

ASEAN Role and Regionalism in Southeast Asia

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Abstract

As a regional-level organization that was founded in 1967 with 10 South East Asia state members (Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei, Vietnam, Laos, Myanmar, Cambodia), ASEAN is frequently seen as a unique case of regional integration manifested politically and economically. When society interconnection and integration are more globally intense and bring more serious attentions for social theorists through “Globalization” concept, it cannot be denied that regionalism phenomenon is part of critical observation due to many unanswered questions: How does the regionalism process form? To what extent “globalization” forms regionalism? How do state member actors face globalization process which is sometimes uncontrolled and unregulated with huge consequence such as 1997 Asia Financial Crisis? How is arrangement system of a regional community set up considering no one cannot ensure the final process of globalization in the future, etc.

ASEAN – proven not only an economic block – possesses its own formula in effort to achieve its economic, politic and sociocultural goals and in theoretical understanding and praxis of globalization phenomenon are hoped to give significant contribution for ASEAN regional integration process while still being faithful to the main goal: to push development in various aspects through regional collaboration with every state member for social welfare.

Keywords: regionalism, globalization, functional integration

Introduction

The mushrooming of various regional organizations in the past decades and the emerging study of what we called pervasive “globalization” has been creating a specific focus on two interesting phenomenon: “globalization” and “regionalism”. In the political field we can find regional organizations such as The Organization of African Union (OAU) or the Organization of American States (OAS), together with the micro-regional bodies such as the Visegrad Pact and the *Pentagonale* in Central Europe, the Arab Maghreb Union (AMU) and the Gulf Cooperation Council (GCC) in the Middle East; the Economic Community of West African States (ECOWAS) and the Southern African Development Community (SADC) in Africa and regional security groupings like the Conference on Security and Cooperation in Europe (CSCE, now OSCE) and the ASEAN

Regional Forum (ARF).¹ In the economic field, the regional schemes like Mercado Comun del Sur (MERCOSUR) or the Southern Cone Common Market, the Andean Pact, the Central American Common Market (CACM), the Common Market for Eastern and Southern Africa (COMESA), the Association of Southeast Asia Nations (ASEAN) – to mention a few – have stood together as ‘bloc regionalism’ in the Europe, America and Asia Pacific.²

How can we understand this phenomenon? Is it regionalism inseparable aspect of globalization, either as an impact or as a response to globalization – thus it come later or regionalism has its own driving force? How can we clarify both processes since in certain cases states-led sub-regionalism or regionalism has been urged by political and economic goals?

This paper will study ASEAN in its process of developing regionalism in Asia or Asia Pacific in the context of globalization – that is as a process of *functional integration* of economic activities across national boundaries.³ As a regional organization among Southeast Asia countries, ASEAN is an interesting case study since its establishment she has combined political and economic approaches in responding to the changing of her environment. The Cold War context has been creating an ASEAN’s principles, which is peaceful and neutral to the two big super powers (the United States and USSR) whilst in the post Cold War, she was prioritizing economic cooperation and integration among ASEAN’s and non-ASEAN’s states.

Globalization as an Economic Integration Process

David Held and Peter Dicken have helped us in understanding “globalization” as *a process*.⁴ Usually we locate the beginning of contemporary globalization just after the end of the Second World War, without realized that the historical process of globalization had started long time before. By locating globalization in expansive spatial connections,

¹ Andrew Hurrell, “Explaining the Resurgence of Regionalism in World Politics”, *Review of International Studies* (1995), 21, p 331-332.

² Ibid., p 332 and Richard Stubbs and Geoffrey R.D. Underhill, *Political and the Changing Global Order* (Oxford: Oxford University Press, 2000), p 75, 277.

³ Peter Dicken, *Global Shift: Transforming the World Economy* (London: Paul Chapman Publishing Ltd., 1998), p 5

⁴ David Held, Anthony McGrew, David Goldblatt and Jonathan Perraton, *Global Transformation: Politics, Economic and Culture* (Cambridge: Polity Press, 1999) p 25-27 and Peter Dicken, *ibid.*, p 1-6

for example, Held argued that globalization can be thought as “[a] process (or set of process) which embodies a transformation in the spatial organization of social relations and transactions – assessed in terms of their extensity, intensity, velocity and impact – generating transcontinental or interregional flows and networks of activity, interaction and the exercise of power”.⁵ The importance in his formulation is that globalization is not understood as a spatial delimited processes – like ‘localization’, ‘nationalization’, ‘regionalization’ or ‘internationalization’ or is not conceived in opposition to more spatially delimited processes but it standing in a complex and dynamic relationship with them.⁶

Further, Dicken has emphasized that “[a]lthough in quantitative terms the world economy was perhaps at least as integrated economically before 1913 as it is today – in some respects the nature of that integration was *qualitatively* very different”. “[G]lobalization processes are qualitatively different from internationalization processes. They involve not merely the geographical extension of economic activity across national boundaries but also – and more importantly – the *functional integration* of such internationally dispersed activities”.⁷ In sum, for Dicken globalization is also a complex of inter-related *processes*, both internationalization and globalization process coexist where undoubtedly there are *globalizing* forces at work but without a fully globalized world economy created yet.

By understanding globalization as the functional integration of internationally dispersed economic activities on a continuum with the regional and by considering that the growing extensity and intensity of global interconnectedness may speed up of global interactions; the growing phenomenon of “regionalism” will be tried to be seen more clearly.

⁵ Held, *ibid.*, p 15-16.

⁶ See further *Ibid.*, p 16. Held simply refers *localization* to the consolidation of flows and networks within a specific locale, while *nationalization* is the process whereby social relations and transactions are developed within the framework of fixed territorial borders. *Regionalization* can be indicated by a clustering of transactions, flows, networks and interactions between functional or geographical groupings of states or societies, while *internationalization* can be taken to refer to patterns of interaction and interconnectedness between two or more nation states irrespective of their specific geographical location.

⁷ Dicken, *et.al.*, p 5.

Andrew Hurrell elaborated some factors in which globalization may act as a stimulus to regionalism.⁸ Most importantly, according to him “[g]lobal integration may have acted as a powerful stimulus to economic regionalism by altering and intensifying patterns of mercantilist economic competitions. Change in technology, in communications, in the operation of global markets, in the growth of global system of production, has certainly had a profound impact on the way in which government has defined the two most important goals of foreign policy – economic development and political autonomy – and the range of acceptable trade-offs between them”.⁹ More specifically, Hurrell explained the position of states *vis a vis* that “economic symptom” that “...[O]n the hand, globalization means that states are facing powerful pressures toward the homogenization of economic policies, to attract foreign investment and technology and to compete in an ever more closely linked market place. These systematically driven pressures towards market liberal policies have increased the importance of export expansion and trade liberalization at *both* global and regional level. On the other hand, the nature of competition presses toward the formation of larger units, both for economic efficiency and to ensure the political power necessary to bargain effectively over the rules and institutions that govern the world economy”.¹⁰ Very clearly Hurrell mentioned the importance to understand regional economic integration in terms of interest between state elites and firms in response to the structural changes in the world economy.

But is it adequate just to see economic regionalism through the neo-mercantilist competition perspective? How can we understand the evolution of some regional organizations, which emphasis the political projects in certain time and economic projects in other different time or which emphasis both political economy projects in the same time?

Helge Hveem reminded us another factor like “geopolitics” behind even the economically motivated regional projects, especially during the early post-War II period. That is why he differentiated the regional projects into a different “generation” phase, where the factors and forces behind the regional phenomenon become more varied and

⁸ Hurrell, op.cit, p 346-347.

⁹ Ibid., p 347

¹⁰ Ibid p 347

the causal relationship is more complex.¹¹ The first generation of regional integration, for instance, since the end of World War II was to achieve the goals of security and political stability while to take the geopolitical and ideological context of the Cold War as a primary ordering principle. The second generation of regional integration was in the 1960s and 1970s which was also based on the Cold War context. With the end of Cold War and the advance of globalization process the context have also changed from “geopolitics” to geo-economic”, from security approach to the economic competitiveness approach in its international relations.¹² The implication is also clear, that regionalism as part of states response to their international environment has also changed the characteristics of regionalism in most part of the world.

The emergence of explicitly regional economic blocs with *trade* as the fundamental basis of their existence has often been seen as the phenomenon of international economic integration. Dicken noted some major regional economic blocs which emerge today.

Name	Membership	Date	Type
ANCOM (Andean Common Market)	Bolivia, Colombia, Ecuador, Peru, Venezuela	1969 (revived 1990)	CU
AFTA (ASEAN Free Trade Agreement)	10 Southeast Asian Countries	1967 (ASEAN) 1992 (AFTA)	FTA
CARICOM (Caribbean Community)	Caribbean’s countries	1973	CM
EFTA (European Free Trade Association)	Iceland, Norway, Lichtenstein, Switzerland	1960	FTA
EU (European Union)	Austria, Belgium, Denmark France, Finland, Germany Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, UK	1957 (E-CM) 1992 (EU)	Economic Union
MERCUSOR (Southern Cone Common Market)	Argentina, Brazil, Paraguay, Uruguay	1991	CM
NAFTA (North American Free Trade Agreement)	Canada, Mexico, US	1994	FTA

Source: Dicken, p. 104 (CU-Customs Union, CM-Common Market, FTA-Free Trade Area).

¹¹ Helge Hveem, “Explaining the Regional Phenomenon in an Era of Globalization”, in Richard Stubbs and Geoffrey R.D. Underhill (eds.), op. cit. p 70-71.

¹² See among other Paul Hirst and Graham Thompson, *Globalization in Question: The International Economy and the Possibilities of Governance* (Cambridge: Polity Process, 1999), p 118-121.

The degree of integration differentiates the character of each regional economic blocs, for example those who apply *free trade area* means that trade restriction between member states are removed by agreement but member states retain their individual trade policies toward non-member states. While the *common market* implements not only the removal of trade barriers between member states and adoption of a common external trade policy but it also permits the free movement of factors of production between member states.¹³

In its development, the regional dynamic of trading blocs that involved various and complicated arrangements and sometimes created stronger tension on certain trade relations issues – and to some extent involved various actors of state and non state – has just asserted that the process of economic integration as part of globalization process has not being finalized yet. Regionalism can be more accelerated following the integration of economic activity in all its aspects: transnational flow of capital and labor, the domination of multinational companies, the implementation of new electronic technology like satellites, internet, digital or globalization of finance.

Southeast Asia in the Globalization Context

Before we observe the regionalism initiative in Southeast Asia through ASEAN, it is worthwhile to see how Asia or Southeast Asia specifically grows economically in the context of globalization. Through some evidences, among other in terms of Foreign Direct Investment (FDI) flow, trade and production, we can see the processes of economic integration regionally and globally which is still going on.

Concentration of Direct Investment in Asia

FDI which create Transnational Corporations (TNCs) in Asia has been one of central feature of globalization process because of its growth. FDI restrictions that have been dramatically reduced as a result of a host of factors have led to a rapid expansion of FDI flows around the world during the last 20 years. From only \$ 53.7 billion in 1980,

¹³ See further details, Dicken, op cit p 101-102

FDI outflows reached \$1.4 trillion in 2000. ¹⁴ And in the beginning 1990s, economies in Asia and Pacific started to receive increasingly larger share of world FDI inflows. Malaysia, Singapore and Thailand among the 20 largest FDI recipients during 1991-1993 while the total value of FDI inflows to the top 10 Asian destinations substantially increased during the last decade, from \$ 31,877 million during the period of 1991-93 became \$ 106,309 million in the period of 1998-2000. ¹⁵

Table 2 Top 10 FDI Destinations in Developing Asia (annual average, \$ million)		
Rank	Host Economy	1991-93
1	China, People's Rep	14,346
2	Malaysia	4,729
3	Singapore	3,926
4	Hong Kong, China	2,082
5	Thailand	1,978
6	Indonesia	1,754
7	Taipei, China	1,022
8	Korea, Rep of	832
9	Philippines	670
10	Vietnam	539
	Total	31,877
	(Percent of World Total)	17.3
Rank	Host Economy	1998-2000
1	China, People's Rep	41,614
2	Hong Kong, China	33,768
3	Korea, Rep of	8,009
4	Singapore	7,866
5	Thailand	3,839
6	Malaysia	3,466
7	Taipei, China	2,692
8	India	2,373
9	Vietnam	1,491
10	Philippines	1,190
	Total	106,309
	(Percent of World Total)	9.7

Source: UNCTAD (2002)

¹⁴ See Douglas H. Brooks, Emma Xiaoqin Fan, Lea R. Sumulong, "Foreign Direct Investment in Developing Asia: Trends, Effects and Likely Issues for the Forthcoming WTO Negotiations", ERD Working Paper No 38, p 1, (Manila: ADB, 2003). As stated, many factors cause rapid expansion of FDI flows like accelerating technological change, emergence of globally integrated production and marketing networks, existence of bilateral investment treaties, prescriptions from multilateral development banks and positive evidence from developing countries that have opened their doors to FDI.

¹⁵ Ibid p. 3

The table also shows that China, Hong Kong, Korea, and Singapore as new Industrializing Economies positioned in the four top ranking during 1998-2000 indicates that the geographical distribution of FDI in Asia become more complex with strong orientation toward East Asian countries.

By using different previous data comparison on the FDI Inflow 1981-1994 to all ASEAN Countries, there was increasing in the average per year from \$ 3,0 billion during the period of 1981-86 became \$ 9,5 billion in the period of 1987-92, whilst fluctuated to \$ 16,5 billion in 1993 and the more increased to 19,6 in 1994. (See Table 3).¹⁶

Table 3 FDI Inflow, 1981-1994, (in billion US\$)				
	1981-86 (av.)	1987-92	1993 (av.)	1994
World	57,7	171,9	208,4	225,7
APEC	32,1	80,3	99,2	125,6
	(55,6)	(46,7)	(47,6)	(55,6)
Developing Countries	5,6	18,0	47,1	67,6
	(8,7)	(105)	(22,6)	(25,5)
ASEAN (a)	3,0	9,5	16,5	19,6
	(5,2)	(5,5)	(7,9)	(8,7)
Indonesia	0,2	1,0	2,0	3,0
Malaysia	1,0	2,3	5,2	4,5
Philippines	0,1	0,5	0,8	1,5
Singapore	1,4	1,6	1,7	2,7
Thailand	0,3	1,6	1,7	2,7
Other East Asia	2,0	8,5	30,6	38,0
	3,5	5,0	14,7	16,8
China	1,0	4,7	27,5	33,8
Hong Kong	0,6	1,9	1,7	2,0
South Korea	0,2	0,8	0,5	0,8
Taiwan, ROC	0,2	1,1	0,9	1,4

Source: UNCTAD, Division of Transnational Corporations and Investment FDI Database.
Notes: (a) excluding Brunei and Vietnam where FDI inflows were less than US\$ 0.1 billion.
Figure in bracket showed percentage toward world's FDI inflows. Cited from Hadi Soesastro, "Policies Towards Foreign Direct Investment – New Challenges Facing Asian Development Countries," in *The Indonesian Quarterly* XXIV, no 2, 1996.

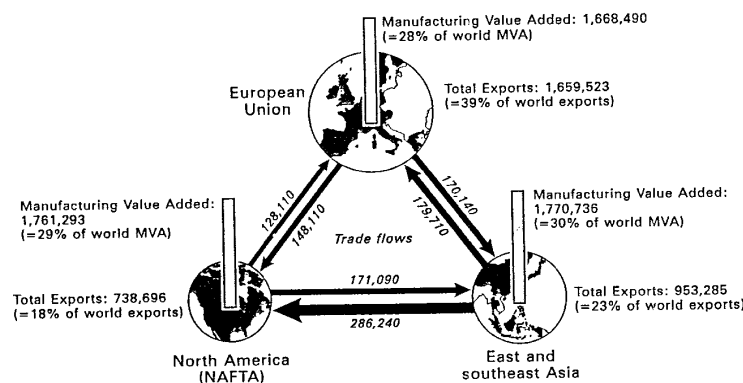
¹⁶ C.P.F. Luhulima, *ASEAN Menuju Postur Baru*. (Jakarta: CSIS, 1997), p 174.

Concentration of Trade in Asia

The rapid growth and concentration of economic relations especially through manufacturing production or merchandise trade often be seen through the revival of regionalism in Western Europe (European Union – UE), North America (North American Free Trade Agreement – NAFTA) and East and Southeast Asia or known as “Global Triad”.¹⁷ Global Triad describes the emergence of three giant trading blocs where their concentrations in terms of value remove the multilateral trading system.

Figure 1 shows that in 1994, these macro-regions contained 87% of total world manufacturing world output (30%, 29% and 28% for East and Southeast Asia, UE and NAFTA) and generated 80% of world merchandise exports (39%, 23% and 18% for EU, East and Southeast Asia and NAFTA).¹⁸ Moreover Dicken explained that over the past ten to fifteen years, the degree of economic concentration in these three regions have proved increase.

Figure 1. The Global Triad – concentration of manufacturing production and Merchandise Trade



Note: All figures are in millions of dollars

Source: Based on data in UNIDO (1996, Statistical Annex); WTO (1995, *International Trade*, Table A2).

¹⁷ Dicken, *ibid.*, p 60 and Soogil Young “East Asia as a Regional Force for Globalization” in Kym Anderson and Richard Blackhurst (eds.) *Regional Integration and the Global Trading System* (New York: St. Martin Press, 1993), p 126.

¹⁸ Dicken, *Ibid.*, p 60

Meanwhile, through the previous study about the changing pattern of East Asia trade, Young noted that since 1970, East Asia's (which refer to Japan, the NIEs of Hong Kong, South Korea, Singapore, Taiwan and the four ASEAN namely Indonesia, Malaysia, the Philippines and Thailand) trade growth has been 16% per year in current dollar terms, outperforming every other region of the world. The NIEs and China, in particular, have maintained rates of growth in their trade for almost 20% per year.¹⁹ This rapid of growth of trade has enabled East Asia to increase its share of the world trade rapidly (see Table 4).²⁰ In 1970, East Asia accounted for 11% of world trade, while North America accounted for nearly twice as much and the EC nearly four times of the amount. By 1990, the shares of both North America and the EC had declined slightly while the East Asia region has contributed to the increasing share of world trade. The NIEs and China nearly tripled its share between 1970 and 1990, from 2.5 to 7.0 percent and from 0.6 to 2.0 percent. ASEAN 4 and Japan also have substantial gains in their share of world trade.²¹

Region	1970	1990
East Asia	10.8	19.4
Japan	5.9	7.7
NIEs	2.5	7.0
ASEAN4	1.8	2.7
China	0.6	2.0
Australasia	2.1	1.5
North America	20.7	18.1
United States	14.7	13.3
Canada	5.3	3.6
Mexico	0.8	1.2
South America	5.8	4.2
Western Europe	48.2	46.8
EC-12	40.8	40.0
EFTA	7.6	6.8
Rest of World	12.6	1.0

Source: IMF, Direction of Trade, Washington DC, Various issues: International Economic Data Bank, Australian National University, World Trade Centre, Canberra, 1992.

¹⁹ Young., op. cit., p 127

²⁰ Ibid., p 128

²¹ Ibid., p 128.

ASEAN and Regional Development

ASEAN, which consists of 10 member countries of Indonesia, Malaysia, Singapore, the Philippines, Thailand, Brunei, Laos, Cambodia, Vietnam, Myanmar was established in 1967 and basically was a response to its environment's internal and external threats. Environment's context at that time was Cold War started from 1947 up to around 1989 after the World War II was over²² where only the two nations – the United States and the Soviet Union – had the powerful military strength, ideological conviction and political will to fill the power vacuums. So that “super power rivalry” became the main characteristic of the global politics.²³ While in the regional level, its colored by various territorial disputes among the member states or what we called it “conventional conflict”: the Sabah dispute between the Philippines and Malaysia (1962), the Batu Putih Island dispute between Malaysia and Singapore (1976), the border tension between Malaysia and Thailand based on 1922 agreement and the Sipadan and Ligitan dispute between Indonesia and Malaysia based on the British-Dutch convention of 1891. While the Spratly dispute among Malaysia, the Philippines, Brunei, Vietnam, China and Taiwan was part of the multilateral conflict in the region.²⁴ During the period of 1970s and 1980s almost we found that almost all ASEAN states struggled for their economic development and internal political stability.²⁵

ASEAN response to its contextual environment was reflected very clearly in the Declaration's main goal that was to restore and re-harmonize intra-regional relations and to arrange into the structure of a Southeast Asia's New Order based on principles of mutual respect and peaceful coexistence, whatever condition of the social and political system of its members. Through this new structure, ASEAN want to enhance economic

²² Donald G. McCloud, *Southeast Asia: Tradition and Modernity in the Contemporary World*. (Boulder: Westview Press, 1995), p 157.

²³ McGrew and Paul G. Lewis (eds.), *Global Politics: Globalization and the Nation State*. (Cambridge: Blackwell Publishers, Inc., 1955), p 32.

²⁴ Asnani Usman, “Konflik Intra ASEAN dan Penataan Keamanan Kawasan”, in Bantarto Bandoro (ed.), *Agenda dan Penataan Keamanan di Asia Pasifik*. (Jakarta: CSIS, 1966), p 158-165.

²⁵ Donald D. Palmer and Thomas J. Reckord, *Building ASEAN: 20 Years of Southeast Asia Cooperation*. (New York: Praeger Publishers, 1987), p 18-25. The New Order Indonesia tried to restore public order and found alternative for its political and economical system; Malaysia struggled for how to settle basic friction among Chinese and Malay ethnic, while the Philippines had to face to communist oriented unrest and Moslem Moro violence. Singapore as a tiny country was very concern with its defense capability whilst Thailand had still to face acute threat of communist insurgency.

and social-cultural cooperation: “to accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to strengthen the foundation for prosperous and peaceful community of South-East Asia nations”. (Bangkok Declaration, 1967). Although as stated that **economic goals** is more prominent rather than “strengthening peace and regional stability”, but ASEAN founders convince that there is strong relation between economic (growth), people development and cooperation in one side and peace and stability in the other side. This basic premise of ASEAN has been formulated as an integrated attitude in economics as well as political security cooperation and this specifically reflected in most of ASEAN’s documents like the Bangkok Declaration, the Declaration of Zone and Peace, Freedom and Neutrality (ZOPFAN), and the Declaration of ASEAN Concord and Treaty of Amity and Cooperation of Southeast Asia (TAC).

If regionalism is strongly based on political-economy understanding as a sovereign states, what kind of initiative ASEAN doing for its economic regional integration? In developing economic cooperation, which is expected to have a regional impact, ASEAN at least has initiated three kind of initiatives in terms of ASEAN Growth Triangle Project, AFTA (ASEAN Free Trade Area) and ASEAN Investment Area Project.

ASEAN Growth Triangle: SIJORI (Singapore-Johor-Riau)

Growth triangle of sub-regional economic area covers an area which geographically border on or adjacent, crossing border of two, three or four national states which is conducting process of cooperation or doing integration of its economic activity. These activities go beyond the political border, political and economic system and involving an intensive flow of goods, services and people who come across those states’ border.²⁶ The basic idea of the growth triangle area is the existence of diversification factors among those sub-areas, which enable cooperation that creating competitive advantage in the export promotion.

²⁶ See further C.P.F. Luhulima, ‘Segitiga Pertumbuhan Singapura-Johor Riau’, in C.F.P. Luhulima, op.cit., p 110. See more on the rational and characteristics of four ASEAN Growth Triangles, Chia Siow Yue, “The Indonesia-Malaysia-Singapore Growth Triangle”. (Singapore: Institute of Southeast Asian Studies), accessed from www.cpu.gov.hk/tc/documents/conference/c-sychia.rtf

Conceptually, this economic growth sub-area can be divided into three forms that in reality can overlap each other; they are (a) the spill-over of metropolitan area to its surrounding areas, (b) the neighborhood area with similar interest and (c) developing resources and infrastructure together.²⁷ The first form is basically the spill over of central metropolitan, which characterized by better infrastructure, capital and manpower to other marginal areas traverse the border. In other word there will be a complementary in the form of land, resources, manpower in one side and transportation infrastructure, communication and financial facility in the other side. The second one is formed by geographical closeness, historic, ethnic or cultural relations among areas along the border which is facilitated by cheaper costs on transportation, information and transactional cost. While the third form is more on cooperation projects on investment in multi states and agglomeration scale.²⁸

The trilateral cooperation that involving Singapore, Johor and Riau was proposed for the first time by Goh Chok Tong, Deputy Prime Minister of Singapore in December 1989, specifically to build a triangle of growth within ASEAN. Although initially this was ‘the triangle of growth fro three areas’ (IMS-GT, IMT-GT, BIMP-EAGE), it can be used as a model of economic cooperation within ASEAN. For each country, this cooperation has its own advantages, mainly economically so that the most advantageous aspects became the main consideration to be developed further.²⁹

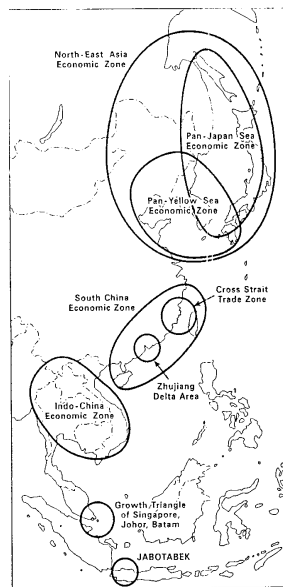
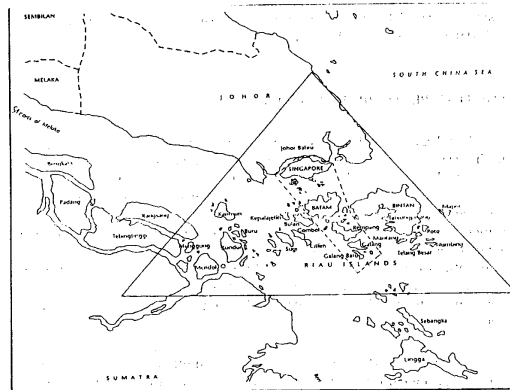
SIJORI is located in the most strategic sea-line that connects South China Sea and India Ocean through Malacca Strait. Johor has broad plantation area and good infrastructure, while Riau islands is part of Riau Province of Indonesia, as the great producer of oil and natural gas, that consists of Batam Island (415 km²), the nearest island to Singapore, Bintan, Bulan and some others. Singapore is a city-state, which is

²⁷ Ibid., p 112.

²⁸ Ibid., p 112-114.

²⁹ For Singapore, for instance, this project is part of way out of its limitedness on land and manpower caused by the very rapid economic growth during the last two decades that give impact to the increasing of wage and property cost. The triangle of growth concept enables private sectors to redistribute their operational to other places. The closeness of Singapore with Johor and Batam will facilitate the operational control or shipping. And not only just limited to operational manufacture but services sector like finance or business related to global market can also be developed. While for Johor and Riau, this development is part of cheaper development strategy since they can make use of the service networks of Singapore. Tourism business can also develop as tourists’ spillover from Singapore by conducting short-visit to Johor and Riau coasts. Ibid., p 120-122.

located between Johor and Riau and who has dynamic and progressive economy. (See maps below: *SIJORI Area and the Urban Corridors in Asia Pacific.*)³⁰



The role of government was part of the key factor in the sub-regional development since the high level of political commitment is needed, especially to protect and guarantee all aspects of cooperation (investment, flows of goods, people, capital; infrastructure, investment promotion and integration) or to anticipate negative impacts such as political dissatisfaction or inflation in the supporting area. Shortly, government mainly acts as motivator and facilitator.

³⁰ Ibid., p 116 and Yeung and Lo (1966), Figure 2.8 in Peter Dicken, *ibid.*, p 66.

On 7 March 1996, the concept of Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT) formally expanded into West Sumatera (Indonesia) and Negeri Sembilan, Malaka and Pahang. Six working groups have been formed divided into the working group on infrastructure and service (hold by Indonesia), agriculture, natural resources, human resource development and mobility (Malaysia) and tourism and industry (Indonesia). Two other promising sub areas for the economic integration are following to be developed; they are Indonesia-Malaysia-Thailand Growth Area (IMT-GT) since 1991 and economic sub-region in the east ASEAN, Brunei-Indonesia-Malaysia-Philippines (BIMP-EAGA) in 1993.

AFTA – ASEAN Free Trade Area

Another major economic cooperation scheme is the creation of AFTA. During the ASEAN meeting in Kuala Lumpur 1997, the Heads of State reaffirmed their commitment to promote regional cooperation in Southeast Asia in the spirit of equality and partnership and thereby contribute towards peace, progress and prosperity in the region. Based on its reality which now a market of approximately 500 million people with combined Gross Domestic Product of US\$ 600 billion, ASEAN charted a direction towards the year 2020, which is called ASEAN 2020. ASEAN would create more dynamic development to advance economic integration and cooperation, by undertaking the general strategies, like: fully implement the ASEAN Free Trade Area and accelerate liberalization of trades in services, realize the ASEAN Investment Area by 2010 and free flow of investment by 2020; intensify and expand sub-regional cooperation in existing and new sub-regional growth areas; further consolidate and expand extra-ASEAN regional linkages to strengthen the multilateral trading system and reinforce the role of business sector as the engine of growth.³¹

More specifically the implementation of AFTA can be found in the Hanoi Plan of Action (1998). To accelerate AFTA, ASEAN will implement (i) Trade liberalization (i.e. maximize the number of tariff lines whose Common Effective Preferential Tariff (CEPT) tariff rates will be reduced to 0% by the year 2003 covering up to 15 commodities

³¹ See Document of ASEAN Vision 2020 (1997), p 2.

groups; (ii) Customs harmonization; (iii) Standards and conformity assessment and (iv) other trade facilitation activities.³²

AFTA is expected to open the way for further liberalization among ASEAN economies so that capable to increase its competitive advantage toward other Asia Pacific states. In the long run, with AFTA, ASEAN not only want to create a trade area but an investment area, since the 'pull factors' for investment have been owned like access to cheaper manpower, abundant natural resources and its business infrastructure.

ASEAN Investment Area (AIA)

Investment activity, which coloring Asia Pacific, as mentioned in section before was one of motivation of ASEAN Conference V in Bangkok (1995) to decide that ASEAN “*shall work towards establishing an ASEAN investment region which will help enhance the area’s attractiveness and competitiveness for promoting direct investment. The promotion of direct investment into and amongst ASEAN member’s countries will help in the development and growth of the ASEAN economies*”.³³ The main goal of AIA is “*to substantially increase the flow of investment into ASEAN from both ASEAN and non-ASEAN sources by enhancing ASEAN’s attractiveness and competitiveness for investments. This would be done by jointly promoting ASEAN as the most attractive investment area and by strengthening and increasing the competitiveness of ASEAN’s economic sectors through greater ASEAN cooperation and progressively reducing or eliminating impediments to investment.*”³⁴

Within 10 to 15 years to come the character which is expected for the structure of IAI would like (i) the greater role of private sector in the investment cooperation in ASEAN; (ii) the stronger intra-ASEAN industrial link by giving preferential treatment to attract investment; (iii) the strong coordinated program to attract investment from ASEAN and non-ASEAN; (iv) all industries (either manufacture or non-manufacture), with limited exception could be opened for all investors.³⁵ While to achieve the above goals ASEAN also takes several steps through (a) ASEAN Plan of Action on

³² Further details in Hanoi Plan of Action Document (1998), p 2-4.

³³ C.P.F. Luhulima, op. cit p 182.

³⁴ Recommendation of the ASEAN Head of Investment Agencies on the AIA, submitted for the consideration of the 28th AEM Meeting. Ibid., p 182.

³⁵ Ibid., p 194.

Cooperation and Promotion on Foreign Direct Investment and Intra ASEAN Investment; (b) Joint Promotion Program on Publicity, Image Building and Marketing of ASEAN's Investment Regime; (c) Consultation and Information Exchange and (d) Evaluation unit and ASEAN Investment analysis.³⁶

By observing some developments on how ASEAN see the strategic chances in integrating the economic zone through implementing schemes like AFTA, ASEAN Growth Triangles, ASEAN Investment area, and next schemes like ASEAN Industrial Cooperation and ASEAN Services Framework Agreement we can see how the state leaders of ASEAN have a far vision on how regional integration on Southeast Asia should be managed.

Conclusion

Major economic cooperation schemes conducted by ASEAN through *AFTA*, *ASEAN Growth Triangles*, *ASEAN Investment area*, and then the next schemes like *ASEAN Industrial Cooperation and ASEAN Services Framework Agreement* are part of ASEAN state leaders' vision on how the regional integration should be managed in Southeast Asia. In the beginning ASEAN just emerged from the need to overcome together the political and economic problems in the national, regional and international levels and also from the start ASEAN applied political economy approach in developing its regionalism. This means that implicitly, ASEAN realized that economic progress would be part of national resilience and security in all levels and when "globalization" become intensive as what we understand now – *mainly as a process of functional integration of economic activities across national boundaries* – ASEAN through its "regionalism project" is very ready to catch, create and develop further various chances provided by "globalization", by institutionalizing the economic cooperation and arrangements and in the same time ASEAN responding to the security challenges in Asia/Asia Pacific through for instance ARF (ASEAN Regional Forum).³⁷

So how is ASEAN related to globalization or how regionalism should be placed within the framework of globalization phenomenon, at least from the case of ASEAN we

³⁶ Ibid., p 197-203.

³⁷ Although we do not elaborate in this paper, as a security approach toward security problems emerging in Southeast Asia/Asia Pacific, ARF cannot be seen separately from efforts of economic integration.

can find clear and certain direction. Regionalism can be an answer to the complex and problematic situation emerged from the ‘complicated’ process of globalization -- that even no body knows at all its final shape – as far as actors in ASEAN can keep the balance between the factual condition of each member countries and the *autonomous* power of globalization, which can be in form of what we call ‘*market power*’, ‘*financial flow*’, ‘*technological impact*’, ‘*high-tech information*’, etc. And within more interdependent world, as is proved in the existing phase of globalization, regionalism of ASEAN is also requested to respond adequately toward more various aspects of interactions of its members.

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