

ASEAN@50

Volume 3



ASEAN and Member States: Transformation and Integration

Edited by
Ponciano Intal, Jr. and Lurong Chen



Economic Research Institute
for ASEAN and East Asia



© Economic Research Institute for ASEAN and East Asia, 2017

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form by any means electronic or mechanical without prior written notice to and permission from ERIA.

The findings, interpretations, conclusions, and views expressed in their respective chapters are entirely those of the author/s and do not necessarily reflect the views and policies of the Economic Research Institute for ASEAN and East Asia, its Governing Board, Academic Advisory Council, or the institutions and governments they represent. Any error in content or citation in the respective chapters is the sole responsibility of the author/s.

Material in this publication may be freely quoted or reprinted with proper acknowledgement.

Cover Art by Artmosphere Design.

Book Design by Artmosphere Design.

National Library of Indonesia Cataloguing-in-Publication Data
ISBN: 978-602-8660-99-0



Foreword



I congratulate the Economic Research Institute for ASEAN and East Asia (ERIA), the Permanent Mission of the Philippines to ASEAN and the Philippine ASEAN National Secretariat for publishing this 5-volume publication on perspectives on the making, substance, significance and future of ASEAN. This valuable publication, forming part of the Philippines' commemorative activities in celebration of ASEAN's golden anniversary, highlights ASEAN as one of the world's most successful and enduring regional organizations.

It pleases me to note that this printed work equally supports the development priorities of President Rodrigo Duterte and the Philippine Chairmanship priorities — building a people-oriented and people-centered ASEAN, maintaining peace and stability in the region, cooperating in maritime security, advancing inclusive and innovation-led growth, promoting a resilient ASEAN, and establishing ASEAN as a model of regionalism and a global player. Consistent with President Duterte's pursuit of an independent foreign policy for the benefit of the Filipino people, the publication also affirms the ASEAN Community Blueprints in raising the profile and awareness on the ASEAN pillars of political-security, economic and socio-cultural communities.

We seek the aid of the Almighty and are hopeful that this publication will provide the reader with greater insights on ASEAN's history, will be used by decision makers, government officials, analysts, and the people of ASEAN, in charting the future course of the region .

Mabuhay!

Manila, August 2017

Alan Peter S. Cayetano
Secretary of Foreign Affairs
Republic of the Philippines

Foreword



‘The fragmented economies of Southeast Asia [with] each country pursuing its own limited objectives and dissipating its meager resources in the overlapping or even conflicting endeavors of sister states carry the seeds of weakness in their incapacity for growth and their self-perpetuating dependence on the advanced, industrial nations.’ These were the words of Narciso R. Ramos, Foreign Minister of the Philippines, when on 8 August 1967, he and four fellow foreign ministers signed the foundational document for yet another regional body; this time, the Association of Southeast Asian Nations.

How these fragmented economies advanced from such unpromising beginnings to the dynamic region they are today is a history that needs to be recounted, and I am pleased that this volume addresses the questions we all have by reflecting on the keys to ASEAN’s longevity and success.

At the time of its establishment, and noting the recent region’s recent history, the words of the founding charter appeared overly lofty and ambitious, talking of ‘the collective will of the nations of South-East Asia to bind themselves together in friendship and cooperation and, through joint efforts and sacrifices, secure for their peoples and for posterity the blessings of peace, freedom and prosperity’. But with changes of government in the region and wars being fought outside of ASEAN’s then borders, a new political reality was taking shape and for the first time the governments of ASEAN Member States had a common purpose.

Of course, no one could have imagined just what or how such a transformation would bloom in the years to come. Chapter 1 notes how, ‘the first 30 years [of ASEAN] were bookended by economic crises’. With hindsight we see just how economic and political crises can intertwine to bring bursts of renewal and reform. The early years of ASEAN brought stability to the region, allowing for countries to develop their own economies. Changes in the world economy, for example in commodity prices, were skilfully responded to with domestic policy reform and adjustment. Then, in December

1997, at the height of the Asian economic crisis, rather than retreating into isolation and despair, the Leaders of ASEAN came together – in what for some looked like the theatre of the absurd – to sign up to ASEAN Vision 2020. Supported by creating +1 ties to other regional states, this Vision set the framework for ASEAN to become an ever-increasing part of the global value chain.

Importantly, another crucial change took place in the region with the reset of political ideologies in the mid- to late 1960s. The nationalistic ideologies that spurned outside interference and capitalism which dominated some countries gave way to a new embrace of the outside world. Countries of the region were now open to business, accepting the benefits of trade and welcoming outside investment, a key step towards economic transformation.

Economically, the last 50 years have been truly remarkable ones for ASEAN. The next 50 years, with the advent of the Gig economy and Connected Industry, amongst other current buzz terms, will create plenty of challenges for ASEAN and the need to create a people-responsive economy. Lessons for the future can always be discovered from understanding the past. I have no doubt that Volume 3, *ASEAN and Member States: Transformation and Integration*, gives us cause for measured optimism that ASEAN and the ASEAN Member States could successfully adapt to changes and move forward robustly amidst the challenges of the economic and technological environment in the future.

I would like to thank all those who contributed to this volume, a valuable public memory for us to share with our current and future generations.

May I also express my gratitude to Ambassador Elizabeth Buensuceso of the Philippine Permanent Mission to ASEAN for her strong support and guidance since the start of the ASEAN@50 project.

Jakarta, August 2017



Hidetoshi Nishimura

President

Economic Research Institute for ASEAN and East Asia

Contents

INTEGRATIVE CHAPTERS

Chapter 1	
The Economic Transformation of the ASEAN Region in Comparative Perspective	1
<i>Ponciano S. Intal, Jr.</i>	
Chapter 2	
ASEAN Foreign Trade, Investment, and Integration in Comparative Perspective	13
<i>Lurong Chen and Ponciano S. Intal, Jr.</i>	
Chapter 3	
Building the ASEAN Economic Community: Progression and Progress	34
<i>Ponciano S. Intal, Jr.</i>	
Chapter 4	
The ASEAN Member States and ASEAN Economic Integration	62
<i>Ponciano S. Intal, Jr. and Lurong Chen</i>	
References	82

COUNTRY ESSAYS AND PAPERS

Brunei Darussalam	87
<i>Joyce Teo Siew Yean</i>	
Cambodia	105
<i>Chap Sotharith</i>	
Indonesia	124
<i>Yose Rizal Damuri</i>	
Lao PDR	141
<i>Leeber Leebouapao and Amphaphone Sayasenh</i>	

Malaysia <i>Shankaran Nambiar</i>	164
Philippines <i>Gilbert Llanto</i>	180
Singapore <i>Hank Lim</i>	199
Thailand <i>Saowaruj Rattanakhamfu</i>	218
Viet Nam <i>Vo Tri Thanh</i>	231