

Regional Economic Cooperation of ASEAN Plus Three: Opportunities and Challenges from Economic Perspectives.

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Presented for lecture at School of International Studies,
Kwansei Gakuin University, Osaka Kansai, Japan, 26-29 August 2013.

1. Background

The formation of regional economic cooperation has been intensifying during the last twenty years in many parts of the world. In Europe, the most advanced form of integration of European Union (EU) has been established since 1950-s, European Free Trade Association (EFTA), Central European Free Trade Agreement (CEFTA). In America there is North America there is North American Free Trade Area (NAFTA), Union of South American Nations (UNASUR), Central American Integration System (SICA). In Africa, there is African Union (AU), in Asia and the Pacific, we have more than 5 association of countries such as ASEAN Free Trade Area (AFTA), South Asian Association for Regional Cooperation, Arab League (AL), Caribbean Community (CARICOM), Pacific Island Forum (PIF), Asia Pacific Economic Cooperation (APEC) and some other new initiatives such as ASEAN Plus Three (APT) and many others.

2. Why Regional Cooperation?

There are some reasons why this regional economic cooperation becomes more intensifying. *First*, the difficulties of having full agreements under World Trade Organization (WTO) initiatives that involves so many countries (159 countries as of March 2013) with different geographic locations, social culture and their respective interests has encouraged countries with closer geographic location and relatively more similar social culture, institutions and regional interest as a whole to form cooperation within a smaller group of countries.

Second, increasing competition among regional economies as they are more integrated regionally is expected to increase their competitiveness in a larger geographic dimension such as in WTO. This objective is particularly important in the case of ASEAN Free Trade Area (AFTA) formation.¹ *Third*, from the political point of view, a group of nations may have a stronger bargaining position and political influence compared with individual nation. *Fourth*, in the face of economic or financial crisis precipitated either by external shock or internal shock that has significant impact to the stability of one country or region, cooperation among group members may become easier and more effective for them to dampen the impact of the crisis or even to prevent the negative impact that may occur in the future. This reason, at least, that initiated the formation of ASEAN Plus Three (APT) forum in 1997/1998.

3. What is Regional Economic Integration?

It is an agreement between countries in a geographic region to reduce tariff and non-tariff barriers to the free flow of goods, services, and factors of production between each other. In form of more advanced integration, member countries also agree to have common external trade policy, common fiscal and monetary policies and common currency.

¹ According to the documents of its establishment, the primary goals of AFTA seek to: Increase ASEAN's competitive edge as a production base in the world market through the elimination, within ASEAN, of [tariffs](#) and non-tariff barriers; and to attract more [foreign direct investment](#) to ASEAN.