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## Regional integration and inclusive development: Lessons from ASEAN experience

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## Regional Integration and Inclusive Development: Lessons from ASEAN Experience

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## *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 Asia<sup>1</sup>. 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)<sup>2</sup>.

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-Pacific<sup>3</sup>. 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.

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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 treaties<sup>4</sup> calling for cooperation on economic development were signed. However, regional strategies that grew from there, namely the ASEAN Industrial Projects Scheme (AIPs)<sup>5</sup>, ASEAN Industrial Joint Venture (AIJV)<sup>6</sup> and ASEAN PTA<sup>7</sup>, 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-reliance<sup>8</sup>, 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 ASEAN<sup>9</sup>. 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

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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 Complementation 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)<sup>10</sup> and Asian Bonds Markets Initiative<sup>11</sup> 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)<sup>12</sup>. 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)<sup>13</sup>. 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) Scheme<sup>14</sup>, which is unique in its flexibility and gradualism. Under it, each member

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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 GEL<sup>15</sup> (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 later<sup>16</sup>. A new improvement of the AFTA, the ASEAN Trade in Goods Agreement (ATIGA)<sup>17</sup>, 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.

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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 PTAs<sup>18</sup>

### 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 proposals<sup>19</sup>. Of the four FTAs, the ASEAN-China<sup>20</sup> 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 2010<sup>21</sup>. 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 2003<sup>22</sup>.

### 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

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18 The complete list of PTAs involving ASEAN countries can be found in Table 1.

19 See: Cahiles-Magkilat, B. (2007, August 21). ASEAN stops new intra-regional FTAs. Manila Bulletin.

20 The complete text of the ACFTA can be obtained from the ASEAN Secretariat website at: <http://www.aseansec.org/4979.htm>. For a concise summary and deeper analysis of the ACFTA, see: Sheng, L. (2003). China-ASEAN Free Trade Area: Origins, developments and strategic motivations. ISEAS Working Paper: International Politics & Security Issues Series No.1.

21 See: Xinhua News. (2007, October 20). China-ASEAN trade speeds up. Retrieved from Xinhua News website: [http://news.xinhuanet.com/english/2007-10/20/content\\_6915888.htm](http://news.xinhuanet.com/english/2007-10/20/content_6915888.htm)

22 See: ASEAN. (1998, August 27). Joint media statement of the seventh AEM-MOFCOM consultations. Retrieved from the ASEAN Secretariat website: <http://www.aseansec.org/21893.htm>

Japan grew to US\$ 32.4 billion in 2006, a 2.5 percent increase from 2005, when the FTA between the two countries came into force<sup>23</sup>.

Having 10 concluded ‘WTO consistent’<sup>24</sup> FTAs, Singapore is the frontrunner in the region, making it a suitable reference point for FTA strategy in ASEAN. One of its key success factors is its autonomous liberalisation policy for both goods and services, which has enabled it to conclude FTA negotiations with relative ease and speed.

Another factor is its innovation at FTA design (Low, 2003). The Japan-Singapore Economic Partnership Agreement (JSEPA)<sup>25</sup> in particular presents a useful template for the rest of ASEAN because of its creative measures for reconciling conflicting interests. First, negotiations were based on a preceding joint study group made up of officials, academics and businessmen that provided not only expertise but space, time and publicity needed to resolve perceived threats (Rajan et al., 2001 & 2002). Singapore’s threat to Japan’s agricultural sector was seen more in terms of a “backdoor” effect due to its links to ASEAN. This was further resolved as both sides agreed to keep what they have committed to WTO, but extend cooperation beyond tariff elimination in goods to also focus on service trade liberalisation, investment and movement of natural persons, and to include “new age” areas such as science and technology, ICT and SME promotion. The agreement was also made more robust with dispute settlement and review mechanisms.

There are also lessons to be learned from the Singapore example. One important pointer is that foreign economic policy has to go hand in hand with domestic strategies. As more FTAs come into play, Singapore has had to re-examine its policy of restricting the number of doctors and lawyers and controlling imports of cars, tobacco and liquor products. Its developmental state and industrial policy based on state-related enterprises also have to be shifted to raise competitiveness.

### **2.2.3. Complements or impediments to AFTA?**

This new impetus of extra-ASEAN PTAs presents opportunities as well as challenges for ASEAN economic integration. Singapore has taken the stand that BTAs with partners outside the region provide an impetus to ASEAN trade liberalisation (Vandoren, 2005). And members such as Thailand, Malaysia and Philippines have followed its lead, initiating agreements of their own.

Although it remains to be seen whether this approach is in effect complementary to AFTA, there are some positive signs. First, the multi-faceted CEP approach that many of the

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23 See: Asian Economic News. (2007, February 12). Malaysia-Japan FTA boosts exports, narrow trade deficit. Asian Economic News.

24 Singapore’s FTAs are generally deemed ‘WTO consistent’ and ‘WTO plus’. They cover in principle ‘substantially all trade’ stated in WTO guidelines and a broad range of other issues, including services, trade facilitation, dispute settlement, investment, government procurement and intellectual property.

25 The full text of the JSEPA can be obtained from the Ministry of Foreign Affairs of Japan website at: <http://www.mofa.go.jp/region/asia-paci/singapore/jsepa.html>. For a detailed summary and deeper analysis of the JSEPA, see: Kim, Y. (2002). Assessment of Japan-Singapore FTA: Focusing on eliminating trade barriers of Japan. GSIS-SEeoul National University, Thesis.

PTAs take shows a willingness to go beyond the normal provisions of FTAs, reflecting strong political intention. This willingness to liberalise and cooperate economically with other countries may spill-over to provide ASEAN and East Asian negotiations a boost.

Next, as trade data concerning China-ASEAN FTA and some BTAs show, extra-ASEAN FTAs seem to be more effective at stimulating trade than AFTA. This is consistent with observations that ASEAN economies are more competitive than complementary. Thus, ASEAN's open regionalism approach and focus on raising the region's competitiveness rather than intra-regional trade is a suitable one.

However, there are potential downsides as well. First, this proliferation of PTAs between members and non-ASEAN partners may weaken commitment to region-wide and global free and open trade and investment. Such agreements may be efforts to take advantage of loopholes to protect sensitive sectors. This was evident during Japan-Singapore FTA negotiations, where Japan insisted on excluding segments of agriculture for which Singapore has potential in developing an export base. Also, a chain reaction might spark as ASEAN countries that have less aggressive FTA strategies might scurry to step up efforts after realising that other members are negotiating FTAs that can discriminate against them. As more of such agreements are signed, members would be less willing to bend to regional or global trade negotiations.

Second, as less developed members are left out of extra-ASEAN FTA negotiations, the economic gulf in the region may widen. Out of CLMV, only Vietnam is currently negotiating BTAs. Possible trade diversion effects of the FTAs might further deepen the gap if trade is diverted away from these less developed countries. Ultimately, this could heighten tensions that would weaken the fabric of the ASEAN community and widen development gap in the region.

Lastly, overlapping FTAs might create a spaghetti-bowl problem, as warned by Baldwin (2006). The wide variety of phase-out tariff-schedules, exclusion lists, ROOs and their application forms could cause exporters to face different tariffs and rules for different products and destinations.

### *III. Investment Cooperation*

#### **3.1. ASEAN Investment Area (AIA)**

The Framework Agreement on the ASEAN Investment Area (AIA)<sup>26</sup> was signed in 1998 with the aim of providing an environment conducive for free flow of direct investment, technology and skilled professionals. This entails developing and promoting the region as a single investment area. The agreement binds members to eliminate investment barriers, liberalise investment rules and policies, grant national treatment and open up industries (ASEAN, 1998). The AIA has expanded beyond manufacturing to include agriculture,

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<sup>26</sup> The full text of the Framework Agreement on AIA can be obtained at the ASEAN Secretariat website at: <http://www.aseansec.org/6462.htm>. For a concise summary and deeper assessment of the AIA, see: Jarvis, D. S. L. (2008). Foreign direct investment and investment liberalization in Asia: Assessing ASEAN's initiatives. Working Paper.

mining, forestry and fishery sectors, and services incidental to these areas. To oversee implementation, a ministerial body, the AIA Council, and a Coordinating Committee on Investment was established.

The AIA is radical in that it has greatly lifted long-established constraints on foreign investors in the following: restricted investment areas, restricted entry and establishment, restricted foreign shareholding, screening procedures and operational controls. This has produced impressive results. ASEAN foreign direct investment (FDI) flows for 2007 was US\$ 61.5 billion, the highest to date since 1998, and representing a year-on-year growth of 20.7 percent. Intra-ASEAN investment also grew, albeit more modestly, from US\$ 6.1 billion in 2006 to US\$ 8.2 billion in 2007<sup>27</sup>.

However, these statistics suggest some uncomfortable conclusions as well. Firstly, they show that like on the trade front, extra-ASEAN investment ties are much more robust than intra-ASEAN ties. As seen in Table 2, in 2006, intra-ASEAN investment, at US\$ 385.5 million, was overshadowed by extra-ASEAN investment, which stood at US\$ 3,221.6 million. This means members are competing more than cooperating to attract investment. Second, closer examination will reveal that FDI flows into the region are highly concentrated, with Malaysia, Singapore and Thailand accounting for 80 percent of total inflows between 1995 and 2005<sup>28</sup>. Also, FDI growth rates are uneven, generally to the advantage of the more developed nations. For instance, in the period 2004 to 2005, extra-ASEAN FDI inflow in Indonesia more than tripled to US\$ 7.4 billion, while Vietnam's inflow only rose 35 percent to US\$ 1.8 billion. Thus, it can be tentatively concluded that the more developed members are benefiting more from AIA than the less developed.

One possible reason for AIA's failure in this respect is that other aspects of raising competitiveness have not been addressed well enough for the benefits of reduced foreign investment barriers to be reaped substantially. The breaking down of barriers removes deterrents but does not raise attractiveness. What will draw investors are improvements in infrastructure, labour and other pull-factors that would create a conducive environment for doing business. The ASEAN Industrial Cooperation Scheme (AICO), though set up to address this, has not enjoyed as much success as AIA.

### 3.2. ASEAN Industrial Cooperation Scheme (AICO)

In tandem with AIA, the ASEAN Industrial Cooperation Scheme (AICO) was launched in 1996 to enhance industrial competitiveness through establishing a single production base in the region. An arrangement under the scheme consists of at least two ASEAN-based companies in the manufacturing sectors that have agreed to vertically integrate their operations. An "approved AICO product" enjoys preferential tariff rates of 0-5 percent and unlimited access into markets of participating countries. So far, most projects

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27 Statistics from: Vietnam News Agency. (2007, August 23). ASEAN looks for foreign investment. Retrieved from the Vietnam News Agency website: <http://www.vnagency.com.vn/Home/EN/tabid/119/itemid/210324/Default.aspx>

28 Statistics from: ASEAN. (2008). Joint media statement of the fortieth ASEAN Economic Ministers' (AEM) Meeting. Retrieved from the ASEAN Secretariat website: <http://www.aseansec.org/21883.htm>

come from the automotive sector; a handful are from the electrical and electronic and food processing sectors.

Two factors restrict the scheme's effectiveness. First, tariff reductions for "approved AICO products" are only in participating countries and not all ASEAN countries. Second, intermediate or raw materials only qualify for benefits if they are imported and used as inputs in the manufacture of the approved final product.

#### *IV. ASEAN Framework Agreement for Services (AFAS)*

Following the General Agreement on Trade in Services (GATS)<sup>29</sup>, the ASEAN Framework Agreement for Services (AFAS) aims to create a free trade area in services in the sectors of air transport services, maritime transport services, business and professional services such as accounting, engineering, telecommunication and financial services. Signed in 1995, AFAS entails cooperation in improving efficiency and competitiveness of service providers, reducing restrictions to trade in services among members, and liberalising trade in services beyond the scope in GATS.

This vision of a free trade area in services, however, seems far from reality. Although ASEAN countries vary in openness, they generally have substantial restrictions placed on various service sectors. The AFAS hence seems to be ineffective. Currently, the rules that apply to the establishment of a commercial presence are similar to those stated in the national foreign investment laws, which apply to all foreign services suppliers, not just from ASEAN. Thus, ASEAN services suppliers receive no preferential treatment. Further, there is no freedom of movement of natural persons within the region to supply a service except for intra-corporate transferees, and AFAS does not aim to create a common market for trade in services. As such, the benefits to be derived from it are limited (Tan & Samtani, 2002).

In seeking to eliminate substantially restrictions to trade in services among member countries, besides principles embedded in the agreement, there are AFAS initiatives that lead to tangible and visible results. Such initiatives centres around establishing or improving infrastructure facilities to actualise the principles laid out in AFAS. There are also suggestions for improvements in exchange of information so that data can travel faster between manufacturers, producers and sub-contractors to speed up the process of production. However, thus far, other than publicly available general target goals and schedules available on the website, scarce data has been provided on the effectiveness of such initiatives and the progress of their implementation.

There is no feedback or evaluation mechanism. The lack of feedback mechanism also applies to bench marking. Perhaps, most importantly, there are no domestic state-based mechanisms for disciplining practices on regulation compliance among ASEAN member states. Without such mechanisms, the report of Regional Economic Policy Support Facility (REPSF Project No. 05/004) in 2006 cites shifting baselines and fluctuations in

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<sup>29</sup> The General Agreement on Trade in Services (GATS), of which all WTO members are participants, entered into force in 1995. It aims to provide for global exchanges in services a credible and reliable system of international trade rules, fair and equitable treatment of all participants, guaranteed policy bindings and promotion of liberalization.

implementation and practice as a frequent issue in AFAS predictability. The absence of disciplining mechanism also prevents best practices from being actualised and guided through regulatory measures.

## *V. Other Areas of Cooperation*

### 5.1. Financial Integration

The 1997 Asian financial crisis awakened the region to its unpreparedness at managing globalised capital flows. Thus, ASEAN+3 leaders agreed to promote regional financing agreement, the Chiang Mai Initiative (CMI), in 2000. The scheme consists of an expanded ASEAN Swap Agreement (ASA) and a network of bilateral swap arrangements among members. Although its initiation is a commendable step, the total size of liquidity support to be available during crises is still relatively small. Hence, there is an imperative for further expansion.

The current global financial turmoil is a window of opportunity for ASEAN to strengthen and make full use of its framework and mechanism to initiate collective response to stabilise financial instability and macroeconomic cooperation. So far, the response has been slow and ineffective.

Another financial arrangement that ASEAN+3 has established is the Asian Bond Markets Initiative (ABMI). The scheme, which finance ministers agreed to promote in 2003, aims to develop efficient and liquid bond markets in Asia, so that Asian savings can be better utilised for Asian investments. Projects under the ABMI generally fall into two areas: 1) facilitating market access through increasing the range of issuers and types of bonds, and 2) improving market infrastructure to strengthen bond markets.

### 5.2. Market Integration

Economic integration using a market approach entails reducing transaction costs arising from cross-border flows by developing nonofficial institutions that offer public and quasi-public good. This commonly achieved through building infrastructure linkages like roads and telecommunication lines, which would facilitate cross-border trade and investment flows. This approach can be contrasted with institutional integration, where institutional structures enforce preferential trade among agreeing partners.

ASEAN economic integration, which is primarily driven by AFTA, AIA and AFAS, focuses more on the latter, although there are some market integration projects that the group is cooperating on, including the Singapore-Kunming Rail Link (SKRL), ASEAN highway network, ASEAN Power Grid and the Trans-ASEAN Gas Pipeline Network.

More active in this aspect are the sub-regional arrangements in ASEAN. The Greater Mekong Sub-region (GMS) Economic Cooperation, which was established in 1992 with the help of the Asian Development Bank (ADB), has seen US\$ 10 billion put into 180 infrastructures and investment projects.

Growth triangles (GT), being in principle market-driven, have also been vehicles for market integration in the region. They are typically formed between three or more countries to exploit complementarities in their factor endowments. They provide an alternative to formal integration efforts as they are usually peripheral-oriented and private sector led. A number of them have emerged in ASEAN. The Indonesia-Malaysia-Thailand GT (IMT-GT), for example, was formed partly to reduce distribution costs through improvement of infrastructure linkages.

Besides GTs' capacity to develop cross-border infrastructure linkages, there are other reasons why they can complement AFTA. Indeed, ASEAN supports the implementation and development of GTs<sup>30</sup>. Firstly, GTs can be seen as mechanisms working on a lower level to push smaller regions towards AFTA's liberalisation goals. Secondly, they can help reduce non-tariff barriers because they involve economic as well as non-economic elements. Thirdly, they can cushion the politico-economic risks of regional liberalisation as they are flexible enough to accommodate parties' unique interests.

## *VI. Dispute Settlement*

The 1996/2004 ASEAN Protocol on Dispute Settlement Mechanism (DSM)<sup>31</sup>, which covers disputes between members concerning AEC arrangements, was a step forward in dealing with ASEAN's lack of a supranational decision-making or law-making body to not only arbitrate negotiations, but legitimise legal structures built to facilitate implementation of agreements. The DSM Protocol states that a dispute is referred to the Senior Economic Officials Meeting (SEOM) after bilateral negotiations fail to produce a resolution. However, the intergovernmental body has no institutional power to ensure its rulings are abided by (Hund, 2002).

Under the Protocol, the role of the ASEAN Secretariat is to assist the panels and the Appellate Body, especially on legal, historical and procedural areas, providing secretarial and technical support, and assisting the SEOM in monitoring implementation of the findings and recommendations of the panel<sup>32</sup>. However, it too had no legal power. The newly adopted ASEAN Charter<sup>33</sup> has been hailed for its provision of a legal impetus for the group<sup>34</sup>.

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30 Details of ASEAN's role in the development of growth areas in the region can be found here:  
<http://www.aseansec.org/4928.htm>

31 ASEAN member states adopted the Protocol on Dispute Settlement Mechanism in 1996 – four years after the adoption of the AFTA Framework Agreement – and the Protocol on Enhanced Dispute Mechanism in 2004. The full text of the 1996 and 2004 Protocol on Dispute Mechanism can be found at the ASEAN Secretariat website:  
<http://www.aseansec.org/4924.htm>

32 Art. 19 of the 2004 Protocol on Enhanced Dispute Settlement Mechanism:  
<http://www.aseansec.org/16754.htm>

33 The ASEAN Charter, which consists of a set of laws committing members to democracy and economic integration, entered into force on 15 December 2008. More information about the Charter can be found on the ASEAN Secretariat website: <http://www.aseansec.org/ASEAN-Charter.pdf>

34 See: Soeriaatmadja, W. (2008, December 16). Cheer over Asean charter. The Straits Times. Retrieved December 21, 2008, from  
[http://www.straitstimes.com/Breaking%2BNews/SE%2BAsia/Story/STIStory\\_314949.html](http://www.straitstimes.com/Breaking%2BNews/SE%2BAsia/Story/STIStory_314949.html)

Although it is still too early to determine whether this provision would improve the DSM, criticisms of ineffectiveness and lack of forwardness have already emerged.

Limitations in this area are understandable as tensions between members are not just economic but political as well. Besides the competition in trade and investment, bilateral relations between ASEAN countries are also complicated by histories of envy and antagonism. Any viable institutional arrangement, hence, has to be sensitive to this.

Another shortfall of the ASEAN DSM is that it covers only state-to-state disputes. The newly signed ACIA does include Investor-to-State Dispute Settlement (ISDS) provisions, which were improved from those under the ASEAN IGA. However, such state-to-private sector dispute mechanisms are not addressed in AFTA and AFAS. There is also currently no DSM for disputes between private sectors for arrangements under the AEC, leaving it open without identifying any solution either based on domestic legal systems or arbitration or other procedures. This could be problematic as disputes are common and unavoidable in business exchanges, and the private sector's participation is crucial for the success of AEC. This is especially so for AFAS, the implementation of which is predominantly driven by businesses that have taken the initiative to advance the slow-moving trade in services liberalisation process.

## *VII. Challenges and Recommendations for ASEAN*

ASEAN has come a long way since it embarked on regional cooperation on trade and investment. The fundamental impeding issues in the region, though, have remained the same: testy political relations steeped in history, concerns of self-reliance, differing economic and political circumstances, and competitive rather than complementary economies. Thus, at the risk of oversimplifying, it can be inferred that every initiation of economic cooperation entails to a varying extent intricately balancing between appreciating these issues and making ambitious, effective agreements. Success cases generally represent innovative designs that overcome or sidestep these obstacles, and/or the presence of shared, imperative goals that unite members and transcend their conflicting interests.

Given that the politico-economical obstacles are enduring, the ASEAN-style of decision-making that relies on consensus will not easily give way to a legal and more institutionalised mechanism, such as that adopted by EU and NAFTA. Hence, perhaps the speedier way to integration lies in innovation in designing agreements. The multilayered approach of the AFTA, for example, can be expanded beyond staggered liberalisation deadlines. Deeper integration may be easier within sub-sections of the region that have more similar characteristics such as the ASEAN-4, which consists of Malaysia, Thailand, Philippines and Indonesia. Hence, regional integration can be achieved gradually by creating sub-trading units within the region and then promoting linkages between them. This approach would cater to different levels of development, limit domination by more developed members, and curb exploitation by outsiders through members with more open economies. The latter can occur when manufacturers from non-ASEAN countries carry out a certain portion of their production in easily-accessible, open ASEAN economies such as Singapore, so as to satisfy AFTA's relatively liberal Rules of Origin (ROO) and enjoy benefits such as lower tariffs.



The design of the current DSM can also be improved to better balance between diplomacy and institutionalisation. An autonomous body of representatives from member states can be established to arbitrate and resolve disputes by making legally binding decisions. This arrangement could be assimilated into the current bodies overseeing the implementation of agreements such as the Senior Economic Officials Meeting (SEOM) for AFAS and the AIA Council for AIA.

Nevertheless, ASEAN's existing style of negotiating can be strengthened. Firstly, greater urgency can be emphasised as the region faces economic threats from rapidly developing neighbours such as China and India. As the 1997 Asian economic crisis showed, a collective will to tackle shared concerns can speed up the integration process. Secondly, the norm of agreeing to initiatives first then discussing details later should be phased out. Such a negotiating style has led to agreements that are vague and haphazard in implementation. ASEAN decision-makers must work towards concretely laying out the necessary details to aid coherent and effective execution.

Perhaps because of its negotiating style, ASEAN currently faces the problem of a confusing array of arrangements that have been slow or stagnant in implementation. To move from this point would require greater concentration on management of existing agreements, initiatives and commitments. The practice of setting up of sub-committees and working groups to oversee execution seems to serve this function well. The AIA, for instance, involves a ministerial-level Investment Area Council and an assisting Coordinating Committee on Investment, which oversee, coordinate and implement the AIA among member states, performing roles such as reviewing parties' Temporary Exclusion List (TEL) and Sensitive List (SL). Existing arrangements, hence, can be followed through more effectively if such bodies are established to steer operations, manage resources and review progress. For example, the adoption of ASEAN Economic Blueprint should be followed with the empowerment of the ASEAN Secretariat to monitor the implementation of AEC Blueprint through the publication of performance scorecards.

New challenges have also emerged due to contextual changes. Firstly, as ASEAN countries continue to pursue FTAs and other economic cooperation agreements with non-ASEAN partners, the network of extra-regional arrangements will grow and become more complex. The challenge would be to harmonise these arrangements so that they are consistent with efforts to realise the AEC. ASEAN's recognition for the need to integrate arrangements, as reflected in the goals of newly signed agreements ATIGA and ACIA<sup>35</sup>, is commendable. This same approach should be applied to raise the complementariness between other ASEAN arrangements, and between ASEAN and non-ASEAN arrangements.

Secondly, ASEAN would have to contend with an increasingly globalised world where international investors look for not just large markets but immobile assets such as robust infrastructure, skilled labour, and supporting policies and institutions (UNCTAD, 1999). As AFTA and AIA focus on developing institutional support such as in liberalisation policies, capacity building in tangible areas such as human resource and infrastructure is less

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35 One of the key elements of the ASEAN Trade in Goods Agreement (ATIGA) is to consolidate all goods-related intra-ASEAN obligations, commitments and initiatives to create a more user-friendly agreement. The ASEAN Comprehensive Investment Agreement (ACIA) integrates the two existing agreements related to investment promotion and protection – the ASEAN Investment Area (AIA) and ASEAN Investment Guarantee Agreement (IGA).

emphasised. Hence, greater cooperation is needed in developing members' capabilities, which would boost both individual members' and the region's attractiveness as investment destinations and trade partners.

The Initiative for ASEAN Integration (IAI) is commendable for addressing this issue. Besides accelerating the scheme, ASEAN should also work more closely with sub-regional arrangements such as the GMS program and GTs (see Box 1). These lower level arrangements have potential to boost regional cooperation on building capacities and infrastructure as they are in a more advantageous position to mobilise the peripheral areas and private sector. ASEAN's current support for these arrangements could be expanded to include assistance in mobilising resources and providing expertise, and integration with wider economic cooperation initiatives. The benefits are two-fold. First, the performance of these sub-regional initiatives would be improved. Second, ASEAN would be able to better align its goals with these arrangements, creating a more consistent and effective network of trade and investment related cooperation arrangements in the region.

**Box 1: Harmonising ASEAN and non-ASEAN arrangements: Case study of the Initiative for ASEAN Integration (IAI) program and the Greater Mekong Sub-region (GMS) Economic Cooperation**

Having similar goals and target areas for development, IAI and GMS run the risk of overlap and contradiction. However, given their differing approaches, and strengths and shortfalls, there is also potential for integration and greater synergy. The IAI was conceived during the Fourth ASEAN Informal Summit in Singapore in 2000 with the aim of closing the development gap in ASEAN through creating opportunities for the more developed ASEAN countries, namely Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand, to assist the less developed members, namely Cambodia, Laos, Myanmar and Vietnam, also known as the CLMV countries. The GMS was formed between the CLMV countries, Thailand and China in 1992 with the help of ADB. The initiative aims to raise the level of development of its members through intensifying connectivity and cooperation.

The scopes of the two arrangements overlap considerably. They both target the following areas: human resource development, trade facilitation, infrastructure, tourism, information communication technology and environment. However, so far, they have focused on different areas. The GMS's main thrust has been the building and upgrading of physical infrastructure such as road networks, power transmission linkages and telecommunications interconnectivity. The IAI, on the other hand, places human resource development as its priority, leading to a focus on education, skills development and worker training.

Integration of the two programs has several advantages. First, their differing areas of focus and neglect can be made complementary. For example, IAI can provide the training and expertise for the Mekong countries to run and optimise the use of infrastructures built by GMS. Second, integration would entail a larger pool of shared resources such as finances, information, and management personnel. Thirdly, resource mobilisation might be enhanced, if the donor coordination mechanisms of the two schemes are integrated.

Opening up a channel for dialogue and mutual information exchange is a crucial first step towards the integration of IAI and GMS. This can be achieved through institutionalising high-level consultations to allow exploration and deliberation of new means of collaboration. To mobilise cooperation in the various sectors, operations-level advisory bodies can be formed. Currently, the GMS program is facilitated by forums at the operations-level such as sector working groups and the Senior Officials Meeting (SOM), while the IAI is facilitated by the IAI Unit of the ASEAN secretariat and the IAI Task Force. These management groups can come together to form collaborative working groups structured by sector or other means.

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**Table 1: PTAs involving ASEAN countries (as of December 2008)**

RTAs		BTAs	
Established (year signed, year in force)	Under negotiation	Established (year signed, year in force)	Under negotiation
AFTA: ASEAN Free Trade Area (1992, 1993)	ASEAN+3: East Asia Free Trade Area	Brunei-Japan (2007, 2008)	Brunei-Pakistan Brunei-United States
ACFTA: ASEAN-China Free Trade Area (2002, 2003)	ASEAN+6: East Asia Summit Free Trade Area	Indonesia-Japan (2007, 2008)	Indonesia-India Indonesia-Australia
AKFTA: ASEAN-Korea Free Trade Area (2004, 2006)	AANZFTA: ASEAN-Australia-New Zealand Free Trade Agreement*	Malaysia-Japan (2005, 2006)	Indonesia-EU Indonesia-Pakistan*
APTA: Asia-Pacific Trade Agreement (2005, 2006)	ASEAN-EU	Malaysia-Korea (2007, 2007)	Indonesia-United States
ESFTA: EFTA-Singapore Free Trade Agreement (2002, 2003)	ASEAN-India*	Malaysia-Pakistan (2007, 2008)	Malaysia-Australia Malaysia-Chile
TPSEPA: Trans-Pacific Strategic Economic Partnership Agreement (2005, 2006)	AJCEP: ASEAN-Japan Comprehensive Economic Partnership*	Singapore-Australia (2003, 2003)	Malaysia-India Malaysia-Korea
	BIMSTEC: Bay of Bengal Initiative for Multisectoral, Technical and Economic Cooperation*	Singapore-China (2008, -)	Malaysia-New Zealand Malaysia-United States
	PTA-D-8: Preferential Tariff Arrangement-Group of Eight Developing Countries	Singapore-Gulf Cooperation Council (2008, -)	Philippines-Japan* Philippines-Pakistan
	TPS-OIC: Trade Preferential System-Organisation of Islamic Conference*	Singapore-Hashemite Kingdom of Jordan (2004, 2005)	Philippines-United States Singapore-Canada
		Singapore-India (2005, 2005)	Singapore-Mexico Singapore-Pakistan
		Singapore-Japan (2002, 2003)	
		Singapore-Korea (2005, 2006)	

		Singapore-New Zealand (2000, 2001) Singapore-Panama (2006, 2006) Singapore-United States (2003, 2004) Thailand-Australia (2004, 2005) Thailand-China (2004, 2004) Thailand-India (2004, 2004) Thailand-Japan (2007, 2007) Thailand-New Zealand (2005, 2005)	Singapore-Peru* Singapore-Sri Lanka Singapore-Ukraine Thailand-Bahrain* Thailand-Chile Thailand-EU Thailand-India* Thailand-Japan Thailand-Korea Thailand-MERCOSUR Thailand-Pakistan Thailand-Peru* Thailand-United States Vietnam-Chile Vietnam-Japan
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\*Framework signed

**Table 2: Foreign direct investments net inflow, intra- and extra-ASEAN, 2004-2006 (value in US\$ million; change in percent)**

Country	2004			2005			2006			Year-on-year change (2004-2005)			Year-on-year change (2005-2006)		
	Intra-ASEAN	Extra-ASEAN	Total net inflow	Intra-ASEAN	Extra-ASEAN	Total net inflow	Intra-ASEAN	Extra-ASEAN	Total net inflow	Intra-ASEAN	Extra-ASEAN	Total net inflow	Intra-ASEAN	Extra-ASEAN	Total net inflow
Brunei Darussalam	19.7	192.4	212.0	19.4	269.1	288.5	9.7	423.8	433.5	(1.2)	39.9	36.1	(50.0)	57.5	50.2
Cambodia	31.9	99.5	131.4	129.2	252.0	381.2	155.5	327.7	483.2	304.8	153.4	190.2	20.4	30.0	26.8
Indonesia	204.2	1,690.3	1,894.5	883.3	7,452.7	8,336.0	1,524.5	4,031.7	5,556.2	332.5	340.9	340.0	72.6	(45.9)	(33.3)
Lao, PDR	7.8	9.2	16.9	6.7	21.0	27.7	10.6	176.8	187.4	(13.8)	129.4	63.8	58.0	740.2	575.8
Malaysia	980.2	3,643.7	4,623.9	572.9	3,391.9	3,964.8	467.8	5,591.9	6,059.7	(41.6)	(6.9)	(14.3)	(18.3)	64.9	52.8
Myanmar	9.3	241.8	251.1	38.4	197.5	235.9	27.8	115.2	143.0	311.9	(18.3)	(6.1)	(27.5)	(41.7)	(39.4)
Philippines	71.1	616.7	687.8	12.7	1,841.3	1,854.0	(95.6)	2,440.6	2,345.0	(82.1)	198.6	169.6	(852.7)	32.5	26.5
Singapore	548.0	19,279.5	19,827.5	1,175.6	13,826.3	15,001.9	1,137.7	22,917.7	24,055.4	114.5	(28.3)	(24.3)	(3.2)	65.8	60.3
Thailand	688.7	5,173.3	5,862.0	762.2	8,194.8	8,957.0	2,822.1	7,933.9	10,756.1	10.7	58.4	52.8	270.2	(3.2)	20.1
Vietnam	242.9	1,367.2	1,610.1	164.7	1,856.1	2,020.8	181.9	2,178.1	2,360.0	(32.2)	35.8	25.5	10.4	17.3	16.8
ASEAN	2,803.7	32,313.5	35,117.2	3,765.1	37,302.7	41,067.8	6,242.1	46,137.4	52,379.5	34.3	15.4	16.9	65.8	23.7	27.5
ASEAN-5	2492.2	30,403.4	32,895.7	3,406.8	34,706.9	38,113.7	5,856.6	42,915.8	48,772.4	36.7	14.2	15.9	71.9	23.7	28.0
BLCMV	311.5	1,910.0	2,221.5	358.4	2,595.8	2,954.2	385.5	3,221.6	3,607.1	15.0	35.9	33.0	7.6	24.1	22.1

Source: ASEAN Foreign Direct Investments Database (compiled from data submission of central banks, national statistical offices and other relevant government agencies)

ASEAN-5 consists of Indonesia, Malaysia, the Philippines, Singapore and Thailand, while BCLMV is comprised of Brunei Darussalam, Cambodia, Lao PDR, Myanmar and Vietnam.

**Table 3: Total ASEAN Trade, 2005-2006 (value in US\$ million; change in percent)**

Country	Exports				Imports				Total trade			
	Intra-ASEAN		Extra-ASEAN		Intra-ASEAN		Extra-ASEAN		Intra-ASEAN		Extra-ASEAN	
	Value	Share to country total	Value	Share to country total	Value	Share to country total	Value	Share to country total	Value	Share to country total	Value	Share to country total
Brunei Darussalam	1,887.3	24.8	5,732.0	75.2	745.8	50.1	743.1	49.9	2,633.2	28.9	6,475.1	71.1
Cambodia	235.4	6.7	3,279.1	93.3	991.2	33.9	1,931.8	66.1	1,226.5	19.1	5,210.9	80.9
Indonesia	18,483.1	18.3	82,315.5	81.7	19,379.2	31.7	41,686.3	68.3	37,862.3	23.4	124,001.8	76.6
Lao, PDR	289.8	72.0	112.8	28.0	500.7	85.2	86.8	14.8	790.5	79.8	199.7	20.2
Malaysia	40,979.6	26.1	116,247.3	73.9	32,290.7	25.2	96,025.5	74.8	73,270.2	25.7	212,272.7	74.3
Myanmar	2,149.7	61.2	1,365.0	38.8	1,174.7	55.5	940.8	44.5	3,324.4	59.0	2,305.9	41.0
The Philippines	8,192.2	17.3	39,217.9	82.7	10,218.3	19.7	41,555.3	80.3	18,410.5	18.6	80,773.3	81.4
Singapore	83,801.6	30.9	187,806.3	69.1	62,300.4	26.1	176,181.6	73.9	146,102.0	28.6	363,987.9	71.4
Thailand	26,944.2	22.2	94,635.3	77.8	23,539.8	18.5	103,569.0	81.5	50,484.0	20.3	198,204.3	79.7
Vietnam	6,214.0	16.8	30,819.7	83.2	12,453.7	31.0	27,783.1	69.0	18,667.7	24.2	58,602.8	75.8
ASEAN	189,176.8	25.2	561,531.0	74.8	163,594.5	25.0	490,503.3	75.0	352,771.4	25.1	1,052,034.3	74.9

Source: ASEAN Trade Database (compiled from data submission and/or websites of ASEAN Member Countries' national statistical offices and other relevant government agencies)

**Table 4: An foreign direct investments net inflow from selected partner countries/regions (value in US\$ million; change in percent)**

Country	Value				Share to total net inflow			
	2004	2005	2006	2002-2006	2004	2005	2006	2002-2006
ASEAN	2,803.7	3,765.1	6,242.1	19,377.7	8.0	9.2	11.9	11.3
USA	5,232.4	3,010.6	3,864.9	13,736.1	14.9	7.3	7.4	8.0
Japan	5,732.1	7,234.8	10,803.3	30,813.7	16.3	17.6	20.6	18.0
European Union (EU)-25	10,046.1	11,139.6	13,361.9	44,955.6	28.6	27.1	25.5	26.3
China	731.5	502.1	936.9	2,302.9	2.1	1.2	1.8	1.3
Republic of Korea	806.4	577.7	1,099.1	3,347.3	2.3	1.4	2.1	2.0
Australia	566.7	195.9	399.2	1,444.3	1.6	0.5	0.8	0.8
India	118.7	351.7	(380.4)	295.1	0.3	0.9	(0.7)	0.2
Canada	301.2	161.3	274.0	1,184.9	0.9	0.4	0.5	0.7
New Zealand	3.5	480.7	(282.8)	392.1	<u>0.0</u>	1.2	(0.5)	0.2
Pakistan	4.8	3.5	7.8	16.8	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total selected partner countries/regions	26,347.1	27,422.9	36,331.7	117,866.4	75.0	66.8	69.4	69.0
Others	8,770.1	13,644.9	16,047.9	52,955.4	25.0	33.2	30.6	31.0
Total	35,117.2	41,067.8	52,379.5	170,821.9	100.0	100.0	100.0	100.0

Source: ASEAN Foreign Direct Investments Database (compiled from data submission of central banks, national statistical offices and other relevant government agencies)

Notes:

(-) not available as of publication time

(n.a.) not applicable

(\_) less than 0.1%

European Union (EU)-25 includes Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

Others include inflow from all other countries, including Russia, as well as total reinvested earnings in the Philippines (local banks only) for 2002-2006.



**Table 5: ASEAN trade by selected partner country/region, 2006 (value in US\$ million; share in percent)**

Country	Value			Share to total ASEAN trade		
	Exports	Imports	Total trade	Exports	Imports	Total trade
ASEAN	189,176.8	163,594.5	352,771.4	25.2	25.0	25.1
Japan	81,284.9	80,495.6	161,780.5	10.8	12.3	11.5
USA	96,943.5	64,252.5	161,196.0	12.9	9.8	11.5
European Union (EU)-25 <sup>1/</sup>	94,471.8	66,118.1	160,589.9	12.6	10.1	11.4
China	65,010.3	74,950.9	139,961.2	8.7	11.5	10.0
Republic of Korea	25,670.0	26,849.7	52,519.6	3.4	4.1	3.7
Australia	23,148.5	13,262.8	36,411.4	3.1	2.0	2.6
India	18,928.1	9,774.6	28,702.7	2.5	1.5	2.0
Canada	3,916.4	2,970.3	6,886.8	0.5	0.5	0.5
Russia	1,583.0	2,841.1	4,424.1	0.2	0.4	0.3
New Zealand	3,018.6	1,531.2	4,549.8	0.4	0.2	0.3
Pakistan	2,986.2	296.1	3,282.4	0.4	-	0.2
Total selected partner countries/regions	606,138.2	506,937.5	1,113,075.7	80.7	77.5	79.2
Others	144,569.6	147,160.4	291,730.0	19.3	22.5	20.8
Total	750,707.8	654,097.8	1,404,805.7	100.0	100.0	100.0

Source: ASEAN Trade Database (compiled from data submission and/or websites of ASEAN Member Countries' national statistical offices and other relevant government agencies)

Notes:

(-) not available as of publication time

European Union (EU)-25 includes Austria, Belgium, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden, and United Kingdom.

Others include trade of all other countries and those that could not be attributed to specific countries.