

# **Regional Free Trade Agreement as the form of 'New Regionalism' in Asia Pacific: Geo-Politic and Geo-Economic Aspect of ASEAN Centrality**

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## **ABSTRACT**

*While most of the theories of regionalism give more focus on the study of regional institutions (neo-liberal institutionalism approach), or on the identity aspect of regionalism (constructivist approach), regionalism can also be analyzed under the international political economy (IPE) framework. Kevin G Chai in his book, *The Politics of Economic Regionalism*, uses (IPE) theory to analyses the regional economic integration in East Asia. The increasing number of regional FTAs as the new form of regionalism is basically driven by strategic interest, such as economy and politics. This paper seeks to explain the 'new regionalism' in Asia Pacific (the noodle bowl of FTAs), by understanding the geo-political and geo-economic aspects of Association of Southeast Asian Nations (ASEAN). There are two main arguments here: 1) under the 'new regionalism', the driving force of this regional FTAs is not regional identity but geo-politic and geo-economic value of particular region; 2) The ASEAN Economic Community (AEC) can be viewed as the form of dependency to the geo-economy and geo-politics interests of the major economy powers in Asia Pacific region. The main section for this paper is divided into four parts. The first one is the history of new regionalism and the IPE theoretical approach. The second one is the dynamics of economic regionalism process in Asia Pacific region. The third one is the geo-political and geo-economic aspects of ASEAN for Asia Pacific Regionalism frameworks.*

**Keywords:** *New Regionalism, Economic Regionalism, Geo-political, Geo-economy*

*Mayoritas teori mengenai regionalism berfokus pada pendekatan neo-liberal institusionalisme, Ekonomi Politik Internasional (EPI), dan analisis menggunakan pendekatan konstitusionalisme. Kevin G Chai dalam bukunya *The Politics of Economic Regionalism* menggunakan teori EPI untuk menganalisa integrasi ekonomi di Asia Timur. Peningkatan jumlah integrasi ekonomi adalah bentuk baru dari regionalism dan pada dasarnya berdasarkan kepentingan strategis, seperti ekonomi dan politik. Artikel ini menjelaskan fenomena New Regionalism di Asia Pasifik dengan menjelaskan dari sisi Geo-ekonomi dan Geo-Politik pada region tertentu.*

**Kata-Kata Kunci:** *New Regionalism, Regionalisme Ekonomi, Geopolitik, Geoekonomi*

## **Introduction**

The development of regionalism study has been through several stages. Starting from the old regionalism (functionalist and neo-functionalist perspectives), based on the case of European Union, to a newer form of regionalism that was based on the study of Free Trade Agreement (FTAs) in other regions. The 'new regionalism' is an open regionalism tightly related to the wave of globalization. After the 1997 Financial Crisis,

more focuses are given to the economic interest, such as trade and foreign direct investment. Instead of an EU-style of institutionalism, the 'new regionalism' takes form in FTAs arrangements without any form of 'supranational' body.

According to Kelly (2007) there is no natural regions and region can be built as needed with political purpose. Region also can be viewed in a multidimensional way, including economic interactions such as trade blocs. This is where the 'new regionalism' takes form. While the old form of regionalism involving a well-functioning institutions, such as Europe with European Union or Southeast Asian with ASEAN, the framework of regional integration in Asia Pacific takes form of multilateral cooperation. Asia Pacific Economic Cooperation (APEC) forum, the ongoing process of Trans-Pacific Partnership (TPP), or the Regional Comprehensive Economic Partnership (RCEP) are three example of the regional economic integration arrangement in Asia Pacific. In this region, the economic integration schemes are basically seek to integrate the economy of Asia and America.

While most of the theories of regionalism give more focus on the study of regional institutions (neo-liberal institutionalism approach), or on the identity aspect of regionalism (constructivist approach), regionalism can also be analyzed under the international political economy (IPE) framework. Kevin G Chai (2010) in his book, *The Politics of Economic Regionalism*, uses (IPE) theory to analyses the regional economic integration in East Asia. The increasing number of regional FTAs as the new form of regionalism is basically driven by strategic interest, such as economy and politics.

This paper seeks to explain the 'new regionalism' in Asia Pacific (the noodle bowl of FTAs), by understanding the geo-political and geo-economic aspects of Association of Southeast Asian Nations (ASEAN). There are two main arguments here: 1) under the 'new regionalism', the driving force of this regional FTAs is not regional identity but geo-politic and geo-economic value of particular region; 2) The ASEAN Economic Community (AEC) can be viewed as the form of dependency to the geo-economy and geo-politics interests of the major economy powers in Asia Pacific region.

The main section for this paper is divided into four parts. The first one is the history of new regionalism and the IPE theoretical approach. The second one is the dynamics of economic regionalism process in Asia Pacific region. The third one is the geo-political and geo-economic aspects of ASEAN for Asia Pacific Regionalism frameworks.

### **New Regionalism: History and IPE Theoretical Approach**

According to Sonderbaum (2002), regions are socially constructed and there are no given region and thus there is no given regionalist interest either. The interest and identities are based on the interaction process and intersubjective understanding (36). Region can also considered as politically constructed while it still relates to certain geographical area (Katzenstein 2005 cited in Rathus 2011). As one region can be defined in various ways, there is no exact definition of regionalism as well. There are various forms of regionalism.

When it comes to regionalism, historically, the development of regionalism can be divided into two forms, old regionalism and new regionalism. Old regionalism refers to the development of European Union, which involves the spillover effect (functionalist) and the creation of a supra-national body (neo-functionalist). This 'old regionalism' began in the 1950s and stagnated in the 1970s before the 'new regionalism' started to be developed in the middle of 1980s (Sonderbaum 2002). This new form of regionalism

was based from the study of regionalization process outside Europe and highly related to globalization.

In the 1990s, in other regions outside Europe, the study of regional integration then related to the development of various regional free trade agreements (FTAs). This new form of regionalism have different characteristics from the case of European Union, where regions were not taken place in the form of formal organizations. Regions are constructed and re-constructed in the process of global transformation (Farrell 2005: 8). The new regionalism is also can be seen as the way to reduce the dependence on the international economy and to secure 'greater competitive access to global markets as opposed to securing regional autarchy' (Breslin 2002: 7). The central issues in the new regionalism is economy and how to integrate the regional economy.

The main characteristic of this new regionalism, includes; 1) the change from bipolarity to a multipolar post-Cold War international system; 2) the decline of American hegemony and a more permissive attitude of US towards regionalism; 3) the globalization era, where state is not the only actor, and the growth of interdependence; and 4) the growing popularity of neo-liberal economic development and political system in developing countries including the post-communist countries (Sonderbaum 2002: 33).

According to Chai (2010), in terms of economic regionalism, the theory from international political economy provides many useful thoughts. The central issues in international political economy is the interaction between international politics and economy and thus this can be used to understand the development of regional economic integration frameworks. Chai proposes three perspectives from international political economy that can be used to understand the dynamics of economic regionalism, which includes Economic Nationalism perspective<sup>i</sup>, Liberalism perspective<sup>ii</sup>, and Marxism perspective.

One of international political economy perspectives is Marxism. Under the dependency theory and world system theory, the focus is the relationship between 'industrialized countries and developing countries' and 'the capitalist world system' (Chai 2010: 25). Capitalism then basically a symbol of profit oriented production 'in a world system of unequal exchange and by exploitation of the periphery by the core' (Chai 2015: 25). Contemporary Marxism has been dealing with the social forces, hegemony, and imperialism in a world order. The imperial system is basically a structure consist of a dominant core and dependent periphery. In a global economy, the South has the capitals but it's the Western Europe and North America, as the core, that accumulate those capitals. Under this perspective, global capitalism is 'a system of globalized relations of domination and dependency' where the peripheral country is not just being undeveloped but 'underdeveloped by core countries and supported by a wealthy comprador class of local elites to be poor, dependent, and exploited' (Amawi 2013: 25).

Immanuel Wallerstein's work on World System Theory can be used to understand the emergence of a global capitalist system. Wallerstein's work mainly related on how in the global economic system, the South countries, which mostly are dependent underdevelopment states, will remain in that condition because it is the nature of the world system that structured to support the world capitalist economy. Market is the main force and the system is characterized by a competition between production units. While the system doesn't have to be a global one, it has become global in scope (Wallerstein n.d. cited in Jones 2010). According to him, 'world economy is an entity based around the capitalist mode of production' (Wallerstein n.d. cited in Jones 2010: 23).

Wallerstein argues that the capitalist world economy has a global geographical dimension and has developed into three structural regions, includes the core, the periphery, and the semi-periphery. The core emerged from north-west Europe and it has been called the First World, which has been benefited from the surplus of value and labor from the periphery. The semi-periphery on the other hand is the balancer, for example Latin America and South Asia in the twentieth century (Wallerstein n.d. cited in Jones 2010: 24-25).

### **Regional Economic Cooperation in Asia Pacific: The Dynamics & Competition between Major Powers**

Asia Pacific has been the most difficult region to conceptualize. Regions are politically constructed and most of the time they became a label for a certain geographical area (Katzenstein 2005 cited in Rathus 2011). Beeson (2009) writes that, geographically, Asia Pacific region includes four separate regions. Those regions are East Asia, Southeast Asia, Pacific Rim, and North and South America. These regions have different culture, political traditions, and economic system that makes it difficult to be treated as one.

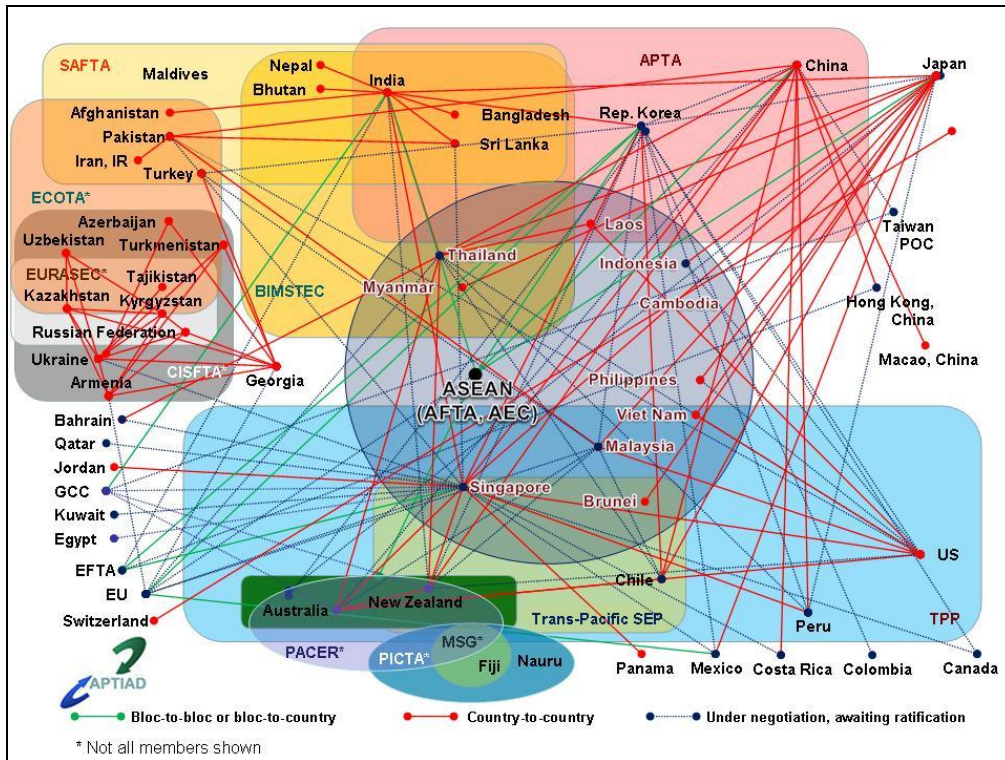
Asia Pacific has emerged as the center of world economy growth and this leads to the need for a regional economic integration to sustain the dynamics (Kumar 2011). While the old wave of regionalism put emphasize on the existence of institutions, after the late 1990s, the new regionalisms have been taken place in the form of free trade agreements (FTA) (Solis 2008). Chai (2010) argued that regionalism doesn't have involved the establishment of major organization forms. In Asia Pacific, the economic integration schemes are basically seek to integrate the economy of Asia and America.

Beeson (2009) writes that in many ways, Asia Pacific Economic Cooperation (APEC) forum is the definitive organization for the region (37). APEC was established in 1989 with 12 founding member countries, including, Australia, Brunei Darussalam, Canada, Indonesia, Japan, Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States. In 1998, APEC membership grew into 21 members. APEC is basically an economic forum that gathered the leaders around the world to discuss the strategic vision and cooperation in Asia Pacific region. In 2014, APEC leaders has been discussing about the realization of a Free Trade Area of the Asia Pacific for 2025 (apec.org 2014). This FTAAP is strongly supported by China (BBC News 2014).

After APEC, another economic regional framework in this region comes in the form of Trans-Pacific Partnership (TPP), which covers both sides if the Pacific. According to Chong (2013) can be considered as the continuation of APEC in the form of FTA. While the origin of TPP was from the initiative from Pacific-4 (Brunei Darussalam, Chile, New Zealand, and Singapore) in 2006, it is the US President Barack Obama's 'Pivot to Asia' foreign policy that brings more attention to the agreement. The TPP itself has a geopolitical factor importance for the US to coping with the rise of People Republic of China (PRC) especially in East Asia region.

Other than TPP, there is another FTA framework in Asia Pacific region involving ASEAN as the central of the economic integration schemes. Regional Comprehensive Partnership Agreement (RCEP) is an ASEAN-led trade agreement for 16 Asia Pacific Countries. According to Das (2013), RCEP works to integrate five separates ASEAN+1 FTAs into one regional economy framework. The development of RCEP depends on the progress of AEC blueprint in 2015. RCEP was introduced in 2011 at the ASEAN Leaders Summit in Bali. If PRC is not involved in the US-led TPP, in RCEP there is no US involvement so far (Bower 2012).

**Graphic 1. Asia Pacific Trade Agreements**



Source: (UNESCAP 2014)

Based on the Asian Development Bank (ADB) website, along with the growing number of free trade agreement in Asia Pacific, this has led to one ‘noodle bowl’ of overlapping free trade agreements. In 2013, there are a total 257 FTAs in the region, in which 189 of those FTAs are bilateral and only 68 are multilateral. With RCEP, ASEAN and their 6 partners will create a market size of 3.4 billion people which constitutes 30% or world GDP (ADB.org 2013).

**ASEAN in Asia Pacific Economic Regionalism Frameworks: Geo-Politics & Geo-Economic aspects**

*History of ASEAN & ASEAN Economic Community*

The Association of Southeast Asian Nations (ASEAN) is a regional organization in Southeast Asia region that consist of ten Southeast Asian member countries. ASEAN was established on 8 August 1967 in Bangkok, Thailand. The founder of ASEAN are Indonesia, Malaysia, Philippines, Singapore and Thailand. The other Southeast Asian countries joined ASEAN afterwards, such as, Brunei Darussalam in 1984, Vietnam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999. Based on Treaty of Amity and Cooperation in Southeast Asia (TAC) of 1976, ASEAN was built under several fundamental principles and one of the most important principle is the ‘non-interference’ principle (ASEAN.org 2014).

As written by Beeson (2009), based on the ASEAN Declaration, ASEAN emphasizing on the promotion of ‘peace and stability’ and the respect for justice and the rule of law. At the first decades of its existence, ASEAN can only made a little progress especially in the sense of promoting deeper political and economic integration. The reason for this is

because the member states are a newly independent states and are still struggling with their domestic issues, such as, domestic economy development, internal political struggle, and the problem of nation building. ASEAN was created to solve the tension between neighboring countries, such as Indonesia-Malaysia Confrontation and Malaysia-Philippine regional disputes on Sabah. Politics and security were the main issues during the establishment of ASEAN rather than economy.

As written by Lee Tsao Yuan (1994), ‘...in the 1970s and 1980s, the *raison d’etre* for ASEAN cooperation was political, a consensus began to develop that the new *raison d’etre* for ASEAN cooperation in 1990s and beyond had to be economic’ (319). ASEAN Free Trade Area (AFTA) was created in 1992 to increase ASEAN’s competitive advantage as a production based for the world market. AFTA created to promote trade liberalization with the elimination of trade barriers (both non-tariff and tariff barriers). AFTA were based on the Common Effective Preferential Tariff (CEPT) agreement that requires a 0 to 5 % tariff reductions for several products traded within the region (ASEAN.org 2014).

**Table 1. ASEAN Trade by Partner**

Trade partner country/region <sup>1/</sup>	Value			Share to total ASEAN trade		
	Exports	Imports	Total trade	Exports	Imports	Total trade
ASEAN	327,531.8	270,710.4	598,242.2	26.4	23.6	25.0
China	127,908.5	152,497.1	280,405.5	10.3	13.3	11.7
Japan	145,197.7	128,149.4	273,347.1	11.7	11.2	11.4
EU-27	126,593.5	108,182.6	234,776.2	10.2	9.4	9.8
USA	106,305.6	92,480.3	198,785.9	8.6	8.1	8.3
Republic of Korea	54,468.0	70,002.9	124,470.9	4.4	6.1	5.2
Hong Kong	81,312.9	15,402.1	96,714.9	6.5	1.3	4.0
Taiwan	33,650.7	47,214.9	80,865.6	2.7	4.1	3.4
India	42,754.7	25,674.1	68,428.8	3.4	2.2	2.9
Australia	37,253.9	22,220.5	59,474.4	3.0	1.9	2.5
Total top ten trade partner countries	1,082,977.3	932,534.2	2,015,511.5	87.2	81.4	84.4
Others <sup>2/</sup>	159,309.1	213,771.7	373,080.7	12.8	18.6	15.6
<b>Total</b>	<b>1,242,286.4</b>	<b>1,146,305.9</b>	<b>2,388,592.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: ASEAN Merchandise Trade Statistics Database (compiled/computed from data submission, publications and/or websites of ASEAN Member States' national ASEAN Free Trade Area (AFTA) units, national statistics offices, customs departments/agencies, or central banks)

Notes:  
 - not available as of publication time  
 x not available/not compiled  
 1/ identified/ranked based on share of total trade  
 2/ includes trade of all other countries and those that could not be attributed to specific countries  
 Some figures may not sum up to totals due to rounding off errors.

Source: (asean.org 2014)

In 2003, the heads of state/government met up at the 9<sup>th</sup> ASEAN Summit in Bali and agreed to create a more integrated framework for ASEAN with the creation of ASEAN Community. ASEAN Community have three pillars, including ASEAN Security Community (ASC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Economy (ASCC) (2003 Declaration of ASEAN Concord II 2003). At first, ASEAN Community is scheduled to be created in 2015, however out of the three pillars, it is the AEC that has gained concrete achievements. The core of AEC is based on AFTA and under this, in 2010, the ASEAN-6 have reached 99.65% tariff eliminations (Oba 2014).

AEC blueprint signed in 2007 in Singapore by all of the member of ASEAN. With AEC, ASEAN will have a single market and production base. To create this, the core principles of AEC includes, 1) free flow of goods; 2) free flow of services; 3) free flow of investment; 4) free flow of capital; and 5) free flow of skilled labor. AEC is claimed to be ASEAN’s way to integrate into global economy. Under the framework of AEC, ASEAN

has been involved with several free trade agreements, such as ASEAN-China Free Trade Agreement and also the ongoing negotiation process of Regional Comprehensive Economic Partnership (RCEP) between ASEAN and 6 FTA partners. RCEP have the potential to transform the region into an integrated market of about 3.4 billion people (AEC Key Messages Booklet 2014)

**Table 2. Foreign Direct Investment Inflow to ASEAN**

Country/region <sup>1/</sup>	Value				Share to total inflows			
	2011	2012 <sup>2/</sup>	2013 <sup>3/</sup>	2011-2013	2011	2012	2013 <sup>3/</sup>	2011-2013
European Union (EU)	29,693.3	18,084.9	26,979.6	74,757.8	30.4	15.8	22.0	22.4
Japan	9,709.0	23,777.1	22,904.4	56,390.5	10.0	20.8	18.7	16.9
ASEAN	15,228.4	20,657.6	21,321.5	57,207.6	15.6	18.1	17.4	17.1
China	7,857.7	5,376.8	8,643.5	21,878.0	8.1	4.7	7.1	6.5
Hong Kong	4,273.8	5,029.9	4,517.3	13,821.0	4.4	4.4	3.7	4.1
USA	9,129.8	11,079.5	3,757.5	23,966.9	9.4	9.7	3.1	7.2
Republic of Korea	1,742.1	1,708.4	3,516.2	6,966.7	1.8	1.5	2.9	2.1
Australia	1,530.2	1,831.0	2,002.3	5,363.5	1.6	1.6	1.6	1.6
Taiwan, Province of China	2,317.0	2,242.3	1,321.7	5,880.9	2.4	2.0	1.1	1.8
India	(2,230.5)	2,233.4	1,317.5	1,320.4	(2.3)	2.0	1.1	0.4
Total top ten sources	79,250.8	92,021.0	96,281.6	267,553.4	81.3	80.5	78.7	80.1
Others <sup>4/</sup>	18,287.3	22,263.1	26,095.0	66,645.3	18.7	19.5	21.3	19.9
<b>Total FDI inflow to ASEAN</b>	<b>97,538.1</b>	<b>114,284.0</b>	<b>122,376.5</b>	<b>334,198.7</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: ASEAN Foreign Direct Investment Statistics Database as of 1 June 2014 (Data is compiled from submission of ASEAN Central Banks and National Statistical Offices through the ASEAN Working Group on International Investment Statistics (WGIIS)).

Symbols used: p/ preliminary figures; - not available as of publication time; n.a. not applicable/not available/not compiled; Data in *italics* are the latest updated/revised figures from previous posting.

Notes: Details may not add up to totals due to rounding off errors. 1/ Ranked according to FDI inflows in 2013; covers countries on which data is available. 2/ Include inflows from all other countries, as well as total reinvested earnings and inter-company loans in the Philippines. 3/ Data for 2012 are preliminary figures. Lao PDR's data on 'by source country' are not yet available, intra-extra-ASEAN breakdown shown are estimated by the ASEAN Secretariat. 4/ Data for 2013 are preliminary figures. Lao PDR's data on 'by source country' are not yet available. The FDI is on a net basis, and computed as follows: Net FDI = Equity + Net Inter-company Loans + Reinvested Earnings. The net basis concept implies that the followings should be deducted from the FDI gross flows: (1) reverse investment (made by a foreign affiliate in a host country to its parent company/direct investor); (2) loans given by a foreign affiliate to its parent company; and (3) repayments of intra-company loan (paid by a foreign affiliate to its parent company). As such, FDI net inflows can be negative.

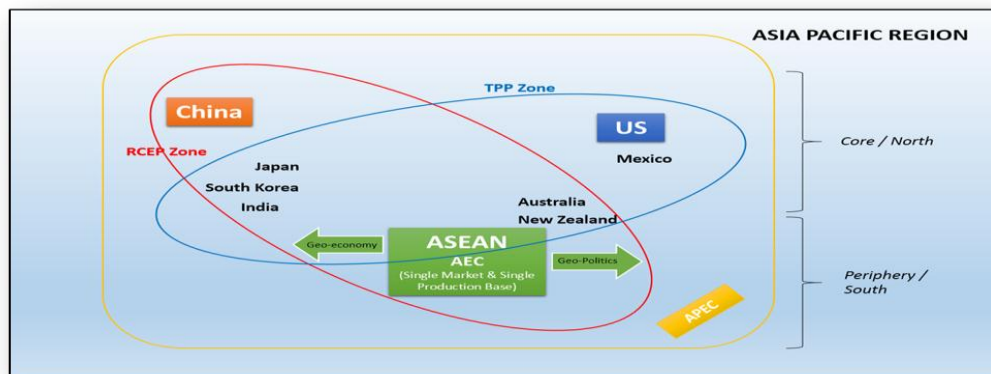
Source: (asean.org 2014)

Based on the trade and FDI data in ASEAN, major economies in Asia Pacific such as US, Japan, South Korea, Australia and China are important partners for ASEAN economically. Even the internal trade and FDI in ASEAN is not significantly higher than those external partners. Under the AEC's main goal to create a single market and single production base, this will surely help ASEAN to enter the global market. However, at the same time the question is, AEC provides a stronger ASEAN economic power in Asia Pacific (more than just being the market or production base for big MNCs) or AEC provides the way for Asia Pacific countries to keep ASEAN countries as the periphery.

*Geo-Politics and Geo-Economy of ASEAN for US & China*

Cheng, Idris, and Nor (2012), describes the importance of Southeast Asia region for US and China. For the US, since 2009, its relations with Southeast Asia have been 'primary driven and limited by "partially converged hedging" process' with the rise of China as another major power in the region (316). Still referring to them, the US has been enjoying unrivaled dominance in the Asia Pacific before and now has to act strategically to hedge China's growing influence in the region.

**Graphic 2. ASEAN's Geo-Politics & Geo-Economic in Asia Pacific 'New Regionalism'**



Under President Obama's administration, ASEAN has been given special focus, especially related to the economic importance of Southeast Asian region for the US Vice President Joe Biden, before his visit to Singapore in July 2013, states that compared to China, the US has stronger investment power in Southeast Asia (Biden 2013 cited in Graham 2013). He also states that ASEAN represents 'US\$2 trillion economy of 600 million people' and but yet the US relative market share of ASEAN's trade in between 1998-2010 is decreased by half from 20 percent to 9 percent (Biden 2013 cited in Graham 2013: 308). In 2012, Hillary Clinton delivered a speech, in which she emphasized the importance of deepening US business partnership and creating 'economic pivot', at Singapore Management University (Graham 2013: 309).

Despite US lack of focus on Southeast Asia after the end of Cold War, the region holds a promising importance for US 'Rebalance' to Asia strategy. Based on the CSIS Publication, 'The US-ASEAN Relationship in 2030', the strategic importance of ASEAN can be seen from three perspectives. The first one is economic perspective, which includes trade and market; the second one is security perspective, which includes US long security presence in the region; and third, the ideas perspective, which includes people connections (Bower 2012).

Based on that CSIS Publication, written by Bower (2012) ASEAN is a big market and the fourth-largest trading partner for the US. The US has been investing more in ASEAN than China or India. In the future, ASEAN will be the core of ASEAN growth and currently has free trade agreement (FTA) with big economies in Asia Pacific region, such as Australia, China, Japan, South Korea, and New Zealand (Bower 2012). ASEAN, collectively, is the 5<sup>th</sup> trading partner for the US and also a bigger market for US goods and services than other big Asian economies (Cheng, Idris and Nor 2012: 323).

However, while the US is still trying to keep close economic relations with ASEAN, China-ASEAN relation is also continued to be deeper. ASEAN's economic integration prospect has caught China's attention and thus pursuing integration strategy under ASEAN +3. In 2005, China passing the US as ASEAN's third largest trading partner (Cronin cited in Yuzawa 2010). The close relation between China and ASEAN is not only from the establishment of China-ASEAN Free Trade Area, but also with China's support for Greater Mekong Subregion (GMS) cooperation (Chang 2007 cited in Yuzawa 2010). China has been involving in the region's economic integration under the



ASEAN +3 framework. China has been promoting Chinese standards and harmonization objectives (Bower 2012). China also created a multilateral bank called Asian Infrastructure Investment Bank (AIIB) in October 2014 and the main area of this bank is lending thrust for infrastructure building (Junio 2014).

China also has been pursuing security cooperation in the Southeast Asia region. President Xi proposed a Treaty of Good Neighborliness, Friendship, and Cooperation between China and ASEAN on October 2013 (Thayer 2013). China and ASEAN also already have a security and maritime cooperation under the multilateral framework called China-ASEAN Security Cooperation (CASC). CASC covered both traditional and non-traditional issues (Zheng 2012).

### **Closing Remarks**

Unlike other regions, such as Europe, Africa, Asia (Northeast Asia, Southeast Asia, and South Asia), or North America, Asia Pacific as a region is hard to define. The development of 'new regionalism' in this region has been growing, especially after the wave of globalization and the 1997 Financial Crisis. While APEC has been the main regional cooperation in this region, there are growing numbers of regional FTA frameworks in Asia Pacific, namely TPP, RCEP, and APEC FTAAP. Unlike the old wave of regionalism like European Union, this growing number of regional FTAs are not followed by any plan to create a supra-national body. These regional FTAs are mainly multilateral cooperation emphasizing on the 'regions', which is Asia Pacific region.

Then why 'region' is being emphasized here? This paper use ASEAN's position as the case, especially the development of AEC. In Asia Pacific 'noodle bowl' of regional FTAs framework, two of the apparent reasons are the geo-politics and geo-economics values of one 'region'. ASEAN has possess the geo-politics and geo-economics values to the big economic powers in Asia Pacific. Asia Pacific regionalism frameworks basically an integration that constitutes the Asia and Pacific, in particular as the door for US's strategic presence in Asia. However, while after the Cold War, the international system was unipolar, with the US as the sole hegemony, the rising China's economy puts this country into the big economy power position.

Geo-politics and Geo-economics interest here are basically about the politic and economic interest based from geographical position. Southeast Asia's positions has always been strategically important, which was proved during the Cold War era. During the Cold War era, ASEAN's geographical position was importance for the spreading of ideology influence between US and USSR. For the US, the formation of ASEAN became a containment tool for the expansion of communism in the region. After the Cold War, with the wave of globalization and the changing issues from security to economy, ASEAN still holds a strategic position. Economically, ASEAN is the market for this big economies in Asia Pacific. Politically, ASEAN is importance for the US to contain the growing presence of China in the region.

Under the Marxism IPE perspective, ASEAN is the periphery in Asia Pacific 'new regionalism' framework. With the ongoing process of AEC, which main goals is to create a single market and single production base, ASEAN will move one step closer to the global economy by being dependent to the FDI flow from big economies, such as US, China, and Japan. The economic interest in 'new regionalism' has put ASEAN in the middle of political arena between US and China.

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<sup>i</sup> From the perspective of Economic Nationalism, international economic relations is determined by political factors and economic interests which is pursued by political means. Basically, according to this perspective, the essence of international political economy relations is 'to pursue national economic interests through (1) shielding the national economy against outside influences and (2) aggressive and discriminatory policies against foreigners' (Chai 2010: 11).

<sup>ii</sup> Based on the Liberalism perspective, free trade is based on comparative advantage and it is believed to help rapid economic growth and creates a good distributions for nations therefore the trade restrictions is harmful (Chai 2010: 15). In the relations with hegemonic power, hegemonic leadership is 'necessary but not sufficient condition' (Chai 2010: 19). Basically in the liberal market system, the function of the hegemon is to maintain the liberal economic order. The example for this is the 19<sup>th</sup> century gold standard, Bretton Woods system, and General Agreement on Tariffs and Trade (GATT) system (Chai 2010: 11).