CHAPTER-1

INTRODUCTION

In the changing perspectives about world development and in the field of economics and science, what has become imperative is economic prosperity for each nation. The end of cold war and the multipolar world scenario has created new equations in the world politics, with many economic, strategic and defence factors coming in to play for deciding the various aspects of international decision making. With the adherence to the trade policy liberalisation and regionalism, each nation is working for export promotion and import substitution so as to have a positive balance of payments. Economic prosperity has become the main objective of the developing nations and in order to have better bargaining position at the global level, regional organisations are being formed. This is due primarily to two widely held perceptions. One, the growth of regional trade arrangements (RTAs) has increased discrimination against outside countries and poses a threat to the multilateral trading system. Second, the multilateral General Agreement on Tariffs and Trade (GATT)\(^1\) which has now transformed into World Trading Organisation (WTO)\(^2\) aims at reducing barriers in international trade in goods and services.

The number of new agreements has increased with the initiation of the North American Free Trade Agreement (NAFTA) in December 1992; the completion of the European Communities Internal Market in December 1992, the signing of the Treaty on European Union (The Maastricht Treaty) in February 1992, the agreement at the Association of South East Asian Nations (ASEAN) Summit in January 1992 to establish the ASEAN Free Trade Area (AFTA) and other subsequent agreements in the rest of the world. Some of the newer agreements have liberalised regional flow of investment and labour as well as commodity trade and have harmonised taxes and business laws, leading towards integration of national economies with regional economies.\(^3\) The WTO has added to a certain extent to the government’s commitment to globalisation. Globalisation

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2. Ibid, pp.5-6.
could be defined as the decline in costs of doing business at international level.\(^4\) One of its basic objectives is to promote the international integration of markets for goods, services, technology, ideas, financial and other capital and labour. An indicator of its progress is reducing differences in prices for those products and factors across space (within and between countries). The related effects of globalisation are being felt by all countries of the world, especially in the open economies such as Southeast Asian nations.

The GATT and now even more so the WTO contributes to globalisation in several crucial ways. The WTO has four key objectives: to set and enforce rules for international trade, to provide a forum to negotiate and monitor trade liberalisation, to improve policy transparency and to resolve trade disputes. Apart from the transparency role, these were also the key objectives of its predecessor before the WTO came into being, but the WTO is much more comprehensive than the GATT. GATT/WTO rules to govern international trade serve at least three purposes. First, they protect the welfare of small and weak nations against discriminatory trade policy actions of large and powerful nations. GATT Articles I Most Favoured Nation(MFN) and III (national treatment) promises that all WTO members will be given the same conditions of access to a particular country's market as the MFN, and all foreign suppliers will be treated as the domestic suppliers.\(^5\) For regional economic analysis it is quite useful to concentrate upon the Newly Industrialised Economies (NIEs) namely Hong Kong, the Republic of Korea(RoK), Taiwan and Singapore along with the other members of ASEAN regional grouping. Till 1984 the countries comprising ASEAN were Indonesia, Malaysia, Thailand, Singapore, Philippines and Brunei.\(^6\) In July 1992, Vietnam and Laos signed the treaty, and attended the ASEAN Ministerial Meeting as observers.\(^7\) Vietnam became ASEAN's seventh member at the ministerial meeting in Brunei on 28 July 1995.\(^8\) In the year 1997, Myanmar and Laos were admitted to ASEAN and with the inclusion of Cambodia in 1999\(^9\), all the ten southeast asian

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\(^5\) Ibid., pp.16-17.


\(^7\) http://www.aseansec.org/history/asn_his2.htm.

\(^8\) Ibid.

\(^9\) Statement by Secretary General of ASEAN Welcoming the Kingdom of Cambodia as the Tenth members State of ASEAN, ASEAN Secretariat, 30 April 1999, Jakarta.
countries became members of the ASEAN. In his speech at ASEAN Secretariat, Secretary-General Rodolfo C. Severino stated on 30 April 1999 after inclusion of Cambodia in ASEAN:-

"The realization of "ASEAN-10" has not only a symbolic significance, but also immense implications for the future of our region. With mutual respect and equality, we have turned our diversity to our advantage and pulled together to advance our common interest in strengthening peace and stability in our region. The Kingdom of Cambodia's membership will be a substantial contribution to this endeavour. Our painful but invaluable lesson from the current economic difficulties is that in this age of globalisation, nations can thrive and flourish only if they band together for common purposes. Through internal reforms, active co-operation and purposeful integration. ASEAN will certainly overcome the difficulties, as it has already begun to do so. ASEAN will be stronger and ready for sustainable growth and development in the new millennium. With half a billion people in ASEAN and a combined GDP of nearly US $ 700 billion, ASEAN remains an important market and platform for production".10

The NIEs and ASEAN have more common characteristics; they as leading and most rapidly growing markets and several of them are suppliers of capital and technology to other countries in the region. They are the core countries of the geographic area. Other Asian countries like China, Mongolia and India on the periphery of this East Asian sub region are increasingly opening their economies to international trade and linking their economies to this region by means of trading and investment agreements. A number of Asian countries that have a record of capital economic growth and resemble each other in their trading patterns have been expanding economically.

The desire for regional cooperation has deep roots in South east Asia despite historic bilateral problems among them. The pre-ASEAN organizations have a pronounced bearing on ASEAN's formation and development.

**SEATO (1954-1977)**

The South-East Asian Treaty Organization (SEATO) emerged out of a Conference in Manila in 1954 which was held shortly after the Geneva Conference on Indo-China following the victory of Viet Minh over the French colonisers.

10 Ibid., p.1.
Initiated by the U.S. and dominated by western powers (only the Philippines and Thailand were members from South East Asia), SEATO was part of the world wide US led anti-communist military alliances or security arrangements. With the withdrawal of the US military forces from Vietnam, SEATO came to an end in 1977.11

**ASPAC (1966-1973)**

Formed in 1966 at the initiative of South Korea, the Asian and Pacific Council (ASPAC) was another example of a multiregional organisation designed to bring together most of the leading non-communist nations of the western Pacific to deal with external threats and to provide a framework for more extensive cooperation. Only four of its members were Southeast Asian states - Malaysia, the Philippines, South Vietnam and Thailand. ASPAC was dissolved in 1973.12

**ASA (30.7.61-16.9.63)**

Association of Southeast Asia (ASA) was formed on July 1961 on the initiative of the former Prime Minister of Malaya, Tunku Abdul Rahman in 1959. It had a limited membership of Malaya, the Philippines, Thailand and had a modest objectives of cooperation in economic and cultural areas. ASA was dissolved on 16 September 1963 with the formation of the Federation of Malaysia.13

**MAPHILINDO (31.7.63 - 16.9.93)**

This organisation, consisting of Malaya, the Philippines and Indonesia, was established at a conference held in Manila on 31st July 1963 to promote cooperation in economic, military, cultural and social fields and primarily designed for the welfare of the Malay region in South East Asia. Shortly, the Federation of Malaysia came into existence which neither the Philippines nor Indonesia recognised and Sukarno, the then President of Indonesia, soon launched a guerilla war against Malaysia. Thus putting an end to the concept of MAPHILINDO. Also, MAPHILINDO was not able to muster support from non-Malay members of the region as it was perceived to be for the promotion of the Melayu region.14

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12 Ibid., p.4.
13 Ibid., pp.5-6.
14 Ibid., pp.6-11.
ASEAN (8.8.1967-Till date)

The formation of ASEAN on 8 August 1967 was basically aimed as a response to the threat of communist expansion in Southeast Asia, accords on greater economic co-operation have often been spurred by political considerations. Advocates of greater economic co-operation stress the dynamic gains that could be achieved through greater economic co-operation, and they have criticised the relatively slow pace of intra-regional co-operation without fully understanding the political motivations and constraints. The ASEAN countries are extremely diverse in terms of economic structure and development, political orientation, factor endowments, culture, history and religion. The ASEAN declaration in 1967 set out the objective for the organisation as

1. To accelerate economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation of a prosperous and peaceful community of South east Asian nations.

2. To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter;

3. To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;

4. To provide assistance to each other in the form of training and research facilities in the education, professional, technical and administrative spheres;

5. To collaborate more effectively for the greater utilisation of their agriculture and industries, the expansion of their trade including the study of the problems of international commodity trade, the improvement of their transportation and communication facilities and the raising of the living standards of their people.

6. To promote South East Asian Studies and
To maintain close and beneficial co-operation with existing international and regional organisation with similar aims and purposes and explore all avenues for even closer co-operation among themselves.\textsuperscript{15}

Geographically, Southeast Asia is located in one of the strategic locations in the Pacific and Indian Ocean. The South-east Asia starts from the southern part of China i.e., Indo-China to the Northern frontier of Australia, the eastern borders of Myanmar to the Philippines in the Pacific. Right from the 18\textsuperscript{th} century, South east Asia has been the fulcrum of trade and commerce between east and west\textsuperscript{16}. The colonial exploitation and capitalistic endeavours of the imperialist powers created a power vacuum in the region in the sixties, after the withdrawal of colonial powers. Initially, issues like the Vietnam war, Cambodian crisis caused problems for intra-ASEAN co-operation, but due to combined efforts of all the member countries especially Singapore, the economic dimension of the ASEAN came into prominence in the eighties. The decision making process in the ASEAN is based on consensus, the outcome of a consensus is that of a "positive sum" rather than a zero-sum game. The agreements are mostly multilateral and thus, bilateral problems do not create problems for the functioning of the ASEAN. Economic co-operation in the area was largely influenced by the recommendations of the Robinson (or Kansu) Report and of a UN-initiated investigation\textsuperscript{17}. The report was in favour of regional import substitution and the primary recommendations were limited to trade liberalisation combined with a co-ordinated industrialisation policy. The report was sharply criticised by the Southeast Asian leaders for leading the co-operation into unfruitful projects, regional monopolies and fostering a generally inward looking attitude.

The ASEAN economies differ in terms of economic strengths and weaknesses. Brunei has enjoyed political stability and is endowed with abundant oil and gas resources free from problems associated with high population density and urban congestion. In fact, Brunei having the smallest population size and the second highest per capita income in ASEAN, relies heavily on its oil natural gas

\textsuperscript{15} Bangkok Declaration, 8 August 1967, Thailand, ASEAN Secretariat, Jakarta.


\textsuperscript{17} Ibid., p.57.
reserves for export revenue but these resources are exhaustible. Indonesia is rich in agricultural, oil and mineral resources, not to mention its abundant supply of human resources. Due to its large domestic market, relatively low-cost labour and political stability till the end of Suharto regime in 1998. Indonesia had been attracting foreign and domestic investments into its manufacturing sector, resulting in a more diversified economy. However, its level of bureaucratic efficiency and quality of rural infrastructure was inferior to some of its ASEAN neighbours such as Thailand and Malaysia. The 1997 financial crisis plunged Indonesia in a political and economic crisis bringing into forefront its institutional weaknesses.

Malaysia too is well endowed with mineral and agricultural resources. It has enjoyed political and economic stability and unlike in Indonesia, there has not been any great protest against the Mahatir's regime. However, all has not been idyllic, economic crisis did have its consequences on Malaysia as well. It has suffered from infrastructural bottlenecks and a current account deficit mainly due to its excessive import of shipping and insurance services.

The Philippines is endowed with natural and human resources and has shown some signs of economic recovery after 1997, resulting from greater confidence in its economic and political future as manifested in the increased inflow of foreign capital. On the other hand, the sustainability of its economic recovery greatly depends on how successfully it can resolve its long-standing problems of inadequate infrastructure, bureaucratic inefficiency, high rates of under employment and unemployment and social instability.

Thailand is well-endowed with agricultural resources and abundant labour. Thailand's high growth rate has been largely driven by exports of labour intensive manufacture goods such as textiles, footwear and electronics and a significant inflow of foreign direct investment. Thailand has a persistent current account problem due to its heavy dependence on oil imports. Also, it has been trying to move up the production ladder from highly labour intensive manufacturing to more capital intensive technology as it faces increasing competition from the low cost labour intensive economies of India, China and Vietnam.

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19 Ibid., pp.41-43.
Historical Background - ASEAN Nations

Brunei: Brunei was a British protectorate from 1888 till September 1959, when Omar Ali Saifuddin III assumed executive power under a written constitution. Since 1973, the British companies took initiative in exploration of oil in Brunei thus at the time of its independence Brunei had developed into a prosperous nation. A series of five-year National Development Plans were taken up in 1953 and these five year plans gave the infrastructure for the modernisation of the oil industry, the discovery of new oil fields, including reserves of natural gas and the large scale benefits as a result of increase in oil prices in 1973-74 and 1979. The oil industry in Brunei is dominated by four companies in each of which the state holds 50% of the shares. The four companies are Brunei Shell Petroleum, Brunei LPG, Brunei Cold gas and Brunei Shell Tanker. Jasra Elf is the only company owned by the royal family of Brunei along with the French Company Elf Aquitaine. Brunei was shielded from the financial crisis in 1997-98 as it was not a lucrative destination for FDI. In 1998, the Sultan declared a state of emergency in the whole state invoking clauses in the constitution making financial provisions but inspite of it Brunei dollar did lose ground against the US dollar in South east Asia. The Economic Council’s report issued in January 2000, announced that an action plan for economic recovery has been devised involving a set of measures to inject liquidity into the economy, especially through assistance to small and medium sized enterprises. There are still instances of royal favouritism which act as hindrances in certain economic decision making process.

Cambodia: Cambodia happens to be one of the smallest and poorest nations in South east Asia. The Geneva Accord in July 1954 which was ratified by Geneva Conference on Indo-china formally ended France’s rule over Cambodia, Vietnam and Laos. After the death of king Monivong who was succeeded by Narodoum Sihanouk who ruled for 16 years though in 1955 he abdicated in favour of Narodoum Suramarit and founded a political party named the Popular Socialist Community. Cambodia witnessed political turbulence, characterised by

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extravagance, corruption and the suppression of opposition to his rule. As Vietnam war escalated, the forces opposed to both the United States and its allies in South Vietnam established sanctuaries inside Cambodia. This became a bone of contention between US and Cambodia. In March 1970, Sihanouk was overthrown in a bloodless coup orchestrated by American intelligence agency CIA. Sihanouk declared support to Khmer Rouge to fight General Lon Nol and later on Vietnam's intervention in Cambodia in 1978 leading to prolonged Cambodian crisis. With the end of cold war peace settlement was brokered by the United States, China and the erstwhile Soviet Union in 1991. This led to the signing of a Paris Peace Agreement and subsequently elections in 1998 under the UN auspices led to a balance of power situation between Sihanouk and Khmer Rouge.

Indonesia:

Indonesia was a Dutch colony and by 1949, its military forces had waged and won a war of independence against the imperialist country. With the defeat of Japanese in World War II and the return of the Dutch, in 1949 the Indonesian leaders introduced a new provisional constitution, then in 1950 which unexpectedly committed Indonesia to relatively free markets and democratic politics. Sukarno, Indonesia's most prominent national leader became country's President in 1945. In 1957, owing to rebellions in the outer islands, he declared martial law enabling the military to suppress the unrest. Sukarno introduced a wide ranging scheme of state ownership and thus "a centralised guided economy". The active involvement of military led to decimation of the nationalist enterprises and a decline in economic growth. Due to this, frictions emerged between Sukarno and the military which led to ascendance of Suharto who began deftly to marginalise Sukarno. Suharto responded positively, by mixing coercive measures with concessions, in particular by making pledges to curb foreign investment in ways that would create opportunities for indigenous business people. During the mid-1980s, he initiated the policies of deregulation and liberalisation. He had begun by opening the banking system and the Jakarta Stock Exchange to foreign investors. During the 1990s, as Suharto gain popularity due to growth, he resumed making statist interventions into the economy. It was the loss of the

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patronage resources during the 1997-98 crisis that led to Suharto's departure. Suharto was succeeded by B.J. Habibie who provided new scope for civil liberties and a presidential election was held in late 1999 and Abdurahman Wahid, backed by Islamist parties became the President but due to serious charges of corruption, he had to make way for President Megawati Sukarnoputri, daughter of Sukarno.

Laos:

Laos is the least exposed country or hidden country as French generally viewed Laos as a hinterland of Vietnam. Laos has more than sixty different ethnic groups and they are divided into three broad categories on the basis of settlement patterns, culture and language. Laos became a constitutional monarchy under King Sisavang Vong though pro-French was forced by people on 8th April 1945 to declare independence of his country though formal independence was granted only in October 1953 by the French. Civil war was a prominent feature for the first two decades of independence, there were frequent coups by sections of the military and attempts at coalition governments did not work. Laotian economic planning was based on their own model, developed from the "rice roots". This led to the establishment of agricultural co-operatives but the result was dismal and led to subsequent abandonment in 1979. In 1985, New Economic Mechanism (NEM) was officially implemented, the ruling party openly acknowledged the need to slow the pace of the "transition to socialism". On July 25, 1988 a law was introduced which related to foreign investment and the NEM provided the context for the Lao government to orchestrate a smooth but gradual transition from a centrally planned system to an emerging market system. Laos developed good relations with Vietnam and Thailand along with greater investment from United States and Canada. In July 1997, it became a member of ASEAN. The Asian Development Bank (ADB) promised to provide US $ 270 million in concessionary loans for the period 1998-2000. In the 1997, financial crisis Laos currency had been adversely affected and since then Laos is trying to come to grips with the

situation and there is growing disillusionment with the excessive materialism, violence and social disorder with industrialisation and modernity.

**Malaysia:**

Malaysia has a unique history of occupation by the Japanese (1942-45), battle against a communist insurgency (1948-60) obtaining self-rule from the British (1957) and coming to terms with merger and its identity (1963-1965) as well as the Indonesian policy of “Confrontu”. It also survived factionalism and leadership changes in the prominent party United Malays National Organisation (UMNO) in the ruling coalition (1985-88). Since the 1960s, Malaysia has turned to export oriented industrialisation and this strategy worked well till the 1970s, as non bank financing and balance of payment surpluses enabled the government to sustain public sector fiscal deficits without significant external borrowing. But, by the beginning of the 1980s the initiation of a phase of heavy industrialisation, coupled with balance of trade deficits, contributed to "twin deficit" problem. By 1989, the endorsement of Mahathir Mohammed, the Prime Minister and Leader of UMNO emerged as a strong leader who led Malaysia to a double digit growth in 1990 and 1995. The onslaught of the financial crisis, did created a stir in the economy but Malaysia refused to be mowed down by the guidelines of IMF and is slowly on the recovering phase though cronyism and patronage politics are still rampant in Malaysia’s economic and political map.

**Myanmar:**

Myanmar’s history is a chronology of instability, military rule, democratic movement and ethnic clashes. It is known as an isolated nation of Southeast Asia and its political culture is a lack of trust in human relations. Myanmar is an ethnically diverse nation and has been threatened by civil war ever since it achieved independence from the British in 1948. About one-third of its population is ethnic minority groups who are different from the majority Burmans in terms of language and tradition. Right from its independence, it has seen political turbulence starting with Myanmar’s nationalist leader Aung San being assassinated by rival nationalist rebels and so U Nu became Prime Minister of Myanmar and then being overthrown by General Ne Win in 1958. Ne win

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returned the govt. back to U Nu in 1960 and took over the country again, by coup d'etat in March 1962. Ne Win discarded all political parties except for the Burma Socialist Program Party (BSPP), which has been created by army. The frustration of masses led to uprising in August 1988 and thus Ne Win had to step down because of economic depression and troubling currency "Kyat". NLD leader Aung San Suuyi was placed under house arrest and State Law and Order Restoration Council (SLORC) started running administration. In 1997, SLORC name was changed to State Peace and Development Council (SPDC). SPDC is a junta of 19 high-ranking military officers and Maung Aye is the incharge of the economy. The problem point between Anug San Sun Kyi and SPDC is the formation of new constitution having a role of military envisaged in it. Myanmar joined ASEAN in 1997 so as to forge better ties with outside world and also ASEAN believed in constructive engagement with this troubled nation. The prospects for democracy and open economy hinges on future course of the military decision makers and the response from major outside powers.

The Philippines:

The Philippines obtained its independence from the United States on July 2, 1946 and after four years of Japanese occupation during World War II. Soon after achieving independence, the Philippines got embroiled in communist insurgency led by the Huk Balahaals reached its peak in 1950 when its forces threatened to enter Manila. In 1954 President Magasasay put an end to the huk rebellion. However with the agrarian problems being left unresolved in 1968, Jose Maria Sison established a Maoist Communist Party and its military arm, the New People's Army (NPA). In the following two decades NPA expanded its based and in 1972, Nur Misnari founded the Moro National Liberation Front (MNLF). Muslims dominated in southern Philippines for the establishment of an independent muslim state. Freedom of press was abolished and the martial law was perceived as a ploy to keep Marcos in power beyond his term. After the murder of Benigno "Ninoy" Aquino in 1983, the civil unrest gained momentum and the presidential and legislative elections in 1986, Mrs. Cory Aquino came to power after Marcos was deposed to U.S. After Aquino, Fidel Ramos (1992-98) and Joseph Estrada (1992-2002) came to power. Estrada was removed from the

27 [Patrick Heenan], n.18, pp.157-162.
office of President due to charges of corruption\textsuperscript{28} and unlike many other ASEAN countries, the Philippine economy did not make great strides. The long corrupt rule of president Marcos left the exchequer empty by removing the nation's money abroad into his and his wife's private accounts. Under the new president Ms. Gloria, it is hoped that the Philippines will see a new beginning considering that she herself is an economist and is determined in dealing with the Muslim insurgents strongly

**Thailand:**

Thailand has been a diverse country which had stood up against Japanese occupation in II World War with the support of some royalists and provincial notables, along with nascent business and labour groupings. After Japanese occupation, the new regime drafted a highly progressive constitution, which banned civil servants and military officers from political activity, abolished the appointed half of the membership of the legislature, established an indirectly elected Senate and legalised political parties. General Phibun Songkhram ascended to power after death of king Ananda Mahidol in April 1948. The reign was characterized by the struggle for strategic advantage, material gain and power. After Phibun, Marshal Sarit assumed the leadership in February 1959. Under Sarit, economic technocrats were able to pursue a relatively liberal capitalist agenda. Thailand entered a new era of economic policy involving a radical shift from state led industrialisation towards import substitution, which lasted till 1980s. From 1980 until 1988, General Prem Tinsulanonda presided over the semi democratic system as an unelected Prime Minister appointed by legislature. In 1988, Chatichai Choonhavern, formed a coalition govt. but which proved to be highly corrupt govt. In the face of chronic corruption, the military was unable to step in govt. apparatus and a new constitutional movement emerged. In July 1997, the economy underwent meltdown and a new constitution also came to be enacted in September 1997. The financial crisis was a move created by speculation which brought the collapse of Baht.\textsuperscript{29} The opening up of the Thai economy to further foreign influence and control, a condition for the receipt of IMF reinforced the liberal logic of political reform.

\textsuperscript{28} ibid. pp. 87-93

Vietnam:

Vietnam proved to be a country of ideological clashes between the two great powers of the world. Vietnam has resisted foreign domination against France, the United States and China. The decolonisation of Vietnam ended in Geneva in 1954 with Vietnam, Cambodia and Laos had been carved out of the French Indochinese Union. The proclamation of the present Socialist Republic of Vietnam in July 1976 marked the formal reunification of the two parts of the country, North and South, which had been in a state of war from 1955 to 1975, with imperialist powers namely France and United States. The reunification imposed a state-controlled economy through forced transformation of the economic structure of South Vietnam. The arrival of peace was further delayed by Vietnam’s invasion of Cambodia in 1978 and January 1979 aimed at toppling of Pol Pot’s murderous regime. In September 1989, all the Vietnamese forces which invaded Cambodia withdrew. In the year 1986, the National Assembly of Vietnam formally approved the program of radical economic reforms known as "doi-moi". By the mid-1990s much had-changed with agriculture completely decollectivized, land remained nominally in public ownership. Normal diplomatic relations with the United States were established only in 1995, the same year that Vietnam joined ASEAN. The Asian Financial crisis hampered the economic growth of Vietnam and Vietnam was trying to come to terms with the recession in South east Asian region.

Newly Industrialised Economies (NIEs) Background:

Republic of Korea:

The Republic of Korea (ROK) was proclaimed as a separate nation on 15 August 1948. Syngman Rhee became the first President of independent Korea. In June 1950 war broke out between North and South Korea. Rhee successfully defended South Korea with the aid of the UN forces led by the US but this defense was achieved at a terrible cost. The Rhee govt. fell and in April 1960, the nation changed its form of government from a presidential to a cabinet system electing Chang Myon as Prime Minister in 1960. The Myon government (the Second

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Republic) was abruptly terminated in May 1961 through a military coup. On 16 May 1961, a military Junta, led by a small group of young army officers headed by Maj-General Park Chung Hee overthrew the Chang administration and Major General Park Chung Hee assumed the Chairmanship of the Supreme Council in 1961 and this marked the beginning of the political involvement of the military in Korean society for the next 27 years. Park presided over two republics (1963-79) and is generally credited with paving the way for the Korean economic miracle. The early part of the Third Republic (1963-72) did not put much emphasis on centralisation of political control, but this changed conspicuously with the onset of the Forth Republic (1972-80). In October 1972, Park proclaimed a national emergency in the light of changing geopolitical realities. Under the umbrella of the Yushin constitution, the national assembly was weakened and the bureaucracy strengthened. Most importantly, the Yushin constitution allowed for the virtual elimination of all constraints on Park's future re-election.31

Park was assassinated by the head of the Korean Intelligence Agency in October 1979. President Park's Prime Ministers, Choi Kyu Hah was sworn in as interim President but Choi's regime lasted for a very short period, amidst promises for political reform. In December 1979, a power struggle with the military led to the assumption of power by General Chun Doo Hwan in August 1980. This period of transition is marked by the infamous Kwangju incident in which a popular protest movement was brutally suppressed. Chun's regime (the Fifth Republic, 1980-87) tended to perpetuate the authoritarian features of the Park regime. The Chun government succumbed to massive agitation in June 1987. At this juncture, a comprehensive plan for political democratisation was announced by Roh Tae Woo, head of the Democratic Justice Party, presidential candidate, fellow classmate and a subordinate of Chun. Roh registered a massive victory and Korea thus continued its hazardous transition to a full-scale democratic form of government. The Sixth Republic granted an increased measure of autonomy to national and private universities, and permitted the organisation of student associations. The Presidential election of 1992, gave a convincing victory to Kim Young Sam, a non-military background radical reformer. Due to charges of "slush fund" and kickbanks led to Kim Dae Jung coming to power as President in 1997.

The new government's drive for restructuring continued undiminished in 1999, winning praise for South Korea as the leading force of economic reform in Asia even after the Asian financial crisis, there were under tones of "Chaebols" crashing because of management and finance problems.

Taiwan:

Taiwan was ceded to Japan after the Sino-Japanese war in 1895 and it remained a Japanese colony until 1945. Thus compared with Korea, Taiwan experienced a longer period of colonisation. With Japan's defeat in the Second World War, Taiwan reverted to China under rather turbulent circumstances. The Nationalist Party (Kuomintong or KMT) was engaged in a protracted civil war with the Chinese Communist Party and its army. In December 1949, the KMT moved to Taiwan after being overwhelmed by the military forces of the communist party. The strategic intervention of the USA began to play an important role in the political development of Taiwan after the out break of the Korean war. Taiwan was perceived as a frontline state against the communist tide. The then US President, Harry Truman, ordered the US Navy to repel any attack on the island from mainland China.

The security net offered by the USA allowed Chiang Kai Shek to consolidate his position in the island state. Taiwan was placed under martial law which was only withdrawn in 1987. Chiang Kai Shek had led the KMT since 1926 and had been President of Taiwan almost continuously since 1948. Later his son Chiang Ching Kuo effectively took over the leadership of the KMT in 1978 after Chiang Kai Shek death in 1975. He incorporated two native Taiwanese as senior members (vice-president and Prime Minister) of the government. When vice president Lee Teng Hui succeeded to the presidency, he earned the dubious distinction of being the first native born Taiwanese to become head of state and head of the KMT. Taiwan's first full elections were held in December 1992 and in February 1993, President Lee nominated the Governor of Taiwan province, Lien Chan for the premiership. In the presidential election in March 1996, President Lee secured his re-election for the next four years term. The presidential election

32 Ibid., pp.656-657.
held on 18 March 2000 was won by Chen-Shiuban who became first non-KMT President and in 2001, the KMT issued a policy paper arguing that Taiwan's best option in terms of its relations with China was to form a "Confederation" with mainland China. In July 2001, President Chen called for major governmental reforms including reorganisation, streamlining measures, anti-corruption action and improved inter-department co-operation. Taiwan's pivotal position in relation to three powers, the USA, the People's Republic of China and Japan, has been a major factor in shaping its economic development, together with the autocratic government of KMT.

**Hong Kong:**

Hong Kong was acquired by the British from China in several stages. The Treaty of Nanking led to the acquisition of Hong Kong island, while the Kowloon peninsula was acquired under the Convention of Peking in 1860. The Second Convention of Peking in 1898 led to the drawing up of a 99-year lease on the New Territories (Kowloon and more than 200 adjacent islands). For nearly 100 years (1840s-1940s) Hong Kong operated virtually as an autonomous enterport serving the trade between China and the Western World. There was a brief interruption to this role as a result of Japanese occupation over the 1942-45 period. The main reason for the British occupation of Hong Kong in 1841 was its magnificent harbours. The problem of refugees and providing employment was made worse by the outbreak of the Korean War in 1950, which led to the imposition of an embargo on the export of strategic goods to China and this gravely damaged Hong Kong's 'entreport trade'. Also, the Chinese Revolution temporarily terminated the lucrative enterport trade. This was counterbalanced by the influx of entrepreneurs and workers from Thailand. These events eventually proved to be a blessing in disguise as it forced Hong Kong to engage in export-oriented manufacturing and later, to specialise in financial services.

Political developments in Hong Kong was dominated by the revert of the island to Chinese rule in 1997 which was the outcome of protracted Sino-British negotiations which began in 1982. So in the post 1997 scenario, Hong Kong became Special Administrative Region (SAR) of China. It was also decided that

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34 Ibid., pp.156-160.
Hong Kong would be governed by its own inhabitants in accordance with its own legal code, except in matters of foreign affairs and defence, for a period of 50 years. An economic recession followed the financial turmoil that affected the Asian region from mid-1997, leading to the collapse of the Hong Kong property market, rising unemployment, and negative economic growth. In August 1998, the government launched a massive intervention in the financial markets, spending more than US $ 15,000 million\(^{36}\) in an attempt to maintain the stability of the currency and stock markets, in the face of manipulation by foreign speculators. Hong Kong in slowly adapting itself to "one country, two systems" theory.

**Singapore:**

Singapore shares a fundamental similarity with Hong Kong in the sense that it too developed as an entrepot. The story of modern Singapore starts in 1819 when it was founded by Stamford Raffles on behalf of the British crown. At that point it was sparsely populated haven of fishermen and pirates from the adjoining Malay region. Raffles primary objective was to develop the island into a centre of international trade in Southern Asia. Within 25 years of Singapore’s foundation, the Chinese accounted for 61 percent of the population where previously there were no Chinese settlers at all.

Singapore was ruled as a British colony as part of the Straits settlement in association with Penang and Malacca. As in the case of Hong Kong, there was a Japanese interregnum (1942-45). Also, Singapore experienced a phase of entrepot crisis, particularly from 1953-62 as a result of the imposition of emergency due to communist insurgency in Malaya and the Confrontation of Indonesia with Malaysia. Singapore became self-governing in 1959. There was a brief period of association (1963-65) with Malaysia which was eventually abandoned for political reasons. Singapore became fully self-governed nation on 9 August 1965 and on 22 December 1965 it became a Republic. This is often regarded as the turning point in the city state's economic development when policy makers vigorously embarked on export oriented, foreign investment driven industrialisation. In 1990, the Republic celebrated its 25\(^{th}\) anniversary of independence with the slogan one people, one nation, one Singapore", and that year Lee Kuan Yew stepped down as

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\(^{36}\) Robert F. Ash et al. (ed.), Hong Kong in Transition: The Handover Years, Macmillan, Basingstoke, 2000, pp.10-49.
Prime Minister in favour of Goh Chok Tong. Profiting from the booming regional economy, Singapore consolidated its reputation as a leading financial centre. By May 1999 Singapore was technically no longer in recession after overcoming financial crisis and the economy experience greater growth throughout 2000 but the economy became shaky in March 2001 due to work retrenchment.

**Development and Growth of NIEs**

In case of Hong Kong and Singapore, the nature of their physical characteristics, location and history dove tailed to make them centres of manufactured exports. Indeed, these circumstances almost required that Hong Kong and Singapore engage in the trade of manufactures, as there appeared to be little alternatives if they were to exist and grow as independent units.

The Geigers write: "Hong Kong and Singapore are almost totally lacking in natural resources, their arable land can provide only a small portion of their food supply... nor do they have domestic markets large enough to serve as the initial base for industrialisation. Hence, their very existence depends upon their ability to import, which in turn rests upon their capacity to earn the necessary foreign exchange be exporting goods and services to competitive regional and world markets."

The financial, communications and distributional skills associated with entrepôt functions made Hong Kong and Singapore alert to developments in the world economy that facilitated their transition to manufacturing centres focused on export markets. Although Hong Kong's laissez-faire and Singapore's planned development oriented to foreign investment were rather different tactics, they were carried out with firmness and consistency.

Both South Korea and Taiwan benefited them the infrastructure built up during the Japanese occupation of the first half of the 20th century, ending after World War-II. In the case of South Korea, following the war and the country’s poor performance of the 1950s, a new government undertook a commitment in the early 1960s to an export oriented growth strategy. This was predicated on the

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relatively small size of the domestic market and on its very poor natural resource base. Policymakers became aware that import-substitution industrialisation would reach an exhaustion point within the limited Korean market and that growth would have to be based on external thrust. The historic commitment to an externally oriented growth strategy was translated into fiscal, monetary and exchange rate policies that increased savings and rapidly placed the Korean economy on a competitive footing with the rest of the world.

With regard to Taiwan, the movement of numerous talented Chinese from the mainland to Taiwan after World War II furthered its development. A successful period of agricultural development and exports led naturally to and facilitated industrialisation and manufactured exports. Policy reforms in 1960 reducing protectionist tariffs, unifying and adjusting the exchange rate and relaxing exchange controls were of fundamental importance in placing the economy on an outward-looking, export oriented growth path and on a competitive basis with the rest of the world. Like South Korea, the priority and permanence of these reforms removed elements of uncertainty and engaged other sectors in this development, making it a national enterprise rather than another government initiative.  

**ASEAN as a forum for Regional Cooperation**

The ASEAN has been active primarily under five different programmes:-
1. The ASEAN Industrial Projects (AIP);
2. The ASEAN Industrial Complementation (AIC);
3. The ASEAN Industrial Joint Ventures (AIJV)
4. The Preferential Trading Arrangements (PTA) and
5. The ASEAN Dialogue Partner System (ADPS)

Of all these, the ASEAN to a large extent has benefited largely from the Preferential Trading Arrangements and Dialogue Partner System. If the PTAs margin is increased upto 90 percent in any good, then the potential for greater intra-industry trade will be added to that of inter-industry exchange. The Dialogue Partner System (DPS) requires the govt. of ASEAN countries to find areas of mutual interest to raise in the discussion with the trade partners. The utility

[Seiji Naya], n. 15, pp.271-273.
provided by the DPS has profited the ASEAN from relatively free international trade, and that the present threat of a more protectionist international trade climate is extremely unwelcome for the members of this organisation. Also, in comparison to intra-bloc trade, the ASEAN trade with industrial countries and developing countries outside of South east Asia appears to offer for greater opportunities for trade based on the complementarily or resource endowments. Several primary factors of production are specified as possible sources of comparative advantages; population (relative to land area); tropical and temperate climate land areas; mineral oil and coal resources; and both human and physical capital. In particular, substantial complementarity is apparent between Singapore and its ASEAN trading partners in connection with the measure relative abundance of both tropical land and mineral resources.

A new pattern of investment in Asia has in fact brought about or at least assisted in a extensive industrial restructuring and a sophisticated sub-regional division of labour or a “flying geese” pattern of industrial development in the Asia-Pacific region. As an organization and as individual member countries, the ASEAN has been undergoing major internal changes that have important implications for the future. All members states are implementing policies of economic liberalisation, export promotion and greater participation in the international market place.

The Third ASEAN summit in Manila in December 1987 demonstrated a desire on the part of all member nations to promote trade and investment links, focussing on economic liberalization and private sector participation. The ASEAN is also working effectively as a group in economic consultative discussions with its dialogue partners in the fledging Asia-Pacific Economic Cooperation Organisation (APEC). The recent reorientation of ASEAN economic cooperation is consistent with the national policies of most member countries i.e., economic development through market based growth and greater participation of the private sector. The greater internationalisation of the ASEAN economies has rendered them more sensitive to changes in international economic policies and trends. Concerns about rising protectionism in developed countries, the increase in bilateral trading blocs


and the outcome of General Agreement on Tariffs and Trade (GATT) had important implications for the economic growth prospects of ASEAN. It is argued that the ASEAN countries have no real interest in cooperation because with the exception of Singapore, each of them has a comparative advantage in the same types of primary products and labour intensive industrial products.

The resources richness of ASEAN countries has given the boost to relationship with the newly industrialised economies. The ASEAN has always been a major supplier of raw materials to the NIEs. In the past few years, the NIEs have been liberalising manufactured imports and the ASEAN has, therefore, been able to diversify its exports to the region. Moreover, the NIEs have been increasing their investment in the ASEAN at a very rapid pace. Although ASEAN exports to Korea, Taiwan and Hong Kong still account for a small share of the total they are significantly higher than two decades ago.43

In fact, the dynamism of ASEAN started taking form after the First Summit meeting held at Bali, 23-24 February 1976 in which the heads of ASEAN member nations expressed their readiness to develop fruitful relations and mutually beneficial cooperation with other countries in the region. They expressed the hope that other powers would pursue policies which would contribute to the achievement of peace, stability and progress in Southeast Asia.44

In the Second ASEAN Heads of Government Meeting, Kuala Lumpur, 4-5 August 1977, the heads of govt. reiterated their commitment to the programme of action contained in the Declaration of ASEAN Concord and directed that efforts should be intensified to attain its goals and objectives. They placed particular emphasis on cooperation in the economic and social fields since in their view, the economic and social advancement of the member states of ASEAN is a fundamental element in ensuring political stability of the ASEAN region. The heads of govt. expressed satisfaction on the initiative of the private sector in member countries, particularly, through the ASEAN Chambers of Commerce and Industry in intensifying their effort towards the implementation of industrial complementation schemes and projects and industrial development in the region. They reaffirmed their belief that the private sector in the region could play a major role.

43 Ibid., p.268
role in supplementing the efforts of ASEAN governments towards achieving greater regional cooperation.\textsuperscript{45} Recognising that the acceleration of industrialisation of the region requires the increased flow of technology and investment, the heads of govt. directed that measures be taken to stimulate the flow of technology, know-how and private investments among the member countries and from extra-ASEAN sources into the region in industrial projects which would enhance national and regional resilience.

In the Third ASEAN Heads of Government Meeting held at Manila, 14-15 December 1987, the heads of govt. reviewed the international political and economic development since the second meeting of ASEAN Heads of govt. in Kuala Lumpur and assessed the implications of these developments for the future direction of ASEAN. The heads of govt. agreed that ASEAN has grown into a viable and dynamic organisation fostering the spirit of regional cooperation and solidarity. The heads of govt. reiterated their call on developed countries to refrain from the ASEAN region in their raw, semi-processed and processed forms in line with the spirit of global trade liberalisation. They expressed their support for the Uruguay Round of Multilateral Trade Negotiations under GATT. Addressing the problem of the declining world prices of primary commodities, they reaffirmed the need for ASEAN to participate actively in the renegotiations and to initiate the establishment of specific international commodity agreements under the Integrated Programme for Commodities.\textsuperscript{46}

Recognizing the role of foreign investment as an effective source of capital flow and modern technology, the Heads of govt. reaffirmed their commitment to promote investment opportunities in the ASEAN countries, to adopt measures that would attract direct foreign investments into the region and to encourage intra-ASEAN investments. It was also noted that certain changes around ASEAN that open up opportunities and challenges for their countries, including the modernisation programme of China, the rise of the Newly Industrialising Countries of East Asia, the increased involvement of the Soviet Union and the other Eastern European countries in global economic issues, Japan’s emergence as the leading

\textsuperscript{45} Joint Communiqué, The Second ASEAN Heads of Government Meeting, Kuala Lumpur, 4-5 August 1997, ASEAN Secretariat, Jakarta.

\textsuperscript{46} Joint Communiqué, The Third ASEAN Heads of Government Meeting, Kuala Lumpur, 14-15 December 1987, ASEAN Secretariat, Jakarta.
suppliers of capital and the growing perception of the Pacific Rim as the "region of the future."\(^{47}\)

In the fifth ASEAN summit held at Bangkok on December 1995, the heads of state and govt. of ASEAN made an agreement known as Bangkok Summit Declaration which stated that the heads of state and govt. of ASEAN, inspired by the significant progress and accomplishments of ASEAN, encouraged by the admission of Vietnam as the seventh member of ASEAN and the participation of Laos and Cambodia as observers. Also, the declaration stated that ASEAN shall work towards the speedy realisation of an ASEAN comprising all Southeast Asian countries as it enters the 21st century. In a rapidly changing world, ASEAN shall remain bold, forward looking, dynamic and nimble in order to safeguard the vital interests of its diverse members: ASEAN shall intensify dialogue on intra-ASEAN security co-operation. ASEAN shall continue to play a central role in cooperation with other participants, in developing the ASEAN Regional Forum (ARF) into an effective and meaningful process for ensuring peace and security in the Asia-Pacific region as conceived in the ASEAN concept paper on ARF. ASEAN it was stated, shall continue its efforts to advance further the East Asia Economic Caucus (EAEC).\(^{48}\) ASEAN shall continue to attack importance and further the Dialogue process involving its Dialogue, sectoral and consultative partners on the basis of mutual benefit and in the spirit of goodwill and partnership.

The efforts of the Bangkok Declaration led to the establishment of a regional investment arrangement to enhance the attractiveness and compositeness of the region for direct investment flows. This mandate was translated into a substantial and binding Framework Agreement on establishing the ASEAN Investment Area (AIA) on 8 October 1998\(^{49}\) at Manila in Philippines signed by the ASEAN Economic Ministers. The key objective of AIA is to substantially increase flow of direct investment from ASEAN and non-ASEAN sources by making ASEAN a competitive, open and liberal investment area.

The measure for the formation of AIA was stressed in the Thirtieth ASEAN Economic Ministers meeting held at Makati City, 7-8 October 1998 in which it was stated that in the light of the financial and economic crisis the way to ASEAN

\(^{47}\) Ibid.
\(^{48}\) Bangkok Summit Declaration of 1995, Bangkok, ASEAN Secretariat, Jakarta.
\(^{49}\) Joint Press Statement, Thirtieth ASEAN Economic Ministers Meeting, 7-8 October 1998, Makati City, Philippines, ASEAN Secretariat, Jakarta.
Integration may not be as smooth as before, President Joseph E. Estrada, Republic of the Philippines stated that there should not be any backsliding on commitments. He further added that ASEAN should maintain the course of economic integration and the integration of ASEAN region with the rest of the world and thus acceleration of AFTA and AIA, facilitation measures in the area of customs and standards, promotion of ASEAN Industrial Complementation (AICO) and the liberalisation of services.\textsuperscript{50}

A partnership in Dynamic development, the ASEAN pledged to resolve to chart a new direction towards the year 2020 called ASEAN 2020: Partnership in Dynamic Development which will forge closer economic integration within ASEAN.\textsuperscript{51} This will create a stable prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities. Also, to undertaking the following aspects:

- maintain regional macroeconomic and financial stability by promoting closer consultations in macroeconomic and financial policies;
- advance economic integration and cooperation by undertaking the following general strategies: fully implement the ASEAN Free Trade Area and accelerate liberalisation of trade in services, realize the AIA by 2010 and free flow of investments by 2020; intensify and expand sub-regional co-operation in existing and new sub-regional growth areas, further consolidate and expand extra-ASEAN regional linkages for mutual benefit cooperate to strengthen the multilateral trading system and reinforce the role of the business sector as the engine of growth;
- promote a modern and competitive small and medium enterprises (SMEs) sector in ASEAN which will contribute to the industrial development and efficiency of the region;
- enhance intra-ASEAN trade and investment in the mineral sector and to contribute towards a technologically competent ASEAN through closer networking and sharing of information on mineral and geosciences as well as to enhance cooperation and partnership with dialogue partners to

\textsuperscript{50} Ibid.
\textsuperscript{51} ASEAN Vision 2020, 15 December 1997, Kuala Lumpur, Malaysia, ASEAN Secretariat, Jakarta.
facilitate the development and transfer of technology in the mineral sector, particularly in the down stream research and the geosciences and to develop appropriate mechanism for these.\textsuperscript{52}

In a larger perspectives, the ASEAN is evolving itself into a dynamic regional organisation and one major step has been the evolution of AFTA the support of government and the desire on the ASEAN nations to evolve into industrialised nations has give boost to this pursuit. The main issues of concern are foreign direct investment, trade, technology transfer and industrial policies in the respective countries.

\textbf{ASEAN-NIEs Co-operation}

In the years prior to the arrival of the west, the East Asian region had an economic, social, and cultural core affiliation towards China. As A.G. Frank, has argued, the Sino-centric systems was a prosperous civilization and it was not until the rules of the late Ming dynasty turned inwards in the mid-fourteenth century that the western powers had the opportunity to gain a real foothold in the area. The expansion of western imperialism extensively changed the pattern of living in the region and it was in the context of the ongoing exchange with the western colonies as that various territories of East Asia began their shift into the modern world.\textsuperscript{53}

In East Asian region, it is possible to identify a series of key episodes during the long years following the end of the Pacific war which in a way became the foundation of the regional integration, first, the decision of the Chinese leadership, under Deng Xiaoping to initiate economic reforms and engage with wider regional/global economy, secondly, the intensive Japanese engagement within the region following the agreed revaluation of the yen; and thirdly, the political-cultural and security implications of the dissolution of the erstwhile USSR.\textsuperscript{54} Overall, it can be concluded that in East Asia, at the current context, the keys to economic integration can be found in the twin circuits of Japanese (and NIE) capital, on the one hand and Chinese capital (Greater China and the Overseas Chinese), on the other. These patterns of economic interchange are paralleled by the strengthening social networks of political leaders, business elites and the dense

\textsuperscript{52} Ibid.
\textsuperscript{53} [Patrick Heenan], n.18, pp.220-225.
\textsuperscript{54} Ibid., pp.226-228.
pattern of informal contacts found in leisure and tourism. East Asia in terms of logic of change can be considered in four areas: Japan, the NIEs, China and the ASEAN states.

In fact there are no special arrangements for the integration of East Asia’s economies and seemingly insurmountable differences continue to divide East Asia. ASEAN and Northeast Asia continue to be regarded as distinct from each other by virtue of the differences in their economic structures and levels of development. A large proportion of the bustling East Asia trade is carried out between units of the same conglomerate located in different parts of the region. Trade within the region is, therefore, closely linked with intra-regional investments. Japan is the primary foreign investor in South Korea. Japan and South Korea are leading sources of foreign direct investment in ASEAN and China. The magnitudes grow if one brings in Taiwan and Hong Kong but ASEAN is purposely avoiding any institutional links with these economies so as not to annoy China but trade pattern shows that the two economies have a greater stake in ASEAN. It is also part of the reason why ASEAN is so concerned over the state of relation across the Taiwan straits. As H.E. Rodolfo C. Severino Secretary-Gen. of ASEAN at the meeting of PECC at Canberra on 15 April 1999 stated:

"It was the general meeting in Vancouver in 1986. I remember that meeting... the fact that it was the first time that representatives of China and Taiwan sat down together in an international body." 55

Apart from that ASEAN does not underplay the importance of Singapore (NIE) in the organizational set-up as stated by ASEAN Secretary-General in his address at the Institute of Defence and Strategic Studies, Singapore on 24 May 1999:

"Singapore has accounted for much of Southeast Asia’s growing economic integration. It serves as a trans-shipment point for much of the region’s trade in goods. It is a vital hub of air and maritime transport. It processes many of Southeast Asia’s products for export elsewhere. It is the leading provider of transnational services for the region—banking, insurance, telecommunications. Singapore is the site of many of the regional headquarters of the world’s great

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55 Statement of ASEAN Secretary General Rodolfo C. Severino at PECC, Canberra, 15 April 1999, ASEAN Secretariat, Jakarta.
corporations. At the same time, it has to bring in many of its needs from elsewhere in the region.

The share of Singapore in intra-ASEAN trade has consistently hit over forty percent since 1993, and the rest of ASEAN has bought twenty-three to almost thirty percent of Singapore’s total exports during this period. We have no firm figures for investments, but anecdotal indications point to sizeable Singapore investments in the rest of ASEAN.

Singapore’s integration with and stake in the fate of the region are just as clear in other areas. Serious conflict within any of its neighbours or between them could shake Singapore with a flood of refugees knocking at its door and in other ways.”

Even in Singapore Declaration of 1992, it was in draft resolution---ASEAN, as part of an increasingly independent world should intensify cooperative relationships with its Dialogue partners, namely Australia, Canada, the European Community, Japan, the Republic of Korea, New Zealand and the United States and engage in consultative relationships, with interested non-Discord countries and international organisations and while ASEAN’s cooperative relationships with the Dialogue partners have made significant progress, ASEAN should strengthen existing dialogue mechanisms and develop new ones where necessary for the enhancement of economic relations with these countries, especially ASEAN’s major economic partners.

Later, ASEAN Secretary-General, Rodolfo C. Severino, Keynote address at the regional conference on “Common Currency for East Asia: Dream or Reality”, at Penang, Malaysia, 5 August 1999 stated:

“A recognition of the emerging economic, as well as, geographical realities has made ASEAN’s “dialogues” with China, Japan and the Republic of Korea among the most active in ASEAN’s relations with its ten dialogue partners…”

The East Asians are now trying to add further substance to the content of their interaction. In Hanoi last December, President Kim Dae-jung of the Republic of Korea proposed the convening of an East Asian Vision Group of eminent

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56 Address of ASEAN Secretary General at IDSS, Singapore, 24 May 1999, ASEAN Secretariat, Singapore.
57 Singapore Declaration of 1992, ASEAN Secretariat, Jakarta.
58 Rodolfo C. Severino, ASEAN Secretary General Keynote Address at Regional Conference at Penang, Malaysia, 5 August 1999, ASEAN Secretariat, Jakarta.
intellectuals from around the region. The other heads of government accepted the idea. The vision group will meet several times from October this year through 2000 and 2001. It is charged with proposing concrete steps for closer co-operation in East Asia politically economically, culturally and in other ways.

With Singapore, one of the NIEs being the member of ASEAN, so it is having all the opportunities for a greater trade co-operation and complementation with other ASEAN members. The relations between ASEAN and the Republic of Korea improved after Korea became an ASEAN Dialogue Partner. The ASEAN-ROK Joint Sectoral Co-operation Committee second meeting was held in Seoul, 11-12 June 1991 in which it was affirmed that ASEAN and ROK have registered substantial progress since the establishment of the ASEAN-ROK Sectoral Dialogue Relations in November 1989. In that meeting the ways and means to enhance co-operation was discussed and it was decided that in ASEAN Ministerial Meeting (AMM) in July 1991 the final decision to make ROK a full dialogue partner was to be made. Subsequently, the ASEAN-ROK workshop on development cooperation was held in Jakarta in September 1997 discussed the progress and reviewed the projects funded by the ASEAN-South Korea Special Cooperation Fund (SCF). The workshop devised and streamlined procedures to expedite the project approval process for pending proposals to be funded by SCF. Under the ASEAN-ROK dialogue, the Philippines Bureau of Plant Industry (BPI) had implemented a project on the experimentation test for tropical fruit exports of ASEAN countries to Republic of Korea. A workshop to analyse the results of this project was held in mid-1998 and cited the project as encouraging. Two additional projects were likely to be implemented – the workshop on Micro electronics, Technology and the Exchange visit of ASEAN and ROK officials.

The relations of Singapore and ROK with ASEAN do not undermine the two other NIEs role in ASEAN namely Taiwan and Hong Kong.

In a Statement by H.E. Rodolfo C. Severino, Secretary General of ASEAN at ASEAN-Japan Business Roundtable in Tokyo on 24 October 2000, he stated

"We see better prospects for 2001 and thereafter as the ASEAN economic recover and further integrate – and are seen by investors to recover and further

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59 Ibid.
integrate – as opportunities for mergers and acquisitions grow, and as investment
flows are stimulated by the continued strength of the U.S. economy, the growth of
the Japanese and Korean economies, and the maintenance of Taiwanese attention
to Southeast Asia.”

Though Hong Kong has been a major financial centre of the region but it
has been taken as a Chinese regional extension. In this region, economic
integration means not only free trade and investment areas but also regional
networks of highways, railways, telecommunications, power grids and water and
gas pipelines. It means sub-regional growth areas among contiguous parts of
neighbouring ASEAN countries like the Mekong River Basin, the Singapore-Johor-
Riau Growth Triangle and the East ASEAN Growth area among Brunei
Darussalam, eastern Indonesia, East Malaysia and the Southern Philippines.
These offer enormous opportunities for long term investment.

This theme was made apparent in Joint IPS-ISEAS ASEAN Roundtable

“What Singapore call the “Growth Triangle, Prof. B.J. Habibie calls this
SIJORi, which perhaps is a better term. There is a universal trend for economic
growth to spread across national frontiers into contiguous areas. Looking at Asia,
we can see this phenomenon at work with Hong Kong investments going across
the border into Shenzhen and then into Guangdong province, Taiwanese
investment flowing across the Straits of Formosa into Fujien province, and, more
recently, South Korean investments flowing across the Yellow sea to Shandong
Province. The spread of economic growth from Singapore into the contiguous
territories of Johor and Riau is therefore not unique but part of a universal
phenomenon”.

Beyond the growth triangle and ASEAN dialogue systems, an East Asian
forum is developing among the thirteen countries of the region. The leaders of
China, Japan and Korea met, as a group and individually, with those of ASEAN on
the occasion of the ASEAN Summits of 1997, in Kuala Lumpur and 1998, in
Hanoi. At what has been called the ASEAN-plus-three, the force of logic is

61 ASEAN Secretary General Address at ASEAN-Japan Business Roundtable, 24 October 2000, Tokyo, ASEAN Secretariat, Jakarta.
62 Ibid.
believed the closer integration of East Asia. East Asian economies have often been linked to “flying geese” with Japan leading the flock and the newly industrialised economies and then the less developed ones following in that order. The process of expanding and deepening co-operation between ASEAN, China, Japan and ROK is rapidly gaining momentum. The ASEAN+3 finance ministers have embarked on solid co-operative undertakings. These include the joint monitoring of financial and economic movements in East Asia and in the world and a network of currency swap and repurchase agreements to make resources available to countries in balance of payments difficulties. The ASEAN+3 economic ministers have agreed on priority areas for co-operation and the guidelines for carrying it out. ASEAN’s particular relationship with Japan has been moving forward.

Though the ASEAN+3 move encapsulates the three NIEs namely Singapore, Korea and Hong Kong (as it has become part of China) but leaves Taiwan as part of any regional agreement but the trends of investment and trade is one aspect which is quite healthy in terms of Taiwan and ASEAN.

The fifth ASEAN+3 summit which was held in Bandar Seri Begawan from 5-6 November 2001 discussed the strengthening of economic co-operation between the two sub-regions. Issue of regional integration was also raised with special reference to the common endeavours to promote regional co-operation and mechanism, i.e., administering regional and sectoral development projects, enhancing security dialogue and political co-operation and the strengthening and establishment of ASEAN+3 secretariat.

Even the extension of ASEAN in the form of ASEAN Free Trade Area (AFTA) has been a harbinger of regional integration and it has been effective in breaking the myth that the financial crisis would lead to a crippling and even death of AFTA. As Rodolfo C. Severino stated at the AFTA Roundtable Discussion in Bangkok on 21 November 2000:

“If ASEAN needed anything in those difficult times, it was investment, particularly foreign direct investments. The way to attract investments was to move faster on creating a big, regional, integrated markets, which investors particularly in these times, generally prefer to small, national, fragmented economies. The
ASEAN commitment to AFTA and to regional economic integration was exactly what ASEAN's leaders re-affirmed at the height of the crisis.66

Though the regional integration of ASEAN and NIEs is not so profound but it is having its undertones in the form of APEC, EAEC and ASEAN+3 but new nations like East Timor67 would also like to share the ASEAN pie and thus ASEAN is likely to become a greater regional organisation than only an association of ten Southeast Asian nations.

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67 [Patrick Heenan], n.18, pp.110-120.