

# Opportunities and Challenges Facing the ASEAN in Linking Connectivity and Sustainable Development

Yumiko Okamoto\*

## ABSTRACT

Global Value Chains (GVCs) play a dominant role in global trade and business. The production process is spread across a number of economies rather than being concentrated in a single economy or location. Since its inception, the Asia-Pacific Economic Cooperation (APEC) group has worked to promote connectivity at the border, behind the border, and across the border in the region. However, only in 2013 did APEC leaders come to share their vision of creating a seamlessly and comprehensively connected and integrated Asia-Pacific through the pillars of Physical Connectivity, Institutional Connectivity, and People-to-People Connectivity.

Enhancing connectivity will certainly encourage foreign direct investment and develop production networks and supply chains in the region. Experience over the past 20 years shows that, as countries join GVCs, they tend to grow faster. Firms' exposure to risks has increased substantially, however, amid the increased fragmentation and complexity of global production and trade. This paper addresses both the opportunities and challenges facing the Asia-Pacific region, with a special focus on the ASEAN in linking connectivity and sustainable development, and provides policy implications.

## 1. Introduction

Over the last three to four decades, the proliferation of internationally joined-up production arrangements,

called "global value chains" (GVCs) or "global supply chains" (GSCs), has fundamentally changed our economic landscape (Fung 2013). Now, GVCs play a dominant role in global trade and business.

Governments are increasingly recognizing that participating in GVCs will bring value and opportunities to their economies. This is true of many of the Association of South-East Asian Nations (ASEAN) countries, who have thus sought to foster friendly policy frameworks. An enabling policy environment, together with advances in technology, has allowed businesses to internationalize their operations across multiple locations to increase efficiency, lower costs, and speed up production.<sup>1</sup>

The presence of the ASEAN is growing along with the development of GVCs and GSCs in the Asia-Pacific region for three reasons. First, the ASEAN has passed the final stage of the implementation of its Blueprints for building three pillars of the ASEAN community: the ASEAN Political-Security Community (APSC), the ASEAN Economic Community (AEC), and the ASEAN Socio-cultural Community (ASCC). Of these, the AEC is being built to create a single market and production base where goods, services, capital, and labor flow freely among three countries, similar to the European Union, at least in its philosophy.

Second, to integrate the ASEAN market into the global economy, the ASEAN has also concluded five free-trade agreements (FTAs) with its six major partners in the Asia-Pacific region,<sup>2</sup> which may serve as groundwork for the negotiation of the Regional Comprehensive Economic Partnership (RCEP) Agreement, set to conclude by the end of

2015.<sup>3</sup> If this is concluded successfully, the region will host one of the largest and most ambitious FTAs, comprising 16 member countries.

Third, the United States (US) has been enhancing its engagement in East Asia since 2008. In December 2008, after the subprime mortgage crisis and the spread of global depression, the US government expressed an interest in joining the Trans-Pacific Partnership (TPP; Yamazawa 2012). Although 12 countries in the Asia-Pacific region concluded negotiations for the TPP in November 2015, only four out of 10 ASEAN countries (Brunei, Malaysia, Singapore, and Vietnam) are founding TPP members. President Obama hosted the US–ASEAN Summit in February 2016, an unprecedented gathering (the first hosted by the US with ASEAN leaders) to strengthen cooperation under the new strategic partnership between the parties (The White House 2015).

As a mature regional economic community, the ASEAN also tries to promote regional connectivity as a means of improving economic development and bridging the gap within its membership and beyond. The ASEAN is currently implementing the Master Plan on ASEAN Connectivity (MPAC) in the hope that the MPAC will help connect physical infrastructure within ASEAN countries, synergize ASEAN institutions, and enhance people-to-people linkage.

The building of the ASEAN Community with seamless connectivity will certainly encourage the flows of inward foreign direct investment (FDI) and the development of production networks and supply chains within the Community, as the recent trend of Japanese FDI outflows into East Asia confirms. Moreover, the Chinese and Japanese governments announced new initiatives to enhance ASEAN connectivity such as the establishment of the Asian Infrastructure Investment Bank (AIIB) and the Partnership for Quality Infrastructure respectively. Through these new initiatives, less developed ASEAN countries and regions will be able to join the global production network and supply chains. The international supply chain has proved to be an effective route for inclusive development in East Asia (Fujita and Hamaguchi 2016).

“With increased fragmentation and complexity in global production and trade, however, firms’ exposure to risks has also increased substantially” (APEC PSU 2015: 1). What were defined as local risks before can now be easily transmitted through the GVCs’ network internationally. This “contagious” nature of risks is being taken seriously by both investors and policymakers.

This paper therefore addresses both the opportunities and challenges facing the ASEAN in linking connectivity and sustainable development. First, Section II discusses the significant presence of the ASEAN in the rising Asia-Pacific region, arguing that opportunities for the ASEAN to join the international supply chain and enhance its economic development are increasing to a greater extent than before through various channels.

Section III then discusses the challenges facing the ASEAN in linking connectivity and sustainable development. As Fujita and Hamaguchi (2016) and UNCTAD (2013) argue, global value or supply chains may not be sufficient for long-term development: countries may remain locked into low value-added activities. Moreover, countries within the GVC network tend to be exposed to various risks they would not experience otherwise.

Section IV concludes the paper and provides policy implications to ensure that the enhancement of connectivity will promote sustainable development.

## **2. Increasing Role of the ASEAN in the Asia-Pacific Region**

### **2.1 Institutionalization of economic integration through various channels in the Asia-Pacific Region**

Much was accomplished in 2015, especially in terms of regional economic integration and the enhancement of GVC and GSC development in the Asia-Pacific region. First, the establishment of the AEC in 2015 was a major milestone in the ASEAN regional economic integration agenda, offering opportunities in the form of a huge US\$2.6 trillion

market and over 622 million people. AEC was collectively the third largest economy in Asia and the seventh largest in the world at the time of its establishment.<sup>4</sup>

The AEC Blueprint 2025, adopted by ASEAN leaders at the 27th ASEAN Summit on November 22, 2015, in Kuala Lumpur, Malaysia, provides broad directions through strategic measures for the AEC from 2016 to 2025. The AEC Blueprint 2025 consists of five interrelated and mutually reinforcing characteristics: (i) a highly integrated and cohesive economy; (ii) a competitive, innovative, and dynamic ASEAN; (iii) enhanced connectivity and sectoral cooperation; (iv) a resilient, inclusive, people-oriented, and people-centered ASEAN; and (v) a global ASEAN.<sup>5</sup> This last is particularly important, as it represents the ASEAN's strong will to become open not only within its region but also to the rest of the world.

To integrate the ASEAN market into the global economy, the ASEAN has also concluded five FTAs with its six major partners (Australia, China, India, Japan, Korea, and New Zealand), which may serve as groundwork for the RCEP negotiations among 16 countries in the Asia-Pacific region. Moreover, as mentioned, US president Obama announced at the end of 2015 that the US-ASEAN Summit would be held in California in February 2016, the first meeting with ASEAN leaders ever hosted by the US. This summit provided the leaders a forum in which to further strengthen economic cooperation between the ASEAN and the US.

The second major achievement in the Asia-Pacific region made in 2015 was the conclusion of the TPP negotiation. Although only four out of 10 ASEAN countries are founding TPP members, the TPP has a tremendous impact on the ASEAN for a couple of reasons. The first is what Baldwin (1993) calls a "domino effect," whereby an event that triggers closer integration within an existing bloc tends to harm the profits of nonmember exporters, thus prompting them to boost their pro-membership political activity (Baldwin 1993). Upon the conclusion of the TPP negotiation, ASEAN countries such as Indonesia, the Philippines, and Thailand seem to have expressed an interest in

joining the TPP,<sup>6</sup> exactly as the domino theory of regionalism predicts.

Moreover, the conclusion of the TPP negotiation may accelerate that of the RCEP for an obvious reason: China is not a member of the TPP. It is also not realistic for three ASEAN countries such as Cambodia, Laos and Myanmar to join a high-level FTA such as the TPP, at least not now. In fact, the TPP and the RCEP are considered complementary in terms of the ultimate goal of forming an Asia-Pacific (FTAAP) free trade area (Urata 2013).

## 2.2 New initiatives of both Chinese and Japanese governments in enhancing ASEAN connectivity

As part of Community building, the ASEAN is also implementing the Master Plan on ASEAN Connectivity (MPAC) in the hope that the MPAC will help connect physical infrastructure within ASEAN countries, synergize ASEAN institutions, and enhance people-to-people linkage. The idea behind the plan is that strong connectivity is essential in the ASEAN's drive to transform itself into a more competitive and resilient region and firmly integrate itself into the global economy. More importantly, according to the ASEAN, connectivity will bolster its centrality, further securing the bloc's role as the principal driving force in shaping the evolving regional architecture (Teodoro 2015).

New initiatives announced by both Chinese and Japanese governments are expected to contribute to the enhancement of ASEAN connectivity, at least with the provision of financial capital. First, the government of China announced the establishment of the AIIB in 2014. The AIIB was formally established in December 2015, with US\$100 billion in capital, an initial staff of 500, and 57 founding members. The AIIB, intended to help Asian build roads, power grids, and other modern economic foundations held the first meetings of its board and executive council in January 2016. Operations will begin in earnest afterwards, and it will seek to make its first loan as early as spring 2016 (Okoshi 2015).

In response to the initiative announced by the government of China, Japanese Prime Minister

Shinzo Abe announced in May 2015 that Japan and the Asian Development Bank (ADB) would jointly provide \$110 billion to finance “innovative infrastructure” in Asia such as safe and reliable high-speed rail systems and advanced water treatment systems over the next five years (Moriyasu 2015). Japan decided not to join the founding members of the AIIB.

Prime Minister Abe announced a new financing method at the same time.<sup>7</sup> One is the Japan Bank for International Cooperation, the Japanese government’s financing arm, taking on short-term profit risk. A new way is being considered to ease the excessive pressure on foreign governments to put up guarantees. In another measure, the Japan International Cooperation Agency (JICA) will collaborate with the ADB to establish a new fund for private infrastructure investment. Under this measure, the fund will invest in equity in addition to lending money. The ADB’s capacity for mobilizing capital for the private sector is said to have increased up to three times.

A little over a month after the announcement made by Prime Minister Abe (July 4, 2015), the Japanese government signed a memorandum of intent in Tokyo on participating in a project with Myanmar and Thailand, recognizing the importance of the comprehensive development of the Dawei Special Economic Zone project to promote integrated economic development and enhance connectivity in and around the Greater Mekong Subregion.<sup>8</sup> The government of Japan agreed to invest in a special-purpose vehicle that Thailand and Myanmar created in the fall of 2013 for the project. Japan will also help create a development blueprint by sending experts from the JICA and others to work on the project (Matsui 2015).

Three countries (Japan, Myanmar, and Thailand) agreed on the project because Dawei could serve as a gateway to the Indian Ocean. The project may enable the city to be linked with the Southern Economic Corridor that runs across Indochina from Ho Chi Minh City to Bangkok. Enabling goods to flow across Indochina instead of taking the traditional route around the Malay Peninsula by sea will make it easier for countries to export to India

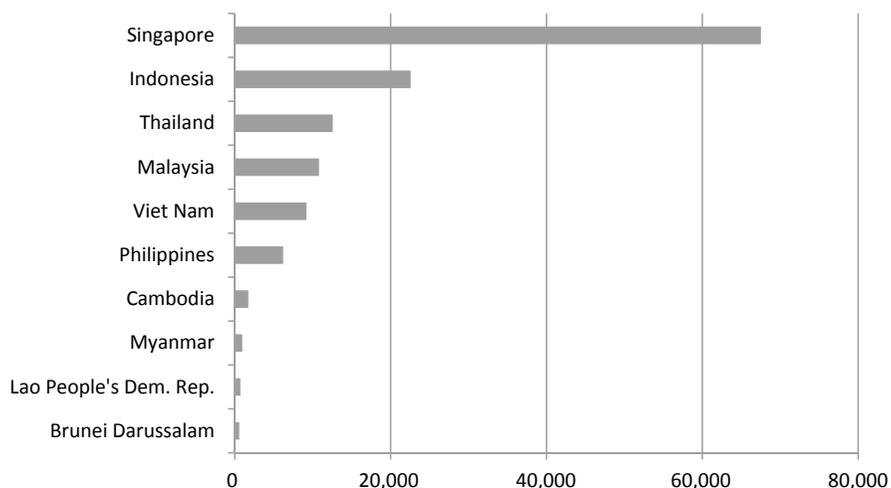
and Europe.<sup>9</sup>

Moreover, the Japanese government expressed its readiness to contribute further to overall infrastructure development in Thailand by utilizing advanced technology, know-how, the considerable experience of Japanese enterprises, and high-quality infrastructure, recognizing that Japan’s involvement in Thailand’s overall infrastructure development scheme would contribute to Thailand’s role as a hub of ASEAN connectivity and boost development in the Greater Mekong Subregion, which is now recognized as an emerging centre of regional growth.<sup>10</sup> At the Japan-Thailand Summit Meeting held on July 4, 2015, both governments signed a memorandum concerning the development of a high-speed railway between Bangkok and Chiang Mai utilizing bullet train technologies and railway cooperation related to the Southern Economic Corridor.<sup>11</sup> This is part of the Japanese government’s new initiative to enhance regional connectivity in the Greater Mekong Subregion, the “Partnership for Quality Infrastructure.”

These initiatives will certainly enhance ASEAN connectivity and contribute to the integration of less developed countries such as Cambodia, Laos, Myanmar, and Vietnam (CLMV) into other ASEAN countries and global production network. As Figure 1 shows, much room is left for CLMV countries to participate in GVCs and GSCs. The international supply chains can be effective routes for inclusive globalization (Fujita and Hamaguchi 2016).

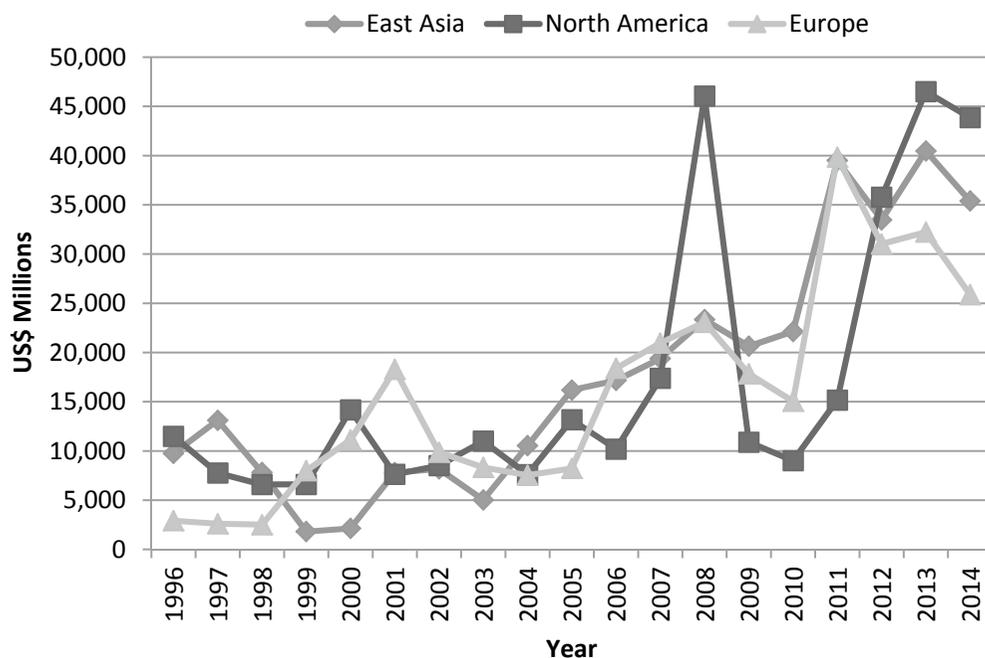
### **2.3 A Newly Evolving Relationship between Japan and the ASEAN**

The growing role of the ASEAN in the Asia-Pacific region can be seen in the outflows of Japanese FDI. Figure 2 shows the trends of Japanese FDI outflows into North America, Europe, and East Asia since the mid-1990s. Though Japanese FDI has tended to flow into the three regions in almost equal magnitudes, at least for the first decade of the 21<sup>st</sup> century, Japanese outward FDI into East Asia has tended to increase more robustly than that into the other two regions. Japanese outflows of FDI into North America tend



**Figure 1. World FDI Inflows into ASEAN, 2014 (US\$ Millions)**

Source: The author's work, based on data from the United Nations Conference on Trade and Development (UNCTAD). They are available at <http://unctad.org/en/Pages/Statistics.aspx>. Last access was January 2, 2016.



**Figure 2. Japanese Outward FDI by Destination**

Source: Japan External Trade Organization (JETRO)'s FDI statistics are available at <https://www.jetro.go.jp/world/japan/stats/fdi.html>. Last access was August 1, 2015.

Notes: <sup>1</sup> East Asia includes China, Asian NIES (Hong Kong, South Korea, Singapore, Taiwan), ASEAN4 (Indonesia, Malaysia, the Philippines, Thailand), Vietnam and India.

<sup>2</sup> North America includes Canada, and the US.

<sup>3</sup> Europe includes Western and Eastern European countries, and Russia.

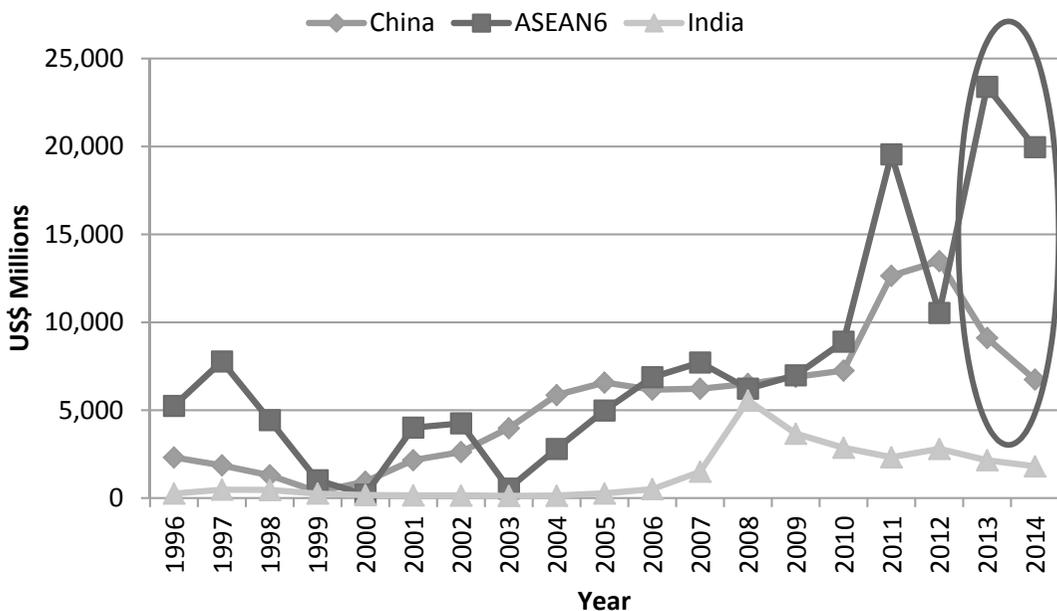
to be volatile. Furthermore, Japanese outward FDI into Europe has declined significantly since 2011, partly due to the uncertainty surrounding Europe as a result of the outbreak of the Greek crisis. This indicates the firm commitment of Japan's private sector to East Asia as a destination of FDI.

The most significant change in the flows of Japanese FDI into East Asia is that, while the total amount of Japanese FDI into China has declined sharply since 2013, that into the ASEAN<sup>12</sup> has remained high (see Figure 3). The investment strategy of Japanese firms has often been said to be "China plus One," but this seems no longer relevant. The most important destination of Japanese outward FDI has become the ASEAN in recent years.

It is important to note that the recent preference for ASEAN as an FDI destination over China does not seem to be limited to Japanese investors. Figure 4 compares the flows of world FDI into China, the

ASEAN, and India. While the flows into China have leveled off since 2011, these into the ASEAN continue to grow. Moreover, the total amount of inward FDI into the ASEAN surpassed that into China in 2013 for the first time since 1992. The trend continued into 2014. This implies that, as fragmentation progresses, the ASEAN will become more firmly integrated into global production networks and supply chains for the next couple of decades.

Figure 5 confirms this new global trend for FDI. Relatively speaking, China has shifted away from being a mere recipient of FDI to being an active provider of FDI to the rest of the world for the past five years or so. The outflows of Chinese FDI have increased steadily almost in parallel with that of Japanese FDI for the past decade.



**Figure 3. Japanese Outward FDI into East Asia by Destination**

Source: See Figure 2.

Notes: <sup>1</sup> ASEAN6 includes Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

<sup>2</sup> Data of Japanese FDI into Cambodia, Myanmar and Laos are not available.

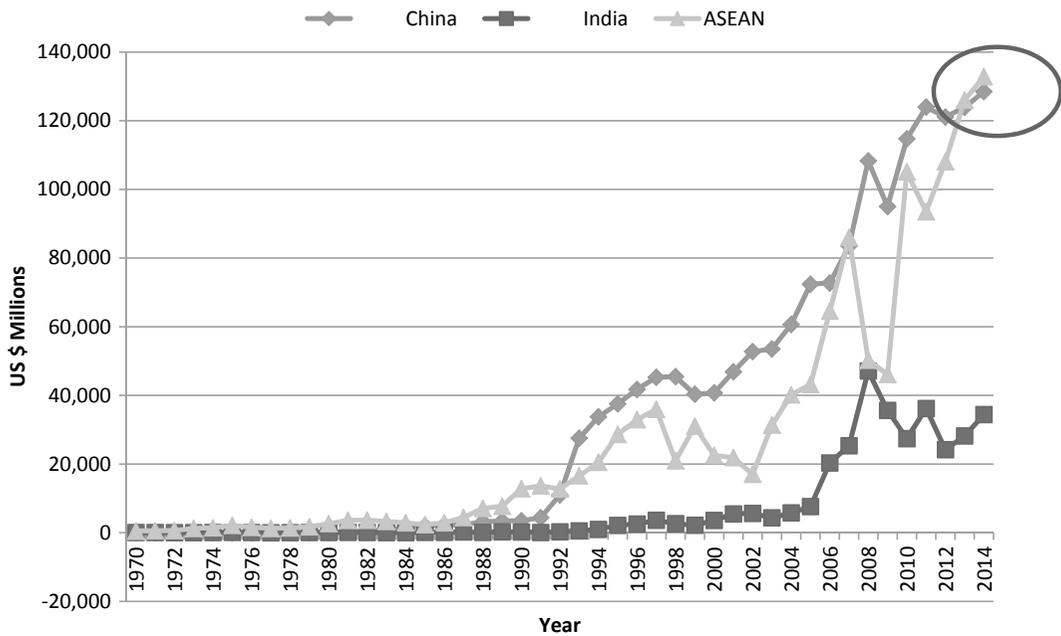


Figure 4. World FDI Flows into China, ASEAN10 and India

Source: See Figure 1.

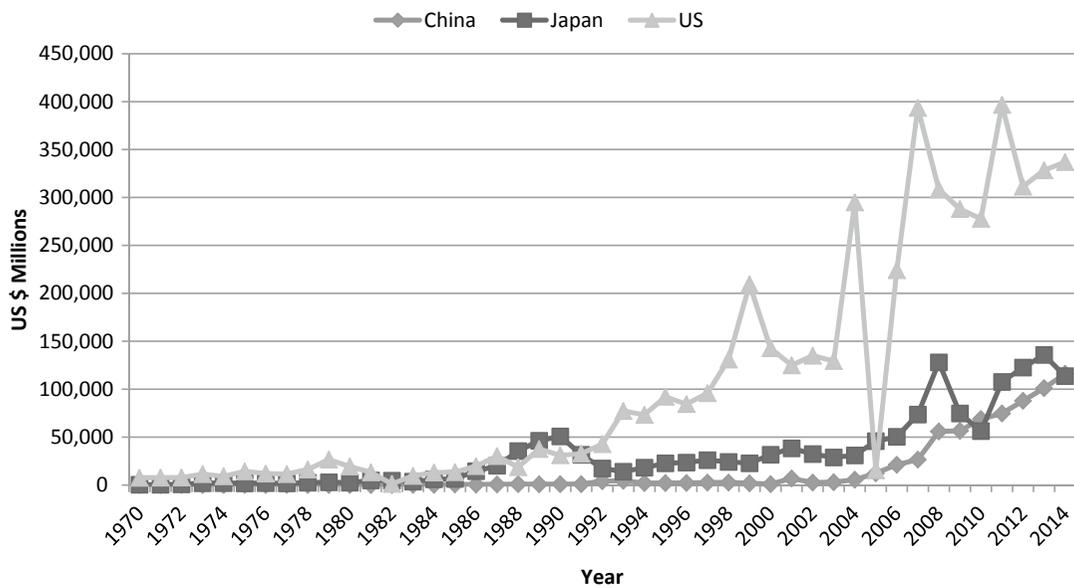


Figure 5. Outward FDI Flows from China, Japan and US

Source: See Figure 1.

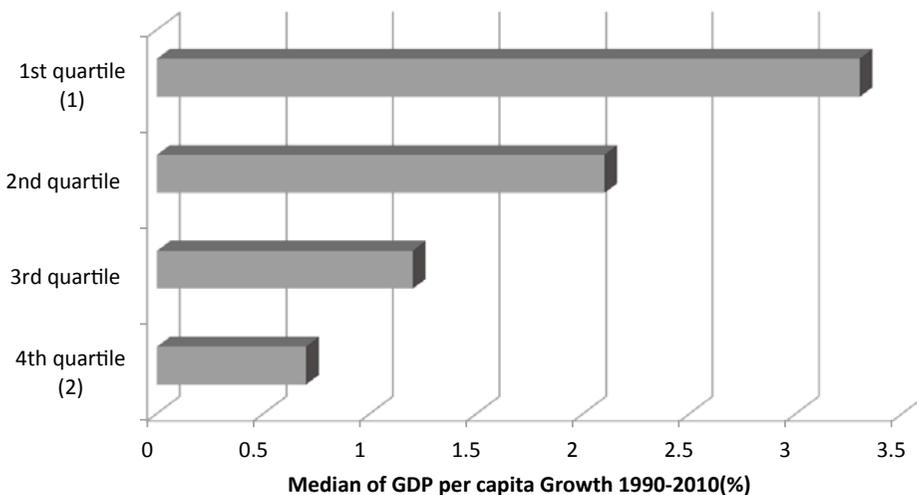
### 3. Challenges Facing the ASEAN in Linking Connectivity and Sustainable Development

#### 3.1 A risk of remaining locked into low value-added activities

Experience over the past 20 years shows that, as countries join GVCs, they tend to grow faster (see Figure 6). A statistical analysis correlating GVC participation and per capita GDP growth rates shows a significant and positive relationship for developing countries in particular (UNCTAD 2013: 151). Participation in GVCs seems to generate considerable economic development benefits.

However, a growing number of studies caution that participation in GVCs also involves risks (UNCTAD 2013; Fujita and Hamaguchi 2016; APEC PSU 2014). First, the potential development benefits of GVCs, such as technology dissemination, skill building and upgrading, do not seem to appear automatically. Developing countries can remain locked into low value-added activities. Table 1 suggests that this risk may exist among some ASEAN countries.

Table 1 shows the intensity of research and development (R&D), defined as R&D spending as a percentage of GDP, researchers per thousand workers for major countries in the Asia-Pacific region as well as for India, and the change in shares over the decade. The innovative capacity of countries such as China, Taiwan, Korea, and Singapore increased remarkably between 1997 and 2007. However, a growing gap emerged between countries such as China, Hong Kong, Korea, Taiwan, and Singapore and the rest of developing Asia. Excluding Singapore, there is still much room for ASEAN countries to improve their innovative capacity, although that of Malaysia and Thailand is improving gradually (Okamoto 2014). Gill and Kharas (2007) share this concern. The forces of both convergence and divergence seem to coexist in the region in terms of the innovation capacity necessary for growth. FDI location choices are increasingly influenced by the availability of human resources and skilled workers in the Asia-Pacific region (APEC 2015). Conditions for avoiding the lock-in situation in supply chains need to be identified and satisfied.



**Figure 6. GDP per capita Growth Rates by Quartile of Growth in GVC Participation, Developing Countries Only, 1990-2010**

Source: UNCTAD (2013: 151).

Notes: <sup>1</sup> Countries with rapidly growing GVC participation

<sup>2</sup> Countries not increasing their GVC participation

**Table 1. R&D Intensity and Personnel in the Asia Pacific Region (%)**

| Country  | R&D Expenditure as |         | Researchers per  |         |
|--|--------------------|---------|------------------|---------|
|  | Percentage of GDP  |         | Thousand Workers |         |
|  | 1997/98            | 2007/08 | 1997/98          | 2007/08 |
| Advanced Economies   |                    |         |                  |         |
| Australia  | 1.51               | 2.35    | 6.74             | 8.23    |
| Canada   | 1.71               | 1.88    | 6.07             | 7.79    |
| Japan  | 2.94               | 3.44    | 9.41             | 10.06   |
| New Zealand  | 1.08               | 1.17    | 4.38             | 8.08    |
| USA  | 2.58               | 2.71    | 8.03             | 8.81    |
| Emerging Asian Economies (the innovative capacity is rapidly increasing) |                    |         |                  |         |
| China  | 0.65               | 1.43    | 0.76             | 1.93    |
| Hong Kong  | 0.43               | 0.75    | 2.09             | 5.12    |
| Korea  | 2.41               | 3.29    | 4.45             | 9.49    |
| Singapore  | 1.64               | 2.49    | 5.53             | 11.30   |
| Taiwan   | 1.87               | 2.68    | 5.80             | 10.30   |
| Emerging Asian Economies (the innovative capacity is increasing)         |                    |         |                  |         |
| India  | 0.70               | 0.76    | 0.31             | 0.35    |
| Malaysia   | 0.40               | 0.63    | 0.38             | 0.86    |
| Thailand   | 0.10               | 0.21    | 0.13             | 0.56    |
| Emerging Asian Economies (the innovative capacity needs to be improved)  |                    |         |                  |         |
| Brunei <sup>1</sup>  | NA                 | 0.02    | NA               | 0.59    |
| Indonesia <sup>2</sup>   | 0.07               | 0.08    | 0.46             | 0.18    |
| Philippines  | 0.15               | 0.11    | 0.17             | 0.19    |
| Vietnam <sup>3</sup>   | 0.19               | NA      | 0.23             | NA      |

Source: The author's work, based on data from Okamoto (2014)

Notes: <sup>1</sup> The average of the years of 2002, 2003, and 2004

<sup>2</sup> Data of the years of 2000 and 2009 respectively

<sup>3</sup> Figure of 2002

### 3.2 Increasing firms' exposure to global value chain risks

There are other risks and potential downsides to GVC participation, including negative effects on working conditions and job security, as well as social and environmental impacts (UNCTAD 2013; APEC PSU 2014). The APEC PSU (2014) classifies GVC risks into five categories: (a) Natural Disaster Risks, (b) Logistics and Infrastructure Risks, (c) Market Risks, (d) Regulatory Risks, and (e) Political Risks. These risks are defined as follows (APEC PSU 2014: 11):

(a) Natural Disaster Risks: the possibility that economic activity may be impeded by natural disaster;

(b) Logistics and Infrastructure Risks: the set of disruptions that can occur to supply chain processes when the actors that connect supply chain operators to each other do not perform as expected;

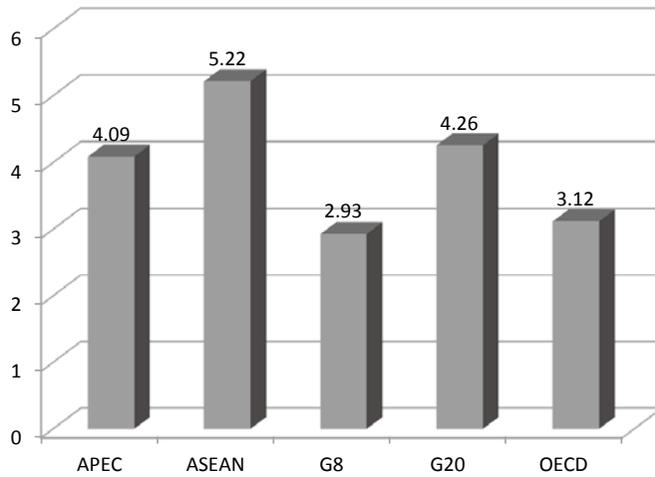
(c) Market Risks: economic fluctuations that disrupt

prices, output, or other economic fundamentals;

(d) Regulatory and Policy Risks: unexpected changes in regulatory stance or inconsistency in enforcement can increase business uncertainty, and thus the transaction costs associated with value chain processes; and

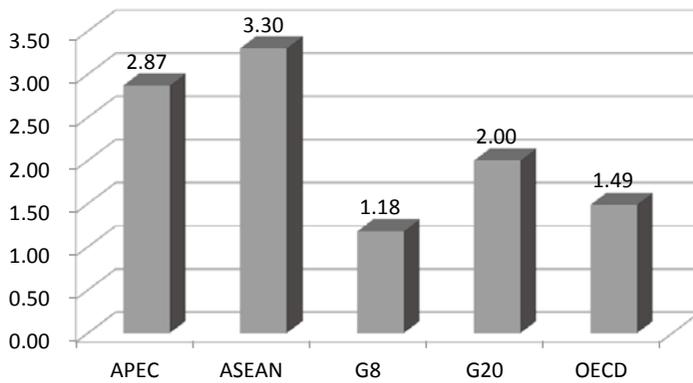
(e) Political Risks: the possibility that economic activity may be impeded by political or violent conflicts inside or outside the economy.

The report quantifies GVC risks in the Asia-Pacific region, including those of the ASEAN and Asia Pacific Economic Cooperation (APEC), and compares the risks with those of other groups such as the G8<sup>13</sup>, G20<sup>14</sup>, and the Organization for Economic Cooperation and Development (OECD). Figure 7 quantifies the overall GVC risk. The next figures (8 to 12) present the results of each individual GVC risk and compare among regions. A score of 10 indicates that the economy is the riskiest in the sample. A score of 1 indicates that the economy is the least risky.



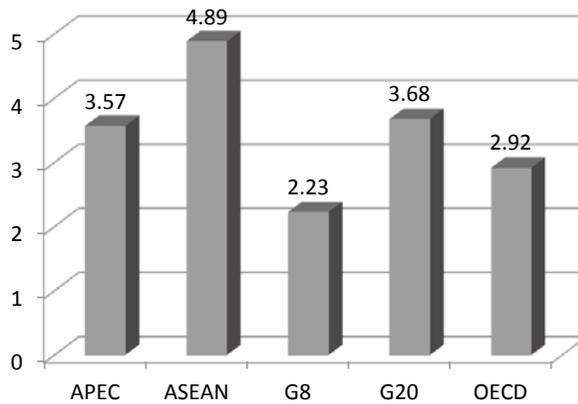
**Figure 7. Overall GVC Risk Index**

Source: APEC PSU (2014).



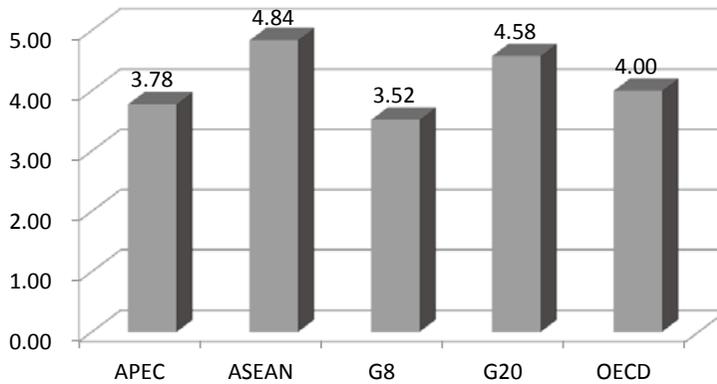
**Figure 8. Natural Disaster Risks**

Source: See Figure 7.



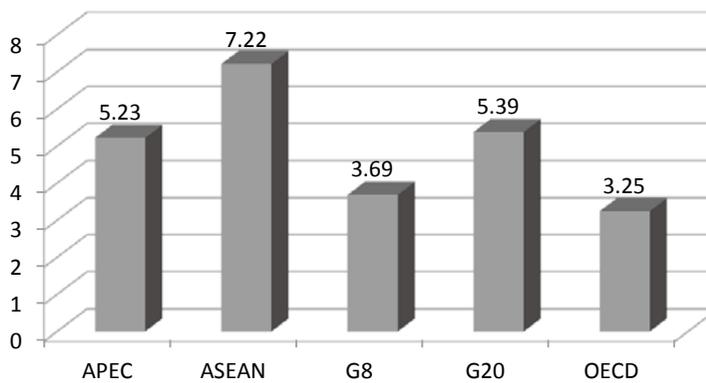
**Figure 9. Logistics and Infrastructure Risks**

Source: See Figure 7.



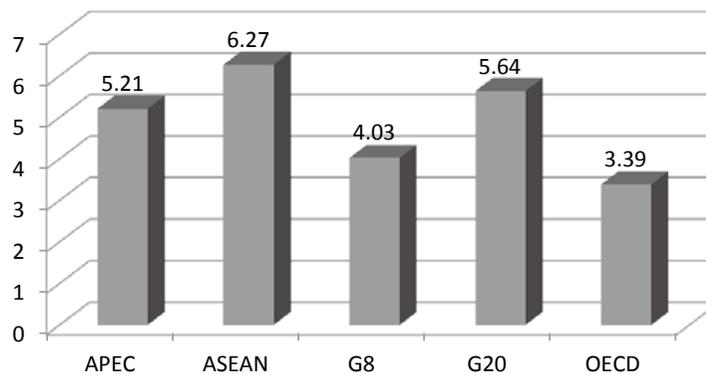
**Figure 10. Market Risks**

Source: See Figure 7.



**Figure 11. Regulatory Risks**

Source: See Figure 7.



**Figure 12. Political Risks**

Source: See Figure 7.

All of these figures (7 to 12) indicate that the ASEAN is subject to a higher level of GVC risk than any other region no matter how the risks are defined. It is therefore important to consider how to limit or mitigate the risks involved in participation in GVCs or to increase resilience and strength in responding to GVC risks.

#### 4. Conclusion and Policy Implications

Value chains are an important way of organizing economic activity in the global economy. The production process is spread across a number of economies rather than being concentrated in a single economy or location. The value chain model is therefore “necessarily network-based, rather than linear, as in traditional production models” (APEC PSU 2014: vi).

The enhancement of ASEAN connectivity through various channels certainly increases the potential for the ASEAN to participate in GVCs or GSCs and enjoy higher rates of growth. New initiatives from Japan’s public and private sectors are promoting the ASEAN’s connectivity and economic development. Especially, less developed ASEAN countries such as the CLMV economies are expected to participate more actively in the GVCs and enhance their economic performance.

However, a growing number of studies are pointing to the risks associated with more active participation in the GVCs. First, participating in the GVCs or GSCs does not seem to be sufficient for sustainable development: Countries may remain locked into the low value-added activities of a value chain or low value-added chains. Second, assessing the international supply chain may increase firms’ exposure to greater GVC risks such as natural disaster risks, logistics and infrastructure risks, market risks, regulatory risks, and political risks. It is therefore important to consider how to limit or mitigate the risks involved in GVC participation or increase resilience and strength in responding to them.

In conclusion, enhancing ASEAN connectivity or constructing seamless connectivity should

not be an end in itself but a means of promoting sustainable development. To help ensure that seamless connectivity will lead to robust and sustainable development, this paper suggests, first, the embedding of GVCs in overall development strategies and industrial development policies so that opportunities to upgrade in GVCs are realized. Developing the human resources and skills necessary for upgrading in GVCs is absolutely essential in this regard.

Second, although policymakers can do little to limit the risk of a natural disaster, they can do much to limit regulatory and political risks. Policymakers can also do much to mitigate market risks through the implementation of prudent economic policies. Moreover, even in the case of natural disasters, policymaker can put systems in place that contribute to preparedness and recovery (APEC PSU 2014). There is a significant amount of work that policymakers can do to make sure that the enhancement of connectivity will promote sustainable development.

#### Endnotes

\* Author’s e-mail: yokamoto@mail.doshisha.ac.jp. An earlier version of this paper was presented at the Plenary 3 *Thinking Regionally* of the 2016 EWC/EWCA International Conference held at the Manila Hotel, Manila, the Philippines, from January 15 to 17, 2016. This paper was supported by JSPS KAKENHI Grant Number 15K12790.

<sup>1</sup> See Fung (2013) for details.

<sup>2</sup> The five FTAs comprise ASEAN-Australia-New Zealand (AANZFTA), ASEAN-China FTA (ACFTA), ASEAN-India FTA (AIFTA), ASEAN-Japan FTA (AJFTA), and ASEAN-Korea FTA (AKFTA). The six partners are Australia, China, Japan, India, Korea, and New Zealand.

<sup>3</sup> The deadline of the negotiation for the formation of RCEP was postponed until the end of 2016. See “Joint Statement on the RCEP Negotiations 22 November 2015, Kuala Lumpur, Malaysia” for details: <http://www.mofa.go.jp/mofaj/files/000112570.pdf>; last access was December 30, 2015.

<sup>4</sup> See “ASEAN Economic Community:” <http://www.asean.org/asean-economic-community/>; last Access was December 20, 2015.

<sup>5</sup> Ibid.

<sup>6</sup> See “The first year of Mega FTA” (in Japanese) *Nihon Keizai Shinbun* December 29, 2015, p. 20.

- <sup>7</sup> See Moriyasu (2015) for details.
- <sup>8</sup> Refer to "Memorandum of Intent among the Government of Japan, the Government of the Republic of the Union of Myanmar and the Government of the Kingdom of Thailand, on the Cooperation for the Development of Dawei SEZ Project." <http://www.mofa.go.jp/mofaj/files/000088498.pdf>; last access was August 1, 2015.
- <sup>9</sup> See Matsui (2015) for details.
- <sup>10</sup> Refer to "Japan-Thailand Joint Press Statement on the Occasion of the Visit by Prime Minister Prayut Chan-o-cha of the Kingdom of Thailand to Japan February 9, 2015, Tokyo." <http://www.mofa.go.jp/mofaj/files/000067642.pdf>; last access was August 1, 2015.
- <sup>11</sup> Refer to "Japan-Thailand Summit Meeting." [http://www.mofa.go.jp/s\\_sa/seal/th/page4e\\_000291.html](http://www.mofa.go.jp/s_sa/seal/th/page4e_000291.html); last access was August 1, 2015.
- <sup>12</sup> The ASEAN comprises only six countries (original ASEAN members plus Vietnam) in Figure 3.
- <sup>13</sup> The G8 comprises Japan, the US, Canada, the UK, France, Germany, Italy, and Russia.
- <sup>14</sup> The G20 comprises the G8 countries, EU, and 11 newly emerging countries (China, Brazil, India, South Africa, Australia, Indonesia, Korea, Argentina, Mexico, Turkey, and Saudi Arabia).
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