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**ASEAN Economic Community,
East Asia and Japan**
-ASEAN, AEC, RCEP and Japan-

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Introduction

- ASEAN and East Asia are among the world's fastest growing regions
 - The most important growth area in the world economy
- Economic integration is underway in East Asia
 - ASEAN is to realize the ASEAN Economic Community (AEC) in 2015
 - Economic integration is moving forward in East Asia as a whole: RCEP
- ASEAN and East Asia are also important for Japan
 - The most important production bases and markets for Japanese corporations
 - A long history of exchange and friendship

Structure of This Report

- ❑ Long-term study conducted on ASEAN economic integration and the AEC within the world economy
 - ❑ ASEAN economic integration and the automobile industry
 - ❑ Relations between ASEAN and Japan

 - ❑ The following are covered in this report:
 - ❑ AEC and ASEAN
 - ❑ East Asian Economic Integration
 - ❑ Changes after the Global Financial Crisis
 - ❑ AEC, East Asia and Japan
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ASEAN Economic Integration: 1976-2003

- ASEAN is the key player in East Asia's economic integration
 - Conventionally, the only regional cooperation organization in East Asia
 - AFTA set up with the aim of realizing AEC in 2015

 - Established in 1967
 - Economic cooperation began in 1976
 - Change to the Economic Cooperation Strategy in 1987
 - Agreed on AFTA (ASEAN Free Trade Area) in 1992
 - Membership has expanded to Indochina since 1995
 - Vietnam in 1995, Laos and Myanmar in 1997, Cambodia in 1999
 - Economic integration has been deepening due to changes since the Asian financial crisis
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Toward an ASEAN Economic Community (AEC)

- Oct 2003: **“ASEAN Concord II”** and **AEC**
 - AEC: structuring single market/production base by 2020
 - Inviting foreign investments
 - Jan 2007: front-loading AEC up to 2015
 - Nov 2007: **“AEC Blueprint”**
 - **A. Single Market and Production Base**
 - Free flow of (1) goods, (2) services, (3) investment, (4) capital and (5) skilled labor
 - **B. Competitive Economic Region**
 - **C. Equitable Economic Development**
 - **D. Integration into the Global Economy**
 - Since 2008: **AEC Scorecard** and **Monitoring**
 - Oct 2010: **“Master Plan on ASEAN Connectivity”**
 - **Steadily moving toward realization of AEC in 2015**
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Results of ASEAN Economic Integration (1)

Tariff Reductions through AFTA

Steady results obtained thus far through ASEAN economic integration

- Tariff reductions since 1993
- In January 2010, tariffs were eliminated in 6 original member states, thus realizing AFTA
- Simultaneously, tariffs on almost all items (98.96 %) were reduced to 0-5% in CLMV as well
- Increase in AFTA utilization rate by individual states
 - For example, 61.3% of exports from Thailand to Indonesia in 2010 used AFTA

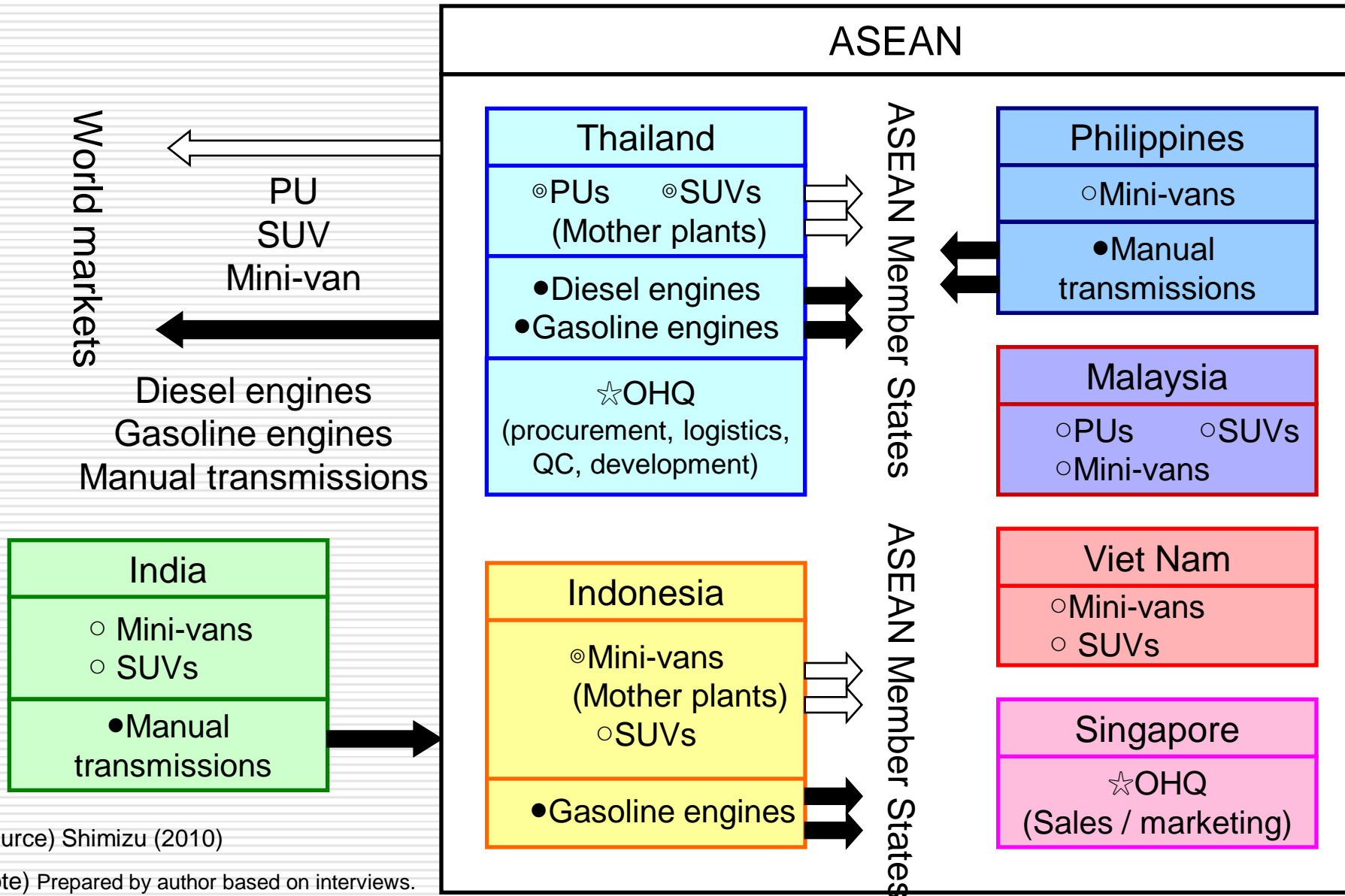
Results of ASEAN Economic Integration (2)

Support for Production Networks

- ❑ Japanese corporations have been expanding their production networks throughout ASEAN
 - ❑ ASEAN policies support these production networks

 - ❑ The automotive industry is a typical example. Japanese automotive manufacturers hold a large share in ASEAN: 85% in 2014
 - ❑ Toyota: Supported by ASEAN policies (BBC, AICO, AFTA) since the 1990s, with major components mutually complemented in the ASEAN region
 - ❑ Toyota IMV (since 2004)
 - Parts procurement, production and export of 1-ton pickup trucks in various areas
 - Multi-layered production network is being expanded to include primary parts makers such as Denso, secondary and tertiary makers as well as material suppliers
 - AFTA provides support
 - ❑ Matching of ASEAN integration policy and corporate production network structuring
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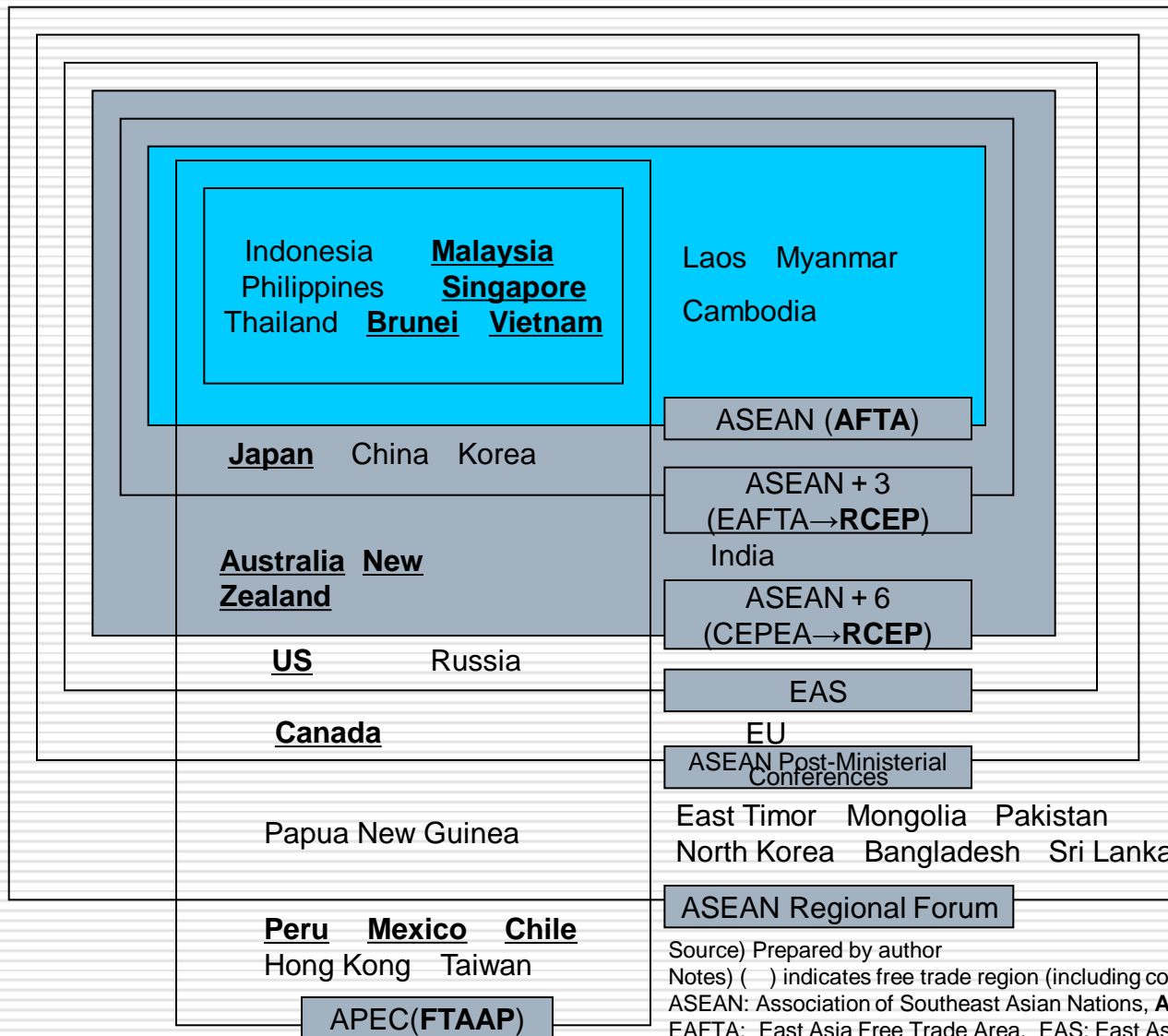
Schematic of Main Car and Parts Complementation at Toyota IMV



ASEAN and East Asian Regional Cooperation

- East Asia regional cooperation: developed in the wake of the Asian financial crisis
- Key player is ASEAN
- ASEAN, ASEAN + 3, EAS, etc. are deployed in multiple layers
- Structuring of FTA networks as ASEAN+1 FTAs
 - ACFTA (ASEAN-China)
 - AJCEP (ASEAN-Japan)
 - AKFTA (ASEAN-Korea)
 - AIFTA (ASEAN-India)
 - ASEANCER (ASEAN-Australia / New Zealand)
 - Completed in January 2010
- However, FTAs for East Asia as a whole and CJK have not been established

Framework of East Asia Regional Cooperation Centering on ASEAN



Source) Prepared by author

Notes) () indicates free trade region (including conception)

ASEAN: Association of Southeast Asian Nations, **AFTA**: ASEAN Free Trade Area

EAFTA: East Asia Free Trade Area, EAS: East Asia Summit

CEPEA: Comprehensive Economic Partnership in East Asia

RCEP: East Asia Regional Comprehensive Economic Partnership

APEC: Asia-Pacific Economic Cooperation

FTAAP: Free Trade Area of Asia-Pacific

The underlined countries are Trans Pacific Partnership (**TPP**) negotiating countries.

Changes after Global Financial Crisis and East Asia (1)

- ASEAN and East Asia
 - Becoming the most important growth area in the world economy
 - Major production bases for the world economy
 - Huge markets for the world economy
 - United States
 - “Plan to double exports”
 - Participating in TPP, aiming to export to East Asia
 - Realization of Mega-FTAs: TPP and RCEP
 - TPP: Mega-FTA in Asia Pacific
 - 12 states: Malaysia, Singapore, Brunei, Vietnam, Japan, Australia, New Zealand, US, Canada, Peru, Mexico and Chile
 - RCEP: Mega-FTA in East Asia
 - 16 states: 10 ASEAN states, Japan, China, Korea, Australia, New Zealand and India
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Changes after Global Financial Crisis and East Asia (2): Realization of Mega-FTAs

- Realization of mega-FTAs: TPP and RCEP
 - Mar 2010: TPP negotiations began
 - Nov 2011: ASEAN Summit
 - ASEAN proposed East Asia Regional Comprehensive Economic Partnership (RCEP)
 - August 2012: First Economic Ministers Plus ASEAN FTA Partners Consultations
 - Nov 2012:
 - Agreement on beginning RCEP negotiations in early 2013
 - Agreement on beginning CJK FTA negotiations
 - May 2013: First Meeting of Trade Negotiating Committee (RCEP)
 - July 2013: Japan joined TPP negotiations
 - **TPP and Japan's participation in TPP accelerated RCEP and CJK FTA negotiations**
 - **TPP and RCEP negotiations accelerated the realization of AEC**
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Realization of AEC in 2015 (1)

- **A. Single Market and Production Base**
 - **1. Free Flow of Goods**
 - **Elimination of Tariffs (A):** 10 ASEAN member states: **95.99% Tariff Lines** at **0%** in Jan 2015
 - CLMV: eliminated duties with flexibility of 7% of tariff lines up to Jan 2018
 - **Improved Rules of Origin, ASEAN Single Window**
 - **Elimination of NTBs (D)**
 - **2. Free Flow of Services (B)**
 - **3. Free Flow of Investment (B)**
 - **4. Free Flow of Capital (B)**
 - **5. Free Flow of Skilled Labor (C)**

Realization of AEC in 2015 (2)

- **B. Competitive Economic Region (B)**
- **C. Equitable Economic Development (B)**
- **D. Integration into the Global Economy (A)**
 - RCEP, ASEAN+1 FTAs

- Next AEC Goal to be 2025
- Nov 2015: 27th ASEAN Summit
 - “AEC Blueprint 2025”
- Dec 31, 2015 to be the Great Milestone

Summary (1)

AEC and ASEAN

- ❑ Steadily moving toward realization of AEC in 2015
- ❑ AFTA has been established in ASEAN
- ❑ Solid results obtained: tariff reduction and elimination
- ❑ Support for production networks
- ❑ Key player in East Asian economic integration

- ❑ ASEAN is one of the most important cases of economic integration in the world
- ❑ Realization of AEC to be accelerated by structural changes in the world economy

Summary (2)

East Asian Economic Integration

- East Asia is the most important growth region in the current world economy

- East Asian FTA to be realized in the context of structural changes to the world economy
 - AEC is to be realized at the end of 2015
 - Moving toward realization of RCEP
 - TPP negotiations to accelerate RCEP, CJK FTA negotiations and the realization of AEC

Summary (3)

ASEAN, East Asia and Japan

- ❑ ASEAN and East Asia are among the most important areas for Japan
- ❑ ASEAN and East Asia are among the most important production bases and markets for Japanese corporations
- ❑ Japan has to develop together with ASEAN and East Asia

- ❑ To strengthen cooperation with ASEAN
- ❑ To cooperate in connection with AEC
- ❑ To promote a mega-FTA in East Asia (RCEP)
- ❑ To promote mega-FTAs in the Asia-Pacific (TPP, FTAAP)

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**Thank you very much
for your attention!**