

Preface

This book originated from the international joint research project on economic integration in East Asia conducted by the Institute of Developing Economies, JETRO (IDE-JETRO), Japan for the fiscal years 2007–08. This research project investigated various issues related to the economic integration such as institution building of FTAs, production networks and location choice of MNEs, R&D and innovation, infrastructure development and transport cost, international migration and service trade, monetary integration, and regional disparity and poverty. It also examined energy, environment, and agricultural issues.

After encountering difficulties with import-substitution policies, East Asian economies changed their policy orientation and liberalized trade and investment. As a result, *de facto* integration preceded *de jure* integration especially in export-oriented industries, where import tariffs on intermediate inputs were eliminated on the condition that all such outputs are exported abroad. Furthermore, rapid progress in transport and communication technology – as well as vigorous infrastructure development in this region – significantly reduced trade and transport costs. In *de jure* integration, an important turning point came with the signing of the AFTA agreement in 1992, and *de jure* integration has gained momentum as other East Asian countries have followed suit in signing free trade agreements with intra-regional as well as extra-regional countries. *De jure* integration promotes free movement not only of goods, but also of services, capital, and natural persons. Thus it is expected to have a significant impact on economic activities in the region.

With these perceptions in mind, we have attempted in this book to provide a common knowledge base of economic integration in East Asia for both academics and practitioners in the region. Each chapter contains both ample data and analyses from solid viewpoints. Anyone who has interest in this topic will find rich information not only on his or her own field but also on neighbouring fields. Various topics are further explored in box articles in several chapters, and undergraduate students should discover much of interest.

Although this is intended to be a ‘textbook’ on the topic, it also contains a strong message. It is our hope that after reading through the book,

readers will understand how important it is for East Asia to be a single integrated region and eventually to become the 'world innovation centre' in addition to further developing as the 'world manufacturing center'.

The process of economic integration in East Asia is progressing day by day, and in this sense, the present book should be updated accordingly. We would appreciate readers' comments. We are grateful to all the participants in the project for their valuable inputs.

Finally, we are sorry to inform you that Hadi Soesastro, Senior Economist and the former Executive Director of the Centre for Strategic and International Studies (CSIS), Jakarta, passed away on 4 May 2010. He was one of Indonesia's most prominent economists as well as one of the intellectual founders of regionalism in Southeast Asia. We actually tried to ask him to contribute a chapter to this volume but his health condition made it difficult to accept our invitation.

It should also be added that our colleague Koji Nishikimi initially organized this project. However, as his health did not allow him to continue the assignment, his role was taken over by Ikuo Kuroiwa. It is with deep regret that we report that Nishikimi, who was an excellent economist as well as our beloved friend, passed away on 23 January 2010. Needless to say, this volume would not have been possible without his important contributions. We would like to extend our deepest condolences to the families of Hadi Soesastro and Koji Nishikimi.

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