



# Experiences of ASEAN Countries: Lessons for CAREC



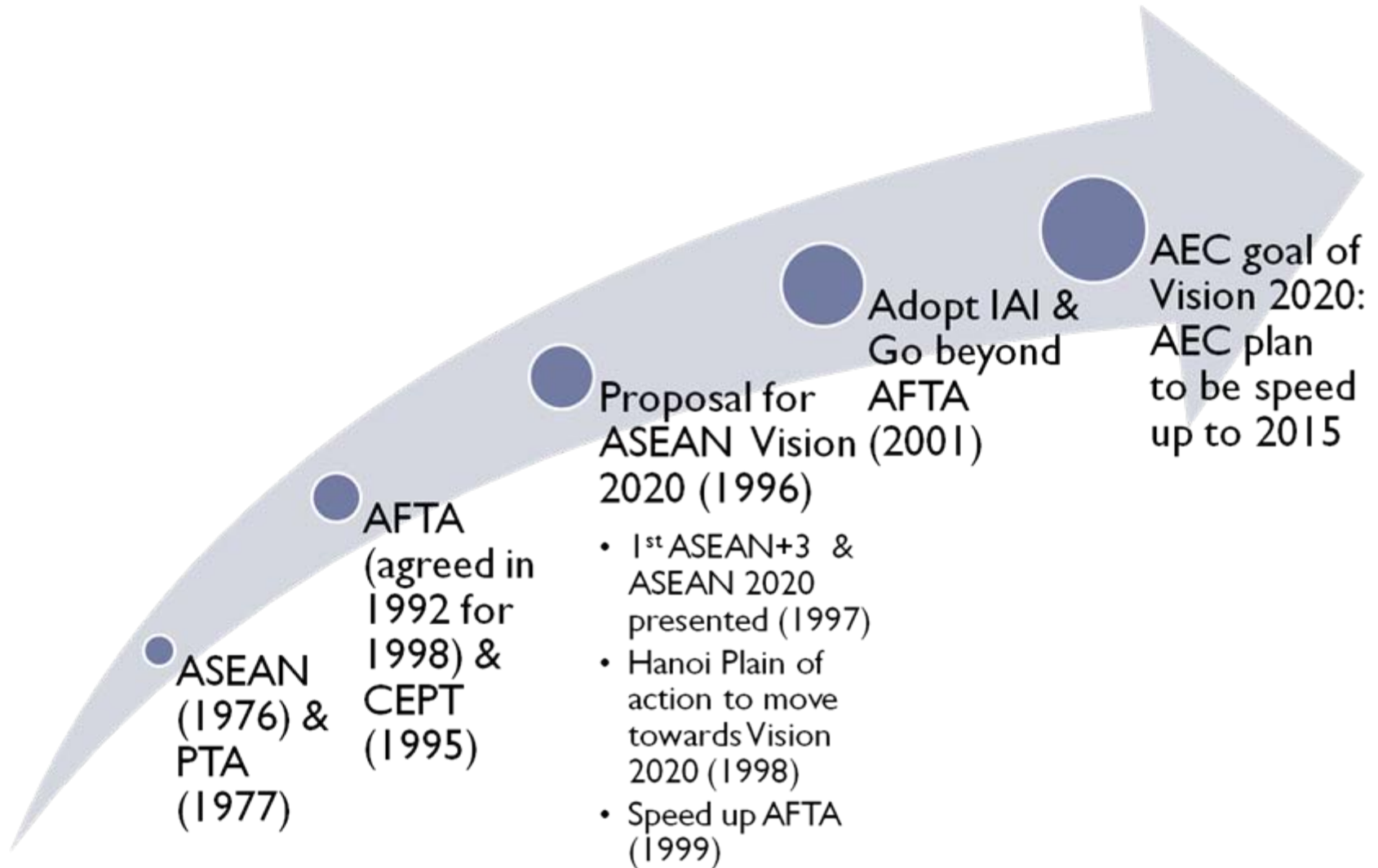
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# Regionalisation in Southeast Asia

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- ▶ End of WWII – mid 1950s: nationalist movements, prevalent colonial ties, civil warfare + British & American influences
- ▶ Late 1950s – mid 1960s: birth of a number of regional initiatives
- ▶ 1967: ASEAN first initiative
  - ▶ Originally instrumental in keeping SEA in a peaceful region (Plummer, 2006b)
  - ▶ Has a long way since embarking !
  - ▶ Fundamental impeding factors: economic and political differences, concerns of self-reliance, testy political relations steeped in history, competitive rather than complementary (Lim and Yi-Xun, 2008),

# Chronology of ASEAN & ASEAN+3



# ASEAN as an Economic Integration

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- ▶ Kettunen (2004) sees ASEAN as an example of cooperation and EU as representing integration.
- ▶ Plummer (2006b): ASEAN represents integration, at least from an institutional perspective.
- ▶ Lindberg (2007): ASEAN objective never mentioned regional economic integration while the launching of AFTA reflected a commitment towards deeper cooperation and integration.

# ASEAN's Sluggish Progress

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- ▶ ASEAN has matured considerably after Asian Financial Crisis (Plummer, 2006a). Yet, AFTA/AEC process is sluggish.
- ▶ Lim and Yi-Xun (2008): 'regional strategies that grew from there [the Bali Summit in 1976], namely AIPs, AIJV and PTA, were largely unsuccessful.'

# Lessons Learned

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## Fundamental Conditions

- Geographical/ Socio-Economic/ Cultural/ Political Differences
- Trade/ Investment Flows



## Design of Institutions and Mechanism at Regional Level for

- Decision-making process
- Negotiation and Dispute Settlement (Consensus?)



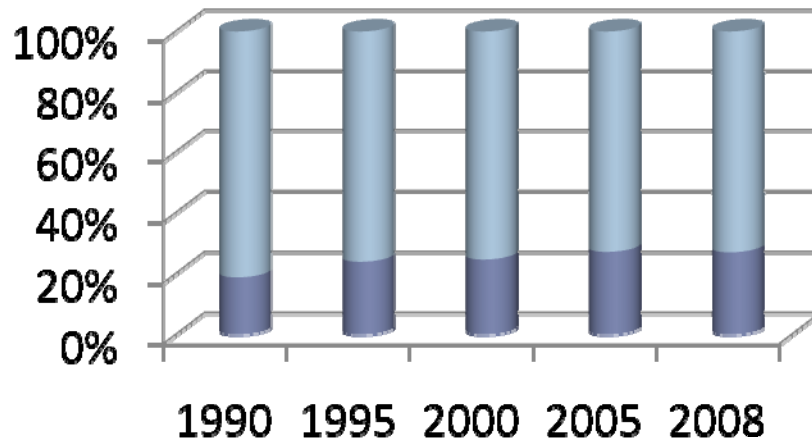
## Regional Policy VS Foreign Economic and Domestic Strategies at National Level

# Fundamental Conditions → Hard to establish inner cohesion.

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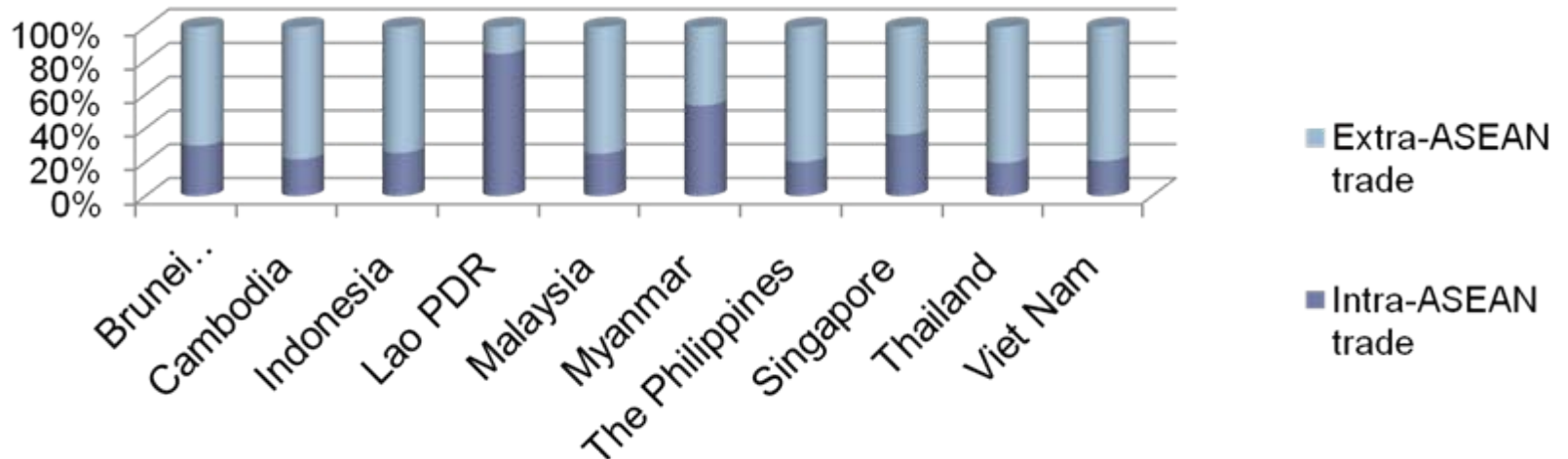
- ▶ Heterogeneous region (wide income gap, different commercial regimes, etc) without explicit regional policy.
- ▶ Over 40 years, very little effect on trade and investment flows
  - ▶ Mostly dependent on non-ASEAN markets (US/ EU/ Japan):
  - ▶ Intra-trade accounts for  $\frac{1}{4}$ 
    - ▶ But countries being in ASEAN, *ceteris paribus*, increases bilateral trade by approx 140% than what we would have expected otherwise (Plummer, 2006b).
    - ▶ ASEAN as a group → significant determinant of international trade flows, esp for the US and EU (Plummer, 2006b)
  - ▶ Intra-region investment flows = 15% on average

# ASEAN Trade 1990-2008



Source: ASEAN Secretariat

2008 by  
Member





# PTA, then AFTA

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- ▶ PTA Started in 1977, but not very efficient.
  - ▶ After ten years, it covered only five percent of trade between members.
- ▶ The cuts in tariffs were generally not very deep.
- ▶ The offers within the agreement often did not exceed bilateral agreements already reached.
- ▶ ‘exclusion lists’ were raised so that substantial areas were left untouched.
- ▶ NTBs covering quotas and import prohibition were applied.
- ▶ Heterogeneity in tariff structure → The utilisation of the CEPT scheme has been very low.

# AIA (ASEAN Investment Area)

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- ▶ A tool used to facilitate a free and open investment regime so as to enhance ASEAN attractiveness and competitiveness as a single production base.
  - ▶ Countries like landlocked Laos will be difficult to find its position in production chain.
- ▶ Again, AIA process is very slow and mainly exists on paper. → to free flow of factors required to complete AEC.

# Concerns toward AEC

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- ▶ Organisational structure of a future AEC
- ▶ Whether a strong institutional body should be established.
- ▶ Needs to install a legal framework
- ▶ The mandate of the ASEAN Secretariat needs to be strengthened.
- ▶ Capacity building in human resources and infrastructure is less emphasised.
- ▶ Promotion of sub-regional initiatives (eg: GMS) to create a more consistent and effective network of trade and investment.

# Challenges for CAREC

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- ▶ Enhancement of market access via reduction in trade costs and facilitations of trade flows: + how to realise potential gains?
- ▶ Design of an enforceable institution framework + comprehensive domestic reforms
- ▶ Preparation for conformity and compliance: what to do to conform with the harmonised regulations? Capacity building or mutual recognition agreement?
- ▶ Trade-investment link: how to develop production chain? how can CAREC attract investment? And what will be trade pattern post-cooperation?
- ▶ Interaction between regionalism and multilateralism