



ASEAN's Delusions of Regionalism

**Eduardo C. Tadem, Ph.D.
University of the Philippines
Asian Center**



Outline of presentation

1. Prerequisites for SEAsian regionalism
2. ASEAN beginnings
3. ASEAN achievements
4. Shortcomings and setbacks
5. The ASEAN Free Trade Area
6. Other ASEAN weaknesses
7. Trends in SEAsian regionalization
8. Conclusions

1. Prerequisites for Southeast Asian regionalism

- 1. Similarities in historical experiences; e.g., historical trade ties, colonialism, interactions among peoples
- 2. Similarities in structures and systems of government
- 3. Cooperation among governments in the region
- 4. Common idea of a regional identity
- 5. Complementary economies



2. Association Of Southeast Asian Nations (ASEAN) - Beginnings



Context of ASEAN's founding in 1967:

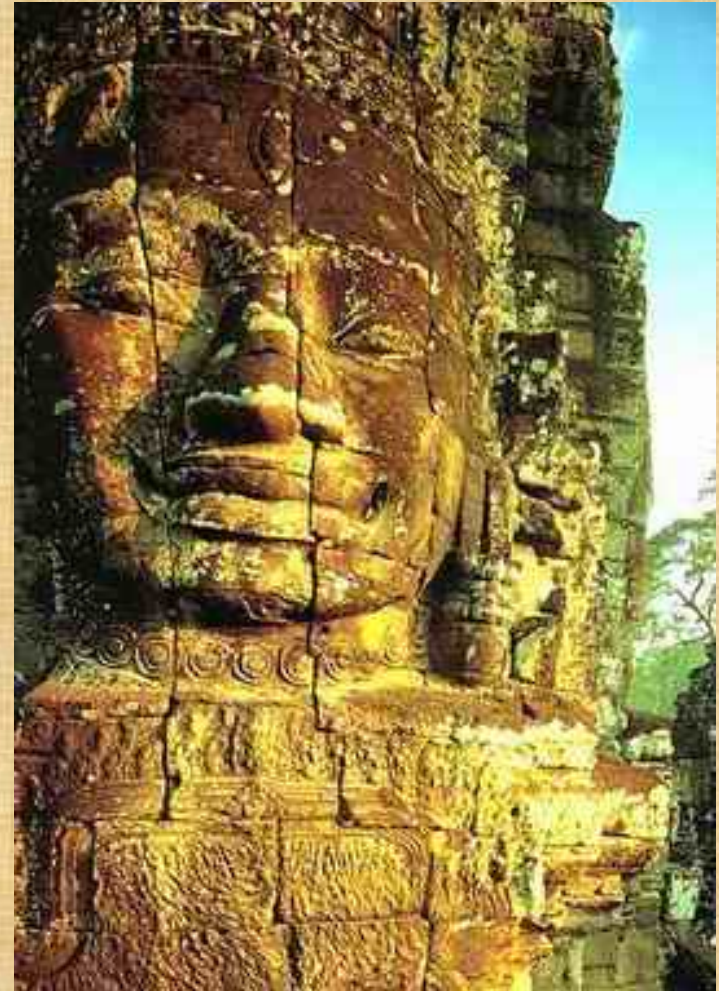
- Cold war era – concern with the ongoing Vietnam War and Indochina conflict gave ASEAN an implicit political dimension as defined by SEAsian elites.
- Original member states led by groups and leaders with anti-Communist, pro-Western orientations. Political elites of the era were products of the colonial period.
- a group of anti-communist countries with governments that faced significant threats (ongoing or in recent past) from domestic left-wing movements



- End of the Indochina Wars in 1975 changed the context of ASEAN's activities dramatically. Member states began to discuss more extensive economic cooperation: trade liberalization, prices of the region's key commodities.
- Admission of the Indochinese states in late 1990s reflected a change in context and end to fears of external "Communist aggression."

3. ASEAN's achievements

- ASEAN took a leading role in helping resolve the Vietnam-Cambodia conflict in the early 1990s
- The Cambodian success came at a time when SE Asian economies were starting to attract attention for their high growth rates.
- 1992, creation of ASEAN Free Trade Area (AFTA), to construct a regional market of almost 500 million people





- 1994, the ASEAN Regional Forum (ARF) was formed to foster dialogue and consultation on political and security issues (included US, Japan, Australia, Russia and China)
- 1995, signing of the Southeast Asian Nuclear Weapons-Free Zone Treaty
- accelerated range of contacts in many other areas, on official and semi-official bases: universities, think-tanks, chambers of commerce, government bureaus

4. Shortcomings and setbacks

- Failed Projects:
 - ASEAN Industrial Projects (AIP) - assigning capital-intensive projects to different countries to develop;
 - ASEAN Industrial Complementation Scheme (AIC) - dividing different production phases of auto and other industries among member countries;
 - Currency swap – only US\$2 billion committed out of US\$20 billion needed; the US wanted IMF to be part of the process; ASEAN gave in
- The U.S. and China's undermining of the SEAsian Nuclear Weapons Free Zone initiative by refusing to be signatories
- Inaction on the East Timor crisis from the 1970s to 1999
- Turning a blind eye to the brutal crackdown against pro-democracy forces in Burma in 1988

5. The Asean Free Trade Area (AFTA) experience

- The AFTA program was initiated in 1992 to create an integrated market among ASEAN's close to half a billion people, make the ASEAN economies more efficient and competitive, and attract investments into the region.
- Involves the removal of obstacles to freer trade among member states. This includes the abolition of high tariffs or taxes on traded goods and the scrapping of quantitative restrictions (QR's) and other non-tariff barriers (NTB's) that limit the entry of imports.
- The ultimate target of AFTA is to eliminate all import duties by 2010 for the six older members of ASEAN and by 2015 for the four new members.

Strengths:

- 1. From the beginning of 1993, the six long-standing members (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) reduced their tariffs on one another's goods to a maximum of 5%.
- 2. The plan is to deepen AFTA by integrating the four newer members (Cambodia, Laos, Myanmar and Vietnam), tackling non-tariff barriers and expanding its scope to new areas such as investment. Have concluded collective free-trade agreements with China.
- 3. According to the ASEAN secretariat, trade among its members roughly doubled in the decade from 1993.



Weaknesses:

1. ASEAN's trade with the rest of the world has grown just as fast as trade among its members. Trade with China has actually grown much faster and more consistently. Intra-ASEAN trade growth, by contrast, has been patchy and stagnant over the last few years.

Intra-ASEAN Trade									
Year	1980	1985	1990	1995	2000	2001	2002	2003	2004
%	18.0	20.3	18.9	24.1	24.7	24.1	24.4	24.9	24.1

Other Trading Blocs

East Asia-15	57.3% in 2002
European Union-15	62.4% in 2002
N. American Free Trade Area.....	48.0%

2. ASEAN economic cooperation has been tough going; ASEAN economies are not complementary and in many ways compete with each other.

Products	Brun	Burm	Camb	Indo	Lao	Maly	Phils	Sing	Thai	Viet
Garments/textiles		x	x	x	x		x		x	x
Oil/refining	x			x		x		x		
Wood/products		x	x	x	x	x	x			
Mining/prods		x	x	x	x	x	x			x
Rubber/proc			x	x	x			x		x
Rice	x	x	x	x	x	x	x		x	x
Vegetables/Fruits	x	x	x	x	x	x	x		x	x
Sugar/prods		x			x		x		x	
Tourism	x	x	x	x	x	x	x	x	x	x
Electronics						x	x	x	x	
Coconuts/prods				x		x	x		x	
Food/proc		x	x		x	x	x	x	x	x
Construction	x	x		x	x		x	x	x	x
Manufacturing						x			x	x

3. The Common Effective Preferential Tariff (CEPT) scheme is the main instrument for turning Southeast Asia into a free trade area. It is a cooperative arrangement among ASEAN member states to reduce intra-regional tariffs and remove non-tariff barriers. The goal is to reduce tariffs on all manufactured goods to 0-5% originally by the year 2003. However, it is estimated that only 5% of intra-ASEAN trade makes use of CEPT due to:

- 1. High costs of applying for preferential rates
- 2. Bureaucratic red tape procedures - complicated paperwork, unavailable forms, and difficulties in meeting administrative requirements
- 3. Reluctance to liberalize (Malaysia – motor vehicles & parts, Indonesia – agricultural products, Philippines – petrochemical products)
- 4. Minimal differences between CEPT and MFN and ordinary tariff rates esp. countries with already low tariffs, e.g., Singapore
- 5. Countries with high tariffs, e.g., Burma, are reluctant to cut into their own revenue by promoting the exploitation of the CEPT.
- 6. Existence of non-tariff barriers esp. on agricultural products
- 7. Lack of information on existence of CEPT

4. Singapore dominates ASEAN trade – 60% of exports and almost half of imports; consists mainly of re-exports. Malaysia-Singapore trade has historically dominated regional trade (one third of total intra-ASEAN trade in 2002).

5. Several members refused to lower tariffs on certain critical products to meet a 2003 deadline. Malaysia, insists on protecting its state-owned carmaker, Proton, to the dismay of Thailand, which has a fast-growing automotive industry. The Philippines lowered tariffs on petrochemicals as required, but changed its mind and raised them again.

6. ASEAN leaders' promise to build an “economic community” is weakened by a strong aversion to diminish national sovereignty for the sake of deeper economic integration. This reflects the absence of a distinct and unifying regional identity.

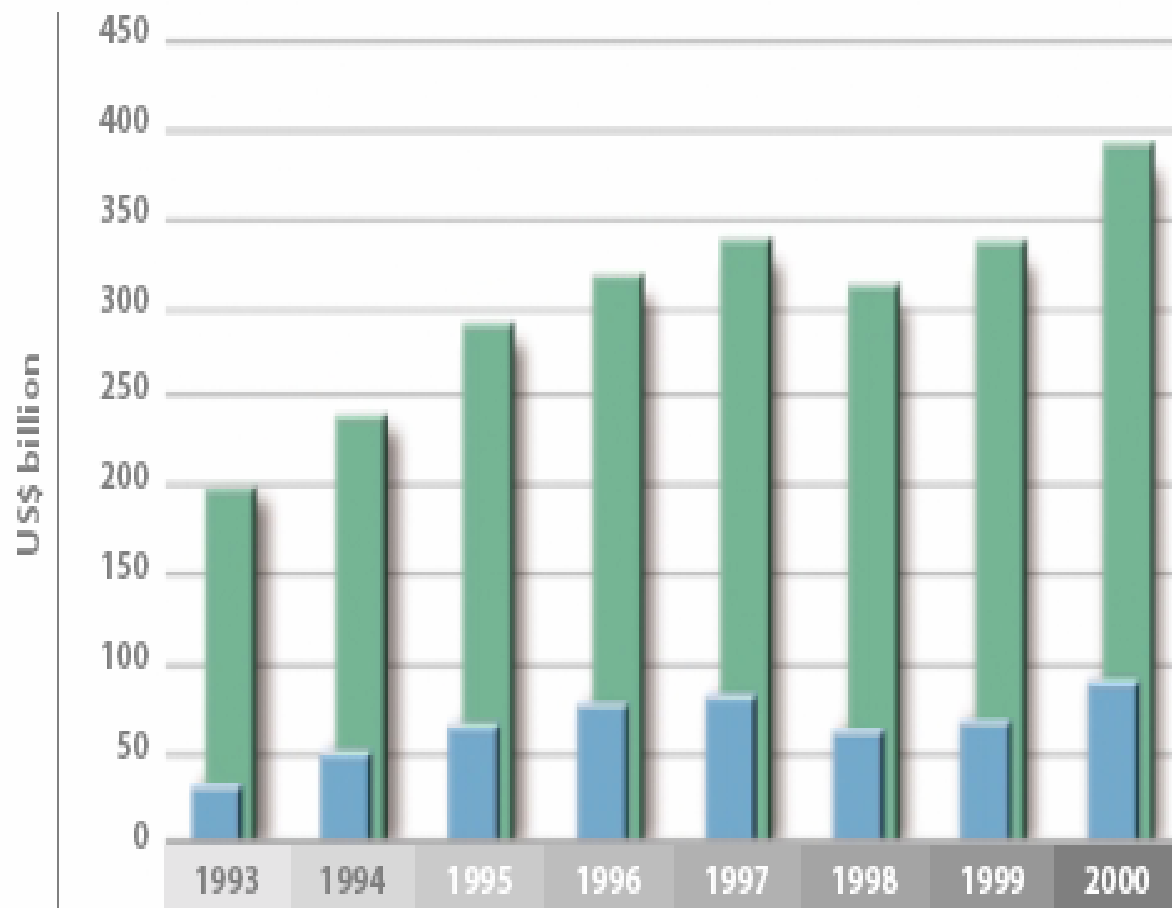
7. Bilateral trade agreements have been concluded that pre-empt and/or undermine collective negotiations. Singapore with Japan, Australia, New Zealand, Jordan, Panama, South Korea, and the U.S.; Thailand with Australia, New Zealand, India, and China; Philippines with Japan; Malaysia with Japan.

8. National strategies clash with ASEAN's internal goals. Relatively open economies, e.g., Singapore and Thailand, see ASEAN as a means to increase their exports, attract more foreign investments and are concentrating on their own market-opening measures — depriving the grouping of its best integrators in the process. Investments still come from outside ASEAN, and most exports end up overseas.

9. The plan to create a single regional currency by 2015 has been removed from the agenda of the December 2006 Cebu Summit thus perpetuating what experts call “a cumbersome and inefficient trading system ... that deprives customers at the lowest levels from enjoying the full benefits of regional trade.”

10. ASEAN is supposed to promote trade and investment among its members, not with outsiders.

**Intra-ASEAN and
Extra-ASEAN Exports:
1993-2000**



8. Other ASEAN weaknesses

- Asean seems to be running out of steam in trade and investment liberalization. Average growth of 5% (2000-04) is still below 1990-95 level of 7.3%. China and India have quickly eclipsed ASEAN as the toast of bankers and investors.
- Inability to deal with the region's financial crisis of 1997-98; necessitated IMF intervention, with large role for US and Japan. Malaysia took an independent approach.
- Continued vulnerability to challenges posed by globalisation of financial markets. Risks associated with capital moving across borders – investors come and go ... creating instabilities and crises.
- Difficulty of integrating new members: different stages of development and different systems of government.
- A suggestion to strengthen the secretariat was rejected. Staffed mainly by bureaucrats on short-term secondment from their national governments in a building full of "empty corridors and echoing atriums."

- Perceived ASEAN weakness on the matter of the South China Sea. ASEAN members have competing claims in this area.
- ASEAN's claim to fame appears to rest more on its longevity and frequency of meetings (average 700+ per year).
- Asean made no headway in persuading the Burmese military junta to end its human rights abuses.
 - This illustrates the failure of the consensual, non-confrontational approach that ASEAN diplomats call "the Asean way". There are no minimum standards for members and only the vaguest principles to which they must adhere. When action is needed, ASEAN governments resort to excuses about not wanting to interfere in the internal affairs of member governments.



7. Trends in SEAsian regionalization

ASEAN seems to be moving away from integration

- It is developing organizational ties with other countries:
 - “ASEAN+3” includes Japan, China and South Korea
 - ASEAN-China pact – Nov 2004 agreement to lower tariffs on goods by 2010, but excludes services, non-tariff barriers, and thousands of sensitive products; also excludes Laos, Vietnam, Cambodia, and Burma
 - 2005 East Asia Summit – ASEAN, China, India, Australia, Japan, South Korea, New Zealand; excluded the U.S.; focused on trade; progress could be very slow given the great range of political systems; conflicts between China and Japan over WWII issues, between China and India
- Some members have been establishing bilateral trade ties with outsiders – e.g., Singapore, Philippines, Thailand with various non-ASEAN countries and blocs; Many more under negotiation. This undermines ASEAN’s integration process.

8. Conclusions

The Financial Times (3 Aug 06)

- ASEAN “remains a diplomatic midget.” (It) “is in danger of becoming a diplomatic irrelevance as it approaches the 40th anniversary of its founding next year.”
- ASEAN member economies “that were the toast of bankers and investors in the 1990s .. find themselves so quickly eclipsed by China and India.”



Despite similarities in historical experiences; e.g., historical trade ties, colonialism, and interactions among peoples, ASEAN is hobbled by:

- Dissimilarities in structures and systems of government
- Low levels of cooperation among governments in the region
- Lack of a common idea of a regional identity
- Non-complementary economies



-End -

THANK YOU

Appendices



ASEAN Basic Data

Member Countries	Total Area	Population	GDP
Brunei Darussalam	5,770 sq.km	0.3 million	US\$ 7.07 billion
Cambodia	181,040 sq.km	11.5 million	US\$ 2.00 billion
Indonesia	1,919,440 sq.km	200 million	US\$ 232.00 billion
Laos	236,800 sq.km	4.9 million	US\$ 1.90 billion
Malaysia	329,750 sq.km	22.18 million	US\$ 95.50 billion
Myanmar	678,500 sq.km	46.4 million	US\$ 14.31 billion
Philippines	300,000 sq.km	68.6 million	US\$ 83.30 billion
Singapore	632.6 sq.km	3.87 million	US\$ 92.10 billion
Thailand	514,000 sq.km	61.81 million	US\$ 186.00 billion
Viet Nam	329,560 sq.km	78 million	US\$ 23.30 billion
Total	4,495,493 sq.km	497.56 million	US\$ 737.48 billion

Source: An Overview of ASEAN, 1999

ASEAN Socio-Economic Indicators (2004)

Country	Poverty indices	Per capita GDP (US\$)	Agriculture /GDP	Industry /GDP	Services /GDP
Singapore	----	25,207	0.1	32.7	67.2
Brunei	----	13,879	2.1	58.4	39.5
Malaysia	8.1%	4,625	8.1	42.2	49.8
Thailand	12.9%	2,537	10.2	45.8	44.0
Indonesia	17.4%	1,193	15.2	45.1	39.7
Philippines	28.4%	1,042	19.9	33.5	46.7
Vietnam	37.0%	554	21.0	38.5	40.5
Laos	38.6%	423	50.2	24.6	25.1
Cambodia	35.9%	358	35.6	27.9	36.5
Burma	22.9%	166	42.9	17.3	39.7

ASEAN Indicators of Inequality, 2005

Country	Gini index	Share of income or consumption		
		Poorest 20%	Richest 20%	Richest 10%
Malaysia	49.2	4.4	54.3	38.4
Philippines	46.1	5.4	52.3	36.3
Thailand	43.2	6.1	50.0	33.8
Singapore	42.5	5.0	49.0	32.8
Cambodia	40.4	6.9	47.6	33.8
Vietnam	37.0	7.5	45.4	29.9
Laos	37.0	7.6	45.0	30.6
Indonesia	34.3	8.4	43.3	28.5
Gini index: 0 = perfect equality; 100 = perfect inequality No data for Brunei and Burma				

The ALBA alternative



- The **Bolivarian Alternative for the Americas** (*Alternativa Bolivariana para las Américas*) is a political, social and economic cooperation and complementation project between Latin American and Caribbean countries. It is an alternative to the U.S.-backed Free Trade Area of the Americas (FTAA or ALCA in Spanish)
- Started in December 2004 – agreement between Cuba and Venezuela. Bolivia joined in April 2006. Nicaragua is expected to join as newly elected President Daniel Ortega supports ALBA. Ecuador (under Rafael Correa) might follow.

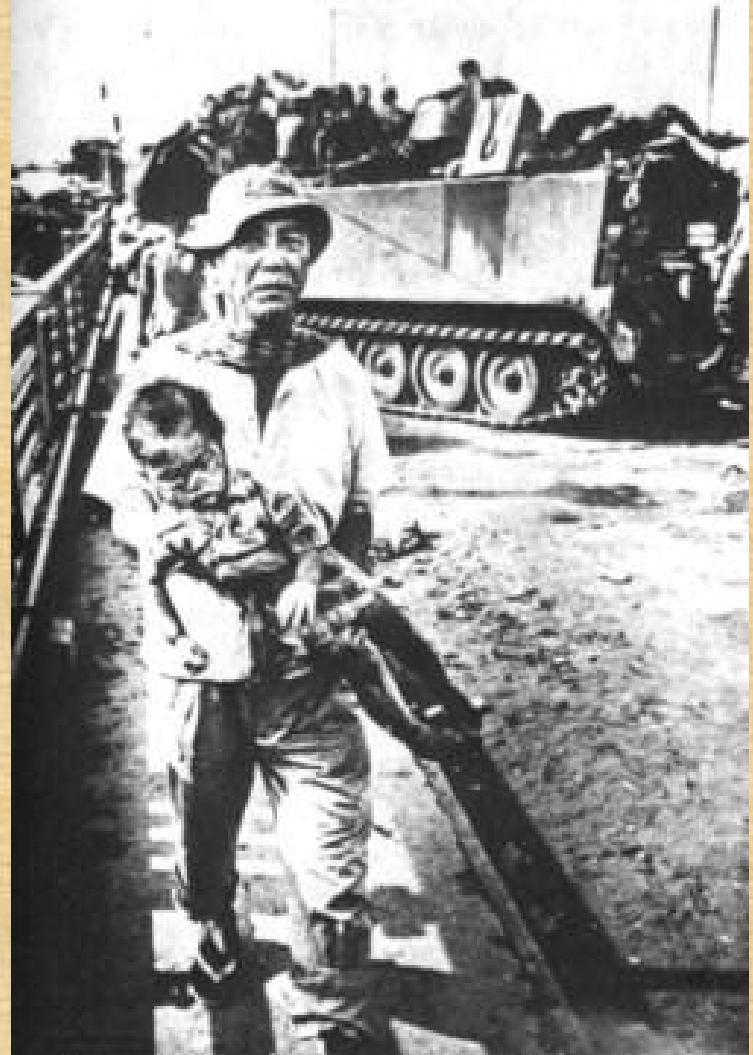
- ALBA advocates a socially-oriented trade block rather than one strictly based on the logic of deregulated profit maximization. It is based on cooperation and solidarity, without forgetting economic sustainability. It is built on forging a new road away from multinational competition and neo-liberal free trade, so that each country retains its own sovereignty and is able to develop its own country according to its own necessities and desires.
- Venezuela delivers about 96,000 barrels of oil per day to Cuba at very favourable prices and Cuba in exchange has sent 30,000 medical staff and thousands of teachers to Venezuela's slums.
- ALBA is guided by twelve principles which serve as a blueprint for cooperation, solidarity, and integration. Among numerous proposals are a continental literacy plan; a Latin American plan for free health care; an education scholarship program; a Social Emergency Fund; a Development Bank of the South; a regional Petroleum company, Petroamerica; a regional television station, Telesur; etc.

Sub-regional economic zones

- BIMP-EAGA polygon - Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area
- Southern Growth Triangle (IMS-GT) – Singapore, Riau and West Sumatra (Indonesia), and Johor state (Malaysia)
- Northern Growth Triangle (IMT-GT) – Northern Sumatra (Indonesia), Northwestern Malaysia and Southern Thailand
- ASEAN Mekong Basin Development Cooperation Scheme
Includes areas along the West-East Corridor (WEC) of the Mekong Basin in Vietnam, Laos, Cambodia, North-eastern Thailand, Burma, and Yunnan province (China).

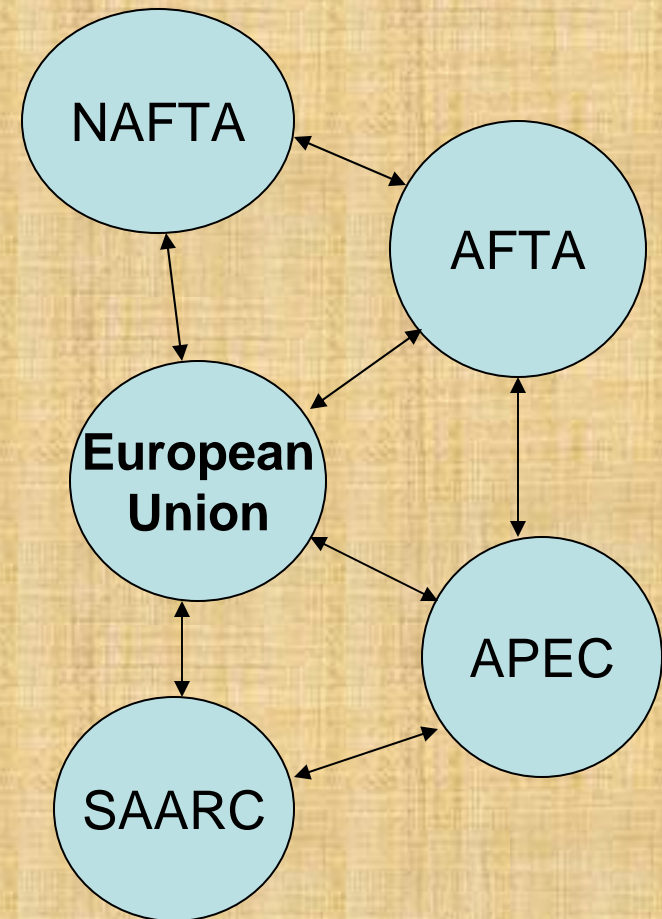
Rationale for Southeast Asian regionalism

- a. Resolving issues of war and peace
- b. Problem solving
- c. Economic cooperation and integration
- d. Influence and self-protection



Concerns about regionalism

- Regionalism could divide the world into competing blocs; inward-looking and antagonistic to outsiders
- Regional integration vs. global integration
- Proliferation of regional trading blocs, plurilateral agreements, bilateral agreements – existing and proposed



Existing Regional Trade Blocs

1. Andean Community (CAN)
2. Asia-Pacific Economic Cooperation (APEC)
3. Association of Southeast Asian Nations (ASEAN)
4. Bolivarian Alternative for the Americas (ALBA)
5. Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation (BIMSTEC)
6. Caribbean Community (CARICOM)
7. Closer Economic Relations (CER) between Australia and New Zealand
8. East African Community (EAC)
9. Economic Community of West African States (ECOWAS)
10. Eurasian Economic Community (EurAsEC)
11. European Economic Area (EEA)
12. European Union (EU), formerly the European Community
13. Gulf Cooperation Council (GCC)
14. Mercado Comun del Sur (Mercosur or Mercosul)
15. South American Community of Nations (CSN)
16. South Asian Association for Regional Cooperation (SAARC)
17. Southern African Development Community (SADC)
18. Southern African Customs Union (SACU)
19. Common Market for Eastern and Southern Africa (COMESA)
20. Arab Maghreb Union (UMA)
21. Economic Community of Central African States (ECCAS)
22. Intergovernmental Authority on Development (IGAD)
23. Economic and Monetary Community of Central Africa (CEMAC)
24. West African Economic and Monetary Union (UEMOA)
25. Community of Sahel-Saharan States (CEN-SAD)

Multilateral Free Trade Agreements

1. **Agadir Agreement** between Morocco, Tunisia, Egypt and Jordan
2. **ASEAN Free Trade Area (AFTA)** with ten member countries
3. **Central American Common Market (CACM)** between Guatemala, El Salvador, Honduras and Nicaragua
4. **Dominican Republic-Central America Free Trade Agreement (DR-CAFTA)** between the U.S., Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic
5. **Central European Free Trade Agreement (CEFTA)** between Romania, Bulgaria, Croatia and the Republic of Macedonia
6. **Common Market for Eastern and Southern Africa (COMESA)** between Burundi, Djibouti, Egypt, Kenya, Madagascar, Malawi, Mauritius, Rwanda, Sudan, Zambia and Zimbabwe
7. **European Free Trade Association (EFTA)** between Iceland, Norway, Switzerland and Liechtenstein
8. **G-3 Free Trade Agreement** between Mexico, Colombia and Venezuela (Venezuela has reported that it intends to pull out of the agreement).
9. **North American Free Trade Agreement (NAFTA)** between Canada, U.S. and Mexico
10. **South Asia Free Trade Agreement (SAFTA)** between India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan and the Maldives