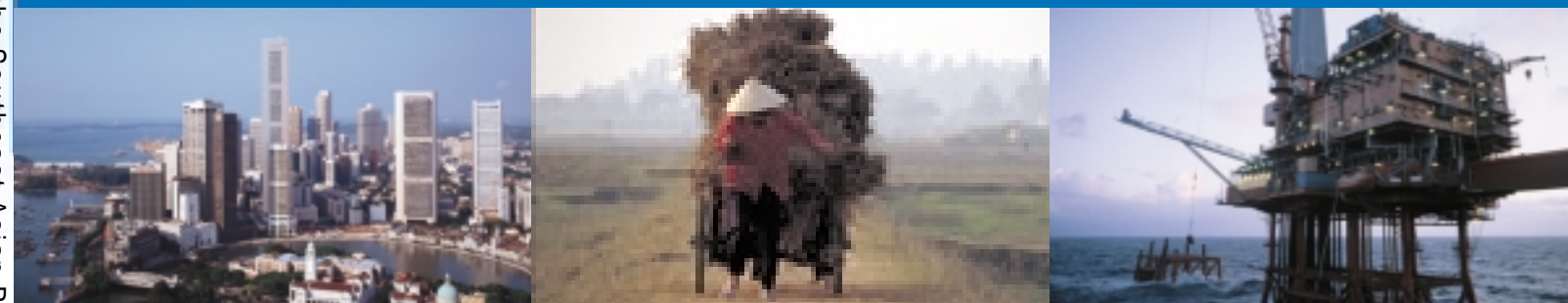
ISBN4-903645-09-6



A Report from the Study Group on Assistance to the Southeast Asian Region

- Regional Integration and Development Aid -

General Issues



March 2007

Institute for International Cooperation
Japan International Cooperation Agency

IIC
J R
06-31

**A Report from the Study Group on Assistance
to the Southeast Asian Region**
- *Regional Integration and Development Aid* -
General Issues

March 2007

Institute for International Cooperation
Japan International Cooperation Agency

The analysis and recommendations of this report do not necessarily reflect the official views of JICA. It is the fruit of a collaborative effort by the study group on “Assistance to the Southeast Asian Region,” organized by JICA.

The study reports of JICA are available in PDF format on the JICA’s Web site.

URL: <http://www.jica.go.jp/>

It is not allowed to reproduce all the contents of this study report without JICA’s prior permission.

Published by: Research Group, Institute for International Cooperation (IFIC),
Japan International Cooperation Agency (JICA)
10-5 Ichigaya Honmura-cho, Shinjuku-ku, Tokyo 162-8433 Japan
FAX: +81-3-3269-2185
E-mail: iictas@jica.go.jp

Cover photograph: © Japan International Cooperation Agency
Background / Kazuyoshi NOMACHI, Upper left / Katsumi YOSHIDA,
Lower middle / Kiyoko KORENAGA

Foreword

Beneath the growing need to address population, environmental, food-related and other global issues in the developing countries in which the Japan International Cooperation Agency (JICA) operates, each country and region has its own unique circumstances and is at a different stage of development. This means that it is essential to provide carefully tailored support accordingly. It is with this in mind that JICA has continued to conduct research into country-specific assistance in an effort to map out the direction of support for each country, working together with experts in various fields to refine our approach to assistance in line with the actual situations and issues faced in individual developing countries. We have set up a total of 43 study groups on assistance for specific countries and seven for specific regions to date and have summarized our findings in reports. This particular regional study group has conducted new research into assistance in Southeast Asia, a region within which Japan provides each country with maximum support, from the fresh perspective of the region itself.

Since the 1990s, there has been a rapid increase in the number of Free Trade Agreements (FTAs) and Regional Trade Agreements (RTAs) such as customs tariff unions as regional integration moves forwards on a global scale. Southeast Asia has seen increased activity in terms of Association of Southeast Asian Nations (ASEAN) integration, with developments such as the adoption of the ASEAN Vision 2020 in 1997 and the resolution to establish an ASEAN community by the year 2020. The flip side to this increase in cross-border activity however is a growing need to tackle transnational issues such as terrorism, maritime piracy, avian flu and environmental issues, not least in Southeast Asia. It is becoming increasingly necessary to address issues such as these on a regional rather than a national level.

Japan has always placed a major emphasis on its relationship with the Southeast Asia region, prompting Prime Minister Junichiro KOIZUMI to put forward the concept of an East Asia Community in Singapore in January 2002. Japan has continued to set out ASEAN initiatives since then in an effort to further strengthen the cooperative relationship between itself and the region. JICA has similarly started to promote regional as well as bilateral cooperation in Southeast Asia and has held JICA-ASEAN Regional Cooperation Meetings (JARCOM) with aid officials from each country in the region every year since 2002.

Bearing this in mind, this study has been carried out with the aim of ascertaining progress with regional integration in Southeast Asia and examining approaches and methods of providing assistance from a regional perspective based on an overview of regional initiatives. Specifically, this study has primarily focused on two priority areas; support for ASEAN integration and transnational issues. The first of these, support for ASEAN integration, is also made up of two priority areas, namely support for further institutionalization and infrastructure development as part of regional integration and support to help eradicate poverty and disparities.

In parallel with this study, JICA has also been looking into region-specific project operation policies. Having positioned this report as a background paper for its project operation policy in Southeast Asia, JICA hopes to put it to good use in the planning and implementation of projects on a regional level in the future and to bring it into wide use amongst all related organizations.

Finally, JICA would like to express its sincerest gratitude to all of the committee members and other parties involved in the compilation of this report for all of their hard work and also to all of the related organizations that have provided their assistance.

March 2006
Toru TAGUCHI
Director General
Institute for International Cooperation
Japan International Cooperation Agency

Contents

Foreword	
Contents	i
Glossary of Terms and Abbreviations	vii
Executive Summary.....	xiii
Introduction: Outline of Study	1
Chapter I Regional Integration and Transformation in East Asia	9
1. Introduction	9
2. Growing Worldwide Shift to Regional Integration	10
3. Changes in Economic Development Models	11
4. Regionalization and Regionalism	12
Chapter II Regional Integration and Development	15
1. Classification of Regional Economic Integration	15
2. Motivations for Regional Integration	16
3. Trade Effects of Regional Integration.....	18
4. Regional Integration and Logistical Networks	21
5. Regional Integration and Intra-Regional Disparities	23
6. Existing Intra-Regional Disparities in ASEAN	24
7. The Driving Force behind Deepening Integration	26
8. Regional Integration and Democratization	27
Chapter III The Past and the Present of ASEAN	29
1. Current Status of ASEAN	29
(1) Diversity of member states	29
(2) Status of achievement of Millennium Development Goals (MDGs)	29
(3) Economic growth	30
(4) Expansion of trade	30
(5) Direct investment	35
(6) Assistance	37
(7) Trade and investment relations between Japan and ASEAN	41
2. Historical Developments of ASEAN	44
(1) Formation of the Southeast Asian region	44
(2) The nascent ASEAN	45
(3) Communist sweep throughout Indochina and inward-focused collective self-reliance	46
(4) New economic cooperation strategies and the establishment of ASEAN 10	47
(5) Asian economic crisis and accelerated integration	47

3. Regional Initiatives Associated with ASEAN	50
(1) Overview	50
(2) ASEAN-driven initiatives	50
(3) ASEAN, China and India	51
(4) Frameworks subsuming ASEAN	51
(5) Frameworks potentially competing with ASEAN.....	52
(6) Competition among regional frameworks.....	53
4. ASEAN's Regional Organizations	53
(1) Decision-making mechanism	53
(2) ASEAN Secretariat	54
 Chapter IV Direction of Cooperation	 59
1. Japan's Initiatives for Cooperation with ASEAN	59
2. Direction of Assistance	62
(1) Basic position	62
(2) Regional cooperation, combating global challenges and assistance to ASEAN member countries ...	62
(3) Supporting deeper integration and the conditions for sustained integration	64
(4) Support for ASEAN and human security	65
(5) Primary support areas	66
 Chapter V Directions in Priority Support According to Individual Issues	 71
1. Support for Building the Systems and Infrastructure that Enable the Free Movement of People, Goods, Money and Information	71
1-1 Trade and Investment	71
1-2 Finance	72
1-3 Transportation	74
1-4 Information and Communication Technology (ICT)	76
2. Eradicating Poverty and Disparities	83
2-1 CLMV Countries	83
2-2 BIMP-EAGA and Other ASEAN Growth Areas	88
3. Transnational Challenges	94
3-1 Public Security and Development	94
3-2 The Environment	102
3-3 Energy	109
4. Human Resource Development	116
4-1 Human Resource Development Objectives and Initiatives	116
4-2 Overview of Japanese Initiatives in Relation to Human Resource Development	121
4-3 Human Resource Development Issues in the ASEAN Region	122
4-4 Directions Regional Cooperation	125
4-5 Points of Concern Relating to Regional Cooperation	127

Chapter VI Course of Action for Assistance	129
1. Importance of the Regional Perspective	129
2. JICA's Structure for Executing Regional Assistance	129
3. Approaches to Cooperation	131
4. Collaboration with External Organizations	134
5. Hurdles to Overcome in Implementing Regional Cooperation	136
Bibliography and References	139

List of Boxes, Figures and Tables

Box 2-1 History of EU integration.....	26
Figure 1 Structure of this report	xiv
Figure 2 Scope of regional issues examined in this study	xv
Figure 0-1 Regional target area for this study	2
Figure 0-2 Scope of regional issues examined in this study	3
Figure 0-3 Structure of this report	4
Figure 2-1 Growth in RTAs at an accelerating pace (Trend in number of RTAs reported the WTO)	15
Figure 2-2 The import to GDP ratio a regional integration body consisting of developing countries (MERCOSUR)	20
Figure 2-3 The import to GDP ratio of a regional integration body consisting of developing countries (ASEAN)	20
Figure 2-4 Intra-regional income differences in ASEAN 5 and in MERCOSUR	24
Figure 2-5 Income differences in the ASEAN area	25
Figure 3-1 World FDI inflow share	37
Figure 3-2 Trend in the share of aid to ASEAN in the total aid from major donors (on three-year moving average)	38
Figure 3-3 Distribution of Japan's exports	42
Figure 3-4 Distribution of Japan's imports.....	43
Figure 3-5 Trend in Japan's direct investment	43
Figure 3-6 ASEAN's organizational structure	57
Figure 3-7 Organizational structure of ASEAN Secretariat	57
Figure 5-1 Approaches to environmental issues in the ASEAN region	103
Figure 5-2 Key map of construction project of transmission network in ASEAN	113
Figure 5-3 Directions in regional cooperation in human resources development.....	124
Figure 6-1 From the bilateral assistance structure to the regional assistance structure	130
Figure 6-2 Possible outside partners	135
Table 1 Shares (percentage) of intra-regional preferential trade (imports) under RTAs	xv
Table 2 Trade percentages accounted for by intra-regional trade in three regions (in 2003)	xviii
Table 3 Major regional frame works associated with ASEAN	xxiii
Table 1-1 Shares (percentage) of intra-regional preferential trade (imports) under RTAs.....	10
Table 1-2 Trade percentages accounted for by intra-regional trade in three regions (in 2003)	12
Table 2-1 Intra trade shares of RTAs (2003)	19
Table 2-2 Shift trade towards machinery in East Asia	22
Table 3-1 Basic indicators of ASEAN states	30
Table 3-2 Progress in achieving MDGs in ASEAN states	31
Table 3-3 Real GDP growth rates	32
Table 3-4 Breakdown of ASEAN's external trade by destination	33

Table 3-5 Share of intra-regional trade in the zone by member state	34
Table 3-6 Inflow of direct investment	35
Table 3-7 Direct investment in ASEAN by investing country	36
Table 3-8 Trend in the amount of aid to ASEAN by donor	39
Table 3-9 Ratios of aid to CLV countries to aid to ASEAN 4 (IMPT) countries	40
Table 3-10 Major regional frameworks associated with ASEAN	56
Table 5-1 ITG overview	90
Table 5-2 Roles of participation countries in the BIMP-EAGA	91
Table 5-3	99
Table 5-4 Changes in specific energy consumption against GDP for each country in Asia	110
Table 5-5 Changes in specific energy consumption per person for each country in Asia	111
Table 5-6 Secondary and higher education gross enrollment rate in the ASEAN +3 countries	117
Table 5-7 Details of initiatives related to human resources development	119
Table 5-8 Japanese human resources development initiatives	122

Glossary of Terms and Abbreviations

Term	Explanation
ABMI	Asian Bond Markets Initiative
ACCSQ-METI	ASEAN Consultative Committee for Standards and Quality - Ministry of Economy, Trade and Industry
ACD	Asia Cooperation Dialogue
ACMECS	Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AEM	ASEAN Economic Ministerial Meeting
AFTA	ASEAN Free Trade Area*
AMEICC	AEM-METI (ASEAN Economic Ministries with the Ministry of Economy, Trade and Industry of Japan) Economic and Industrial Cooperation Committee
AMEM	ASEAN Ministers on Energy Meeting
AMM	ASEAN Ministerial Meeting
AMMTC	ASEAN Ministerial Meeting on Transnational Crime
AOTS	The Association for Overseas Technical Scholarship
APA	ASEAN People's Assembly
APEC	Asia Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ASC	ASEAN Security Community
ASC	ASEAN Standing Committee
ASEAN	Association of Southeast Asian Nations
ASEAN-ISIS	ASEAN Institute of Strategic and International Studies
ASEAN PMC	ASEAN Post Ministerial Conference
ASEAN+3	The 10 ASEAN countries plus Japan, China and Republic of Korea
ASEM	Asia-Europe Meeting
AUN	ASEAN University Network
AUN/SEED-Net	AUN/Southeast Engineering Education Development Network
AusAID	Australian Agency for International Development
BIMP-EAGA	Brunei Darussalam-Indonesia-Malaysia-Philippine East ASEAN Growth Area
CDM	Clean Development Mechanism*
CEPT	Common Effective Preferential Tariff*
CIDA	Canadian International Development Agency
CLMV	Cambodia, Laos, Myanmar, Viet Nam
CSO	Civil Society Organization
EU	European Union
EPA	Economic Partnership Agreement
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FTA	Free Trade Area or Free Trade Agreement*
GMS	Economic Cooperation in the Greater Mekong Sub-region*
IAI	Initiative for ASEAN Integration*
ICT	Information and Communication Technology
IMF	International Monetary Fund

Term	Explanation
IMS-GT	Indonesia-Malaysia-Singapore Growth Triangle
IMT-GT	Indonesia-Malaysia-Thailand Growth Triangle
JARCOM	JICA-ASEAN Regional Cooperation Meeting*
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organization
JODC	Japan Overseas Development Corporation
MDGs	Millennium Development Goals
MERCOSUR	Mercado Comú del Sur
MRAs	Mutual Recognition Arrangements or Mutual Recognition Agreements
MRC	Mekong River Commission
NAFTA	North American Free Trade Agreement
NEDO	New Energy and Industrial Technology Development Organization
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
OVTA	Overseas Vocational Training Association
PPP	Public-Private Partnership
RTAs	Regional Trade Agreements
SAARC	South Asian Association for Regional Cooperation
SEACSN	Southeast Asian Conflict Studies Network
SEAMEO	Southeast Asian Ministers of Education Organization
SEOM	Senior Economic Official Meeting
SOM	Senior Officials Meeting
SOMTC	Senior Officials Meeting on Transnational Crime
TAC	Treaty of Amity and Cooperation in Southeast Asia
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNESCO	United Nations Educational Scientific and Cultural Organization
USAID	United States Agency for International Development
WHO	World Health Organization
WTO	World Trade Organization

* Indicates abbreviations with explanations.

Term	Explanation
AFTA	ASEAN Free Trade Area : The decision to establish the AFTA was made at the Fourth ASEAN Summit in 1992, primarily with the aims of revitalizing regional trade, promoting direct investment from outside the region and intra-regional investment and increasing the international competitiveness of regional industry. There is also an ASEAN-China FTA (ACFTA) .
ASEAN Charter	The ASEAN Charter was set out to act as a future code of conduct for the ASEAN community. The Charter confers a legal personality to ASEAN and determine the functions, develop areas of competence of key ASEAN bodies and their relationship with one another in the overall ASEAN structure. Proposals are due to be put forward by the Eminent Persons Group, which discusses the direction and contents of the ASEAN Charter, at the ASEAN Summit in 2006.
ASEAN-Japan Action Plan	The ASEAN-Japan Action Plan is an appendix to the Tokyo Declaration for a Dynamic and Enduring ASEAN-Japan Partnership in the New Millennium, which was adopted at a special Japan-ASEAN summit in 2003 as a set of guidelines for future cooperative relationships between Japan and ASEAN countries. It outlines specific measures to be implemented in the near future in various different fields, including (1) stepping up comprehensive economic and financial cooperation, (2) reinforcing the foundations for economic development and prosperity, (3) strengthening political and security cooperation and partnerships, (4) promoting the development and exchange of human resources and socio-cultural cooperation, (5) deepening cooperation in East Asia and (6) cooperating on global issues.
ASEAN Vision 2020	A medium-term plan set out at the Ninth ASEAN Summit in October 2003, the ASEAN Vision 2020 is geared towards the establishment of an ASEAN Community by the year 2020, based around the three pillars of an ASEAN Security Community (ASC), an ASEAN Economic Community (AEC) and an ASEAN Socio-Cultural Community (ASCC).
ASEAN-X formula	The ASEAN-X formula determines that, if two or more ASEAN member states agree to liberalize trade in a specific service sector or sub-sector, they will permit other member states to join in at a later date when the necessary preparations have been completed. The possibility of applying the formula to other non-service sectors is also under discussion.
Asia Broadband Program	Formulated by the Japanese government in March 2003, the Asia Broadband Program is an action plan designed to establish broadband environments throughout Asia in order to turn the continent as a whole into a global information hub. Refer to the official Website for further details: http://www.asia-bb.net/jp/index.html
Bangkok Declaration	Adopted on August 8, 1967, after a five-way meeting between the foreign ministers of Indonesia, Malaysia, the Philippines, Singapore and Thailand in Bangkok on August 5, the Bangkok Declaration set out the establishment of the Association of Southeast Asian Nations (ASEAN), thereby marking the inauguration of ASEAN.
Bogor Declaration	Adopted at an unofficial APEC summit at the Bogor Palace in Indonesia in November 1994, the aim of the APEC Economic Leaders' Declaration of Common Resolve (Bogor Declaration) is to bring about free trade and investment in advanced countries by 2010 and in developing countries by 2020.
Capacity Development	Capacity Development (CD) refers to the process of improving developing countries' overall ability to handle various issues by making improvements at different levels, from individuals to organizations, systems and societies as a whole. CD has been discussed in relation to reviewing approaches to technical cooperation since the end of the 1990s, primarily through the UNDP, and is also a core concept in terms of JICA's technical cooperation activities.
CDM	Clean Development Mechanism : CDM is a policy instrument set out in the Kyoto Protocol (adopted in December 1997) to enable emissions trading and joint implementation as part of efforts to reduce greenhouse gases and thereby prevent global warming.
CEPT	Common Effective Preferential Tariff : The CEPT scheme came into effect on January 1, 1993 as a mechanism to help with the establishment of the AFTA. Although the main purpose of CEPT is to lower tariffs in general, it also covers the removal of non-tariff barriers, standardization in areas such as the tariff classification and customs clearance.

Term	Explanation
Chiang Mai Initiative	Having agreed upon the need to promote self-help and support mechanisms in East Asia in the field of currencies and finance at an ASEAN+3 Summit in Manila in November 1999, the ASEAN+3 countries then agreed on further measures at an ASEAN+3 Summit in Chiang Mai in May 2000. These included (1) expanding ASEAN swap arrangements so as to enable all ASEAN member states to be included and (2) establishing a network of bilateral currency swap and repo arrangements between ASEAN, China, Japan and Republic of Korea.
Currency Basket	A currency basket is an exchange policy whereby the market value of a country's currency is based on the weighted average of fixed amounts of a number of major currencies.
Currency Swap Agreement	Referring to arrangements whereby a country facing from a temporary currency shortage is lent sufficient foreign currency to enable it to intervene, currency swap agreements are used to stabilize regional currencies and prevent currency crises before they occur. There are two specific types of currency swap agreement, based on either (1) foreign currency being loaned directly between two countries (swap arrangement) or (2) one country selling foreign bonds and then buying them back after a certain period (repo arrangement).
Declaration of ASEAN Concord II	Signed by the leaders of the ASEAN member states at an ASEAN Summit in Bali on October 7, 2003, the aim of the Declaration of ASEAN Concord II (Bali Concord II) is to establish an ASEAN Security Community (ASC), an ASEAN Economic Community (AEC) and an ASEAN Socio-Cultural Community (ASCC).
Digital Divide	The digital divide refers to the issue of disparities in Information and Communications Technology (ICT) between those with IT skills and access to technology such as computers and the internet and those without. Domestically, this stems from factors such as income, age, sex, location (urban or rural), race and education. Internationally, there is said to be a digital divide between advanced and developing countries.
e-ASEAN Initiative	Agreed by ASEAN in 2000, the e-ASEAN initiative is designed to promote the use of Information and Communication Technology (ICT), with aims including the liberalization of ICT trade and investment, the establishment of ICT infrastructure, the elimination of the digital divide, legislation to promote e-Commerce and mutual recognition of electronic signatures. It was based on the notion that ICT capable countries would implement the agreement by 2002 and then support developing countries in order to eliminate the digital divide within the region.
Economic Partnership Agreement	Covering a wide range of fields, Economic Partnership Agreements (EPA) incorporate the same elements as FTAs with the addition of steps to integrate market systems and economic activities, including measures to facilitate economic transactions between member countries, relax economic systems and promote cooperation.
FTA	Free Trade Agreement : A FTA is an agreement concluded between two countries or regions to remove customs, service and other regulations in order to promote the liberalization of trade in goods and services.
GMS	Economic Cooperation in the Greater Mekong Sub-region : GMS is a wide-area cross-border development initiative covering six countries and regions in the Mekong River Basin; Viet Nam, Cambodia, Laos, Myanmar, Thailand and Yunnan Province in China. GMS started out as a regional cooperation program organized by the Asian Development Bank (ADB) in 1992, with projects currently underway in a total of eight fields, including transport, energy, communications and tourism.
IAI	Initiative for ASEAN Integration : Agreed at the fourth unofficial ASEAN summit in November 2000, the IAI is an attempt to correct disparities within the region and to increase ASEAN's competitiveness as a region. Various priority areas have been agreed upon since then, including human resources development, Information and Communication Technology (ICT), regional economic integration, transport and energy, poverty and quality of life, tourism and general coverage of projects.

Term	Explanation
Japan Centers	Japan Centers for Human Development: Established from 1990 onwards after the end of the Cold War, Japan Centers form part of a JICA cooperation project designed to train the necessary personnel and provide the necessary information to bring about a policy shift in countries looking to move away from a planned economy to a market economy. In Southeast Asia, in addition to centers in Viet Nam (Hanoi and Ho Chi Minh City), Cambodia and Laos, preparations are underway to open another center in Myanmar.
JARCOM	JICA-ASEAN Regional Cooperation Meeting : JARCOM is an initiative designed to promote project formation and the effective implementation of JICA projects (mainly South-South Cooperation projects drawing on regional resources) in order to correct disparities between the level of development in different countries in the ASEAN region. Meetings between JICA and key figures from technical cooperation bodies in ASEAN member states have been held every year since 2002, enabling discussion regarding matters such as matching needs with resources, ways of improving the implementation of regional cooperation projects and initiatives to resolve common issues affecting the entire region. In terms of project formulation, efforts to match the needs of countries on the receiving end of cooperation with the resources belonging to those providing cooperation are ongoing all year round. Refer to the official JARCOM Website for further details: http://www.jarcom.net
JICA-Net	JICA-Net is a distance technical cooperation promoted by JICA that links JICA offices in Japan with its overseas offices via dedicated lines to enable ICT (video conferencing systems, the internet, etc.) based activities such as lectures, seminars, meetings, teaching materials development and web-based training to be carried out from a distance.
Kyoto Protocol	Adopted in 1997 at the Third Session of the Conference of the Parties (COP3), the Kyoto Protocol requires countries (particularly advanced countries) to reduce their greenhouse gas emissions by a fixed amount compared to levels in 1990 (Japan: 6% / USA: 7% / EU: 8%) by 2008-2012. It also introduced a number of mechanisms (the Kyoto mechanisms) in line with market principles, including emissions trading, joint implementation and the Clean Development Mechanism (CDM), in an effort to bring about a reduction in emissions.
Manila Framework	Adopted in November 1997, the “ framework for strengthening Asian regional cooperation for financial and currency stabilization (Manila Framework) ”is based around four key points; (1) regional surveillance to complement global surveillance, (2) technical support to reinforce the financial sectors in each country, (3) calls for the IMF’s response capabilities to be strengthened against new crises and (4) coordinated support arrangements to ensure the stability of Asian currencies.
Non-traditional Security	Refers to the notion of security including a range of threats such as terrorism, piracy, energy crises, the destruction of the environment, infectious diseases, drugs and people smuggling.
One Stop Services	Refers to systems that enable people to access a range of government services and take care of the necessary procedure online all in one go. Specific examples include enabling users to search for and obtain information on official procedures or applications and other forms all from one location or making it possible to take care of multiple related procedures in one go.
Peg System	Peg systems are used to maintain a country’s exchange rate at a fixed level compared to a specific currency such as US dollars. Apart from the dollar peg system, other systems include the SDR peg system.
Purchasing Power Parity	Purchasing Power Parity (PPP) is a theoretical mechanism used to determine exchange rates based on the notion that rates should be set so that the purchasing power of funds in one country’s currency is equal to that in another country.
Rule of Origin	Refers to laws and regulations applied by member countries to determine the country of origin for industrial products as part of international transactions and applicable administrative decisions

Term	Explanation
SDR	Special Drawing Rights : SDR is a reserve asset created by the IMF in 1969 to ensure international liquidity by supplementing cash and foreign currency. Rights are allocated proportionally based on each country's contribution, with countries able to obtain foreign currency from other countries in exchange for SDR if their balance of payments deteriorates. SDR can also be used directly in trading or as a form of payment.
Service Link Cost	Refers to the transaction costs including coordination, transport and communication between production blocks and any related administrative procedures.
Standard Certification	Refers to the act of proving or certifying that industrial and other products are compatible with technical standards. Establishing uniform technical standards and a standardized accreditation system between countries is becoming an increasingly important issue as part of regional integration and FTA negotiations.
Supply Chain	Refers to the whole process between companies as a single chain, from procurement to production, sales and distribution.
Trade Diversion Effect	Refers to the phenomenon of goods imported from low-cost producing countries outside the region being replaced by intra-regional imports as a result of the liberalization of trade.
Universal Access	Refers to the ability to access information and use information infrastructure irrespective of personal circumstances, social standing or differences between regions.
Vientiane Action Program (VAP)	Following on from the Hanoi Plan of Action (1999-2004), the Vientiane Action Program (VAP) is the second medium term plan setting out specific measures aimed towards the creation of an ASEAN Community by 2020 and runs for six years from 2005 to 2010.

Sources:

ASEAN Japan Center Website (<http://www.asean.or.jp/GENERAL/base/outline.html>)

Bank of Tokyo Mitsubishi UFJ Website (http://www.bk.mufg.jp/mkdata_j/rev01_13.htm)

Compiled by the Secretariat based on this report and various other JICA reports

e-Gov. information Website (<http://www.e-gov.go.jp/doc/yougo.html>)

International Development Journal (2004) *Glossary of International Cooperation* (3rd ed.)

JICA Institute for International Cooperation (2003) *Trends in International Aid*

JICA Knowledge Site (<http://gwweb.jica.go.jp>)

Ministry of Foreign Affairs Website (<http://www.mofa.go.jp/mofaj/>)

Nomura Research Institute Website (http://www.nri.co.jp/opinion/r_report/m_word/scm.html)

Nomura Securities Website (<http://www.nomura.co.jp/>)

Official Asia Broadband Program Website (<http://www.asia-bb.net/jp/index.html>)

Executive Summary

1. Background to and Purpose of this Study

In recent years, Japan and other countries have launched a number of different regional initiatives in the East Asian region, including Southeast Asia, that encompass plans for development and Official Development Assistance (ODA). It is now important to review the stance of these regional initiatives from the perspective of development assistance.

Underlying the increasing momentum of regional initiatives are the facts that regional integration is taking place on a global scale and that transnational issues, including non-traditional security problems, are now key issues. In East Asia, regional factors such as structural changes in intra-regional economic relations are of great significance.

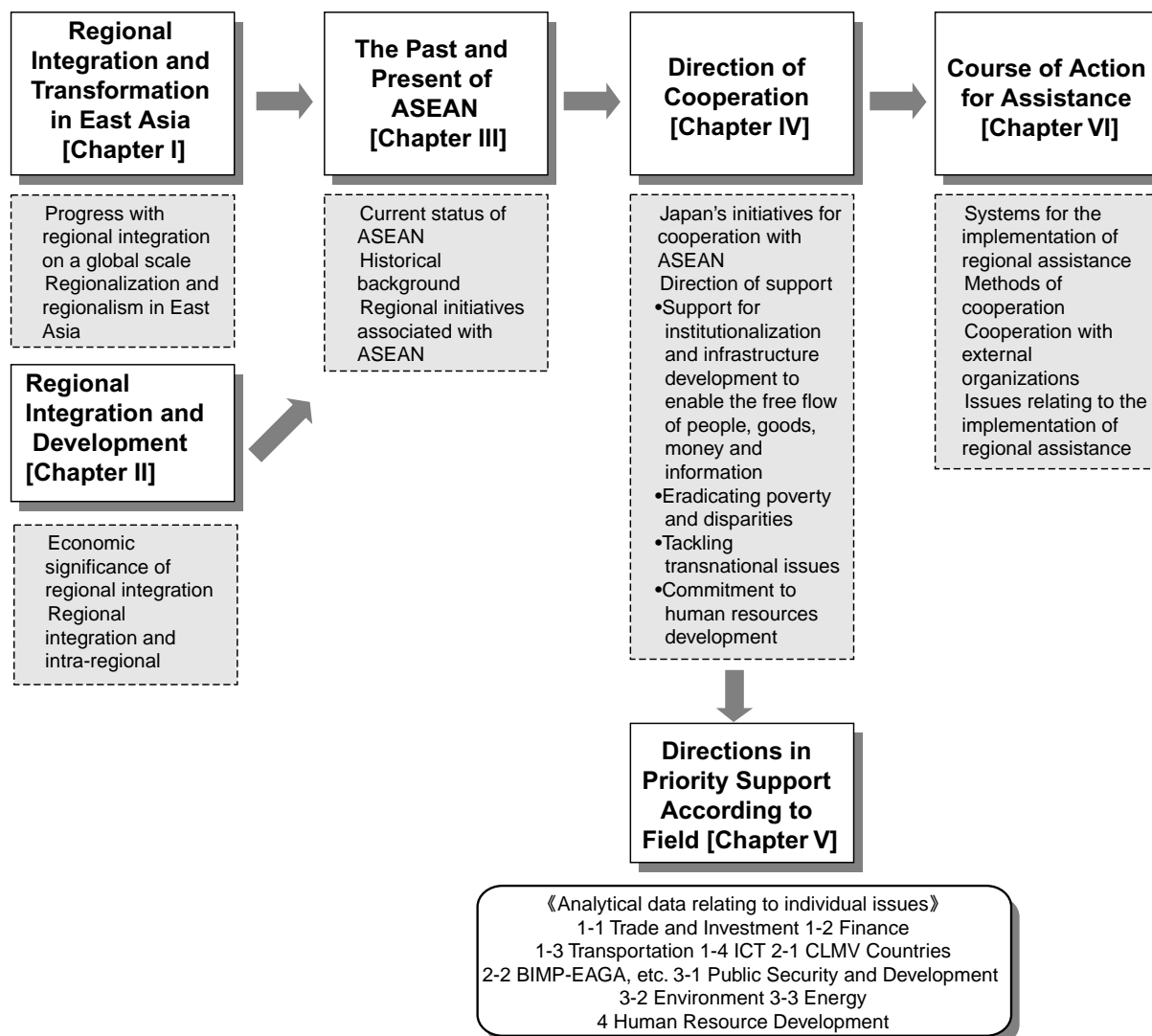
Above all, Southeast Asia is the nucleus of the regional initiatives in East Asia. The region itself is striving for integration under the framework of ASEAN. This zone has been and will in future remain one of Japan's priority aid destinations. However, JICA has just started to think about and implement development assistance from a regional perspective. JICA now needs to study what action it should take in response to regional integration and to transnational challenges.

This study examines the significance of regional integration in view of the regional trends in East Asia, illuminates the development of regional integration in ASEAN and reviews wide-ranging regional initiatives to explore the direction and the style of implementation of JICA's assistance to the Southeast Asian area from a regional point of view (see Fig. 1)*. This report covers the assistance in ASEAN integration and transnational challenges, both of which are priority areas in the regional context. As illustrated in Fig. 2, this study focuses on the regional level among the three possible levels of coverage: the global level, the regional level and the national level. However, many of the different tasks to be studied as listed in Fig. 2 have already been addressed by Japan as priority tasks within the framework of bilateral assistance to individual countries in the region. The diagram suggests that regional efforts should be closely combined with the assistance offered to different nations. In other words, it is considered desirable to provide assistance in key areas of the region with full awareness of relations within the regional context, including integration and transnational challenges, not only when it is offered in a regional framework that transcends national boundaries but also when it is offered in the form of bilateral assistance, which accounts for a great majority of Japan's assistance. It is also regarded as useful to additionally review the details of the bilateral assistance programs and projects in view of the regional perspective.

This study was carried out as part of the country and regional studies for Japan's official development assistance conducted by the Institute for International Cooperation. While it was in progress, it served as a contribution to the assessment of the framework for developing implementation guidelines for regional assistance in the Southeast Asian region to be created by the department responsible for the region and to the examination of priority challenges. In the future, it is hoped that the study will be further used as a resource that provides information that aids in the revision of the guidelines as well as in consideration of assistance to the region by the department in charge of the specific region or issue.

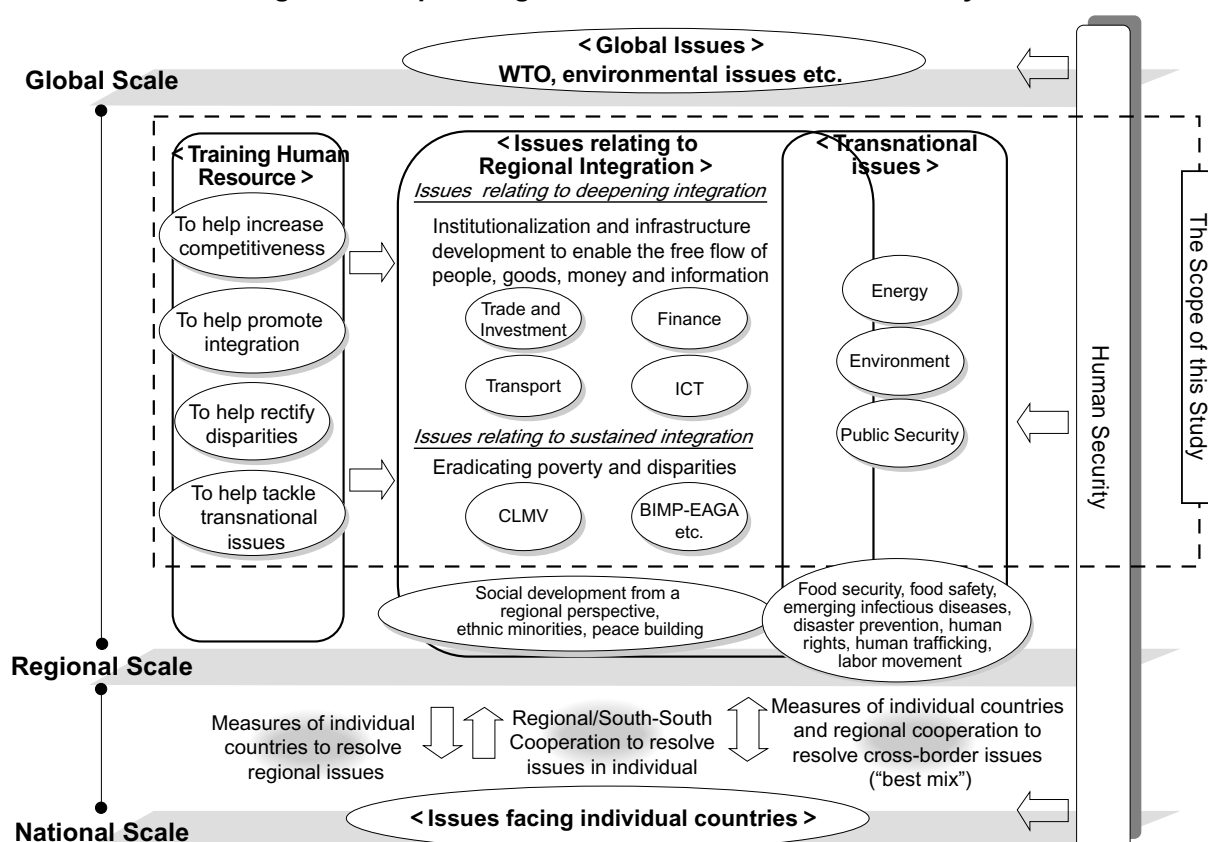
* For the convenience of this abstract, Chapters I and III are summarized in section 3, and Chapter II, in which the significance of integration is examined, is summarized in section 2.

Figure 1 Structure of this report



Source: Compiled by the Secretariat.

Figure 2 Scope of regional issues examined in this study



Source: Compiled by the Secretariat.

Table 1 Shares (percentage) of intra-regional preferential trade (imports) under RTAs

(%)

	2000	2005
Western Europe	64.7	67
Transition economies	61.6	61.6
North America (incl. Mexico)	41.4	51.6
Africa	37.2	43.6
Middle East	19.2	38.1
Latin America (excl. Mexico)	18.3	63.6
Asia	5.6	16.2
World	43.2	51.2

Source: WTO (2003)

2. A Global Tide of Regional Integration and Development of Developing Countries

Since 1990, there has been rapid growth in the number of RTAs to form Free Trade Areas (FTAs) and Customs Union (CU). Intra-regional trade among RTA member countries as a percentage of total worldwide trade, a figure that serves as a barometer of regional integration, is believed to have topped 50% (see Table 1).

(1) Regional integration that promotes the economic development of member states

Economic integration is believed to produce more trade benefits than costs for the whole region, provided that it is based on outward-looking regionalism in line with the World Trade Organization (WTO) and other standards. With its dynamic effects taken into account, including its ability to attract investment inflow, attain economies of scale and encourage domestic reforms, regional integration is thought to produce greater economic benefits than costs not only for member states but for the rest of the world as well. The shift to machinery trade is a global trend. In East Asia, including senior ASEAN members, trade in machinery, including electric, communications and transport machines, along with parts and components, accounts for a significant percentage of total trade. This part of the world has seen a regional production and logistical network established around machinery-related industry. Advances in economic integration introduce low intra-regional tariffs, harmonizes and standardizes customs formalities and product standards and builds common institutional and physical platforms in the region, such as regional infrastructure, to lower the costs of the services that consolidate the region (service link costs) and to facilitate effective business operations, for instance by encouraging a division of labor in the area. ASEAN states learned a lesson from the Asian economic crisis of 1997, and now share an awareness of the need to jointly combat common downside risks to stabilize the economy. Hence, deepening integration is seen as bolstering economic stabilization and development in member countries.

(2) Narrowing intra-regional disparities

On the other hand, there is a possibility that the disparities within the region may widen as these economic advantages are concentrated among limited member countries. Remarkably, income gaps within the ASEAN region have lately been narrowing. Still, whether or not these gaps will be closed remains uncertain. And deepened integration limits the discretion of member states to adopt their own policies. To counter these drawbacks, establishing a system for redistributing the benefits of integration is essential to the success of regional integration. If left uncorrected, intra-regional disparities will generate mounting dissatisfaction among disadvantaged nations and make it difficult to continue the integration process. In this respect, redressing the gaps is a requirement for sustained integration.

Deepened integration will open the way for progress in integration not merely in the economic sector but in domestic affairs and social policies as well, areas in which EU has made significant progress in integration. The Mercado Comú del Sur (MERCOSUR) and some other regional frameworks define democratization as a requirement for accession. ASEAN also declares its aspiration to build regional communities in the domains of politics, security and social policies as well as in the economic sphere.

(3) Regional integration as a development issue

As already noted, regional integration does not only have an impact on external economic activities. As integration intensifies, it has a growing influence on the domestic economy and other areas. Development

of the international society and individual nations is increasingly dependent on regional dynamism. In light of this, the notion of development inevitably has to change. Today, development can no longer be studied without considering issues of regional integration.

(4) Increasing importance of regional support

Transnational issues, including international crime, drugs, environmental issues, avian flu and energy problems, are given particular emphasis and positioned as global problems in Japan's ODA Charter. Efforts to address these issues are effective when they are jointly made by multiple countries as well as within conventional bilateral frameworks. It is increasingly important to respond to the development issues as well as to regional integration on a transnational basis.

3. The New Perspective and Significance of Assistance to Southeast Asia

The Southeast Asian countries that together make up ASEAN are positioned as the most important target region of Japan's ODA. Nearly 30% of Japan's total aid is consistently offered to this area. It is a vital part of the world to Japan in political, economic or geopolitical terms. In section 2 above, an overview was given based around the significance of development of regional integration in general; in this section, the state of regional integration in Southeast Asia will be reviewed.

Certain recent events reflect regional structural changes involving the Southeast Asian region. For one thing, the move towards launching an East Asia community is emerging as a realistic policy issue. For another, ASEAN itself appears to have started accelerating its integration. These two facts together demand a review of the region from the perspective of regional integration.

(1) Progress in regionalization in East Asia

The events take place against the backdrop of the formation of a production and logistical network throughout East Asia and including Southeast Asia. This is thought to have resulted from progress in the international division of processes in individual industries and in an international division of labor undertaken by multinational enterprises. There have been enormous technological advances in transport, information, communications and other sectors as well as some progress in certain areas of trade deregulation through the General Agreement on Tariffs and Trade (GATT), the WTO and other frameworks. Local businesses were linked with foreign capital to form industrial clusters in many countries and to bolster these international divisions of processes and labor. In other words, East Asia has attained such a considerable degree of practical economic integration driven by the private sector that its level of integration is comparable with that of the EU and the North American Free Trade Agreement (NAFTA) zone, both of which are built under official agreements (see Table 2).

Moreover, Asia is on the verge of another historical structural change. Two populous states, namely China and India, are emerging as economic powers. This is inevitably producing major changes to the economic map of East Asia. It has also stimulated further growth in intra-regional trade in addition to the conventional regional expansion of Japanese businesses. The successful growth of these countries is rendering obsolete the flying-geese pattern of economic development that has hitherto been regarded as the paradigm for development in East Asia and which created a kind of order.

¹ See Goldman Sachs (2003) and Deutsche Bank (2005).

Table 2 Trade percentages accounted for by intra-regional trade in three regions (in 2003)

(%)

	Intra-regional imports	Intra-regional exports
EU25	64	67
NAFTA	37	56
East Asia	52.2	50.3

Sources: United Nations Conference on Trade and Development (UNCTAD) database for EU and North American Free Trade Agreement (NAFTA) figures and International Monetary Fund (IMF) (2004) for the East Asia figures.

Based on this structural change, action to institutionalize the economic integration that is progressing in practical terms is gathering momentum. In East Asia, summit meetings under the framework of ASEAN+3, namely ASEAN plus Japan, China and Republic of Korea, have been held since 1997. In 2005, the East Asia Summit was inaugurated. Bilateral FTAs and other regional frameworks have recently been set up at an accelerating pace.

(2) History of deepening regional integration in Southeast Asia and the acceleration of integration in recent years

On the other hand, ASEAN is speeding its integration efforts in relation to this trend.

ASEAN was founded in 1967 to provide a forum for mutual communications among the member states. Responding to the uncertainties inside and outside the region prevailing at that time, the founding members launched it to build mutual trust, to prevent conflicts and to enable a focus on domestic development. Later, it made a concerted response to Indochina, placed under communist rule during the Cold War era, and ultimately achieved the accession of Indochinese countries and Myanmar after the Cold War ended. Since 1999, ASEAN has been a regional body that covers the entire Southeast Asian area in both name and in substance.

In economic terms, ASEAN aimed at inward-looking collective independence in the 1970s. In the late 1980s, it shifted its policy to export-driven industrialization dependent on foreign capital. In 1992, it adopted a resolution to launch the ASEAN Free Trade Area (AFTA). The target date of AFTA completion was later moved forward. It now covers most of the tariff-imposed items and it has been increasingly used in intra-regional trade in the past few years. The serious challenge to ASEAN that the Asian economic crisis in 1997 represented seemed to lend momentum to integration. The ASEAN Vision 2020 was adopted in December 1997 to declare that ASEAN would set up an economic zone based on open regionalism to ensure the free distribution of goods, services and investment and freer movement of capital by 2020. The Declaration of ASEAN Concord II in 2003 was aimed at creating an ASEAN community consisting of security, economic and socio-cultural communities. Thereafter, study aimed at coming up with an ASEAN Charter was commenced, integration efforts in different sectors accelerated and moves towards institutionalization were bolstered.

(3) Significance of regional integration in Southeast Asia

East Asia is very unlikely to see in the near future the establishment of any EU-style regional integration body. Still, ASEAN represents a step forward. Consisting of diverse member states, it aims to proceed with its own regional integration and to exercise influence on region-building in East Asia on the basis of its experience. At the East Asia Summit, the ASEAN+3 and ASEAN+1 summit meetings in

December 2005, the participating nations confirmed that they would support ASEAN's integration and recognized ASEAN as the nucleus of regional integration in this part of the world. Thus, ASEAN's hub role in regional integration has gained clear support from the countries involved.

Assistance in ASEAN integration is hence important in two senses. First, stimulation of trade and investment and correction of disparities are helpful to the development of ASEAN nations. And second, its achievements will permeate throughout the East Asian area by means of vigorous trade and investment and of institutionalized East Asian cooperation. These effects are predicated on a situation in which ASEAN has unity and is settled politically and economically. This condition itself will help ensure overall political and economic stability in the East Asian region.

4. Direction of Assistance to the Southeast Asian Region

The importance of assistance to Southeast Asia is already evident from Japan's past commitments and initiatives for the region. It now demonstrates new significance in the context of regional integration and action to address transnational challenges. ASEAN should therefore remain positioned as a primary destination of assistance. From a regional perspective, it is advisable to focus assistance on strengthening ASEAN integration and on addressing the most important transnational challenges requiring action in this region. A more detailed discussion follows.

(1) Bringing ASEAN into a more integrated form

The support will be divided into two categories, as described below.

1) Support for building the systems and infrastructure that enable the free movement of people, goods, money and information (support for deepening of integration)

This support is designed primarily to strengthen what is helpful to trade, investment, public and private finance and human movement as well as the requisite functions of the ASEAN Secretariat. Hence, it will be centered on construction of the transport infrastructure and the logistic systems that will help reduce the service link costs, IT infrastructure, easing of trade, standard certification, establishment of regional systems concerning intellectual property rights and suchlike, development in the financial sector including the cultivation of bond markets, unification of engineer qualification systems and fostering of small and medium enterprises. It will also include capacity development in areas concerned with the challenges, which serves as a basis of the above targets. Assistance for ensuring security and for combating emerging infectious diseases is important; indeed, the support that will help intensify integration in these areas will be combined with assistance in meeting transnational challenges.

Several countries have already signed bilateral economic partnership agreements and basic agreements. Support relating to these agreements is particularly urgent.

Trade and Investment: assistance in setting up regional systems advantageous to industrial statistics, customs clearance, standard certification, protection of intellectual property and other rights as well as in building up the capabilities of each countries.

Finance: cooperation to be undertaken mainly in helping individual states to develop the capacity to operate macro economic policies for dealing with regional economic uncertainty, in creating Asian Bond Markets (ABM) as well as short-term financial markets serving to

stabilize foreign exchange markets and to develop bond markets.

Transport: contribution to improved services, to the establishment of regional technical and service standards with the aim of achieving regional harmonization of the transport infrastructure, and to increased speed and efficiency in import and export formalities by means of introducing transport infrastructure and services, and support for smoother border-crossing by launching one-stop services and for increasing security and safety of transport.

Information and Communication Technology (ICT): assistance to be provided chiefly in devising national and regional policies and institutions, in human resources development, in regional networking, especially in creating information and communications infrastructure that will help expand information and communications networks to rural areas, and in the active use of ICT in the assistance programs.

2) Eradicating poverty and disparities (support to meet the conditions for sustained integration)

This support is focused on cooperation with CLMV (Cambodia, Laos, Myanmar and Viet Nam) countries in narrowing the intra-regional gaps and on regional efforts targeting poverty zones near the national borders of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA). Action by individual countries to slash poverty and their domestic attempts to redress the disparities among different areas may fall under this type of assistance in a broad sense. Chapter III affirms that individual states in the region have generally been making steady progress in their bid for Millennium Development Goals (MDGs), with some exceptions. It is hoped that they will continue their current efforts. Action against social unrest arising as the price of integration in different countries is part of the contribution to satisfy the requirements for continuation of the integration process.

Here in this part of the report, the spotlight is cast on the assistance to the CLMV countries whose priority issue is to correct intra-regional disparities, as well as on the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT) and the BIMP-EAGA, the main sub-regional cooperative entities in the ASEAN growth area, which are already underway. The CLMV states are described as an ASEAN growth area in Table 3. Apart from these, there are many other schemes to set up local economic zones in the ASEAN region. Given that some districts are covered by multiple programs, it is necessary to study the cooperation target areas in careful consideration of their interrelationship.

Among these frameworks, the CLMV and local economic zones like the BIMP-EAGA are assessed in view of the importance of the cooperation mentioned below.

CLMV: Assistance to CLMV countries will be focused on cooperation in building infrastructure, bolstering trade and investment, building systems for human resources development, constructing economic infrastructure including networks of transport, electric power supply and telecommunications, immigration control, logistical support including improvement of customs, tourism development, organizing business forums and improvements in higher education. For this zone, it is essential to pay special attention to infectious diseases such as HIV/AIDS and malaria, emerging infectious diseases including Severe Acute Respiratory Syndrome (SARS) and bird flu, a crackdown on drugs, terrorism, piracy and other crimes, disaster prevention measures against earthquakes and tsunamis, environmental action for forests, international rivers, abatement of acid rain and other issues.

BIMP-EAGA and Other ASEAN Growth Areas: The IMT-GT and the BIMP-EAGA both face poverty and non-traditional security problems. In offering assistance to these zones, the

emphasis will be placed on cooperation aimed at helping to stabilize the regions, including cooperation in peace-building and in the non-traditional security area. It will also be on cooperation to encourage economic development through stimulating trade and activities in the private sector.

(2) Transnational challenges

This section examines transnational challenges to be intensively addressed in the Southeast Asian region as well, specifically security cooperation, environmental preservation, energy security, action for combating emerging infectious diseases, disaster prevention and food security and safety. The initiatives for democratization and human rights will be among other issues to be examined in the future. With respect to the action to deal with these issues, it is essential to define appropriate geographical target zones for individual specific challenges in addition to the ASEAN framework.

The study group conducted a preliminary study on cooperation in public security issues, environmental conservation and energy security. The results are summarized below.

Public Security and Development: Cooperation in improving institutional capabilities including the standardization of systems for regional statutory enhancement to combat terrorism, sea piracy, money laundering, cyber crimes and suchlike, human resources development, and accountability, in addition to action for the active exploitation of the network of researchers in the region, which may be viewed as ASEAN's "Track Three" functions.

Environment: Stepping up action to address domestic environmental issues as a basis of global- and regional-scale environmental efforts, promoting the capabilities of individual countries beneficial to dealing with trans-boundary environmental issues at the sub-regional level and proper control of shared natural resources, support for Clean Development Mechanism (CDM) projects run by developing nations as part of initiatives for global environmental improvements, establishment of systems and related facilities for regional environmental control as part of the assistance in regional integration and other issues.

Energy: Support for energy conservation, diversification of energy sources including the development of alternative energy, tightening of complementary relations in the ASEAN region, institutional development for ensuring energy supply in provincial areas and cooperation serving to ensure a stable supply of oil in the region including oil stockpiling will be studied as primary challenges.

(3) Commitment to human resources development

It should be noted that human resources development is always given an independent and special priority status from the perspectives of both Japan's initiatives and the requests from ASEAN. It is a particularly critical area of cooperation. But in many cases, it also constitutes an element for achieving goals in different challenges. In a way, it is helpful to furthering integration, to meeting the conditions for the continuation of integration and even to achieving cross-boundary targets. It involves a number of different factors. In line with the in-depth analysis in Chapter V and the particular edition, human resources development is categorized from the regional standpoint into the following four types: (i) human resources development for increasing competitiveness, such as the development of people that can respond to the demands of the business world; (ii) human resources development beneficial to progress in integration, including the nurturing of personnel who propel integration; (iii) human resources development for

addressing cross-border challenges and (iv) human resources development that serves to correct the disparities. Support for human resources development will be provided in the form of independent programs suited to these different objectives or as a component of other assistance programs.

It is confirmed that the direction of prime assistance discussed above is fully consistent with the past efforts made by ASEAN and its future orientation outlined in above sections and also with the direction of Japan's initiatives.

(4) Approach to Providing Assistance

In offering assistance, many donors have designated the areas of cooperation stated in (1) to (3) of the above section as priority areas of assistance. Japan also has already instituted many different assistance programs for individual recipient countries in these domains. Yet there has been very little attempt, with some exceptions, to ensure that such cooperation schemes conform to the regional objectives or to design them as trans-boundary cooperation that helps address regional integration and cross-border challenges. To derive benefits from efforts to tackle the regional integration and cross-boundary issues, it is also necessary to study new forms of cooperation originally targeted directly at ASEAN.

To support this action, JICA has already started work to devise a policy on implementing projects for the Southeast Asian region and has set up a Regional Support Office for Asia in Thailand. It has been working to help stimulate South-South Cooperation in the region to redress intra-regional differences. To further encourage action like this in the future, JICA should strengthen its system and method of offering assistance, including the structure of the JICA headquarters, develop programs focused on addressing issues on a regional scale, streamline international agreements, establish close relations with the ASEAN Secretariat and other related bodies, take advantage of the networks that have been constructed, collect knowledge and information on aid to the ASEAN region with the use of think tanks based in its member states and determine long-term priority challenges.

Table 3 Major regional frameworks associated with ASEAN

Framework	Founded	Descriptions	Members
ASEAN-driven initiatives			
ASEAN PMC ¹	1978	A diplomatic opportunity to exchange views	ASEAN, Japan, the USA, Australia, New Zealand, the EU, Canada, the Republic of Korea, India, China and Russia
ARF ²	1994	The sole opportunity for talks on security in the Asia-Pacific region	ASEAN PMC members, North Korea, Mongolia, Pakistan and PNG
East Asia Summit	2005	First held in 2005 (objectives to be determined in future)	ASEAN plus Japan, China, the Republic of Korea, Australia, New Zealand and India
ASEAN + 3	1997	Aimed at strengthening intra-regional cooperation (summit and ministerial meetings institutionalized)	ASEAN plus Japan, China and the Republic of Korea
China-ASEAN Comprehensive Economic Partnership	2010	FTA on goods in effect since 2005	ASEAN plus China
Republic of Korea-ASEAN Comprehensive Economic Partnership	2009	Framework agreement reached; negotiations underway	ASEAN plus the Republic of Korea
India-ASEAN Comprehensive Economic Partnership	2011	Framework agreement reached; negotiations underway	ASEAN plus India
Japan-ASEAN Comprehensive Economic Partnership	2012	Framework agreement reached; negotiations underway	ASEAN plus Japan
CER ³ -ASEAN Comprehensive Economic Partnership		Negotiation underway	ASEAN plus Australia and New Zealand
AMBDC ⁴	1996	ASEAN-led development in basin countries at the initiative of Malaysia	ASEAN plus China
ASEAN growth areas			
IMS-GT ⁵	1989	Border area of three countries	Indonesia, Malaysia and Singapore
BIMP-EAGA	1994	Border area of four countries	Brunei Darussalam, Indonesia, Malaysia and the Philippines
IMT-GT ⁶	1994	Border area of three countries	Indonesia, Malaysia and Thailand
WEC ⁷	1998	Development of the West-East Corridor in the AMBDC framework	Cambodia, Laos, Thailand and Viet Nam
MRC ⁸	1995	Sustained development in the basin	Cambodia, Laos, Thailand and Viet Nam
ACMECS ⁹	2003	At Thailand's initiative	Cambodia, Laos, Myanmar, Thailand and Viet Nam
CLV Development Triangle	2004	Presumably at Viet Nam's initiative	Cambodia, Laos and Viet Nam
Frameworks subsuming ASEAN			
APEC ¹⁰	1989	Trade to be liberalized among developed states in the region by 2010 and among developing nations by 2020	ASEAN 7 states, Japan, China, the Republic of Korea, Hong Kong, Taiwan, Russia, Australia, New Zealand, the PNG, the USA, Canada, Mexico, Chile and Peru
ASEM ¹¹	1996	Dialogues between Asia and Europe	Asia: ASEAN plus Japan, China and the Republic of Korea Europe: The EU and its 25 member states
ACD ¹²	2002	Dialogues between Asia and the Middle East at the initiative of Thailand	ASEAN, Japan, China, the Republic of Korea, GCC states, SAARC states excluding the Maldives, Russia, Iran and Kazakhstan
Frameworks potentially competing with ASEAN			
GMS ¹³	1992	At the ADB's initiative. Summit meetings regularized and the framework agreement for eased movement of labor and goods reached	Cambodia, Laos, Myanmar, Thailand, Viet Nam and China
BIMSTEC ¹⁴	1997	Aiming to sign the FTA in 2017, with the framework agreement already executed	Myanmar, Thailand and SAARC states excluding the Maldives
GMC ¹⁵	2000	Aimed at boosting cooperation in trade and investment, centered mainly in four areas: tourism, human resources development, culture and transport and communications	CLMV states, India and Thailand
Trans-Pacific Strategic Economic Partnership	2006	FTA reached in 2005 and enforced in 2006	Brunei Darussalam, Singapore, New Zealand and Chile
Asia Pacific Trade Agreement	1975	At the ESCAP's ¹⁶ initiative. Preferential tariffs applied to member states. Formerly the Bangkok Agreement	Bangladesh, China, India, the Republic of Korea, Laos and Sri Lanka
Bilateral RTAs			
Indonesia		Negotiation underway with Japan and Pakistan	
Malaysia		Agreement reached with Japan; negotiations underway with Australia, New Zealand and Pakistan	
Philippines		Basic agreement reached with Japan; negotiations underway with the Republic of Korea and Taiwan	
Singapore		Agreement in effect with Japan, the USA, Australia and EFTA ¹⁷ ; agreement reached with Jordan, India and the Republic of Korea; negotiations underway with Canada, Mexico, Kuwait, Qatar, Panama, Pakistan and Peru	
Thailand		Agreement in effect with Australia; agreement reached with New Zealand; basic agreement reached with Japan, framework agreement reached with India, Peru and Bahrain; negotiations underway with the USA	

Notes: ¹ ASEAN Post Ministerial Conference² ASEAN Regional Forum³ Australia New Zealand Closer Economic Relations⁴ ASEAN Mekong Basin Development Cooperation⁵ Indonesia Malaysia Singapore Growth Triangle⁶ Indonesia Malaysia Thailand Growth Triangle⁷ West-East Corridor⁸ Mekong River Commission⁹ Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy¹⁰ Asia Pacific Economic Cooperation¹¹ Asia Europe Meeting¹² Asia Cooperation Dialogue¹³ Greater Mekong Sub-region¹⁴ Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation¹⁵ Ganges-Mekong Cooperation¹⁶ United Nations Economic and Social Commission for Asia and the Pacific¹⁷ European Free Trade Association

Source: Created by the Secretariat.

Introduction: Outline of Study

1. Background to and purpose of this study

Having undergone some major changes in recent years, it would be fair to say that relations between Japan and countries in East Asia have made a qualitative leap forward in terms of close mutual ties. This means that it is becoming increasingly necessary to establish new directions in development and interrelationship within the region (regional order) in line with the ever closer interdependent relationships between countries, with private sector activity at the forefront.

In January 2002, Prime Minister Junichiro KOIZUMI rounded off a tour around the ASEAN region with a policy speech in Singapore in which he set out the concept of an East Asia Community with the aim of establishing a community in which countries could move forwards in joint efforts and joint advancement. Agreement was later reached at a Japan-ASEAN summit in Bali in October 2003 regarding the framework for a Japan-ASEAN comprehensive economic partnership. This was followed by a special Japan-ASEAN summit in December the same year in which both sides agreed to expand partnerships and cooperation in the fields of politics and security. The special summit also saw Japan release a declaration that it would sign the Treaty of Amity and Cooperation in Southeast Asia (TAC). An ASEAN+3 Finance Ministers Meeting in 2000 meanwhile announced the formation of a network of bilateral swap arrangements (the Chiang Mai Initiative), which is now well on the way to being implemented. This was followed by Japan setting out an initiative relating to the ABM at an unofficial ASEAN+3 meeting in 2002. Combined with the establishment of fully fledged ASEAN+3 Meetings (ASEAN + Japan, China and Republic of Korea), developments such as these are indicative of a vision mapping out new interrelationship (regional order) throughout East Asia and on a Japan-ASEAN level and have underlined an unwavering determination to ensure their institutionalization.

In the face of such a rapidly changing policy environment, it is also becoming necessary to explore a new role for ODA in line with the current situation in the region. The increasingly close interdependent relationships between countries reflect the emergence of a climate in which regional development is underscored by the development of each individual country within the region, Japan included. Consequently, the notion of any single country pushing ahead with its own development without taking into consideration efforts to help that of developing countries within the region is becoming increasingly ineffective.

Countries in Southeast Asia in particular have a massive stock of aid as traditional recipients of aid from Japan. Although Southeast Asia is expected to remain a top priority region for aid from Japan in the future, the environment surrounding aid to the region is going through a period of radical change, as outlined previously, making it essential to look into new regional assistance strategies that reflect the current situation.

The ASEAN+3 framework is regarded as the basis for the East Asia Community concept, with ASEAN already making significant progress in terms of institutionalized integration within the region. Promoting ASEAN economic integration in general is also considered preferable from the standpoint of Japan's regional strategies (expanding advance Japan-ASEAN initiatives into East Asia, etc.). This was echoed in the Tokyo Declaration adopted at a Japan-ASEAN special summit.

Taking all of this into account, the purpose of this study is to examine the future of regional assistance and methods of implementation based on the newly emerging situation, focusing on Southeast Asia as we

move towards the establishment of an East Asia Community in the future. With a range of Japan-ASEAN initiatives having already been set out, on a ministerial as well as a summit level, it is also essential to establish an overview of possible approaches to development assistance in support of such regional initiatives.

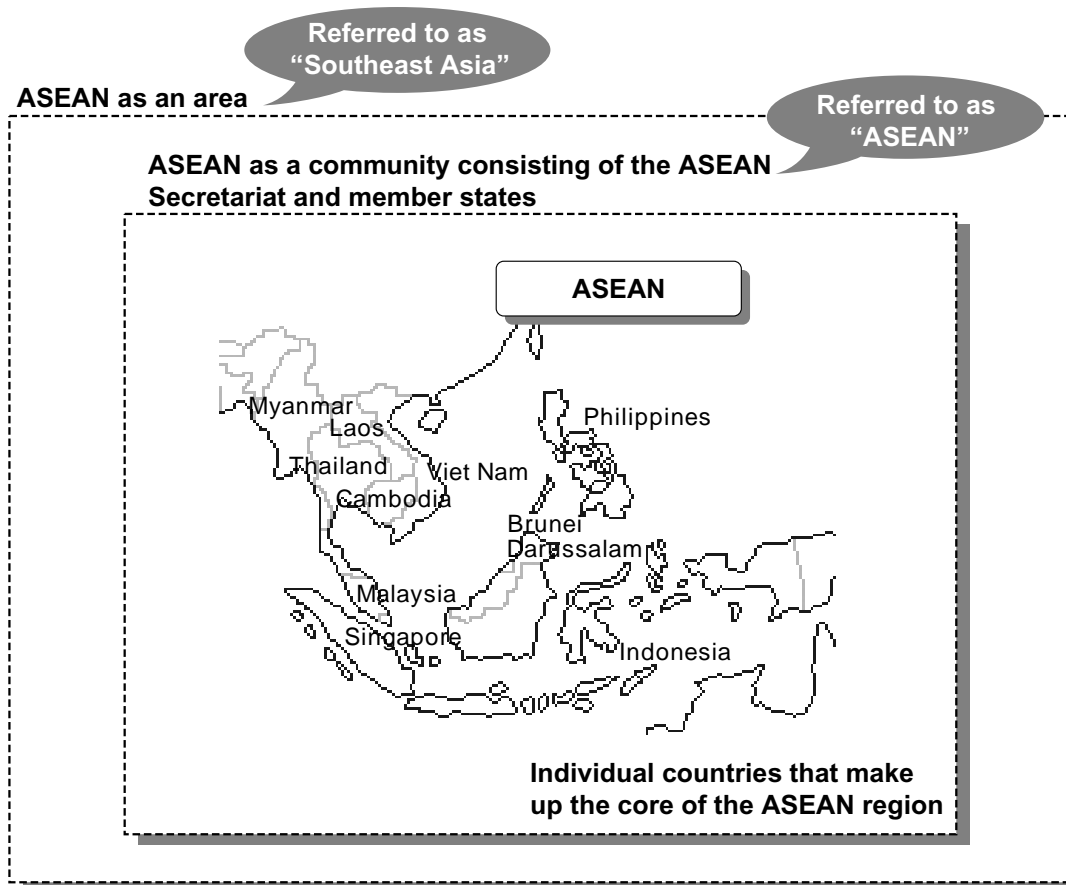
2. Scope of this study

Although the term “Southeast Asia” broadly refers to the ten ASEAN member states, for the purposes of this study this target area will be broken down into three different levels, as outlined in Fig. 0-1. As has become common practice in recent years, the term “East Asia” within this report refers to the aforementioned Southeast Asia plus Northeast Asian countries such as China and Republic of Korea.

The first level is “Southeast Asia,” referring to the geographical area, and covers regional issues in terms of issues affecting the ten member states within the region. Although this covers the same area as the ASEAN region, it will be referred to as “Southeast Asia” for the purposes of this study in order to differentiate from the second level.

The second level is “ASEAN,” referring to the community of countries consisting of the ten ASEAN member states. As opposed to issues purely affecting the geographical area, this level covers regional issues in terms of issues made apparent by the formation of the ten individual countries into a single group unit

Figure 0-1 Regional target area for this study



Source: Compiled by the Secretariat.

(now or in the future). The term “ASEAN” will be used when discussing developments relating to regional integration, with the recipients of support including the ASEAN Secretariat and other ASEAN bodies as well as the ten member states themselves. Issues will also be examined on sub-regional levels based on clusters within the ten ASEAN countries.

The third level is that of the ten individual member states. This level essentially focuses on countries as individual units, meaning that issues do not necessarily extend beyond the relevant country’s borders. Nonetheless, common issues shared by individual countries may also be referred to as regional issues.

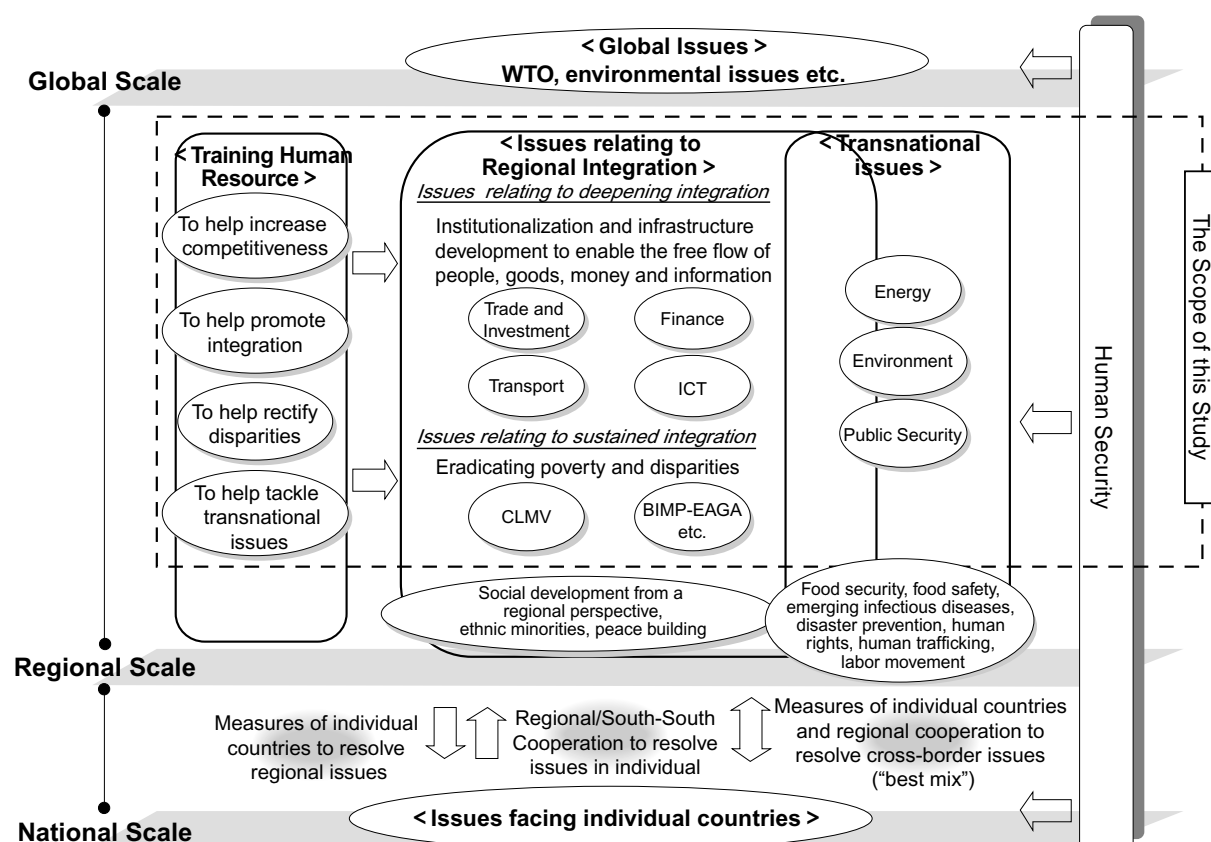
In addition to discussing ASEAN as a community (second level) from the standpoint of support for regional integration, this study will focus on cross-border issues emerging primarily from Southeast Asia as a geographical area.

With this in mind, the scope of specific issues covered in this study can be summarized as shown in Fig. 0-2.

This study maps out regional issues, which lie somewhere between global issues and country-specific issues, broadly divided into “issues relating to regional integration” and “transnational issues.” This does not mean however that these are two entirely separate sets of issues. There may be issues that fall into both categories depending on the nature of the issue in question.

Issues relating to regional integration are further subdivided into “issues relating to deepening integration” and “issues relating to sustained integration.” Whereas the former refers to institutionalization

Figure 0-2 Scope of regional issues examined in this study



Source: Compiled by the Secretariat.

and infrastructure development to enable the free flow of people, goods, money and information, the latter refers to regional initiatives, particularly those designed to narrow the intra-regional gaps among CLMV countries and the regional efforts targeting poverty zones across the national borders of the BIMP-EAGA.

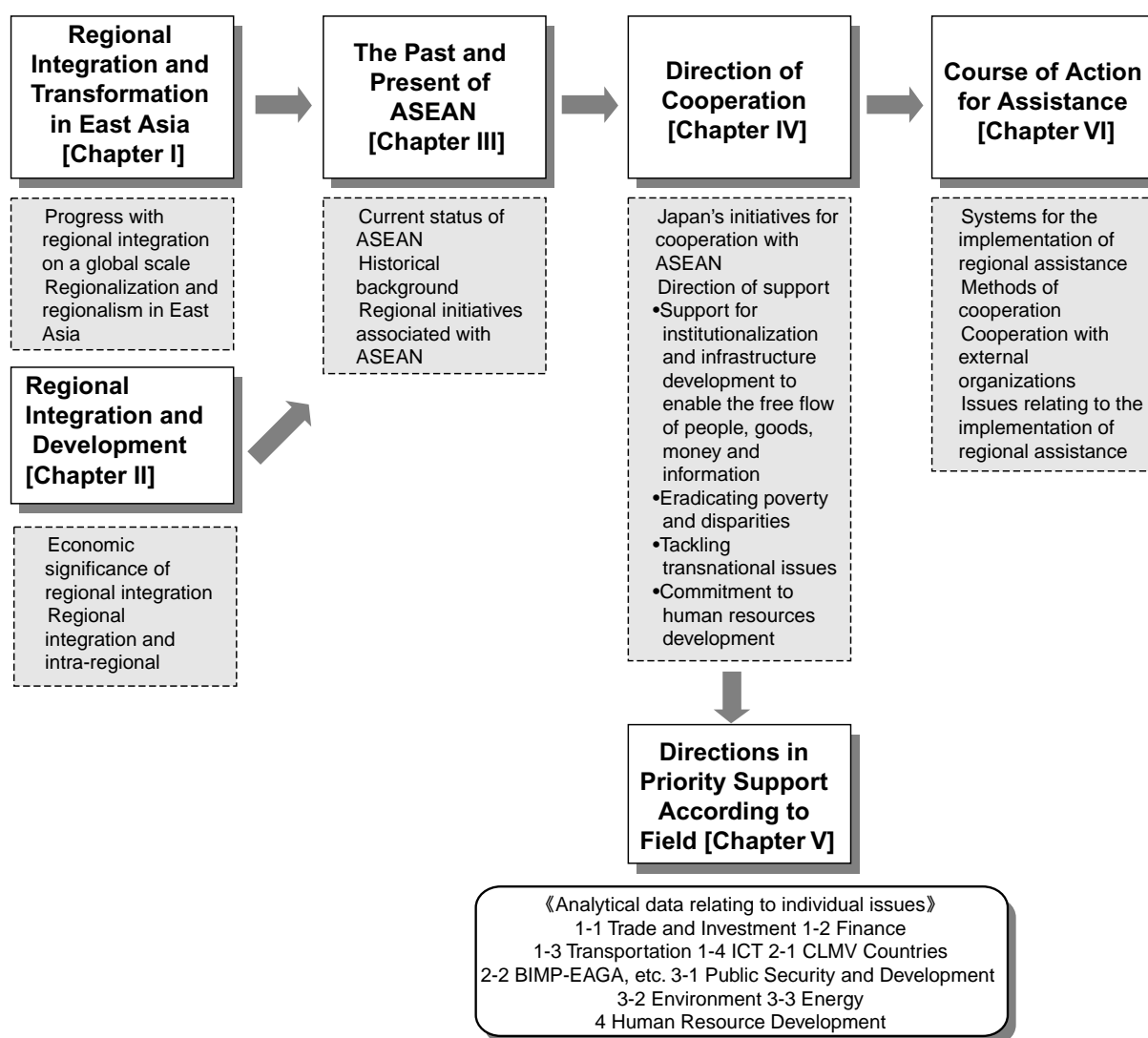
Issues covered under transnational issues include terrorism, which has been given top priority in recent years as a non-traditional security issue, security issues such as piracy, money laundering and cyber-crime, development issues, the environment and energy.

Human resources development, which is included under the range of initiatives implemented by Japan, will be examined separately as a means of support for efforts to combat regional issues such as these.

3. Structure of this report

This report is made up of six chapters in total. Analytical data relating to each specific issue, based on analysis carried out by the relevant committee or taskforce members, has been compiled into a separate volume. Fig. 0-3 provides an overview of the structure of each chapter.

Figure 0-3 Structure of this report



Source: Compiled by the Secretariat.

Chapter I gives an overview of developments relating to regional integration the world over, focusing particularly on ongoing regionalism efforts to formalize the regionalization of economic activities in East Asia.

Chapter II examines developments in regional economic integration around the world and analyzes what sort of effect it is having. The same chapter also underlines the need to narrow the intra-regional gaps as one of the essential conditions for continuing integration.

Based on analysis outlined in the preceding two chapters, Chapter III discusses the current situation in individual countries in Southeast Asia, ASEAN's historical background and nature as a regional organization and various regional initiatives associated with ASEAN.

Chapter IV looks first at Japan's cooperative initiatives in support of ASEAN, before examining directions in support from a regional perspective.

Building on from the directions in support outlined in preceding chapter, Chapter V discusses directions in priority support according to individual issues and analyzes specific details relating to each issue.

Finally, Chapter VI discusses methods of implementing assistance in order to achieve the aforementioned directions in support. Specifically, it looks at systems and methods for the implementation of assistance from a regional perspective, examines the feasibility of cooperation with external organizations and outlines practical proposals relating to issues to be addressed.

4. Framework for the implementation of this study and division of authorship

For the purpose of this study, a study group was set up with outside experts, JICA personnel and international cooperation specialists acting as committee and taskforce members, as outlined below. The study group met a total of eight times during the period from December 2004 to November 2005, with the overall running of the group supervised by the JICA Institute for International Cooperation's Research Group, which acted as the Secretariat for the study group.

Basic research was outsourced to both domestic consultants in Japan and to consultants in other countries as necessary thanks to the cooperation of the JICA Indonesia and JICA Thailand offices. Local onsite studies were also carried out by external parties, JICA personnel and the Secretariat in March 2005 and March 2006 in Indonesia, Singapore, Thailand, the Philippines, Malaysia and Laos.

In June 2005, Professor Takashi SHIRAISHI, Vice President of the National Graduate Institute for Policy Studies, gave a speech entitled "Thoughts on the Formation of an East Asia Community – ASEAN and Japan's Roles," providing invaluable insight regarding progress with and the nature of the formation of an East Asia Community. Professor Keiichi TSUNEKAWA from the University of Tokyo Graduate School of Arts and Sciences was also kind enough to look over a draft copy of this report and offer his invaluable comments.

Committee Members

Sachiko ISHIKAWA	Senior Advisor, Institute for International Cooperation, JICA (from March 2005)
Eiji IWASAKI	Team Director, Environmental Management Team II, Group II, Global Environment Department, JICA (from April 2005)
Jun HONNA	Associate Professor, College of International Relations, Ritsumeikan University
Toshio KINOSHITA	Group Director, Group I, Social Development Department, JICA

Nobuhiro KOYAMA	Senior Advisor, Institute for International Cooperation, JICA
Akira NAKAMURA	Group Director, Group III, Social Development Department, JICA
Shuji ONO	Group Director, Group II, Human Development Department, JICA
Katsuhiko OZAWA	Group Director, Group I, Economic Development Department, JICA
Kazuo SUDO	Group Director, Group II, Global Environment Department, JICA (until March 2005)
Kenji TOBITA	Team Director, ICT Team, Group II, Social Development Department, JICA (until December 2005)
Michiko UMEZAKI	Group Director, Group II, Regional Department I (Southeast Asia), JICA(until February 2006)
Taizo YAMADA	Senior Advisor, Institute for International Cooperation, JICA
Tatsuo YANAGITA	Professor, Graduate School of Frontier Sciences, University of Tokyo
Kazuhiro YONEDA	Deputy Director General, Regional Department I (Southeast Asia), JICA (and chairman)

Project Manager

Takaaki OIWA	Senior Researcher, Institute for International Cooperation, JICA (and Secretariat)
--------------	--

Taskforce

Nozomi IWAMA	Country and Thematic Evaluation Team, Office of Evaluation, Planning and Coordination Department (until May 2005)
Ikuo TAKEKAWA	Southeast Asia Team II, Group I, Regional Department I (Southeast Asia), JICA
Yukihiro KOIZUMI	Southeast Asia Team III, Group II, Regional Department I (Southeast Asia), JICA
Mari ICHIKAWA	ICT Team, Group II, Social Development Department, JICA
Takayuki OYAMA	Trade, Investment and Tourism Team, Group I, Economic Development Department, JICA (until October 2005)
	Team Director, Economic Policy and Finance Team, Group I, Economic Development Department (from October 2005)

Advisors

Michio KANDA	Counselor to the President, JICA
Satoru KOHIYAMA	Director General, Regional Department I (Southeast Asia), JICA

Secretariat

Kyoko KUWAJIMA	Group Director, Research Group, Institute for International Cooperation, JICA
Koji YAMADA	Team Director, Aid Strategy Team, Research Group, Institute for International Cooperation, JICA
Sota SEKINE	Researcher, Aid Strategy Team, Research Group, Institute for International Cooperation, JICA (and tasks) (until December 2005)
Yoichiro KIMATA	Researcher, Aid Strategy Team, Research Group, Institute for International Cooperation, JICA (from August 2005)
Chiho KATO	Researcher, Project Strategy Team, Research Group, Institute for International Cooperation, JICA (and tasks)

Division of authorship

Summary	Secretariat
Introduction	Secretariat
Chapter I: Regional Integration and Transformation in East Asia	Takaaki OIWA
Chapter II: Regional Integration and Development	Takaaki OIWA
Chapter III: The Past and Present of ASEAN	Takaaki OIWA
Chapter IV: Direction of Cooperation	Takaaki OIWA
Chapter V: Directions in Priority Support According to Field	Takaaki OIWA ^(*)
Chapter VI: Course of Action for Assistance	Sachiko ISHIKAWA and Takaaki OIWA

(*) Summaries compiled based on the following task-specific drafts

1-1: Trade and Investment	Takayuki OYAMA
1-2: Finance	Tatsuo YANAGITA
1-3: Transportation	Nobuhiro KOYAMA
1-4: Information and Communications Technology (ICT)	Mari ICHIKAWA
2-1: CLMV Countries	Yukihiro KOIZUMI
2-2: BIMP-EAGA and other ASEAN Growth Areas	Ikuo TAKEKAWA
3-1: Public Security and Development	Jun HONNA
3-2: The Environment	Taizo YAMADA
3-3: Energy	Sota SEKINE
4: Human Resource Development	Chiho KATO

(Departments and positions correct as of the end of March 2006)

Chapter I Regional Integration and Transformation in East Asia

1. Introduction

Southeast Asian countries forming the ASEAN¹ are positioned as the most important region of Japan's ODA. Around 30% of its total aid is consistently offered to this region. Needless to say, it is a very important part of the world to Japan in political, economic or geopolitical terms.

Will it be sufficient for Japan to simply continue to run its assistance projects to traditional aid destinations as successful examples of Japan's assistance in the conventional manner with certain aid trends occasionally incorporated as needed?

There are some recent events that challenge the conventional stance. For one thing, the move towards launching an East Asia community is emerging as a realistic policy issue. For another, ASEAN itself appears to have started accelerating its integration.

These two events are not independent of each other. Rather, they link with each other to urge Japan to rethink its assistance to Southeast Asia. And they are both related to regional economic integration.

The effort to set up an East Asia community is intended to advance regional economic integration at the initiative of ASEAN, Japan, China and Republic of Korea. It originated in the ASEAN+3 Summit in December 1997 in the midst of the Asian economic crisis. In January 2002, Japanese Prime Minister Junichiro KOIZUMI advocated the establishment of an East Asia Community in a policy address. It was decided that the first East Asia Summit would be held concurrently with the ASEAN+3 summit meeting in December 2005². The ASEAN+3 summit adopted the resolution to hold the summit meeting on an annual basis after the unofficial summit meeting in 1997. It subsequently institutionalized the finance ministers' meetings in 1999, followed by foreign ministers and economic ministers' meetings in 2000. Today, functional ministerial meetings by sector, such as labor, agriculture and forestry, energy, environment, information and telecommunications and health are also being held. In 2000, the Chiang Mai Initiative was approved to commence the process of building a network of bilateral currency swap agreements among the ASEAN+3 countries. The ASEAN+3 summit in December 2002 received a proposal from the East Asia Study Group, made up of vice foreign ministers from different states, for some targets to be attained in the short and medium terms with a view to enhancing economic cooperation in East Asia. The targets include the creation of an East Asia Free Trade Area as a medium-term policy³.

On the part of ASEAN, the second unofficial summit meeting at 1997 during the economic crisis adopted the ASEAN Vision 2020 to resolve to establish an ASEAN community by 2020. In addition, the meeting agreed that the process for launching the AFTA commenced in 1992 should be completed by the end of 2002, earlier than initially scheduled, and that senior ASEAN countries⁴ should cut the intra-bloc tariff rates to 5% or lower for about 99% of the tariffed items. At the ninth summit meeting in 2003, the member states reached the agreement that the community to be established under the ASEAN Vision 2020 would be based on three pillars, namely the ASEAN Security Community (ASC), ASEAN Economic

¹ As is discussed later, ASEAN is a regional organization consisting of ten member countries: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Viet Nam.

² The East Asia Summit is set to be joined by Australia, New Zealand and India in addition to ASEAN+3 nations.

³ East Asia Study Group (2002)

⁴ The senior ASEAN countries as used hereunder refer to the founding members of ASEAN, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand, plus Brunei Darussalam, which was admitted to ASEAN in 1986.

Community (AEC) and ASEAN Socio-Cultural Community (ASCC). In 2004, the tenth summit meeting prepared a second plan of action for carrying out the ASEAN Vision 2020 and decided to commence deliberations on the ASEAN Charter, which will serve as the constitution of the organization. In addition, as discussed below, there are other initiatives designed to deepen integration in separate sectors. Given that Southeast Asian states are among Japan's major trading partners and destinations for direct investment, their increasing integration is of great significance and will impact economic development in the Southeast Asian region.

2. Growing Worldwide Shift to Regional Integration

Behind the move towards regional integration, there is a worldwide trend in favor of regional integration. The development attained in the East Asian region, including Southeast Asia, has been regarded as a successful case of export-driven development. In the trade sector, however, the world is now experiencing a massive institutional change. Since 1990, a rapidly growing number of RTAs, such as FTAs and CU, have been reached. Table 1-1 shows that the trade among RTA members within the institutional frameworks resulting from regional integration is estimated to account for over 50% of total worldwide trade.

This table demonstrates that Asia lags furthest behind in regional integration based on the agreements. But although agreement-based regional integration has been slower in East Asia⁵, the region is quite advanced compared with the rest of the world in the practical regionalization of economic activities. The proportion of intra-regional trade in East Asia is already more than 50%. Based on the regionalized economic activities, the number of bilateral and multilateral regional trade agreements has been rising at an accelerating pace in East Asia since Japan and Singapore signed an economic partnership agreement in 2002.

The table also suggests that regional integration proceeds in other regions in the course of development and in transitional economies as well. This trend does not simply produce an impact on external economic activities alone. As economic integration deepens, its impact on the domestic economy becomes

Table 1-1 Shares (percentage) of intra-regional preferential trade (imports) under RTAs

	(%)	
	2000	2005
Western Europe	64.7	67
Transition economies	61.6	61.6
North America (incl. Mexico)	41.4	51.6
Africa	37.2	43.6
Middle East	19.2	38.1
Latin America (excl. Mexico)	18.3	63.6
Asia	5.6	16.2
World	43.2	51.2

Source: WTO (2003)

⁵ Unless otherwise defined, East Asia as used hereunder refers to the area consisting of Japan, China, Republic of Korea, Hong Kong, Taiwan and the ten ASEAN member states.

correspondingly greater. Development of the international community and separate countries is increasingly dependent on regional dynamism⁶. Inevitably, the concept of development has to change in line with this. It is becoming unavoidable to consider regional integration issues at the time of discussing development. This implies that regional integration is emerging as a development issue. However, this is not the first time that regional integration is perceived as a matter of development. During the 1960s and the 1970s, there was a period during which regional integration was discussed in the context of development from the standpoint of the collective self-reliance of developing nations. It was, however, so ideological and without economic substance that it went into collapse.

3. Changes in Economic Development Models

Asia is expected to undergo another historic structural change. Two populous countries, namely China and India, are emerging as economic powers. This will inevitably have a significant impact on economic relations in East Asia. While both nations as rapidly developing economic powers will hold increasing attraction for many different economic activities, including trade and direct investment, their per-capita income will remain at low levels into the foreseeable future⁷. They may experience political, economic and social changes in future. There is the clear potential for them to trigger regional uncertainty.

In any case, development of these two countries is making the conventional model of development in the East Asian region obsolete. In the flying-geese pattern of economic development, Japan, as the only developed economy in the region, transferred those domestic industries that had become obsolete to countries not as far down the development path through such means as direct investment, so that those countries could successively achieve development. For instance, China, seen as the last of the countries in the sequence of development, is now becoming an economic power.

And the economic development of these countries along with the recent economic growth of some Southeast Asian states are believed to result from the increase in the international intra-industries and in the international intra-firm trade adopted by multinational enterprises, rather than from any handover of industries⁸. There were enormous technological advances in transport, information, communications and other sectors as well as progress in trade deregulation in a number of areas through the GATT, the WTO and other frameworks. And local industries achieved a certain degree of growth. After these events, local businesses were linked with foreign investors to form industrial clusters in many countries and to boost this international division of processes and labor. This is how production and logistical networks were generated on an East Asian scale. A typical argument casts a spotlight on the formation of a triangular trade, in which Japan, Newly Industrializing Economies (NIEs) and Southeast Asian countries supply intermediate goods and parts to China, where they are assembled into final products exported to the West⁹.

In addition to the traditional triangular trade linking Japan, Southeast Asia and the United States of America (USA)¹⁰, a new triangle of trade involving China is thought to have bolstered intra-regional trade. As mentioned earlier in the report, East Asian intra-regional trade level accounts for more than 50% of regional trade. This figure confirms that East Asia can compare in terms of the degree of integration with

⁶ Katzenstein (1997)

⁷ See Goldman Sachs (2003) and Stefan (2005).

⁸ Ando and Kimura (2003)

⁹ Gaulier, Lemoine and Ünal-Kesenci (2004) state that more than 50% of Chinese imports and exports are covered by foreign-capital affiliates. See also Fukao (2004).

¹⁰ Shiraishi (2000a)

Table 1-2 Trade percentages accounted for by intra-regional trade in three regions (in 2003)

(%)

	Intra-regional imports	Intra-regional exports
EU25	64	67
NAFTA	37	56
East Asia	52.2	50.3

Sources: UNCTAD database for the EU and NAFTA figures and IMF (2004) for the East Asia figures.

the EU and the NAFTA zone, both of which were constructed under official regional trade agreements (see Table 1-2).

4. Regionalization and Regionalism

The network-based economic integration created virtually by economic activities in the private sector, namely the activities of Japanese-owned companies and the network of overseas Chinese, can be distinguished from economic integration formed by official agreement based on a political drive to achieve integration, as in the case of the EU¹¹. Now let us take two terms—“regionalization” and “regionalism”—to make this distinction. We might define “regionalization” as progress in occasional bottom-up economic activities, including those for building social relationships, which take place outside the governmental framework. We might then define “regionalism” as the process of institutionalization in a top-down manner that normally requires formal governmental approval and includes the establishment of semi-permanent organizations¹². Then the current growing pace of talks for regional trade agreements in East Asia may be perceived as an attempt to give official status-by means of regionalism-to practical regionalization of economic activities that has been pushed by private-sector activities.

So why is this attempt to turn integration into an official one taking place? One explanation refers to the defensive response to the trends towards forming blocs in other major parts of the world and to unilateral requests from the USA and other nations on the basis of the Washington Consensus or market fundamentalism. While the framework of Asia-Pacific Economic Cooperation (APEC), which covers the Asia-Pacific region, has stalled, the EU is expanding eastwards and intensifying its integration and the Americas have established NAFTA and are now endeavoring to launch the Free Trade Area of the Americas (FTAA)¹³. Also possibly involved is an intention to successfully harmonize and simplify policies and systems integrated by regionalization by means of official intergovernmental agreements to cut the transaction cost of cross-boundary economic activities and to further bolster competitiveness. Moreover, the countries in the region may have learned from the Asian economic crisis the need to share responses to downside risks. Another possible justification is the motivation to fix the situation to the best possible extent to more safely survive the period in which East Asia faces the transition of its regional economic structure, or from the very long term, the worldwide economic structure.

But is there anticipation that some kind of EU-type regional integration body will immediately be set up in East Asia? As can readily be expected, this will not happen. This region accommodates wide-ranging

¹¹ Katzenstein (1997)

¹² This distinction is based on Pempel (2005) although the same kind of distinction is first presented in Katzenstein and Shiraishi (1997).

¹³ Munakata (2004)

levels of development, political systems, cultures, religions and historical experiences. In many countries, the process of modernization is still underway and nationalism is dominant. It is hard to say that an East Asian identity has been established as a norm¹⁴. And the region has no hegemonic country. On the contrary, it is very dependent on outside powers, the USA in particular, in terms of security, trade and investment. These factors would attenuate the scope of regional integration in East Asia even if it were to take place.

Under these circumstances, ASEAN is attempting to position itself one step ahead. Although it is also composed of diverse member countries, it is endeavoring to further its own regional integration and to exert its influence on the construction of the East Asian region on the basis of its experience. For example, it has been decided that the Common Effective Preferential Tariff (CEPT), which is AFTA's scheme for economic deregulation, will be adopted in trade liberalization between China and ASEAN¹⁵. And in reality, ASEAN acts as a hub¹⁶ for real progress in regional integration in East Asia. For instance, comprehensive economic partnerships are debated in the frameworks of ASEAN plus Japan, ASEAN plus China and ASEAN plus Republic of Korea. And participation in the TAC is a requirement for membership of the East Asia Summit. In the East Asia Summit meeting actually held in December 2005 as well as in the ASEAN+3 and ASEAN+1¹⁷ summit meetings, participants confirmed that they would support ASEAN integration and that ASEAN would play a central role in regional integration. In this way, ASEAN's role as a nucleus of regional integration was more clearly supported by the countries involved¹⁸. In this sense, involvement in ASEAN integration is significant for the development of Southeast Asia and it will expand to regional integration in East Asia.

¹⁴ A questionnaire conducted in 2003 mainly in urban areas of ten Asian countries revealed that 42% of respondents in Japan had an Asian identity, 71% in Republic of Korea, 6% in China, 62% in Malaysia, 68% in Thailand, 84% in Viet Nam, 92% in Myanmar and 21% in India, according to Inoguchi, Basanez, Tanaka, and Dadabaev ed. (2005)

¹⁵ Oyama (2006)

¹⁶ Shiraishi (2005). Cuyvers, Lombaerde and Verherstraeten (2005) also argue that ASEAN will remain central to the current and future initiatives for the economic integration in East Asia.

¹⁷ In the "ASEAN+1" framework, ASEAN had summit talks with Japan, China, Republic of Korea and India.

¹⁸ ASEAN Secretariat (2005f), (2005g), (2005h) and (2005i).

Chapter II Regional Integration and Development

1. Classification of Regional Economic Integration

As we have seen, trade among members under RTAs is estimated to already account for more than 50% of worldwide trade. As of July 2005, there were 180 active RTAs reported to the WTO (see Fig. 2-1)¹⁹. It is said that most countries, except Mongolia and North Korea, are members of at least one such agreement. The diagram illustrates that there was a remarkable jump in the number of such agreements in the 1990s. Most of the RTAs are intended to create Free Trade Areas/Agreements (FTAs), while a handful of them form CU, including the EU, the MERCOSUR (established in 1991), the Caribbean Community and Common Market (CARICOM, established in 1973), the Central America Common Market (CACM, established in 1961) and the Eurasian Economic Community (EAEC, established in 1997).

RTAs are classified into four categories as explained below, based on the degree of integration²⁰.

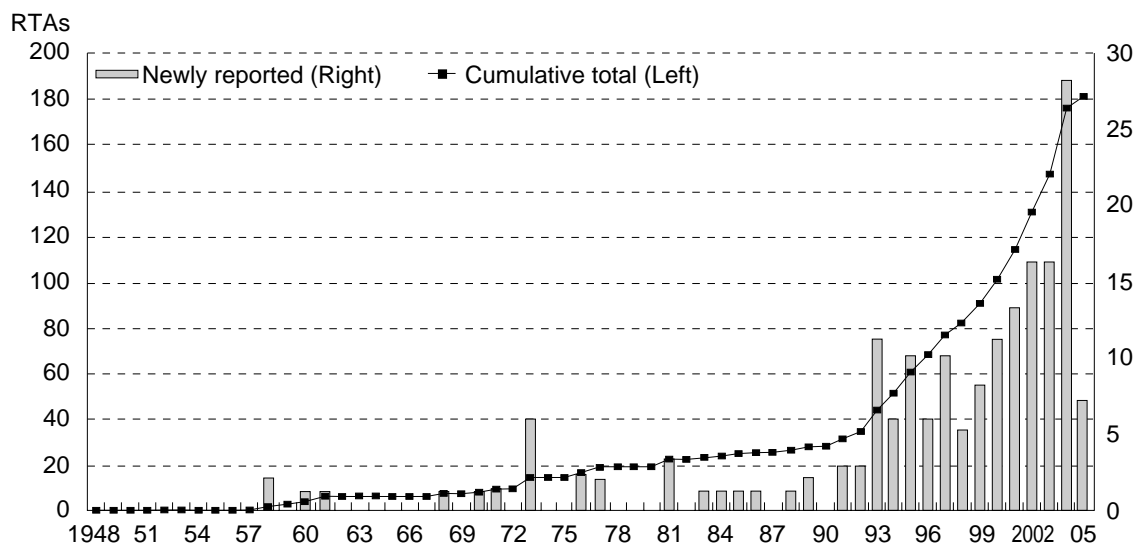
(1) Free Trade Area (FTA)

Among the member countries, tariffs on goods and services traded and non-tariff barriers are lifted. The treatment of trade with non-members is at the discretion of individual members states. Membership does not prevent any member states from joining any other FTA. In other words, the FTA poses few restrictions on discretionary decision making of separate members.

(2) Customs Union (CU)

Not only aimed at removing trade barriers among signatories, a CU adopts common policies such as

Figure 2-1 Growth in RTAs at an accelerating pace
(Trend in number of RTAs reported to the WTO)



Source: the author.

¹⁹ The World Bank (2005) says that there are nearly 230 such agreements including those that are not reported to the WTO.

²⁰ The classification of RTAs explained below is based on Ravenhill (2005).

common tariff rates imposed on imports from non-members. The discretion of member governments to introduce external economic policies is more limited. For this reason, it normally requires the establishment of a common organization for deliberations and control of common external economic policies. Given that the effects of common tariffs are asymmetric among member states, it is necessary to give consideration to distribution among member states. Even in the EU, member states retained different tariff rates on some items for more than three decades.

(3) Common Market

In addition to the characteristics of the CU, a common market authorizes free movement of capitals, labor and other production factors. Inevitably, it has to allow for additional policy coordination among all member states to ensure that these factors of production are treated equally in all member states. Few existing agreements reach this level of integration. There do exist some RTAs that envision such policy coordination, like MERCOSUR, but whether or not it is achieved depends on future developments.

(4) Economic Union

In addition to the features of the common market, economic union requires member states to adopt a common currency and to harmonize their financial, budgetary and social policies. The EU alone has reached this level of economic integration.

This analysis makes clear that deepening integration can be regarded as advancing the institutionalization of regional policy coordination and harmonization mechanisms, involving the establishment of regional organizations, implementation of periodical policy deliberations among member states, adoption of common currencies and the launch of regional parliaments.

Expansion of the scope of common policies increases the seriousness of the issue of asymmetry of the effects of such policies on member countries. It is even more important to create a system for redistributing the effects of integration in the region.

2. Motivations for Regional Integration

This report now moves on to examine why economic integration as described above is attempted and what motivates governments to sign regional trade pacts. Granted that it defines the relations among member states and has a diplomatic impact on non-member countries, governments do not necessarily seek economic benefits alone. It is necessary to assess the integration from a politico-economic perspective²¹.

(1) Political motivations

Increased trust among member countries: Economic cooperation boosted by an RTA may serve as a core factor in the process of building confidence among countries that have been at war or that have had no traditional partnership with one another.

Dealing with non-traditional security: Regional cooperation between developed and developing nations makes it easier to tackle non-traditional security issues, including environmental damage, illegal migration, organized crime, drugs and terrorism.

Increased bargaining power: Regional cooperation increases the bargaining power against

²¹ The classification of political motivations discussed below is based on Ravenhill (2005) with some modification.

multinational enterprises and trade partners outside the region. It may also serve as a means of obtaining aid in the case of regional integration between developing countries. It may occasionally give member states greater diplomatic status based on/backed by regional integration.

Mechanism for entrenching reform: Commitment to reform in the regional trade agreement reinforces the reliability of domestic economic reform execution and increases the latent appeal to overseas investors. Developing nations can bolster their reliability in executing economic reform, especially by signing agreements with developed countries. This is because the fulfillment of their commitment is more closely monitored by a smaller number of neighboring member states under a regional agreement than under multilateral agreements as in the WTO. It is also anticipated that a government with an ambition to execute more extensive reform may use a regional agreement as a means of gradually exposing the country's inefficient industries to international competition.

Politically facilitated economic deregulation: Compared with the case of unilateral deregulation under WTO agreements, regional integration makes it politically easier to implement deregulation because its member states can emphasize the concessions won from negotiating partners.

Easier negotiation and enforcement of the agreement: There are fewer negotiating partners involved and it is easier to monitor observance than in the case of multilateral agreements in the WTO and other frameworks. Regional integration makes it possible for member states to make concerted efforts to attain more extensive deregulation and system harmonization than WTO and other multinational agreements do, such as initiatives on the environment, direct investment, domestic competition and intellectual property rights²².

In addition, regional integration is likely to produce the following economic effects:

Stimulating trade creation: The removal of tariff and non-tariff trade barriers among member states creates new trade in the region.

Escalating trade diversion: Preferential treatment for intra-regional trade discourages member states from importing efficient products from non-member states and encourages them to import less efficient goods from other members.

Improving terms of trade: Integration amplifies trade volumes and thus makes trade conditions more advantageous to member states.

Expanding market: The market is expanded to produce economies of scale and optimal locations.

Boosting competition: An influx of low-priced products and foreign-owned entrants into the market intensifies competition. Domestic oligopolistic structures are now faced with increasingly intense competition. They are expected to enhance economic efficiency.

Cutting tariff revenues: For many developing countries, tariff revenues are a major source of fiscal income. Reducing tariff rates means that they may no longer be able to rely on this source of revenue.

Accelerating technology transfer: In the case of regional integration involving developed and developing countries, trade and direct investment are expected to accelerate technology transfer and improvements in total factor productivity.

Encouraging domestic reforms: Domestic policies and systems are coordinated in accordance with progress in negotiations for regional agreement and the provisions of the agreement. This facilitates domestic economic reforms.

Attracting more investment: Expansion of markets and enhancement of the system of joint

²² These issues are collectively called WTO Singapore issues. Talks at the WTO Ministerial Conference in 2003 were deadlocked over these issues.

acceptance of investment increases the influx of direct investment.

Hub effect: If a country acquires a hub position by signing regional cooperation agreements with many states on a bilateral basis, it is able to enjoy greater economic and diplomatic advantages than other “spoke” countries²³.

“Spaghetti Bowl” effect: If many countries execute bilateral regional trade agreements with numerous other nations, it is presumed that terms and conditions will vary from agreement to agreement. In this case, they stipulate different manners of dealing with trade. The administrative costs and the costs incurred by companies to which these different procedures are applied are very high.

Among the economic effects listed above, the first, third, fourth, fifth, eighth and ninth ones are presumably helpful to member states while the second, sixth and eleventh are adverse. With regard to the sixth, just as in the case of Cambodia’s accession to ASEAN, it is necessary to introduce a value-added tax to offset the undesirable effect²⁴. Regarding the eighth, the effect differs between the hub country and the spoke countries.

As mentioned for the fourth political motivation and seventh economic motivation, trade integration between developed and developing countries gives greater benefits to developing nations through expansion of trade and investment²⁵. This is supported by estimates of the economic effects of the Japan-ASEAN Comprehensive Economic Partnership made by the ASEAN-Japan Closer Economic Partnership Expert Group²⁶.

3. Trade Effects of Regional Integration

In view of the first and second economic effects, it is necessary to study the relative scales of the trade creation effect and the trade diversion effect to determine whether or not the often-cited intra-bloc trade share is appropriate as an indicator of the progress of integration. It is true that a high intra trade ratio means that trade among member states is active and that they have close interrelationships. However, it does not preclude the possibility that imports of more efficient goods from any non-member state might be sacrificed. Regional integration among developing countries in the 1960s and the 1970s mentioned above focused on the resulting regional market, which was larger than the market of any single country, and was aimed at collectively cultivating import substituting industries protected by high tariffs imposed on goods from non-members. Its inefficiency meant the attempt resulted in failure²⁷. In other words, it is not enough

²³ The remark on the hub and spokes is based on Wannacott (1996). A free trade area encompassing all countries concerned gives them the greatest benefit. In other styles of regional integration, the hub country enjoys greater benefits than spoke countries do. The move of ASEAN and some member states towards regional cooperation agreements appears to reflect their strategic ambition to apply this hub-spoke relationship.

²⁴ World Bank (2000)

²⁵ *Ibid.* Schiff and Wang (2004) argue that the trade benefit that leads to expansion of technology and increased productivity is regional and that, for instance, Republic of Korea reaps the benefit as a natural trading partner with Japan. Arora and Vamvakidis (2005) analyze the data for more than 100 countries to conclude that the significance of positive impacts on economic growth in one country is proportionate to the income level of its trade partners.

²⁶ The ASEAN-Japan Closer Economic Partnership Expert Group (2002) estimates that the formation of the Japan-ASEAN Comprehensive Economic Partnership will heighten ASEAN’s Gross Domestic Product (GDP) growth rate by 1.99 percent points and that of Japan by 0.07 percent point.

²⁷ As argued below, ASEAN launched the ASEAN Industrial Project (AIP) in 1976 but it ended in failure partly because of conflicts of interest among member states.

to conclude that the RTA is unsuccessful by referring only to limited growth in the intra trade share after its formation²⁸.

Table 2-1 indicates the intra trade shares of different regional integration bodies. The figure of the AFTA is lower than those of other RTAs among developed and developing countries such as the EU and NAFTA, but the highest of all the RTAs consists of developing nations.

Figs. 2-2 and 2-3 show the ratios of intra-bloc and external imports of MERCOSUR and AFTA to their respective total GDPs of member states. Inaugurated in 1991 and 1992 respectively, AFTA and MERCOSUR are among the RTAs formed by developing countries with the highest intra trade shares. Both saw their ratios of intra-bloc imports to GDP rise slowly after their respective effectuation and their external imports grow at an equivalent or higher pace. This is convincing evidence that the adverse trade diversion effect is limited²⁹.

According to a calculation in the econometric model, the RTA produces a greater trade creation effect than trade diversion effect in many cases although it was not always the case³⁰. Even so, it is evident that any country barred from RTAs suffers an economic disadvantage in any case.

Given that the tariff rates are generally sliding through several GATT and WTO rounds, preferential tariffs under RTAs are of fading significance. Rather, the effects of attracting investment and propelling domestic reforms have recently been regarded as increasingly important³¹.

Without the trade diversion effect, regional integration has little negative economic impact. In light of its dynamic effects, which cannot be estimated in the econometric model, such as the attraction of investment, economies of scale and accelerated domestic reforms, regional integration is rather considered

Table 2-1 Intra Trade Shares of RTAs (2003)

	(%)	
	Intra Import	Intra Export
EU25	64	67
CACM	11	12
CARICOM	8	12
MERCOSUR	18	12
NAFTA	37	56
COMESA * ¹	4	6
ECOWAS * ²	10	10
SADC * ³	10	10
AFTA	25	21
GCC * ⁴	6	4
SAARC * ⁵	4	5

Note: *1 Common Market for Eastern and Southern Africa

*2 Economic Community of West African States

*3 Southern African Development Community

*4 Gulf Cooperation Council

*5 South Asian Association for Regional Cooperation

Source: Created from the UNCTAD database.

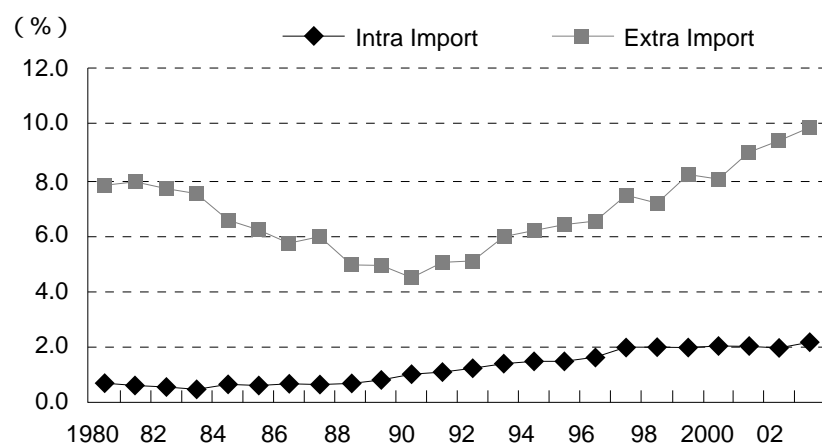
²⁸ World Bank (2005)

²⁹ This remark is based on a diagram found in World Bank (2005).

³⁰ World Bank (2005)

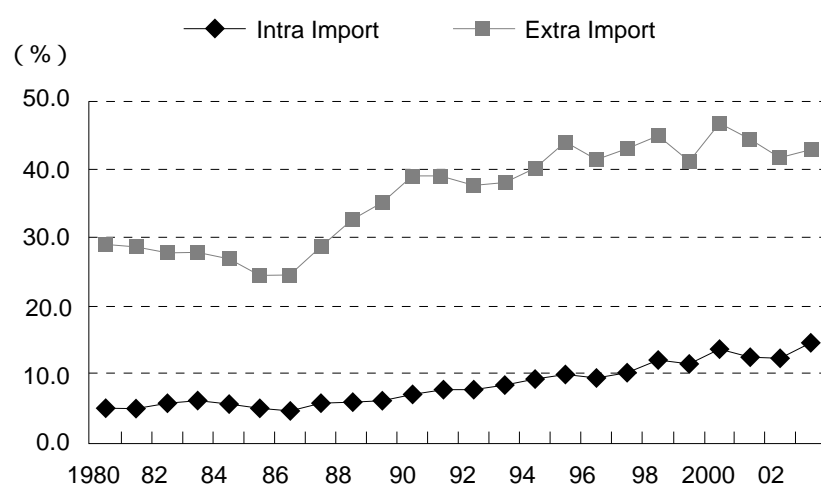
³¹ Kimura (2003)

Figure 2-2 The import to GDP ratio of a regional integration body consisting of developing countries (MERCOSUR)



Source: Created from the UNCTAD database.

Figure 2-3 The import to GDP ratio of a regional integration body consisting of developing countries (ASEAN)



Source: Created from the UNCTAD database.

to produce more benefits to member states and to the rest of the world than it does drawbacks. Regional integration may hence be very helpful to the development of developing countries provided that it is consistent with the WTO, or in other words that non-member states are treated on a par with members to the greatest possible extent, and that liberal domestic reforms take place. If it is called “open regionalism” this term is perfectly suited to ASEAN, for it lowers external tariff rates³² in its effort to promote regional integration.

³² Singapore is inherently a free trade port. Ando and Kimura (2003) confirm that the proportion of tariff revenues in imports in Southeast Asia shows a downward trend.

4. Regional Integration and Logistical Networks

Economic advantage of regional integration can also be confirmed from the following perspective. The expansion of worldwide trade since late 1990s is said to have resulted from rapid growth in machinery trade³³. Statistical data of the WTO show that electrical goods, telecommunications, transport and other machines and their components and parts made up 39.7% of worldwide exports in 2003³⁴. This trend of global trade towards an increasing share of machinery³⁵ is particularly remarkable in East Asia. The machinery trade has played a great role in regionalization in the district. Table 2-2 lists the ratios of exports and imports of machinery and its parts and components in major East Asian trading countries. It demonstrates that the percentage contribution of the machinery industry to total trade volume is very high within the range from the upper forties to upper seventies in the senior ASEAN countries (excluding Brunei Darussalam) excluding Indonesia. This level is comparable with the figures in other East Asian countries. The machinery industry is characterized by its numerous production processes as well as processes of collection and distribution³⁶. Concurrently with Japan's Foreign Direct Investment (FDI) following the Plaza Accord in 1985 and subsequent FDI from NIEs, this region saw a development in inter-process division of labor within the industry centered on the machinery sector. In the same period, developing states in East Asia shifted their development policies to export-oriented industrialization. The regional production and logistical network has thus been created. This is reflected in the facts that intra-regional trade makes up a high proportion of all trade in many East Asian countries, that parts and components trade, both in exports and imports, covers 50-80% of the machinery industry in the five senior ASEAN countries (see Table 2-2) and that the rate of intra-industrial division of labor is extremely high in the machinery industry of all these countries³⁷.

The regional production and logistical network in East Asia has several characteristics. Firstly, the machinery industry already covers a considerable percentage of economy and trade in separate countries. Second, it encompasses numerous countries at different income levels. And third, industrial clusters established at diverse locations act as nodes that join network participants together to form a fine network. Not confined to the intra-firm division of labor, these clusters include local businesses³⁸.

This regional production and logistical network could not be constructed³⁹ without the possibility of dispersed location. As discussed above, the machinery industry involves many different types of parts, a significant number of production processes and collection and distribution processes. This peculiarity of the industry enables dispersed location in consideration of the technical characteristics of individual processes, such as labor intensity. If progress in globalization slashes the cost of service links that combine different process locations, such as transport, telecommunications and other transactions including administrative procedures, the inter-process division of labor will transcend national boundaries. During this process, the inter-firm division of labor will be expanded in addition to the intra-firm division of labor

³³ Ueki (2002)

³⁴ WTO (2004)

³⁵ Ueki (2002)

³⁶ Kimura, Takahashi, and Hayakawa (2005)

³⁷ Ando (2005) states that the intra-industrial trade of the machinery industry accounts for more than 70% of the total in most of the following countries: Japan, China, Asian NIEs (Republic of Korea, Hong Kong, Taiwan and Singapore) and the ASEAN-4 countries (Indonesia, Malaysia, the Philippines and Thailand).

³⁸ Ando and Kimura (2003)

³⁹ The following analysis in this section is in principle based on Kimura (2004).

Table 2-2 Shift of trade towards machinery in East Asia

	Exports		Imports		Exports		Imports	
	1996	2000	1996	2000	1996	2000	1996	2000
Japan					Thailand			
Value								
Total (US\$1000)	410,944,244	479,244,574	349,185,062	379,661,760	55,672,988	68,780,636	72,311,216	61,445,996
Share								
of machinery goods in total	74.9%	74.9%	28.1%	32.0%	40.3%	45.6%	50.4%	47.1%
of parts and components total	35.4%	36.2%	12.1%	16.1%	21.7%	28.7%	30.3%	34.0%
of parts and components in machinery goods	47.3%	48.3%	43.1%	50.2%	54.0%	62.8%	60.1%	72.2%
Republic of Korea					Philippines			
Value								
Total (US\$1000)	129,696,331	172,264,221	150,320,064	160,477,507	20,537,617	38,072,479	34,697,094	33,802,416
Share								
of machinery goods in total	54.2%	59.6%	40.9%	41.4%	58.7%	77.4%	53.8%	54.1%
of parts and components total	24.1%	29.0%	20.7%	26.5%	46.5%	60.9%	35.7%	43.4%
of parts and components in machinery goods	44.5%	48.7%	50.6%	64.0%	79.1%	78.7%	66.4%	80.2%
Hong Kong					Indonesia			
Value								
Total (US\$1000)	180,914,323	202,683,171	201,282,410	214,039,820	49,811,786	62,117,778	42,923,875	33,509,943
Share								
of machinery goods in total	38.8%	45.5%	41.7%	47.6%	10.7%	18.1%	42.2%	28.7%
of parts and components total	19.5%	27.0%	20.2%	28.7%	4.4%	9.3%	21.7%	15.7%
of parts and components in machinery goods	50.4%	59.4%	48.5%	60.2%	41.8%	51.2%	51.4%	54.6%
Singapore					China			
Value								
Total (US\$1000)	122,882,738	137,803,198	131,337,708	134,544,130	151,046,318	249,201,432	138,831,036	225,091,657
Share								
of machinery goods in total	70.4%	71.8%	63.0%	65.3%	26.6%	36.2%	42.5%	44.3%
of parts and components total	36.8%	45.7%	39.0%	46.0%	10.0%	15.3%	19.2%	28.1%
of parts and components in machinery goods	52.3%	63.7%	62.0%	70.4%	37.4%	42.3%	45.3%	63.5%
Malaysia								
Value								
Total (US\$1000)	78,308,476	98,224,808	77,901,213	81,287,187				
Share								
of machinery goods in total	57.3%	64.4%	62.7%	66.0%				
of parts and components total	33.7%	41.9%	42.4%	52.5%				
of parts and components in machinery goods	58.9%	65.0%	67.7%	79.5%				

Source: Ando and Kimura (2003)

undertaken by multinational enterprises. Specifically, outsourcing and OEM (Original Equipment Manufacture) production⁴⁰ will be more active.

These days it is possible to find industrial clusters consisting mainly of the certain processes located there after the inter-process division of labor. This is explained by the benefits of accumulation brought by concentrated location where economies of scale or scope are realized. The service link cost is subject to economies of scale to encourage concentrated location. If the benefits of the economies of scale at a location surpass the disadvantage in factor endowments, the determinism of industrial locations based on factor endowments, on which traditional trade theory has relied, may be overturned.

East Asia enjoys a virtuous circle made up of specialization in specific production sectors, growth in the trade of parts and other intermediary goods, an increased influx of FDI, a rise in factor productivity and a hike in growth rates⁴¹. At the center of the circle is the selection of locations made by enterprises. Today, East Asia shows a leading example of this tendency. In consideration of the increased focus on machinery

⁴⁰ OEM production means finished or semifinished products manufactured in the name of the brand owner.

⁴¹ World Bank (2005)

worldwide, it is very likely that it will also be seen in other parts of the globe. This means that creating an environment that can draw FDI is increasingly important for the progress of developing nations.

The RTA for giving regional integration official status has two meanings. The first is to give access to larger-scale markets and to jointly institute domestic structural reforms to encourage businesses to enter a region striving to construct an environment for accepting investment. The other is to build a common institutional foundation by setting low intra-regional tariffs and harmonizing customs formalities and product standards to slash the service link cost in the region and to facilitate efficient business operation such as an intra-regional division of labor.

5. Regional Integration and Intra-Regional Disparities

The above discussion has demonstrated that the launch of a regional integration body under the RTA produces positive economic effects for the entire region. But it may not mean that these economic benefits are equally available to all parts of the region. The advantages of integration could potentially be monopolized by limited countries to aggravate intra-regional differences. There are still few empirical studies on this subject. Even the World Bank's research report on 17 regional integration organizations admits that no clear tendency can be found⁴². There is also another view that economic integration among developing countries helps widen disparities among member states because the trade diversion effect leads to a concentration of businesses in those member states that are richer in capital, in accordance with the principle of comparative advantage in a region with heavy external tariffs⁴³. Based on the EU experience, gaps among member states are thought to narrow while gaps among different districts within individual countries widen⁴⁴. On this last point, as the national barriers are lowered through the progress of integration, investors compare the investment climate among different states to see the region as if it were a single country and pay more attention to the investment conditions in smaller geographical units, such as municipalities. In this case, in every country, it is the capital city that has an advantage in infrastructure and in accessibility to administrative functions. If state barriers are high, a company based in Jakarta will search the area inside the boundaries for its new location. If the barriers are eased, it may choose Phnom Penh rather than eastern Indonesia. It will be more likely that a Bangkok-based firm will select Vientiane rather than the northeastern part of Thailand. If this situation is created, international income gaps may be alleviated whereas internal gaps in separate states may expand. Where the economies of scale or concentration are valid, introducing a policy to cut the service link cost or efforts to enhance the cluster environment will encourage businesses to select their locations without adhering to the principle of comparative advantage based on factor endowments. Policy initiatives will make it easier to attract businesses to countries or regions with comparative inferiority.

In any case, it is uncertain whether or not the disparity will be narrowed. Success in regional integration cannot be achieved without constructing a system for redistributing the benefits of integration. For the purpose of redressing intra-regional disparities, the EU, for example, offers some assistance. This includes aid from its Structural Fund and Cohesion Fund under European Commission (EC) and loan financed by the European Investment Bank in improving social infrastructure, human resources

⁴² *Ibid.*

⁴³ *Ibid.*

⁴⁴ Venables (2004)

development and modernization of agriculture and fisheries in nations and areas with low income levels⁴⁵.

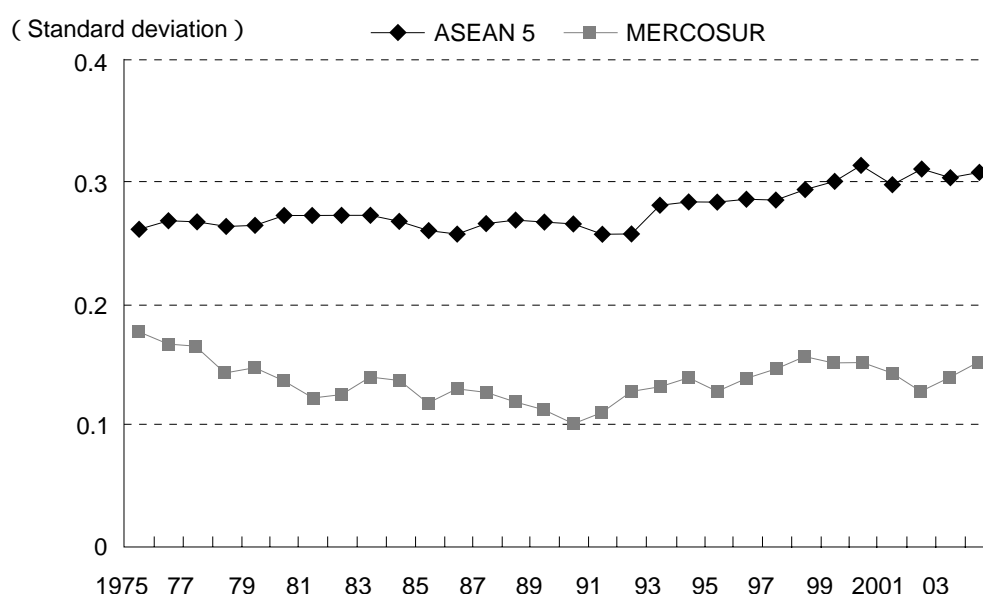
6. Existing Intra-Regional Disparities in ASEAN

As regards ASEAN, its summit meeting in 2004 adopted a resolution to set up the ASEAN Development Fund (ADF). One of its two objectives was to correct the disparities among member states. It is hoped that this will contribute to this objective. Within this purpose, four growth areas⁴⁶ have been defined and the Initiative for ASEAN Integration (IAI) are underway. Not only resources of senior member states but also donor funds are made use of in an attempt to meet this objective.

Fig. 2-4 shows a long-term trend in intra-regional economic disparities among the ASEAN 5 countries and in MERCOSUR by focusing on their respective standard deviations of logarithms of real GDPs per head in Purchasing Power Parity (PPP) equivalents⁴⁷. It looks as if the intra-regional gaps have been growing since the RTAs in both economic integration entities.

Fig. 2-5 portrays the results of the same calculation regarding the ASEAN 8 nations, information on which is available, using the data from the same database. As CLV countries, namely Cambodia, Laos and

Figure 2-4 Intra-regional income differences in ASEAN 5 and in MERCOSUR



Note: The ASEAN 5 countries refer to senior ASEAN member states and exclude Brunei Darussalam because of data restrictions. They all have been members of the AFTA since it was launched.

Source: Created from the World Development Indicators (WDI) database.

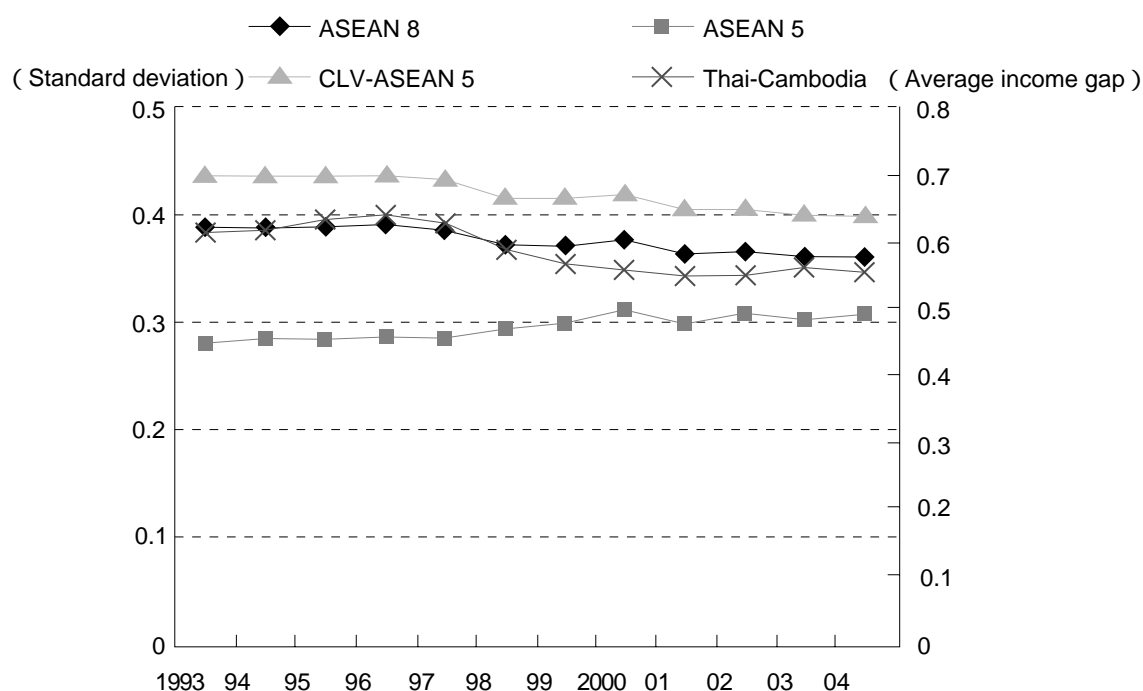
⁴⁵ UFJ Institute (2005). The Structural Fund is further divided into the European Regional Development Fund (ERDF), the European Social Fund (ESF), the European Agricultural Guidance and Guarantee Fund (EAGGF) and the Financial Instrument for Fisheries Guidance (FIFG). According to Cuyvers, et al. (2002), one of the aid criteria of the Structural Fund is per-capita GDP below 75% of the EU average. The Cohesion Fund offers assistance to those countries selected by the criteria, which include a per-capita GDP not exceeding 90% of the EU average solely for projects beneficial to the entire region, such as those on transport networks and environmental conservation.

⁴⁶ They are BIMP-EAGA, IMS-GT, IMT-GT and the West-East Corridor in the ASEAN-Mekong Basin Development Cooperation Program (AMBDC).

⁴⁷ This report invokes the model used by Ben-David (1993) for measuring the trend in disparities within the EU zone. In accordance with this model, the analysis shows that the EU disparity is shrinking.

Viet Nam, joined ASEAN, the gaps with the ASEAN 5 widened although the intra-regional differences in the whole ASEAN zone diminished. The same goes for the disparity in average income between senior ASEAN nations and the CLV and for that between two states positioned at the middle income level within their respective groups, namely Thailand and Cambodia. Since 1997 the disparities have been diminishing. This is largely a reflection of the Asian economic crisis, which generally lowered income levels across the senior ASEAN nations. However, the downward trend has been sustained since 2003, when the impact of the crisis was coming to an end. It is necessary to continue monitoring future developments. In any case, there is a gap of more than 100-fold in nominal GDP per capita between Singapore, boasting the highest figure among the member states, and Myanmar, which has the lowest. The average per-capita GDP of the CLMV countries is only around 22% that of the six senior ASEAN members⁴⁸. To further integration, it is

Figure 2-5 Income differences in the ASEAN area



Note 1: Given data limitations, the lines for ASEAN 8 excluding Brunei Darussalam and Myanmar and for ASEAN 5 represent the standard deviation of the logarithm of real per-capita GDP in Purchasing Power Parity (PPP) equivalents and are scaled on the left axis.

Note 2: The value for CLV-ASEAN 5 is calculated by dividing the difference between the ASEAN 5's average real per-capita GDP in PPP equivalents and CLV's counterpart by the sum of the two figures and scaled on the right axis.

Note 3: The value for Thai-Cambodia is calculated using a similar formula, as shown in Note 2 for Thailand and Cambodia, which are positioned as middle income countries in the ASEAN 5 and the CLV respectively and scaled on the right axis.

Source: Created from the WDI database.

⁴⁸ The ratio has been calculated on the basis of the statistics of the ASEAN Secretariat. In 2003, the average per-capita GDP was nearly 1,626 US dollars in the ASEAN 6 nations and around 356 US dollars in CLMV countries. The total GDP of CLMV states was 6.7% of the ASEAN 6's counterpart. When the EU was enlarged eastwards to admit ten Mediterranean and East European states for a total of 25 member states in 2004, the average per-capita GDP of the new members was 26% of that of the conventional members and the economic scale of the new member states was around 5% of the total economic scale of the old members.

imperative to continue striving to redress the differences within the region.

7. The Driving Force behind Deepening Integration

Efforts to redress the inter-regional disparities can be counted as a requirement of sustained integration because if this issue were left unaddressed it would provoke dissatisfaction in disadvantaged countries and make it difficult to proceed with the integration process. So what will drive the move for deepening integration? The history of the EU will perhaps be the only example of intensifying integration.

With respect to the track record of the European integration, there are two schools of thought. The first has a functionalistic view. According to this, advancement in cooperation in a single area raises awareness of the price of no cooperation. Integration spreads to other areas and steps up from the economic arena to the political one. In this way, integration is deepened.

Box 2-1 History of EU integration

In Europe, the European Coal and Steel Community (ECSC) was set up by West Germany, France, Italy and the Benelux states in 1951 to create a single coal and steel market. In 1957, under the Treaty of Rome, the six nations formed the European Economic Community (EEC)⁴⁹ as a free trade zone and aimed to launch a customs union. Concurrently, the European Atomic Community for peaceful use of atomic energy was established. These three communities were amalgamated into the European Community in 1965 and developed into a CU in 1968. Three subsequent enlargements accommodated 12 member states by 1986. In 1979, it introduced the European currency system to limit fluctuations of exchange rates among member states within a fixed range. In 1986, the Single European Act came into force. This was designed to ensure the free movement of persons, goods, services and capital which was attained in 1992, creating a single European market. In the following year, the Treaty of Maastricht was enforced. It provided the roadmap for the single currency, the common diplomatic and security policy and cooperation in justice and interior policies to push political integration forward. In 1998, the European Central Bank was founded, followed by the introduction of a single currency called the euro in 1999, which became the sole legal tender in 12 countries in 2002.

As far as the initial period of integration is concerned, functional cooperation occupied a leading position.

Another school of thought denies the functionalistic perspective claiming that cooperation generates further cooperation. It argues that every state takes its domestic interests into rational consideration and that integration has been intensified by the choice of these countries and by the power balance among them.

Let us provisionally call the second argument a rationalistic view. According to the rationalists, the institutional mechanism of integration symbolized by the supranational organization is helpful to ensuring mutual transparency and to reducing uncertainty but it is regarded as having a limited impact on the intensification of integration.

A look back on the past integration process of the EU makes clear that the decisive impetuses of deepening integration were the facts that the ECSC and other communities backed functional cooperation and that member states had political aims occasionally reflected in conclusion of treaties. And it can also be recognized that the actual process of intensifying integration was an outcome of interaction between the two

⁴⁹ Before the establishment of EEC, CU was formed by Benelux countries in 1948. It is said that the CU is a base for EEC and EU.

approaches⁵⁰.

8. Regional Integration and Democratization

Integration in the aspects of foreign and interior affairs is still limited even in the EU although it is being strengthened after the Maastricht Treaty in 1993. The absolute difference compared with integration among developing countries lies in the fact that the EU member states are basically mature democratic countries and that new member states are obliged to satisfy the political and legal requirements of “having achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities,” which is set out as part of the Copenhagen Criteria. No candidate country failing to meet this criterion is allowed to join the EU⁵¹. In addition, the EU offers democratization support to help candidate states to clear this hurdle.

Among examples of integration among developing nations, for example, MERCOSUR amended its charter in 1996 to prescribe that any country that fails to fully implement democratic institutions shall be excluded from the pact. A rumored military coup in Paraguay is said to have been discouraged by a strong joint communiqué of four presidents declaring that democracy was requisite for accession to MERCOSUR⁵².

It will be increasingly necessary to share the principles of the integration body as integration deepens. In practical terms, as common policies proliferate, the decision-making processes of member states need to be more transparent and reliable with respect to each other. In this sense, democracy is required as a foundation. Future progress in the free movement of people within the region and in national policies, such as national treatment of member country citizen, will necessitate the sharing of minimal human rights standards.

As for ASEAN, the 2004 summit meeting issued a joint declaration on ASC Plan of Action. It reads that ASEAN Member Countries shall not condone unconstitutional and undemocratic changes of government. And its annex calls for the strengthening of democratic institutions and popular participation and promotion of human rights in the future activities⁵³. These activities are basically dependent on the governments of individual member states giving maintenance of the policy of non-intervention⁵⁴. In view of the factors described above and the experience of other integration bodies, this problem is thought to be unavoidable if ASEAN heads towards further integration. In fact, its 2005 summit meeting adopted the Kuala Lumpur Declaration on the Establishment of the ASEAN Charter. It provides that inclusion of “promotion of democracy, human rights and obligations, transparency and good governance and strengthening democratic institutions” will be considered in the process of formulating the charter that

⁵⁰ Ravenhill (2005). See also Katzenstein (1997).

⁵¹ As approved in the European Council in 1993, candidate states have to fulfill four accession requirements to gain EU membership: they must be situated in Europe (geographical criterion), they must have achieved stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities (political criterion), they must have a functioning market economy as well as the ability to cope with competitive pressure and market forces within the Union (economic criterion) and they must have the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union (i.e. the ability to implement EU legislation known as *acquis communautaire*) (acquis criterion). See <http://EU-info.jp/law/en2.html>.

⁵² World Bank (2000)

⁵³ ASEAN Secretariat (2004a) and its annex.

⁵⁴ However, the 2005 summit meeting made a special remark on Myanmar. It encouraged Myanmar to expedite the implementation of its roadmap to democracy and called for the release of those placed under detention. These direct requests are now explicitly stated.

defines the framework of the organization⁵⁵. Along with economic growth, senior ASEAN states see the burgeoning of a new middle class characterized by accepting global codes such as human rights, democracy and transparency. And in these countries this new middle class is gradually taking the initiative in the political scene. There is now reason for anticipating democratization and continued progress in awareness of human rights in these countries and that action in these areas will be strengthened in the ASEAN zone⁵⁶.

⁵⁵ For the ASEAN Charter, see 2(4) in Chapter III.

⁵⁶ The reference to the rise of the new middle class is based on Shiraishi (2004) (in Japanese). See also Shiraishi (2004).

Chapter III The Past and the Present of ASEAN

The preceding chapter included some fragmentary references to ASEAN in the analysis of development and integration. This chapter examines the current status of ASEAN as well as the history of its integration in a more comprehensive style.

1. Current Status of ASEAN

(1) Diversity of member states

“Unification in diversity” is a slogan often used by Indonesia in referring to its own situation. The expression is also applicable to ASEAN, and is clearly depicted in Table 3-1. The geographic and demographic gaps among the member states are such that the two extremes are not comparable. For example, Singapore is a city state and Brunei Darussalam has a population of fewer than 400,000 in an area comparable with Japan’s Mie Prefecture. Indonesia has an east-west width that rivals that of the American continent. The Philippines consists of a vast multitude of islands. With regard to economic size and income level, there is a difference of more than 100 times between the top country and the bottom country.

With the exception of Thailand, which escaped colonization, the history of independence is also varied. Indonesia and Viet Nam won wars for independence. The Philippines and Malaysia peacefully attained independence from their colonial powers. The three Indochinese states were greatly impacted by the Viet Nam War. In some countries, the legacy of former suzerain states still remains in their respective traditions. Depending on the independence process, this can have an enormous impact on the basic national institutions, such as government and legal systems. With respect to the current governing body, Myanmar shifted from its own style of socialist rule to its present military junta. Other states maintain socialist governments. Indonesia, Thailand, the Philippines and Malaysia experienced a transition from an authoritarian system to democracy at different times. In terms of religion, some states designate Islam as the state religion. In others, Buddhism is dominant while in yet other states a large majority of the population is made up of Christians.

(2) Status of achievement of Millennium Development Goals (MDGs)

We now look at how well ASEAN members have done in achieving the MDGs, by focusing on key social indicators (see Table 3-2). Many of the states listed are on track to reach most of the goals which are to be achieved by 2015. Some targets have already been achieved by certain states, such as the anti-poverty goals by Indonesia and Viet Nam. Many indicators show a clear trend towards meeting the targets. But as far as Cambodia, Laos and Myanmar are concerned, there is some deterioration in indicators, such as child mortality in Cambodia, poverty indicators in Laos and primary education and measles immunization in Myanmar. Even among medium-income countries, Indonesia, the Philippines and Thailand are rated as being off track in some indicators and need to make sustained efforts. Even so, ASEAN countries are in general expected to meet the MDGs with increased efforts and the help of donors’ assistance.

Table 3-1 Basic indicators of ASEAN states

Country	Population (thousands)	Area (km ²)	GDP (Million US\$)	GDP per capita (US\$)	Industrial distribution (%)			Poverty and disparities		Regime	Religions	Number of Japanese expatriates
					Agri- culture	Mining & manufacturing	Services	Percentage of population below 1US\$ per day	Gini Coefficient			
Brunei Darussalam	364	5,765	4,715	12,973	1.9	58.7	39.4	N.A.	N.A.	Constitutional monarchy	Muslims 75%, Christians 9%, Buddhists 9%	81
Cambodia	13,798	181,035	4,215	305	35.6	27.9	36.5	34.1	40.4	Constitutional monarchy	Buddhists 95%	733
Indonesia	213,494	1,919,440	208,625	977	16.1	43.4	40.5	7.5	34.3	Republic	Muslims 88%, Protestants 5%, Catholics 3%, Hindus 2%, Buddhists 1%	11,608
Laos	5,618	236,800	2,043	364	50.2	24.6	25.1	26.3	37.0	People's democratic republic	Buddhists 90%	386
Malaysia	25,050	330,252	103,737	4,141	8.1	41.6	50.4	2.0	49.2	Constitutional monarchy	Muslims 60%, Buddhists 19%, Christians 9%, Hindus 6%, Confucians / Taoists 3%	10,769
Myanmar	53,515	677,000	9,605	179	42.9	17.3	39.7	N.A.	N.A.	Military rule	Buddhists 89%	640
Philippines	81,081	300,000	79,270	978	20.1	33.8	46.2	15.5	46.1	Constitutional republic	Catholics 83%, Protestants 9%, Muslims 5%	10,650
Singapore	4,185	699	91,355	21,829	0.1	32.9	67.0		42.5	Constitutional republic	Buddhists / Taoists 51%, Muslims 51%, Christians 15%, Hindus 4%	21,104
Thailand	63,950	513,115	143,303	2,241	10.2	44.7	45.1	2.0	43.2	Constitutional monarchy	Buddhists 95%, Muslims 4%	28,776
Viet Nam	81,185	331,690	39,021	481	21.8	37.4	40.8	3.8	37.0	Socialist republic	Buddhists 70%, Catholics 10%	3,560
ASEAN	542,239	4,495,796	685,891	1,265								88,307

Note: The data is basically correct as of 2003, except for that on industrial distribution, which is correct as of 2002, while that on Myanmar is correct as of 2000, and that on poverty and disparities, which is correct for the period 1997 to 2002.

Source: Created from data from the ASEAN Secretariat (2004b), the Japan ASEAN Center, WDI and the Ministry of Foreign Affairs.

Table 3-2 Progress in achieving MDGs in ASEAN states

Goal	Goal 1: Eradicate extreme poverty and hunger				Goal 2: Achieve universal primary education		
Target	1. Halve, between 1990 and 2015, the proportion of people whose income is less than one US dollar a day.				3. Ensure that, by 2015, children anywhere, boys and girls alike, will be able to complete a full course of primary schooling.		
Indicators	Proportion of population below 1US\$ per day (PPP)	Poverty gap ratio (incidence x depth of poverty)	Prevalence of underweight children under five years of age	Proportion of population below minimum level of dietary energy consumption	Net enrolment ratio in primary education	Proportion of pupils starting grade 1 who reach grade 5	Literacy rate of 15-24 year-olds
Cambodia	-	-	Off track	On track	On track	On track	On track
Indonesia	Achieved	Achieved	On track	Seriously off track	On track	On track	On track
Laos	Seriously off track	Seriously off track	On track	On track	On track	On track	On track
Malaysia	-	-	On track	Achieved	On track	-	On track
Myanmar	-	-	Off track	On track	Seriously off track	On track	On track
Philippines	On track	On track	On track	On track	Off track	-	Off track
Thailand	Achieved	-	-	On track	On track	-	On track
Viet Nam	Achieved	Achieved	-	On track	Off track	On track	-
Goal	Goal 3: Promote gender equality and empower women				Goal 4: Reduce child mortality		
Target	4. Eliminate gender disparities in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015.				5. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.		
Indicators	Ratio of girls to boys in primary education	Ratio of girls to boys in secondary education	Ratio of literate women to men, 15-24 years old	Share of women in wage employment in the non-agricultural sector	Proportion of seats held by women in national parliament	Under-five mortality rate	Infant mortality rate
Cambodia	On track	On track	On track	Achieved	On track	Seriously off track	Seriously off track
Indonesia	Achieved	Achieved	On track	On track	Off track	Achieved	Achieved
Laos	On track	On track	On track	-	On track	On track	On track
Malaysia	Achieved	Achieved	Achieved	On track	On track	Achieved	Achieved
Myanmar	Achieved	Off track	On track	-	-	On track	On track
Philippines	Achieved	Achieved	-	On track	-	Achieved	Achieved
Thailand	Achieved	Achieved	Achieved	On track	On track	Achieved	Achieved
Viet Nam	On track	On track	-	Achieved	On track	Achieved	Achieved
Goal	Goal 5: Improve maternal health				Goal 6: Combat HIV/AIDS, malaria and other diseases		
Target	6. Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio.				8. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.		
Indicators	Proportion of one-year-old children immunized against measles	Maternal mortality ratio	Condom use rate of the contraceptive prevalence rate	Prevalence and death rates associated with tuberculosis			
Cambodia	Achieved	On track	On track	Achieved			
Indonesia	On track	On track	On track	On track			
Laos	On track	Off track	On track	On track			
Malaysia	On track	On track	On track	On track			
Myanmar	Seriously off track	Off track	Off track	Off track			
Philippines	Off track	On track	On track	On track			
Thailand	On track	Achieved	Achieved	Achieved			
Viet Nam	On track	Off track	Off track	Off track			

Sources: Created from the United Nations (UN) Millennium Development Goal Indicators Database, the ESCAP, UNDP and ADB (2005).

Table 3-3 Real GDP growth rates

(%)

	1980-1990	1990-1995	1996-2003
Brunei Darussalam	-1.7	1.6	2.0
Cambodia	-0.4	5.8	6.3
Indonesia	5.4	7.8	1.0
Laos	5.6	6.4	5.9
Malaysia	6.0	9.5	3.4
Myanmar	1.3	5.7	8.1
Philippines	1.7	2.2	3.5
Singapore	7.3	9.1	3.6
Thailand	7.9	8.6	1.5
Viet Nam	5.9	8.2	6.7
ASEAN	5.1	7.4	2.7
ASEAN5	5.2	7.4	2.0
BCLMV	4.1	7.3	6.8

Note: BCLMV refers to Brunei Darussalam plus CLMV states.

Source: ASEAN Secretariat (2004b) and the UN Database.

(3) Economic growth

Thanks to the rapid economic growth in the region, ASEAN countries are making good progress in achieving the MDGs in general (see Table 3-3). As one of the Asian NIEs, Singapore attained its highest growth in the 1970s. Malaysia, Thailand and Indonesia followed suit in the late 1980s and early 1990s after their policy shift to promote export-driven growth starting the late 1980s. In the wake of the Asian economic crisis, these states saw growth rates shift to a downward trend. In contrast, the Philippines enjoy a rising growth rate, despite being the only country among the senior ASEAN countries, exclusive of Brunei Darussalam, to have suffered low growth rates prior to that. Among the CLMV countries originally at low income levels, the rates of growth started to rise in the 1990s and topped those of senior ASEAN members from the late 1990s until today. In this situation, the intra-regional gaps are being closed.

(4) Expansion of trade

We now move on to look at the expansion of trade. Fig. 2-2 showed the trend in ASEAN's import to GDP ratio. A similar trend is observed in the export to GDP ratio. The ratios of intra-regional and external exports to GDP are both on the rise. ASEAN is achieving export-driven growth. As is demonstrated above, the machinery trade plays a great role in trade growth. Table 3-4 shows the shares of ASEAN's import and export destinations. In this table, ASEAN is regarded as an integrated entity. In 2003, the USA was ASEAN's largest export partner while Japan was the largest importer. In the same year, mainland China combined with Hong Kong was a larger export partner than Japan was. Within the ASEAN region, Malaysia and Singapore stand out both as import and export destinations. This is explained by the fact that their mutual trade centered on electric and electronic equipment and parts accounts for a considerable proportion of ASEAN's intra-regional trade.

Table 3-5 shows the dependence of individual member states on intra-regional trade. Laos and Myanmar have somewhat higher percentages for intra-regional exports-in the high thirties-when compared with other member states. Laos directs a large portion of its exports to Thailand and Viet Nam while most part of Myanmar's exports go to Thailand. As for Cambodia, nearly 60% of its exports were for intra-regional destinations in 1997. This percentage subsequently fell sharply. That reflected a massive jump in its exports to the USA and a growth in its exports to the EU at a lesser pace. Specifically, the share of

Table 3-4 Breakdown of ASEAN's external trade by destination

(%)

	Export							Import						
	1997	1998	1999	2000	2001	2002	2003	1997	1998	1999	2000	2001	2002	2003
World	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
USA	18.4	20.7	20.1	19.0	18.0	17.8	16.6	15.5	16.8	15.5	13.9	14.2	13.0	12.7
EU	14.8	16.8	16.0	14.5	14.7	13.8	13.9	14.5	13.4	11.9	10.6	11.7	10.9	10.9
Japan	13.5	11.6	12.4	13.5	13.8	12.6	12.4	20.1	18.2	18.4	19.0	17.1	16.4	16.1
China	9.5	9.0	8.6	9.1	9.9	11.4	13.3	6.2	6.9	7.2	7.5	8.2	10.1	11.2
(Mainland)	3.0	3.2	3.2	3.8	4.3	5.4	6.7	3.7	4.2	4.6	5.0	5.8	7.6	8.7
(Hong Kong)	6.5	5.8	5.3	5.3	5.5	6.0	6.6	2.5	2.7	2.6	2.5	2.3	2.6	2.5
Taiwan	3.5	3.6	4.2	3.7	3.5	3.6	3.4	4.2	4.4	4.5	4.8	4.8	4.9	4.5
Republic of Korea	3.5	2.6	3.3	3.7	3.8	4.1	4.0	4.5	4.8	5.1	4.8	4.5	5.1	5.0
Brunei Darussalam	0.5	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.2	0.2
Cambodia	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.0	0.1	0.1	0.0	0.0	0.1	0.0
Indonesia	0.8	0.7	0.8	0.8	0.9	1.0	1.2	1.0	1.2	1.3	1.3	1.4	1.5	1.6
Laos	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Malaysia	7.5	6.4	6.8	7.4	7.0	7.1	7.0	6.9	7.2	7.4	8.0	7.7	8.0	7.6
Myanmar	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.1	0.1	0.1	0.1	0.3	0.3	0.3
Philippines	1.6	1.7	1.7	1.8	1.7	1.7	1.6	1.0	1.6	1.8	1.8	1.7	1.8	1.9
Singapore	8.7	7.8	7.7	8.2	7.6	7.6	6.9	6.1	6.3	6.4	6.8	6.2	6.4	6.1
Thailand	3.1	2.6	2.8	3.0	3.3	3.4	3.3	3.4	3.6	3.7	3.5	3.6	3.7	4.0
Viet Nam	0.9	1.0	0.9	0.9	1.0	1.1	1.2	0.4	0.6	0.7	0.6	0.6	0.7	0.7
ASEAN	24.0	21.2	21.7	23.0	22.4	22.7	22.1	19.0	20.9	21.7	22.3	21.8	22.7	22.5

Source: Created from IMF (2004).

Table 3-5 Share of intra-regional trade in the ASEAN zone by member state

(%)

	Export							Import						
	1997	1998	1999	2000	2001	2002	2003	1997	1998	1999	2000	2001	2002	2003
Brunei Darussalam	20.9	9.3	25.1	23.2	16.7	19.3	20.2	45.5	44.4	54.3	57.7	62.5	53.3	46.7
Cambodia	59.8	42.4	30.3	6.8	5.9	9.5	8.0	29.4	25.9	38.9	38.9	71.8	50.7	52.3
Indonesia	17.1	19.1	17.0	17.5	16.9	17.4	17.6	13.0	16.5	19.9	19.4	17.6	21.6	23.8
Laos	18.1	40.2	51.7	42.9	38.3	37.0	37.4	88.9	80.4	83.4	77.7	77.2	75.7	72.8
Malaysia	28.1	24.3	23.8	26.6	25.1	26.0	24.8	20.4	22.7	23.4	24.0	22.8	23.0	24.4
Myanmar	20.6	15.5	19.2	21.3	35.5	39.0	38.0	47.4	42.9	49.2	45.2	43.6	42.9	44.2
Philippines	13.8	13.0	14.1	15.7	15.5	15.7	18.2	13.6	14.1	13.7	14.5	14.7	15.4	16.2
Singapore	27.8	23.9	25.8	27.4	27.0	27.2	25.0	22.4	23.3	23.7	24.7	25.0	26.2	24.4
Thailand	21.3	17.5	18.6	19.3	19.3	19.7	20.6	12.7	14.9	15.8	16.7	16.2	16.8	16.6
Viet Nam	21.3	21.7	21.8	18.1	17.0	14.6	12.5	27.3	29.9	28.0	28.5	25.7	24.2	22.6
ASEAN	24.0	21.2	21.7	23.0	22.4	22.7	22.1	19.0	20.9	21.7	22.3	21.8	22.7	22.5

Source: Created from IMF (2004).

exports to the USA increased from 13.7% in 1997 to 58.4% in 2003 and that of exports to the EU rose from 11.2% in 1997 to 23.8% in 2003. In the aspect of imports, the CLM states depend more on intra-regional trade. Laos sees nearly 73% of its imports come from within the region and around 60% from Thailand alone. Cambodia's imports largely come from Thailand, Singapore and Viet Nam while Myanmar from Singapore and Thailand. From a long-term perspective, ASEAN as a whole saw its intra-regional trade rates rise at a very low pace between 1990 and 2003: from 19% to 22.1% in terms of exports and from 15.2% to 22.5% for imports.

(5) Direct investment

Table 3-6 lists the amounts of foreign direct investment by recipient state on the basis of the international balance of payments as well as the ratios of investment in ASEAN, China and India to total worldwide investment and to their respective GDPs. Fig. 3-1 illustrates the ratios to total worldwide investment. It shows that amid the sharp elevation in worldwide investment in the late 1980s, the share of investment to ASEAN expanded. Direct investment in China surged in 1991 and subsequent years, and since 1993 China has accounted for a greater share of investment than ASEAN has. When the total worldwide direct investment peaked in 2000, the proportion of investment in ASEAN contracted considerably, despite the growth in investment in Latin America and to Central and East Europe. Recently, there have been signs of a turnaround in the share of investment in ASEAN and China is showing an even stronger recovery. But investment as a percentage of GDP has been sliding since 2000, after topping 4% in 1995 and some later years.

Next, we look at a comparison among countries investing in ASEAN (see Table 3-7). Investment from

Table 3-6 Inflow of direct investment

	(Millions US\$)					
	1980	1985	1990	1995	2000	2003
World	54,986	58,102	208,646	335,734	1,387,953	559,576
Brunei Darussalam	·20	4	3	583	549	2,009
Cambodia	1	0	0	151	149	87
Indonesia	180	310	1,092	4,346	·4,550	·597
Laos	0	·2	6	88	34	19
Malaysia	934	695	2,611	5,815	3,788	2,474
Myanmar	0	0	225	318	208	128
Philippines	·106	12	550	1,574	1,345	319
Singapore	1,236	1,047	5,575	11,591	17,217	11,409
Thailand	189	164	2,575	2,070	3,350	1,802
Viet Nam	0	0	180	1,780	1,289	1,450
ASEAN	2,414	2,230	12,817	28,316	23,379	19,100
China	57	1,956	3,487	37,521	40,715	53,505
India	79	106	237	2,151	2,319	4,269
Share in Total (%)						
ASEAN	4.39	3.84	6.14	8.43	1.68	3.41
China	0.10	3.37	1.67	11.18	2.93	9.56
India	0.14	0.18	0.11	0.64	0.17	0.76
Share in GDP (%)						
ASEAN	1.3	1.0	3.6	4.2	3.8	2.6
China	0.0	0.7	0.9	5.4	3.8	3.8
India	0.0	0.0	0.1	0.6	0.5	0.7

Source: Created from the UNCTAD database.

Table 3-7 Direct investment in ASEAN by investing country

	1995	1996	1997	1998	1999	2000	2001	2002	2003	Total
Japan	5,649.30	5,283.34	5,229.52	3,937.63	1,688.16	943.56	1,422.04	1,758.69	2,060.65	27,972.90
USA	4,318.42	5,177.15	4,950.08	3,222.30	5,931.70	5,334.68	4,881.40	-1,018.06	2,919.59	35,717.28
EU	5,049.65	7,362.04	6,333.59	5,553.47	9,806.00	8,386.85	9,178.97	3,790.71	7,083.32	62,544.60
Netherlands	1,410.36	1,675.41	666.31	1,578.21	5,066.06	2,964.71	2,085.32	44.73	3,019.25	18,510.36
United Kingdom (UK)	2,464.24	2,573.42	4,411.69	2,710.63	2,337.11	2,655.71	2,680.57	2,573.16	3,366.34	25,772.86
China	136.73	117.86	62.15	291.25	62.53	44.02	60.85	-156.85	12.84	631.37
India	108.08	68.79	90.19	92.60	41.72	57.90	-5.78	130.64	83.19	667.34
ANIEs	2,845.25	2,242.02	3,520.62	1,930.45	1,628.97	1,830.87	69.51	103.44	991.41	15,162.52
Republic of Korea	660.20	504.22	721.82	90.78	528.87	-31.37	-268.48	67.80	282.26	2,556.10
Hong Kong	1,271.08	927.54	1,884.81	1,162.19	697.58	1,296.78	-294.27	-352.76	481.91	7,074.85
Taiwan	913.97	810.27	913.99	677.48	402.52	565.46	632.26	388.40	227.24	5,531.58
ASEAN	4,654.42	4,271.81	5,235.70	2,730.76	1,789.31	1,194.85	2,391.72	3,556.95	2,068.91	27,894.42
Brunei Darussalam	85.67	146.73	36.21	67.23	18.74	24.54	41.33	17.96	9.13	447.53
Cambodia	1.83	2.19	3.83	0.05	1.35	2.31	0.37	-0.19	5.00	16.74
Indonesia	538.29	618.53	501.09	333.15	436.26	310.57	340.79	384.40	228.33	3,691.42
Laos	0.01	0.01	0.01		0.57	10.92	0.16	0.00	0.20	11.88
Malaysia	769.48	713.82	623.78	578.65	327.25	313.71	119.47	389.41	398.82	4,234.38
Myanmar	3.95	2.20	6.96	0.50	2.35	8.14	3.42	12.98	7.10	47.60
Philippines	89.60	71.09	17.44	-26.36	-22.43	58.94	33.12	15.18	-2.79	233.79
Singapore	2,983.39	2,394.87	3,572.97	1,620.05	897.05	641.87	1,917.55	2,421.95	1,309.95	17,759.65
Thailand	181.44	321.95	472.13	155.69	123.75	-181.38	-66.69	278.06	108.25	1,393.19
Viet Nam	0.77	0.44	1.29	1.78	4.41	5.24	2.21	37.20	4.91	58.25
Total	28,230.57	30,208.59	34,098.55	22,406.46	27,852.81	23,379.36	19,373.14	13,733.18	20,304.02	219,586.69

Note: The "Total" figures each represent the cumulative total in the period from 1995 to 2003.

The *ANIEs: Asian Newly Industrializing Economies.

Sources: ASEAN Secretariat (2004c)

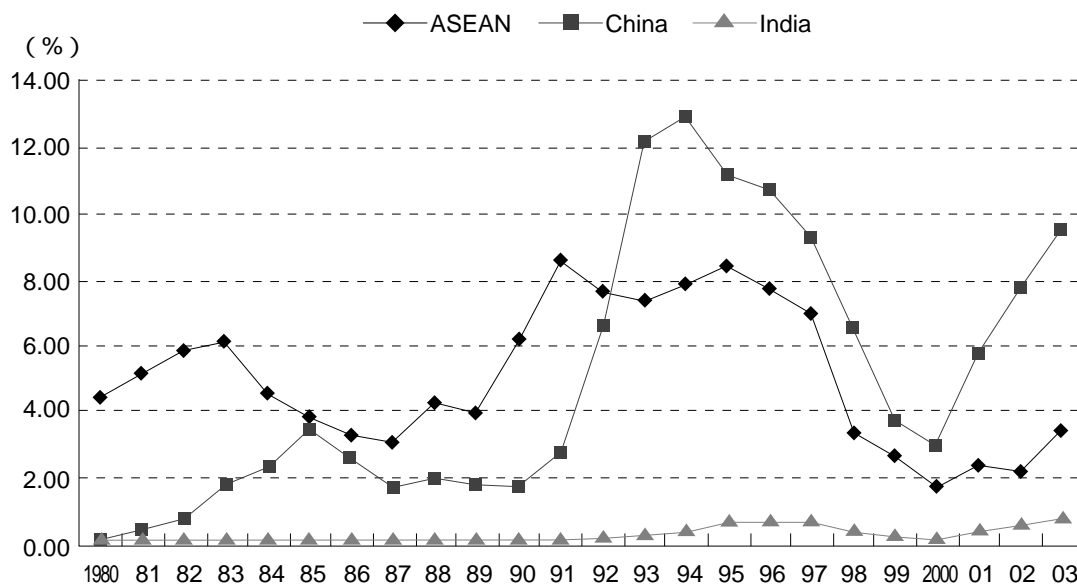
the EU accounted for the highest proportion, at 28.5%, of the cumulative total investment in ASEAN between 1995 and 2003. In 2003 alone, the EU contributed 34.9% of the amount invested in ASEAN. It was followed by the USA, which contributed 16.3% in 1995-2003 and 14.4% in 2003 alone, and by Japan, contributing 12.7% and 10.1% respectively. Japan's shares are equivalent to the shares of ASEAN's investment in its own region: 12.7% in 1995-2003 and 10.2% in 2003. Most of ASEAN's intra-regional investment is made by Singapore, contributing 8.1% and 6.5% respectively. Singapore draws a substantial proportion of the Western investment in the region as well as a large share of intra-regional investment, chiefly from Malaysia and Indonesia. But it also invests widely throughout the region. As noted, the West concentrated a majority of its investment in 1995-2003 in Singapore. Japan and Asian NIEs, namely Republic of Korea, Hong Kong and Taiwan, directed a fairly large percentage of their investment to the rest of the ASEAN region, although their investment in Singapore still constituted a relative large share. Viet Nam is the top investment destination for Republic of Korea and Taiwan, while Hong Kong's top destination is Thailand.

(6) Assistance

Table 3-8 demonstrates the trend in the gross amount of assistance to ASEAN by donor. Japan offers by far the largest amount, followed by the Asian Development Bank (ADB), the World Bank and the EU⁵⁷.

In 2003, Japan provided roughly triple the amount offered by each of the three donors listed above. Japan, the ADB and the World Bank considerably increased their assistance in the wake of the economic

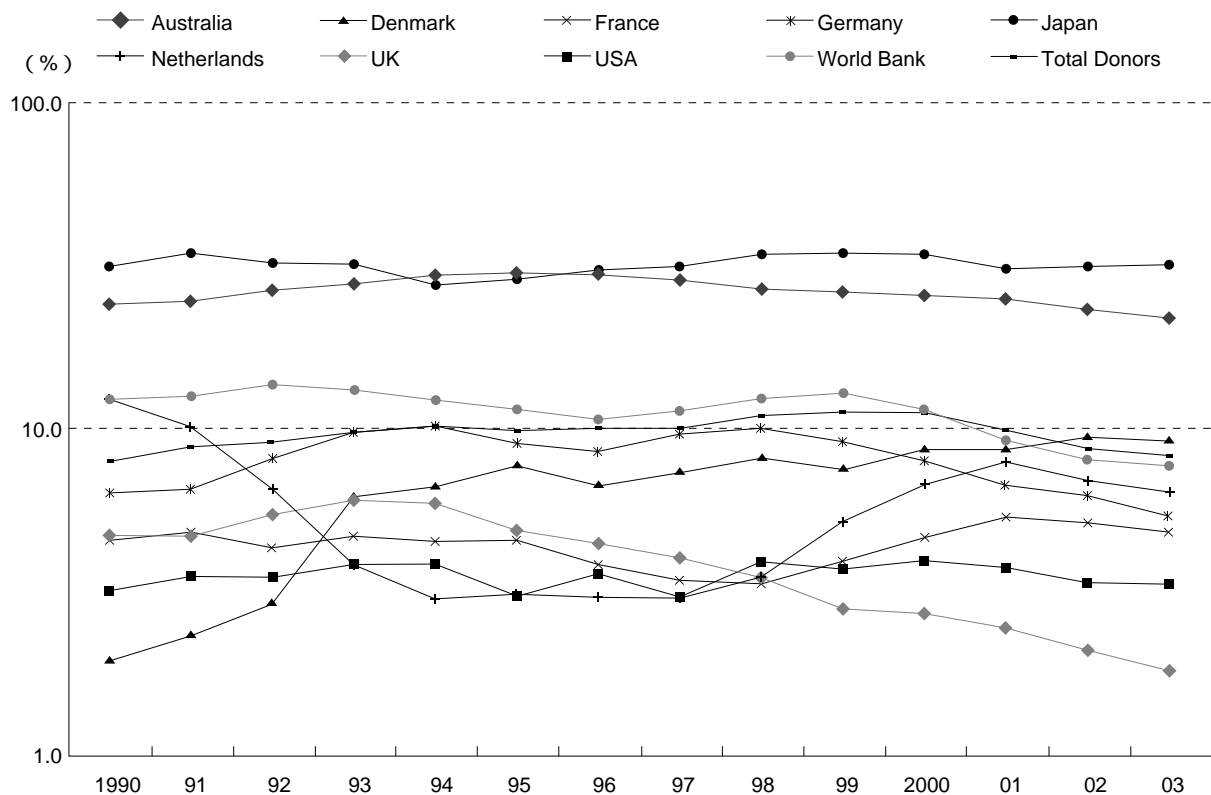
Figure 3-1 World FDI inflow share



Source: Created from the UNCTAD database.

⁵⁷ The ADB refers to the total sum from the ADB and its Special Funds in the Table 3-8. The World Bank refers to the total sum from the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The EU refers to the total sum from the EC and its individual member states. The ADB and World Bank figures include those loans which do not fall under the ODA category.

**Figure 3-2 Trend in the share of aid to ASEAN in the total aid from major donors
(on three-year moving average)**



Source: Created from Organization for Economic Cooperation and Development (OECD), Geographical Distribution of Financial Flows database.

crisis that began in 1997. In contrast, the EU reduced its aid at that time. The long-term downward trend of the EU's assistance to ASEAN may possibly have coincided with the crisis. With respect to bilateral assistance in 2003, Japan was followed by the USA, Germany, France, Australia and the Netherlands.

Next, we look at Fig. 3-2 to review the trends with assistance to ASEAN as a percentage of total international assistance by donor. This diagram represents the three-year moving averages of the share in each year to level annual fluctuations⁵⁸. The vertical axis is a logarithmic scale. It confirms that Japan and Australia direct large percentages of their aid to ASEAN, around 30% and 25%, respectively. Setting aside the ADB, which is dedicated to Asia, these two countries are distinctive from other donors. A long-term downward trend is observed in the share of assistance to ASEAN from the entire EU, which is not shown in the diagram, and from the World Bank and in the share of bilateral assistance to ASEAN nations from the UK and Australia. There is no fixed tendency found in aid from other donors. The proportion of the total amount of ODA was declining after it peaked at 10.4% in 1992. In 2003, when total worldwide ODA expanded 17.7% from a year earlier to surpass the previous peak level reached in 1991, the share of aid to ASEAN soared. Future developments should be carefully monitored.

So what of the distribution of assistance within the region? Table 3-9 makes a comparison in the gross total amount of aid between two groups in the region, "CLV" and "Indonesia, Malaysia, the Philippines, Thailand (IMPT)." The CLV states refer to Cambodia, Laos and Viet Nam, all of which are classified as

⁵⁸ In the diagram, the values for 1990 and 2003 are two-year averages.

Table 3-8 Trend in the amount of aid to ASEAN by donor

	(Million US\$)													
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Australia	174.38	179.51	188.22	205.76	232.43	290.68	255.23	217.74	206.28	180.25	196.99	170.08	176.16	200.35
Canada	114.32	108.14	107.39	97.67	84.43	71.49	64.73	78.90	59.17	57.41	59.44	57.81	57.70	76.52
Denmark	14.34	13.51	24.25	28.59	102.51	49.58	77.02	89.48	67.95	97.48	69.38	104.26	102.43	105.51
France	308.45	254.77	356.44	244.15	393.02	345.32	253.66	177.03	182.45	167.04	171.25	193.42	255.26	289.88
Germany	373.63	410.91	449.78	604.53	623.99	497.92	428.88	480.20	517.57	362.24	256.77	291.18	222.67	315.19
Japan	2,896.81	2,761.50	4,317.84	3,372.73	3,142.06	3,863.15	3,629.11	3,118.16	3,474.32	5,215.41	4,164.93	3,115.49	2,771.50	3,611.79
Netherlands	272.05	221.57	116.72	52.40	58.79	81.54	74.09	66.44	73.62	102.60	183.28	191.23	198.01	153.44
Norway	10.24	19.35	29.84	18.04	24.24	46.99	35.29	34.42	31.56	33.03	31.76	24.30	25.70	26.50
Sweden	86.66	86.65	121.07	95.12	76.27	72.14	116.71	97.60	68.65	62.92	79.59	73.45	61.01	75.15
UK	81.65	82.81	88.42	121.84	111.28	76.32	83.10	96.54	72.12	63.83	71.72	71.73	75.04	61.04
USA	393.00	367.00	382.00	400.00	256.00	272.00	150.00	278.00	176.25	344.09	325.49	307.98	437.80	462.43
ADB	1,072.43	975.19	943.18	1,008.32	1,158.98	1,050.83	1,072.08	1,668.64	2,037.39	1,907.28	1,127.65	1,104.01	1,307.02	846.27
ADB Special Funds	306.88	174.26	172.59	232.31	171.68	296.38	231.28	324.22	258.27	308.21	367.34	327.94	380.69	429.19
ADB Total	1,379.31	1,149.45	1,115.77	1,240.63	1,330.66	1,347.21	1,303.36	1,992.86	2,295.66	2,215.49	1,494.99	1,431.95	1,687.71	1,275.46
EC	41.80	71.92	94.89	86.85	97.61	156.10	172.88	138.39	135.15	128.17	123.53	117.55	112.52	111.67
EC + EU Members	1,308.18	1,303.68	1,442.65	1,635.97	1,771.11	1,446.14	1,377.17	1,291.60	1,225.19	1,093.17	1,133.36	1,165.89	1,131.05	1,244.18
IBRD	1,872.00	2,099.00	1,871.92	2,193.99	1,755.36	1,670.65	1,570.00	1,688.97	2,326.97	2,500.53	1,673.50	1,085.35	668.78	649.20
IDA	33.00	49.00	72.49	40.02	195.31	109.19	308.60	262.34	306.55	222.40	300.79	393.83	427.48	768.80
World Bank	1,905.00	2,148.00	1,944.41	2,234.01	1,950.67	1,779.84	1,878.60	1,951.31	2,633.52	2,722.93	1,974.29	1,479.18	1,096.26	1,418.00
UNDP	71.93	65.71	52.97	55.04	50.38	49.35	54.58	56.65	42.20	36.70	26.48	20.87	15.44	15.42
Total Donors	5,636.58	5,405.20	7,187.49	6,413.86	6,387.40	6,888.89	6,554.98	5,916.51	6,015.83	7,686.03	6,834.68	5,996.87	5,773.68	7,098.71

Note: Aid from the ADB, exclusive of that from its Special Funds, and from the IBRD is included in the table for comparison purposes although they are classified as other official funds rather than as ODA. It is not included in the total amount from all donors.

Source: Created from OECD, Geographical Distribution of Financial Flows database.

Table 3-9 Ratios of aid to CLV countries to aid to ASEAN 4 (IMPT) countries

(%)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Australia	7.2	9.1	16.5	24.4	33.6	37.1	52.7	57.6	54.9	57.1	59.2	63.5	58.9	53.5
Canada	0.3	3.1	7.8	10.6	14.7	18.6	23.5	39.3	27.9	29.8	41.6	54.2	84.3	79.7
Denmark	4.8	6.9	7.7	55.5	261.1	46.4	85.3	72.1	181.1	84.6	185.6	193.2	141.4	306.4
France	6.5	14.9	11.6	29.9	134.7	98.5	142.3	160.1	128.5	254.3	113.0	102.9	93.0	111.9
Germany	6.7	9.2	11.2	7.4	14.8	46.2	40.1	18.1	21.4	43.4	34.7	37.9	48.0	46.2
Japan	0.7	1.1	10.1	3.9	7.4	12.7	8.2	14.0	19.4	20.1	38.0	27.1	26.6	25.2
Netherlands	2.1	7.6	43.0	78.5	139.5	165.3	125.3	110.3	90.8	22.1	18.2	32.7	26.6	44.7
Norway	47.6	42.9	40.5	81.1	220.6	49.2	67.5	150.5	240.5	154.1	190.3	197.1	187.2	215.1
Sweden	563.6	670.9	349.9	327.1	138.9	418.6	217.5	315.9	689.1	488.6	628.8	672.3	809.2	483.9
UK	0.3	3.2	6.8	8.5	26.6	30.6	35.1	21.2	33.2	35.6	47.5	103.7	118.6	449.4
USA	1.8	1.9	4.4	8.4	21.9	19.3	27.1	180.8	32.3	9.4	13.5	15.4	20.0	26.5
ADB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	3.5	0.0	2.1	8.9
ADB Special Funds	17.2	22.0	19.4	37.0	45.3	131.3	171.5	320.0	657.6	598.7	451.2	465.2	844.6	566.2
EC	29.4	54.1	71.6	66.9	65.5	75.2	97.3	106.1	103.7	74.9	59.4	84.2	93.5	91.8
IBRD	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IDA		44.1	111.4	1,861.8	4,249.9	1,011.9	1,985.1	2,711.8	3,464.5	1,199.8	331.7	775.6	392.3	746.5
UNDP	158.6	109.1	146.8	186.7	163.8	182.0	201.9	184.8	204.3	192.0	195.9	158.9	118.7	76.8
EC + EU Members	13.3	19.6	27.6	25.0	60.4	67.1	74.3	54.7	61.8	72.9	63.9	73.3	79.4	97.3
Total Donors	7.5	9.7	17.0	15.3	32.3	34.5	37.3	43.3	43.8	36.5	55.3	58.2	60.7	62.8

Note: Aid from the ADB, exclusive of that from its Special Funds, and from the IBRD is included in the table for comparison purposes although they are classified as other official funds rather than as ODA.

Source: Created from OECD, Geographical Distribution of Financial Flows database.

low-income states in the ASEAN zone. The IMPT states refer to Indonesia, Malaysia, the Philippines and Thailand. They are ODA recipients among the senior ASEAN members. This table clearly shows that the ratio of aid to the CLV is gradually increasing. In 1990, assistance from all donors to these three nations had been only 7.5% of aid to the IMPT countries. In 2003, this ratio jumped to 62.8%. A donor-by-donor analysis suggests that the donors can be classified into four groups. Japan and the USA are in the group of states that place higher priority on the IMPT. Australia, Germany and the Netherlands form another group of donors whose assistance to the CLV accounts for nearly 50% of the total. Canada, France and the EU in general are in a third group offering assistance equally to the CLV and the IMPT. And the final group focusing on assistance to the CLV includes Scandinavian countries and the UK. The larger the amount a country contributes, the higher the percentage of its aid is directed to the IMPT. The preference given by Japan and the USA to the IMPT is considered to be associated with the fact that Japan offers a large portion of its assistance in the form of loans as well as the fact that US aid is influenced by historical factors including the Viet Nam War. And assistance from France and Canada could be connected with the fact that CLV countries used to be part of the French-speaking zone.

Finally, a scheme-by-scheme analysis is made in a somewhat supplementary manner. Every donor was cutting grant aid in terms of amount and share. Recently, however, many donors stopped this trend on an amount basis. In 2003, most donors raised the amount of aid. In 2003, the USA contributed its largest amount since 1990. Concerning technical assistance, the share to ASEAN has been reduced by some countries such as Australia but these countries are maintaining the amount level. Except from Japan, the Netherlands and the UK, the amount of assistance is on the rise. This trend was particularly evident in 2003.

In terms of the gross total ODA, Japan is the top donor to all aid recipients in the region except Viet Nam, which receives the greatest amount of assistance from the World Bank. With respect to grant aid, Cambodia, Indonesia and Laos enjoyed as much amount from Japan as from the EU (in terms of the total amount of aid from the EC and from its member states). For Viet Nam, the EU offers double the amount offered by Japan. In terms of technical assistance, for Cambodia and Indonesia, the top donor is the USA. Japan is in second place but is matched by the EU. For Viet Nam, it is the EU that ranks first in the donor rankings.

(7) Trade and investment relations between Japan and ASEAN

Based on the foregoing review, the report also considers the relationship between Japan and ASEAN from the perspectives of trade and investment.

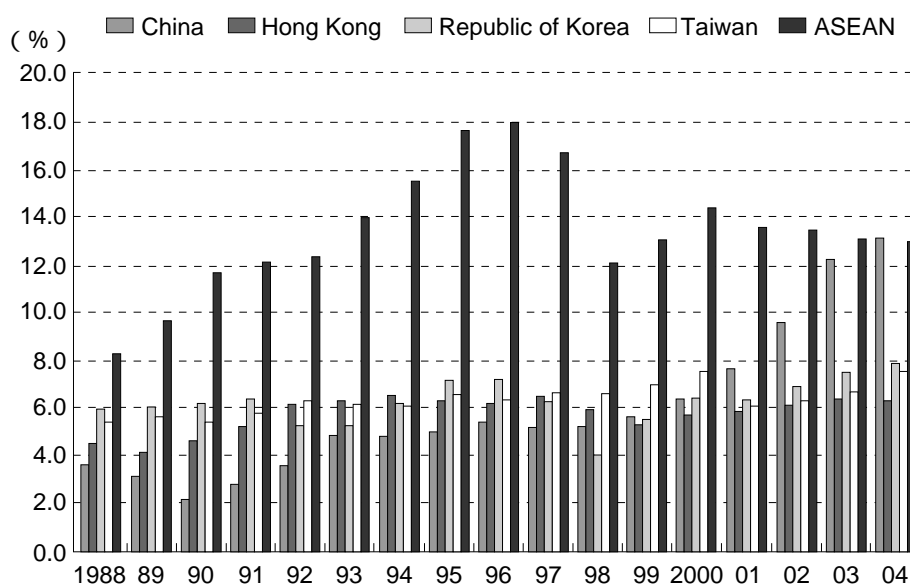
Fig. 3-3 portrays the trade trend. ASEAN imported 12.9% of Japan's exports and supplied 14.8% of its imports in 2004. Japan's exports to ASEAN as a ratio to total exports have been falling since peaking before the economic crisis. This reflects recent growth in exports to Northeast Asia. The amount of exports to ASEAN has been rallying since 1999 and in terms of the year-on-year rate of increase in recent years, it is growing at a much higher pace than the amount of exports to North America and the EU. On the other hand, Japan's imports from ASEAN have remained nearly constant on a proportionate basis and are expanding on an amount basis. ASEAN is Japan's fourth largest trading partner, behind North America, China and the EU, so it is clearly one of Japan's major trade partner areas. As far as individual member states are concerned, Thailand is in fifth place, Singapore seventh, the Philippines twelfth and Indonesia thirteenth among Japan's export destination ranking. Among import sources, Indonesia is ranked fifth, Malaysia tenth, Thailand eleventh and the Philippines fourteenth. Japan has a trade surplus with all of these major trade partners except the Philippines. Japan also has a trade surplus with ASEAN overall. Chief

export items include electrical devices (accounting for 29.4% of total exports), general machinery (21.2%), material products including steel and non-ferrous metals (15.7%) and transport machinery (11.4%), showing that machinery related exports make up a high percentage of the total. As for imports, mineral fuels are the top import item with a 24% share of total imports from ASEAN, followed by electrical devices with a 22.7% share and general machinery with an 11.3% share. In terms of total trade, including imports and exports, Japan was ASEAN's largest trade partner in 2003.

Fig. 3-4 depicts the trend in direct investment. Japan's FDI in ASEAN fell sharply both on an amount basis and on a proportional basis after 1997, when it was at its highest as the economic crisis broke out. It was surpassed by FDI in China in 2003. In the following year, it increased even as Japan reduced total FDI. Its share of total Japanese FDI soared to 7.8%, compared with China's share of 12.8%. On a stock basis, investment in ASEAN accounted for a 9.6% share, which was less than that in the USA and in the EU but still larger than that in China with a 5.4% share in 2004. In the FDI destination ranking by individual country on a stock basis, Singapore is in eighth place, Thailand ninth and Indonesia twelfth. Among different industries, the manufacturing industry accounted for a large share in each of these countries. Recently, sectors attracting the most investment have been electronics and chemicals in Singapore, transport machinery and electronics in Thailand, transport machinery in Indonesia, electronics in Malaysia and the Philippines and electronics and transport machinery in Viet Nam. Contributing around 10% of the total investment in ASEAN in 2004, Japan is ASEAN's second largest investor after the USA.

A questionnaire sent to Japanese manufacturing businesses⁵⁹ has revealed that many continue to hope that ASEAN will serve as a manufacturing center, part of the overall strong aspirations of Japanese manufacturers to expand overseas production. All industries are strongly inclined to develop their production, especially in Thailand. This positive attitude, particularly in the electronics, electric devices and automotive sectors, is unprecedented internationally. With respect to Indonesia, automakers are remarkably

Figure 3-3 Distribution of Japan's exports

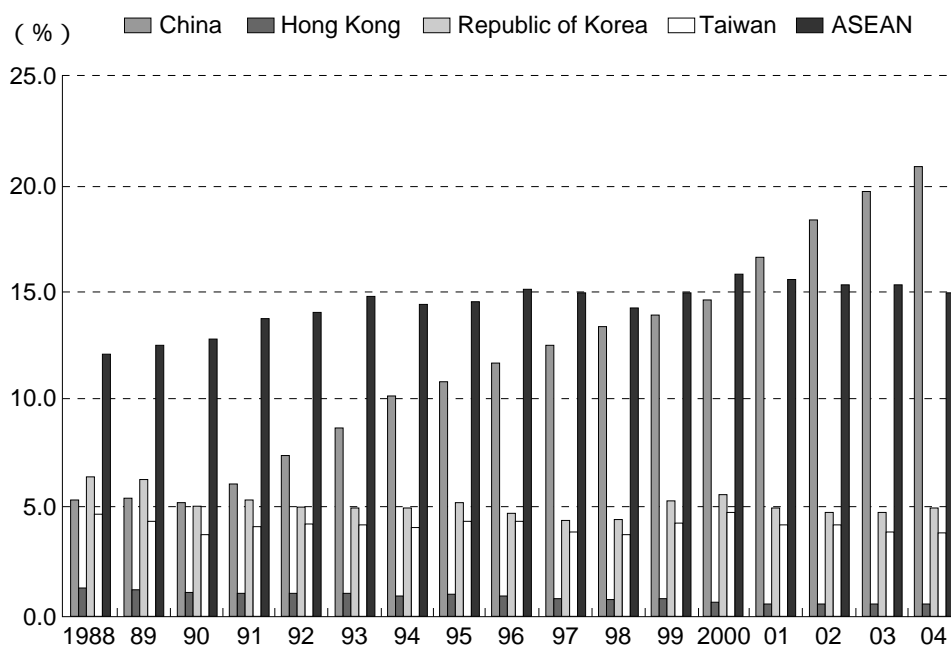


Sources: Created from Ministry of Finance's *Trade Statistics*.

⁵⁹ Japan Bank for International Cooperation (JBIC) (2004)

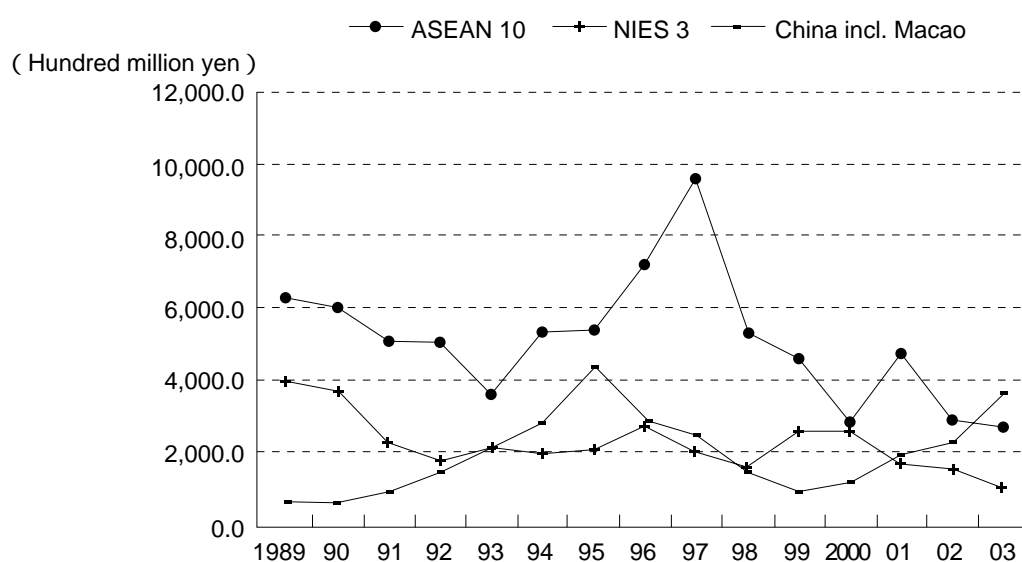
ambitious in their desire to expand operations in the country. Among ASEAN member states, Thailand elicits enthusiasm from the largest number of firms in all industries, followed by Indonesia, Viet Nam, Malaysia, Singapore and the Philippines. In the list of the most promising countries for business expansion

Figure 3-4 Distribution of Japan's imports



Sources: Created from Ministry of Finance's *Trade Statistics*.

Figure 3-5 Trend in Japan's direct investment



Sources: Created from Ministry of Finance's *Foreign Direct Investment*.

in the medium term future, Thailand comes second behind China among nations worldwide. Viet Nam is ranked fourth, Indonesia seventh, Malaysia tenth, Singapore eleventh and the Philippines fourteenth.

In March 2004, Nippon Keidanren (Japan Business Federation) published its *Urgent Proposals for Strengthening Economic Partnerships*. Based on the awareness that, “The success or failure of these endeavors with respect to Economic Partnership Agreements (EPA) will have a major impact not only on the future course of the Japanese economy as ‘a nation built on trade,’ but also on Japan’s status in the East Asian region and in the international community,” it called for intensive efforts in trade deregulation and facilitation, revisions of the rules of origin, adoption of high-level investment rules and enhancement of the smooth movement of human resources including intra-company transfer. As stated in the Urgent Proposals, the backdrop to this announcement is presumed to be that Japanese companies have been endeavoring to optimize their production and sales beyond national borders in the ASEAN region. In view of the developments of WTO talks, regional integration and bilateral economic partnerships, they will actively reorganize their operations beyond the ASEAN area or throughout the entire East Asian region. This initiative will include optimization of operations based on regional business strategies, chiefly in the electronics and automotive sectors, strategies that would include the development of Thailand and other production centers into export bases to India.

2. Historical Developments of ASEAN⁶⁰

(1) Formation of the Southeast Asian region

All regions formed by integrating several countries have been socially or politically created. They do not involve any transcendental geographical demarcation. In other words, no region adopts natural boundaries for determining its geographical area. Southeast Asia is no exception. It is a new regional zone that has a history of only 60 years or so. It is commonly believed that it derives from the Southeast Asia Headquarters set up by the Allied forces in 1943 towards the final stages of World War II. It is only since the Cold War that the name Southeast Asia has been used to represent a substantial entity⁶¹.

For this reason, regional initiatives in this area began in 1954 in the form of the Western-led Southeast Asia Treaty Organization (SEATO). This was an anti-communist military alliance involving the USA, the UK, France, Australia, New Zealand, Pakistan, the Philippines and Thailand. In the 1960s, there arose some voluntary attempts at regionalism. Among the various schemes proposed, the most successful was considered to be the Association of Southeast Asia (ASA) suggested by Prime Minister Tunku Abdul Rahman of the Federation of Malaya (Peninsular Malaysia) and formed together with Thailand and the Philippines in 1961. It had three characteristics. First, it consisted exclusively of countries in the Southeast Asian zone. Second, it intentionally averted strategic issues such as politics, diplomacy and security. And third, its interests were confined to Southeast Asia.

However, when the Malayan Federation, which had already attained independence in 1957, was being reorganized into an independent Federation of Malaysia encompassing Sabah, Sarawak and even Singapore, all of which remained under British rule, President Sukarno of Indonesia launched a “Crush Malaysia” campaign and the Philippines claimed sovereignty of Sabah. The ASA had become dysfunctional. In response, the Philippines proposed a Maphilindo (i.e. Malaysia-Philippines-Indonesia) confederation

⁶⁰ Unless otherwise specified, the descriptions of the history until the Asian economic crisis are based on Kuroyanagi (2003) and Sato (2003). However, for the purpose of focusing on intra-regional economic cooperation, the period division does not necessarily conform to that proposed in the literature.

⁶¹ Shiraishi (2000a)

uniting the Malay peoples. Eventually, the Federation of Malaysia was established in 1963 and declared that it would sever diplomatic relations with Indonesia and the Philippines. Meanwhile, Malaysia asked Thailand to intermediate in its dispute with these two states. In 1965, there was a regime change in the Philippines as Ferdinand Marcos took office. Malaysia and the Philippines moved towards reconciliation. Subsequently, the Philippines started to work towards a reconciliation between Malaysia and Indonesia. Indonesia also sought pacification after its presidential change from Sukarno to Suharto. In 1966, both states reached agreement on reconciliation. Involved in this peace process were foreign ministers from the five founding member states of the ASEAN, who later signed the Bangkok Declaration to launch the regional organization.

In the broader region, the Viet Nam War was intensifying and China was adopting a radically Maoist anti-foreign stance. There was growing concern that communism may penetrate the Southeast Asian region. Individual countries were faced with numerous domestic problems such as communist guerillas and conflicts among ethnic groups. After their experience with the ASA and the initiative for the Maphilindo confederation, these countries set up ASEAN in 1967 on the occasion of the mutual accommodation between Indonesia and Malaysia to provide a forum for communications that could foster a relationship of trust, to prevent conflicts and to concentrate on domestic development. It implied that the regional cooperation as a means of pursuing the national interest was a driving force in the ASEAN foundation.

The following part of this report will briefly review ASEAN's history. It does this by dividing the history into four periods. The first period refers to the initial stage of the organization from its establishment in 1967 to Vietnamese unification in 1975. The second is the period between the first summit in 1976 and mid-1980s, defined as a period of response to the communization of the entire Indochinese peninsula and the efforts toward inward-focused collective economic self-reliance. From the mid-1980s until 1999, when Cambodia joined, the third period is characterized by new economic cooperation strategies and the establishment of ASEAN 10 with Cambodia. And finally, the fourth period from the Asian economic crisis, which emerged in 1997, until the present will be examined to review the pessimism over ASEAN in the wake of the crisis and the ongoing development of economic cooperation designed to revitalize the ASEAN framework.

(2) The nascent ASEAN

ASEAN was established with the Bangkok Declaration adopted at the foreign ministers' meeting in 1967. Technically, the "declaration" was not a binding treaty but a mere confirmation of political determination. No summit meeting took place and no secretariat was set up until 1976. During this period, the existence of the organization itself was still a challenge. In 1968, the dispute over Sabah between Malaysia and the Philippines flared anew. Relations between Indonesia and Singapore worsened in that same year. The region had to address these problems.

Outside the zone, the UK announced the withdrawal of its troops from areas east of Suez, specifically from Malaysia and Singapore, in 1968. The USA published the Guam Doctrine in 1969, declaring that it would slash the number of ground troops deployed in Viet Nam. China and the Soviet Union put greater emphasis on their Asian policies. ASEAN's attention to security dramatically increased. A proposal for neutralizing the Southeast Asian region was suggested to deal with the three superpowers outside the region, namely the USA, China and the Soviet Union, and to respond to the situation in Indochina. This was crystallized into the Declaration on the Zone of Peace, Freedom and Neutrality (ZOPFAN) in the extraordinary meeting of foreign ministers in 1971. The declaration may have had only symbolic meaning, yet it is necessary to recognize the merit of the first common external policy launched by the ASEAN

nations.

(3) Communist sweep throughout Indochina and inward-focused collective self-reliance

In 1975, as the Viet Nam War ended, the entire Indochinese region came under communist rule. The ASEAN member states shared uncertainty over their security dependence on the USA. Based on the mutual trust built during the ten preceding years since the foundation, they held the inaugural ASEAN Summit in 1976 to emphasize the importance of further regional self-help and enhanced intra-regional cooperation in the ASEAN framework. The summit meeting adopted the Declaration of ASEAN Concord and the TAC in Southeast Asia and approved the establishment of the ASEAN Secretariat. The Declaration was the documented basis of ASEAN as a regional organization and positioned as an embodiment of the ZOPFAN Declaration while the TAC provided for the principle of non-intervention and peaceful settlement of conflicts. The Secretariat, expected to play a coordinating role, was finally set up at that stage. After it being ignored for a long time, the TAC later became a condition for the accession of the Indochinese states to ASEAN and a requirement for eligibility to participate in the East Asia Summit at the end of 2005. In the same year, the ASEAN Economic Ministerial Meeting was institutionalized with the objectives of dealing with external economic diplomacy and stimulating intra-regional economic cooperation, which had hitherto been quite poor.

In terms of foreign policies, ASEAN was later urged to deal with the Vietnamese intrusion into Cambodia in 1978 and the issue of Indochinese refugees. ASEAN nations initiated a concerted response to these circumstances. They supported the establishment of a democratic Cambodian government formed by three anti-Vietnamese factions in 1982. They gave great help to the new Cambodian government to achieve representation at the UN. This led to Viet Nam's unilateral withdrawal in 1989 and to the Paris Peace Agreement in 1991. So their efforts produced outstanding diplomatic results. During this process, the Post Ministerial Conference (PMC) was launched in 1979 to ensure regular talks with ASEAN's external partners such as Japan, the USA and Australia, and a number of issues were discussed, including Cambodia. Japan-ASEAN Summit meetings have been held since 1977. At the first such meeting, Japanese Prime Minister Takeo FUKUDA announced three principles in Japan's diplomacy towards ASEAN, called the Fukuda Doctrine. Specifically, it declared Japan's commitment to being a non-military economic power, to building a heart-to-heart relationship and to playing an intermediary role between ASEAN and Indochina.

With respect to intra-regional economic cooperation, ASEAN studied a strategy for collective import substituting industrialization for heavy and chemical industries in accordance with the suggestions from the UN team in 1972. Consequently, it launched AIPs in 1976, the Preferential Trading Arrangements (PTA) in 1977, the ASEAN Industrial Complementation (AIC) scheme in 1981 and the ASEAN Industrial Joint Venture (AIJV) scheme in 1983. AIPs were large-scale projects launched by individual member states in their respective assigned areas, such as fertilizer plants. Intra-regional preferential tariffs were applied to products so that they would be better distributed. The AIC divided among member states the manufacturing and assembling processes for different major parts of a single industrial product to produce and distribute it in the market. The AIJV offers preferential tariffs to joint businesses in which the majority of the equity is owned by investors from ASEAN member states. These programs and the PTA alike faced the difficulty of reaching a consensus among the member states. Aimed at limiting foreign capital and increasing interdependence in the intra-regional market, they were applicable to limited tariff items. The cooperation was stagnant partly for reasons of unsuccessful coordination of national interests among the member states and conflict among industrial structures.

(4) New economic cooperation strategies and the establishment of ASEAN 10

In the late 1980s, countries in the region began switching their policies from import substituting industrialization to export-oriented industrialization dependent on foreign capital. This policy shift was also seen in ASEAN as a group. It is believed to have been a reflection of the economic slowdown of the member states in mid-1980s, as well as concern about intensifying regionalism in the West and the rapid growth in FDI in China. In 1987, to improve PTA, the Third ASEAN Summit agreed to increase the number of applicable items, to reduce the ASEAN content requirement in the rules of origin from 50% to 35% and to liberalize the non-ASEAN AIJVs from 49% to 60%. In 1988, ASEAN introduced the Brand-to-Brand Complementation (BBC) scheme to apply preferential tariffs to the complementation of auto parts among member states. In 1992, the Fourth ASEAN Summit resolved to establish the AFTA and to lower the tariff rates in stages to 0-5% by 2008 by means of theCEPT scheme. This was followed by the adoption of the Bogor Declaration in the APEC Summit in 1994 at the initiative of Indonesia. The declaration set the target of liberalizing and facilitating trade and investment by 2010 for industrialized countries and by 2020 for developing countries. In 1995, the Fifth ASEAN Summit decided to advance the target date for the actualization of AFTA to 2003. It also approved the framework agreements on services for liberalization in the services sector and on intellectual property cooperation and agreed to set up a Dispute Settlement Mechanism (DSM). In 1996, the ASEAN Economic Ministers (AEM)' meeting introduced the ASEAN Industrial Cooperation (AICO) scheme to apply reduced AFTA tariffs to the participating companies earlier than planned.

In the early 1990s, a growth triangle linking three sites, namely Singapore, Batam in Indonesia and Johor in Malaysia, was established. Following its success, arrangements to set up a north triangle of the Malaysia-Thailand border area, North Sumatra and Aceh in Indonesia and to establish the BIMP-EAGA, also known as the East Triangle, were reached among the countries concerned in 1993 and in 1994 respectively. Including the AMBDC, these were later defined as ASEAN growth areas.

During this period, ASEAN sought its own diplomatic role in the post Cold War and post Cambodian Conflict era. Based on the experience of the ASEAN PMC, the ASEAN Regional Forum was launched in 1994 for the aims of tackling the Chinese threat reflected in the territorial dispute in the South China Sea starting 1992 and building trust in broad-area security in the Asia Pacific region. ASEAN members also decided to convene official summit meetings every three years after the Fifth Summit in 1995 as well as informal summit meetings in other years so that a summit would be held every year. In 1996, the unofficial summit meeting confirmed a policy of ensuring that ASEAN would encompass the entire Southeast Asian region within the 20th century. It was followed by the accession of Viet Nam in 1995, Laos and Myanmar in 1997 and Cambodia in 1999. Initially scheduled in 1997, the Cambodian accession was postponed because of a political change.

(5) Asian economic crisis and accelerated integration

In 1997, the Asian economic crisis hit, right on the verge of the formation of ASEAN 10 covering the entire Southeast Asia and during a period in which the region was achieving growth of such rapidity as to attract worldwide attention. It sent ASEAN into a crisis in three senses. First, ASEAN nations had justified their authoritarian systems by achieving political stability and economic growth to challenge Western pressure for democratization. But in the wake of the economic turmoil, this Asian Way lost its cogency. Second, ASEAN lost its center of gravity as Indonesia's Suharto government-for 32 years a key locus of regional power-suddenly collapsed. And third, faced with their own crises ASEAN states were unable to adopt a concerted stance under the regional framework. As a result, ASEAN exposed a lack of competence.

Under these circumstances, it became fashionable to express pessimism over the regional organization of ASEAN.

Amid the economic crisis, the Second Informal Summit was held in December 1997 to adopt ASEAN's medium- and long-term strategy, entitled ASEAN Vision 2020. It stated that ASEAN would create an economic zone that would ensure the free flow of goods, services and investment and more liberal movement of capital by 2020 in accordance with open regionalism. The ASEAN members confirmed that they would continue to move forward with the integration process.

In the next year, 1998, the AEM ministers signed a framework agreement on the ASEAN Investment Area (AIA) for deregulating intra-regional direct investment. The ASEAN Summit in the same year concluded the Hanoi Plan of Action, the ASEAN Framework Agreement on the Facilitation of Goods in Transit for simplifying the formalities for transit transport and the ASEAN Framework Agreement on Mutual Recognition Agreements for harmonizing product standards and certification procedures. The Hanoi Plan of Action was an action plan in the first phase of the ASEAN Vision 2020 to cover the period until 2004. In 2000, the Fourth Informal Summit approved the IAI aimed at closing the disparities within the region and the e-ASEAN Framework Agreement for strategic use of information and communications technologies.

In 2003, the Seventh ASEAN Summit adopted the Declaration of ASEAN Concord II to strive for an ASEAN Community by building three pillars that constitute the community, namely political and security cooperation, economic cooperation, and socio-cultural cooperation. In 2004, the Tenth ASEAN Summit endorsed the second Action Plan for the period 2005-10 with a view to realizing the goal of the ASEAN Vision 2020 and the Declaration of ASEAN Concord II. In connection with the security community, it agreed to start preparations to draft an ASEAN Charter. As for the economic community, it confirmed that the past several initiatives would be fulfilled and decided to accelerate deregulation in 11 designated priority sectors including the services sector⁶². It also approved a strengthening of the DSM functions and establishment of the ADF. Plans of action were made for individual areas, such as small and medium enterprises and infrastructure. For the socio-cultural community, the focus would be on reducing poverty and human development with the aim of forming an equal and harmonious community consisting of different societies.

The review of ASEAN's recent history makes clear that the integration efforts have been gathering momentum in the economic area. For tariff liberalization, ASEAN unified the duty classification criteria, successively cut tariff rates ahead of schedule and reduced exempted items in stages. As of 2004, tariff rates of 5% and lower were applied to 97.5% of all items subject to tariffs in senior ASEAN member states. Traditionally, the CEPT was rarely used for intra-bloc trade. It had some significant exceptions such as auto components imported into Malaysia. It was subject to criticism, namely that the rules of origin requiring ASEAN content of at least 40% and the formalities relating to them would be an obstacle given that the CEPT was applicable to cases in which more than 40% of the value was added in the exporting country. However, the CEPT application ratio has been surging in Thailand and other countries in recent years⁶³. It will presumably be more convenient when it is applied to almost all items with few exceptions. The automotive items imported to Malaysia are now no longer exempt from the CEPT scheme. In future, the

⁶² In December 2005, the Eleventh ASEAN Summit agreed to basically liberalize trade in services in areas other than the 11 priority areas by 2015. It also decided to discuss the possibility of advancing the target date for the realization of the AEC to 2015. See ASEAN Secretariat (2005e).

⁶³ Japan External Trade Organization (JETRO) (2004) reveals that the CEPT was applied to 22.5% of Thailand's intra exports in 2003, up 250% from the preceding year. For reference, it was applied to nearly 8% of Malaysia's intra exports.

tariff rates will be subject to reduction. The formalities concerning the rules of origin were improved and a revision of the 40% criteria is currently underway⁶⁴. The standard and mutual recognition arrangements have been reportedly unified for 20 product groups⁶⁵. According to the plan of action on standard and mutual recognition arrangements, the number of products subject to the unified systems is set to be continuously increased.

The Declaration of ASEAN Concord II in 2003 called for a strengthening of integration in the areas of security and socio-cultural cooperation. With respect to security, the Vientiane Action Program mentioned the start of preparations for the ASEAN Charter. In 2005, the Eleventh ASEAN Summit set up an Eminent Persons Group to study the nature of the Charter and agreed that following the summit in 2006 work would start on the development of a draft of the Charter based on the recommendations submitted from the Group⁶⁶. The envisioned Charter is expected to transform ASEAN from a relatively loose organization into a more integrated body. The future is worth monitoring⁶⁷. In July 2005, the ASEAN foreign ministers' meeting is reported to have established a meeting of defense ministers, an ASEAN Co-ordinating Centre for Humanitarian Assistance on disaster management (AHA Centre) and an ASEAN Contact Group based in Jakarta, where the ASEAN Secretariat is located. The Contact Group was set up as a permanent liaison office for member states to supplement the Standing Committee, which had been regularly convened seven times a year with committee members traveling to the venue every time⁶⁸.

ASEAN was originally established as a loose confederation. It had no secretariat for the first ten years of its history. Member states are seen to be strongly reluctant to devolve the slightest portion of their sovereignty to the regional organization. In this sense, the original principle of regional cooperation as a means of pursuing national interests remains clearly intact. However, the summit meetings always perceived the functional reinforcement of the secretariat as one of its tasks. There presumably was some spillover effect of the past accumulation of functional cooperation. The position of the Secretary-General was upgraded and the functions of the ASEAN Secretariat were gradually strengthened. Given that the future deepening of integration, if realized, will be inseparable from an institutional enhancement of the regional organization, the Secretariat inevitably needs to be strengthened. It seems that this is well understood on the part of ASEAN. With regard to the future scheduled consideration of the Charter, whether or not to drastically upgrade the functions of the Secretariat is considered one of the key issues⁶⁹. ASEAN is now at a crossroads with respect to whether or not it will attain further institutional evolution to deepen its integration towards a community. The need to examine this situation is underpinned by the fact that other regional frameworks that may potentially compete with ASEAN are emerging. The next section of the report examines these regional initiatives.

⁶⁴ The Eleventh ASEAN Summit reached an agreement to establish and implement the ASEAN Single Window (ASW) to unify the different customs and trade procedures in individual member states (National Single Window) and to exchange information among them. It is speculated that it envisions future unification of regional procedures (ASEAN Secretariat (2005k)).

⁶⁵ ASEAN Secretariat (2005c)

⁶⁶ ASEAN Secretariat (2005j)

⁶⁷ The Kuala Lumpur Declaration on the Establishment of the ASEAN Charter stipulates that the Charter will confer a legal personality to ASEAN and determine the functions, develop areas of competence of key ASEAN bodies and their relationship with one another in the overall ASEAN structure.

⁶⁸ For details about the fact, see ASEAN Secretariat (2005d).

⁶⁹ In interviews with the ASEAN sections of the Philippine, Thai and Indonesian ministries of foreign affairs in March 2005, all affirmed that the functions of the Secretariat cannot be radically upgraded without establishing the ASEAN Charter.

3. Regional Initiatives Associated with ASEAN

(1) Overview

The regional initiatives associated with ASEAN member countries can be placed into one of three categories. The first category refers to those initiatives that functionally expand the membership from ASEAN in a concentric manner. This includes the ARF, the ASEAN PMC and even the sub-regional initiatives within the zone recognized under the ASEAN framework, such as the BIMP-EAGA. The second category is for those regional initiatives that are not necessarily led by ASEAN but that encompass all ASEAN member countries. APEC is an example. The third category is for those regional initiatives that may potentially compete with ASEAN, such as the Greater Mekong Sub-region (GMS). Table 3-10 lists major regional frameworks involving ASEAN member states based on this classification.

(2) ASEAN-driven initiatives

In this report, regional frameworks driven by ASEAN refer either to those frameworks that cover the whole ASEAN region and in which summit meetings are held only in ASEAN member countries⁷⁰ or to sub-regional initiatives under the ASEAN framework. The East Asia Summit was first held in December 2005. The decision was made that it would be held annually in conjunction with the ASEAN Summit and chaired by the country that holds the chairmanship of the ASEAN Summit. Individual participating countries in the East Asia Summit and ASEAN are working to conclude comprehensive economic partnership agreements in ASEAN Plus One (ASEAN+1) frameworks. A regional trade area that incorporates them may be formed in future but at the moment ASEAN acts as a node. As regards the ASEAN Plus Three (ASEAN+3) framework, not only the summit meeting but the meeting of major ministers and the functional ministerial meeting have already been institutionalized. If the FTA is established in accordance with the proposal from the East Asia Study Group composed of vice foreign ministers, it may stand as a wider-area regional framework subsuming ASEAN⁷¹. As discussed above, the ASEAN+3 framework institutionalizes the regional integration that is actually ongoing in practical terms. If ASEAN fails to further intensify its regional integration, this framework could become dominant while ASEAN may be forgotten. However, all of the summit meetings in the 2005 ASEAN+3 and ASEAN+1 frameworks as well as the East Asia Summit agreed to support ASEAN integration. The aspiration is that ASEAN will deepen its integration and will thereby play a leading role in regional integration. In some areas, particularly in the domain of currency and finance, cooperation is more active at the ASEAN+3 level, as in the Chiang Mai Initiative and the Asian Bond Markets Initiative (ABMI).

(3) ASEAN, China and India

It is China that has lately been rapidly expanding its relationship with ASEAN. And China is followed by India. These states are involved in the ASEAN+1 frameworks mentioned above. They are also members of the East Asia Summit. As is discussed in the section numbered (5), sub-regional relations are also being constructed. Their regional initiatives with ASEAN are multifaceted. The ASEAN-China and ASEAN-

⁷⁰ Sato (2003) argues that ASEAN is basically a regime of conference diplomacy and listed five characteristics. One is that ASEAN urges international meetings with outside parties to be hosted and chaired by ASEAN member countries. Another is that international meetings organized by ASEAN are used to strengthen cohesion and solidarity and as a basis for fostering intra-regional cooperation.

⁷¹ On the other hand, the chairman's statement and the declaration of the East Asia Summit position the meeting as a forum of top-down talks among leaders. It is presumed that further institutionalization by means of launching ministerial meetings, as in the ASEAN and ASEAN+3 frameworks, is not regarded as a goal to be met in the foreseeable future.

India relations are briefly reviewed.

China signed a comprehensive economic partnership agreement with ASEAN in 2003. As part of this partnership, an FTA agreement on goods was reached in November 2004 and has been in effect since July 2005. At the moment, the two parties are negotiating to liberalize service trade and investment. Their target is to achieve full implementation by 2010. A number of other agreements have been reached between China and ASEAN⁷². However, economic integration means an economic partnership among developing countries, which is, just like the AFTA, eligible for special rules applied to relations among developing nations. To estimate the effect of their economic collaboration, it is necessary to carefully examine the details of the development.

China has raised the level of its involvement in the GMS from the participation of the province of Yunnan to the participation of its head of government. China hosted the Second GMS Summit in July 2005 and the inaugural GMS environment ministerial meeting in May 2005. As mentioned later, institutionalization relating to the GMS is in progress.

India launched the Look-East policy in 1994 to gradually step up its involvement in East Asia. But unlike China, India has yet to become a member of the regional production and logistics network. Rather, it is building an institutional framework in preference to practical economic integration. If it is incorporated into the regional network after further economic liberalization and boosted FDI in this country, its regionalization in practical terms will proceed.

In an effort to create economic frameworks, India signed a framework agreement on comprehensive economic partnership with ASEAN in October 2003 with a view to attaining full enforcement in 2011⁷³. It also participated in the framework agreement on the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), a sub-regional framework that included Thailand and Myanmar, in February 2004. This arrangement provides for formation of a sub-regional free trade area.

(4) Frameworks subsuming ASEAN

The frameworks in this category include the Asia Europe Meeting (ASEM), the Asia Cooperation Dialogue (ACD) and the APEC. ASEM provides intercontinental talks between the EU and ASEAN+3, and the ACD brings together the members of ASEAN, the South Asian Association for Regional Cooperation (SAARC), the Gulf Cooperation Council (GCC) and the Shanghai Cooperation Organization (SCO) together. These two institutions serve as forums for talks rather than as bodies for regional integration. APEC is aimed at bolstering Pacific-Rim cooperation⁷⁴. It is said that the APEC framework lost its cohesive

⁷² Major documented agreements include (1) MOU (Memorandum of Understanding) on Transport Cooperation, Nov. 2004, (2) Framework Agreement on Comprehensive Economic Cooperation, Nov. 2002 (based on the Agreement on Trade in Goods, Nov. 2004, and the Agreement on Dispute Settlement Mechanism, Nov. 2004), (3) Joint Declaration on Strategic Partnership for Peace and Prosperity, Oct. 2003 (based on the Plan of Action to implement the Joint Declaration), (4) Joint Declaration on Cooperation in the field of Non-Traditional Security Issues, Nov. 2002 (based on the MOU on Cooperation in the field of Non-Traditional Security Issues, Jan. 2004), (5) MOU on Agriculture Cooperation Nov. 2002, and (6) Declaration on the Conduct of Parties in the South China Sea, Nov. 2002.

⁷³ Documented agreements between ASEAN and India include (1) ASEAN-India Partnership for Peace, Progress and Shared Prosperity, Nov. 2004 (based on the Plan of Action to implement ASEAN-India Partnership), (2) Framework Agreement on Comprehensive Economic Cooperation, Nov. 2003, and (3) Joint Declaration for Cooperation to Combat International Terrorism, Oct. 2003.

⁷⁴ 73 Seven ASEAN member countries participate in APEC. Cambodia, Myanmar and Laos are not APEC members. However, ASEAN is classified as a framework subsuming ASEAN rather than as a framework competing with ASEAN. This is for the following reasons: APEC has been freezing accession of new members for ten years since 1997 and is expected to accept new members after the freeze is lifted. APEC includes all major outside countries except India. The competition as described in the next section is unlikely to occur. Rather, ASEAN may sink into oblivion because of its incorporation into APEC.

power after the late 1990s, but in 1994 APEC issued the Bogor Declaration, committing itself to achieving trade liberalization by 2010 for developed nations and by 2020 for developing nations. This agreement was confirmed at the APEC Summit in Busan in 2005. These days, moves are afoot to create a free trade area covering East Asia and the Pacific Latin American states that are part of APEC⁷⁵. The USA is reinvigorating its relations with ASEAN and its member states. It should be noted that APEC is the sole regional framework in which Hong Kong and Taiwan (under the name of Chinese Taipei) participate.

(5) Frameworks potentially competing with ASEAN

The competition with ASEAN described here is in fact a mere latent possibility. It is understood as such given that FTAs are characterized in that their binding force over the policies of their member states is so poor that members can form new FTAs with non-members. However, unlike the ASEAN-driven initiatives and the frameworks subsuming ASEAN, such FTAs are formed by some of the ASEAN nations in collaboration with non-members. Consequently, ASEAN may be marginalized somewhat in two aspects. The first concerns potential competition among regional frameworks. The AFTA, proposed by ASEAN, and the China-ASEAN Comprehensive Economic Partnership are both RTAs at the FTA level. To the countries involved in both frameworks, ASEAN integration still seems the more intense at the moment. If the GMS proceeds with institutionalization at the same pace as in the past few years⁷⁶, the two regional frameworks will be comparable with each other. As integration intensifies, they will face mounting pressure to increase their cohesive force⁷⁷. The same thing could happen to the BIMSTEC in future⁷⁸.

Another possibility for marginalization is that ASEAN countries may act as a hub for numerous FTAs. For example, Thailand is involved in several regional frameworks and several bilateral FTAs. Any country like this will compare the advantage of playing the hub role with the deepening of ASEAN integration. And if it finds the hub role more beneficial, the action to deepen ASEAN integration could be deemed less significant.

Few countries that belong to any CU form an FTA with a non-member state independently and not as part of the union⁷⁹. This is possibly a reflection of the limited leeway in external policy of member states. This restraint augments as integration deepens. As ASEAN proceeds with intensification of its integration, the relationship with other regional frameworks of member countries will be questioned.

(6) Competition among regional frameworks

The foregoing review placed the regional frameworks into several groups, including the ASEAN-driven initiatives and those subsuming ASEAN. Among these frameworks, the ASEAN+1 frameworks alone have actually developed into FTA negotiations. It is hence unlikely at the current stage that ASEAN

⁷⁵ They include such schemes for bilateral RTAs as listed in Table 3-10 as well as an action involving four nations, like the Trans-Pacific Strategic Economic Partnership.

⁷⁶ Ministerial and summit meetings are now held regularly. In 2004, a framework agreement for facilitating the movement of people and goods was concluded. As part of tangible integration of the agreement, one-stop customs inspection is being introduced on a trial basis. ASEAN also envisions introducing one-stop cross-border formalities in an enhanced style. See Limpongpan (2005).

⁷⁷ However, it may serve as a step for bolstered economic ties between ASEAN and China provided that other ASEAN nations accept the achievements of the GMS.

⁷⁸ According to media reports, an FTA on goods will be established in July 2006 at the earliest.

⁷⁹ Such exceptional countries include Costa Rica and Peru. Costa Rica, a member of the CACM, signed an FTA with Canada. Peru, a member of the Comunidad Andina de Naciones (CAN), signed an FTA with several states. JETRO (2005) reveals Peru's delay in applying the CAN common tariff.

will be really forgotten. However, it is highly likely that various types of cooperation will be strengthened in the ASEAN+3 framework given that it means to giving the practically ongoing regionalization a formal status. It is impossible to deny the possibility that ASEAN will be forgotten if it fails to evolve into a leading regional integration body.

In the context of competition, the two outlooks mentioned above may both be real issues. ASEAN's own integration has an aspect of regional cooperation for the purpose of pursuing national interests. If it does not increase the benefits that the member countries reap from the integration body or continuously improve the distribution of the advantage produced by the integration, member states may leave ASEAN for a different platform, especially given the competition among different regional frameworks. A rivalry among bloc frameworks is recognized in this sense. To sustain the integration, it is necessary to increase its normative features, to further deepen the integration and to better distribute its benefits. In the framework agreement on services trade in 2004, ASEAN adopted the ASEAN-X formula⁸⁰. This allows an arrangement among a few countries, which has failed to obtain unanimous approval, to implement the liberalization of services trade earlier than the target year of liberalization. Endorsed in the same year, the framework agreement concerning the 11 priority sectors subject to liberalization also prescribes that the ASEAN-X formula will be employed to bolster the liberalization of trade in services and investment. The recent acceleration of ASEAN's integration efforts must be understood in the context of the race among regional frameworks as well. This contest is presumed to increase the speed of economic deregulation in the region and to push other regional frameworks to boost economic liberalization.

In any case, ASEAN now stands at a crossroads in this respect as well, as to whether it will further intensify its integration to differentiate itself from other regional frameworks or plunge into oblivion.

4. ASEAN's Regional Organizations

(1) Decision-making mechanism

Granted the foregoing discussion, an understanding of the mechanisms of ASEAN and its secretariat is crucial to the study of future developments of ASEAN. This section discusses the present state of these organizations.

Referring to Fig. 3-6, we review the overall structure of ASEAN.

ASEAN Summit: ASEAN's supreme decision-making body. It was first convened in 1976, nine years after the launch of ASEAN. At first, it met on a non-regular basis. Since 1995, it has been held every year. Until 2001, there were formal summit meetings every three years and informal meetings in other years. From 2001 onwards, there is no longer any distinction between formal and informal meetings.

ASEAN Ministerial Meeting (AMM): It is the sole ministerial meeting established by the Bangkok Declaration. It is defined as the highest of all the ministerial-level meetings. It formulates policy guidelines and coordinates various activities. The foreign minister of the chair country chairs the Standing Committee.

ASEAN Economic Ministers (AEM)' meeting: First held in 1975, it has been institutionalized since 1977. Coordinating and implementing economic cooperation, it is responsible for the AFTA Council, AIA Council and the DSM.

⁸⁰ The ASEAN-X formula means that some of the ten ASEAN member countries are excluded from participation. ("X" represents the number of countries excluded.) This formula allows some advanced projects to be implemented with the agreement of some member states and not the consensus of all ten members.

Different ministerial meetings: ASEAN has a total of 20 meetings of different ministers at the moment. Until recently, there had been 19 such meetings including the AEM and the ASEAN Finance Ministers' Meeting (AFMM). Lately, the ASEAN Defense Ministers' meeting was added as the 20th such meeting.

ASEAN Standing Committee (ASC): The ASC is chaired in yearly rotation by the foreign minister of the AMM chairing country. It consists of the secretary-general of ASEAN, the ASEAN National Secretariats and others. It is in charge of operating ASEAN until the next AMM. There are around seven ASC meetings per year.

Senior Officials' Meeting (SOM): These are working-level talks joined by senior officials at the director-general level. At the moment, there are 29 meetings of this kind, including the senior foreign officials' meeting and Senior Economic Officials' Meeting (SEOM). Under the SOM, there are a total of 122 technical working groups. These are responsible for creating plans of action for separate sectors in connection and accordance with the formulation of overall medium-term plans like the Vientiane Action Program.

(2) ASEAN Secretariat

Establishment of the ASEAN Secretariat (see Fig. 3-7) was approved at the First ASEAN Summit in 1976. In 1992, the AMM decided to expand the functions and responsibilities of the Secretariat. The post of the Secretary-General was then upgraded to the ministerial level and the Secretariat staff was increased. Under the control of the AMM, it has a secretary-general, two deputy secretaries-general, four bureaus, one office and two units. Its personnel consist of 45 international staff and nearly 135 local staff. With the exception of the Secretary-General, all personnel are employed from among those nationals of ASEAN member countries who submit voluntary applications⁸¹. The Secretariat is so understaffed for its workload that its functions are limited in this respect as well. Expansion of its authority is stressed at summit and other meetings but it is by no means a supranational organization. As for its tasks and assignments, it prepares three-year plans on ASEAN cooperation, seeks approval from the summits, monitors the implementation of the plans and submits recommendations to the Standing Committee as necessary. It also conducts surveys in accordance with the needs of different conferences. It formulates, carries out, coordinates and controls plans on approved technical cooperation activities. It acts as a secretariat of the summit, ministerial and other meetings. And it is in charge of archiving ASEAN's official documents. The Secretariat is engaged chiefly in monitoring, coordinating and secretarial functions. And it undertakes part of the investigative and enforcement tasks. In line with the upgrade of ASEAN's activities, the Secretariat has set up a Special Program Unit for security cooperation to tackle cross-border crimes and other issues, the IAI Unit and a department responsible for dispute settlement. Its budget is of unknown size, but it barely covers personnel costs, the cost of organizing different meetings and travel costs⁸². It is thought that other expenses are covered by several funds separately instituted outside ASEAN's regular budget.

Cooperation with outside donors: There are two types of cooperation with outside donors. The first is the setup of funds and the second is direct implementation of cooperation projects. Japan is the top donor in the creation of funds. Japan has been involved in setting up a total of four funds⁸³; Republic of Korea two

⁸¹ JICA (2005)

⁸² Information supplied from the Secretariat in an interview in March 2005.

⁸³ The three funds include the Japan-ASEAN General Exchange Fund (JAGEF) for strengthening the ASEAN organization and for the IAI, the Japan-ASEAN Exchange Projects (JAEP) for supporting ASEAN studies and the Japan-ASEAN Financial Technical Assistance (JAFTA) fund for helping to develop the ABM.

funds; and China, India and Pakistan one fund each⁸⁴. The direct cooperation is considered an ASEAN project, in which the Secretariat works together with donors. Some examples of this cooperation are as follows. The EU offered technical assistance and cooperation in human resources development in the ASEAN-EU Program for Regional Integration Support (APRIS). Australia conducted a background survey for varied long-term projects in the ASEAN-Australia Development Cooperation Program (AADCP). The United Nations Development Program (UNDP) carried out research into strengthening regional integration and offered assistance in strengthening dialogs through partners' facilities. The World Bank offered training assistance with the use of video conferencing. The USA dispatched experts to the Secretariat. Australia has set up a program office on the premises of the ASEAN Secretariat. Cooperation offered by Japan through JICA includes the assistance in introducing the ASEAN's system for ex-post customs valuation with the Indonesian Ministry of Finance and the support for ASEAN's higher education in engineering, Southeast Engineering Education Development Network (SEED-Net), with the ASEAN University Network (AUN), which is one of ASEAN-related facilities.

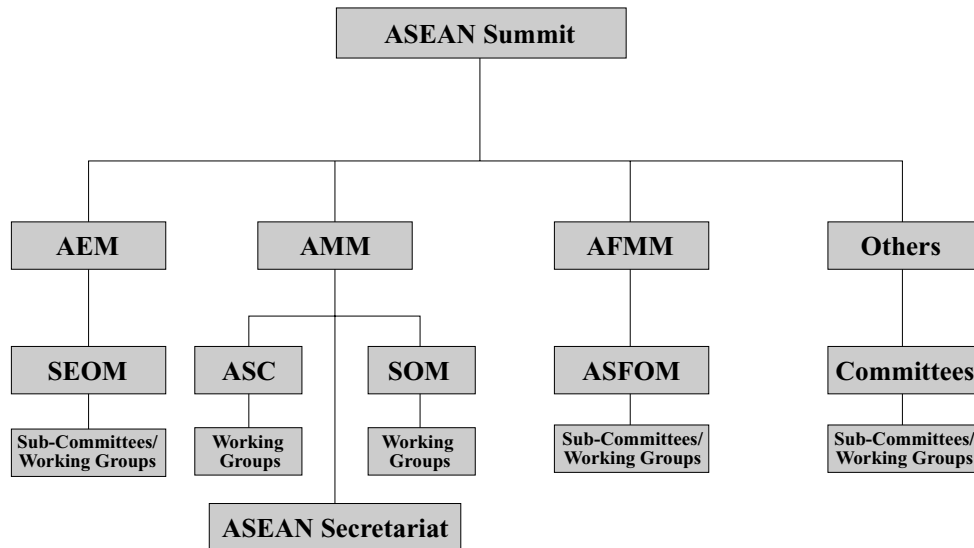
⁸⁴ Information supplied from the Secretariat in an interview.

Table 3-10 Major regional frameworks associated with ASEAN

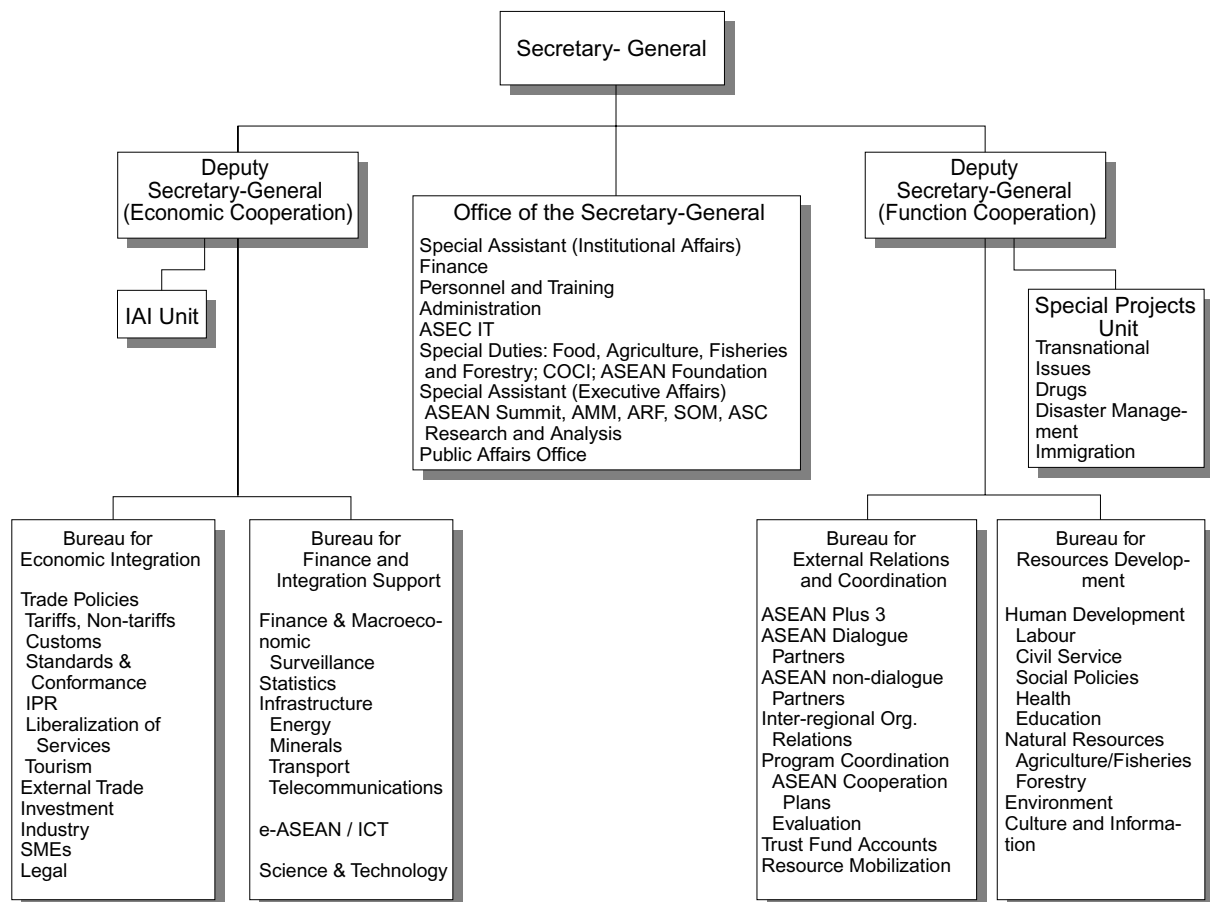
Framework	Founded	Descriptions	Members
ASEAN-driven initiatives			
ASEAN PMC ^{*1}	1978	A diplomatic opportunity to exchange views	ASEAN, Japan, the USA, Australia, New Zealand, the EU, Canada, the Republic of Korea, India, China and Russia
ARF ^{*2}	1994	The sole opportunity for talks on security in the Asia-Pacific region	ASEAN PMC members, North Korea, Mongolia, Pakistan and PNG
East Asia Summit	2005	First held in 2005 (objectives to be determined in future)	ASEAN plus Japan, China, the Republic of Korea, Australia, New Zealand and India
ASEAN + 3	1997	Aimed at strengthening intra-regional cooperation (summit and ministerial meetings institutionalized)	ASEAN plus Japan, China and the Republic of Korea
China-ASEAN Comprehensive Economic Partnership	2010	FTA on goods in effect since 2005	ASEAN plus China
Republic of Korea-ASEAN Comprehensive Economic Partnership	2009	Framework agreement reached; negotiations underway	ASEAN plus the Republic of Korea
India-ASEAN Comprehensive Economic Partnership	2011	Framework agreement reached; negotiations underway	ASEAN plus India
Japan-ASEAN Comprehensive Economic Partnership	2012	Framework agreement reached; negotiations underway	ASEAN plus Japan
CER ^{*3} -ASEAN Comprehensive Economic Partnership		Negotiation underway	ASEAN plus Australia and New Zealand
AMBDC ^{*4}	1996	ASEAN-led development in basin countries at the initiative of Malaysia	ASEAN plus China
ASEAN growth areas			
IMS-GT ^{*5}	1989	Border area of three countries	Indonesia, Malaysia and Singapore
BIMP-EAGA	1994	Border area of four countries	Brunei Darussalam, Indonesia, Malaysia and the Philippines
IMT-GT ^{*6}	1994	Border area of three countries	Indonesia, Malaysia and Thailand
WEC ^{*7}	1998	Development of the West-East Corridor in the AMBDC framework	Cambodia, Laos, Thailand and Viet Nam
MRC ^{*8}	1995	Sustained development in the basin	Cambodia, Laos, Thailand and Viet Nam
ACMECS ^{*9}	2003	At Thailand's initiative	Cambodia, Laos, Myanmar, Thailand and Viet Nam
CLV Development Triangle	2004	Presumably at Viet Nam's initiative	Cambodia, Laos and Viet Nam
Frameworks subsuming ASEAN			
APEC ^{*10}	1989	Trade to be liberalized among developed states in the region by 2010 and among developing nations by 2020	ASEAN 7 states, Japan, China, the Republic of Korea, Hong Kong, Taiwan, Russia, Australia, New Zealand, the PNG, the USA, Canada, Mexico, Chile and Peru
ASEM ^{*11}	1996	Dialogues between Asia and Europe	Asia: ASEAN plus Japan, China and the Republic of Korea Europe: The EU and its 25 member states
ACD ^{*12}	2002	Dialogues between Asia and the Middle East at the initiative of Thailand	ASEAN, Japan, China, the Republic of Korea, GCC states, SAARC states excluding the Maldives, Russia, Iran and Kazakhstan
Frameworks potentially competing with ASEAN			
GMS ^{*13}	1992	At the ADB's initiative. Summit meetings regularized and the framework agreement for eased movement of labor and goods reached	Cambodia, Laos, Myanmar, Thailand, Viet Nam and China
BIMSTEC ^{*14}	1997	Aiming to sign the FTA in 2017, with the framework agreement already executed	Myanmar, Thailand and SAARC states excluding the Maldives
GMC ^{*15}	2000	Aimed at boosting cooperation in trade and investment, centered mainly in four areas: tourism, human resources development, culture and transport and communications	CLMV states, India and Thailand
Trans-Pacific Strategic Economic Partnership	2006	FTA reached in 2005 and enforced in 2006	Brunei Darussalam, Singapore, New Zealand and Chile
Asia Pacific Trade Agreement	1975	At the ESCAP's ^{*16} initiative. Preferential tariffs applied to member states. Formerly the Bangkok Agreement	Bangladesh, China, India, the Republic of Korea, Laos and Sri Lanka
Bilateral RTAs			
Indonesia		Negotiation underway with Japan and Pakistan	
Malaysia		Agreement reached with Japan; negotiations underway with Australia, New Zealand and Pakistan	
Philippines		Basic agreement reached with Japan; negotiations underway with the Republic of Korea and Taiwan	
Singapore		Agreement in effect with Japan, the USA, Australia and EFTA ^{*17} ; agreement reached with Jordan, India and the Republic of Korea; negotiations underway with Canada, Mexico, Kuwait, Qatar, Panama, Pakistan and Peru	
Thailand		Agreement in effect with Australia; agreement reached with New Zealand; basic agreement reached with Japan, framework agreement reached with India, Peru and Bahrain; negotiations underway with the USA	

Notes: ^{*1} ASEAN Post Ministerial Conference^{*2} ASEAN Regional Forum^{*3} Australia New Zealand Closer Economic Relations^{*4} ASEAN Mekong Basin Development Cooperation^{*5} Indonesia Malaysia Singapore Growth Triangle^{*6} Indonesia Malaysia Thailand Growth Triangle^{*7} West-East Corridor^{*8} Mekong River Commission^{*9} Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy^{*10} Asia Pacific Economic Cooperation^{*11} Asia Europe Meeting^{*12} Asia Cooperation Dialogue^{*13} Greater Mekong Sub-region^{*14} Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation^{*15} Ganges-Mekong Cooperation^{*16} United Nations Economic and Social Commission for Asia and the Pacific^{*17} European Free Trade Association

Source: Created by the Secretariat.

Figure 3-6 ASEAN's organizational structure

Source: ASEAN Secretariat Website.

Figure 3-7 Organizational structure of ASEAN Secretariat

Source: ASEAN Secretariat Website.

Chapter IV Direction of Cooperation

1. Japan's Initiatives for Cooperation with ASEAN

ASEAN covers a region that is significant to Japan. Japan's initiatives for ASEAN cooperation date back to as early as 1977, when the then prime minister, Takeo FUKUDA, announced what became known as the Fukuda Doctrine. After the Asian economic crisis in 1997, the following development-related initiatives were announced by successive prime ministers. This report briefly reviews these initiatives as follows, as a reference for studying the direction of future cooperation.

Japan-ASEAN Cooperation for the 21st Century (Hashimoto Initiative): in the unofficial Japan-ASEAN summit meeting in 1997

- Cooperation for currency and financial stability.
- Cooperation for ASEAN's economic structural reform and its stable and sustainable development (human resources development, infrastructure building and small and medium businesses and supporting industries development).
- Concerted efforts to address issues facing the international community (South-South Cooperation, environmental preservation, energy conservation, enhancement in welfare and health and measures against international organized crimes including terrorism and drugs).

Obuchi Plan: in the ASEAN+1 Summit Meeting in 1999

- Human resources development in East Asia.
- Continued support for the socially disadvantaged.
- Cooperation for development of ASEAN (assistance for the Hanoi Plan of Action, cooperation for correcting the internal gaps in the region and cooperation for upgrading the organizational functions of ASEAN).
- Cooperation for strengthening the foundations for economic rehabilitation and for compatibility with the information age (cultivation of small and midsize businesses and supporting industries, trade and investment, cultivation of industrial personnel and information and communications infrastructure).
- Piracy issues.

Specific Cooperation for Stronger Japan-ASEAN partnership (by Prime Minister Yoshiro MORI): in the ASEAN+1 Summit Meeting in 2000

- Equal partnership between Japan and ASEAN in a globalized international community (information and communications).
- Strengthening Japan-ASEAN relations (support for overseas students and trade and investment).
- Disparity between old and new ASEAN members and Japan's assistance (development of the Mekong River basin).

Japan's New Initiatives (by Prime Minister Junichiro KOIZUMI): in the Japan-ASEAN Commemorative Summit Meeting in 2003

- Focus on ASEAN in Japan's ODA policy.
- Three priority areas in the Japan-ASEAN cooperation:
 - Cooperation in reinforcing ASEAN integration (narrowing the gap and improving infrastructure).
 - Cooperation in enhancing economic competitiveness of ASEAN members including investment promotion, assistance in bilateral EPAs, human resources development and institutional capacity building).
 - Cooperation for addressing terrorism, piracy and other transnational issues.
- Total Plan for Human Resource Development.
- Mekong Region Development.

Prime Minister KOIZUMI announced his initiatives mentioned above in the Japan-ASEAN Commemorative Summit Meeting, which was the first such meeting held outside the ASEAN zone. They declared that Japan would unrelentingly attach great importance to ASEAN and that the country would extend its sincere and open partnership with ASEAN to “act together and advance together” in the new era. The Commemorative Summit Meeting published the Tokyo Declaration as well as the Japan-ASEAN Plan of Action, outlined in the box below, as an attachment to the Declaration. Given that the Plan of Action was adopted at the historic meeting as a compilation of the past several initiatives, that it includes some new initiatives such as comprehensive economic partnership and that it was proposed with the agreement of both sides⁸⁵, it is considered to serve as a very significant guideline to future policies⁸⁶.

Main points of the Japan-ASEAN Plan of Action
<p>(1) Reinforcing comprehensive economic partnership and financial and monetary cooperation</p> <ul style="list-style-type: none"> - Expedite the realization of the bilateral EPAs. - Implement the measures outlined in the Framework for Comprehensive Economic Partnership¹. - Cultivate a regional bond market and support the issuance of Asian currencies denominated bonds. - Cooperate in the transport sector, including facilitating or improving cargo, transportation infrastructure and logistics. - Invigorate information distribution. <p>(2) Strengthening the foundation for economic development and prosperity</p> <ul style="list-style-type: none"> - Support for realization of the IAI, Mekong Region Development and BIMP-EAGA. - Industrial human resources development (in ICT, automobile, electronics and other fields) and training on technical skills and management know-how. - Energy security and food security. <p>(3) Strengthening political and security cooperation and partnership</p> <ul style="list-style-type: none"> - Hold meetings of high-level officials and set up a team of experts in 2004. - Exchange programs and joint research in the defense and security fields. - Launch a joint meeting on counter-terrorism and develop human resources to enhance the capacity to combat terrorism. - Intensify efforts to combat people smuggling, illicit drug problem and piracy. - Promote cooperation among coast guards and competent authorities. <p>(4) Promoting Human Resource Development, exchanges and social and cultural cooperation</p> <ul style="list-style-type: none"> - Expand access to basic education. - Establish the Japan-Malaysia International University of Technology. - Support ASEAN students to study in Japan and encourage Japanese students to study in ASEAN member countries. - Enrich Japanese language education. - Provide information on entry into Japanese universities and hold the Examination for Japanese University Admission in ASEAN member countries. - Host 10,000 ASEAN youths, including students, over the next five years. - Make the environment more conducive for the stay of students from ASEAN member countries in Japan. - Promote exchange among villages, municipalities and cities. - Promote exchange programs for academics. - Cooperate in the preservation and restoration of tangible and intangible cultural heritage.

⁸⁵ In the interview with the ASEAN Secretariat in March 2005, the Secretariat expressed its hopes that this Plan of Action will actually be implemented and that it will associate this Plan of Action with the progress in the Vientiane Action Program.

⁸⁶ The Japan-ASEAN Summit Meeting in 2005 reconfirmed that the Japan-ASEAN Plan of Action would be given great importance (ASEAN Secretariat (2005i)).

- Promote cooperation in information dissemination and public relations communication, including the exchange of journalists.

(5) Deepening East Asia Cooperation

- Expedite the implementation of the 17 short-term measures recommended by the East Asia Study Group⁸² before 2006.
- Feasibility studies on medium- and long-term measures such as the establishment of the East Asia Free Trade Area.

(6) Cooperation in addressing global issues

- Promote human security.
- Support the efforts to control infectious diseases.
- Collaborate in protecting the environment.
- Advance the multilateral trade system (Doha Development Agenda).
- Cooperate in strengthening of the UN, disaster reduction, South-South Cooperation, protection of human rights and poverty alleviation.

Note ⁸¹: The Framework for Comprehensive Economic Partnership between Japan and ASEAN was signed by the leaders of Japan and the ASEAN member states in Bali, Indonesia on October 8, 2003.

⁸²: Composed of vice foreign ministers and equivalents from ASEAN+3 (Japan, China and Republic of Korea), East Asia Study Group submitted a report recommending 26 concrete measures to be implemented within the framework of the ASEAN+3 cooperation to the ASEAN+3 Summit Meeting in Phnom Penh, Cambodia on November 4, 2002. The 26 measures consist of 17 short-term measures as well as nine medium- and long-term measures, including the establishment of the East Asia Free Trade Area.

The Framework for Comprehensive Economic Partnership between the Association of Southeast Asian Nations and Japan⁸⁷ includes some areas of cooperation listed in the box below. In these areas, cooperation is not necessarily to be based on ODA.

Areas of cooperation relating to economic partnership

- Establishment and appropriate implementation of systems for facilitating and encouraging trade and investment.
- Protection of intellectual property rights:
 - Protection of intellectual property rights.
 - Standard certification.
 - Increase in logistical efficiency and transport safety.
 - Simplification and harmonization of trade procedures such as customs formalities.
 - Competition policies.
- Cultivation of industrial human resources.
- Support for small and medium enterprises.
- Environmental conservation including CDM.
- Infrastructure, legal system and human resources development in ICT.
- Financial and other services sector.
- Energy security.
- Food security and safety.
- Science and technology.

Basically, these areas are covered by the Japan-ASEAN Plan of Action and by Japan's New Initiatives. Japan has already reached bilateral economic partnership agreement with Malaysia, and agreements in principle with the Philippines and Thailand. Prompt action is required for the bilateral partnerships.

⁸⁷ Framework for Comprehensive Economic Partnership Between the Association of Southeast Asian Nations and Japan.

2. Direction of Assistance

(1) Basic position

In the preceding section, this report noted that there has been an international trend towards regional integration and that the regional integration implemented in consistency with the WTO is today a key development challenge that benefits developing nations. In the East Asian region, a certain paradigm of the economic system suggested in the conventional economic development pattern is becoming obsolete. On the other hand, the attempt to establish an East Asian community is evolving into a realistic policy. This report also argues that the forerunning integration body, namely ASEAN, has a certain level of bargaining power to play an intermediary role as a hub of East Asian cooperation in this environment and that the regional system adopted in the area has significance as a referential framework or a precursory example to the debate over integration in the East Asian region.

East Asia, including ASEAN and especially senior ASEAN members, actually sees an economic integration underway, centered on intra-industrial trading in machinery industry. The bandwagoning towards regional trade agreements⁸⁸ serves to further accelerate regionalization in the respect of policies and institutions.

In other words, support for ASEAN integration is important in two senses. First, it vitalizes trade and investment and narrows the gap to contribute to the development of ASEAN states. Second, its achievement is spread broadly across East Asia through boosted trade and investment and institutionalized cooperation in the region. As the premise of these discussions, it is imperative for the East Asian region that ASEAN retain a sense of unity as a regional integration entity and attain political and economic stability, which helps make the East Asian area politically and economically settled.

(2) Regional cooperation, combating global challenges and assistance to ASEAN member countries

1) Classification of cooperation to multiple countries

In the context of the above discussion, assistance in ASEAN integration has a positive spillover effect on the area outside the ASEAN zone and a sense of backing the establishment of regional public goods that supports the development of member countries in the zone. This is support for building a regional mechanism in which developing countries make collective self-help efforts. Assistance in addressing such questions as counter-terrorism and environmental conservation can be seen as a kind of global offering of international public goods or its regional application.

In light of these points, the cooperation to multiple countries can be divided into two types depending on the challenge to be addressed: the first is cooperation to undertake regional challenges and the second is a regional response to global issues. Each type of cooperation is assessed below⁸⁹.

2) Regional cooperation

In this section, regional cooperation is defined as cooperation aimed at achieving ASEAN's regional objectives. According to this definition, regional cooperation is analogous to support for regional integration. This is because it is regional integration that ten ASEAN members have all agreed

⁸⁸ Oyane (2004)

⁸⁹ It is possible to offer support to multiple countries for the purpose of ensuring effective and efficient implementation of the assistance rather than for addressing the challenge of supplying regional and international public goods. This report suggests that this type of cooperation should be separately classified as broad-area cooperation in Chapter VI.

to work for as a common regional goal. This type of cooperation contributes to provision of regional public goods. Granted that ASEAN defines the ASEAN community as consisting of a security community, an economic community and a socio-cultural community and that the following section numbered (3) refers to regional cooperation as support for fulfilling the requirements for deepened and sustained integration, regional cooperation fundamentally encompasses very broad areas.

3) Cooperation in addressing transnational issues

Naturally, fundamental agreements on joint efforts among all ASEAN states include more extensive agreements that encompass ASEAN members, such as those reached at the level of the UN or the ASEAN+3 framework. As argued in the preceding chapter, ASEAN+3 and other frameworks are placed in the category of regional cooperation as defined in this context, given it is ASEAN that takes the initiative. On the other hand, regional responses to global challenges, like consensus formed in the UN, are not necessarily uniquely identical although there are some such targets that are incorporated into the objectives in regional integration and that should be tackled by regional cooperation. In view of the global nature of the issues, fundamental agreements are already in place for most countries. We should consider the most favorable regional framework or geographical scope based on the specific quality of individual issues. Japan emphasizes this task in the ODA Charter, describing it as a global issue. It is necessary to study the regional framework best suited to attain this target. This is more evident in the event of studying specific support. Take for instance the action to combat haze from among efforts for environmental preservation. In this example, the support and cooperation will target specifically the area centered on Indonesia, and will also include other afflicted countries, namely Malaysia, Singapore and Brunei Darussalam. Or if assistance is offered to help establish ASEAN's environmental standards, it is necessary to study it as a case of regional cooperation for the entire ASEAN area. For environmental conservation in the Mekong river basin, it would be effective to envision a framework that encompasses Indochinese countries and the Chinese province of Yunnan. It is speculated that the Indochina region has numerous regional frameworks possibly because of the intention to form a structure with the highest possible effectiveness according to the nature of the question addressed. To meet a general objective of raising awareness about the environment, it is possible to call for applications from across the Asia-Pacific region to provide cooperation. Depending on the situation, assistance in the construction of a regional disaster control system may be directed towards countries on the Indian Ocean. Or it is conceivable to help create ASEAN's disaster control system instead. Within the category of cooperation in tackling non-traditional security challenges, cooperation in anti-piracy action would mainly cover Indonesia, Malaysia, the Philippines and Singapore. For assistance in anti-drug action, it will be necessary to think about covering not only the ASEAN area but China as well. Even with a fundamental agreement, some countries may be negative about specific cooperation schemes. When the donor's side aims to ensure that a global issue is regionally addressed, it may offer its aid to the entire ASEAN region in the form of regional cooperation or it may limit the destination of its assistance to a smaller geographical area or even think of offering broader-area cooperation depending on the specific issue to address. It is essential to define the most favorable geographical scope to produce the effect. All these types of cooperation are collectively referred to as cooperation in addressing transnational issues. Even when they engage in ASEAN or only part of it, aid officials must always examine the cooperation from these perspectives.

4) Interrelationship of multilateral cooperation programs and bilateral assistance

The Japanese ODA programs run by JICA have in principle taken the form of bilateral cooperation. They were run in the framework of bilateral cooperation to meet needs peculiar to individual beneficiary states or to tackle what is referred to as transnational challenges in the section. In many cases, however, it may be preferable to offer cooperation to address transnational questions by regarding multiple countries as a single destination compared to providing bilateral cooperation. It is implied in the expression of “transnational.” It is presumed that it will help better maintain the perspective of human security. Granted the existence of regional integration, it is necessary to invariably pay attention to the relationship between regional integration and cooperation in addressing problems peculiar to individual countries and in realizing global goals even in the event of offering such cooperation. This is well reflected in the history of JARCOM, which is explained in Chapter VI. At first, it was an opportunity in which opinions were exchanged among senior ASEAN members learning from the achievements and experiences of Third-country Training. At that stage, the Third-country Training program covers not only other ASEAN member states but also countries located in other parts of the planet. Later, it was reorganized as a meeting of ASEAN countries including the CLMV countries, which would receive the training. It has thus evolved into an opportunity of considering regional cooperation⁹⁰.

How can we perceive the relationship between ordinary bilateral cooperation and regional cooperation? Take the efforts to combat poverty for example. ASEAN is committed to achieving its own MDGs. As is discussed in the following section numbered (3), it needs to work towards these goals for the sake of regional integration in the sense that it would be difficult to sustain the move towards integration if its benefits were unequally distributed. In this respect, support for efforts made by individual countries to reduce poverty constitutes part of regional cooperation in a broad sense. But from a more profound perspective, it will play a greater role in contributing to regional integration if the assistance in anti-poverty action in a country takes place in a sub-regional cooperation target area. This example shows that many of the existing bilateral cooperation programs operated in different countries and existing cooperation programs targeting multiple states may be seen as components that produce a positive effect on regional integration in a broad sense. It means that this kind of cooperation may contribute to regional integration and to the provision of regional public goods provided that they are associated with regional challenges and that their target countries are qualified. The same goes for transnational issues. Many international agreements are recognized by ASEAN. Many such issues are also perceived and addressed as regional issues. When setting out a cooperation project for a country, aid officials need to study the level of priority in the country and in the region as well as global issues to ensure that they develop an optimal aid program.

(3) Supporting deeper integration and the conditions for sustained integration

So what does it mean to support ASEAN integration? This question will be considered from two perspectives. The first perspective is encouraging a deepening integration, while the second is meeting the requirements for sustained integration. Deepening integration means institutionalizing regional integration to facilitate the free movement of people, goods, money and information and a stronger policy coordination mechanism. It also means progress in establishing the foundation for institutionalization. It includes development of infrastructure and an increase in capacity. Deepening integration does not necessarily refer solely to policies and systems relating to trade and investment. It does encompass regional systems that will help ensure security, foster environmental conservation, push for democratization and strengthen human

⁹⁰ Precisely, the JARCOM member states include East Timor.

rights protection as well as development of domestic foundations for these purposes. What is vital in introducing these systems is to devise systems of the highest possible quality. It is important to domestic institutional reforms, to regional development and to wider-area cooperation alike. This is a task of ASEAN, which acts as an intermediary or a hub. Japan is able to play a significant role in this aspect of support.

Meanwhile, satisfying the conditions for integration primarily means narrowing the disparities that lie within the region. This, however, does not refer only to the gap between the senior ASEAN members and late-joining members. Of course, it is important for them to catch up with the front-running members. But if integration were to broaden domestic disparities, or in other words, if the deregulation of trade and investment were to give rise to a situation where benefits of integration are concentrated in limited districts or levels of the society while the cost of integration is imputed to the rest of the region or the society that is unable to reap its benefits, domestic support would be undermined, making it difficult for countries to remain part of the integration process. It follows, then, that it is of prime importance to endeavor to redress regional disparities in individual countries, to deal with the gap among social classes as typically seen in the poverty issue and to run the initiatives directed at transnational poverty zones that can be facilitated by a regional framework. We do, however, need to note that the initiative for regional integration itself is an attempt to mitigate the impact of globalization on individual countries under the regional system.

Without doubt, these two perspectives are relative. As discussed above in this report, in a case in which there is any competition among different regional frameworks, integration could make no progress. If another regional body were to take powerful steps towards unification to increase its appeal, member states could potentially move over to the new body and the integration process could stall. That is to say, when multifarious bodies compete, strengthening integration is an essential component in sustaining the process. If intra-regional disparities are not remedied, some member states may be unable to keep pace with the developing systems. In this case, meeting conditions for ongoing integration will be essential to intensifying integration.

(4) Support for ASEAN and human security

The ODA Charter states that Japan emphasizes support for self-help and the perspective of human security in its basic assistance policy. What will it be like to offer support to the ASEAN region in line with the human security approach? Human security refers to a principle in favor of strengthening the fight against threats to human existence, life and dignity. It is defined that the most important thing in providing human security is to ensure the freedom of individuals and their abundant potential for leading creative and valuable lives⁹¹. And this principle suggests that, to attain human security, it is essential to create a system in which people, enjoying protection and supported by skill development, are capable of fully exerting their potential⁹².

When we focus on regional integration and on multi-country action to combat threats to human existence, life and dignity, we design a framework that ensures human security in a trans-boundary area or in multiple countries, which will serve as an environment that allows people to fully exert their potential. In this approach, transnational areas and groups of multiple nations are taken into consideration at the time of demarcating a targeted geographical area to make it the most appropriate to deal with the difficulties facing the humans from a human-centered perspective.

Endeavors to combat contagion of financial crises as in the Asian economic crisis, terrorism issues,

⁹¹ The Ministry of Foreign Affairs (2001)

⁹² Quoted from a remark of JICA President Sadako OGATA cited in material from the Ministry of Foreign Affairs.

non-traditional security problems and environmental, avian flu and other questions are aimed at preventing and removing the trans-border threats to humans. Regional integration and these efforts to address cross-boundary issues can be seen as initiatives to achieve human security. Classified as assistance in meeting the requirements for sustained integration, cooperation for redressing the disparities and for eradicating poverty as well as the move towards sharing intra-regional social problems via the regional integration body⁹³ will help those countries and societies that address these threats to increase their capabilities to cope with them.

The human security approach is thought to be further underpinned by supporting ASEAN integration and by tackling transnational targets.

(5) Primary support areas

In light of the perspective discussed above, this report proposes the direction of primary assistance as follows. The assistance offered to ASEAN will remain positioned as principal assistance. From a regional perspective, the assistance will focus on furthering ASEAN integration. In addition, it will aim at taking up transnational challenges to be achieved particularly in this region. With regard to human resources development, Japan has maintained a continuous intensive commitment. This section outlines the concept behind this. More specifically, the details of the support will be as follows:

1) Bringing ASEAN into a more integrated form

The support will be divided into two categories, as described below.

(i) Support for building the systems and infrastructure that enable free movement of people, goods, money and information (support for deepening of integration)

This support is designed primarily to strengthen what is helpful to trade, investment, public and private finance and human movement as well as the requisite functions of the ASEAN Secretariat. Hence, it will be centered on development of the transport infrastructure and the logistic systems that will help reduce the service link costs, IT infrastructure, establishment of regional institutions concerning easing of trade, standard and mutual recognition arrangements, intellectual property rights and suchlike, development in the financial sector including the development of bond markets, unification of engineer qualification systems and fostering of small and medium enterprises. It will also include an upgrading of capacity in areas concerned with the challenges, which serves as a basis of the above targets. Assistance for ensuring security and for combating emerging infectious diseases is important indeed, but for the reason stated in section (2) above, the support that will help intensify integration in these areas will be lumped together with assistance in meeting cross-boundary challenges.

Several countries have already signed bilateral economic partnership agreements and framework agreements with Japan⁹⁴. Support relating to these agreements is particularly urgent.

As discussed in Chapter V, preliminary studies were conducted in the fields of trade and investment, transport, ITC and finance. Prime support targets in these sectors are as follows.

Trade and Investment: assistance in setting up regional systems advantageous to industrial statistics,

⁹³ The socio-cultural community is one of the three pillars of the ASEAN community. Adopted in the ASEAN Summit in 2004, the ASEAN Socio-Cultural Community Plan of Action describes core elements, which include building of a community of caring societies and managing the social impact of economic integration.

⁹⁴ As Table 3-10 in Chapter III portrays, Japan has signed agreements with Singapore and Malaysia, reached basic agreements with Thailand and the Philippines and started negotiations with Indonesia. According to reports on newspapers and other media, Japan may shortly commence talks with Viet Nam.

customs clearance, standard certification, protection of intellectual property and other rights as well as in building up the capabilities of separate countries.

Transport: contribution to improved services, to the establishment of regional technical and service standards with an aim of achieving regional harmonization of the transport infrastructure, and to increased speed and efficiency in import and export formalities by means of introducing transport infrastructure and services, and support for smoother border-crossing by launching one-stop services and for increasing security and safety of transport.

Information and Communication Technology (ICT): assistance to be provided chiefly in devising national and regional policies and institutions, in human resources development, in regional networking, especially in creating information and communications infrastructure that will help expand information and communications networks to rural areas, and in the active use of ICT in the assistance programs.

Finance: cooperation to be undertaken mainly in helping individual states to develop the capacity to operate macro economic policies to facilitate movement of funds for dealing with regional economic uncertainty, in creating ABM as well as short-term financial markets serving to stabilize foreign exchange markets and to develop bond markets.

(ii) Eradicating poverty and disparities (support to meet the conditions for sustained integration)

This support is focused on cooperation with CLMV countries in narrowing the intra-regional gaps and on regional efforts targeting poverty zones across the national borders of the BIMP-EAGA. Action by individual countries to slash poverty and their domestic attempts to redress the disparities among different areas may fall under this type of assistance in a broad sense, but among other issues, the support offered to CLMV countries and the sub-regional cooperation correspond to this, as argued in the foregoing section numbered (3). Chapter III affirms that individual states in the region have generally been making steady progress in their bid for MDGs, with some exceptions. It is expected that they together with the international community will continue their current efforts. Action against social destabilization arising as the price of integration in different countries is part of the contribution to satisfy the requirements for continuation of the integration process. It may possibly involve not only what is collectively perceived as transnational challenges, such as security and environmental conservation, but also some initiatives that fall under cooperation in social fields. Presumed to be an embodiment of the action, the bid to build a security or socio-cultural community is still at the very initial stage. It will be necessary in future to study what cooperation can be offered in this area.

Here in this part of the report, the spotlight is cast on the assistance to the CLMV countries as well as on the IMT-GT and the BIMP-EAGA as sub-regional economic zones. The CLMV states are described as in a column of ASEAN growth area in Table 3-10. Apart from these, there are other schemes to set up sub-regional economic zones in the ASEAN region, such as the Mekong River Commission (MRC), the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS) and the CLV Development Triangle. Given that some districts are covered by multiple programs, it is necessary to examine the possibilities of cooperation in careful consideration of their interrelationship.

CLMV: Assistance to CLMV countries will be focused in general on cooperation in developing infrastructure, bolstering trade and investment, and human resources development, and specifically on

developing economic infrastructure including networks of transport, electric power supply and telecommunications, immigration control, logistical support including improvement of customs, tourism development, organizing business forums and improvements in higher education. For this zone, it is essential to pay special attention, among transnational challenges, to infectious diseases such as HIV/AIDS and malaria, emerging infectious diseases including SARS and bird flu, a crackdown on drugs, terrorism, piracy and other crimes, disaster prevention measures against earthquakes and tsunamis, environmental action for forests, international rivers, abatement of acid rain and other issues.

Sub-regional Economic Zones: The IMT-GT and the BIMP-EAGA both face poverty and non-traditional security problems. In offering assistance to these zones, the emphasis will be placed on the cooperation aimed at helping stabilize the regions including that in peace-making and in the non-traditional security area and on cooperation for encouraging economic development through stimulating trade and activities in the private sector.

2) Transnational challenges

This section examines cross-boundary challenges to be intensively addressed in the ASEAN region as well, specifically security cooperation, environmental preservation, energy security, action for combating emerging infectious diseases, disaster prevention and food security and safety. The initiatives for democratization and human rights will be among other future key areas of cooperation. This report opts to exclude them from review in 1) above. This is not only because of the reason explained in (3) above but also because the targets to be undertaken in these initiatives are too polysemic to categorize in 1) above. And they are polysemic because they may be conducive to both the intensification of integration and the fulfillment of conditions for continued integration. If the action for creating a security or socio-cultural community is further reinforced, it will be clearer which of the components classified as transnational ones are better studied as part of the endeavor to intensify integration. In addition, as argued in (3), it is vital to determine the appropriate geographical areas for individual specific targets.

The study group conducted a preliminary study on cooperation in public security issues, environmental conservation and energy security. The results will be summarized below. Other important steps include the construction of a regional system for disaster prevention and emergency aid among the countries in the Indian Ocean and in the ASEAN framework as well as disaster control systems in individual countries in the field of disaster prevention, support for early detection of infection and development of a system for emergency response in the field of avian flu, and cooperation for ensuring a regional stable food supply on the assumption of food interdependence and for raising the level of food safety standards and health standards in the field of food security and safety. The move for democratization and human rights protection is critical to the future intensification of ASEAN institutions. It is confirmed in the ASEAN Security Community Plan of Action. In view of the current conditions, however, it will be realistic to hold talks with national governments and the ASEAN Secretariat and consider the circumstances of different countries to provide assistance for countries to which it can be offered and to the extent possible. For the near future, election support, bolstering of legislative and judicial capabilities, functional upgrades of national human rights commissions and the ASEAN Secretariat, improvements in national and regional capacity to investigate these targets and encouragement of opinion exchange will be considered on the basis of these dialogues and in collaboration with national governments, academia, non-governmental organizations, the ASEAN

Secretariat and other parties.

Public Security and Development: Cooperation in improving institutional capabilities including the standardization of systems for regional statutory enhancement to combat terrorism, sea piracy, money laundering, cyber crimes and suchlike, cooperation in human resources development, improving accountability in addition to action for the active exploitation of the network of researchers in the region, which may be viewed as ASEAN's "Track Three" functions.

Environment: Stepping up action to address domestic environmental issues as a basis of global- and regional-scale environmental efforts, promoting the capabilities of individual countries beneficial to dealing with trans-boundary environmental issues at the sub-regional level and proper control of shared natural resources, support for CDM projects run by developing nations as part of initiatives for global environmental improvements, establishment of systems and related facilities for regional environmental control as part of the assistance in regional integration and other issues.

Energy: Support for energy conservation, diversification of energy sources including the development of alternative energy, tightening of complementary relations in the ASEAN region, institutional development for ensuring energy supply in provincial areas and cooperation serving to ensure a stable supply of oil in the region including oil stockpiling will be studied as primary challenges.

3) Commitment to Human Resource Development

It should be noted that human resources development is always given an independent and special priority status both from the perspectives of Japan's initiatives and of the requests from ASEAN. It is an especially key area of cooperation. But in many cases, it also constitutes an element for achieving goals in different challenges. In a way, it is helpful to furthering integration, to meeting the conditions for continuance of integration and even to achieving cross-boundary targets. It involves a number of different factors. In line with the in-depth analysis in Chapter V and the particular edition, human resources development is categorized from the regional standpoint into the following four types: (i) human resources development for increasing competitiveness, such as the development of people that can respond to the demands of the business world; (ii) human resources development beneficial to progress in integration, including the nurturing of personnel who propel integration; (iii) human resources development for addressing transnational challenges and (iv) human resources development that serves to correct the disparities. Support for human resources development will be provided in the form of independent program suited to these different objectives or as a component of other assistance programs.

It is confirmed that the direction of prime assistance discussed above is fully consistent with the past efforts made by ASEAN and its future orientation outlined in above sections and also with the direction of Japan's initiatives.

As is already understood by readers, Japan has already implemented a great number of support projects for separate countries in the support areas mentioned in this chapter and many of these areas have been positioned as key supports for individual beneficiary countries. But with some exceptions, Japan has not defined these aid projects as consistent cooperation from a regional point of view. It has not designed them to contribute to regional integration or regional interests. Moreover, it is also imperative to devise new cooperation schemes that are designed from the beginning to directly target ASEAN. Chapter VI presents more specific reference models of cooperation. Exploration in that

chapter is based on the notion that it is an important task to establish mechanisms, cooperation approaches and implementation structures that facilitate regional action that has hardly been done.

The next and subsequent section offer closer analyses in each area of cooperation on the basis of the basic direction of primary assistance. Given that the orientations of principal support argued in 1) are mainly concerned with the implementation approach, the following part of the report will make no particular remarks on them. It is advisable to adopt a policy to work on bilateral cooperation or suchlike in the context of moderate regional programs.

Chapter V Directions in Priority Support According to Individual Issues

1. Support for Building the Systems and Infrastructure that Enable the Free Movement of People, Goods, Money and Information

1-1 Trade and Investment

Progress with the economic integration of ASEAN will create a regional market on a larger scale, encourage companies to move into the region as a result of joint efforts to create an environment conducive to investment, reduce regional service linking costs by establishing a shared institutionalized structure within the region, including standardized customs procedure and product standards, and enable an effective regional network for corporate expansion, production and distribution.

It is therefore exceedingly important to cooperate on the standardization of rules and conditions relating to regional commerce to enable ASEAN to function as a single unified market. Specific areas for cooperation include the following:

(1) Industry statistics

Cooperation in the field of industry statistics, an area that is essential from the point of view of developing an infrastructure for economic growth in ASEAN countries in order to enable individual governments to formulate and implement industrial policies on a timely basis, is already underway in countries such as Thailand, the Philippines, Malaysia and Viet Nam. Whereas economic interdependence in the ASEAN region is deepening and becoming increasingly complex however, there is still a large degree of variation between individual ASEAN countries in terms of progress on the development of industry statistics. Cooperation to standardize development in each country is therefore essential, particularly in the sense of creating the necessary conditions to attract investment.

(2) Customs clearance

As mentioned previously, one of the issues in relation to the running of AFTA is that of institutional and procedural problems, one of the factors contributing to the problem of a low intra-regional trade ratio. Institutional and procedural problems in relation to the CEPT scheme stem in part from the fact that there is scope for arbitrary behavior on the part of the authorities running the system in each country. It is therefore vitally important that countries cooperate to strictly enforce the CEPT scheme and facilitate procedure, including drastic reviews of customs procedure (customs valuations, etc.). ASEAN is currently investigating the possibility of launching one stop services for smoother border-crossing. Based on an understanding of the precise details, this is another area that will require cooperation and proactive investigation in the future.

(3) Standard certification

To accelerate the restructuring of the regional specialization structure, it is important to ensure that differences in standards between individual countries do not impede trade or investment. It is also essential to develop a common system of standards and authentication within the region based on the adoption of

international standards or similar measures. From the point of view of ASEAN market integration, it is essential to step up promotion of technical cooperation based on the needs of individual industries in order to achieve a balance across the ASEAN region in terms of standard certification.

(4) Protection of intellectual property rights

Protecting intellectual property rights will contribute to each country's economic development by enabling countries to secure opportunities to attract direct investment and reinvestment from overseas and by stimulating intellectual creativity and technological innovation throughout the region over the medium to long term. Although progress is being made on a range of initiatives with this in mind, based on the ASEAN Intellectual Property Right (IPR) Action Plan 2004-2010, Japan should also provide support and cooperation for such initiatives.

These areas all fall within the scope of cooperation under the Japan-ASEAN Comprehensive Economic Partnership and are intended to promote cooperation between Japan and the ASEAN region as a whole. Taking the field of standard certification as an example, ACCSQ (ASEAN Consultation Committee for Standards and Quality)-METI (Ministry of Economy, Trade and Industry), a forum for dialogue between Japan and ASEAN countries on standardized policies, is already working on the exchange of opinions and coordination in relation to cooperation between Japan and ASEAN. In terms of specific cooperation, technical cooperation is underway between Japan and ASEAN countries with the aim of strengthening ties in the fields of standardization, conformity assessments and quantification in line with the ASEAN Standards and Conformance Cooperation Program, which was formulated in May 2003 initiated by METI.

1-2 Finance

There has been a high level of awareness of the need for cooperation in the field of finance since the Asian economic crisis, with initiatives being stepped up in this field at both the ASEAN and ASEAN+3 levels.

The New Framework for Enhanced Asian Regional Cooperation (the Manila Framework), a new framework designed to reinforce regional cooperation in Asia in order to achieve financial stability, was approved at the Meeting of Asian Finance and Central Bank Deputies in Manila in November 1997, with regular exchanges of opinions since then, including with regard to regional surveillance. Macro economic research into support for and the effective implementation of surveillance was also initiated within the ASEAN+3 framework, centered around the ADB.

At an ASEAN+3 Finance Minister Meeting in May 2000, the Chiang Mai Initiative was approved, outlining mutual cooperation in the event of an economic crisis in the region through currency swap and repo arrangements based on the existing ASEAN Swap Arrangement. The number of bilateral swap arrangements based on the Chiang Mai Initiative is currently on the increase, with an elaborate network of financial cooperation being formed between East Asian countries.

Japan proposed the ABMI at an ASEAN+3 meeting in December 2002. Based on the initiative of Thai Prime Minister Thaksin Shinawatra, six Working Groups (WG)⁹⁵ were then set up at an unofficial

⁹⁵ (I) New securitized debt instruments WG (presided over by Thailand), (II) credit guarantee and investment mechanisms WG (Republic of Korea), (III) foreign exchange transactions and settlement issues WG (Malaysia), (IV) Issuance of bonds denominated in local currencies by Multilateral Development Banks, foreign government agencies and Asian multinational corporations WG (China), (V) rating systems and information dissemination on ABM (Singapore and Japan) and (VI) technical assistance coordination (Indonesia, the Philippines and Malaysia).

ASEAN+3 meeting in February 2003, with investigation into specific aspects of the ABMI continuing to go ahead. The Executives' Meeting of East Asia-Pacific Central Banks (EMEAP)⁹⁶, a framework for cooperation between central banks in Asia, announced the establishment of an ABM in June 2003 to promote government bonds and bonds in government-affiliated companies in eight countries and regions (China, Hong Kong, Indonesia, Republic of Korea, Malaysia, the Philippines, Singapore and Thailand).

1-2-1 Coordinating exchange policies

Real exchange rates are terms of trade and are calculated by dividing nominal exchange rates multiplied by price levels for imported foreign goods and services by price levels for goods and services exported from the relevant country. As terms of trade, real exchange rates have a major effect on exchange rates as well as customs. As exchange rate levels alter terms of trade based on customs tariffs and have a considerable effect on imports and exports of goods and services to and from any one country, there is increasing debate over the need for stable exchange policies to be coordinated on an ASEAN+3 or similar level. There is also talk within ASEAN, particularly amongst developed ASEAN countries, of approaching an optimum currency area⁹⁷, with claims that there is scope to consider the possibility of moving ahead with the introduction of fixed exchange rates based on an exchange basket, primarily for developed ASEAN countries. However, there are also those who claim that, in order to form an optimum currency area, it is necessary to have a more open regional economy and a greater degree of freedom in terms of labor mobility and that it is essential to push ahead with both the institutional development and, to some extent, the regional deregulation of financial systems.

1-2-2 Directions in support

(1) Cooperation to help coordinate exchange policies

In an effort to coordinate stable exchange rates, such as exchange rate systems pegged to the SDR in Indonesia, Malaysia, the Philippines, Singapore and Thailand for example, technical cooperation designed to develop money markets in these countries is considered a possibility. Support focusing on Indonesia and the Philippines in particular is being considered. If feasible, cooperation with the transfer of technology from Singapore and Malaysia is another possibility. It is hoped that this would promote the development of short-term financial markets propped up by a common legal system.

Deepening short-term financial markets is also important in terms of the development of ABM, one of the core initiatives in the ASEAN financial sector. There are few ASEAN countries with sufficiently mature open short-term markets. In particular, there are very few countries with repo markets capable of easily providing liquidity in short-term or long-term government bonds.

(2) Cooperation to help develop bond markets

Although indirect financing dominates finances in the majority of East Asian countries, this financial structure was hit hard by the Asian economic crisis. The underlying causes can be traced back to two mismatches in indirect financing in developing countries, namely exchange risks stemming from borrowing foreign capital and lending domestic capital and risks stemming from changing terms in the form of short

⁹⁶ The EMEAP is made up of central banks and monetary authorities from 11 countries and regions; Australia, China, Hong Kong, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore and Thailand.

⁹⁷ Ministry of Finance Policy Research Institute (2005)

term borrowing and medium and long-term lending for the likes of capital investment. There is a shared awareness that it is essential to promote direct financing on the likes of bond markets and establish a more balanced financial structure in order to rectify this situation.

In order to develop bond markets, it is first of all important to establish government bond markets and to provide relevant cooperation in developed ASEAN countries, particularly Indonesia and the Philippines. In CLMV countries on the other hand, the establishment of sound macro economic and fiscal management, which are prerequisites for the promotion of government bond markets, is considered to be vital as a priority condition.

Priority in relation to Indonesia and the Philippines is therefore placed on cooperation with the development of government bond markets and government debt management. Priority in CLMV countries is placed on cooperation to help improve understanding of sound fiscal management, which is a prerequisite for the development of bond markets, and bond markets themselves.

1-3 Transportation

1-3-1 Transportation issues in Southeast Asia

Throughout history, Southeast Asia has always depend on the maritime transport, with external trade developing based around the major ports in the region. In addition to the fact that there have always been obstacles impeding land transport, such as the Mekong River and mountains, the region was divided by the Cold War structure in the past, severing east-west transport links across the Mekong River. As a result of this situation, countries in the region developed economic ties with other distant countries via shipping, leaving economic cooperation with neighboring countries within the region relatively inactive until recently. From the point of view of the ASEAN framework, establishing a land transport network it is vitally important to the advancement of the ASEAN region. It is also essential for the development of the less-developed ASEAN countries, namely CLMV.

There are major disparities between the level of development in different ASEAN countries, a fact that is plainly evident in the level of infrastructure development for transport. Quantitative comparisons between the road length per square kilometer in each country put Singapore top (4.475km/km²), with Viet Nam (0.047km), Myanmar (0.043km) and Laos (0.013km) all registering exceptionally low totals. Qualitative comparisons showing the paved road ratio against the total road length also put Singapore top (100%), with Cambodia (4.4%) registering an extremely low percentage. Disparities between developed and less-developed countries (CLMV) are also huge in terms of transportation itself.

A great deal rests on the region's transportation infrastructure and services, from attracting FDI and enhancing international competitive potential in the short term to narrowing disparities within the region and forming an economic community over the medium to long term.

1-3-2 ASEAN policy objectives and Japan-ASEAN cooperation in the field of transportation

ASEAN is aiming to form an AEC by the year 2020, turning the region into a dynamic, powerful segment of the global supply chain. In order to achieve this, efforts are being made to promote comprehensive regional policies based on the Vientiane Action Program 2004-2010 and to promote regional policies in the transportation sector based on the ASEAN Transport Action Plan 2005-2010.

The Transport Action Plan recognizes that "trade is absolutely vital to the economy of ASEAN." This means that goods must be produced and delivered to the market (or customer) in the right quantity, required quality, at the right time and at a competitive price. In order to achieve this, it will be essential to have (i) an

excellent transport infrastructure, (ii) high quality transport and logistics services and (iii) efficiency in import and export formalities. The plan also underlines the importance of improving ports and access roads, developing port infrastructure and establishing an efficient marine transport network. The plan sets out three priority policies in the transportation sector that ASEAN should enhance coordination of policies and Programs for the (i) development of infrastructure and services, (ii) application of transport facilitation measures in e.g. alleviating bottlenecks, improving border crossings and gaining access to markets, and (iii) harmonization of the technical aspects of design and safety rules, procedures and standards.

In response to ASEAN initiatives, the Japanese government has signed up to the Framework for Comprehensive Economic Partnership between ASEAN and Japan and has announced cooperation in the field of transportation and logistics (October 2003). There are four fields that have been earmarked as priority areas for cooperation; (i) efficient cargo transport system, (ii) safe and sustainable shipping and (iii) safe and efficient air transport, (iv) using the latest technology to protect the environment and ensure security.

1-3-3 Directions of regional assistance in the Southeast Asian region

(1) Priority countries for cooperation

As levels of development differ greatly between the ten ASEAN countries, the less-developed countries are regarded as priority countries for cooperation, alongside Indonesia and the Philippines, which are lagging behind other developed countries. As cooperation with the ASEAN Secretariat is important to cooperation in the ASEAN region, it is considered essential to focus on improving the ASEAN Secretariat's capabilities and other forms of cooperation with the secretariat.

(2) Priority fields for cooperation

The ASEAN countries have always been regarded as priority countries for development assistance from Japan, which has undertaken a range of bilateral cooperation projects in the field of transportation. Japan is also engaged in technical cooperation in relation to a diverse range of technical issues through the Ministry of Land, Infrastructure and Transport. When proposing priority fields for cooperation, the following points need to be taken into consideration.

Regional cross-border transportation issues, rendering bilateral cooperation difficult.

Transportation issues that would help priority countries to internationalize and attract FDI.

Transportation issues that do not overlap with the Ministry of Land, Infrastructure and Transport's Program of cooperation in the field of transportation and logistics.

Actively coordinating with international organizations' efforts to provide ASEAN with cooperation where possible.

Bearing the above points in mind, the following are proposed as priority fields for cooperation.

Improving and harmonizing transport infrastructure and services: Placing a major emphasis on efforts to establish and develop an efficient, reliable ASEAN transport system, including as part of bilateral cooperation to improve ports, airports, roads, railways and other aspect of transport infrastructure and services in each country and cooperating with the cross-border adoption of technical standards for infrastructure, service quality standards and any other standards that would be beneficial (ASEAN countries in general).

Making increased speed and efficiency in import and export formalities: Cooperating with the ratification and adoption of international standards such as the WTO, International Commercial

Terms (Incoterms) and Electronic Data Interchange and with efforts to make customs and quarantine procedure faster and more efficient through computerization (priority countries).

Improving for smoother border-crossings: Integrating border posts between countries, enabling one-stop services by standardizing documentation and procedure and cooperating to make border crossings smoother and more efficient (ASEAN countries in general).

Increasing security and safety of transport: Cooperating to improve public security at major nodes (airports, ports, railway stations, bus terminals, etc.) and transport links (air routes, sea lanes, railways, roads, etc.) within the ASEAN transportation system (ASEAN countries in general).

Enhancing governance: Cooperating with international, regional and other organizations to improve governance, including any necessary legislation, institutional reform and human resources development as part of the aforementioned fields to (priority countries).

ASEAN Secretariat Capacity Development: Cooperating with all aspects of ASEAN Secretariat Capacity Development, including the dispatch of experts and the provision of training Programs, to strengthen functions of ASEAN Secretariat in the future (ASEAN Secretariat).

1-3-4 Points of concern relating to regional cooperation in Southeast Asia

As part of bilateral cooperation in the field of transportation infrastructure and services in specific countries, the positioning of cooperation projects within the ASEAN region and harmonization with neighboring countries need to be taken into consideration.

In order to avoid overlap with cooperation projects in the ASEAN region and to enable effective collaboration and cooperation, information needs to be exchanged with international organizations and donor countries on a regular basis (especially the ADB).

1-4 Information and Communication Technology (ICT)

1-4-1 Basic directions in cooperation in the field of ICT

Cooperation in the field of ICT is carried out in accordance with issue-specific policy (ICT) in all regions. These guidelines are designed to (i) eliminate the digital divide and provide digital opportunities and (ii) to apply ICT to other areas of development and make efficient, effective use of ICT as part of international cooperation projects. The strategic development targets set out in the guidelines are as follows.

Strategic development goal 1: Improving IT policymaking capabilities

Strategic development goal 2: IT human resources training

Strategic development goal 3: Developing communications infrastructure

Strategic development goal 4: Increasing efficiency and effectiveness by using IT in all fields

Strategic development goal 5: Increasing the efficiency and effectiveness of IT-based assistance

1-4-2 Initiatives in the field of ICT in Southeast Asia

(1) ICT-related policy trends in ASEAN countries

The following is an overview of ICT-related policy trends in ASEAN countries, the majority of which, including Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam, have formulated national ICT strategies and are working on ICT policies. Their ICT strategies have a number of points in common; (i) developing ICT infrastructure, (ii) promoting e-Commerce, (iii) establishing legal system to promote the use of ICT, (iv) developing ICT human resources, (v) promoting the use and application of ICT, (vi) establishing e-Government and (vii) enhancing contents.

In terms of IT infrastructure, whereas there are countries with a relatively high level infrastructure such as Singapore, there are unresolved issues in other countries, including the lack of infrastructure in CLMV countries and lack of access to the information in local areas in Indonesia. The majority of ASEAN countries are also actively promoting the establishment of e-government. In the field of software contents, the Philippines is following in the footsteps of India in the software industry, with English as its official language. Elsewhere, Singapore is developing multilingual contents unique to Asia and Indonesia, Malaysia and Thailand are focusing on contents development in their native languages in an effort to make ICT more widespread.

(2) e-ASEAN

The e-ASEAN initiative was approved at the third unofficial summit meeting in Manila in November 1999 and the decision made to set up an e-ASEAN Taskforce. After that, the e-ASEAN Framework Agreement was signed at the fourth unofficial summit meeting in Singapore in November 2000 in order to set out a framework for the e-ASEAN initiative.

The objectives of e-ASEAN are (i) to develop information infrastructure, (ii) to improve developed countries' support for less-developed ASEAN countries in order to promote areas such as human resources development, (iii) to promote cooperation with the aim of strengthening and developing ASEAN's competitiveness in the area of ICT, (iv) to promote cooperation with the aim of closing the digital divide both among and between ASEAN countries, (v) to promote Public-Private Partnership (PPP) in order to realize e-ASEAN initiative and (vi) to promote the deregulation of trade and investment in ICT products and services. The main issues to be addressed in order to achieve these objectives are (i) establishment of the ASEAN Information Infrastructure, (ii) promoting the growth of e-Commerce through legislation and policy implementation, (iii) facilitating the liberalization of trade in ICT products, ICT services and of investments, (iv) developing an e-Society in ASEAN and Capacity Building and (v) realization of e-Government.

In order to promote the e-ASEAN initiative, the ASEAN Telecommunications and IT Ministers Meeting (TELMIN) and the ASEAN Telecommunications and IT Senior Official Meeting (TELSOM) are regularly held.

Projects to be implemented under e-ASEAN are divided into three fields; (i) Universal Access (UA), the Digital Divide (DD) and e-Government, (ii) the e-Society (ES) and ICT Capacity Building (ICB) and (iii) the ASEAN Information Infrastructure (AII). Meetings, seminars, workshops, training Programs and research studies in each of these fields are currently being proposed and reviewed in member states.

(3) Cooperation between ASEAN countries

Cooperation is also underway between ASEAN countries, particularly support for the less-developed countries from developed ASEAN countries. Malaysia has agreed to work on cooperation with Myanmar and Viet Nam in the field of ICT. Singapore has set up a training center offering training in areas such as intranet architecture in Viet Nam, as well as offering training in networking in Cambodia. Elsewhere, Thailand is working on a project to connect all 18 provinces in Laos to the internet and a project to provide a broadband satellite network in Myanmar. Progress is also being made with plans to develop an e-passport system between Malaysia and Thailand.

(4) ASEAN+3 Telecommunications and IT Ministers Meeting (TELSOM+3)

The first session of the TELMIN+3 and the second session of the TELSOM+3, both of which are versions of the aforementioned TELMIN and TELSOM meetings with Japan, China and Republic of Korea as an additional three countries, were held in Bangkok in August 2004 with the aim of developing telecommunications and IT in the ASEAN region, sharing information and other ICT resources and promoting project cooperation. Those in attendance agreed to (i) develop the ASEAN Information Infrastructure (AII), (ii) bridge the digital divide, (iii) human resources development, (iv) coordinate and cooperate on ICT policy and (v) cooperate on the facilitation of trade and investment in ICT.

At the aforementioned second session of TELSOM+3, Japan put forward the development of IT infrastructure, the establishment of a research and development network, application development and human resources development and training as priority areas for cooperation. China similarly put forward the development of an ASEAN IT infrastructure, consulting services provided by experts, human resources development and network security as priority areas. Republic of Korea proposed technical and policy advice, IT infrastructure development and the digitization of cultural property. ASEAN proposed cooperation with Japan, China and Republic of Korea as part of projects to be undertaken under the e-ASEAN initiative. Both the first session of TELMIN+3 and the second session of TELSOM+3 confirmed that further consideration would be needed ahead of the implementation of specific cooperation in the future.

(5) Trends in Japanese cooperation in Southeast Asia

In July 2000, the Japanese government announced Japan's Comprehensive Cooperation Package to Address the International Digital Divide prior to Kyushu-Okinawa Summit. This package recognizes that IT is a private-sector-driven field and proposes that the role of the public sector should be to provide supplementary cooperation, particularly in terms of policies relating to active private sector initiatives and human resources development. Its four core elements are (i) Raising awareness of IT opportunities and contributing intellectually to policy and institution-building, (ii) Developing and training human resources (iii) Building IT infrastructure and providing assistance for network establishment and (iv) Promoting the use of IT through the private sector in development assistance. Based on this, Japan is preparing a comprehensive cooperation package intended to channel roughly US\$ 15 billion of ODA and non-ODA funding into closing the international digital divide over the next five years.

The e-Japan Strategy II was also announced in July 2003. This aims to forge international relationships centered on IT and proposed the promotion of the Asia Broadband Plan⁹⁸ and the Asia IT

⁹⁸ Action plan announced in March 2003 designed to make the Asia an "information hub" of the world by developing the region's broadband environment.

Initiative (AITI)⁹⁹. Based on these initiatives, the Japan-ASEAN Plan of Action adopted at the Japan-ASEAN Special Summit in 2003 advocates (i) take measure to further develop the network infrastructure for broadband, (ii) promote joint R&D and standardization activities on network infrastructure, (iii) take measures to further diffuse broadband with the efforts to ensure the security of networks as well as to share know-how on transition to the latest development of Internet Protocol version (iv) promote professional exchange, capacity building and human resources development Programs to upgrade the skills and knowledge of ASEAN ICT professionals and technicians and (v) promote standardisation of ICT applications such as e-Learning, and develop legal infrastructures related to e-Commerce.

(6) Other regional initiatives

The Asia-Pacific Telecommunity (APT) runs activities such as the development of information and communications, forums relating to regulations, policy, IT services and wireless communications, a range of training programs and the standardization of technology. The organization's aim is to enhance IT services and infrastructure in the region, promote regional cooperation, conduct policy and technical research and improve technology transfer and human resources development. In recent years however, the APT has been promoting initiatives designed to develop broadband technology in the region, including staging the Asia-Pacific Broadband Summit.

1-4-3 Future issues and JICA's assistance policy

In view of the ICT policies in place in ASEAN countries and initiatives under e-ASEAN, policy issues for Southeast Asia in the field of ICT are thought to include (i) developing IT infrastructure, (ii) human resources development, (iii) supporting ICT policy planning, (iv) establishing e-Government, (v) promoting e-Commerce, (vi) promoting the use of ICT and (vii) content development. Through the Asia Broadband Plan and the AITI, Japan is also providing cooperation in areas such as support for the development of IT infrastructure, experiments demonstrating uses of ICT, human resources development and the development of an infrastructure for e-Commerce and distribution of content. Based on policy issues in the ASEAN region, China, Republic of Korea and other major donor countries are also providing support for the development of IT infrastructure, human resources training, cooperation with the establishment of e-Government, ICT policy support and investment in ICT-related companies. Therefore, as part of cooperation in the field of ICT, it is important to maintain consistency between the needs of the ASEAN region and Japan's development assistance policies for the region.

The private sector in Japan has a major role to play in terms of promoting the introduction of ICT. With increased private-sector involvement, including the privatization of telecommunications carriers in developing countries, ICT is now a field in which development is driven by private sector activity. The role of the public sector is to provide supplementary cooperation for active private sector initiatives, especially in areas such as policy and human resources development¹⁰⁰. In addition to this, there are also cases of Japanese telecommunications carriers forming capital and technical cooperation with carriers in developing countries in order to help improve and increase the coverage of telecommunications services in the relevant countries.

⁹⁹ Initiative designed to promote the development of network infrastructure, the establishment of an infrastructure for e-commerce and contents distribution, the increased mobility of human resources, the exchange of technology and the development of social systems, etc. based on cooperation between Asian countries.

¹⁰⁰ Initiative Japan's Comprehensive Cooperation Package to Address the International Digital Divide, announced by the Japanese government in July 2000.

As it stands, areas thought to be in need of cooperation from the Japanese government include (i) assistance in devising national and regional policies and institutions, particularly cooperation with the introduction of competition into the ICT market and the formulation of rules to encourage the use of ICT, (ii) human resources development, (iii) regional networking, especially in creating information and communications infrastructure that will help expand information and communications networks to rural areas, and (iv) the active use of ICT in the assistance programs. Elsewhere, Japanese ministries are currently implementing demonstration experiment and test bed projects based on the likes of the Asia Broadband Project.

Based on the situation outlined above, future issues and possible directions for JICA's cooperation policy as part of regional cooperation in Southeast Asia are as follows.

(1) Achieving strategic development goals in the field of ICT

Bearing in mind the ICT needs in Southeast Asia and Asia Broadband Plan, strategic development goals under "JICA issue-specific policy - ICT" need to be promoted on a priority basis. Based on the Japanese government's Priority Measures Relating to the IT International Policy Centered on Asia in fiscal 2005, part of the 2005 IT Policy Package (Towards the Realization of the World's Most Advanced IT Nation) finalized on February 24, 2005 by the IT Strategic Headquarters, it is also essential to take into consideration the current situation in ASEAN countries and to investigate priority areas for cooperation in further detail.

As the use of ICT in developed ASEAN countries is at a relatively advanced stage, appropriate steps are thought to include (i) promoting projects designed to achieve national ICT strategies and plans already in place, policy advice for ICT development and demonstration experiment projects within the ASEAN region, the introduction of competition into the field of ICT and consumer protection, (ii) training human resources capable of acquiring skills in advanced ICT to meet international demand, (iii) developing broadband networks and IT infrastructure in rural areas, (iv) providing technical assistance in relation to the active use of ICT in areas such as education, healthcare and disaster prevention and (v) actively undertaking technical cooperation projects designed to establish e-Government, stimulate e-Commerce and promote international standardization in relation to all types of technology within the field of ICT. In CLMV countries, the less-developed ASEAN countries, on the other hand, it is considered preferable to prioritize areas such as technical cooperation in order to establish ICT network backbone by (i) providing advice to help formulate basic national ICT strategies and plans designed to promote understanding of the importance of ICT and national socioeconomic development and (ii) closing the digital divide with developed ASEAN countries. As Viet Nam is one of the CLMV countries where ICT development is at a more advanced stage, progress needs to be made with human resource development in the field of ICT. Also bearing in mind the fact that the Mekong Basin Development was also proposed at the Japan-ASEAN Special Summit in December 2003, it is important to continue to work on the development of IT infrastructure in CLMV.

(2) Implementing cooperation projects with initiatives such as the Asia Broadband Plan and the AITI in mind

There are a number of projects that should be implemented on a priority basis under these initiatives. As part of the Asia Broadband Plan, possible projects in developed ASEAN countries include cooperation to help Malaysia achieve its national broadband plans, the introduction of broadband using wireless access systems in rural areas of Thailand and cooperation to develop IT infrastructure in rural areas of the

Philippines and Indonesia through measures such as the development of telecenters. In less-developed ASEAN countries on the other hand, it is thought that cooperation to develop IT infrastructure, through the use of technology such as wireless communication, satellite communication and IP networks, would be more effective. In addition to continuing to train human resources in the field of ICT, including in areas such as communications technology, electrical and electronic equipment, information systems and software, one approach that could prove effective under the AITI is organizing region-wide training Programs covering areas such as introducing competition into the field of information and communications, developing rules for e-Commerce, establishing technical standards and e-Government.

(3) Support for developed ASEAN countries' cooperation with less-developed countries

The basic IT infrastructure in less-developed countries is under-developed compared to developed ASEAN countries. As the governments of less-developed countries are still developing policymaking capabilities and have insufficient human resources in the field of ICT, it is first and foremost essential to improve this situation. It will be important to provide priority support for less-developed ASEAN countries in the future, particularly in order to close the digital divide and to enable universal access in the ASEAN region.

When thinking about cooperation with less-developed ASEAN countries, it is important to make use of the results achieved through JICA's cooperation with developed ASEAN countries. As there have been a large number of ICT human resources development projects implemented in Southeast Asia to date, the results of these projects could be used when providing CLMV countries, the least-developed ASEAN countries. As individual experts have been dispatched to developed ASEAN countries in the past to act as ICT policy advisors as part of cooperation with the formulation and implementation of national ICT strategies and plans, it is also important to make use of this experience in less-developed ASEAN countries as well. Although financial support is effective to some extent, support with the formulation of policies to promote the development of IT infrastructure is also significant, particularly in terms of responding to the issue of insufficient IT infrastructure in less-developed ASEAN countries. Developed ASEAN countries are also expected to act in the role of support partners as part of cooperation efforts.

(4) Measures to promote regional cooperation

As information and communications are utilized across borders, there is expected to be an increase in the need for wide-area cooperation, including the simultaneous implementation of similar cooperation projects in numerous different countries via information and communications networks. As organizations such as ASEAN and APT are highly likely to become hubs for cooperation in Southeast Asia in the field of ICT, it is also essential to be discussed the approach to cooperate with such organizations.

Based on the e-ASEAN initiative and the APT's activities in particular, wide-area cooperation on common issues that affect the entire Southeast Asia region is likely to be effective in the future. Such cooperation would include (i) proposing measures to develop IT infrastructure in rural areas, which is a common issue affecting the entire ASEAN region, (ii) proposing measures to develop low-cost broadband networks, (iii) sharing experience and expertise in relation to the establishment of e-Government, (iv) establishing common rules for e-Commerce, (v) establishing institutions to introduce competition into the telecommunications market, (vi) investigating and formulating technical standards that will enable access to ICT service and equipments at low-cost in the ASEAN region and (vii) investigating models on the use of ICT in education, healthcare, disaster prevention and other fields.

(5) Cooperation with major donor agencies

As China and Republic of Korea are actively engaged in ASEAN cooperation initiatives, Japan needs to bear these initiatives in mind in order to avoid any overlap as part of its own cooperation initiatives in the ASEAN region and to enable waste-free support based on sharing information.

In addition to considering cooperation with activities carried out as part of trends in development assistance and support for Southeast Asia from other international organizations and major donors, Japan also needs to come up with new approaches such as providing cooperation in fields in which it can make the most of its strengths and advantages, including using wireless communications (wireless access systems, cell phones, satellite communication, etc.) to close the digital divide and introducing competition into the field of telecommunications.

(6) Cooperation to help develop IT infrastructure

The development of IT infrastructure is a priority issue for Southeast Asia. As stated in the Asia Broadband Plan, in order to increase the amount of information distribution within the region, it is vital to improve the IT infrastructure as part of the economic infrastructure, much in the same way as other parts of the infrastructure such as road networks. There is an absolute lack of basic IT infrastructure in less-developed ASEAN countries and, although infrastructure may have been developed in urban areas, it is still insufficient in rural areas in developed ASEAN countries.

Therefore, in addition to cooperation in areas such as the development of information and communication networks using grant aid and the formulation of relevant master plans, it is also effective to provide cooperation with the formulation of policies and plans to help develop IT infrastructure, including the introduction of competition into the telecommunications market and the establishment of universal access funds. Another possible approach is technical cooperation with the development of IT infrastructure in rural areas, including the development of telecenters. As the privatization of telecommunications carriers is active however, it is becoming increasingly difficult to provide ODA-based cooperation with the development of IT infrastructure in a large number of countries. It is therefore essential to explore new methods of assistance in order to enable JICA to continue to provide cooperation in this field in the future. When exploring such new assistance, it would be better to take the ASEAN region as a whole into consideration rather than concentrating on the development of IT infrastructure in individual countries.

(7) Support for cooperation projects in other fields

As there are some countries in Southeast Asia, such as Malaysia and Singapore, in which the level of IT infrastructure and technology is more advanced, it is hoped that the relevant technology could be used in other fields such as government, education, healthcare and disaster prevention. There are also signs of the use of ICT being promoted as part of needs within the region.

In the field of education, as projects relating to ICT human resources development and the use of ICT in education have been carried out in Southeast Asia in the past, it is thought that the results of such projects could be used to expand ICT-based education throughout the region. In the field of health and medicine, it is hoped that a cross-border system enabling less-developed countries to receive care medical treatment from ASEAN countries in which more progress has been made with medical treatment will be established through cooperation in areas such as ICT-based distance healthcare projects. The damage caused by last year's earthquake off the coast of Sumatra and the Indian Ocean tsunami helped underline the importance of communicating disaster information over a wide area. Cooperation is therefore considered crucial in order to enable the establishment of a system capable of using ICT effectively to

communicate and share disaster information throughout the ASEAN region.

It is hoped that, by focusing the use of ICT on cooperation projects in other areas in addition to those relating to the transfer of ICT itself and human resources development, further progress will be made with the effective use of ICT in the ASEAN region.

(8) Other considerations

In order to make development assistance more efficient and effective, it is important to make full use of ICT, including JICA-Net and multimedia materials. JICA-Net has been introduced into JICA's local offices in all ASEAN countries with the exception of Singapore and Brunei Darussalam. It should therefore be put to effective use in the future as part of cooperation in the ASEAN region, through regional meetings, training Programs, workshops or seminars for example. Although there are certain costs involved in producing multimedia materials, they offer the mass distribution and enable individual study. It would therefore be effective to produce multimedia materials tailored to the issues faced throughout the ASEAN region and to use them as part of cooperation.

2. Eradicating Poverty and Disparities

2-1 CLMV Countries

2-1-1 Status and features of cooperation in CLMV countries to date

With the end of the Cold War and the stabilization of the region, global interest in the Mekong region increased from the 1990s onwards. There were major developments in the early 1990s in particular, including the implementation of the ADB's GMS Program, Japan staging the Indonesian Comprehensive Development Forum and the establishment of the MRC. In line with the Japanese Ministry of Foreign Affairs' policy of focusing on support for the Mekong region, JICA was also actively involved in areas such as reconstruction assistance and support with market-oriented economic reform from the start. Although interest in the Mekong region fell off slightly due to the Asian economic crisis of 1997, it started to pick up once again from the point of view of ASEAN integration and narrowing disparities within the region after the formation of ASEAN10 in 1999. Japan is the number one donor to each of the CLMV countries.

Examining records¹⁰¹ of JICA projects targeting CLMV countries and the ten countries in Southeast Asia according to field, it is apparent that, in the ten Southeast Asian countries, social development (public utilities, transportation, social infrastructure, communications and broadcasting) accounts for roughly 25%, followed by agriculture, forestry and fisheries at around 20% and planning and administration at around 17%.

In CLMV countries on the other hand, projects tend to vary according to the situation in each country. Social development is the largest field in Viet Nam and Cambodia, occupying a larger than average share compared to other Southeast Asian countries, and is something of a priority issue. Human resources development accounts for a uniquely large proportion of projects in Laos at roughly 20%, around the same proportion as social development and rural development. Projects in Myanmar are essentially focused around the field of BHN (Basic Human Needs)¹⁰². Given the importance of support for agriculture, Myanmar's biggest industry, projects in the field of agriculture, forestry and fisheries account for one third of the

¹⁰¹ Records from 1993 to 2004.

¹⁰² Health and medical care, education.

overall total at approximately 34%. In contrast, economic development projects account for less than 5%.

JICA initiated the Third-Country Training Program in 1975, followed by the Third-Country Expert Program in 1995, with these two schemes remaining central to South-South Cooperation based support in each country ever since. A partnership Program was also formed between Singapore and Thailand in 1994. This has formed the framework for ongoing cooperation and the improvement of South-South Cooperation in terms of both quality and quantity.

There were those involved in South-South Cooperation, particularly in recipient countries, who suggested that the intentions of benefactor countries were based on a strong awareness of donating support to developing countries and that support was failing to match recipient countries' needs. The task of aligning needs with resources has therefore become a key issue. Based on the cooperation needs requested by recipient countries, JICA carries out surveys on current needs in cooperation with individual benefactor countries or JICA offices in individual countries in an effort to align countries' resources with recipient countries' needs. JICA has also introduced a chain of processes that entails adopting and implementing projects based on status reports, meetings to promote activities, surveys on needs and follow-up activities. This mechanism is called the JARCOM.

The first JARCOM meeting was held in Malaysia in July 2002, with subsequent meetings being held annually since then in Laos, Cambodia and Viet Nam. The main aim of JARCOM is to establish South-South Cooperation and regional cooperation projects designed to narrow disparities within the ASEAN region. It is however not necessarily limited to the likes of Third-country Training and experts. It is hoped that, as JARCOM becomes more widely recognized, it will lead to possible cooperation with other regional cooperation frameworks and closer collaboration with the IAI (an increase in IAI registered projects).

2-1-2 Initiatives according to fields related to support for CLMV countries and regional cooperation needs

The ADB proposed the GMS Program for the development of the Mekong region in 1992, since which time it has played an important role as the secretariat and coordinating body running GMS.

In light of the collapse of the socialist economic bloc and market-oriented economic reform, the aim of the GMS Program is to contribute to poverty reduction by stimulating the trade and flow of people, goods and capital, promoting economic integration, developing infrastructure and sustaining industrial competitive potential. Two of the key points worth noting here is that GMS is not just an ADB project but also involves securing funding from donors to implement sub-regional infrastructure projects and that the GMS framework does not operate based on the approach of poverty reduction via the social sector (education, health, etc.). In addition to tangible development such investment totaling over US\$ 4 billion and the development of Highway 1 linking Phnom Penh and Ho Chi Minh City¹⁰³, since 1992 GMS has also contributed to and achieved results in terms of intangible development, including human resources training and the establishment of organizations and institutions. Such results have included the Phnom Penh Plan (human resources training plan), the GMS Business Forum (GMSBF), agreements regarding power grid cooperation and basic agreements regarding the movement of people and goods.

At the 10th GMS Ministerial Conference in November 2001, the following 11 flagship initiatives were proposed as a strategic framework for the next decade.

(i) North-South Economic Corridor, (ii) East-West Economic Corridor, (iii) Southern Economic Corridor (2nd East-West Corridor), (iv) Telecommunications Backbone and Information and

¹⁰³ 2nd East-West Corridor: Japanese grant aid planned for the Phnom Penh side.

Telecommunications Technology, (v) Regional Power Interconnection and Trading Arrangements, (vi) Facilitating Cross-Border Trade and Investment, (vii) Enhancing Private Sector Participation and Competitiveness, (viii) Developing Human Resources and Skills Competencies, (ix) Strategic Environmental Framework, (x) Flood Control and Water Resource Management and (xi) GMS Tourism Development.

Japan has indicated an awareness of the need to take efficient, effective steps to promote cooperation and coordination as part of the establishment of numerous international organizations and frameworks in relation to the development of the Mekong region and of the fact that every effort should be made to capitalize on the proven framework provided by the ADB GMS in particular. Projects currently being carried out include the Haivan Pass Tunnel Construction Project (Viet Nam), the North South Railway Line Reinforcement Project (Viet Nam), the Mekong Bridge Construction Project (Cambodia), the International Communications Development Project (Laos) and the Vientiane International Airport Project (Laos).

At present however, there are a number of changes taking place, including (i) the development of the foundations for domestic infrastructure geared towards economic development in the CLMV countries, over a decade after the end of the Cold War, (ii) increasingly evident disparities within the ASEAN region, (iii) Japan's diminishing presence in Southeast Asia countries and (iv) the growing influence of countries such as China and India within Southeast Asia.

It was against this backdrop that Japan outlined a new initiative for development in the Mekong region at the Japan-ASEAN Special Summit in December 2003, announcing the New Concept of Mekong Region Development. With anticipated cooperation totaling US\$ 1.5 billion over three years, the aim of this initiative is to achieve three visions ((1) reinforcing regional integration, (2) attaining sustainable economic growth and (3) harmonizing with the environment) by means of three "pillars of concrete action" ((1) enhancing economic cooperation, (2) promoting trade and investment and (3) strengthening consultation and coordination with international organizations and ASEAN countries). In order to achieve sustainable economic growth in the Mekong region in particular, the initiative stresses the need for a framework for wide-area cross-border development covering the region as a whole, in addition to efforts to tackle issues affecting individual countries.

Narrowing regional disparities between themselves and developed ASEAN countries is becoming a key issue for the CLMV countries and something that is essential to ASEAN integration. A number of different frameworks are being developed in order to achieve this. Although the main frameworks are outlined below, there are other frameworks such as the ASEAN Integration System of Preferences (AISP) and the AMBDC program.

(1) Initiative for ASEAN Integration (IAI)

The IAI was established at the fourth unofficial ASEAN Summit in November 2000 with the aim of narrowing disparities within the ASEAN region. The IAI Workplan, a six-year plan running from 2002 to 2008, was then agreed in 2002. Four priority fields have been put forward; (i) infrastructure development [17 projects], (ii) human resources development [42], (iii) ICT [17] and (iv) regional economic integration [24]. As of the end of May 2005, budgets had been allocated for 80 out of 100 projects, 44 of which had already been completed. After Republic of Korea, Japan is the second largest donor country involved in the IAI program¹⁰⁴.

¹⁰⁴ JICA (2005)

(2) Ayeyawady-Chao Phraya Mekong Economic Cooperation Strategy (ACMECS)

ACMECS is an Economic Cooperation Strategy (ECS) proposed by Thai Prime Minister Thaksin Shinawatra in April 2003 with the aim of narrowing disparities within the region through economic cooperation with Thailand's neighboring countries, namely Cambodia, Laos and Myanmar. As part of ACMECS, action plans have been formulated for five areas of cooperation; facilitating trade and investment, agricultural and industrial cooperation, transport linkages, tourism and human resources development. Viet Nam has since become a new member of ACMECS in May 2004.

(3) Mekong River Commission (MRC)

The MRC, a regional international organization, was officially founded in 1995. Its aim is to ensure sustainable development, regulate water usage and protect the Mekong River basin through environmental measures such as requesting and providing planning and implementation assistance in relation to river basin development, anti-flooding measures, navigation, hydropower and water resource development, agriculture and irrigation, fishing and tourism, devising water use plans and regulations in order to prevent disputes over water usage and protecting the ecosystem. In addition to a Council and Joint Committee consisting of representatives of the four member countries, Cambodia, Laos, Thailand and Viet Nam, the MRC also has offices employing approximately 130 members of staff at Secretariat. It has an annual budget of US\$ 12 million (2004), which is funded by member countries, 13 non-member countries, including Japan, and the World Bank. Myanmar and China act as observer countries.

(4) ASEAN-METI Economic and Industrial Cooperation Committee (AMEICC)

One of the main movements involving Japan has been the AMEICC, which was established in 1998. The AMEICC's work involves enhancing ASEAN's competitive potential, promoting industrial cooperation and providing support for new ASEAN countries. As part of the AMEICC, WG have been set up in eight sub-sectors, including human resources development, small and medium enterprises, supporting industries and regional industry and West-East Corridor development. The West-East Corridor WG put forward the West-East Corridor Comprehensive Industrial Development Program, with the aim of establishing an industrial and distribution network in the West-East Corridor region during the period from 2004 to 2006, and is currently conducting research into areas such as cross-border industrial cooperation and the establishment of efficient distribution routes in the Mekong region. Its activities include entrepreneur support training programs focusing on promising industries, programs to improve processing technology amongst local companies in rural communities and training to facilitate trade with CLMV countries, focusing on improving international business capabilities.

(5) JICA-ASEAN Regional Cooperation Meeting (JARCOM)

JICA is making full use of the aforementioned JARCOM mechanism in order to help rectify disparities in the level of development within the ASEAN region (sharing a principle with the IAI and continues to devise and implement South-South Cooperation projects using regional resources.

2-1-3 Regional issues to be tackled in the future based on the above and an overview of relevant directions in cooperation

As mentioned previously, the Japanese government is working to devise and implement projects in line with the New Concept of Mekong Region Development announced in December 2003. These efforts consist of continued cooperation to contribute to the social development of the Mekong region, focusing on

the issues of infrastructure development, promoting trade and investment and human resource development and institutional support, which are also priority areas for development assistance under JICA's aforementioned country-specify project implementation plans. Specifically, this includes the development of infrastructure such as transport, power and communications networks, distribution-related measures such as immigration control and customs development, tourism development, business forums and higher education. Elsewhere, although they may not come up in surveys into individual countries' needs, there are additional issues that also require the region's special attention. Specific examples of such issues that need to be tackled include HIV/AIDS, infectious diseases such as Malaria, new infectious diseases such as SARS and avian flu, drugs, terrorism, fighting crime such as sea piracy, measures against earthquakes, tsunamis and other natural disasters and environmental protection such as steps to protect forests and international rivers and to prevent acid rain.

2-1-4 Areas of support implementation in need of improvement as part of regional cooperation in relevant areas and possible initiatives with other partners (partnerships with international organizations, developed ASEAN counties, etc.)

The percentage of support focusing on tangible development such as infrastructure and related facilities has always been relatively high. In addition to continuing cooperation in this field in order to achieve sustainable economic growth and heighten appeal to attract foreign investment, it is also important to increase the percentage of support for intangible development, including policy proposal capabilities, institutional development and human resources development, to enable facilities to be used as effectively and efficiently as possible. It is crucial to strike an ideal balance between tangible and intangible support. In order to achieve this, it is necessary to have a thorough understanding of initiatives within the ASEAN region, such as yen loans from the JBIC and initiatives run by the ADB and other international financial institutions, and trends in private capital and to be involved from the project planning stages onwards. Although local ODA Taskforces currently share information and cooperate with the likes of local organizations in individual countries on a grass-roots level, there are also cases in which local offices do not have sufficient information on matters such as environmental and social considerations being carried out by partner organizations and progress with project screening. Therefore, rather than local ODA taskforces acting alone, Japan needs to respond as a whole country, through exchanges with head offices.

As mentioned previously, if governments merely wait for requests from their counterparts regarding common issues affecting the entire region, requests do not tend to be forthcoming. Therefore, in addition to JICA's efforts to use planning expenses for specific countries and issues in order to carry out project formulation studies targeting CLMV countries and assign project formulation advisor to plan wide-area surveys into specific issues, new approaches are needed, such as special budgetary measures to assist with project implementation. It is also essential to contribute to human resources training for assistant resident representatives in each country, using the likes of regional training schemes and so-called Japan Centers set up in the CLMV countries as effective tools.

Rather than any one country acting alone, it is more effective and efficient if a number of countries act simultaneously in response to these issues. As simultaneously obtaining requests from individual countries is likely to take time from an administrative point of view however, new approaches are also needed with regard to methods of securing international agreement (obtaining application forms and Exchange of Note Verbals).

2-2 BIMP-EAGA and Other ASEAN Growth Areas

2-2-1 Introduction

Based on the successful model of the Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT) promoted by the Singaporean government in the 1980s, the IMT-GT and the BIMP-EAGA were developed, chiefly by politicians, in the early 90s with the aim of creating cross-border regional economic blocs linking neighboring countries. Initially however, these schemes were not as successful as had been hoped.

The IMT-GT was led by Malaysia and the BIMP-EAGA by the Philippines, with the ADB playing a central role in areas such as the formulation of proposed regional development strategies. There have been new developments in recent years however, such as the ASEAN Free Trade Agreement and the IAI.

In addition to an outline of the IMS-GT, the IMT-GT and the BIMP-EAGA and an overview of the ADB's local cooperation strategy, this section also features proposals regarding directions in JICA's cooperation with local cooperation initiatives.

2-2-2 Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT)

(1) Background

The IMS-GT originated from the enforcement of the Indonesian Foreign Investment Law in 1967 for the purposes of an industrial complex on Batam Island to act as a base for oil refining, gas purification and transportation. Indonesian President Mohamed Suharto later went on to propose joint development on Batam Island to Singapore Prime Minister Lee Kuan Yew, based on a master plan for the industrial development of the island¹⁰⁵ drawn up in 1972. The two countries then signed a joint development agreement in 1980. In 1989, Singaporean Prime Minister Goh Chok Tong announced the concept of a growth triangle based on investment in the area connecting Batam Island¹⁰⁶, Johor¹⁰⁷ and Singapore. After that, agreement was reached on the development of a large-scale industrial complex by government-affiliated companies from Singapore and the joint development of a communications network by telephone companies from both countries. In 1990, an economic agreement for new development in Riau province and an investment promotion and protection agreement were signed. The IMT-GT was incorporated into the IAI at an ASEAN Summit in Vientiane in Laos in 2004.

(2) Reasons for the success of the IMS-GT and problem areas

From the latter half of the 1980s onwards, there was a surge in overseas investment, particularly active investment in other Asian countries, led by the Singaporean government. The Foreign Investment Promotion Law was enacted in 1989, bringing with it full-scale overseas investment and cross-border regional economic growth, which went on to serve as a model for other ASEAN countries. Reasons for the success of the IMS-GT include (i) a shift in the international political climate from opposition to harmony (the end of the Cold War), (ii) the possibility of cutting transportation costs thanks to geographical proximity and reduced production costs as a result of an increase in the scale of the economy (the development of effective complementary economic relationships) and (iii) the presence of regions achieving remarkable economic development. Another factor was that this was around the time that Japanese, Republic of Korean and Taiwanese companies were starting to look for investments and

¹⁰⁵ Drawn up by Nissho Iwai Corporation and Pacific Bechtel.

¹⁰⁶ Indonesian territory.

¹⁰⁷ Malaysian territory.

relocation sites in East Asia as a result of the Plaza Accord. Problem areas in relation to regional cooperation that have come out of the experience of the IMS-GT include (i) the constant possibility of friction between nations (especially in relation to illegal employment and immigration), (ii) the lack of any guarantee that profits will be distributed evenly and (iii) damage to the environment as a result of the sudden population influx.

2-2-3 Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT)

(1) Background

The regions participating in the IMT-GT are six provinces in Sumatra in central northern Indonesia, five provinces in northern Malaysia and five provinces in southern Thailand¹⁰⁸. The total population of this area is approximately 25 million.

After Malaysian Prime Minister Mahathir bin Mohamad the adopted the IMT-GT concept to create a private-sector-driven economic bloc in 1990, it was officially established at a three-country summit meeting¹⁰⁹ between Indonesia, Malaysia and Thailand in Langkawi in Malaysia in 1993. In 2000, the IMT-GT development strategy was reviewed and approved. At Thailand's proposal, a new IMT-GT development strategy and a new implementation structure were then approved in 2001. In 2003 it was agreed to allow Myanmar to participate, creating the IMT-GT+1. The IMT-GT was incorporated into the Initiative for IAI at an ASEAN Summit in Vientiane in 2004.

(2) Factors impeding growth

Factors impeding the growth of the IMT-GT include the fact that the initial long term plan proposed by the ADB was scaled down considerably in the face of opposition from Indonesia and Thailand claiming that it would only benefit Malaysia and the fact that, even after the plan was approved, less progress was made with infrastructure development based on private sector investment than expected. One of the major factors impeding growth was sluggish infrastructure development between Thailand and Malaysia. This stemmed from political factors, namely that Thai Prime Minister Chuan Leekpai, who was from southern Thailand and had been pushing ahead with the IMT-GT, lost an election in 1995 to be replaced by Banharn Silpa-Archa, whose administration was not interested in development in the southern regions of the country. Other concerns such as border issues, smuggling, illegal immigration, issues regarding sovereignty at sea and separatist activity in Thailand and Malaysia also made it difficult attract private sector investment. The economic crisis in 1998 also compounded matters. Despite a later attempt to reinforce and revitalize the IMT-GT in 2002, there are concerns over the impact of killings in Southern Thailand in 2004 involving the police and Muslim citizens and the massive earthquake off the coast of Sumatra in December 2004.

(3) IMT-GT implementation structure

SOM (vice-ministerial level) and Ministerial Meeting

In practice, the SOM is the highest decision-making body within the IMT-GT. Ministerial Meetings are held based on reports issued by the SOM.

Growth Triangle Business Council (IMT-GTBC)

¹⁰⁸ Indonesia: Aceh, Riau, North Sumatra, West Sumatra, Bengkulu and Jambi
Malaysia: Perlis, Kedah, Penang, Perak and Selangor
Thailand: Satun, Pattani, Narathiwat, Yala and Songkhla

¹⁰⁹ Attended by Indonesian President Mohamed Suharto, Malaysian Prime Minister Mahathir bin Mohamad and Thai Prime Minister Chuan Leekpai.

Table5-1 ITG overview

Country	Fields
Indonesia	Cross-sectoral development, Development of the Hinterlands and Intra Trade
Malaysia	Infrastructure development, Trade and In Situ Development
Thailand	Open Market Operations, Sectoral Development

Source: the author.

The IMT-GTBC was established in 1994 as an organization to represent the views of the public sector in each country. It involves private companies from the region meeting to facilitate private sector activity, with sessions held every year as a rule.

IMT-GT Study Center

The IMT-GT Study Center was established by Songkhla University to conduct policy, economic and institutional research in the six fields of tourism, trade and investment, agriculture and fisheries, services, infrastructure and human resources development. Non-research activities have included the dispatch of doctors to provide medical assistance for the earthquake off the coast of Sumatra in December 2004.

IMT-GT-UNINET

IMT-GT-UNINET is a research network formed in 1996 consisting of eight universities in the three IMT-GT countries. In addition to consultancy services, it also provides human resources training for people in the IMT-GT region in the fields of socioeconomics, management, tourism and IT and carries out joint research, human resources exchanges and cultural activities.

Implementation Technical Groups (ITG)

The following ITG were set up as a result of the 9th Ministerial Meeting in 2001 in order to promote cooperation within the region.

2-2-4 Brunei Darussalam-Indonesia-Malaysia-Philippine East ASEAN Growth Area (BIMP-EAGA)

(1) Background

The BIMP-EAGA originated from domestic issues in the Philippines, particularly conflict involving Muslim citizens in Mindanao. The BIMP-EAGA covers Brunei Darussalam, eastern Indonesia, eastern Malaysia, the southern part of Mindanao and Palawan in the Philippines. The total population of this area is approximately 60 million.

In 1986, the Autonomous Region of Muslim Mindanao in the southern region of Mindanao which is home to a large number of Muslims, was established, in attempt to stabilize the region. In 1992, the Philippine government switched from its previous hard-line policy towards Muslim regions to one of tolerating autonomy and started to promote the BIMP-EAGA a scheme to create an economic bloc based on a single, united culture and people. The BIMP-EAGA was officially established in Davao in the Philippines in 1994 based on strategies designed to (1) promote economic development (2) enhance the competitive potential of exports and (3) develop an attractive investment environment. The four countries agreed to relax landing licensing for transport vessels at ports in the region and to develop the region's airport infrastructure. The Philippines and Indonesia signed an agreement on common customs tariffs in 1997 and agreed to introduce tax benefits in relation to areas such as travel. The importance of the BIMP-EAGA was reaffirmed at the 9th ASEAN Summit in 2003. As recovery from the economic crisis progressed, sporting and other exchange events (BIMP-EAGA Friendship Games) also started up again after being suspended since the crisis. 2003 also saw Australia's Northern Territory approved as a BIMP-EAGA development

Table5-2 Roles of participation countries in the BIMP-EAGA

Country	Cluster	Fields
Brunei Darussalam	Transportation and infrastructure	Expanding air links and sea links, construction materials, communications and IT
Indonesia	Natural resources	Agro-industry, cooperation with the fisheries industry, forests and the environment, energy
Malaysia	Tourism	Tourism
Philippines	Small to medium sized companies	Capital formation, financial services, customs, immigration, quarantine, security

Source: the author.

partner on the back of a strong recommendation from the Philippine government.

(2) Factors impeding growth

Although the population of the region is approximately 50 million, it is sometimes considered to be a group of neglected regions, with insufficient transport and social infrastructure to enable movement within the region proving a major constraint in terms of economic development. Complementary economic relationships between countries in the region are also weak due to the lack of a central country or region capable of becoming a driving force for economic development, such as Singapore in the IMS-GT or Penang in the IMT-GT. Other factors impeding growth include delays with the development of the basic infrastructure needed for industrial development, a scarcity of private capital, a lack of administrative capabilities (law enforcement, coordination), a shortage of industrial human resources and problems with public order.

(3) Implementation structure

1) SOM (vice-ministerial level meeting) and Ministerial Meeting

These are the highest decision-making bodies within the BIMP-EAGA. Presidency is allocated on a rotation basis, with Indonesia acting as president as of August 2005. There are four subordinate clusters and a number of working groups, with each country responsible for different working groups. There are 11 working groups, each of which includes representatives from the public and private sectors. The table below outlines the division of roles between each country.

2) East ASEAN Business Committee (EABC)

The East ASEAN Business Committee (EABC) was set up in 1994 as an organization representing the views of the private sector in each country. A secretariat was set up in Brunei Darussalam in November 1996 and was approved as a BIMP-EAGA organization by the SOM and Ministerial Meeting the following year in 1997. The secretariat was moved to its present location in Kota Kinabalu in the Malaysian province of Sabah in May 2005.

3) BIMP Facilitation Center

The BIMP Facilitation Center was set up in Kota Kinabalu in the Malaysian province of Sabah in August 2003 to act as a coordinating body for public and private sector initiatives (with funding from the Malaysian federal government and the Sabah provincial government)¹¹⁰. In addition to coordinating matters with the relevant ministries and agencies in each country, individual working groups, clusters

¹¹⁰ Granted by the government of Malaysia and Sabah.

and the EABC, the center also handles investment promotion, networking across a range of fields, the exchange of information, database capabilities, various events and coordination with individual governments. However, it is not a decision-making body.

2-2-5 ADB's regional strategy

The objectives of the ADB's regional strategy in Southeast Asia are (1) to enhance competitive potential in order to generate a sustainable growth rate and (2) to create a network linking isolated poverty stricken regions through intra- and inter-regional trade, achieve a balance with other developing regions and to provide support for the creation of an economic climate to alleviate security problems. Specifically, the core areas of cooperation under this strategy are (i) regional transportation infrastructure development, (ii) regional energy infrastructure development, (iii) support to reinforce and harmonize financial systems and (iv) support for local initiatives. The ADB's plans for growth areas however suffer from the following limitations.

- (a) The formation of local economic blocs diminishes central governments' control over provincial governments.
- (b) Profits from the formation of local economic blocs are not necessarily distributed evenly.
- (c) Domestic coordination costs for countries within the region increase as a result of differing political and economic systems.
- (d) The impact of the formation of local economic blocs on society, culture and the environment is not given sufficient consideration.

In the past however, there have been accusations that the growth areas approach promoted by the ADB tends to place too much emphasis on the importance of developing political frameworks and that it oversimplifies the political and economic complexities of the relevant areas. The ADB is also aware of this and, as part of its pending regional strategy, is emphasizing private-sector-driven economic development.

2-2-6 Conclusion

Having looked at an overview of initiatives in each region, the successes of the IMS-GT can be broadly summarized as follows. The IMS-GT came about as a result of changes in the global economy due to the end of the Cold War and the Plaza Accord, a Singaporean government that was able to implement bold economic and trade policies in response to such changes (a government with strong leadership capabilities, a small scale economy and excellent public security) and a combination of unique conditions. Although there are a number of issues to be considered before the IMS-GT's experiences can be applied to other regions, it should be more widely recognized as a successful example of local cooperation.

The IMT-GT on the other hand has faced issues such as the exodus of refugees from southern Thailand to Malaysia as a result of clashes between police and Muslim citizens in southern Thailand in 2004 and problems relating to the disarmament of the Free Aceh movement and military withdrawal after Aceh was granted autonomy in August 2005. The BIMP-EAGA has faced issues such as illegal Indonesian and Philippine immigrants, oil field development between Indonesia and Malaysia off the coast of Sabah, domestic conflict and terrorism in the Philippines at the hands of the Moro Islamic Liberation Front, religious conflict in the Indonesian province of Maluku and the independence movement in Papua. All of this underlines that fact that Southeast Asia can be an unstable region at times. There are also new developments in Mindanao, such as the dispatch of cease-fire monitors from Brunei Darussalam and Malaysia.

Both the IMT-GT and the BIMP-EAGA are part of the IAI and are positioned within the ASEAN integration framework, with new developments expected in the future, such as summit meetings on local cooperation in the relevant areas at ASEAN Summits in 2005. It will also be necessary to collect and organize information on the impact of efforts to sign FTAs between ASEAN and other countries such as Japan, China, India and Australia in the future.

Special attention may also need to be paid to the handling of local cooperation in the future at times such as during negotiations regarding the signing of the Japan-ASEAN Comprehensive Economic Partnership.

2-2-7 Directions in regional cooperation involving JICA

Based on the experiences of the IMS-GT, the objective of the ADB's ASEAN regional strategy is to achieve economic development primarily through private sector activity, including steps to stimulate trade activity in Pro-Poor regions. This means that poverty and security issues inherent in any two regions remain hidden rather than being brought to the forefront.

JICA cooperation with initiatives in both regions leans towards focusing on areas such as peace-building support and cooperation in non-traditional security-related fields and furthering cooperation designed to contribute to regional stability, with an emphasis on human security. This is thought to form part of a two-pronged system of cooperation, alongside economic development based on trade promotion carried out by organizations such as the ADB.

Consequently, priority is given to the following points when implementing cooperation.

The first step is cooperation focusing on ownership in relation to regional cooperation, based on the following points.

- i) Cooperation in each region is approved at summit level and confirmed to be important at the present time. Ownership is fixed, making it relatively easy to involve implementing organizations in the other country.
- ii) Cooperation with regional initiatives is frequently cost effective, particularly in terms of the major diplomatic and political impact compared to bilateral cooperation.
- iii) The institutional development required to promote trade can be handled by establishing a framework under the ASEAN Free Trade Agreement.
- iv) Thailand and Malaysia have sufficient experience and proven results in the field of trade promotion, meaning that human resources development can be handled to some extent using regional resources.

Priority is also placed on JICA's past experience with cooperation and cooperation based on human security. This includes the following points.

- i) It is possible to investigate cooperation from the point of human security, which is considered a priority by Japan, by positioning it as peace-building support or cooperation for non-traditional security.
- ii) JICA's stronger presence in the ASEAN region compared to other regions and the fact that JICA has access to a human network built up through cooperation in the past are both advantages.
- iii) Due to the fact that it one of the ADB's priority policies to focus on infrastructure development projects designed to stimulate regional trade and the fact that JICA focuses on human security and peace-building support, it is possible to work together with the ADB to provide complementary cooperation.

Based on the above, the following three points have been proposed as future directions for cooperation involving JICA.

Prioritizing fields in which JICA has had proven results with cooperation in the past or in which there are complementary relationships with donors.

Prioritizing regional support focused on South-South Cooperation based around organizations that have had proven results with cooperation in the past.

Focusing on reinforcing information sharing relationships with the ASEAN Secretariat, cooperation organizations in both regions and the ADB, implementing JICA action in a quick, timely manner and providing information.

3. Transnational Challenges

3-1 Public Security and Development

3-1-1 Introduction — adapting to new needs

There have been significant changes in the international environment and domestic politics in Southeast Asia in recent years. These changes have been rapid and have resulted in the diversification of the region's support needs. One particularly noteworthy development has been the growing regional consensus regarding security and how countries should be run in the post Cold War era. On one hand, as traditional threats from the Cold War era fade away, the number of security issues that need to be tackled jointly by ASEAN countries is on the increase. On the other hand, each country is currently exploring sustainable national stability based on the principle of democratic governance. Needless to say, approaches to security and democracy are not necessarily the same in each ASEAN country. Nevertheless, the desire to push ahead with regional cooperation in response to common security issues is essential to national stability in the long term, as are democratic politics based on citizen participation. Awareness of the fact that this will form the basis to enable stable, sustainable economic development is already growing into a consensus within ASEAN¹¹¹.

Developments such as these within the ASEAN region are also beneficial to Japan. Initiatives have been stepped up to combat transnational crime in particular as a common security issue. At the same time, the increasing stability of democratic institutions in individual countries is of decisive importance in terms of investment and development and is set to contribute greatly to economic cooperation between Japan and ASEAN in the future. As part of this process, JICA is expected to actively support the underlying needs propping up the development of the region. With ASEAN expected to play a more proactive role as a regional mechanism in the future, it is hoped that regional issues that have been difficult to cover in the past on a bilateral basis will be able to be effectively handled in cooperation with the ASEAN Secretariat in the future. Strengthening the capabilities of the ASEAN Secretariat is also important in the sense of supporting regional initiatives essential to the promotion of regional integration.

Based on the above points, the following section will examine what the envisioned ASC will need from Japan, as well as what areas should be given priority as part of JICA's development assistance strategies and

¹¹¹ Please refer to any of the numerous studies into the development of ASEAN carried out in recent years, particularly Stubbs (2002) pp.440-445.

what support programs are expected to be developed¹¹². The following section will first of all provide an overview of Japan's response to the ASC, followed by a look at directions in cooperation in relation to combating transnational crime, one of the ASC's priority issues. Finally, this section will discuss possibilities in terms of support for peace-building and democratization, which are areas being explored within the ASC framework.

3-1-2 The ASC and Japan's commitment

The establishment of the ASC will be a groundbreaking step forward for ASEAN. At the 9th ASEAN Summit in Bali in October 2003, the Declaration of ASEAN Concord II was adopted, the ASEAN Vision 2020 heralded as the way forward towards regional integration in the future and the decision made to establish the AEC, the ASCC and the ASC, the three core pillars of the ASEAN Community¹¹³. The role of the ASC, as approved under the Declaration of ASEAN Concord II, is to "bring ASEAN's political and security cooperation to a higher plane to ensure that countries in the region live at peace with one another and with the world at large in a just, democratic and harmonious environment¹¹⁴." Of the various common security issues facing the region, the Declaration of ASEAN Concord II particularly emphasizes cooperation to tackle terrorism, drug trafficking, trafficking in persons and other transnational crimes. In the political arena, it focuses on the issues of conflict prevention, conflict resolution and post-conflict peace building¹¹⁵.

Whilst preserving the existing consensus on noninterference in internal affairs within the ASEAN region, the declaration reflects the process of trying to build a new consensus based on recognition of two key facts. These are, firstly, the fact that multilateral cooperation is essential as part of initiatives to tackle common security issues and, secondly, the fact that peace building approaches to domestic conflict are essential to long term political stability. Considering the political, economic and cultural diversity within Southeast Asia, fresh awareness and new initiatives such as these within the ASEAN region are of tremendous historical significance.

The ASC, which actually started out as a mere principle, is now becoming a fully-fledged regime as a result of subsequent institutional development and improved communication. This process is supported by cooperation on three levels, namely cooperation on a political level (track one), collaboration between regional research institutions (track two) and the converging of dialogue and opinions on a civilian level (track three). In addition to complementing one another, these three levels of cooperation incorporate

¹¹² As part of the compilation of this report, interviews were carried out in March, July and August 2005 in the Philippines and Indonesia. Invaluable advice was provided by the following people in particular; Professor Carolina Hernandez (presidentnt advisor, office of the President of the Philippines), Lamberto Monsanto (Executive Director, Office of ASEAN Affairs, Philippines Department of Foreign Affairs), Keo Chhea (Senior Officer, Special Projects Unit ,ASEAN Secretariat), Tatik Hafidz(Special Projects Unit, ASEAN Secretariat), Fiona David (Special Projects Unit ,ASEAN Secretariat), Major-General Sudrajat (Director General of Defense Strategy, Indonesia Department of Defense), Satish Mishra (United Nations Support Facility for Indonesian Recovery (UNSFIR)), Alit Santhika (Bureau of ASEAN Political and Security Cooperation, Indonesia Department of Foreign Affairs), Suko Sudarso (personal advisor to the President of Indonesia), Lieutenant General Agus Widjojo (Indonesia Centre for Strategic and International Studies, retired), Edy Prasetyono, Joseph Kristiadi.

¹¹³ The ASC is not just an ordinary regional security agreement but represents a concerted effort to promote regional cooperation to achieve the ASEAN Vision 2020 and to create a system of cooperation between ASEAN countries to resolve common issues. In light of the imbalance between countries' awareness of traditional threats in the ASEAN region, this would have been difficult to attempt during the Cold War era. For further details, please refer to Yamakage (1991). The Declaration of ASEAN Concord II follows on from the Declaration of ASEAN Concord adopted during the Cold War era in 1976.

¹¹⁴ Please refer to Paragraph 1, Section A (ASEAN Security Community), ASEAN Secretariat (2003a).

¹¹⁵ Please refer to Paragraphs 10 and 12, Section A (ASEAN Security Community) ASEAN Secretariat (2003a).

checking functions and joint initiatives, creating an in-built mechanism for the ASC regime. At the 38th AMM in Vientiane in July 2005 for example, there was agreement regarding further political and security cooperation, clearly underlining the ASC's scope for self-expansion. The 38th AMM also produced agreement regarding the formulation of an ASEAN Charter, dubbed ASEAN's most ambitious political project to date, and resulted in the establishment of a defense ministers meeting being finalized in order to promote security cooperation¹¹⁶. Both of these are developments that will contribute to the self-reinforcement of the ASC regime.

Japan has continued to express its active support for the ASC. The Tokyo Declaration was adopted at the Japan-ASEAN Special Summit, held two months after the announcement of the aforementioned Declaration of ASEAN Concord II (October 2003). This set out an action plan indicating Japan's intention to actively commit to political and security cooperation in the ASEAN region¹¹⁷. The following month, in January 2004, the ASEAN Ministerial Meeting on Transnational Crime (AMMTC) and the ASEAN+3 equivalent (AMMTC+3) were convened for the first time (in Bangkok) to discuss steps to combat transnational crime, an area in which the Declaration of ASEAN Concord II stressed high hopes for the ASC. It was at these meetings that the Joint Communiqué, to which Japan has pledged its full cooperation, was adopted. At an ASEAN+3 meeting in Vientiane in November the same year, the ASEAN Declaration on Joint Action to Counter Terrorism was announced, with Japan once again showing cooperation in the fight against terrorism. The following month, the Seminar on the Promotion of Accession to the International Convention for the Suppression of the Financing of Terrorism was held in Tokyo, giving the 40 or so participants from Southeast Asian and Pacific countries and international organizations the opportunity to exchange opinions regarding initiatives in each country. The ASEAN Senior Officials Meeting on Transnational Crime (SOMTC) was convened for the second time in May 2005, ahead of the third session of the AMMTC+3. ASEAN then strongly requested cooperation from Japan at an additional SOMTC+Japan meeting¹¹⁸. Thus, as part of the promotion of political and security cooperation in the ASEAN region, Japan has continued to demonstrate its diplomatic policy of supporting the development of the ASC. Japan has also adopted a significant number of statements actively supporting initiatives to combat transnational crime (including terrorism), one of the major issues facing the region, as well as holding numerous seminars and official discussions¹¹⁹.

¹¹⁶ The ASEAN Eminent Persons Group (EPG), which was due to be officially established at the ASEAN Summit (ASEAN+3 Summit) in December 2005, will play a leading role in the formulation of the ASEAN Charter. There are also plans to include members of the media and other track three parties in this process. The defense ministers meeting will be established in line with track two policy proposals. From the initial stages of the Declaration of ASEAN Concord II, a major ASEAN think-tank (the Institute for Strategic and International Studies (ISIS)) has continually stressed the fact that a defense ministers meeting is crucial to the promotion of the ASC. ASEAN-Institute for Strategic and International Studies (ASEAN-ISIS) initially consisted of five organizations; the Center for Strategic and International Studies (CSIS) in Jakarta, the Institute of Strategic and International Studies (ISIS) in Kuala Lumpur, the Singapore Institute of International Affairs (SIIA), the Institute of Strategic and Development Studies (ISDS) in Manila and the Institute for Security and International Studies (ISIS) in Bangkok. The Vietnamese Institute of International Relations (IIR) later joined in 1995, followed by the Cambodian Institute for Co-operation and Peace (CICP) in 1997 and the Brunei Darussalam Institute of Policy and Strategic Studies (BDIPS) in 2000. The three latter organizations however are not private but are affiliated with the relevant countries' foreign ministries.

¹¹⁷ At the same time as the Special Summit Meeting, anti-terrorism specialists from each of the ten ASEAN countries were also invited to Japan to discuss terrorist conditions and initiatives to combat terrorism.

¹¹⁸ The May SOMTC+Japan meeting was attended by Deputy Director-General of the Asian and Oceanian Affairs Bureau, Ministry of Foreign Affairs.

¹¹⁹ The importance of track two cooperation between Japan and ASEAN in the field of security has also continued to be reaffirmed. At a symposium in December 2004 jointly organized by the Japan Institute of International Affairs (JIIA) and the Singapore Institute for Defense and Disarmament Studies (IDSS) for example, Japan stressed the need for cooperation through the exchange of opinions between security experts from Japan and ASEAN countries. This did not however extend as far as specific proposals. Please refer to Japan-ASEAN Security Co-operation: Recommendations from a Team of Experts, 2nd Japan-ASEAN Symposium (organized by JIIA and IDSS), Singapore, October 27-27, 2004.

Bearing all of this in mind, what sort of specific support programs should Japan proceed with in the future? With the exception of international seminars, the majority of cooperation and support to date has been carried out on a bilateral basis¹²⁰. However, it is now time to reassess this traditional approach in view of the rapid development of the ASEAN framework in the wake of the Declaration of ASEAN Concord II and the rise of the ASC regime. Visions of cooperation for the future should place an emphasis on regional support, focusing on effective support for the development of the ASC regime. In order to achieve this, it is becoming essential to take steps such as developing aspects of previous bilateral cooperation into more diverse schemes targeting the entire ASEAN region and developing cooperation programs that might not have been particularly effective on a bilateral basis but that can be expected to be effective in the form of regional support.

Accepting overseas students from maritime security related organizations (including students from Indonesia, Thailand, the Philippines, Viet Nam and Malaysia amongst others) for security staff training for instance clearly demonstrates how effective it is to develop more diverse cooperation through the ASEAN Secretariat in terms of committing to the ASC regime and strengthening cooperation between Japan and ASEAN. Similarly, pooling the experiences and knowledge of individual customs experts dispatched to Viet Nam, Malaysia, the Philippines and Indonesia will also contribute to ASEAN as a whole. What is more, diversifying initiatives to include the likes of Maritime Law Enforcement training, as provided by JICA in cooperation with the Coast Guard, can also be expected to improve cost effectiveness. The same is true when it comes to organizing seminars. Developing seminars, such as those held by JICA, through diverse cooperation will also help reinforce the ASC regime. Examples of such JICA seminars in the past have included seminars on International Terrorism Investigation, Maritime Law Enforcement, measure against Money Laundering in Indonesia, Prevention and Crisis Management on Chemical Terrorism (cosponsored by the Southeast Asia Regional Centre for Counter-Terrorism in Malaysia), Organized Crime Investigations (National Police Agency) and Immigration Control in Southeast Asia (Ministry of Justice).

The advantages of placing a greater emphasis on diverse cooperation are also evident from the point of view of the political nature of security. Despite the fact that transnational crime is a top priority security issue in the majority of Southeast Asia countries, one of the reasons why it is so difficult to eradicate is the fact that there are insufficient national monitoring capabilities in response to the involvement of minor government and law enforcement agencies in criminal activity. A significant number of reliable NGO reports have indicated that issues such as illegal harvesting, human trafficking and illegal trade in drugs and weapons are key problems, with cases of local leaders, influential lawmakers and key government figures being involved in criminal networks. As there is a sensitive political side to this issue, it would therefore be preferable in terms of policy to have the option to cushion any impact through diverse cooperation.

As efforts towards regional integration are stepped up in order to achieve the ASEAN Vision 2020, ASEAN Secretariat initiatives are also becoming crucial to the ASC. Secretariat capacity building will contribute greatly to the stability and development of the ASC regime. In that sense, there are weighty

¹²⁰ Support and cooperation initiatives have mainly consisted of support to improve capabilities to combat transnational crime, covering areas such as police and law enforcement agencies in each country, port security, immigration control, measures to prevent terrorism funding, CBRN anti-terrorism measures, customs and export control. Examples include providing fingerprinting equipment (grant aid) and carrying out maritime safety human resources projects (JICA, Coast Guard) in the Philippines, setting up an anti-terrorism training center, providing airport and port security equipment (grant aid), organizing coastal wireless installation projects, support for a coast guard establishment scheme (JICA, Coast Guard) and dispatching experts in maritime security (National Development and Planning Agency) in Indonesia and dispatching instructors to give maritime security seminars in Malaysia.

expectations for diverse cooperation with the ASEAN Secretariat, with even the Secretary General expressing a desire to implement cooperation programs with Japan as soon as possible¹²¹. It is also important to build on the fact that strengthening the ASEAN Secretariat has long been a common agenda shared with ASEAN-ISIS with regard to security issues¹²².

There is a pressing need for Japan to take strategic, positive action in response to the development of a regional security framework since the Declaration of ASEAN Concord II and newly emerging needs. Being the +3 country to take the initiative and create the biggest impact could well be the key to stepping up cooperation between Japan and ASEAN in the future. With China in particular actively outlining security cooperation with ASEAN, the role required of Japan is becoming increasingly important year by year. Although China is in the process of stepping up collaboration with ASEAN in areas such as military cooperation, anti-terrorism measures and the prevention of human trafficking, there are limits to what China can offer based on the nature of the Chinese government and the resources it has available. For instance, China is as yet unable to respond to areas such as hi-tech crime prevention and democratization support. It is in areas such as this that Japan needs to actively take the initiative.

Based on all this, the following section will consider specific aspects of cooperation policy in slightly greater depth. The basic approach outlined here is to focus on providing support via the three tracks behind the ASC regime, particularly the track one and three. One possibility in the track one is support to strengthen capacity building in cooperation with the ASEAN Secretariat in order to combat transnational crime. In the track three, support for the ASEAN People's Assembly (APA) should be taken into consideration, focusing on the empowerment of civil society, an area regarded as essential to strengthening democratic integration under the ASC. The reasons for prioritizing these two areas are directly linked to human security itself¹²³.

3-1-3 Support for capacity building to combat transnational crime

The central interfaces for Japan-ASEAN cooperation on transnational crime are AMMTC (+3) and the SOMTC+Japan, which handles discussion regarding practical matters. The organizational operation of the SOMTC is overseen by the ASEAN Secretariat's Special Projects Unit. The SOMTC promotes cooperation in the following eight fields with the aim of strengthening the ASC framework: terrorism, illegal drugs, human trafficking, money laundering, cyber crimes, sea piracy, arms exports and international economic crime. Of these eight fields, the SOMTC has set out a policy of focusing on the four fields of terrorism, illegal drugs, human trafficking and money laundering over the two year period from 2005 to 2007¹²⁴.

But how should needs such as these be handled? Although working based on the same order of priority as the SOMTC is one possible option, it would equally be possible for Japan to take a slightly more proactive approach, emphasizing cooperation on terrorism and sea piracy, which are considered key

¹²¹ Based on interviews with Keo Chhea,, Senior Officer, Special Projects Unit (transnational crime), ASEAN Secretariat (March 16 and July 14, 2005).

¹²² ASEAN Institute of Strategic and International Studies, *A Time for Initiative: Proposals for the Consideration of the Fourth ASEAN Summit* (Kuala Lumpur: Institute of Strategic and International Studies (1991)). This is a memorandum issued at the time of the establishment of ASEAN-ISIS in 1991. Proposals have been drafted ahead of ASEAN summits each year since then. ASEAN-ISIS is highly regarded for its work and has had even greater input in terms of policy since the establishment of an official meeting with ASEAN foreign ministers in 1999.

¹²³ Naturally, this doesn't mean neglecting the track two. The influence of track two diplomatic channels over individual countries' governments is considerable and is important in terms of sustaining the development of the ASC regime. For further details, please refer to Chapter 5 of Mely (2005).

¹²⁴ ASEAN Secretariat Discussion Paper, 5th SOMTC, Siem Reap, 13-15 June, 2005.

Table5-3 優先4分野における協力

	Money Laundering	Cyber crimes	Sea piracy	Terrorism
Institutional Capabilities	Identifying legal loopholes, drafting relevant laws, standardizing legislation, etc.			
Human Resource Development	Law enforcement agencies, immigration control, international investigations, joint training, etc.			
Accountability	Public information, civic education, citizen cooperation, information management, information disclosure and sharing, etc.			

Source: the author.

security issues from Japan's point of view, and measures to combat the likes of money laundering and cyber crimes, areas in which Japan has a clearly advantage due to its +3 links, whilst still respecting the SOMTC's aforementioned four priority fields. For example, a vision promoting specific diverse cooperation programs based on such a policy, focusing Japanese cooperation on the four areas of money laundering, cyber crimes, sea piracy and terrorism for the time being, could well prove extremely effective. This is the sort of active initiative that the SOMTC is expecting.

One issue however is what sort of diverse cooperation programs Japan should formulate in these four priority areas. Capacity building in particular is of major importance, with support required in order to strengthen capabilities in the three areas of institutional capabilities, human resources development and accountability. The table below aligns these three areas against the aforementioned four priority areas.

As institutional capacity building is exceedingly important as part of efforts to combat problems such as money laundering, cyber crimes, sea piracy and terrorism, the standardization of systems for regional statutory enhancement is an issue that needs to be addressed as soon as possible. There are cases in which the necessary legislation to tackle these problems is lacking and there are clear legal loopholes, meaning that new laws need to be drafted. There are also ASEAN countries with insufficient basic knowledge regarding what constitutes sophisticated crimes such as money laundering and cyber crimes in particular. Although the development of e-government is a key issue as part of the process of increasing regional economic activity, the region is still lacking a shared awareness of the relevant crisis management issues.

Human resources development is also a key area of support in which Japan is expected to play a leading role. Building on JICA's past experience with cooperation targeting law enforcement agencies and specialists responsible for areas such as immigration control and maritime security, Japan should develop programs in cooperation with the ASEAN Secretariat, focusing on its four priority areas. When it comes to capacity building for law enforcement agencies, there are noticeable variations between different ASEAN countries. In addition to a low level of awareness of terrorism being a crime, there are also cases of agencies failing to recognize human rights during investigations and struggling to eradicate maritime criminal networks due to insufficient awareness of corruption. On a more technical level, there are a considerable number of countries that lack the necessary capabilities to combat activity such as money laundering and cyber crimes in terms of monitoring the current situation and investigation techniques.

Accountability is another area in need of urgent attention. In order to make local villagers and fishermen realize that terrorism is a crime not a religious act, it is essential that the authorities engage in publicity activities. ASEAN officials are concerned that there is insufficient groundwork in place in this area. Furthermore, although it is difficult to gather information about groups on the fringes of transnational criminal networks without cooperation from local people, there is considerable room for improvement in terms of efforts to secure such cooperation and relevant techniques. Other outstanding issues include how to manage information collected in different areas of each country and how to share it within the ASEAN

region as a whole. The ASEAN Secretariat has expressed hopes that capacity building programs to tackle issues such as these will be implemented within the SOMTC+Japan framework as soon as possible. JICA initiatives will act as an important driving force to encourage this to happen.

It goes without saying that Japan's available resources need to be taken into consideration before implementing any such programs. It is important to ensure flexibility by starting with priority areas in which it will be easy to make inroads. It will be more effective to be selective, concentrating capacity building efforts rather than spreading them across all three areas at the same time. It would also be better to plan task forces on a stage by stage basis and set out programs in steps. For instance, accountability programs could specialize in public information and civic education in the first year, followed by citizen cooperation and information management in the second year and information disclosure and sharing in the third year. It is possible to approach ASEAN countries in a flexible manner too. Although the ultimate aim is to cover all ten ASEAN countries, it would also be possible to adopt a policy of targeting a number of countries as pilot schemes in the first year, increasing the number of countries year by year after that. In the case of sea piracy for example, plans could be limited to Indonesia, Malaysia and the Philippines to begin with, before moving on to incorporate more countries once programs are in full swing. Similarly, it would be effective to use a combination of local cooperation in the first year and training in Japan the following year as part of the implementation of programs. Either way, it is important to take into consideration the resources that Japan has available and the effects of programs for both sides and to run programs in a flexible, strategic manner. Rather than opposing Japanese initiatives such as this, the ASEAN Secretariat is likely to offer its full support in terms of program coordination. Before all this, it would be worthwhile installing Japanese staff or experts in the ASEAN Secretariat to develop a system capable of analyzing security situations and coordinating support programs on a daily basis and to explore future possibilities.

3-1-4 Support for capacity building to enable democratic integration and peace building

According to accurate indications resulting from a study compiled by Philippine-based ISDS, one of the members of ASEAN-ISIS, military intervention in conflict in Southeast Asia tends to aggravate situations rather than resolve conflicts¹²⁵. There is now an unshakeable consensus within ASEAN-ISIS that Civil Society Organizations (CSO) should play an active role in conflict resolution and peace building instead of the traditional military approach. In order for this to happen however there is expected to be active track three involvement in the ASC regime. Such track three involvement, particularly in terms of sharing information and discussion with problem groups, is supported by the APA, a key forum for advocacy.

The APA was set up in conjunction with an ASEAN summit in Singapore in 2000, since which time it has held conferences every year. The 2005 APA conference took place in Manila over the course of three days in May. The event was attended by over 100 NGO and CSO representatives, members of the media and academic experts. The APA decides upon a key theme for the event every year, with individual themes dealt with in separate report and discussion sessions. On the last day, the ASEAN People's Resolution is adopted for use in track one lobbying activities. The theme of year 2005 was "Towards a People-Centered Development," with a series of individual sessions featuring reports and open debate regarding sub-themes. Sessions included "Peace and Reconciliation: Community Building in Practice," "Human Rights and Democracy Scorecards," "Gender Scorecards and Human Development," "Burma: A Multi-Track Agenda and Approach," "The Voices of ASEAN's Indigenous Peoples," "Refugees, Displaced Persons and Human

¹²⁵ Please refer to the section on Asia of Taft and Landnir (2005).

Trafficking,” “Peace, Human Security and Conflict Prevention,” “Security Sector Reform,” “Natural Disasters and their Implications for People’s Security” and “ASEAN and Regionalism: Civil Society Perspectives¹²⁶.”

The APA’s efforts to strengthen track three cooperation will undoubtedly contribute to the ASC regime. The APA’s activities are limited to discussion and problem-sharing however, meaning that it could be relegated to nothing more than a series of social gatherings in luxury hotels unless it can announce some high quality research and analysis. In fact, it is the author’s personal opinion that the APA includes reports from participants who lack credibility as experts, creating doubt as to whether their contents really merit discussion. With this in mind, although international support organizations may also be required to provide funding for and attend the APA’s annual conferences, like the Canadian International Development Agency (CIDA), it is far more important to work on capacity building for the CSOs that compile the reports submitted for discussion at the event. Increasing the number of CSOs capable of providing high quality research and analysis on a steady basis will guarantee the development of the APA. Accordingly, providing the relevant support should be positioned as a priority for Japan.

One possible candidate for capacity building support in this vein is the Southeast Asian Conflict Studies Network (SEACSN). One of the groups belonging to the APA, SEACSN is a network linking universities and research institutes in all of the ASEAN countries apart from Myanmar and peace-related NGOs. Proactive leadership is provided by organizations such as the Gadjah Mada University Center for Security and Peace Studies in Indonesia and Forum Asia, a Bangkok based NGO. They undertake a range of conflict analysis in their respective home countries and engage in practical peace building activities in cooperation with local NGOs in an attempt to encourage the build-up of experience and expertise. Needless to say, it is essential that local communities play a leading role in peace building. In order to guarantee that this happens, there need to be improvements in local government and administrative democratic governance. The SEACSN’s local NGO network has the potential to carry out the necessary research and analysis to achieve this. From the point of view of the APA, which advocates “people-centered development,” there is going to be an increasing need for local governments to have an understanding of the current situation in the future, with the supporting role played by local NGOs also becoming increasingly significant. Support is needed in response to these needs. Supporting the SEACSN’s capacity building efforts will clear the way to enable it to expand its educational and training programs for local NGOs throughout the region. Capacity building for local NGOs will enable the SEACSN to improve the quality of its seminars on common regional issues and conflict resolution training programs in the future¹²⁷. With this in mind, JICA should consider the possibility of promoting cooperation in areas such as providing strategic for the SEACSN, holding workshops, dispatching lecturers and organizing personnel exchanges.

Whichever way you look at it, local level capacity building for NGOs and CSOs is the key to peace building and the SEACSN’s research and peace-related activities represent a central foundation on which to build on. Building up steadily from the bottom upwards will also give the APA a stronger voice. If the track two and the ASEAN Eminent Persons Group are pushed into action as a result of improved track three output, it will also have an effect on track one policy decisions. This bottom-up approach is essential to the further development of the ASC regime. It is therefore vital to Japan’s ASEAN policy that JICA makes a commitment based on this.

¹²⁶ For more information about the APA, please refer to (<http://www.aseanpeoplesassembly.net>).

¹²⁷ Examples of SEACSN projects this year have included a seminar on the reconstruction of Aceh (in Jakarta) and a seminar on the relationship between resources and conflict (in Bangkok).

3-2 The Environment

3-2-1 Approaches to environmental issues in the ASEAN region

(1) Categories of environmental issues

There are a wide range of stakeholders involved in environmental issues in the ASEAN region, including citizens, firms and local and national governments, spread across different economic sectors, villages, cities, provinces, countries and cross-border regions.

This paper focuses on the scale and extent of environmental issues and the relevant causes and effects, as well as polluters, victims, the authorities and other stakeholders and their relationships to one another. For the purposes of this paper, environmental issues are classified into the following categories.

1) Local environmental issues

This refers to issues where the cause and effect of environmental pollution are confined to a single country or area and includes all related stakeholders. Such environmental issues have traditionally been handled on a national or local government level in an attempt to internalize environmental costs. This approach is frequently impeded by a number of obstacles (issues relating to areas such as administrative capabilities, firms, citizen's behavioral patterns, information, technical capabilities or incentives). The majority of Japan's experience in pollution controls belong to local environmental issues, which also account for the majority of environmental issues facing people in developing countries.

Such examples are air pollution in urban areas, water pollution in rivers, municipal waste, deforestation in mountain villages, etc.

2) Regional environmental issues

Cross-border environmental issues: this refers to environmental pollution generated in one country spreading to affect other countries. Although there are often victims of such problems in the source country, giving the relevant government motivation to take appropriate measures, such measures are frequently limited for a number of reasons and consequently insufficient. (If measures are taken in the source country, issues are unlikely to escalate into cross-border environmental issues.)

Examples: acid rain, haze, pollution of international rivers, etc.

Appropriate management of common natural resources: This refers to the depletion of natural resources by one country, restricting the availability of resources to another country. Although the wasteful use of resources can also affect the other country's access to resources in the future, there is little in the way of motivation to use resources in a sustainable manner. (If resources are used in a sustainable manner in the relevant country, other countries' access to such resources are unlikely to be affected.)

Such examples are use of water in international rivers, fishery resources in international rivers or the sea, undersea resources in international waters, etc.

3) Global environmental issues

This refers to cases in which all countries become, both polluters and victims. There are inevitable disparities between countries' involvement however due to differing levels of economic development, the state of environmental management, environmental response capabilities and the extent of pollution caused or damage suffered. These are issues that require global frameworks.

Such examples are global warming as a result of greenhouse gas emissions, the ozone hole as a result

of the emission of ozone depleting substances.

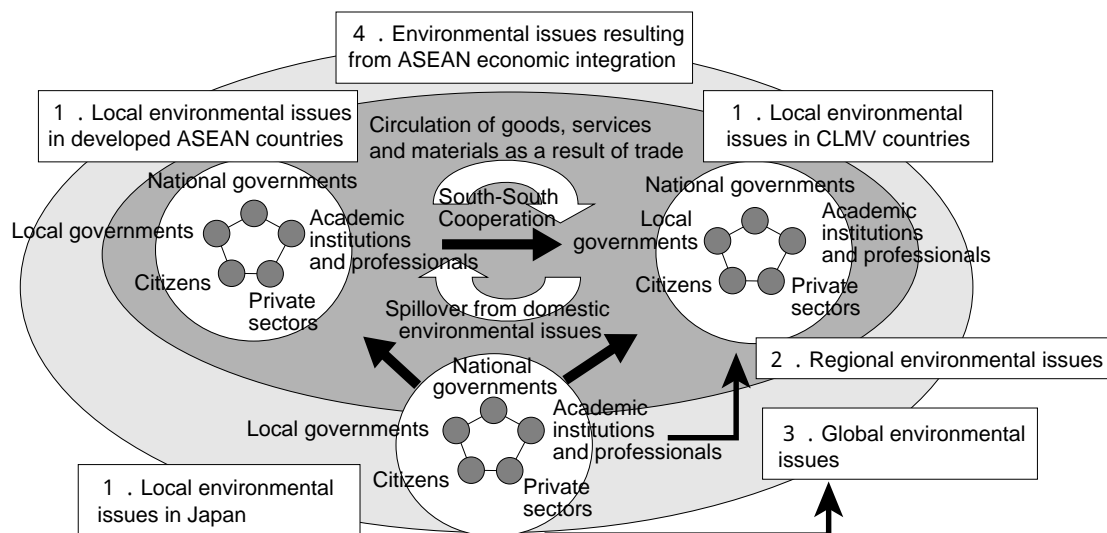
4) Environmental issues resulting from ASEAN economic integration

This refers to production and consumption at the hands of firms and citizens in one or more countries resulting in the depletion of natural resources and causing environmental problems in other countries. The polluters in such cases tend to be reluctant to recognize environmental pollution because the environmental issues are happening in different countries. Because such issues can be regarded as the one of the costs of economic integration, public intervention is essential to internalize the environmental costs as part of production and consumption in the relevant countries.

These examples are environmental pollution as a result of the production of export goods, deforestation as a result of timber exports, environmental pollution caused by multi-national companies' operations, traffic pollution as a result of imported used cars, illegal exports of harmful waste, etc.

The above environmental issues are all present in the ASEAN region and are all interlinked. Firstly, although the four categories refer to different levels, there are links between each of them. Regional environmental issues for example affect whole regions that contain such environmental issues. Global environmental issues on the other hand extend to neighboring countries and the rest of the world. In order to respond to these varying levels of environmental issues, it is essential to have a precise understanding of whom the stakeholders are. It is then essential to develop frameworks to include the related stakeholders to respond to environmental issues on each level. In most cases, measures are implemented on a local level. This section will look at environmental issues according to three separate groups; Japan, developed ASEAN countries and CLMV countries.

Figure 5-1 Approaches to environmental issues in the ASEAN region



Source: the author.

3-2-2 Overview of the current state of environmental issues in the ASEAN region and possible responses

The following is an overview of the current situation in the ASEAN region and possible countermeasures in relation to individual categories of environmental issues.

(1) Local environmental issues

With a high rate of increase in the population, the growing population influx into urban areas and advancing industrial and infrastructure development, local environmental issues are of major importance in the ASEAN region. As such issues affect the health and safety of a great many people in developing countries either directly or indirectly, they are the issues that require action most urgently. As forests and coastal fishery resources support people's livelihoods in rural communities, it is also important to manage such natural resources to secure a similar livelihood for future generations.

Although national government frameworks for environmental management, including environmental laws, standards, regulations and guidelines, are more or less fully in place in developed ASEAN countries, there is still scope for cooperation in terms of strengthening countries' enforcement capabilities. In order to implement effective environmental policies, it is essential to stand on the perspective of strengthening the ability of society as a whole (i.e. major stakeholders) to cope with environmental issues. Japanese firms operating in ASEAN countries are important stakeholders in their respective host countries. Support will also be required in the future for the development of environmental management frameworks in CLMV countries. In addition to Japan's own experience of combating pollution and the country's environmental technology, it will also be possible to respond appropriately to issues in CLMV countries by promoting South-South Cooperation from developed ASEAN countries. Indeed, creating a climate of mutual support between ASEAN countries will be beneficial to the development of a sustainable environmental management framework for the whole region.

Environmental issues have major implications for Japanese firms operating in ASEAN countries. In developing countries, which typically face issues such as a shortage of hazardous industrial waste treatment and disposal facilities plants and inadequate institutional and legal framework, soft and hard infrastructure needed to internalize the environmental costs of production activities of the industry are frequently insufficient. As a result of situations such as this, companies either allow pollutants to be released or, in the case of high quality multi-national companies, decline to locate to the region due to the obligation to undertake appropriate environmental management themselves. Japanese companies' need for environmental infrastructure development is more pressing in some countries than others. Developing environmental infrastructure, including institutional development, helps internalize the environmental costs resulting from Japanese companies' production activities. Due to their superior technical and environmental management capabilities compared to local companies, Japanese firms can also be expected to help strengthen host countries' ability to cope with environmental issues through technical dialogue with the host countries' governments regarding environmental regulations which firms need to comply. It is also thought that such Japanese companies could potentially help raise the level of related local industries' environmental management capabilities through their supply chains.

(2) Regional environmental issues

1) Cross-border environmental issues

The main cross-border environmental issues in the ASEAN region are acid deposition problem, haze (cross-border air pollution from smoke) and sand storm. Progress is currently being made with

specific measures on a regional level.

Japan is one of the stakeholders involved in the issues of acid deposition problem and sand storm, particularly the former, with an acid deposition monitoring network being set up in 1998 at the initiative of the Japanese Ministry of the Environment¹²⁸. The aim of carrying out monitoring such as this on a regional level is to promote local air quality management and anti-pollution measures in countries that cause pollution. Although JICA's involvement in the Acid Deposition Monitoring Network in East Asia to date has been considerable, efforts to position the activities strategically within JICA's operations and to systematically link it in with JICA's country-specific cooperation programs in the countries involved in the monitoring network have been insufficient.

There will continue to be a major need for JICA to provide support for the development and implementation of regional frameworks such as this in the future. Ideally, such support should take the form of cooperation schemes involving direct support for regional organizations. Support also needs to be positioned as part of country-specific cooperation programs. JICA's bilateral cooperation efforts could play a crucial role in terms of ensuring that specific action to combat cross-border environmental issues and government efforts to establish legislation and systems are implemented on a local level.

2) Appropriate management of shared natural resources

There are a number of natural resources in the ASEAN region that are used by numerous different countries, including international rivers such as the Mekong. As incentives to use and manage resources appropriately based on property rights are missing in situations such as this, cooperation and suitable intervention between the relevant countries is essential to ensure that natural resources are preserved and used in a sustainable manner.

Support for the development of such regional frameworks is highly significant and should ideally take the form of cooperation schemes designed to provide direct support for regional organizations, as mentioned previously. Support also needs to be positioned as part of country-specific cooperation programs. JICA's bilateral cooperation efforts could play a crucial role, in this subject, as similar to cross-border environmental issues, specific measures to establish legislation and systems in relation to the management of shared natural resources are implemented on a local level.

It is also important to respect environmental and social considerations in relation to regional infrastructure support. JICA has established environmental and social impact assessment framework in its operation on a bilateral level and strategic environmental impact assessments are also encouraged as part of such efforts. Depending on how well such efforts are put into practice, it should be possible to respond to issues to a considerable extent. In regions spanning numerous different countries however, mechanisms enabling coordination between the relevant countries are also essential.

(3) Global environmental issues

Bearing in mind that the population of the ASEAN region accounts for 8.5% of the world's population, it goes without saying that environmental issues on a global scale such as global warming are key issues. Greenhouse gas emissions are of particular relevance, with ASEAN and surrounding countries such as China and India accounting for a large proportion of emissions from developing countries and other ASEAN countries such as Indonesia expected to dramatically increase emissions in the future. Increased

¹²⁸ The Acid Deposition Monitoring Network in East Asia includes 12 countries; China, Indonesia, Japan, Malaysia, Mongolia, the Philippines, Republic of Korea, Russia, Thailand, Viet Nam, Cambodia and Laos.

energy consumption as a result of the combination of rising populations and incomes in countries such as the Philippines is also a major cause of increased greenhouse gas emissions. Promoting action on global warming in the ASEAN region and surrounding countries would make a significant contribution to the world as a whole.

It is just a matter of time until greenhouse gas emissions from developing countries exceed those from developed countries, meaning that support to oblige ASEAN countries to reduce greenhouse gases and to help ensure compliance is a key long-term issue for the future. This is an area in which Japan should play a leading role in the ASEAN region.

Although JICA's strengths in terms of CDM project support in developing countries cover a range of economic sectors in developing countries, JICA also has experience of and channels for cooperation in a wide range of other sectors.

One of the important global environmental issue in the ASEAN region is the protection of the ozone layer, an area in which initiatives are going ahead and yielding results even in developing countries, primarily through UN organizations, backed up by the Montreal Protocol on Substances that Deplete the Ozone Layer (destroying substances that deplete the ozone layer and switching to alternative substances). Finally, as the Stockholm Convention on Persistent Organic Pollutants (controlling Persistent Organic Pollutants (POPs)) shows, controlling POPs is becoming an increasingly important issue, with the Japanese Ministry of the Environment actively adopting a series of initiatives in this field within East Asia (cooperation to assess and monitor POPs in the East Asia region). Although JICA's involvement to date has been minimal, it will need to respond to the issue of POPs in the future in the face of growing needs from ASEAN countries.

(4) Environmental issues resulting from ASEAN economic integration

As ASEAN economic integration progresses, there is increased activity in terms of trade, direct investment and people flowing between countries. Production and consumption in one country as a result of the exchange of goods and services has an impact on production and consumption in other countries, causing environmental problems in these trading partner countries.

Although such issues resemble the aforementioned cross-border regional environmental issues in that those responsible for and the victims of environmental destruction span numerous different countries, the key difference is that environmental problems in this instance are the results of the cross-border exchange of goods and services and production based on trade and foreign direct investment. As phenomena, these problems may be observed as environmental degradations mixed up with local environmental problems, such as air pollution, water pollution, waste-related issues, deforestation or any other deterioration of natural resources. The damage to the environment do not occur (or at least is not apparent) in the source country but in importing or exporting countries. Environmental issues resulting from economic integration follow a number of different patterns.

- Exporting used cars and engines to developing countries for reuse, thus contributing to air pollution.
- Consuming other countries' natural resources through trade, either directly or indirectly (consuming water resources in the producing country through importing agricultural goods, deforestation as a result of exporting wood from developing countries).
- Foreign companies causing environmental pollution through production activities in ASEAN countries.
- Export companies causing environmental pollution in developing countries.

Other countries' natural resources are currently being used up through production and consumption as

part of patterns such as these, creating an impact on the environment across the board.

There are also patterns whereby environmental issues could potentially spill over from Japan. For example, there are cases of problems involving the domestic management of industrial waste in Japan (increased treatment and disposal costs due to a shortage of landfill sites, and limitation in the government to prevent illegal activity, etc.) leading to the illegal export of industrial waste.

There are many cases in which polluters such as those outlined above seem unable to acknowledge that they are causing environmental destruction in other countries. The development of an international environmental management framework to be implemented by the relevant countries' governments or some other form of official intervention is inevitable.

From the standpoint of regional economic integration, it will be essential to reassess JICA's approaches to support in the future. Government agency capacity development is currently being carried out and will continue to be important in the future. One possible new approach would be to secure cooperation from Japanese firms operating in the ASEAN countries to raise the level of environmental management capabilities in their respective host countries, by taking advantage of willingness and technical capabilities of such firms as a resource for capacity development at the host country. Another possibility would be to approach consumers in Japan through JICA's diverse range of activities which will be a subject for future consideration.

3-2-3 Directions in environmental support in the ASEAN region

(1) Primary objective

The primary objective is to provide support for the protection of the environment to achieve sustainable development in the ASEAN region. Based on the scale of its economy, Japan could be said to be the biggest user of the region's natural resources and energy, through domestic and overseas production and consumption as well as trade and direct investment. Japan therefore has a major impact on the region's environment, both directly and indirectly, and has a responsibility to support environmental conservation in the region. In addition to being the most advanced country in the region in economic and technological terms, Japan is also an advanced country in terms of environmental initiatives. It is Japan's responsibility as such to support the conservation of the environment in developing ASEAN countries, an area in which it can make a major contribution.

(2) Basic policy

1) The importance of local environmental issues

As mentioned previously, local environmental issues need to be given top priority. This will help create the basic conditions for human security, whilst also laying the foundations for the implementation of steps to deal with regional and global environmental issues. What is more, this is a field in which JICA has built up a great deal of experience in terms of cooperation. Accordingly, the following are regarded as important points as part of the provision of support in the future.

Capacity development

It is important for developing countries themselves to build up their abilities to cope with environmental issues and to handle issues in the best way possible given the varying constraints depending on each country's level of development. Priority should therefore be placed on capacity development as part of JICA's support for developing countries in the future. With the major concerned parties in mind, strengthening countries' ability to cope with local environmental issues entails

reinforcing the capabilities of government and other official counterpart organizations and stepping up cooperation with the government, local authorities, the private sector, citizens and experts in the relevant country as part of the process, so as to ensure that capacity development efforts result in improvements throughout society in the relevant country. Depending on the situation in the relevant country, the first step is the development of an environmental management framework by the national government, before moving on to promoting implementation by the likes of local authorities. In some countries, Japanese companies may have a key role to play as concerned parties. Possible ways of using Japanese companies as resources need to be taken into consideration.

Contributing to people's health and livelihood

The significance of handling local environmental issues lies in protecting people's health and lives from threats such as environmental pollution and natural disasters and enabling natural resources, the basis of people's livelihood, to be used in a sustainable manner. Formulating, implementing and evaluating cooperation projects involves developing a better understanding of aspects such as this and promoting self motivated and driven environmental management processes based on the willingness and participation of local people in developing countries themselves.

Sharing knowledge within the region

Although issues such as air pollution and solid waste problems in urban areas are local phenomena, they can be handled more effectively by sharing knowledge within the region. In addition to channeling support from developed countries into developing countries, sharing knowledge within the region will also encourage the spread of South-South Cooperation among ASEAN and surrounding countries. If environmental support within the region is to be sustainable, South-South Cooperation would be indispensable in the long run, as there are limits to what is possible based on the pattern of developed countries supporting developing countries. As countries are at different stages of development, what is needed is a mechanism to enable them to help one another. With this in mind, it is important to share knowledge and promote South-South Cooperation within the region as part of approaches to handling local environmental issues.

Integrating support for regional and global environmental issues

As mentioned previously, specific action to combat regional and global environmental issues tends to be implemented on a local level. There is a frequently a lack of motivation to institute measures however because the countries that should be doing so are not the ones affected by regional and global environmental issues. In such cases, action can be pushed along by linking them into solutions to local environmental issues. It is therefore crucial to explore action that relates to local environmental issues as well as regional and global issues. As JICA provides cooperation on a country-specific basis, it is difficult to incorporate perspectives such as this. Some sort of new approach to the implementation of cooperation projects will be required in the future.

2) Helping to establish a common environmental management system as an essential condition for ASEAN economic integration

Economic integration in the ASEAN region is expected to result in fair competition and continued economic growth. In order to ensure that this is sustainable, it is essential that the environmental costs resulting from economic activity are internalized. For this to happen, it is crucial to follow the polluter-

pays principle by developing both national and regional level environmental management institutions and a range of environmental infrastructure. It should be also recognized that both environmental infrastructure and institutional arrangements are part of the important infrastructure for economic integration. Depending on the country, cooperation is required between the public and private sectors in the relevant country and in Japan. As part of this process, it will be essential to explore which areas are particularly in the public's interest and therefore suitable for JICA support. It would be ideal to establish a uniform environmental management framework within the region to enable trade and fair competition. However, the ASEAN region includes countries at different stages of development. Although the long term aim is to establish a common environmental management framework within the region, for the time being support will vary according to the level of development of each ASEAN country, paying close attention to compatibility of technical standards and information in environmental management in these countries. As mentioned previously, horizontal cooperation will play a major role in this process.

3) Cooperating with developing countries on regional and global environmental issues (in which Japan is a major stakeholder)

Japan could become both a victim of environmental pollution (the acid deposition problem in East Asia) and a potential polluter (overseas recycling of waste). Similarly, Japan could become both a polluter and a victim when it comes to the issue of global warming as a result of greenhouse gas emissions. As a stakeholder in such issues, Japan has to respond. JICA is one of the major ODA organizations in Japan and as such should provide cooperation with any initiatives that fall into the category of support for the sustainable development of developing countries in the ASEAN region.

4) Providing support for the appropriate use, preservation and management of shared natural resources and those belonging to ASEAN countries

Ensuring that renewable resources such as fresh water and timber and energy resources such as fossil fuels are used in a sustainable manner is important to the sustainable development of Japan itself. Similarly, preventing the depletion of such resources escalating into international disputes and causing situations that threaten regional security is also vital to the security of Japan. It is also essential to develop an international framework to enable regional cooperation on the appropriate use, preservation and management of shared natural resources such as international rivers flowing through numerous different countries and those belonging to ASEAN countries. This is an area in which Japan can make a very significant contribution.

3-3 Energy

In addition to being an essential ingredient for national economic development, energy also has a major impact on the local and global environments depending on how it is developed and used.

Energy can be divided into primary energy such as fossil fuels, natural energy or nuclear energy, which is obtained directly from the natural environment, and secondary energy such as electricity, gasoline or gas, which is obtained by processing and converting primary energy for ease of use. Although the energy that we use on a daily basis consists entirely of easy-to-use secondary energy, this section will provide an overview of current supply and demand and forecasts for primary energy, oil in particular, to develop a clear understanding of the current state of supply and demand for energy on the whole.

3-3-1 Growth in energy demand

(1) Worldwide

As a result of economic growth in the future, worldwide demand for energy is expected to increase by 66% during the period from 2000 to 2030, with demand set to soar in developing countries in particular.

(2) Asia

Asia's share of worldwide demand for energy is expected to increase from 22% in 2000 to 27% by 2030. Demand is expected to increase in China in particular, due in part to a continual increase in net imports since the country became a net importer of oil in 1993 and recent soaring oil prices.

(3) Southeast Asia

Energy demand in Southeast Asia is expected to more than double during the period from 1999 to 2020, with half of that demand accounted for by Indonesia. Despite being an oil producing country itself, Indonesia became a net importer of oil for the first time in 2004, which could potentially cause instability within the region's crude oil supply system.

3-3-2 The destabilization of energy supply systems

As the majority of the non-Asian countries supplying crude oil to countries in the region are Middle Eastern, Asia occupies a low down position in the oil market. There currently exists a so-called "Asian premium," whereby oil sells for almost US\$ 1 per barrel more than in Europe or the USA, which have a number of different supply sources.

In addition to this, the region has faced difficulties securing steady imports of crude oil in recent years due to oil producers' falling production capacities and soaring prices on the crude oil market as a result of speculators.

3-3-3 Characteristics of the energy situation in Asia

Although Asia has experienced faster economic growth than any other region in the world in recent

Table 5-4 Changes in specific energy consumption against GDP for each country in Asia

(Unit: Tons of oil equivalent / US\$ 1 million in 1995)

	1971	1980	1990	1995	2000	2001
Japan	121	105	88	93	92	92
China	2,480	2,558	1,685	1,229	891	827
Republic of Korea	215	278	271	302	308	305
Taiwan	272	328	259	248	240	262
Singapore	243	228	249	257	215	260
Indonesia	236	352	376	391	472	482
Malaysia	304	334	360	404	421	439
Philippines	256	236	277	339	373	355
Thailand	231	233	257	293	337	359
India	513	589	660	688	668	643
Asian average	236	244	239	260	257	257
OECD average	284	253	207	204	192	191
Global average	347	330	295	282	264	263

Source: Tanabe (2004) p.15

Table 5-5 Changes in specific energy consumption per person for each country in Asia

(Unit: Tons of oil equivalent / person)

	1971	1980	1990	1995	2000	2001
Japan	2.55	2.97	3.53	3.95	4.13	4.10
China	0.28	0.43	0.59	0.71	0.74	0.73
Republic of Korea	0.52	1.09	2.16	3.28	4.07	4.11
Taiwan	0.71	1.62	2.38	3.07	3.75	3.99
Singapore	1.40	2.51	4.38	6.06	6.12	7.06
Indonesia	0.07	0.18	0.29	0.41	0.48	0.50
Malaysia	0.43	0.77	1.12	1.74	2.02	2.07
Philippines	0.23	0.28	0.30	0.37	0.43	0.41
Thailand	0.18	0.26	0.51	0.84	0.95	1.02
India	0.11	0.14	0.22	0.27	0.32	0.32
Asian average	0.65	1.02	1.55	2.07	2.30	2.43

Source: Agency for Natural Resources and Energy Website.

years, less progress has been made in terms of energy conservation. Consequently, energy consumption is increasing at a faster rate than economic growth, resulting in the region suffering from low energy efficiency compared to other parts of the world. This trend is set to get worse in the future (Table 5-4, Table 5-5).

Although the region includes oil producing countries such as Indonesia and Malaysia, there are no prospects of an increase in production, as mentioned previously. Dependence on outside sources for oil is therefore on the increase, with dependence on the Middle East in particular over 70%. The majority of tankers loaded with crude oil from the Middle East pass through the Straits of Malacca, an area in which security measures have been stepped up and are now more critical than ever.

The relationships based around the economy in East Asia (ASEAN+3, also including India and Russia in some cases) are already close, meaning that any problems relating to the energy environment in Asia as a whole are essentially also Japan's problems. This trend is expected to become even more pronounced in the future as these relationships grow even stronger as a result of developments such as FTAs, EPA and the East Asian Community concept.

The deregulation of the electric power industry is moving ahead in the Philippines and the majority of Southeast Asian countries, ushering in changes in the roles played by the public and private sectors in the electric power industry. Whereas deregulation is making power interchange between regions relatively easy however, the pursuit of profitability is resulting in a growing number of regions being unable to secure the electricity they need.

3-3-4 Energy-related cooperation initiatives in Southeast Asia and regional cooperation needs

Energy security is a common issue affecting all Asian countries. Based on an awareness that one country's vulnerability can spread to other countries, the following meetings and cooperation programs are currently in place.

(1) ASEAN+3 energy cooperation

1) ASEAN+3 Energy Ministers Meeting (September 2002)

This was an unofficial meeting held by the then Japanese Minister of Economy, Trade and Industry

Takeo HIRANUMA. During the meeting, he set out the Hiranuma Initiative as a comprehensive measure designed to secure energy stability in Asia. The Hiranuma Initiative entailed (i) creating an emergency network, (ii) promoting oil stockpiling, (iii) commencing research into the Asian oil market, (iv) promoting natural gas development and (v) promoting energy conservation and new energy.

2) 1st ASEAN+3 Energy Ministers Meeting (June 2004)

Following on from the aforementioned unofficial meeting, an official meeting was subsequently held in Manila. Five forums were set up (on energy security, oil stockpiling, the oil market, natural gas and renewable energy) based on the aforementioned Hiranuma Initiative.

(2) ASEAN initiatives

1) The ASEAN Center for Energy's (ACE) activities

Headquartered in Jakarta, the ACE was established in January 1999, taking over the responsibilities of the ASEAN-EC Energy Management Training and Research Center, which had been in existence for 10 years up until then. It is run by senior energy officials from each ASEAN country and representatives of the ASEAN Secretariat.

The ACE plays a leading role in the implementation of a wide range of energy cooperation programs within the ASEAN region and is responsible for coordinating with related organizations to ensure that the ASEAN Energy Action Plan (1999-2004) is properly enforced.

The ASEAN Energy Action Plan consists of six programs: 1) constructing an ASEAN power grid, 2) constructing a trans-ASEAN gas pipeline, 3) promoting coal and clean coal technology, 4) promoting energy conservation, 5) promoting new and renewable energy and 6) analyzing energy policy and the environment.

2) ASEAN Ministers on Energy Meeting (AMEM)

AMEM is held in one of the ASEAN countries every year on a rotational basis, with the 23rd meeting in July 2005 taking place in Siem Reap in Cambodia. The 2005 meeting confirmed progress to date with the ASEAN Plan of Action for Energy Cooperation (construction of a gas pipeline and power grid, implementation of joint programs with the EC and Australia, etc.). Previously, the 22nd meeting (July 2004) set out the objective of increasing the percentage of energy generated from renewable energy sources to at least 10% of total power consumption for the ASEAN region by 2010. The 23rd meeting then went on to confirm the status of initiatives in each country as part of efforts to achieve this objective.

(3) Other programs

At the 9th International Energy Forum (IEF) in Amsterdam in May 2004, matters such as energy cooperation in Asia and increased dialogue between Asia and the Middle East were discussed.

The 1st Round Table of Asian Ministers on Regional Cooperation in the Oil Economy, held in New Delhi in January 2005, included discussion regarding the importance of strengthening relationships between oil producers and consumers in Asia and efforts to expand investment.

Figure 5-2 Key map of construction project of transmission network in ASEAN

Source: METI (2004) p. 11-8

3-3-5 Directions in cooperation in relation to issues that need to be tackled on a region-wide basis in the future

(1) Promoting energy conservation

Whereas Japan has been compelled to step up and promote energy conservation as a result of the two oil shocks in the past, the need for energy conservation is currently also on the increase in Southeast Asia as a result of increasing energy consumption stemming from the rapid economic growth of countries in the region and soaring oil prices in recent years. There is also significant room for improvement in terms of energy efficiency in Southeast Asian countries, particularly developed ASEAN countries, compared to other countries around the world (see Table 5-4). This is an area in which Japan should show its leadership through active cooperation (increasing the efficiency of energy use through cogeneration, clean coal¹²⁹ and other technology, shifting to natural gas, promoting bioethanol as a form of fuel for vehicles, etc.).

As increased energy efficiency in Southeast Asia will help ensure energy security and ease environmental pollution throughout the region, including in Japan, cooperation with Green Aid Plan (GAP)¹³⁰ should be stepped up and JICA should develop a system to enable it to actively make proposals. Another possible area for support is the standardization of technical standards in relation to energy use.

¹²⁹ Whereas coal produces sulfur oxides and other poisonous gases when burnt in its natural state, clean coal technology converts coal to liquid or gas form to limit the volume of such gases produced.

¹³⁰ GAP is an environmental energy program set up by the METI with the aim of promoting support for self-help efforts to tackle energy-related environmental issues in developing countries. It was adopted in August 1991 in Thailand. Work is underway on collaboration between GAP and JICA projects. The countries covered by GAP are 1) countries with a close economic relationship with Japan and 2) countries with a dedicated government ministry or agency responsible for energy and the environment, namely Thailand, China, Indonesia, the Philippines, Malaysia, India and Viet Nam.

(2) The diversification of energy supply sources

1) Alternative energy development

Although energy conservation initiatives are more important in urban areas where energy consumption is high, there are still a significant number of areas in Southeast Asia that cannot secure the energy they need. As part of the development of an energy supply system for such areas in the future, every effort should be made to limit the use of conventional fossil fuels and to focus on renewable energy (solar, wind, water, biomass, geothermal heat) in the interests of stable energy supplies and environmental protection. Fortunately, the ASEAN region has plenty of renewable energy sources, particularly geothermal, solar and wind energy.

It is important to position various different forms of renewable energy such as these as core energy sources to further promote the diversification of energy supply sources and to strike the ideal balance between energy sources depending on the situation in each region.

2) Exploring the possibility of introducing nuclear power

One practical solution to restricted energy supply and demand that has started to be considered is the introduction of nuclear power generation. Due to serious environmental issues however, not least the tremendous difficulty of disposing of nuclear waste produced by nuclear power plants, ODA-based support for the introduction of nuclear power is thought to be unlikely.

(3) Cooperation based on diversity and common characteristics within Southeast Asia

Although the socioeconomic climate in Southeast Asia is diverse, there are also a significant number of common characteristics across the region. Therefore, cooperation programs in the region should not be formulated and implemented based on the characteristics of each individual region but should be based on common characteristics shared throughout the region to increase the effectiveness and efficiency of cooperation.

The following section summarizes the regional characteristics of both developed and less-developed areas within the region and common characteristics that should be taken into consideration.

1) Cooperation in developed countries and urban areas

As mentioned previously, in the interests of energy security and environmental protection, priority needs to be placed on cooperation in relation to energy conservation measures designed to limit energy demand in developed countries and urban areas throughout the region, which are expected to continue to experience steady economic growth. Fuel conversion, including shifting to natural gas and introducing bioethanol-powered vehicles, is another highly significant area for cooperation.

2) Cooperation in CLMV countries and rural areas

When formulating master plans for the supply of energy to CLMV countries and rural areas, whose economies differ greatly to those in developed countries and urban areas, renewable energy and other forms of alternative energy should ideally be positioned as major supply sources from the initial stages onwards. In cases in which there are cheap electric power sources in neighboring areas of other countries, it is essential to consider the possibilities of constructing power lines to enable the purchase of such electric power.

The advancing deregulation of the electric power industry in countries throughout the region, especially in urban areas, is resulting in services to rural areas being cut off under the pretense of

increasing efficiency. It is becoming increasingly necessary to provide support to help establish and reinforce universal service funds to tackle issues such as these.

3) Strengthening complementary relationships within Southeast Asia

Although JICA has provided support for the formulation of master plans in the electric power sector on a country-specific basis to date, there needs to be consistency between each country's master plan in the future, bearing in mind the common characteristics shared throughout Southeast Asia. In particular, the impact of the deregulation of the electric power industry, which is moving along at a considerable pace throughout the region, needs to be taken into consideration.

Cooperation such as this based on the region's common characteristics will help strengthen complementary relationships in terms of the regional interchange of energy and develop a regional supply network (gas pipelines, power grid, etc.), as well as leading to the realization of a complementary regional system. It is also hoped that such cooperation will help reinforce regional energy security systems.

(4) Securing stable oil supplies (establishing oil stockpiling systems)

Although the likes of Japan and Republic of Korea have oil stockpiling systems equivalent to 90 days worth of net imports in place as a result of the oil crises in the 1970s and as one of their obligations as members of the IEA, other countries in Asia either have insufficient stockpiling systems or none at all, in spite of their growing dependence on imports for oil. As it will be difficult to reduce the region's dependence on outside sources for energy in the short term, it is imperative that measures are drawn up to secure stable imports of energy (primarily oil), coupled with measures to limit imports.

China is currently working on a stockpiling system, with other ASEAN countries also starting to look into similar systems, either independently or jointly with other countries, based on a growing awareness of the need to have oil stockpiling systems. Support is needed for the development of joint stockpiling systems in particular.

3-3-6 Important points as part of the implementation of regional energy cooperation and possible collaboration with other partners (partnerships with international organizations or developed ASEAN countries, etc.)

(1) Promoting collaboration with non-public sector parties (private sector, citizens)

Energy conservation projects tend to be implemented on a commercial basis, with a large number of Energy Service Company (ESCO) projects in Europe and the USA in particular. In recent years however, such projects have started to become more widespread in Japan and certain developing countries. As ESCO projects are private-sector driven, they are expected to promote the introduction of the aforementioned advanced technology such as cogeneration and clean coal. The same is also true of renewable energy projects. Although they are not as commercially viable as ESCO projects, the fact remains that the necessary advanced technology, in terms of costs and efficiency, is in the hands of private companies. In developing countries on the other hand, it tends to be difficult to promote the spread of such projects purely through the private sector. Instead, public sector bodies such as national and local governments and development assistance organizations such as JICA need to act as catalysts. Specifically, this includes measures such as providing companies with output-based aid and carrying out the necessary planning and research for private sector introduction. Tie-ups such as this between the public and private sectors are referred to as Public-Private Partnerships (PPP). In order to incorporate PPP into development projects, it is

essential to develop a mechanism to enable cooperation that is based equally on the perspectives of each of the three concerned parties, namely the public sector bodies planning and supervising the relevant project, the private sector operators implementing the project and those who stand to benefit from the project.

If energy conservation and renewable energy projects develop into CDM projects that help reduce greenhouse gas emissions, they could help Japan to achieve the reduction targets set out in the Kyoto Protocol. The feasibility of projects as CDM projects should therefore be taken into consideration first and foremost at the planning stages. If projects are feasible as CDM projects, they will not only help Japan meet its emissions reduction targets but will also help promote the inflow of private funds and technical capabilities. If projects are not feasible as CDM projects, they can simply be implemented as regular projects on an ODA basis. Even in cases such as this however, it is essential to enable private sector operators and local citizens to get involved from the initial stages to ensure project sustainability.

(2) Conducting research into cross-border energy-related infrastructure construction

As outlined in section 3C, JICA currently formulates energy-related master plans for each individual country, much as in other fields, meaning that the majority of plans do not take into account common characteristics across the region. Using initiatives such as Mekong development and the GMS as a guideline, in the future it will be necessary to start thinking about complementary energy relationships between countries to ensure stable energy supplies and to work on consistency between plans being implemented in various different countries.

One specific example of this would be to carry out feasibility studies following on from the ACE's current efforts to formulate a master plan for the construction of a regional electric power grid and a gas pipeline, which will help conserve energy throughout the region.

Another possibility would be to carry out follow-up feasibility studies based on the Agency for Natural Resources and Energy's master plan for stockpiling oil in Thailand and the Philippines.

(3) Strengthening the ACE

Despite the existence of mechanisms to enable oil stockpiling and the joint release of oil and other measures in an emergency and a peer review system for each country's energy policy, which function as an IEA exclusively for OECD member countries, there have been calls for the creation of an Asian IEA framework to perform a similar function in the ASEAN region.

Although the ACE does perform such a function, JICA initiatives such as the dispatch of experts would help improve its capabilities in terms of making a greater contribution to regional energy security.

4. Human Resource Development

4-1 Human Resource Development Objectives and Initiatives

Table5-7 outlines details related to human resources training as part of key initiatives. Looking at the initiatives carried out to date, it is apparent that ASEAN's main focus has been on human resources development in economic fields, higher education and science and technology.

Since the 2003 Declaration of ASEAN Concord II set out the concept of three communities, namely, ASC, AEC ASCC, the number one objective has been the development of human resources contributing to the development of these communities. In economic fields in particular, human resources training is becoming a key issue in conjunction with 11 priority sectors aimed at integration.

As human resources development is an issue that involves a number of different factors, no roadmap specifically tailored towards human resources development has been drawn up. Due to the increasing importance of human resources development within ASEAN in recent years however, ministers responsible for education in each ASEAN country met up in August 2005 and made a joint statement regarding priority future initiatives in education sector. The specific priority areas covered in this statement were:

Ongoing efforts in education development to contribute to a solid ASCC and promote ASEANness among our citizens, particularly the youth.

Strategies for strengthening ASEAN identity through education.

Efforts to improve the quality of teachers and other educational staff and promoting the use of ICT to expand access and raise quality in education.

Further strengthening the existing network of learning universities and institutions of higher learning under the framework of the AUN with a view to ultimately establishing the ASEAN University.

Establishing an AMM on Education to meet back-to-back with the annual meeting of Southeast Asian Ministers of Education Organization (SEAMEO).

4-1-2 The current status of human resources development and related initiatives

Table 5-6 shows the rate of enrollment in secondary and higher education in ASEAN countries, Japan, China and Republic of Korea. Comparing figures for 2000 against those for 1990, the rate of enrollment at both secondary and higher education levels has increased in all ASEAN countries, indicating an increase in the quantity of human resources based on standards of general education.

Elsewhere, with increased economic interdependence within the region, cross-border labor mobility is also becoming increasingly common. As regional economic disparities grow wider, the roles of countries in terms of accepting or supplying labor in particular are becoming clear. The main countries accepting labor include Malaysia, Singapore, Japan, Republic of Korea and Taiwan. Those supplying labor on the other hand include Viet Nam and China, as well as developed ASEAN countries such as Indonesia, the

Table 5-6 Secondary and higher education gross enrollment rate in the ASEAN+3 countries
(gross enrollment rate %)

	Secondary Education (%)		Higher Education (%)	
	1990	2000	1990	2000
Brunei Darussalam	69.7	87.3	-	12.1
Cambodia	28.9	18.1	0.7	2.8
China	48.7	65.1	2.9	9.8
Indonesia	45.5	56.8	9.5	14.6
Japan	97.1	102.5	30.7	47.7
Republic of Korea	89.8	94.2	39.1	77.6
Laos	24.4	37.6	-	3.3
Malaysia	56.3	69.3	7.4	27.0
Myanmar	22.4	38.5	4.4	11.5
Philippines	70.7	77.1	27.8	31.2
Singapore	68.1	-	18.0	-
Thailand	30.8	82.8	-	35.5
Viet Nam	32.2	67.1	2.0	9.7

Source: WDI online database.

Philippines and Thailand. A high percentage of the workers moving within the region are unskilled laborers, with movement uncommon amongst highly skilled workers. Nevertheless, there has been a growing trend towards skilled workers heading off to Europe or the USA in recent years due to escalating competition amongst developed countries to secure such skilled human resources¹³¹.

Key initiatives in the field of education to date have included activities such as cooperation in the fields of education, science and culture from the SEAMEO and, within the ASEAN Secretariat, the ASEAN Committee on Education (ASCOE), the Committee on Science and Technology (COST) and the AUN.

(1) Southeast Asian Ministers of Education Organization (SEAMEO)

SEAMEO was established in 1965 to promote regional cooperation in the fields of education, science and culture and is made up of representatives from the education ministries in each of the ten ASEAN countries. SEAMEO covers a wide range of priority fields, including improving the quality and equity in education, preventive health education, culture and tradition, ICT, languages, poverty alleviation, agriculture and natural resources. Japan has provided financial assistance since 1972 through the likes of the SEAMEO Educational Development Fund and the Japan-SEAMEO SPAFA Trust Fund. Since the latter half of the 1990s, support has also been provided by JICA in the form of technical support, the dispatch of experts and Third-country Training.

(2) ASEAN Committee on Education (ASCOE)

Having previously operated as a sub-committee within the ASEAN Secretariat, ASCOE was made into a full committee in 2002. The first session was held in Cambodia in September 2009, with the focus directed towards the importance of primary and secondary education. Although ASCOE is an independent organization separate from the aforementioned SEAMEO, there is a growing trend towards the possibility of the roles played by ASCOE and SEAMEO being integrated in the future.

(3) ASEAN Committee on Science and Technology (COST)

COST was established as part of the ASEAN Secretariat in 1978 with the aim of improving expertise and human resources within the region in the field of science and technology. In recent years, COST has been focusing on regional activities based on cooperation in the field of science and technology for the CLMV countries. COST continues to be very active, with recent initiatives including the launch of the ASTNET (ASEAN Science and Technology Network) Website in 2003 in order to share information and the ASEAN Virtual Institute of Science and Technology (AVIST)¹³² pilot project in May 2004.

(4) ASEAN University Network (AUN)

The AUN was established in November 1995 in an effort to reinforce networks linking leading universities in the region. An ASEAN University is expected to be established in the future with the aim of improving expertise in the field of research through the likes of joint research and research programs and to development human resources.

The AUN is positioned as the most important ASEAN initiative in the field of human resources

¹³¹ This situation is pointed out as an issue of brain drain (METI ed. (2005)).

¹³² AVIST was established in 2004 based on a proposal by the former Thai Prime Minister Anand Panyarachun with the aim of human resources development in science and technology. It was initiated as a pilot project by the Thailand Graduate Institute of Science and Technology (TGIST) and the Asian Institute of Technology (AIT) in May 2004.

Table 5-7 Details of initiatives related to human resources development

Title of initiative	Positioning	Details	Key features
ASEAN Vision 2020 (1997)	Mid-term plan looking to the future of the region from now until 2020	<ul style="list-style-type: none"> Enhance human resources development in all sectors of the economy through quality education, upgrading of skills and capabilities and training. Promoting science and technology in line with human resources development. Envision our rich human and natural resources contributing to our development and shared prosperity. 	Places an emphasis on human resources development in the fields of the economy, science and technology.
Hanoi Plan of Action (1998)	Six-year plan running from 1999 to 2004 to help achieve the ASEAN Vision 2020	<ul style="list-style-type: none"> Strengthen the AUN and move forward the process of transforming it into the ASEAN University. Strengthen the education systems so that all groups of people can have equal access to basic, general and higher education. Implement the ASEAN Work Program on Informal Sector Development to provide opportunities for self-employment and entrepreneurship. Implement the ASEAN Work Program on Skills Training for Out-of-School Youth by 2004, to strengthen their capacity to obtain gainful employment. Strengthen regional networking of HRD centers of excellence and develop the regional capacity for HRD planning and labor market monitoring. Establish and strengthen networks in education and training, particularly those promoting occupational safety and health, skills training for out-of-school youth, distance education by 2004. Establishing ASEAN Network for Women in Skills Training. Begin to implement the ASEAN Science and Technology Human Resource Program addressing the needs of industry and business by 2000. Implement regional training programs for ASEAN Civil Service Officers and strengthen networks among ASEAN Civil Service Commissions. 	Human resources development is listed as one of ten priority areas under the Hanoi Plan of Action, with an emphasis on the creation of human resources development networks and training human resources in the science and technology.
Declaration of ASEAN Concord II (Bali Concord II) (2003)	Second declaration following on from the Declaration of ASEAN Concord in 1976; Sets out three pillars for the ASEAN - political and security, economic and socio-cultural - Community	<ul style="list-style-type: none"> ASEAN Economic Community: human resources development and capacity building; recognition of educational qualifications. ASEAN Socio-Economic Community: investing more resources for basic and higher education, training, science and technology development, job creation, and social protection. The development and enhancement of human resources for employment generation, alleviating poverty and socio-economic disparities, and ensuring economic growth with equity. Promoting regional mobility and mutual recognition of professional credentials, talents, and skills development. 	Places an emphasis on human resources development geared towards the creation of economic and socio-cultural communities, with human resources development positioned as a priority area within the socio-cultural community in particular.
Vientiane Action Program (2004)	Six-year plan (2004-2010) following on from the Hanoi Action Plan	<ul style="list-style-type: none"> Human resources development in 11 priority sectors (Agro-Based Products, Automotive, Electronics, Fisheries, Rubber-Based Products, Textiles and Apparel, Wood-Based Products, Air Travel, e-ASEAN (ICT), Healthcare, Tourism). Managing the social impact of economic integration on the labor market: Enhance human resources development through the networking of skills training institutions. 	The 11 priority sectors are scheduled to be integrated by 2010, with priority placed on related human resources development.
IAI Work Plan	Mid-term IAI plan designed to reduce regional disparities and enhance competitive potential	<ul style="list-style-type: none"> Ensuring further economic growth and enhancing ASEAN's competitiveness through human resources development in CLMV countries. Implementing programs in the three key areas of administrative capabilities, labor and occupational skills and higher education. 	Places an emphasis on improving higher education as well as labor and occupational skills in CLMV countries.

Source: Compiled based on the Ministry of Foreign Affairs and ASEAN Secretariat Websites.

development, with Japan also announcing its support for the scheme through the Japan-ASEAN Summit Meeting. A prime example of cooperation in this field is support for the AUN/SEED-Net, which will be outlined below.

4-1-3 Initiatives reaching beyond the ASEAN framework

Compared to other fields, there are few initiatives in the field of human resources development that go beyond the ASEAN framework. One such initiative within the ASEAN+3 framework however is a proposal¹³³ put forward by the EASG in November 2002, details of which are as follows:

Implement a comprehensive human resources development program in East Asia (one of 17 short-term measures), focusing on the improvement of basic education, skill-training, and capacity building.

Establishment an East Asia Education Fund to finance basic education, literacy programs and skills-training.

Possible measures: the establishment of a network among leading human resources development institutions in ASEAN countries and a regional human resources development Work Program to, the development of a regional labor market information system; and the integration of human resources development policy options and practices into the overall national development planning process, etc.

4-1-4 Sub-regional initiatives

Human resources development is also one of the priority areas under initiatives such as the MRC Basin Development Plan (BDP) and the ACMECS, an initiative led by the Thai government. The ADB's GMS program also outlines cooperation needs in the field of human resources development, including training programs, the standardization of technical qualifications and the establishment of training institutions. Elsewhere, human resources development, particularly in the IT, is also one of the priority issues under the Mekong-Ganja Cooperation (MGC) program, an initiative based on regional cooperation between the CLMV countries, Thailand and India.

4-1-5 Staff training of ASEAN Secretariat

As initiatives geared towards regional integration are stepped up, the issue of enhancing the ASEAN Secretariat's capabilities to enable it to promote integration and handle a range of common issues affecting the whole region is becoming an increasing priority. Nevertheless, staff training at the ASEAN Secretariat is limited to basic skills training in areas such as computer skills and English language and management, with workshops organized whenever specialist training is required. Examples of cooperation with ASEAN Secretariat staff training include the APRIS, which will be examined later.

4-2 Overview of Japanese Initiatives in Relation to Human Resource Development

Cooperation with human resources development is one of the core areas of Japan's ASEAN cooperation and has been the focus of a large number of initiatives to date. One of the most noteworthy developments as part of recent initiatives was the proposal of the Japan-ASEAN Program for

¹³³ Refers to a report presented at an ASEAN+3 summit meeting in Phnom Penh by the EASG. It outlines 26 possible measures (17 short-term and 9 long-term measures) to be promoted in the future as part of cooperation within ASEAN+3.

Comprehensive Human Resources Development under the HASHIMOTO Initiative¹³⁴ set out at an unofficial ASEAN summit meeting in December 1997. At ASEAN+3 and ASEAN+1 summit meetings in November 1998, the then Japanese Prime Minister Keizo OBUCHI outlined the Plan for Enhancing Human Resources Development and Exchanges in East Asia, which was welcomed by the ASEAN countries and hailed as the Obuchi Plan. A summary of initiatives from 2002 onwards can be seen below (Table 5-8). As this clearly shows, priority areas in recent years have included training to improve policymaking capabilities, human resources for industry, engineering education, ICT, the environment and infectious diseases and human resources development in CLMV countries.

Current initiatives between Japan and ASEAN consist mainly of funds such as the Japan-ASEAN Exchange Projects (JAEP) fund, the JAGEF and the JAFTA fund. JAEP was established in 1998 with the aim of conducting academic research within the ASEAN region and has since resulted in the implementation of a number of intellectual exchange projects¹³⁵ between Japan and ASEAN. JAGEF was established in 2000 to promote activities such as trade, economic cooperation and the exchange of human resources between Japan and ASEAN. In addition to organizing training and seminars related to trade and investment, Japan has also dispatched experts and provided support for IAI projects through JAGEF¹³⁶.

4-3 Human Resource Development Issues in the ASEAN Region

In light of matters such as those outlined above, the common issues affecting the ASEAN region can be condensed into the following six main points.

Human resources development for promoting integration

The integration of the 11 priority sectors under the VAP (Vientiane Action Program) (Agro-Based Products, Automotive, Electronics, Fisheries, Rubber-Based Products, Textiles and Apparels, Wood-Based Products, Air Travel, e-ASEAN (ICT), Healthcare, Tourism) is an urgent issue that requires appropriate human resources to be developed.

Standardization of technical standards and skill qualification

In addition to promoting ASEAN economic integration, standardizing mutual recognition of skill, occupational classification and technical standards will also increase the mobility of human resources and help secure employment within the region, which is positioned as a priority area under ASEAN initiatives.

Human resources development in transnational issues

Human resources development is needed to tackle environment, infectious diseases and public security¹³⁷ issues which require wide-area and regional action. (Please refer to the relevant sectors of

¹³⁴ Refers to an initiative proposed at an unofficial ASEAN summit meeting in December 1997 by the then Prime Minister Ryutaro HASHIMOTO outlining support for higher education, focusing on fields propping up the ASEAN industrial structure such as science, technology and management.

¹³⁵ Projects have included policy oriented intellectual dialogue (symposiums) between representatives from the ASEAN-ISIS and Japanese scholars covering a wide range of areas such as the economy and political and security issues and short term ASEAN high school exchange programs.

¹³⁶ Other activities in recent years have included basic training and courses for law enforcement officers in ASEAN countries relating to anti drug money-laundering measures, expert team workshops in conjunction with Japan-ASEAN security symposiums and support projects in the field of security.

¹³⁷ This includes issues such as terrorism, sea piracy and drugs.

Table 5-8 Japanese human resources development initiatives

Title of initiative	Positioning	Details	Key features
Five initiatives of Japan-ASEAN cooperation proposed by Prime Minister Koizumi (January 2002)	Human resources development is one of five initiatives outlined by Prime Minister Junichiro KOIZUMI during a visit to countries in Southeast Asia.	<p>Cooperation in the field of education and human resources development:</p> <ul style="list-style-type: none"> Higher education: dispatching government study team to Singapore, Malaysia and Viet Nam in early June to conduct surveys into the current situation and specific needs in areas such as exchange between professors and researchers, exchange student and mutual recognition of credits; specific cooperation to be determined based on the results of surveys. Primary and secondary education: actively carrying out cooperation projects in ASEAN countries through a range of schemes designed to promote Education for All. IT human resources development (cooperation to establish IT engineer examination), developing supporting industries and promoting human resources development geared towards improving institutional development and administrative capabilities, as part of efforts to train the necessary human resources required for reforms to create a robust economies and societies. Making full use of Third-country Training and yen loans through partnership programs and similar schemes. 	Places an emphasis on suggested initiatives geared towards the mutual recognition of credits (higher education) and securing IT human resources through efforts such as establishing IT technician exams (human resources development).
Japan-ASEAN Plan of Action (December 2003)	Plan summarizing the 100+ specific measures under the Tokyo Declaration adopted at the Japan-ASEAN Special Summit Meeting, which includes "Facilitating and Promoting Exchange of People and Human Resource Development" as one of its common strategies.	<ul style="list-style-type: none"> IAI support by the ASEAN-Japan Solidarity Fund for IAI projects on HRD, Hold seminars on enhancement of HRD system for the CLMV countries in collaboration with the Philippines, Indonesia, Thailand, and Malaysia from Fiscal Year 2004. Cooperate in developing highly skilled human resources (engineers, middle-level managers) in areas such as occupational safety and health, ICT, automobile, electrical appliances and electronics fields. Develop human resources in the area of science and technology by among other measures holding of joint seminars, and encouraging joint researches, and exchange of views, information, experiences and best practices. Human Resource Development in Health and Social Welfare Services and agriculture. Cooperation for addressing terrorism, piracy and other transnational issues: (Enhancing cooperation in the areas, including human and institutional capacity building for law enforcement agencies. Cooperate in expanding access to basic education and improving the quality of education. Promote human resources development in science and technology, engineering and business management by establishing centres of excellence. Support ASEAN students to study in Japan through fellowships/scholarships and encourage Japanese students to also study in ASEAN Member Countries Promote training and exchange Programs for ASEAN and Japan civil service officers including foreign service officers Establish Human Resource Development Centers in all of the CLMV countries to, among others, provide business education and Japanese language training Provide students in ASEAN Member Countries with all pertinent information on entry into Japanese universities and to hold the Examination for Japanese University Admission for International Students in ASEAN Member Countries to facilitate admission into Japanese universities in their home countries. Encourage credit transfers among their higher educational institutions. 	Underlines the need for human resources development not only in education and industry, but also across a wide range of transnational issues such as terrorism and infectious diseases, and social welfare etc.

Title of initiative	Positioning	Details	Key features
(Continue)	(Continue)	<ul style="list-style-type: none"> Establishing an "ASEAN-Japan information and human network for infectious diseases control." Japan will also consider holding an ASEAN-Japan workshop for infectious diseases control. 	
Japan-ASEAN Total Plan for Human Resource Development (December 2002)	Support for human resources training in order to promote priority areas under Japan's new initiatives, the country's policy for cooperation with ASEAN as set out at the Special Summit Meeting	<p>Scale of assistance: Expected assistance exceeding US\$ 1.5 billions over the next 3 years and scheduled human exchange Programs involving approximately 40,000 people during the same period (receiving trainees, students and youths, and dispatching experts, etc.).</p> <p>Seven priority issues: Policy making and public administration, Industry and energy, Education, Global issues (environment, infectious diseases etc.), Community empowerment, Minimising regional disparity (South-South Cooperation), ICT.</p>	Clearly outlines the aforementioned seven issues as priority issues for support.

Source: Compiled based on the Ministry of Foreign Affairs Website and UFJ Institute (2005).

“Analytical data relating to specific issues report” for further details.)

Development of professional engineers and researchers

The Asian economic crisis revealed the shortage of professional engineers to be a serious problem. Japan set out the Hashimoto Initiative¹³⁸ in December 1997, since which time it has provided continued cooperation through initiatives such as AUN/SEED-Net and has regarded this as a priority area for ASEAN support.

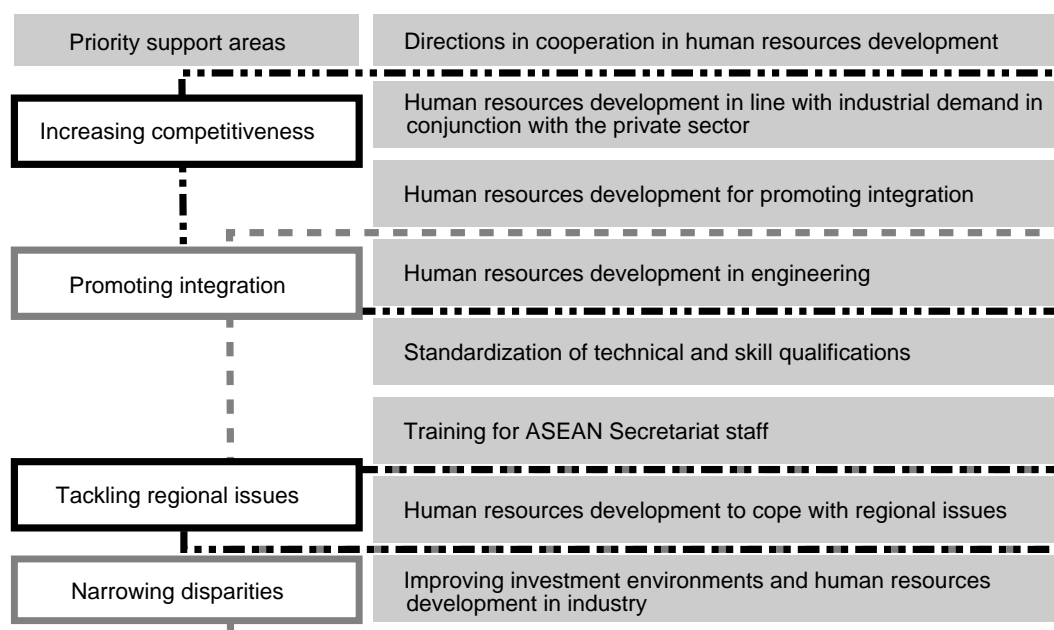
Issues relating to the extent of development

Issues affecting developed ASEAN countries include the need for a new type of human resources capable of handling rapid technological innovation and changing work environments and collaboration between public professional training organizations and the private sector¹³⁹. Issues affecting less-developed ASEAN countries where industrial development is not as advanced include skills training to improve standards of living, establishing environments to attract investment and strengthening countries' capacity to absorb new technology.

ASEAN Secretariat capacity building

Interview-based research conducted by this study group has highlighted the shortage of human resources and the inadequate skills at the ASEAN Secretariat, which will be needed for the promotion of ASEAN integration. Capacity building for secretariat staff is therefore also a key issue.

Figure 5-3 Directions in regional cooperation in human resources development



Source: the author.

¹³⁸ The initiative proposed to support for higher education, focusing on fields propping up the ASEAN industrial structure such as science, technology and management.

¹³⁹ Please refer to the JICA Institute for International Cooperation (2005).

4-4 Directions in Regional Cooperation

Based on issues such as those outlined above, the direction of support as part of this research and the direction of cooperation in terms of priority areas for support and human resources development can be summarized as shown in Fig. 5-3.

4-4-1 Increasing competitiveness

Human resources development in line with industrial demand in conjunction with the private sector

Human resources development to meet the industrial demand and requires cooperation between educational institutions and industry to resolve issues such as graduate employment mismatches. JICA also needs to continue to provide support for public education and training institutions in areas such as forming policy frameworks. From the standpoint of off-shore development from Japan, there is also considered to be a major need for support in areas such as Japanese language education and IT skills training. Although human resources development in industry is positioned as a major priority issue as part of both ASEAN initiatives and support from Japan, as a high priority support issue, it also requires specific cooperation in conjunction with other agencies such as the private sector and NGO providing similar cooperation.

Human resources development for promoting integration

Of the 11 priority sectors, the ones in which Japan is expected to provide support in particular include Automotive, Electronics. As the dispatch of private sector experts from Japan in these fields has already been finalized, it is essential to consider the possibility linking together with such cooperation efforts. It is thought that Japan could also put its comparative advantages to good use in other sectors such as ICT and healthcare. The shortage of human resources to promote integration is an urgent issue that the ASEAN Secretariat and ASEAN countries are particularly eager to resolve and should therefore be positioned as a high priority issue for cooperation.

Human resources development in engineering

JICA needs to continue to provide ongoing support through the AUN/SEED-Net project. Although it may still be too early to expect AUN/SEED-Net to develop as a project at the present stage as it was only initiated in 2003, it is important that it is positioned as part of human resources development Programs within the ASEAN region, taken as a whole, in order to ensure that it is as consistent as possible with other related projects (human resources related to industry development projects, etc.).

4-4-2 Promoting integration

Providing support for the standardization of technical and skill qualifications

This is a case of providing support for the standardization of technical and skill qualifications. Such support is geared towards capacity development for government agencies related to the standardization of qualification systems (e.g. Badan Nasional Sertifikasi Profesi in Indonesia¹⁴⁰) through activities such as the joint development of skill qualifications, training and the dispatch of experts. As there limits to what Japan

¹⁴⁰ As there are individual agencies responsible for implementing professional certification exams in each profession and in each province in Indonesia at present, the country has established a badan Nasional Sertifikasi Profesi (BNSP) to coordinate them all and to promote the development of a national system of professional qualifications. In Malaysia, there is a national system of skilled qualifications called the NSC (National Skills Certification) system. Thailand has a national qualification system known as the TVQ (Thai Vocational Qualifications) system.

alone can do in terms of support for the standardization of qualifications however, it is essential to provide such support in cooperation with other donors¹⁴¹.

Providing training for ASEAN Secretariat staff

Interviews with the ASEAN Secretariat highlighted problems with the inadequacy of skills amongst secretariat staff, indicating a growing need for support for secretariat staff training. As there are currently training Programs for ASEAN employees and secretariat staff being carried out as part of the APRIS ASEAN support Program in conjunction with the EU, it is essential to base approaches on trends in support from the EU and to explore the possibility of collaboration. On the other hand, there has also been criticism claiming that capacity building at the ASEAN secretariat could contribute to the secretariat becoming a mere facade, meaning that it is also essential to proceed based on a consensus between ASEAN member countries.

Human resources development in engineering (see above)

In addition to increasing each country's competitiveness, it is thought that training researchers and educators in engineering will also promote the sharing of information regarding research and the development of research networks, generating a positive effect in terms of promoting regional integration.

4-4-3 Tackling regional issues

Human resources development to cope with regional issues

Due to the need for human resources equipped with the special expertise and skills necessary to handle transnational issues that require action to be taken on a region-wide basis, such as the environment, infectious diseases and public security (terrorism, sea piracy, etc.), as discussed in the other report of general issues, it is essential that JICA continues to provide support for human resources development. In addition to the need to approach issues such as these from a transnational perspective, it is also essential that support is provided based on collaboration between a large number of stakeholders, including the relevant government agencies and specialized organizations in Japan, in view of the fact that these are issues that affect everyone from domestic government agencies to international and specialized organizations.

4-4-4 Narrowing regional disparities

Improving investment environments and human resources development with basic professional skills

It is essential to start with the development of local industry, particularly in the CLMV countries and areas that are part of sub-regional initiatives such as the BIMP-EAGA, whilst also improving investment environments and providing training in basic professional skills. In view of the trend towards ASEAN integration, it is also necessary to take on board the notion of human resources development in industry that will be essential to regional markets in the future. Furthermore, it is also vital to proceed with human resources development whilst also ensuring an exact match with the market's needs, such as the need for human resources with basic knowledge and skills (PC skills, etc.), as cited by Japanese companies for

¹⁴¹ In terms of standardization support in the field of standards and authentication, including standardization, conformity assessment systems and quantification, a Japanese Industrial Standards Committee (METI) Working Group on standards and authentication in developing countries formulated the ASEAN Standards and Conformity Cooperation Program in May 2003. The contents of this program include the current status of standardization, conformity assessments and quantification in each country, approaches to cooperation and the use of the ACCSQ-METI.

example. Although these are basically issues that can be handled based on bilateral support, wide-area and regional support should also be provided if necessary from the point of view of the efficiency or effectiveness of development assistance.

4-5 Points of Concern Relating to Regional Cooperation

The following are regarded as important points in relation to the implementation of regional cooperation as outlined above.

It is necessary to ensure a prompt, accurate understanding of industry needs, particularly in terms of human resources development, and to develop curriculums and training courses that reflect such needs. Although it will be essential to work together with private companies in order to reflect industry needs, it would be difficult for JICA to collaborate directly with private companies under its current schemes, meaning that it will be necessary to seek out collaboration with intermediary organizations such as industry organizations.

As there have been a large number of cooperation projects implemented in the field of human resources development to date, it is important to work on initiatives based on Japan's past results. It is also essential that cooperation is undertaken efficiently based on a nationwide approach, working in close cooperation with the METI and other relevant Japanese government agencies and ensuring that roles are clearly distributed.

In addition to exchanging information with international organizations such as the ADB and United Nations Educational, Scientific and Cultural Organization (UNESCO), it is also vital to pay close attention to trends involving other donors, including the EU's APRIS scheme and Australia's AADCP Program.

Chapter VI Course of Action for Assistance

1. Importance of the Regional Perspective

JICA basically conducts its assistance operations on a bilateral basis. All assistance programs and implementation of the programs were segmented country by country. For this reason, it was hard to review them from the extensive standpoint of regarding Southeast Asia as a single region. But as discussed in the earlier sections of this report, the mission to boost ASEAN integration requires JICA to take up the challenges of deepening integration, correcting intra-regional disparities and meeting cross-border targets. To go beyond conventional bilateral assistance and offer regionally-based assistance, it is vital to study the approach to running assistance programs from a perspective of the systems for execution and the methods of providing cooperation. In terms of the systems for execution, JICA has already been taking action. It has begun to develop a policy for the operation of projects in Southeast Asia. The JICA Regional Support Office for Asia was established in Thailand. To redress the disparities that exist within the region, JICA has been working to revitalize South-South Cooperation. National governments are adopting trade, industrial, financial and other policies drafted on the basis of regional schemes. Given work for the envisioned Japan-ASEAN Comprehensive EPAs, it is critical to be fully geared for these government policies. This underlines the importance of the regional perspective. It is also important to sort cross-boundary challenges into several categories; such as those to be tackled within the ASEAN region, those to be addressed in the ASEAN+3 framework and those to be addressed in the framework of the East Asia Summit members. It is then important to create a method of execution that enables headquarters and on-site workers to flexibly form either intra-regional or inter-regional partnerships as needed. To work on any challenge to be addressed within the Southeast Asian region, it will be necessary to examine whether it is more effective to make use of the ASEAN mechanism or to limit coverage to a few countries. Construction of a regionally-oriented support implementation system will have to be expanded. The approach to cooperation requires flexibly combining different schemes at the cross-boundary regional level, depending on the challenge determined from the regional viewpoint.

2. JICA's Structure for Executing Regional Assistance

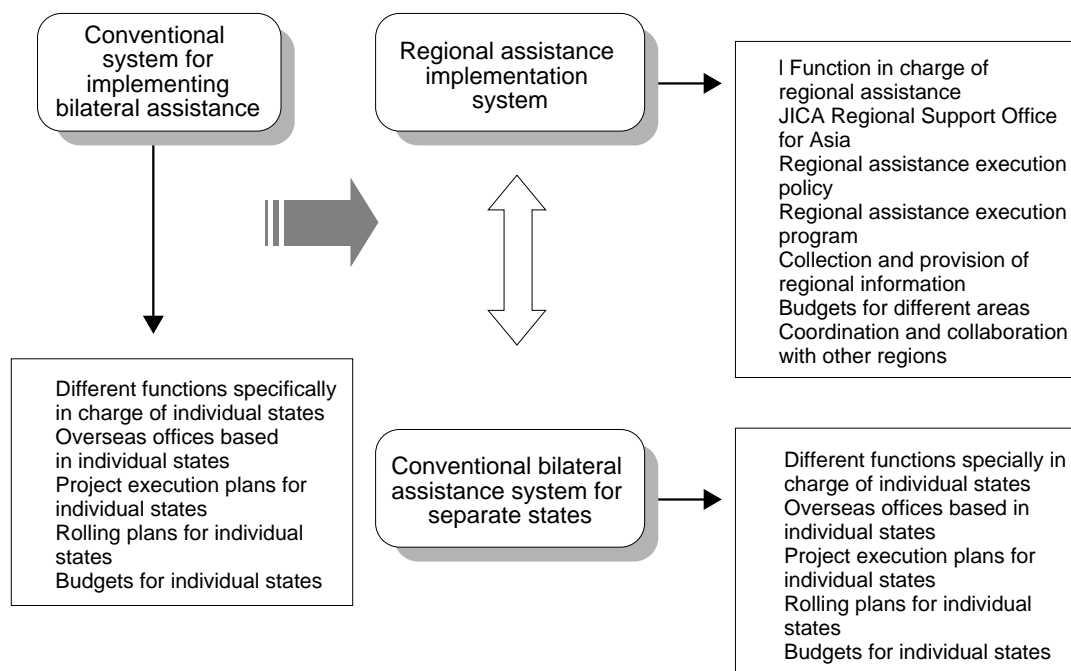
(1) A regionally-oriented system for executing assistance

1) Identifying the function in charge of regional assistance

To realize regionally-based assistance, the best approach is to identify the function responsible for regional assistance, for instance by setting up an ASEAN assistance office or dedicated staff, in addition to the conventional system for running assistance schemes for separate states. It is considered very important in attaining future expansion of the regional assistance implementation policy, regional coordination and enhancement in regional assistance methods. Envisioned tasks include general coordination and control of regional assistance, coordination with overseas offices and international institutions in the region, formation and monitoring of regional assistance implementation policies as well as assistance implementation programs for different areas¹⁴², coordination and collaboration with

¹⁴² The process of formulating the regional assistance implementation policy has just commenced at the moment. In the future, it will be necessary to state specific outputs and achievements to be attained in the regional project execution program. In this event, it will also be necessary to harmonize it with assistance plans for individual countries.

Figure 6-1 From the bilateral assistance structure to the regional assistance structure



Source: the author.

competent functions in other regions in consideration of the determination and control of regional assistance budgets and the flexible setting of regional frameworks and collection and provision of information associated with regional assistance (see Fig. 6-1).

1) Overseas implementation system

The JICA Regional Support Office for Asia is a facilitator that gives shape to the “field-oriented approach” in executing regional assistance. In contrast, its overseas offices based in different countries are players in project execution. However, the Regional Support Office will have to directly cover part of the regional assistance. Ideally, it would not only support the development of regional assistance projects; it would also work together with JICA Headquarters to enable collaboration with the ASEAN Secretariat and other regional organizations, including the MRC. It is especially important to create a system that makes it consistently possible to exchange views with the ASEAN Secretariat. For this purpose, it is advisable either to set up a contact section with the ASEAN Secretariat under the control of the Regional Support Office in the Indonesia Office or to dispatch assistance coordination experts to the ASEAN Secretariat.

2) Setting up a system for supporting specialist knowledge, for example by installing advisors on regional issues

The function responsible for regional assistance will need to install challenge advisors familiar with the region or to make active use of outside experts to build up its expert capacity in regional affairs. Like the sectoral expertise of the departments in charge of specific issues, specialist knowledge on the region

is indispensable. There should be some advisors who can give proper advice on the grand design of regional assistance to help other personnel engaged in it to develop their expertise in the region.

3) Future issues concerned with the organization and the system

In the future, it will be necessary to join together with the departments responsible for individual challenges to study how to ensure consistency between the planning and execution of projects in connection with regional cooperation and cooperation in addressing the cross-border challenges. A possible response will be to ask the functions dealing with specific problems to participate in the formation of regional assistance projects so that the methods of execution can be determined in a collaborative manner to ensure that they are suitable for the targets of cross-border cooperation, including regional cooperation.

3. Approaches to Cooperation

(1) Developing programs with a priority on addressing challenges

To offer appropriate support for regional and other cooperation to meet trans-border challenges, it is presumable to adopt the “program approach,” which serves as the basis of existing bilateral cooperation, on a regional scale. This method is designed to form the most effective style of cooperation in tackling regional challenges by flexibly combining projects and schemes in the region. For example, to combat the cross-border issue of emerging infectious diseases, bilateral technical cooperation programs adapted to different circumstances of individual countries may be launched within an ASEAN program for infectious diseases. Third-country Training may be combined with training in Japan for different regions to develop the necessary human resources. Meanwhile, coordination and amalgamation with similar cooperation for China and Mongolia will be achieved with consideration given to the geographical spread of problems¹⁴³ and joint assistance with Australia. To bolster the region’s international competitiveness, projects designed to build up executive and other capabilities of the authorities in each country will be launched in the form of bilateral cooperation for separate countries within the program for enhancing intellectual property rights. In the meantime, a project to standardize regulations on intellectual property rights will be studied in collaboration with the ASEAN Secretariat to achieve standardized regulations on intellectual assets in the region. On the Japanese side, it will be necessary to work together with the appropriate domestic institutions to achieve a nationwide response.

The program approach is still in the trial and error stage, even for cooperation targeting individual nations. At the moment, many of the projects that fall under this category are loosely incorporated into the initiatives on specific issues for individual states. With respect to regional programs as well, it may be realistic at the initial stage to loosely merge cooperation projects for different countries into action for specific regional issues. Even so, they will gradually foster the mutual exchange of information and interaction with counterparts among projects and stimulate South-South Cooperation. The outputs and outcomes of these projects will meet the objectives of individual countries. It is anticipated that they will be more likely to jointly produce synergy. Or for the aim of offering cooperation to multiple countries in an effective and efficient manner, it is also possible to launch a project in each of the countries to merge them into a program, expecting such synergy to appear from the beginning.

¹⁴³ In the fight against bird flu, it could be necessary to take regional action in accordance with the trajectory of migratory birds. Some experts insist on the necessity to establish a system of surveillance that cover from Russia to Australia.

Apart from these forms of cooperation, it will be necessary to commence formulation of programs composed of projects originally intended to directly attain regional targets. This will be vital for the purpose of appropriately responding to regional cooperation and to the efforts to tackle cross-border issues.

(2) Simplifying international agreements

In the program approach with priority placed on addressing challenges, the cooperation modality is supposedly multi-national. If it were to be linked with the traditional international agreement approach, it would involve massive and cumbersome procedures. Execution of an international agreement to run a single program after gathering requests from several separate countries would be very likely to result in a delay in project implementation and may reduce the motivation to implement projects on the grounds of complications. As part of the development of a system of implementation of ASEAN regional assistance, it is advisable to recognize the importance of simplifying international agreements and to actually ensure the simplicity of international agreements.

In the cooperation based on partnerships between Japan and senior ASEAN states, there is an ongoing practice of receiving requests from aid recipients with which Japan has partnership agreements. It is now requisite to reexamine whether or not this method is helpful in building partnerships with aid recipients.

(3) Collaborating with the ASEAN machine

In many cases, support for intensifying integration is totally identical to assistance in the establishment of ASEAN systems. It also helps deepen understanding of the decision-making process within ASEAN. It is therefore essential to engage in a close dialogue with the ASEAN organization. For the purpose of its own integration, ASEAN has developed plans of action in different areas. In accordance with the objective of propelling the integration, it is necessary to harmonize Japan's cooperation with ASEAN's plans to the furthest possible extent.

Although centered on the monitoring, coordinating and secretarial functions, the ASEAN Secretariat has certain research and execution functions. In addition to other programs with multinational organizations, it has already commenced the AADCP jointly launched with Australia. It will be necessary either to directly formulate a cooperation program with the ASEAN Secretariat or to establish a cooperation program with the help of the coordinating function of the Secretariat.

Studies will also be needed to build effective partnerships with the funds that Japan has established in ASEAN.

(4) JARCOM process

Involving ASEAN member states as well as East Timor, currently as an observer status, JARCOM is a project formulation mechanism aimed at boosting intra-regional cooperation in the area consisting of ASEAN and East Timor with the good use of JICA's approach in South-South Cooperation. When it was launched in 2002, it set a primary target of correcting the gaps in the ASEAN zone. Matching needs with resources, it has successfully transformed JICA's South-South Cooperation, which was traditionally oriented towards the countries under the program, into needs-oriented project formulation. The fourth JARCOM session in April 2005 saw an agreement reached on expanding the mandate so that it could work not only to redress the gaps in the region but to address the common challenges in the region as well.

The JARCOM process includes an annual general meeting, the identification of needs before and after the meeting, resource matching, the dispatch of investigative teams to develop projects, seminars on project formulation and other activities. It is an excellent project creation process because it serves to develop

projects satisfactory to both donors and recipients, that it encourages senior ASEAN countries to work to alleviate the disparities in the region and the initiatives of the countries that normally act as aid donors can be respected.

(5) Building ties with regional institutions

ADB declared its support for regional integration as one of the strategic cross-cutting elements of its long-term organizational targets to be achieved by 2015. Its efforts to back regional integration include the establishment of Office for Regional Economic Integration. The ADB also offers assistance at multiple levels: ASEAN, an enlarged Mekong Development Cooperation and ASEAN+3. It is thus capable of undertaking collaboration suited to different challenges.

In this area, many regional organizations and regional offices of international institutions promote the regional application of international systems and standards. Potential partnerships with these organizations need to be studied.

(6) Working in conjunction with the initiatives of individual countries

Assistance to development initiatives launched by individual countries within the region is a possible means of devising projects. However, before studying any specific support for these initiatives, the relationship with ASEAN integration must be fully considered.

(7) Partnership programs

Among the countries in the region, Japan signed partnership program agreements with Singapore, Thailand, the Philippines and Indonesia (as listed in chronological order of execution). Originating from the concept of South-South Cooperation in which the technologies accumulated through technology transfer from Japan to these signatories for the last couple of decades will next be transferred on to less developed states, the partnership programs were launched with the objective of promoting South-South Cooperation as partners of Japan. It also asked the four countries to each bear appropriate cost burdens. Malaysia has yet to enter into an official partnership program with Japan but it jointly offers nearly ten Third-country Training sessions per year with Japan with the two countries covering half of the cost each. Malaysia is in effect an equal partner of Japan.

The partnership programs foresee Third-country Training for countries in the region as well as the dispatch of Third-Country specialists. The texts of these partnership programs should ideally define the style of collaboration for running, in the framework of the programs, those projects developed through the JARCOM mechanism.

(8) Deploying Japan Centers in CLMV countries

Japan Centers were set up in former Eastern Bloc countries from the late 1980s to the 1990s, a time when these countries were starting their shift to market economies, to help them to develop human resources to facilitate their conversion. These centers in CLMV countries should be actively used to provide regional support. One possible example is to provide Third-country Training for the region in Japan Centers in CLMV countries. This idea is inspired by the fact that the Singaporean government set up human resources development centers, commonly known as IAI Training Centers, in CLMV countries, to boost the IAI aimed at correcting disparities in the region. Part of the Third-country Training operated within the framework of the Japan-Singapore partnership is provided at IAI Training Centers in these countries. It is possible to use Japan Centers in CLMV states to offer Third-country Training aimed at cultivating human

resources to nurture the market economy. For example, Japan Center in Laos may hold a Third-country Training course specifically designed for Laos in whole or in part within the Japan-Thailand partnership program. It will be possible to transmit lectures of Japanese lecturers via the JICA-Net if necessary. There may arise a proposal to link Japan Centers in different countries on the JICA-Net for offering Third-country Training to multiple countries within the CLMV sub-region so that trainees can attend group training without traveling out of their respective home countries.

In addition, the utilization of the network and resources of the Institute for International Studies and Training (IIST), which have offered cooperation to senior ASEAN nations, should be studied.

In the event of using Japan Centers in CLMV states, it is requisite to make systematic use of them after gaining consent from these centers in consideration of the relationship with the Japan Center Support Committee.

(9) Utilizing JICA's other existing cooperation networks

In the sense of reusing the accumulation of JICA's past cooperative efforts, it is anticipated that the networks of expertise in different objectives be used, such as networks of the above IIST and environment centers. They are basically able to deal with all common challenges facing the region, including the correction of gaps in the region and reinforcement of international competitiveness, although it may depend on specific challenges.

4. Collaboration with External Organizations

Collaboration with external organizations is another key element to increasing the effectiveness and efficiency of JICA's regional cooperation. This Japanese aid body has also had different levels of contact with other domestic and international institutions. Partnerships with outside bodies are not at all new to it. Even so, in the event of offering regional cooperation or assistance in tackling cross-border challenges, it is desirable for JICA to strategically incorporate it into the support system from the start.

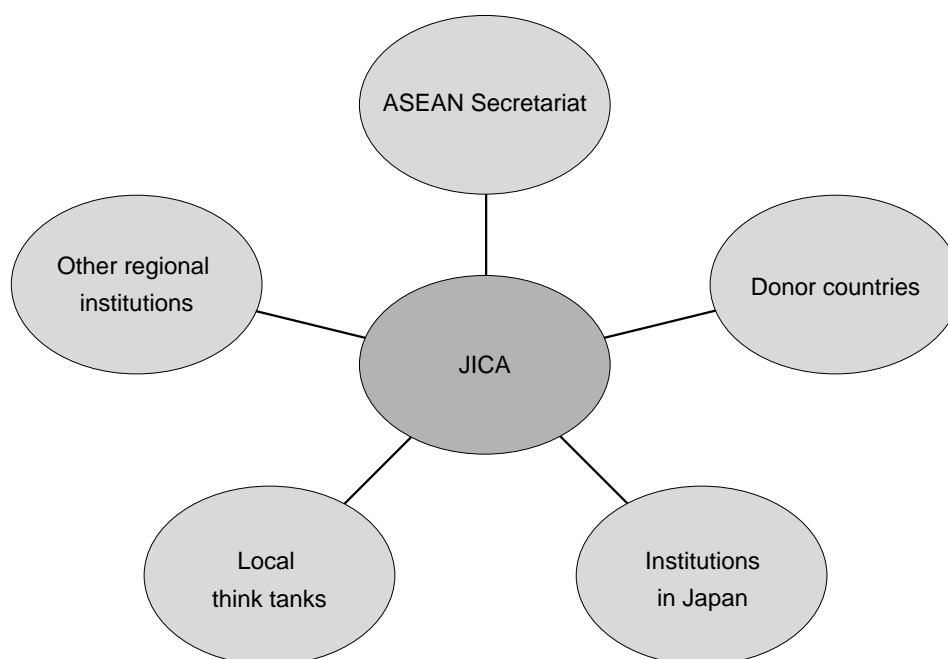
The objectives of these links with external organizations are summarized into three points. The first is to collect information about regional trends and activities of donors as a run-up to regional cooperation. The second is to publicize JICA's cooperation framework and track record in assistance. And the third is to ensure the positioning of JICA's regional assistance on the basis of the collection and distribution of information stated above and to study the feasibility of partnership or cooperation with specific outside organizations. It is particularly important to always take into consideration the task of clarifying the positions of JICA's regional cooperation, such as what kind of cooperation is given to which areas, as criteria for making decisions on specific collaboration and cooperation with external institutions.

On the JICA side, the function responsible for regional cooperation acts as a contact with outside parties. If necessary, it should be taken into consideration to work with the Regional Support Office for Asia and with related functions in the headquarters. Potential partners will be diverse, ranging from think tanks and universities that perform a function of checking JICA's regional assistance strategies to other organization that can work together in formulating and implementing projects.

Major outside institutions that are promising partners for JICA are as follows.

(1) ASEAN Secretariat

As argued above, it is essential to forge close ties with the ASEAN Secretariat. Consideration will be given to installing a contact with it under the Regional Support Office for Asia in the Indonesia Office or to

Figure 6-2 Possible outside partners

Source: the author.

dispatching support coordination experts to the ASEAN Secretariat. These experts will take part in as many different meetings held under ASEAN as possible to gather information and act as a liaison with JICA with regard to project development. And it is considered appropriate to dispatch them to the ASEAN's bureau in charge of coordination of external relations, which coordinates and monitors the progress of cooperation with aid donors.

Given that the ASEAN Secretariat has a function to implement and monitor the agreements among ASEAN member signatories, it is deemed adequate to differentiate it from donor-led regional institutions.

(2) Other regional and international organizations (such as the ADB, the ESCAP, the UNDP, the MRC and the World Health Organization Regional Office for the Western Pacific (WHO/WPRO))

A review of the ADB has already been made in this report. Currently, the Regional Support Office for Asia provides support for the MRC. Where necessary, it participates in its meetings as an observer. From the standpoint of regional cooperation, it occasionally has contact with ESCAP and the UNDP office in Bangkok.

Given that there is a difference in support policies and approaches from regional and international organizations, efforts to create tangible partnerships are not necessarily successful in reality. It is anticipated in future that JICA will launch a strategy for ASEAN regional cooperation beyond the paradigm of bilateral cooperation to make the collaboration with these regional and international institutions more practical.

(3) Aid donor countries involved in ASEAN regional cooperation

Aid donor countries involved in the Mekong regional cooperation and in the ASEAN regional

cooperation base their regional offices in the ASEAN zone, especially in the city of Bangkok. It is worthwhile to consider forming partnerships with these donors. For instance, the United States Agency of International Development (USAID) has reportedly set up an office dedicated to regional cooperation in 2003 and to dispatching specialists to the ASEAN Secretariat. The Australian Agency for International Development (AusAID) has an office within the ASEAN Secretariat to run the ASEAN-Australia Cooperation program. Periodical deliberations and information exchange with these aid donor states will be useful for identifying new trends in regional assistance.

(4) Local think tanks, such as the ASEAN-ISIS, the Institute of Southeast Asian Studies (ISEAS) and the SEACSN

Networking in the ASEAN zone encompasses a broad array of areas. Think tanks, universities and other academic networks are also building strong infrastructure. These networks should also be actively used as standalone organizations. One possible priority is to participate in meetings, seminars and workshops organized by local think tanks on a regular basis to create intellectual and human connections. Another possible step will be to hold regular talks with think tanks to hear their opinions about JICA's ASEAN regional cooperation. It will also be possible to use them as support bodies.

(5) Institutions in Japan, including the Ministry of Foreign Affairs, JBIC, the Japan-ASEAN Center, the Association for Overseas Technical Scholarship (AOTS), JETRO and tsunami-related centers

It is necessary to coordinate and collaborate not merely with overseas institutions but with Japan-based institutions concerned with ASEAN regional cooperation as well. Partnerships with the private sector, universities and other entities will also have to be taken into consideration.

5. Hurdles to Overcome in Implementing Regional Cooperation

To conclude this chapter, this section will focus on four immediate targets to be achieved for upgrading JICA's approaches to offering regional assistance in view of the discussions in the preceding chapters.

(1) Different approaches to developing and implementing projects for individual challenges facing the ASEAN region

Deepening of integration and correction of intra-regional disparities will help address the ASEAN integration and cross-border issues such as drugs, infectious diseases and marine piracy that have been specified as challenges for regional assistance. However, the concepts, approaches and steps for forming and implementing cooperation projects to tackle these questions may be wide ranging, depending on the quality of individual issues.

To bridge the gaps that exist in the region, the needs-oriented cooperation based on matching of local needs with resources led by overseas offices is already taking root in ASEAN nations. In the future, it is possible that cooperation with CLMV countries, which is not covered by the conventional bilateral economic partnerships, may emerge as a new target in this area with a view to attaining the Japan-ASEAN Comprehensive EPAs. Cooperation in intensifying integration primarily targets intermediately developed countries within the ASEAN zone and at all member states. It is necessary to think about offering assistance in meeting this objective, not only within the JICA framework but within a framework involving all relevant Japanese parties.

In any case, regional programs will be needed to address different challenges after studying the proper scope for target countries. The best possible combination of cooperative initiatives will also be required to address the questions.

(2) Determination of priority support areas in ASEAN regional cooperation

The study group has a common awareness of regional challenges that may be covered in future assistance to the ASEAN region but has not scrutinized the way in which JICA should provide support to tackle specific issues. To ensure that JICA will focus on select issues in future, it is necessary to work out the specific optimal steps for designing and implementing projects.

(3) Consensus building among the countries involved in preparing and carrying out ASEAN regional cooperation projects

Unlike in the case of bilateral cooperation, special attention needs to be paid to consensus building in the process of actually formulating and implementing ASEAN regional cooperation projects on site. These projects cover multiple countries, which are not equally positioned as beneficiaries. They may include some cooperation partners with JICA that serve to contribute resources.

First, with respect to relations with resource contributing states, partnership programs must be examined. In these programs, JICA will determine specific subjects based on which projects are formulated and carried out in light of awareness about issues common to the region, the needs of beneficiary states in terms of narrowing disparities in the zone and its own position in regional assistance. On the other hand, cooperating partner states will express their own views about the issues and their stances given their own diplomatic and policy considerations. When working out and instituting tangible projects, it is imperative to ensure a balance between the regionally-oriented response to the problems and the intentions of partner states.

Next, from the perspective of aid recipients, it is possible to recognize the need to address problems common to the region, but the statuses of the problems and technical levels vary from country to country. Apart from an approach based on perceiving the entire zone uniformly, it is also necessary to choose approaches to cooperation suited to individual countries. In the course of developing a program for dealing with ASEAN's regional challenges, there must be an approach in which bilateral cooperation projects are mixed in accordance with the conditions of separate countries, especially those which are lagging behind in their efforts, in addition to projects uniformly implemented in the region.

The above arguments convince us of the necessity of considering the different positions of Japan as well as contributing and beneficiary countries in the area of ASEAN regional assistance. While it should be ensured that Japan, ASEAN member countries and regional organizations including the ASEAN Secretariat can freely make proposals on regional cooperation, building a consensus in consideration of the wishes of various related countries will be essential at the stage of formulating cooperation projects. It will also be critical to ensure the effectiveness of the implementation structure. In this sense, the quality of requests and international agreements relating to ASEAN regional assistance and the procedures for making them may also need to be reassessed.

(4) Consolidation of knowledge and human resources development for ASEAN regional assistance

Personnel have been so accustomed to JICA's style of assistance centered on bilateral cooperation that they are not familiar with the concept of uniting a region to take region-wide action. This approach has yet

to take root among JICA staff.

To improve the system for ASEAN regional assistance, it will be necessary to introduce to the personnel involved a new concept of regional assistance that differs from conventional bilateral cooperation. It will also be important to accumulate knowledge on the ASEAN region within JICA. In addition to the responsible Regional Department I, other departments with different issues should also consider human resources development.

Bibliography and References

- Aoki, Ken (2003) "Could AFTA Form the Center of an East Asian FTA?" *International Trade and Investment (quarterly)*. Spring 2003 No. 51. (in Japanese)
- Hara, Yonosuke (2002) "Towards the Establishment of the East Asian Community: From the Perspective of National Interests." *Study Report on Public-Private Partnerships for Increased Efficiency in International Economic Cooperation*. Cabinet Office / Japan Research Institute. (in Japanese)
- Institute for International Monetary Affairs (2003) "East Asia Study Group." commissioned by the Ministry of Finance. (in Japanese) (<http://www.mof.go.jp/jouhou/kokkin/tyousa/tyou076.htm>)
- Japan-ASEAN Round Table Conference on the Comprehensive Economic Partnership Concept (2002) "Interim Report of the Japan-ASEAN Round Table Conference on the Comprehensive Economic Partnership Concept." (http://www.kantei.go.jp/jp/singi/asean/kettei/021016tyuukan_h.html) (in Japanese)
- Japan Bank for International Cooperation (JBIC) (2004) "Survey Report on Overseas Business Operations by Japanese Manufacturing Companies." (in Japanese)
- Japan External Trade Organization (JETRO) (2005) "Major FTA between Japan and the Rest of the World." (<http://www.jetro.go.jp/biz/world/international/reports/05000906>) (in Japanese)
- Kimura, Fukunari (2003) "The Significance of Free Trade Agreements in East Asia and Problem Areas." *Toa*, January 2003 issue. (in Japanese)
- (2004) "New Trends in International Trade Theory and East Asia," *An Analysis of Globalization and Economic Structure*. Awaiting publication.
(<http://www.coe.gsec.keio.ac.jp/2003/08Kimura.pdf>) (in Japanese)
- Kimura, Fukunari; Maruya, Toyojiro and Ishikawa, Koichi (&ed.) (2003) *East Asian International Specialization and China*. JETRO. (in Japanese)
- Kuroyanagi, Yoneji (2003) *The 35 Year History of ASEAN – The Effects and Limitations of the 'ASEAN Way.'* Yushindo, Kobunsha. (in Japanese)
- Ministry of Economy, Trade and Industry (ed.) *White Paper on Trade*. Published annually. (in Japanese)
- Ministry of Economy, Trade and Industry Study Group on Economic, Industrial and Technical Cooperation (2003) *The Study Group on Economic, Industrial and Technical Cooperation's Interim Report on Asian Dynamism and Prospects for Technical Cooperation Policies*. (in Japanese)
- Ministry of Economy, Trade and Industry ASEAN-Japan Closer Economic Partnership (CEP) Expert Group (2002) *Joint Report on ASEAN-Japan Closer Economic Partnership (provisional translation)*. (in Japanese)
(http://www.meti.go.jp/policy/trade_policy/asean/data/ajcepeg_jr_j.pdf)
- Ministry of Finance Committee on Foreign Exchange and Other Transactions (2002) *Tackling Asia's Economic and Financial Issues*. Report from the Experts Group on Asia's Economic and Financial Issues. (in Japanese) (http://www.mofa.go.jp/mofaj/gaiko/fta/hoshin_0412.html)
- Ministry of Finance Customs and Tariff Bureau Study Group on International Distribution and Trade (2004) "Chairman's Report." (sponsored by the Ministry of Finance) (in Japanese)
(http://www.mof.go.jp/singikai/buturyu_boueki/top.htm)
- Ministry of Finance Policy Research Institute (2005) Report from the Study Group on ASEAN Exchange Systems and Intra-Regional Financial Markets. (in Japanese)
- Ministry of Foreign Affairs (2001) "Human Security: Creating a Human-Centered 21st Century." (pamphlet) (in Japanese)

- (2002) “Japan’s FTA Strategy.” (in Japanese) (<http://www.mofa.go.jp/mofaj/gaiko/fta/policy.pdf>)
- (2005) “The EU and Japanese-EU Relations.” (in Japanese) (http://www.mofa.go.jp/mofaj/area/eu/pdfs/jijyou_kankei.pdf)
- (2006) “Overview of the Association of Southeast Asian Nations (ASEAN).” (in Japanese) (<http://www.mofa.go.jp/mofaj/area/asean/pdfs/gaiyo.pdf>)
- Ministry of Foreign Affairs The Council of the Ministers on the Promotion of Economic Partnership (2004) “Basic Policy on further Promotion of Economic Partnership Agreements.” (in Japanese) (http://www.mofa.go.jp/mofaj/gaiko/fta/hoshin_0412.html)
- Nippon Keidanren (Japan Business Foundation) (2004) “Urgent Proposals for Closer Economic Partnerships.” (in Japanese) (<http://www.keidanren.or.jp/japanese/policy/2004/020/index.html>)
- Oba, Mie (2001) “Regionalism and Japan’s Options,” in Suehiro, Akira and Yamakage, Susumu (ed.) *Asian Political Economy: Japan as a Member of Asian Countries*, Part 2, Chapter 2, NTT Publishing. (in Japanese)
- (2003) “Japan’s Strategy for the Formation of the East Asia Region through Monetary and Financial Cooperation and FTA,” in Yamakage, Susumu (&ed.), *East Asian Regionalism and Japan’s Diplomacy*, Chapter 6, Japan Institute of International Affairs. (in Japanese)
- Otsuji, Yoshihiro and Shiraishi, Takashi (2002) “Call for an Enlarged Japan-ASEAN FTA.” *Chuokoron*. February 2002 issue, No. 117, annual issue No. 2. (in Japanese)
- Oyane, Satoshi (2004) “East Asian FTA: Japan’s Policy Shift and Regional Initiatives.” *International Issues*. March 2004 issue, No. 528. (in Japanese)
- Oyama, Takayuki (2006) “1. Trade and Investment.” *A Report from the Study Group on Assistance to the Southeast Asian Region: Regional Integration and Development Aid – Analytical data relating to specific issues*. JICA Institute for International Cooperation. (in Japanese)
- Sato, Koichi (2003) *The ASEAN Regime*, Keisoshobo. (in Japanese)
- Shimizu, Kazushi (2004) “Issues in ASEAN Regional Economic Cooperation.” *World Economic Review*. October 2004 issue. (in Japanese)
- Shiraishi, Takashi (2000a) *The Empire of the Sea: How to Approach Asia?* Chuokoron Shinsha. (in Japanese)
- (2000b) “Reassessing Japan’s Southeast Asia Policy.” *International Issues*. March 2000 issue, No. 480. (in Japanese)
- (2004) *Empires and their Limits*. NTT Publishing. (in Japanese)
- (2005) “The East Asian Community: Evolving Around ASEAN.” *Yomiuri Shimbun*. September 4, 2005. (in Japanese)
- Suehiro, Akira (2001) “Japan’s Renewed Involvement in Asia,” in Suehiro, Akira and Yamakage, Susumu (ed.) *Asian Political Economy: Japan as a Member of Asian Countries*. Part 2, Chapter 1, NTT Publishing. (in Japanese)
- Tanaka, Akihiko (1996) *The New Middle Ages – 21st Century Global Systems*. Nihon Keizai Shimbun. (in Japanese)
- Taskforce for External Affairs (2002) “Basic Strategy for 21st Century Japanese Diplomacy.” (in Japanese) (<http://www.kantei.go.jp/jp/kakugikettei/2002/1128tf.html>)
- Ueki, Yasushi (2002) “Asia’s Machine Trade Structure,” in Yamagata, Tatsufumi (ed.) *The Machine Industry in Japan and Asia*, Chapter 2, Institute of Developing Economies. (in Japanese)
- UFJ Institute (2005) “Report on Research into Assistance for the ASEAN Region (Basic Survey in Japan),” commissioned by the JICA Institute for International Cooperation Research Group. (in Japanese)

- Urata, Shujiro / Japan Center for Economic Research (ed.) (2002) *Japan's FTA Strategy*. Nihon Keizai Shimbun. (in Japanese)
- (2004) *The Era of FTA in Asia*. Nihon Keizai Shimbun. (in Japanese)
- Venables, Anthony (Professor, London School of Economics and Political Science (LSE)) (2004) keynote speech at the International Symposium on “Globalization and Regional Integration: From the Viewpoint of Spatial Economics,” co-hosted by the Institute of Developing Economies and The Asahi Shimbun Company. (in Japanese)
(<http://www.asahi.com/sympo/kukan-keizai/05.html>)
- Yamakage, Susumu (&ed.) (2003) *East Asian Regionalism and Japan's Diplomacy*. Japan Institute of International Affairs. (in Japanese)
- Yanai, Akiko (2002) “Enhancing and Expanding ASEAN Regional Economic Cooperation,” in Yamagata, Tatsufumi (ed.) *The Machine Industry in Japan and Asia*, Chapter 3, Nihon Keizai Shimbun. (in Japanese)
- Yoshitomi, Masaru (2003) *The Truth of the Asian Economy*. Toyo Keizai Shimbun. (in Japanese)
- Abad, Jr. M. C. (2000) “The Challenge of Balancing State Security with Human Security.” ASEAN Secretariat. (<http://www.aseansec.org/14259.htm>)
- Acharya, Amitav (2001) “Human Security: East Versus West?” *Working Paper Series*. No. 17. Institute of Defense and Strategic Studies. Singapore.
- (2005) “The Quest for Regional Identity in Southeast Asia: A Conceptual and Analytical Perspective on the Social Construction of Regions.”
- Ando, Mitsuyo and Kimura, Fukunari (2003) “The Formation of International Production and Distribution Networks in East Asia.” *NBER Working Paper*. No. 10167.
- Ando, Mitsuyo (2005) “Fragmentation and Vertical Intra-Industry Trade in East Asia.” Forthcoming in *North American Journal of Economics and Finance*.
- Arora, Vivek and Vamvakidis, Athanasios (2005) “How much do Trading Partners Matter for Economic Growth.” *IMF Working Paper*. 04/26. IMF.
- ASEAN Secretariat (1997) “ASEAN Vision 2020,” at Second Informal ASEAN Summit, Kuala Lumpur, December 1997. (<http://www.aseansec.org/10384.htm>)
- (2003a) “Declaration of ASEAN Concord II (BALI Concord II),” at 9th ASEAN Summit, Bali, October 2003. (<http://www.aseansec.org/15159.htm>)
- (2003b) “Framework for Comprehensive Economic Partnership between the Association of Southeast Asian Nations and JAPAN,” at 9th ASEAN Summit, Bali, October 2003. (<http://www.aseansec.org/15274.htm>)
- (2003c) “Recommended Actions of the High-level Task Force on ASEAN Economic Integration,” at 9th ASEAN Summit, Bali, October 2003. (<http://www.aseansec.org/hltf.htm>)
- (2004a) “ASEAN Security Community Plan of Action.” (<http://www.aseansec.org/16826.htm>)
- (2004b) *ASEAN Statistical Yearbook 2004*.
- (2004c) *ASEAN FDI Database 2004*.
- (2004d) “Vientiane Action Program,” at 10th ASEAN Summit, Vientiane, November 2004. (<http://www.aseansec.org/VAP-10th%20ASEAN%20Summit.pdf>)
- (2004e) “ASEAN Protocol on Enhanced Dispute Settlement Mechanism,” at 10th ASEAN Summit, Vientiane, November 2004. (<http://www.aseansec.org/16754.htm>)
- (2004f) “ASEAN Accelerates Integration of Priority Sectors,” at 10th ASEAN Summit, Vientiane,

- November 2004. (<http://www.aseansec.org/16620.htm>)
- (2005a) “Agreement on the Establishment of the ASEAN Development Fund Vientiane, September 2005.” (<http://www.aseansec.org/17577.htm>)
- (2005b) “ASEAN Agreement on Disaster Management and Emergency Response Vientiane, September 2005.” (<http://www.aseansec.org/17579.htm>)
- (2005c) “Joint Media Statement of Thirty Seventh ASEAN Economic Ministers’ (AEM) Meeting, Vientiane, 28 September 2005.” (<http://www.aseansec.org/17778.htm>)
- (2005d) “Joint Communiqué of the 38th ASEAN Ministerial Meeting Vientiane, 26 July 2005.” (<http://www.aseansec.org/17778.htm>)
- (2005e) “Chairman’s Statement of the 11th ASEAN Summit,” at Kuala Lumpur, December 2005. (<http://www.aseansec.org/18039.htm>)
- (2005f) “Chairman’s Statement of First East Asia Summit,” at Kuala Lumpur, 14 December 2005. (<http://www.aseansec.org/18104.htm>)
- (2005g) “Kuala Lumpur Declaration on the East Asia Summit,” at Kuala Lumpur, 14 December 2005. (<http://www.aseansec.org/18098.htm>)
- (2005h) “Kuala Lumpur Declaration on the ASEAN+3 Summit,” at Kuala Lumpur, 12 December 2005. (<http://www.mofa.go.jp/region/asia-paci/asean/conference/asean3/joint0512.html>)
- (2005i) “Joint Statement of the Ninth ASEAN Japan Summit,” at Kuala Lumpur, 13 December 2005. (<http://www.aseansec.org/18076.htm>)
- (2005j) “Kuala Lumpur Declaration on the Establishment of the ASEAN Charter,” at Kuala Lumpur, 12 December 2005. (<http://www.aseansec.org/18030.htm>)
- (2005k) “Agreement to establish and implement the ASEAN Single Window,” at Kuala Lumpur, 12 December 2005. (<http://www.aseansec.org/18005.htm>)
- Ben-David, Dan (1993) “Equalizing Exchange: Trade Liberalization and Income Convergence.” *Quarterly Journal of Economics*, Vol. 108, No. 3. The MIT Press.
- Bergheim, Stefan (2005) “Global Growth Centres 2020.” *Current Issues Global growth centres*. Deutsche Bank Research.
(http://www.dbresearch.com/PROD/DBR_INTERNET_DE-PROD/PROD0000000000185704.pdf)
- Cuyvers, Ludo et al. (2002) “Contrasting the European Union and ASEAN Integration and Solidarity,” at Fourth EU-ASEAN Think Tank Dialogue, Brussels, November 2002.
(<http://www.eias.org/conferences/euaseam4/euaseamcuyvers.pdf>)
- Cuyvers, Ludo; Lombaerde, Philippe D. and Verherstraeten, Stijin (2005) “From AFTA towards an ASEAN Economic Community and beyond.” *CAS Discussion paper*, No. 46.
(<http://143.129.203.3/cas/PDF/CAS46.pdf>)
- East Asia Study Group (2002) “Final Report of the East Asia Study Group.” submitted to ASEAN+3 Summit.
(Final Report of the East Asia Study Group)
- Evans, Paul M. (2004) “Human Security and East Asia: In the Beginning.” *Journal of East Asian Studies* 4.
- Fukao, Kyoji (2004) “Comment on Gaulier, Lemoine and Ünal-Kesenci Paper.” Research Institute of Economy, Trade and Industry Policy Symposium on *Resolving New Global and Regional Imbalances in an Era of Asian Integration*, June 2004.
(http://www.rieti.go.jp/jp/events/04061701/pdf/fukao_presentation.pdf)
- Gaulier, Guillaume; Lemoine, Françoise and Ünal-Kesenci, Deniz (2004) “China’s Integration in Asian

- Production Networks and its Implication.” Research Institute of Economy, Trade and Industry Policy Symposium on *Resolving New Global and Regional Imbalances in an Era of Asian Integration*. June 2004. (http://www.rieti.go.jp/jp/events/04061701/pdf/lemoine_paper.pdf)
- Goldman Sachs (2003) “Dreaming with BRICS: The Path to 2050.” *Global Economics Paper*. No. 99. (<http://www.gs.com/insight/research/reports/99.pdf>)
- Higgott, Richard (1994) “Introduction: Ideas, Interests and Identity in the Asia-Pacific.” *The Pacific Review*. Vol. 7, No. 4.
- IMF (2004) *Direction of Trade Statistics Year Book*.
- Inoguchi, Takashi; Basanez, Miguel; Tanaka, Akihiko and Dadabaev, Timur ed. (2005) *Values and Life Styles in Urban Asia*. Institute of Oriental Culture, the University of Tokyo.
- Jayasuriya, Kanishka (2001) “Southeast Asia’s Embedded Mercantilism in Crisis: International Strategy and Domestic Coalitions.” *Working Paper Series*. No. 3. City University of Hong Kong.
- JETRO (2004) “ASEAN’s FTAs and Rules of Origin.”
- JICA (2005) *JARCOM Progress Report 2005*.
- Katzenstein, Peter J. (1997) “Introduction: Asian Regionalism in Comparative perspective.” *Network Power Japan and Asia*. Katzenstein, Peter J. and Shiraishi, Takashi ed. Cornell University Press.
- Katzenstein, Peter J. and Shiraishi, Takashi (1997) “Conclusion: Regions in World Politics, Japan and Asia-Germany in Europe.” *Network Power Japan and Asia*. Katzenstein, Peter J. and Shiraishi, Takashi ed. Cornell University Press.
- Kimura, Fukunari; Takahashi, Yuya and Hayakawa, Kazunobu (2005) “Fragmentation and Parts and Components Trade: Comparison between East Asia and Europe.” *KUMQRP Discussion Paper Series*. DP2005-030. (<http://www.coe-econbus.keio.ac.jp/data/DP2005-030.pdf>)
- Krumm, Kathie and Kharas, Homi ed. (2003) *East Asia Integrates: A Trade Policy Agenda for Shared Growth*. World Bank.
- Limpongpan, Sathit (2005) “ASEAN Single Window Initiative.” at 4th Custom Cooperation Committee Meeting, September 2005. ADB. (<http://www.adb.org/Documents/Events/2005/CCC/4th-Meeting-CCC/limpongpan.pdf>)
- Macintyre, Andrew and Naughton, Barry (2005) “The Decline of a Japan-Led Model of the East Asian Economy.” *Remapping East Asia The Construction of a Region*. Pempel ed. Cornell University Press.
- Munakata, Naoko (2004) “Regionalization and Regionalism: The Process of Mutual Interaction.” *RIETI Discussion Paper*. 04-E-006.
- Pangestu, Mari (1995) “ASEAN Free Trade Area (AFTA): An Indonesian Perspective,” *The Indonesian Quarterly*. Vol.23, No.1.
- Pangestu, Mari and Gooptu, Sudarshan (2003) “New Regionalism: Options for China and East Asia.” *East Asia Integrates: A Trade Policy Agenda for Shared Growth*. Krumm, Kathie and Kharas, Homi ed. World Bank.
- Pempel, T. J. (2005) “Introduction: Emerging Webs of Regional Connectedness.” *Remapping East Asia The Construction of a Region*. Pempel ed. Cornell University Press.
- Ravenhill, John (2002) *A Three Bloc World? The New East Asian Regionalism. International Relations of the Asia-Pacific*. Vol. 2.
- (2005) “The New Regionalism.” *Global Political Economy*. Ravenhill, John ed. Oxford University Press.

- Ruggie, John Gerard (1982) "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order." *International Organization*. Vol. 36, Issue 2.
- Sakakibara, Eisuke and Yamakawa, Sharon (2003) "Regional Integration in East Asia: Challenges and Opportunities - Part & . Policy Research Working Paper No. 3078 and 3079. World Bank.
(http://wdsbeta.worldbank.org/external/default/WDSContentServer/TW3P/IB/2003/07/08/000094946_03062104301554/additional/127527322_20041117164558.pdf)
(http://wdsbeta.worldbank.org/external/default/WDSContentServer/TW3P/IB/2003/07/22/000094946_03071004090811/additional/126526322_20041117164556.pdf)
- Schiff, Maurice and Wang, Yanling (2004) "North-South Technology Diffusion, Regional Integration, and the Dynamics of the 'Natural Trading Partners' Hypothesis." *Policy Research Working Paper*. No. 3434.
(http://wdsbeta.worldbank.org/external/default/WDSContentServer/TW3P/IB/2004/11/03/000090341_20041103111303/additional/310436360_20050014011053.pdf)
- Schwarz, Adam and Villinger, Rorand (2004) "Integrating Southeast Asia's Economies." *The McKinsey Quarterly*. 2004 No. 1.
- Shiraishi, Takashi (1997) "Japan and Southeast Asia." *Network Power Japan and Asia*. Katzenstein, Peter J. and Shiraishi, Takashi ed.
- (2004) "The Rise of New Urban Middle Classes in Southeast Asia: What is its national and regional significance?" RIETI Discussion Paper. 04-E-011.
(<http://www.rieti.go.jp/en/publications/summary/04020010.html>)
- Soesastro, Hadi (2003) "ASEAN: Regional Economic Cooperation and Its Institutionalization." *CSIS Working Paper Series*. WPE 071.
- (2004) "Sustaining East Asia's Economic Dynamism: How Aid Worked." *CSIS Working Paper Series*. WPE 084.
- Solingen, Etel (2001) "Crisis and Transformation: ASEAN in the New Era." *Working Paper*. No. 16. Institute of Defense and Strategic Studies, Singapore.
(<http://www.ntu.edu.sg/IDSS/publications/WorkingPapers/WP16.PDF>)
- (2004) "Southeast Asia in a New Era." *Asian Survey*. Vol. 44, No. 2.
- (2005) "East Asian Regional Institutions: Characteristics, Sources, Distinctiveness." *Remapping East Asia The Construction of a Region*. Pempel ed. Cornell University Press.
- Tsunekawa, Keiichi (2005) "Why so Many Maps There? Japan and Regional Cooperation." *Remapping East Asia The Construction of a Region*. Pempel ed. Cornell University Press.
- ESCAP, UNDP, ADB (2005) A Future within reach.
(<http://www.mdgasiapacific.org/2ndMDGReport/MDG-PDF-I.pdf>)
- Wannacott, Ronald J. (1996) "Trade and Investment in a Hub-and-Spoke System Versus a Free Trade Area." *The World Economy*. Vol. 19 (3).
- World Bank (2000) *Trade Blocs*.
(<http://www.worldbank.org/research/trade/pdf/trade%20blobs.pdf>)
- (2005) *Global Economic Prospects 2005*.
- WTO (2003) *World Trade Report 2003*.
- (2004) *World Trade Statistics 2004*.

Chapter V Bibliography and References

1-1 Trade and Investment

- Aoki, Ken and Umada, Keiichi (&ed.) (2004) *Policy Proposals: Japan's Asian Economic Policy*. Nippon Hyoron-Sha. (in Japanese)
- Ito, Takatoshi / Ministry of Finance Policy Research Institute (&ed.) (2004) *ASEAN Economic Development and Japan*. Nippon Hyoron-Sha. (in Japanese)
- Japan International Cooperation Agency Institute for International Cooperation (2003) *Effective Approaches to Development Issues: Promoting Trade and Investment*. (in Japanese)
- Watanabe, Toshio (ed.) (2004) *The Road to East Asian Market Integration – Issues and Challenges for FTAs*. Keisoshobo. (in Japanese)
- IMF (1997, 2002, 2003) *Direction of Trade Statistics Yearbook*. IMF: Washington, D. C. (in Japanese)
- Japan ASEAN Center Website (in Japanese) (<http://www.asean.or.jp>)
- Ministry of Economy, Trade and Industry Website (in Japanese)
(http://www.meti.go.jp/policy/trade_policy/epa/data/suishin_j.pdf)
- Ministry of Foreign Affairs Website (in Japanese)
(<http://www.mofa.go.jp/mofaj/area/asiakeizai/pdfs/AFTA.pdf>)
(http://www.mofa.go.jp/mofaj/area/asiakeizai/pdfs/FTA_china.pdf)

1-2 Finance

- Yanagita, Tatsuo (1992) “Politics and Economics in Relation to International Currency,” in Mochida, Nobuki (ed.) *Markets and States*. (Knowledge Frontier Library) Bokutakusha. (in Japanese)
- (2004) “The Politics and Economics of Regional Integration,” in Takagi, Yasuoki (ed.) *International Cooperation Studies*. University of Tokyo Press. (in Japanese)
- Bayoumi, T.; Eichengreen, B. and Mauro, P. (2000) “On regional monetary arrangements for ASEAN.” *CEPR Discussion Papers*. No. 2411.
- IMF, Bureau of Statistics (2005) *International Financial Statistics*. IMF: Washington, D. C.
- Yanagita, Tatsuo (2003) “Reforming The Indonesian Financial System and Fiscal Sustainability.” *Jurnal Keuangan Dan Moneter*. Vol. 6.

1-3 Transport

- Fujita, Yasuo (2005) “Summary Study Report on a New Framework for Infrastructure Development in East Asia.” *Journal of the Research Institute for Development and Finance*, No. 24, Japan Bank for International Cooperation (JBIC) Institute. (in Japanese)
- Japan International Cooperation Agency (JICA) Institute for International Cooperation (2005) *Effective Approaches to Development Issues: Transport*. (in Japanese)
- Ministry of Foreign Affairs Asian and Oceanian Affairs Bureau Regional Policy Division (2005) “Overview of the Association of Southeast Asian Nations (ASEAN).” (in Japanese)
- Nippon Keidanren (Japan Business Foundation) (2004) “Urgent Proposals for Closer Economic Partnerships – Specific Measures for the Strategic Promotion of Economic Partnership Agreements (EPA).” (in Japanese)
(<http://www.keidanren.or.jp/japanese/policy/2004/020/index.html>)
- UFJ Institute (2005) “Report on Research into Assistance for the ASEAN Region (Basic Survey in Japan)” commissioned by the JICA Institute for International Cooperation Research Group. (in Japanese)
- ASEAN (2004) *ASEAN Annual Statistics 2004*. (in Japanese)

- ASEAN Secretariat (2004) "ASEAN Transport Action Plan 2005-2010." 10th ASEAN Transport Ministers Meeting. (<http://www.aseansec.org/16596.htm>)
- (2005) "Association of Southeast Asian Nations: Transport and Communication."
- Habit, C.; Aldaba, F. and Templo, O. (2004) "An Assessment Study on the Progress of ASEAN Regional Integration: The Ha Noi Plan of Action toward ASEAN Vision 2020." Ateneo Center for Economic Research and Development.
- Lloyd, P. and Smith, P. (2004) "Global Economic Challenges to ASEAN Integration and Competitiveness: A Prospective Look." (<http://www.aadcp-repsf.org/docs/03-006a-FinalReport.pdf>) Ministry of Foreign Affairs (2003) "The Japan-ASEAN Plan of Action." (<http://www.mofa.go.jp/region/asia-paci/asean/year2003/summit/action.pdf>)
- Zhang, Tao and Bikales, W. (2004) "Technical Assistance for Support to Strategize Regional Cooperation in Southeast Asia." ADB. (<http://www.adb.org/Documents/TARs/REG/tar-oth-38013.pdf>)
- Ministry of Foreign Affairs Website (<http://www.mofa.go.jp/mofaj/>)
- Ministry of Land, Infrastructure and Transport Website (<http://www.mlit.go.jp/>)

1-4 Information and Communications Technology (ICT)

- Center of International Cooperation for Computerization (CICC) *2005 Asia Computerization Report* (Indonesia, Cambodia, Thailand, Philippines, Viet Nam, Malaysia, Myanmar, Laos, China and Republic of Korea) (in Japanese)
- Data from the 1st ASEAN+3 Telecommunications and Information Technology Ministers Meeting (TELEMIN+3) (compiled by participating organizations) (in Japanese)
- Data from the 2nd ASEAN+3 Telecommunications and Information Technology Senior Officials Meeting (TELSOM+3) (compiled by participating organizations) (in Japanese)
- Japan International Cooperation Agency (JICA) (2005) *Policies for Specific Issues: Information and Communications Technology*. (in Japanese)
- Japan International Cooperation Agency (JICA) Institute for International Cooperation (2003) *Effective Approaches to Development Issues: Information and Communications Technology*. (in Japanese)
- Ministry of Foreign Affairs "Japan's Progress with Comprehensive Cooperation to Rectify the International Digital Divide" (data compiled by the Ministry of Foreign Affairs) (in Japanese)
- Saga, Kenji (2002) "IT International Cooperation Strategies in ASEAN Countries – The Challenge of Turning the Digital Divide into Digital Opportunities." *Journal of International Relations*, Vol. 11, No. 2, Asia University Research Institute for International Relations. (in Japanese)
- Asia Broadband Program Website (<http://www.asia-bb.net/jp/index.html>)
- ADB Website (<http://www.adb.org/>)
- IT Strategic Headquarters Website (<http://www.kantei.go.jp/jp/singi/it2/>)
- Ministry of Foreign Affairs Website (<http://www.mofa.go.jp/mofaj/>)
- Ministry of Internal Affairs and Communications Website (<http://www.soumu.go.jp/>)
- World Bank Website (<http://www.worldbank.org/>)

2-1 CLMV Countries

- Development Bank of Japan Mekong Economy Study Group (&ed.) (2005) *Economic Development Strategies for the Nations of the Mekong Basin: The Possibilities and Limits of Market Economy Transition*. Nippon Hyoron-Sha. (in Japanese)
- Japan International Cooperation Agency (JICA) (1993~2004) *JICA Annual Report*. (in Japanese)

- (2005) *JARCOM Progress Report 2005*. (in Japanese)
- Ministry of Foreign Affairs (1999) *1999 White Paper on ODA*. (in Japanese)
- Ministry of Foreign Affairs Economic Cooperation Bureau (2004) *2004 Official Development Assistance (ODA) Data Book According to Country*. (in Japanese)
- ADB (2005) *Asian Development Outlook 2005*. ADB.
- Japan Bank for International Cooperation (JBIC) Website (<http://www.jbic.go.jp/japanese/index.php>)
- Japan International Cooperation Agency (JICA) Website (<http://www.jica.go.jp/Index-j.html>)
- Ministry of Foreign Affairs Website (<http://www.mofa.go.jp/mofaj/>)

2-2 BIMP- EAGA and other ASEAN growth areas

- Economic Planning Agency (1991) *FY1991 Annual White Paper on the Global Economy*. (in Japanese)
- Konishi, Ayumi (2001) “ADB Policy and Strategy for Economic Development in Northeast Asia.” Economic Research Group for Northeast Asia. (in Japanese)
Website (<http://www.erina.or.jp/Jp/EC/Forum2001/Hatsugen/Special/Konishi.htm>)
- Nagai, Toshihiko; Kobayashi, Makoto and Yamamoto, Satoru (1993) “The Basic Structure and Development Mechanisms of the Asian Regional Economic Block.” *Financial Review*, June 1993, Ministry of Finance Institute of Fiscal and Monetary Policy. (in Japanese)
- Ochiai, Naoyuki (2004) “From Conflict to Autonomy – The New Fight for Muslim Anti-Government Forces in the Philippines.” *Dialogue on Politics and Policy*. No. 2. Hosei University. (in Japanese)
- ADB Southeast Asia Department (2005) “Regional Cooperation Strategy and Program for Southeast Asia (Draft).”
- “IMT-GT Agreed Minutes” Ministerial Meeting 5th meeting to 11th Meeting.
- Ishak Yussof and Mohd Yusof Kashim (2003) “Human Resource Development and Regional Cooperation within BIMP-EAGA: Issues and Future Directions.” *Asia-Pacific Development Journal*. Vol. 10. No.2.
- Kakazu, Hiroshi (1997) “Growth Triangles in Asia, New Approach to Regional Cooperation.” *IUJ Research Institute Working Paper Asia Pacific Series*. No.9.
(<http://www.iuj.ac.jp/research/wpap009.cfm>)
- Kakazu, Hiroshi; Tang, Min and Thant, Myo (1998) *Growth Triangles in Asia: A New Approach to Regional Economic Cooperation*. ADB.
- Norojono, O. et al. (2003) “Technical Assistance to the Republic of Indonesia for the Subregional Transport Cooperation Initiative.” ADB.
(http://www.adb.org/Documents/TARs/INO/tar_ino_36559.pdf)
- Weatherbee, Donald, E. (1997) “Sub-Regional Growth Zones as a Development Strategy: The Mini-ASEANS.” *Journal of Asian Business*. Center for International Business Education.
- Zhang, T. (2002) “Technical Assistance for Prioritizing Strategic Directions for BIMP-EAGA.” ADB.
(http://www.adb.org/Documents/TARs/REG/tar_oth36185.pdf)

3-1 Public security and development

- Yamakage, Susumu (1991) *ASEAN – From Symbol to System*. University of Tokyo Press. (in Japanese)
- ASEAN Institutes for Strategic and International Studies (1991) *A Time for Initiative: Proposals for the Consideration of the Fourth ASEAN Summit*, Kuala Lumpur: Institute of Strategic and International Studies.
- “ASEAN Secretariat Discussion Paper,” 5th SOMTC, Siem Reap, 13-15 June 2005.

“Declaration of ASEAN Concord II (Bali Concord II).” Bali, Indonesia, October 7, 2003.

(<http://www.aseansec.org/15159.htm>)

“Japan-ASEAN Security Co-operation: Recommendations from a Team of Experts.” The 2nd Japan-ASEAN Symposium, organized by JIIA and IDSS, Singapore, October 27-27, 2004.

(<http://www.jiia.or.jp/pdf/kenkyukai/0601.pdf>)

Mely, C. Anthony (2005) *Regional Security in Southeast Asia: Beyond the ASEAN Way*. ISEAS: Singapore.

Taft, Patricia and Landnir, Jason (2005) “The Capacity to Protect: The Role of Civil Society.” The Fund for Peace: Washington, D. C.

APA Website (<http://www.aseanpeoplesassembly.net>)

3-2 Environment

Iwata, Nobuto (2002) “WTO and Precautionary Principles.” *Research Institute of Economic Science Report*. No. 23. (in Japanese)

Ministry of Foreign Affairs Asian and Oceanian Affairs Bureau Regional Policy Division (2000) *ASEAN at a Glance – ASEAN Economic Statistics*. (in Japanese)

(http://www.mofa.go.jp/mofaj/area/asean/pdfs/sees_eye.pdf)

Ministry of the Environment (ed.) (2000) *2000 White Paper on the Environment*. (in Japanese)

——— (2002) *2002 White Paper on the Environment*. (in Japanese)

——— (2005a) *2005 White Paper on the Environment*. (in Japanese)

——— (2005b) *2005 White Paper on a Recycling Oriented Society*. (in Japanese)

Oak Ridge National Laboratory (USA) “National Fossil Fuel CO₂ Emissions Data.” (in Japanese)

(http://cdiac.esd.ornl.gov/trends/emis/em_cont.htm)

Strategic Committee on International Environmental Cooperation (2004) *Report from the Strategic Committee on International Environmental Cooperation – Towards Strategic and Effective Comprehensive International Cooperation in the 21st Century*. (in Japanese)

(<http://www.env.go.jp/earth/report/h16-05.pdf>)

UFJ Institute (2005) “Report on Research into Assistance for the ASEAN Region (Basic Survey in Japan)” commissioned by the Japan International Cooperation Agency (JICA) Institute for International Cooperation Research Group. (in Japanese)

Yamaguchi, Mitsutsune (2000) *Global Environmental Issues and Companies*. Iwanami Shoten. (in Japanese)

ASEAN Secretariat “The ASEAN-Japan Plan of Action.” (<http://www.aseansec.org/15502.htm>)

Krumm, Kathie and Kharas, Homi (2003) *East Asia Integrates: A Trade Policy Agenda for Shared Growth*. The World Bank, Washington, D. C.

Mandani, Dorsati H. (2001) “Regional Integration and Industrial Growth among Developing Countries, The Case of Three ASEAN Members, Policy Research Working Paper 2697.” The World Bank, Development Research Group, Trade.

(http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2001/11/28/000094946_0111090402257/Rendered/PDF/multi0page.pdf)

Michalopoulos, Constantine (1999) “Developing country goals and strategies for the Millennium Round” The World Bank, Development Research Group, Trade.

(<http://www.worldbank.org/html/dec/Publications/Workpapers/wps2000series/wps2147/wps2147.pdf>)

Nordstrom, Hakan and Vaughan, Scott (1999) “Special Studies 4 TRADE AND ENVIRONMENT.”

- (http://www.wto.org/English/res_e/booksp_e/special_study_4_e.pdf)
- Oakridge National Laboratory, CDIAC (Carbon Dioxide Information Analysis Center)
(<http://cdiac.esd.ornl.gov>)
- Thanandsillapakul, Lawan, “Open Regionalism and Deeper Integration: The Implementation of ASEAN Investment Area (AIA) and ASEAN Free Trade Area (AFTA).” The World Bank.
- Webster, Douglas (1999) *The Urban Environment: A Second Wave Policy Perspective: Examples from Thailand*, Asia Pacific Research Center, Stanford University, California.
- Wilson, J.; Otsuki, T. and Sewadeh, M. (2002) “Dirty export and environmental regulation: Do Standards Matter to Trade?” The World Bank, Development Research Group, Trade.
(http://wdsbeta.worldbank.org/external/default/WDSContentServer/IW3P/IB/2002/04/12/000094946_02040304241091/Rendered/PDF/multi0page.pdf)
- World Bank (2003) *The Little GREEN Data Book 2003*.
- (2005) “Environment Strategy for the World Bank in the East Asia and Pacific Region.”
- WTO (1997) “Trade and Environment News Bulletin TE/021-19.”
(http://www.wto.org/English/tratop_e/envir_e/te021_e.htm)
- WTO Secretariat (2004) “Back Ground Document: Trade and Environment.”
(http://www.wto.org/English/tratop_e/envir_e/envir_e.htm)

3-3 Energy

- Agency for Natural Resources and Energy (2004) “2030 International Energy Strategy.” (in Japanese)
(<http://www.rieti.go.jp/users/tanabe-yasuo/pdf/20040623.pdf>)
- ADB Southeast Asia Department (2005) “Strategic Regional Cooperation Programs (draft).” (in Japanese)
- Japan International Cooperation Agency (JICA) (2004a) *Policies for Specific Issues: Energy Supplies*. (in Japanese)
- (2004b) *Policies for Specific Issues: Energy Conservation*. (in Japanese)
- Japan International Cooperation Agency (JICA) Institute for International Cooperation (2005) *Basic Research into Support for the Introduction of Public-Private Sector Partnerships as part of Development Projects in Developing Countries*. (in Japanese)
- Ministry of Economy, Trade and Industry (2004) “Interim Report from the Study Group on the Expansion of Energy Related Industry into Asia.” (in Japanese)
(<http://www.meti.go.jp/report/downloadfiles/g50330e01j.pdf>)
- Tanabe, Yasuo (2004) *Asia Energy Partnerships – Addressing the New Oil Crisis*. Energy Forum. (in Japanese)
- ASEAN Secretariat “ASEAN Plan of Action for Energy Cooperation (APAEC) 2004-2009”
(<http://www.aseansec.org/pdf/APAEC0409.pdf>)
- “Report of the Twenty-third ASEAN Ministers on Energy Meeting (23rd AMEM) 13 July 2005, Siem Reap, Cambodia.”
(http://www.aseanenergy.org/download/reports/energy_organisastion/amem/AMEM%2023.pdf)
- Lara Bertarelli, IED (Innovation Energie Developpment) (2005) “Biomass for Electricity Generation in ASEAN.”
- World Bank, The energy and mining Sector Board (2005) “World Bank Group Progress on Renewable Energy and Energy Efficiency: 1990-2004.”
(http://siteresources.worldbank.org/INTENERGY/Resources/335544-1111615897422/Annual_Report_Final.pdf)

COGEN Phase III Website (<http://www.cogen3.net/>)

EAEF Website (<http://www.aseanenergy.org/eaef/index.html>)

4. Human Resource Development

AUN/SEED-Net, data provided by the Secretariat. (in Japanese)

ICNet (2005) “Report on Research into Assistance for the ASEAN Region (Basic Survey in Thailand).” commissioned by the Japan International Cooperation Agency (JICA) Institute for International Cooperation Research Group. (in Japanese)

Japan Industrial Standards Committee (Ministry of Economy, Trade and Industry) Working Group on Standards and Authentication Cooperation in Developing Countries (2003) “ASEAN Standards and Authentication Cooperation Program.” (in Japanese)
(http://www.jisc.go.jp/jisc/pdf/sokai5_8-1-1.pdf) (accessed on January 5, 2006)

Japan International Cooperation Agency (JICA) (2005a) *Frontier*. February 2005 issue. (in Japanese)

——— (2005b) *Frontier*. June 2005 issue. (in Japanese)

Japan International Cooperation Agency (JICA) Institute for International Cooperation (2003) *Effective Approaches to Development Issues: Higher Education*. (in Japanese)

——— (2005) “Directions in Support for Industrial Human Resources Development in Middle-Income Countries.” (in Japanese)

Japan International Cooperation Agency (JICA) Institute for International Cooperation Research Group (2005) “Research into Assistance for the ASEAN Region: Records of On-Site Survey.” (in Japanese)

Ministry of Economy, Trade and Industry (2005) “FY2005 Basic Policy on Economic, Industrial and Technical Cooperation.” (in Japanese)
(http://www.jetro.go.jp/jetro/activities/oda/j_front/2005/h17_houshin.pdf) (accessed January 6, 2006)

Ministry of Economy, Trade and Industry (ed.) (2005) *2005 White Paper on Trade*. (in Japanese)

Ministry of Foreign Affairs (2004) *2004 White Paper on ODA*. (in Japanese)

P.T. Indokoei International (2005) “Report on Research into Assistance for the ASEAN Region (Basic Survey in Indonesia).” commissioned by the Japan International Cooperation Agency (JICA) Institute for International Cooperation Research Group. (in Japanese)

UFJ Institute (2005) “Report on Research into Assistance for the ASEAN Region (Basic Survey in Japan)” commissioned by the Japan International Cooperation Agency (JICA) Institute for International Cooperation Research Group. (in Japanese)
(http://europa.eu.int/comm/external_relations/asia/rsp/rsp_asia.pdf) (accessed on January 6, 2006)

Commission of the European Communities “Strategy Paper and Indicative Program for Multi-Country Programs in Asia 2005-2006.”

(http://europa.eu.int/comm/external_relations/asia/rsp/rsp_asia.pdf) (accessed January 6, 2006)

——— “New Partnership with South East Asia.”

2002 ASEAN+3 Summit “Final Report of the East Asia Study Group.”

(<http://www.mofa.go.jp/region/asia-paci/asean/pmv0211/report.pdf>)

ASEAN Secretariat Website (<http://www.aseansec.org/>)

ASEAN University Network (AUN) Website (<http://www.aun.chula.ac.th/>) (accessed January 6, 2006)

AusAID/AADCP Website (<http://www.ausaid.gov.au/projects/aadcp.cfm>) (accessed September 1, 2005)

Japan International Cooperation Agency (JICA) Website (<http://www.jica.go.jp/Index-j.html>)

Ministry of Foreign Affairs ASEAN Website

(<http://www.mofa.go.jp/mofaj/area/asean/index.html>)

SEAMEO Website (<http://www.seameo.org/>)

UNESCO Chairs/UNITWIN Networks Website

(<http://portal.unesco.org/education/en/ev.php->

[URL_ID=1324&URL_DO=DO_TOPIC&URL_SECTION=201.html](http://portal.unesco.org/education/en/ev.php-URL_ID=1324&URL_DO=DO_TOPIC&URL_SECTION=201.html))

(accessed January 6, 2006)