

The ASEAN's 54th Anniversary

Symposium

8/27/2021

**“ASEAN Economic and Social
Regional Integration in the
'New Normal'”**

Panel Discussion

Kazushi Shimizu (Kyushu University)

shimizu@econ.kyushu-u.ac.jp

1. Globalization and Inequality in ASEAN(1)

Globalization and Inequality in the World Economy

- **Globalization has promoted the development of the world economy.**
- **ASEAN, Japan and East Asia have rapidly developed in the expansion of trade and investment.**
 - The international division of labor and the formation of international production networks have been important.
 - Today, we must enhance trade and investment in the rising protectionism and the US-China conflicts.
- **However, the expansion of trade may widen the inequality between countries, and the inequality within each country.**
 - In order to reduce the inequality within each country, domestic policies are important: for example, the income redistribution policies and the safety nets.
 - In order to reduce the international inequality, international policies are essential.

Globalization and Inequality in ASEAN(2)

ASEAN Economic Integration and AEC

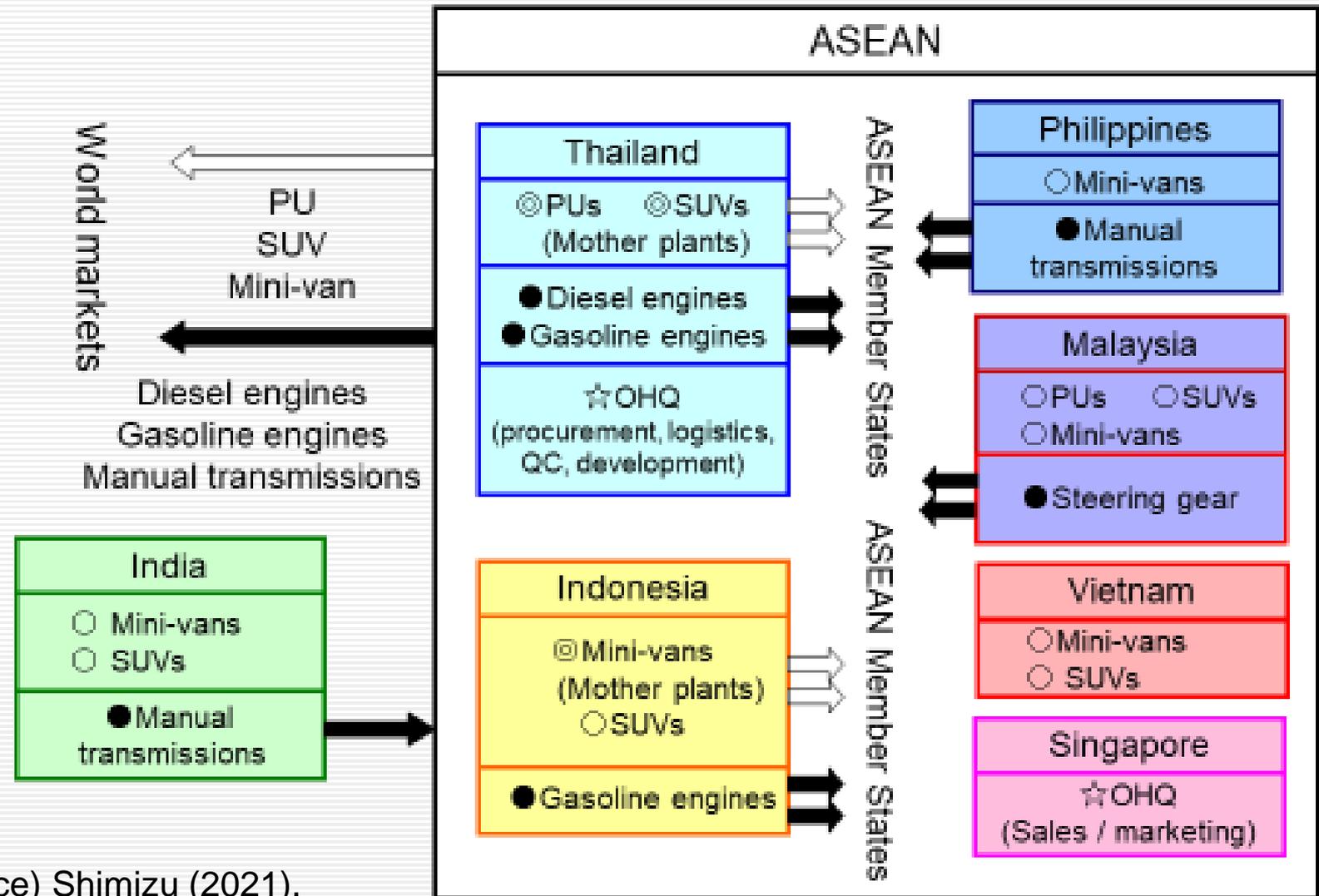
- **ASEAN has promoted economic integration and established the ASEAN Economic Community (AEC) in 2015.**
 - ASEAN was established in 1967, and began working on ASEAN Free Trade Area (AFTA) in 1992, and AEC in 2003.
 - In 2015, ASEAN established AEC and almost completed the tariffs elimination within ASEAN.
- **ASEAN is one of the most important cases of economic integration in the world.**
- **ASEAN is deepening AEC towards the next goal "AEC2025."**
 - **A.** A Highly Integrated and Cohesive Economy, **B.** A Competitive, Innovative and Dynamic ASEAN, **C.** An Enhanced Connectivity and Sectoral Cooperation, **D.** Resilient, Inclusive and People-Oriented, People-Centered ASEAN, **E.** Global ASEAN

Globalization and Inequality in ASEAN(3)

ASEAN Economic Integration and AEC

- **ASEAN economic integration have achieved significant results.**
 - **ASEAN completed the tariff elimination, and has been leading the free flow of trade in goods and services, investment, capital and skilled labor.**
 - **ASEAN policies have supported corporations' production networks.**
 - For example, the BBC, AFTA, AEC have supported Toyota's car and car parts complementation in ASEAN.
 - **ASEAN has been the key player in East Asian regional cooperation.**
 - ASEAN proposed RCEP in 2011, which was finally signed in 2020.

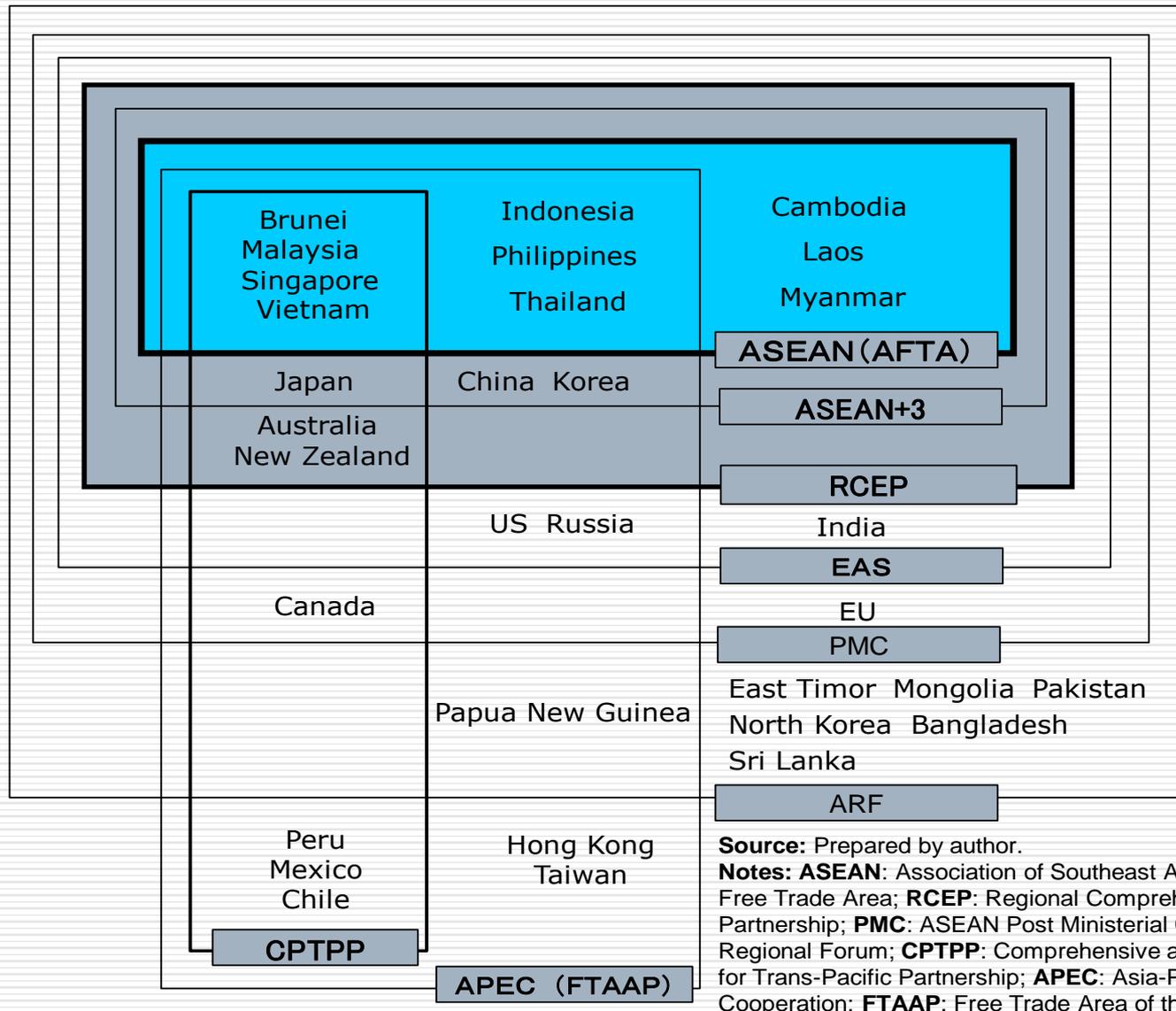
Schematic of Main Car and Parts Complementation at Toyota IMV



(Source) Shimizu (2021).

(Note) Prepared by author based on interviews.

Framework of East Asian Regional Cooperation Centering on ASEAN



(Source) Shimizu (2021).

Globalization and Inequality in ASEAN(4)

ASEAN must narrow the gap between member states

- **However, ASEAN must narrow the economic gap between member states, along with economic integration.**
- **There is a huge economic gap between ASEAN states.**
 - For example, Singapore's GDP per capita is about 40 times of that of Cambodia, though the gap is narrowing.
- **In order to narrow the gap,**
- **Firstly, ASEAN should implement more policies.**
 - ASEAN adopted various policies including the Initiative for ASEAN Integration (IAI), but should have some more policies.
 - “Inclusion” (including SMEs and women) is important: AEC’s “People-oriented and People-centered ASEAN” aims for “Inclusion” in ASEAN.

Globalization and Inequality in ASEAN(5)

ASEAN must narrow the gap between member states

- **Secondly, it is important to include CLM (Cambodia, Laos and Myanmar) in the international division of labor and the production network.**
 - ASEAN must deepen AEC and improve the “Connectivity” within ASEAN.
 - Japan has been contributing to the “Connectivity” building: for example, the “Tsubasa Bridge” in Cambodia.
- **Finally, it is necessary to improve the labor skills and the quality of education in ASEAN, especially in CLM.**
 - Improving workers’ skills will lead to participation in the international division of labor and their higher wages.
 - In the long term, it is important to improve the quality of education.
- **Japan should provide additional supports.**
- **Also Japanese companies’ support including technical training will be possible.**

2. Globalization and the Pandemic in ASEAN(1)

ASEAN's Development after the COVID-19

- What is needed for ASEAN to develop further after the COVID-19?**

 - There will be both the same aspects and the aspects that will change after the COVID-19.**

 - The development of production networks will be as important as ever, in the automobile and other manufacturing industries.**
 - ASEAN economic integration policies will be important furthermore.**
-

Globalization and the Pandemic in ASEAN(2)

Digitalization and SDGs will advance

- ❑ **However, several aspects will change after the COVID-19.**
- ❑ **Firstly, digitalization will probably advance, for example e-commerce.**
 - ASEAN signed the ASEAN Agreement on Electronic Commerce, and ASEAN will respond further to the digitalization
- ❑ **Secondly, the green economy and the SDGs will be further demanded in response to climate change.**
 - ASEAN must respond further to the SDGs.
- ❑ **Japan can cooperate with ASEAN on the SDGs, including environmental measures.**
 - Japan has many technologies related to the SDGs, including energy-saving and waste disposal technologies

Globalization and the Pandemic in ASEAN(3)

Japanese corporations can also contribute to the SDGs

- **Japanese corporations can also contribute to the SDGs through their economic activities in ASEAN**
- **Toyota's case on automotive battery treatment**
 - On 30 August 2019, Toyota and Denso began a car battery recycling business in Thailand.
 - They accept used car batteries of Hybrid Vehicles, and recycle such batteries into a new material for car batteries or storage batteries for factories.
 - This was the first case in which the system that is operated in Japan was implemented in the Southeast Asia.

Globalization and the Pandemic in ASEAN(4)

**“People-oriented and People-centered community”
will become even more important**

- **ASEAN’s goal for “People-oriented and People-centered community” will become even more important after the COVID-19.**
 - The “People-oriented and People-centered ASEAN” is one of five pillars of “AEC2025,” and includes “Inclusion” (Inclusion of SMEs and women).
 - It will lead to the narrowing the economic gap between and within countries.
 - ASEAN is the economic community as well as the social community.

Thank you very much for your attention!

【References】

- Shimizu, K. (2021), "The ASEAN Economic Community and the RCEP in the World Economy," *Journal of Contemporary East Asia Studies*, Vol.10. No.1.
(<https://www.tandfonline.com/doi/full/10.1080/24761028.2021.1907881>)
- "The Special Issue: ASEAN Economic Community and East Asia in the Changing World Economy" *Journal of Contemporary East Asia Studies*, Vol.10, No.1. (<https://www.tandfonline.com/toc/reas20/10/1?nav=toCList>)
- Shimizu, K. (2016), "ASEAN Economic Integration in the World Economy," Ishikawa, K., Shimizu, K. and Sukegawa, S. (eds.) (2016) *The Establishment of AEC and Japan*, Bunshindo, Tokyo.