



Asia-Pacific Research and Training Network on Trade

Working Paper Series, No 59, December 2008

Regional Integration and Inclusive Development: Lessons from ASEAN Experience

By

Hank Giokhay Lim^a

Kester TAY Yi-Xun^b

^a Director for Research, Singapore Institute of International Affairs (SIIA) and ARTNeT ADVISOR on ASEAN and ^b Research Assistant, SIIA. This paper is a contribution to ARTNeT GMS on-going study on the Political Economy of Regional Integration in the Greater Mekong Subregion. Financial support from the Swiss Agency for Cooperation and Development and technical support of ESCAP is gratefully acknowledged. The opinion figures and estimates are the responsibility of the author and should not be considered as reflecting the views or carrying the approval of the United Nations, ARTNeT, SIIA. Any remaining errors are the responsibility of the author. The author may be contacted at hank.lim@siaonline.org

The Asia-Pacific Research and Training Network on Trade (ARTNeT) aims at building regional trade policy and facilitation research capacity in developing countries. The ARTNeT Working Paper Series disseminates the findings of work in progress to encourage the exchange of ideas about trade issues. An objective of the series is to get the findings out quickly, even if the presentations are less than fully polished. ARTNeT working papers are available online at: www.artnetontrade.org. All material in the working papers may be freely quoted or reprinted, but acknowledgment is requested, together with a copy of the publication containing the quotation or reprint. The use of the working papers for any commercial purpose, including resale, is prohibited.

Table of Contents

Executive Summary	3
Introduction	4
I. ASEAN Economic Cooperation	5
II. Trade Cooperation	6
2.1. ASEAN Free Trade Area (AFTA).....	6
2.2. Extra-ASEAN PTAs	8
III. Investment Cooperation.....	10
3.1. ASEAN Investment Area (AIA).....	10
3.2. ASEAN Industrial Cooperation Scheme (AICO).....	11
IV. ASEAN Framework Agreement for Services (AFAS)	12
V. Other Areas of Cooperation.....	13
5.1. Financial Integration	13
5.2. Market Integration	13
VI. Dispute Settlement.....	14
VII. Challenges and Recommendations for ASEAN.....	15
References	18

Executive Summary

The current economic crisis has lent extra urgency to ASEAN's efforts at economic integration and raising its attractiveness for trade and investment. This process gained momentum in the 1990s and has made much progress, as reflected in the emergence of a wide range of extra- and intra-regional agreements. However, the effectiveness of this network of arrangements in stimulating trade and investment depends on not just the characteristics of each arrangement but how well they complement each other. This paper addresses these two areas by examining and evaluating past and present initiatives individually and collectively. Findings suggest that the fundamental impeding issues have endured over the years: lack of political will, ASEAN-style consensus-reliant negotiation, and insufficient management in implementing and harmonising of initiatives. Recommendations include agreement design innovation and focus on shared concerns to overcome lack of will, role expansion of the secretariat to monitor implementation through issuance of score cards, and establishment of specialised bodies such as sub-committees and working groups to enhance implementation and dispute settlement.

Introduction

ASEAN regional cooperation on trade and investment cannot be seen in isolation from the group's broader thrust on economic integration. The latter gained momentum with the birth of ASEAN Free Trade Area (AFTA) in 1992, and accelerated after the 1997 Asian financial crisis. The late 1990s saw a surge in interest in regionalism in ASEAN and East Asia¹. The movement towards an ASEAN Economic Community (AEC), part of the ASEAN Vision 2020, was also started based on existing initiatives such as the AFTA, ASEAN Framework Agreement on Services (AFAS) and ASEAN Investment Area (AIA). There have also been economic cooperation arrangements on a sub-regional level such as in Growth Triangles (GT)².

More recently, as part of a worldwide trend, ASEAN countries have showed heightened interest in preferential trade agreements (PTAs) with partners outside the region (See Table 1). Regional trade agreements (RTAs) that are in force or undergoing negotiations mainly consist of those working on the ASEAN+1 mechanism (see section 3.3.1.) and within Asia-Pacific³. Bilateral trade agreements (BTAs) have also proliferated between ASEAN members and their Northern neighbours China, Japan and South Korea, as well as with partners around the world, from Australia to Chile to India to United States. Besides PTAs, there have also been other forms of extra-ASEAN economic cooperation such as APEC and ASEM.

Thus, ASEAN regional trade and investment-related cooperation initiatives are embedded and form part of a network of intra- and cross-regional arrangements. How effective this web is at encouraging trade and investment flows within and without the region depends on not just the characteristics of each arrangement but how well they complement each other.

This paper addresses both areas by examining and assessing the strengths and weaknesses of the relevant economic arrangements concerning ASEAN, both individually and in relation with each other. Initiatives related to the three pillars of AEC – trade, investment and services – are first explored, followed by other avenues of cooperation, namely financial and market integration, and dispute settlement. Based on the lessons drawn from these initiatives, recommendations are suggested for future cooperation.

1 East Asia in this paper refers to ASEAN members and China, Japan and South Korea, which are collectively known as ASEAN+3.

2 Examples of sub-regional level economic cooperatives are the Greater Mekong Sub-region (GMS) Economic Cooperation, Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA) and East-West Economic Corridor (Vietnam-Lao-Thailand-Myanmar).

3 Examples include the Asia-Pacific Trade Agreement (APTA) and Trans-Pacific Strategic Economic Partnership Agreement (TPSEPA).

I. ASEAN Economic Cooperation

The formalisation of ASEAN economic cooperation can be traced to the Bali Summit in 1976, where landmark treaties⁴ calling for cooperation on economic development were signed. However, regional strategies that grew from there, namely the ASEAN Industrial Projects Scheme (AIPs)⁵, ASEAN Industrial Joint Venture (AIJV)⁶ and ASEAN PTA⁷, were largely unsuccessful.

Reasons for the failures are similar. First, there was a lack of political will. Members were more interested in developing their own economies and integrating into the global market than cooperating with ASEAN. This attitude stemmed from members' post-independence need for self-reliance⁸, and the competitive rather than complementary nature of their manufacturing sectors (Chirathivat, 1996). For instance, the ASEAN PTA, which was created more for import-substitution than open trade and investment (Kodama, 1996), had a product-by-product approach that led to extensive exclusion lists. The result: in the late 1980s, the agreement accounted for only five per cent of total ASEAN trade. Second, institutional mechanisms were weak. Goals and guidelines for negotiations were not established and administration was inefficient. Third, the private sector and foreign investors were insufficiently mobilised because of lack of publicity or attractiveness of the projects.

The early 1990s saw a newfound commitment to economic cooperation in ASEAN⁹. Initiatives that have been created since then are currently consolidated under the umbrella vision of ASEAN Economic Community (AEC), which represents the end-goal of a single market through economic integration. As stated in the Bali Concord II declaration, this means “a stable, prosperous and highly competitive ASEAN economic region in which there is a

4 These treaties were namely the Treaty of Amity and Cooperation in Southeast Asia and Declaration of ASEAN Concord. They can be retrieved from <http://www.aseansec.org/1217.htm> and <http://www.aseansec.org/1216.htm> respectively.

5 The ASEAN Industrial Projects Scheme (AIPs) was implemented in 1976. Under the scheme, ASEAN members would allocate a large-scale, capital intensive project to each member, to be financed 60 percent by the host country and 40 percent by other members. Out of the five AIPs introduced in 1976, only two of them became fully operational.

6 The ASEAN Industrial Joint Venture (AIJV) was introduced in 1983 as the sister scheme to the ASEAN Industrial Complementmentation Scheme (AICS), and has now been replaced by the ASEAN Industrial Cooperation (AICO) Scheme. It encompasses private-sector driven projects aimed at facilitating horizontal specializations in various manufacturing sectors. The goal is to increase investment into and within ASEAN, and to raise industrial production. The Basic Agreement on AIJV can be retrieved from <http://www.aseansec.org/1366.htm>

7 The ASEAN Preferential Trading Agreement (PTA) was launched in 1977 to liberalize trade in the region. The margin of preference started at 10 percent and was later raised to 40 percent. Local content started at 50 percent and was later reduced to 35 percent.

8 The end of World War II saw many states, including many countries in ASEAN, gain independence. This created a zealous movement based on concepts such as interdependence, self-reliance and self-resilience. Newly independent states focused on establishing self-reliant national economies and sovereign governments.

9 This was largely due to fears in ASEAN that the region would be left out in a world where trading blocs were on the rise, and members' will to sustain growth rates.

free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities in 2020” (ASEAN, 2003). The mainstay of this vision is AFTA, which is complemented by a spectrum of other arrangements. Benefits from tariff reductions are stretched with investment liberalisation through the ASEAN Investment Area (AIA). Other arrangements such as the ASEAN Framework Agreement on Services (AFAS), e-ASEAN Framework Agreement and ASEAN Dispute Settlement Mechanism (DSM) serve to boost integration in priority sectors, facilitate movement of persons, and strengthen institutional mechanisms.

Arrangements arising out of economic cooperation between ASEAN and Northeast Asia, a collaborative known as the East Asian Community or ASEAN+3, also contribute to the realisation of AEC. Most notably, financial integration through the Chiang Mai Initiative (CMI)¹⁰ and Asian Bonds Markets Initiative¹¹ is instrumental in facilitating trade and investment.

II. Trade Cooperation

2.1. ASEAN Free Trade Area (AFTA)

The primary aim of AFTA is to “increase ASEAN’s competitive edge as a production base geared for the world market” (ASEAN, 1999). Its main feature is trade liberalisation through the elimination of intra-ASEAN tariffs and non-tariff barriers, which would then raise the efficiency and cost effectiveness of doing business and promote trade and investment in a fashion consistent with the General Agreement on Tariffs and Trade (GATT)¹². This implies raising intra-regional trade is secondary. Indeed, although the value of intra-ASEAN trade has more than doubled in the past decade, it has risen much slower in terms of proportion of countries’ total trade (from about 18 percent in the early 1990s to 22 percent in 2001)¹³. Also, total extra-ASEAN trade is around three times the total intra-ASEAN trade (see Table 3).

The agreement’s main mechanism is the Common Effective Preferential Tariff (CEPT) Scheme¹⁴, which is unique in its flexibility and gradualism. Under it, each member

10 The goal of the Chiang Mai Initiative is to create a network of bilateral swap arrangements (BSAs) among ASEAN+3 countries to address short-term liquidity difficulties and to supplement international financial arrangements.

11 The Asian Bonds Markets Initiative aims to develop efficient and liquid bond markets in Asia, enabling better usage of Asian savings for Asian investments.

12 The General Agreement on Tariffs and Trade (GATT) was introduced in 1947 and currently includes around 150 countries. The multilateral agreement aims to provide an international forum that facilitates free trade between partner states by regulating and reducing tariffs on traded goods and by providing a common mechanism for resolving disputes.

13 Based on material from ASEAN Secretariat

14 For more information about the scheme and AFTA, see: ASEAN. (1999). ASEAN Free Trade Area (AFTA): An update. Retrieved from ASEAN Secretariat website: <http://www.aseansec.org/7665.htm>

allocates goods that are subject to tariffs to one of four lists – Inclusion List (IL), Temporary Exclusion List (TEL), Sensitive List (SL) and General Exception List (GEL). Each list has different tariff reduction deadlines. Countries also have different deadlines; the less developed CLMV (Cambodia, Laos, Myanmar and Vietnam) are allowed more time to liberalise.

This flexibility has proven to be a double-edged sword. On one hand, it caters to the wide developmental gap in ASEAN by allowing unique treatment for each member, easing agreement negotiations. However, there have been abuses and backtracking. Vietnam, for instance, has put a larger than average proportion of products in its GEL¹⁵ (Tan, 1998). Further, gradualism has led to a slow liberalisation process.

Other shortcomings of AFTA are reminiscent of previous failures at economic cooperation. Besides a lack of private sector awareness, details have not been thoroughly drawn out. For example, the application of Rules of Origin (ROO) is unclear. This is perhaps due to ASEAN's style of agreeing first and negotiating the details later¹⁶. A new improvement of the AFTA, the ASEAN Trade in Goods Agreement (ATIGA)¹⁷, addresses some of these shortcomings; although being new its effectiveness remains to be seen. For instance, the arrangement includes greater transparency of the trade liberalisation processes and trade facilitation in areas such as customs and standards, technical regulation and conformity assessment procedures – improvements that would help businesses navigate and make use of the AFTA more easily.

AFTA has been expanded and become one of the three pillars of ASEAN Economic Community (AEC) together with ASEAN Comprehensive Investment Area (AIA) and ASEAN Framework Agreement on Services (AFAS). The completion of AEC has been accelerated from 2020 to 2015. The adoption of AEC Blueprint in November 2007 has provided a clear roadmap and process to achieve the AEC goals in 2015.

15 Vietnam's GEL accounts for 5.9 percent of its total tariff lines, more than three and a half times the general proportion in ASEAN. Its GEL contains 165 product categories, including automobiles and motorcycles, computers, telecommunication and information technology equipment and food and beverage products (Tan, 1998).

16 See: Soesastro (2005, p. 2)

17 The ASEAN Trade in Goods Agreement (ATIGA) integrates all existing and new ASEAN commitments and initiatives related to trade in goods into one comprehensive framework. The agreement's coverage includes tariff liberalization, elimination of non-tariff barriers, rules of origin, trade facilitation, custom procedures, standards and conformance, and sanitary and phytosanitary (SPS) measures. It was signed by the Economic Ministers of Brunei, Cambodia, Indonesia, Laos, Malaysia and Singapore in Singapore on 16 December 2008. More information can be found in the press releases on the ASEAN Secretariat website: <http://www.aseansec.org/22116.htm>

2.2. Extra-ASEAN PTAs¹⁸

2.2.1. ASEAN+1

ASEAN seems poised to gain a prominent position in the emerging network of PTAs in Asia-Pacific. Since 2002, the group has become party to FTA negotiations with Australia-New Zealand, China, India, Japan, Korea and the EU. These initiatives, known as the ASEAN+1 mechanism, have adopted AFTA's framework and have a comprehensive scope that encompasses not just trade but investment, services, IT, customs harmonising and antidumping. Hence, the term 'Comprehensive Economic Partnership (CEP)' has been preferred to FTA. This strategy is in line with the AFTA's focus on extra- rather than intra-regional trade and investment, which is apt given the countries that are involved in the ASEAN+1 agreements have are some of the main trade and investment partners of ASEAN (see Table 4 and 5).

In August 2007, ASEAN countries agreed to a moratorium on completing more advanced intra-regional FTAs, namely with China, Japan, Korea and Australia-New Zealand, before focusing on other FTA proposals¹⁹. Of the four FTAs, the ASEAN-China²⁰ is the most advanced. Its Early Harvest package containing some industrial and agricultural goods and dispute settlement mechanism came into force in 2005. China's average tariff on ASEAN countries' goods was reduced from 9.9 to 5.8 percent in 2007 and is expected to be eliminated in 2010²¹. Bilateral trade has surged since both sides agreed to establish the FTA; trade value between China and ASEAN tripled to US\$ 171.1 billion in 2007 from US\$ 59.6 billion in 2003²².

2.2.2. BTAs

In the same time ASEAN+1 FTA negotiations are going on, members have been pursuing FTAs of their own with partners outside the region. This is unlike their American and European counterparts, who only started doing so after regional arrangements have solidified rather than before. China, Japan and Korea account for a substantial proportion of the BTAs involving ASEAN countries (nine out of 20 that are in force), many of which adopt the CEP approach. Already, some of these BTAs seem to have yielded results. Malaysia's trade with

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_8304

