

## **Chapter IV**

### **ASEAN's Relationships with America**

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#### **1. Economic Performances of ASEAN and America**

Over the past twenty years, ASEAN countries have had excellent macroeconomic performances, particularly in terms of the GDP growth rate, the low CPI increase rate, and the increase in the export rate, until 1997 when the currency and financial crisis seriously hit ASEAN economies. Table 1 shows the yearly average GDP growth rates of ASEAN countries. Figures from the table insist that growth is accelerating in the 1990's. The accelerations of economic growth are owed to two factors. The first is foreign direct investment (FDI), and the second is export. The G5 conference in September 1985 aligned the exchange rate of the major currencies, especially the US dollar, vis-à-vis the Japanese yen. Since then, Japan's FDI has registered remarkable growth in terms of tempo and volume. This massive capital outflow can be described as the "third wave," preceded by the first wave from 1972 to 1974 when the first oil crisis happened, and the second wave from the second oil crisis to around 1980. Observing this phenomenon, ASEAN countries have relaxed the strongly regulative foreign investment laws in succession to introduce Japan's FDI. In the ASEAN countries, the ratio of Japan's FDI to the total FDI of the recipient countries is very high, and it has ranked as the first and/or the second. For example, Japan's ratio in Thailand has always ranked number one since 1985. In Malaysia, Japan held the number one position three times (1988, 1989, 1991). Later, as NIES FDI flowed to Malaysia Japan's position has

been replaced, but Japan still ranks second - even now.

**Table 1 GDP Growth Rates (%)**

	Thailand	Malaysia	Indonesia	Philippines	Singapore
1970 - 80	6.7	7.7	7.7	6.1	8.7
1980 - 85	5.1	5.6	5.4	0.0	6.8
1985	4.6	1.0	2.5	7.3	1.6
1986	4.9	1.2	5.9	3.4	2.3
1987	9.5	5.4	4.9	4.3	9.7
1988	13.3	8.9	5.8	6.8	11.6
1989	12.2	9.2	9.1	6.2	9.6
1990	11.6	9.8	9.0	3.0	9.0
1991	8.4	8.7	8.9	0.6	7.0
1992	7.9	7.8	7.2	0.3	6.2
1993	8.3	8.3	7.3	2.1	10.4
1994	8.8	9.2	7.5	4.4	10.2
1995	8.8	9.5	8.2	4.8	8.9
1996	6.4	8.6	7.8	5.8	7.0
1997	0.6	7.7	6.5	5.1	7.0

Source: ADB and others.

**Table 2 The Structures of ASEAN's Foreign Trade by Country (%)**

			Japan	NIES	ASEAN	Indo - china	China	Asia, Total		Oceania	America	EU
								a	b			
Export	Thailand	1980	15.1	7.0	16.4	1.4	1.9	26.7	41.8	1.2	12.7	26.0
		1990	17.2	8.1	11.3	0.7	1.1	20.1	37.3	1.8	22.7	21.6
		1995	16.7	9.2	18.5	2.1	3.0	32.8	49.5	1.6	18.1	15.1
	Malaysia	1980	22.8	6.5	22.4	0.1	1.7	30.7	53.5	1.8	16.4	17.6
		1990	15.3	11.2	29.0	0.3	2.1	42.6	57.9	1.9	16.9	15.0
		1995	13.1	12.4	24.0	0.8	2.8	40.0	53.1	2.0	21.6	14.8
	Singapore	1980	8.1	9.9	21.0	1.1	1.6	33.6	41.7	6.5	12.5	12.8
		1990	8.8	11.4	23.3	0.8	1.5	37.0	45.8	3.2	21.3	14.4
		1995	7.8	13.8	29.0	2.5	2.3	47.6	55.4	2.7	18.3	13.4
	Indonesia	1980	49.3	4.1	12.6	0.0	0.0	16.7	66.0	2.0	19.6	6.5
		1990	42.5	11.3	9.9	0.2	3.2	24.6	67.1	1.9	13.1	11.8
		1995	29.8	15.4	5.3	0.4	4.3	25.4	55.2	2.7	16.7	16.6
	Philippines	1980	26.6	8.1	6.6	0.1	0.8	15.6	42.2	1.8	27.5	17.5
		1990	19.8	9.7	7.2	0.1	0.8	17.8	37.6	1.3	37.9	18.0
		1995	16.1	10.9	12.1	0.9	1.3	25.2	41.3	1.0	36.0	17.6
Vietnam	1980	27.9	22.9	11.0	2.0	0.0	35.9	63.8	0.5	-	8.0	
	1990	41.8	0.1	20.6	0.0	0.0	20.7	62.5	1.1	-	7.6	
	1995	28.5	7.4	11.0	2.2	5.2	25.8	54.3	4.0	3.4	23.1	
Import	Thailand	1980	22.0	6.3	13.0	0.1	3.6	23.0	45.0	2.3	14.5	27.9
		1990	17.3	11.5	16.4	0.7	2.8	31.4	48.7	2.0	19.9	14.5
		1995	30.5	11.0	17.2	0.4	2.7	31.3	61.8	2.3	9.9	16.2
	Malaysia	1980	19.0	4.9	30.7	0.3	1.7	37.6	56.6	6.5	12.2	13.4
		1990	21.8	9.4	31.0	0.0	1.5	41.9	63.7	4.1	13.5	12.5
		1995	21.7	9.6	34.0	0.2	1.7	45.5	67.2	2.5	11.4	13.8
	Singapore	1980	14.9	6.4	21.3	0.3	1.6	29.6	44.5	2.6	11.5	9.3
		1990	19.3	11.9	19.0	0.2	3.6	34.7	54.0	2.2	14.4	12.7
		1995	21.8	14.7	19.3	0.6	3.3	37.9	59.7	2.9	14.5	12.2
	Indonesia	1980	31.1	13.1	3.4	0.0	0.2	16.7	47.8	4.2	13.8	16.0
		1990	28.5	17.3	10.6	0.1	2.3	30.3	58.8	6.1	10.7	20.1
		1995	28.2	16.8	5.2	0.1	4.1	26.2	54.4	5.5	9.6	20.8
	Philippines	1980	20.1	8.0	8.0	0.0	3.1	19.1	39.2	4.0	23.8	9.9
		1990	19.0	16.4	11.3	0.0	1.5	29.2	48.2	4.3	18.7	11.6
		1995	23.8	17.3	12.0	0.1	3.5	32.9	56.7	3.2	17.8	10.4
Vietnam	1980	9.6	24.5	38.6	0.0	0.0	63.1	72.7	4.8	0.0	n.a.	
	1990	8.6	15.0	6.7	0.1	0.1	21.9	30.5	1.7	0.1	31.5	
	1995	10.5	22.0	22.2	1.3	6.2	51.7	62.2	1.8	3.4	0.2	

Source (a : excluding Japan, b : including Japan)

Relocation is the most important characteristic of the third wave as compared to the last. Namely, Japanese companies have shifted their production bases partially or totally outside of Japan, which has been enhanced by the sharp appreciation of the Japanese yen,

particularly in the latter half of the 1980s. As is well known, investment has dual effects. FDI, which has been flowing into ASEAN countries, accelerates the economic growth rate at the early stage through so called “Multiplier” as demand factor. As time goes on, investment has transformed to production capacity working as a supply factor. The produced goods are mostly exported because FDI relocates the production bases to ASEAN countries which are strongly export-oriented. That is to say, the high economic growth rates of ASEAN countries can be attributed to strong export-oriented FDI, particularly FDI coming from Japan and NIES. In the five years after 1990, the yearly growth rate of ASEAN exports as a whole was 17.5%, which is over two times greater than the world average increase rate in the same period. The yearly export growth rate to America is 16.7% which is a little bit lower than the average rate to the world. In terms of a single country, America is the largest export destination. Table 2 shows the development of the export shares by country.

ASEAN exports to America have increased not only in terms of volume but also in terms of the exported goods becoming more sophisticated, which is symbolized by the ever increasing share of manufactured goods in the total export. Also, with the increase in manufactured goods, machinery-related goods, such as electronics, have increased their share. These trends of ASEAN exports to America mean that the trade between the two has been shifting from vertical to horizontal in the international division of labor, which characterizes the trade pattern among developed countries where the dealt goods are almost all industrial goods.

On the other hand, with the good performances of ASEAN economies, these countries appear as a “Magnetic Place.” America has been attracted to them and seeks to develop many business opportunities in ASEAN countries because they bear a significant part of the Growth Pole. They also offer business chances everywhere. Though lagging behind Japan and NIES in the latter half of the 1980’s in terms of FDI and foreign trade, America has been catching up with them and increasing its presence in every ASEAN country. For example, America’s FDI registered the number one position in Malaysia in 1992 and 1995. In the rest of the ASEAN countries, America’s position also ranks high. America’s yearly export growth rate of America to ASEAN countries was 15.8% from 1990 to 1996, which is almost the

same export growth rate of ASEAN to America and almost double the total export growth rate of the world. The export rate increases between ASEAN and America are almost the same and higher than those for the world which means the economic interdependence between the two has been deepening. According to calculations of IDE, the index of complement between ASEAN countries and America has increased from 0.99 in 1970 to 1.04 in 1990, which means trade between the two has become indispensable for each. As American MNCs invested more in ASEAN countries after 1990, more complementary structures have been established particularly through the intra-firm trade of MNCs operating across the Asian region, and of course including ASEAN countries.

## **2. APEC as a vertical regional integration**

In the 1990's, the world's economy has intensified the trend toward regional integration. The movement in the 1990's to form regional integration is the second such movement since World War II. The EEC forming in 1958 caused the first trend. After this, EFTA formed in 1960 in developed areas. In developing areas, several regional integrations formed such as LAFTA and the Central Africa Common Market in Africa. Countries with homogenous economic structures and levels of per capita income in either the developed areas or the developing areas formed these regional economic integrations. That is to say, participants of the regional economic integration in the developed area included only developed countries. EEC is a typical economic integration, and its original members included West Germany, France, Italy, Belgium, Netherlands and Luxembourg. All the developing countries formed integrations in the developing area. However, the regional integrations forming in the 1990's include both developed countries and developing countries. This type of regional economic integration is sometimes called heterogeneous or vertical integration compared to horizontal integrations formed in the 1960's.

Another characteristic of homogenous integrations points to many participants. APEC is a typical integration, numbering 18 members at present, including USA and Japan as

the developed countries and China and Indonesia as the developing countries. The EU started with 6 countries as original members. It now has 15 members, including Spain and Portugal as the European developing countries, and it has become more heterogeneous. In the future, after 1999, the Central European countries are scheduled to join the EU. If this should happen in the future, the EU would become further heterogeneous. NAFTA, which includes America, Canada and Mexico, is also a vertical economic integration. It including two developed countries and one developing country.

With NAFTA as the core members, the first Summit Meeting of the Americas, held in December 1994, agreed to form FTAA with participants numbering 34. This would make FTAA the biggest heterogeneous economic integration in the world.

### **3. Globalization of Economy and Making Multi-layer External Relationships**

Since the Second World War, countries have been deepening interdependence on each other which is symbolized by the increase in the ratio of world export to world GDP. The ratio has increased from 8.2% in 1960 to 10.7% in 1970, 13.2% in 1980, 14.9% in 1990, and according to the latest available statistics, it reached to 17.2% in 1995. The increasing ratio of exports to GDP has been attributed to high economic growth making it necessary to expand foreign trade. Because of this, the channels of economic interdependence have deepened among countries. A good nexus has been made between economies and foreign trade accelerating the growth of both.

Capital is an even more important factor that deepens the world-wide economic interdependence among countries. International capital, particularly long-term capital, aims to increase profits regardless of the country. But it also transfers so-called managerial resources to the recipient countries enhancing the capabilities of management, production technology, marketing, and so on for the host country. Most of the companies receiving capital are manufacturers, but the composition of foreign capital has been changing. It is shifting the

gravity to the short-term from the long-term. This change in the composition of the inflow of foreign capital shows the dangers of moving capital daily from here to there around the world. The volume of that capital is massive. It is said that the movement of short-term capital amounts to as much as a trillion dollars - which is one thousand times greater than the amount necessary to deal with the daily world trade.

The world-wide movement of capital is becoming a driving force behind accelerating the globalization of the world economy, and it will strengthen even more as countries become more integrated. The globalization of the world economy has been disputed as abstract, intangible and theoretical. However, the financial crisis in 1997 saw the currencies and stock prices of Asian countries fall together, which shows that globalization has become a reality, and it appears visible for all to see. The world has realized the negative aspect of the globalization.

With the world economy's deepening interdependence and globalization, ASEAN, confident of continuing the high economic growth realized since the mid-1980, has been trying to strengthen centripetal force collectively, calling it as ASEAN-Centrism.

Two approaches can strengthen ASEAN-Centrism. The first strengthens ASEAN itself. The other would create multi-layer relationships with the countries outside ASEAN through dialogues with those approaching ASEAN and aiming to introduce her dynamics. Both approaches look to deepen integration and spatial extension simultaneously. With this strategy, ASEAN aims to achieve long-term sustainable economic growth, increase per capita income, further secure economic and political stability in the region, and strengthen the bargaining power in international communities.

Strengthening ASEAN itself is just the movement of "Self-Organizing". This concept originally came from immunology. When foreign matter comes into the human body and the human body does not identify it, the foreign matter is excluded to the outside as the human produces immunity cells (Self-Organizing) inside the human body. The human further immunizes itself by introducing outside information. ASEAN countries view the American's organizing process as the total opposite of ASEAN's. The American style establishes a general framework, rules and schedules at the early stage and then imposes penalties in case of

violation. The opposite of the American way is the ASEAN way, which respects diversity and opinion exchanges among members until the opportunity becomes ripe, and they understand each other. American initiatives have recently challenged the ASEAN way by imposing liberalization in terms of trade and investment in APEC.

ASEAN has been trying to strengthen its “Self-Organizing” using three approaches. First, ASEAN increased its membership. In July 1995, ASEAN admitted Vietnam as its seventh member. Laos and Myanmar became full members in July 1997. Second, the ASEAN Regional Forum is a scheme to keep security in South East Asia by joining leading countries from outside such as America, China, Japan, Russia and EU. This seeks political unity for the ASEAN intra-and-extra region and further enhances the political environment necessary to maintain favorable economic growth. ARF is just the opposite of the first approach which aims to extend the production frontier by increasing the number of ASEAN members. Third, AFTA, which started in 1993, reflects the economic aspect of ASEAN. It aims to accelerate economic growth and economic integration. On the other hand, expanding ASEAN itself and ARF reflects the political aspect. AFTA is a trading scheme which aims to lower tariff rates for the products dealt intra-region by the year 2003. Also, negotiations began in January of 1996 to remove the non-tariff barriers and liberalize services.

As mentioned above, ASEAN is establishing many schemes, and they also face many kinds of problems which require concrete solutions that settle the problems in a businesslike manner. As interdependence within the region has been deepening, it appears necessary to have a functional organization to regularly settle and adjust frictions among members. This is a natural and logical development for ASEAN. As it becomes bigger and more complex, ASEAN will move toward forming a structural organization. Factors from both inside and outside ASEAN make Self-Organizing necessary for survival.

ASEAN, as a whole, has tried to strengthen itself by Self-Organizing and by Organization-Forming using the three mentioned approaches as a concrete tool. Pressures occurring from both inside and outside are closely linked to each other. Responding to these ASEAN movements, ASEAN and countries outside the association have shown the following two activities. First, as already mentioned, ASEAN has expanded, and it aims political



influences, particularly, to neighboring and adjacent countries outside the association. ASEAN also looks to develop close economic and political multi-layer relationships with third partners. I would like to explain this in more detail using some examples.

Parallel with the expansion of ASEAN political causes, ASEAN as a whole offers assistance in many forms, such as South-South Co-operation, to neighboring ASEAN candidate countries like Laos, Vietnam and Cambodia. Developed countries such as Japan, America and the EU assist developing ASEAN countries. The developed countries in APEC have offered financial support to ASEAN countries along with economic and technological co-operations while requesting liberalized trade and investment. On the other hand, ASEAN is more developed compared to other developing countries, and it has the assurance of the continuous high economic growth. ASEAN has helped neighboring candidate countries in terms of the fostering human resources, organizing and supplying information, joint ventures, and economic development, along and across the Mekong River, and so on.

ASEAN has another scheme to settle problems with outside countries. ASEAN uses a businesslike dialogue approach. According to the dialogue-approach, outside countries are categorized into three groups. The first group is not restricted to discussing any themes as “a full Dialogue Partner” (USA, Japan, Korea, Australia and EU). Second, Non-Dialogue Partners include Russia and China. Third, Sectoral Approach Countries, including India and Pakistan, discuss three limited sectors: 1) trade, 2) investment, and 3) tourism. Of the three categorized groups, ASEM (Asia-Europe Meeting) has greatly increased its importance to the ASEAN economies. ASEM was first held in 1996 and is scheduled for every two years reciprocally changing the meeting place.

The second ASEM was held in London in April, 1998. But this time, Europe seemed to have almost lost their enthusiasm to Asia, which they showed in the first meeting. Because Asian economies were seriously hit by the currency crisis broken out in 1997 and still advancing, and as a result Europe have no more expected business chances in Asia.

Since September of 1996, ASEAN has held negotiations with NAFTA and MERCOSUR one after another to conclude an agreement on mutual co-operation. The chain negotiations attempt to harmonize and standardize customs clearance and certification system

procedures. The negotiations are making headway in APEC. The negotiations also look to form a Pacific-Rim economic sphere. Particularly, they hope to establish a close economic relationship with MERCOSUR which is expected to export more to the emerging markets and also to promote more investments.

As for ASEAN's relationships with the countries and the regions outside the association, some countries and regions are more eager than others to develop closer links with ASEAN. Australia and New Zealand are taking the most active approach to ASEAN. Both countries have already concluded CER with each other, and now they are seeking closer liaisons with ASEAN. They are participating in the "Treaty of Amity and Cooperation in Southeast Asia," which is necessary to become a full member of ASEAN, and they have already started the businesslike negotiations toward economic integration with AFTA. In line with promoting such movements, the Australian prime minister visited Malaysia to restore relationships once broken because the Australian premier had accused his Malaysian counterpart of bigotry, causing dangerous political relationships between the two. Further, Australia and Indonesia examine the idea of forming a Free Trade Area.

India has approached ASEAN positively. It tries to establish close relationships with Myanmar, aiming not only to strengthen politically but also to expand foreign trade. The Indian Prime Minister visited Malaysia and concluded a Memorandum of Understanding to protect mutual investment. In January 1996, Singapore's Prime Minister was invited to India, and he completed seven contracts of investments with India. Responding to these positive approaches from India, ASEAN elevated India to the status of a full "Dialogue-Partner" and permitted them to participate to ARF.

Taiwan also attempts to establish thicker dialogue channels with South East Countries centered on ASEAN. It means "Diplomacy towards South". This aims to balance Taiwanese foreign direct investments so they are not biased toward mainland China. Having concluded mutual investment-protection agreements with their government in January 1996, Taiwanese companies are keen to invest in Vietnam and Myanmar. Taiwanese companies are also trying to form world-wide networks. For example, with MERCOSUR, they established some industrial processing zones in Paraguay to expand exports to MERCOSUR member

countries.

#### **4. Relationships between ASEAN and America**

Having seen the relationships between ASEAN and other countries in the previous sections, ASEAN and American economic relationships have been especially close over the years. Particularly in APEC, ASEAN was one centripetal force with America being the another one. But the decision-making process is directly opposite for each. The American way sets a target first, and then to realize and implement it, they make schedules, codes, rules, and functional organizations. Violations of the rules, codes, etc. lead to penalties. The ASEAN way of consensus uses an opposite style to the American's. The ASEAN style respects each other's diversities, communication, and exchanges of opinions until they understand completely and accept things. This ASEAN style of decision-making is sometimes called "ASEAN-hood". This was observed at the APEC conference held at Osaka. The Osaka Conference tried to reach an agreement with guidelines and basic principals for an Active Agenda to achieve the goals taken from the Bogor Declaration of "achieving free trade in the region by 2010 for developed members and 2020 for developing members".

APEC members accepted the ASEAN's allegation of "concerted unilateral actions." Because of the way ASEAN implements and achieves targets, some APEC members have expressed concerns about the lack of binding and compulsion. But Mr. Hashimoto, the minister of Finance at that time who chaired the conference, said at press interviews that the ASEAN way is a gentleman's agreement, and members who joined, participated in, and approved the agreement should promise as a matter of course and contained concerns.

The American, or rather the Anglo-Saxon, way of making decisions or taking action worked as an *exogenous* factor derived externally to promote ASEAN self-organizing. This means that ASEAN is armed (or forced to arm) to protect itself from *heterogeneous* factors coming from outside.

Some other American movements which irritate or frustrate ASEAN are human

rights diplomacy issues, and the Americans demanding democratization of China and Myanmar's military regime. Against these American demands, the Malaysian Prime Minister Dr. Mahathir once expressed his displeasure such as "thank you for nothing". He has also asserted that Asian countries, naturally including ASEAN, have an original value that is the so-called "Asian Values" which are quite different from those of America or Anglo-Saxons. The Asian economic confusion that began with the currency crisis has escalated to more dangerous stages. As the financial crisis, financial turmoil, Asian economic crisis, and the Asian crisis, deteriorate the Asian image and eventually converge to a "Confidence Crisis", we must examine the content hidden inside the "Asian Values". The American way contradicts ASEAN interests as an exogenous factor. On the other hand, ASEAN needs to internalize the economic dynamics of America as an endogenous factor to sustain its economic growth. That is to say, ASEAN has a feeling of ambivalence toward America.

This kind of ASEAN feeling toward America raises two kinds of concerns about economic development. First, ASEAN countries absolutely must internalize America's economic dynamics to accelerate economic development, which ASEAN is introducing voluntarily. The second concern is that ASEAN is forced to introduce and internalize America's economic dynamics to conquer the vulnerabilities of ASEAN economies against their will. I would like to pick up and explain the two kinds of feelings respectively with some examples.

One example of the first feeling is the "Growth Alliance" between ASEAN and America, which the two accorded in 1995 at the fifth APEC Conference.

Since around 1990, ASEAN economies have been quite robust, spilling over the economic dynamics and regarded world-wide as the "World Growth Pole". Along with this, ASEAN has expected more FDI from American companies, which would balance the FDI coming from Japan and NIES and avoid one-sided gravity to the latter. ASEAN countries have set many "Growth Triangles" to introduce investments regardless of nationality. On the other hand, America has needed the Asian economic dynamism, and America is using this dynamism to export more goods to ASEAN countries. This raises America's growth rate, creates more jobs and also leads to America investing more in ASEAN countries. That is to

say, concluding “Growth Alliance” is identified the interest for the both.

As for the other aspect of ambivalence, ASEAN countries have to internalize or to make endogenous the American power against ASEAN beliefs, and we can introduce some examples. For example, America has started looking at supporting Indonesian and Korean food supplies since the two countries cannot afford to import food because of shrinking foreign reserves caused by the currency crisis in 1997. Both countries have to depend upon America’s food assistance in spite of having a dislike feeling toward America’s interventions. Another example is that ASEAN countries have requested financial support from America and the IMF, which is under strong control of America. This also relates to the ASEAN currency crisis. Soon after the currency crisis began in July 1997 with the bahts devaluation, ASEAN tried to set up a so-called “Asian Monetary Fund” together with Japan. The fund would have tried to support the Asian countries suffering from the domino effect of the currency devaluations . But America and the IMF have opposed that scheme because America is afraid that if the “Asian Monetary Fund” is set up, the Asian countries would not keep the disciplines of macroeconomics balance. America is also concerned with abuse of the fund, leading to moral hazards and delaying the resolution of the currency crisis. The deputy ministers of finance from 14 countries have decided not to set up the fund, but they will complement a new scheme proposed by IMF to finance short-term money.

Until the currency crisis in mid-1997, ASEAN and America were the two centripetal forces in APEC. In spite of the developing countries receiving assistance from the developed countries, ASEAN, as a whole, has exhibited strong bargaining power in international communities - sometimes in rival with America. With the impetus and the confidence of yearly economic growth rates as high as 8% over the past twenty years, ASEAN has set two targets to realize in the year 1997. The first is ASEAN expansion, and the second is to set ASEAN VISION 2020.

ASEAN decided to include the three neighboring countries of Laos, Cambodia and Myanmar in July 1997 to form the ASEAN 10. But just before including them, ASEAN realized Cambodia was about to have a civil war between the first prime minister and the second prime minister. ASEAN acted as a mediator and tried to stop the civil war between

the two prime ministers. ASEAN gave up the 10 ASEAN plan. Together with this failure, the currency crisis hit almost all Asian economies, and it has been advancing. Because of this currency crisis, ASEAN economies have been seriously damaged and also forced into lower economic growth. Also, ASEAN could not afford to set up ASEAN VISION 2020 which looked to raise the lower ASEAN economies to the level of the developed countries by at least 2020. The year 2020 is the year decided at the APEC conference in Bogor in 1995 for the liberalization of all trade and investment.

With the two events of the civil war and the currency crisis happening by chance in 1997, ASEAN'S two ambitious plans collapsed. ASEAN countries have to restore their economics - which is supposed to take at least three years on average. During this period, ASEAN countries advancing individually will be reluctant to act as a whole or collectively because they are in a haste to regain economic momentum individually.

The regain of the ASEAN economies might proceed one by one, not together, as witnessed in their past ten years' outstanding growth performance that recorded more than 8% per annum. In the process of regain and restructuring, a severe competitions might be developed among the countries. This competition might be compared to "climbing up a value-added economic ladder", which means a shift of the industrial structure toward more high-technology intensive and sophisticated one, characterized by a greater and increasing per capita income. The loser in the competition would be caught in an "intermediate-technology trap" with a middle-level income. The winner would establish more sophisticated industrial structure and enjoy a higher standard of living with ever increasing per capita income. The landscape among ASEAN countries would be quite different from that before the currency crisis. That is to say, it is difficult to see, and furthermore, admire ASEAN as a whole. We must see and analyze ASEAN countries individually, because the gap between the winners and the losers widened after the currency crisis, in terms of industrial structure and per capita income.