

Meiji Institute for Global Affairs

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Short Curriculum Vitae) Hidetoshi Nishimura

Entered the Ministry of International Trade and Industry (MITI) in 1976, after graduating from the University of Tokyo Faculty of Law. Served as Asia-Pacific Representative of the Japan Overseas Development Corporation, Director of the Southeast Asia and Pacific Division of the MITI Trade Policy Bureau, Vice Governor for International Affairs of Ehime Prefecture, Director-General of the Business Support Department of the Small and Medium Enterprise Agency, Executive Managing Director of the Japan-China Economic Association, and President of the Japan-China Northeast Development Association, before appointment to current position as Executive Director of the Economic Research Institute for ASEAN and East Asia (ERIA) international organization in June 2008. Appointed Visiting Professor at Waseda University, Fellow at the Meiji Institute for Global Affairs, and Professor of Literature at Darma Persada University.

Concerning “The Shock of ASEAN Integration” (Business-sha Co., Ltd.) and “The Automobile and Auto Components Industries in ASEAN” (ERIA-TCER Series in Asian Economic Integration Vol. 7, Keiso Shobo K.K.)

I would like to consider the significance of recent global developments and the economic integration of the members of the Association of Southeast Asian Nations (ASEAN), based on two recently published books which I edited and co-authored.

I discharged the editorial responsibilities for “The Shock of ASEAN Integration” (Business-sha Co., Ltd.), which I also co-authored with Hideo Kobayashi, Professor Emeritus of Waseda University, and Shujiro Urata, Dean of the Waseda University

Graduate School of Asia-Pacific Studies. The book is subtitled “How can we overcome the EU setback?” and on the wraparound strip is the following text: “The EU in turmoil with the British exit and the wisdom of heterogenous Asia! How should Japan deal with this huge economic sphere bound to achieve rapid growth?” While I feel that the term “EU setback” in the subtitle is a little strong, the book is aimed at enlightening the readers. I consequently took into account the advice of the editorial department about placing emphasis on the point of contention.

One of the questions that cannot be avoided in any discussion of the prevailing Brexit issue is what view to take of the movement of people within a community. To cite EUMAG, the official web magazine of the Delegation of the European Union to Japan (from an article dated April 11, 2012).¹ (Partially paraphrased.)

“The agreement on establishment of the European Economic Community (EEC), from which the EU was born (the Treaty of Rome, which came into effect in 1958), was aimed at the creation of a common market enabling a free flow of people, goods, services, and capital among the member countries. Subsequently, in 1985, the five countries of West Germany, France, Belgium, the Netherlands, and Luxemburg signed the Schengen Agreement for a phased removal of national borders within the European Community (EC), toward the goal of a ‘free movement of persons.’ This agreement was concluded outside the framework of the EC. The Schengen Agreement was subsequently signed by Italy, Spain, Portugal, Greece, Austria, Finland, and Sweden, and the number of signatories had increased to 13 by 1996. In 1997, the aforementioned two agreements were incorporated as annexes along with other related laws and regulations in the Treaty of Amsterdam, the amended basic EU agreement. This treaty assured ‘free movement of persons’ in the context of the EU legal system (the treaty came into effect in 1999).”

The Treaty of Rome aimed at the creation of a single economic market, and when looking at the list of the original signatories of the Schengen Agreement one can see that the EU vision was conceived by Christian member countries without wide economic disparity between them. There is a similarity here to the case of ASEAN, which was

¹<http://eumag.jp/question/f0412/> (viewed on August 29, 2016)

instituted in 1967. Its original six signatories (Indonesia, Singapore, Thailand, the Philippines, Malaysia, and Brunei) were diverse as far as religion was concerned, but there was also not much of an economic disparity between them. Stimulated by the developments in the EU, ASEAN set its sights on establishment of the ASEAN Free Trade Area (AFTA) at the Fourth ASEAN Summit held in 1992. It also boldly accepted entry by Cambodia, Laos, Myanmar, and Vietnam (CLMV), which represented a diversity of political systems and levels of economic development. Roused by the Asian currency crisis of 1997, it has since pushed ahead toward the formation of a community.

At this juncture, the EU and ASEAN began to proceed down different paths. Firstly, with respect to the economic development model, particularly regarding the manufacturing industry, in the EU, where disparity was small, Germany and other countries targeted development of a type based on a deepening of industrial agglomeration and ended there, utilizing free-moving low-cost labor. In contrast, ASEAN, which is marked by larger economic disparity, pursued the formation of production networks of the second unbundling type. More specifically, while deepening industrial agglomeration, it distributed manufacturing processes across border to sites with a comparative advantage and linked these sites in networks to assemble finished products. ASEAN has a cultural and religious diversity incomparably larger than that of the EU. It has consequently been difficult to consider the transborder movement of people as a purely economic issue. For this reason, it was more realistic to provide for the movement of production processes than of people. In ASEAN, the movement of people cannot be treated entirely in terms of the economic community; it is, instead, a major issue for the sociocultural community. It is the ASEAN way not to have people move like commodities but to regard them as principals participating in international production networks.

The first chapter of the book examines the current state of ASEAN not only from the perspective of the companies engaging in business there but also from that of the consumers actually purchasing goods. Chapter 2 recounts the rise and fall of two spheres over a span of 100 years: the Southeast Asia Trade Sphere formed by Great Britain, the protagonist of today's Brexit, beginning around 1900, and the Northeast Asia Economic Sphere formed by Japan before WWII. The countries of Southeast

Asia formed ASEAN and made policy conversions after going through the phases of decolonization, independence, the Cold War, and reorganization of economic spheres. In the process, they formed the ASEAN Economic Community (AEC) toward establishment of a single production base exceeding the single market, against the background of the aforementioned second unbundling. The chapter also analyzes the role of the Economic Research Institute for ASEAN and East Asia (ERIA) as the intellectual engine supporting the deployment of this policy. Building on these two chapters, chapters 3 and 4 report the results of investigative research on the electrical machinery and auto industries, which are the core industries of the production network. Chapter 5 follows by viewing the outlook for the AEC beyond 2015 to 2030. The epilogue discusses ASEAN and the Trans-Pacific Partnership (TPP). With TPP, the participating countries make a binding commitment to liberalization and strict rules regarding trade and investment to investors around the world. Because investors have gotten a glimpse of the resolve of each of these countries, an expectation level has already emerged. As Pandora's box has already been opened, regardless of whether or not they ratify TPP, each country is finding it indispensable to make efforts to respond to these investor expectations. This is to say that TPP has exerted a great influence on ASEAN as a whole. Unless the AEC is able to move one step ahead of the world envisioned by TPP, its significance will be called into question. As something that could be termed a basic ASEAN ethos when doing so, the book proposes "responsiveness" (ASEAN affectivity), which is also accepted in the AEC Blueprint. I hope that you will be able to read the book.

"The Automobile and Auto Components Industries in ASEAN" (ERIA-TCER Series in Asian Economic Integration Vol. 7, Keiso Shobo K.K.) was co-authored with Professor Hideo Kobayashi. It depicts the new shape of the inter-process division of labor in the auto industry unfolding from ASEAN. The book discusses the formation of and future outlook for the ASEAN auto industry within the framework of spatial economics and fragmentation theory. In addition, for the automobile and auto components industries in ten ASEAN countries, including Laos, Cambodia, and Myanmar, it points out various issues in each country and makes examinations extending to specific policy recommendations.

Manufacturers of finished vehicles have various ASEAN strategies. They can be divided into 1) those that have their own assembly plants in ASEAN countries and 2) those that consign production to local ASEAN companies. The production systems also fall into two categories: 1) the efficiency-oriented Toyota-style production system based on a layered accumulation of component industries, the just-in-time concept, and other features, which may be termed the “royal road” of automobile production, and 2) production centered on simple assembly, making maximum use of the advantages of free trade and an international production network. As for the characteristics of auto industry development in ASEAN, there has emerged some consignment of production to local companies based on production systems centered on simple assembly. If TPP becomes a reality, it is anticipated to have a substantial impact on the ASEAN automotive component industry.

