

# Foundation and Prospects of the ASEAN Economic Community's Establishment\*

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ASEAN leaders are now paying more attention to the need for further integration of ASEAN beyond the ASEAN Free Trade Area (AFTA), even to some form of ASEAN Economic Community (AEC). At the 8<sup>th</sup> Summit in Phnom Penh in November 2002, the "Leaders considered the idea of an ASEAN Economic Community as an end goal for the Roadmap for the Integration of ASEAN and Vision 2020 which ministers could study."<sup>1</sup> Actually, there have been numerous ideas for further ASEAN economic integration beyond AFTA to make the region more competitive and attractive as an investment destination. Documents such as the Vision 2020, the Hanoi Plan of Action and the report of the ASEAN Eminent Persons Group on Vision 2020 all contain elements that will move ASEAN forward along the path of deeper economic integration consistent with establishing some form of Economic Community for the region in the future.

Prior to the 1997 crisis, most ASEAN economies were doing well, growing at more than 5 percent per annum (except the Philippines), so the need for serious attention on further regional integration beyond the implementation of AFTA was not that strong. With the crisis, the region was faced with urgent problems that each country had to tackle. The crisis also substituted the necessity for deeper integration to increase ASEAN's competitiveness by the general depreciation of the regional currencies, and this served to prolong the region's ability to compete in the export markets. However, competitive advantages from the depreciation of currencies are now likely to be over, and with the emergence of China, ASEAN has seen its competitiveness and attractiveness as an investment destination dwindled. It is therefore appropriate for ASEAN to pay more attention to going beyond AFTA and push ahead with deeper regional integration at this time, particularly also given that tariff reductions under AFTA for the vast majority of items have already been carried out. This will make ASEAN a more integrated production and trading region and should increase competitiveness and attractiveness for investment.

In moving toward something like an Economic Community, push factors will be needed. This is because there will also be resistance from those sectors and parties that prefer the status quo. The benefits of deeper integration may not be so clearly perceived as those who might emerge as real winners as a result of the integration are not so evident at the current time. In the case of Europe, conflicts between sovereign nations that led to the destruction of the World Wars provided important push factors that led to the Shuman Plan and the establishment of the European Coal and Steel Community (ECSC) that took away member states' sovereign roles in these sectors.<sup>2</sup>

In ASEAN, there is no comparable history that could push ASEAN integration along the same path as in Europe. However, there are other irreversible push factors that arise from the emergence of China and evolving trade and economic regimes in the region. These push factors could provide the necessary impetus for ASEAN countries to seriously move to become a more fully integrated region, and eventually an Economic Community of some form. This paper will look at these push factors in the next section and briefly discuss the prospects of an AEC in the last section.

## PUSH FACTORS FOR ASEAN INTEGRATION

There are at least three sets of factors that should provide important impetus for deeper ASEAN regional integration. These are the emergence of China, the regional free trade agreements (FTAs) and the movement toward deeper East Asian cooperation and integration.

### Emergence and Impacts of China

The integration of China into the world economy over the last decade has had a profound impact on the economies in the region and also globally. This is not surprising given the size of China, with a population of about 1.3 billion and a workforce of about 700 million.

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Integrating an economy this size into the world economy is bound to affect the world trade and investment regimes. Since 1990, China's exports and imports have increased by more than 5 folds. China's exports amounted to about US\$ 325 billion in 2002 or about 5.1 percent of world exports compared to only 1.8 percent in 1990 (see Table 1).

**Table 1 China's Exports and Imports (Million US\$)**

	Exports	Imports	Share in World Exports
1990	62,091	53,345	1.80%
1991	71,910	63,791	2.05%
1992	84,940	80,585	2.26%
1993	91,744	103,959	2.43%
1994	121,006	115,615	2.80%
1995	148,780	132,084	2.88%
1996	151,048	138,833	2.80%
1997	182,792	142,370	3.28%
1998	183,712	140,237	3.35%
1999	194,931	165,699	3.42%
2000	249,203	225,094	3.88%
2001	266,098	243,553	4.31%
2002	325,565	295,203	5.07%

Source: World Trade Organization.

If one compares ASEAN exports with China, it can be seen that ASEAN's exports have also increased substantially between 1990-2002, increasing from about US\$ 144 billion to US\$ 401 billion (see Table 2). However, the relative pattern of export increases over time between ASEAN and China is illuminating. Between 1990-96 (prior to the financial crisis), ASEAN exports increased by about US\$ 200 billion while China's exports increased by about US\$ 90 billion. So ASEAN exports increased by about twice those of China during that period. Since 1996, however, China's exports have increased by much more than ASEAN's, increasing by about US\$ 175 billion between 1996-2002 compared to an increase of only about US\$ 60 billion for ASEAN exports during the same period. Also, if one ignores intra-ASEAN exports then China's exports are now larger than ASEAN's exports in absolute value.

**Table 2 ASEAN Exports (Million US\$)**

	Exports	Share in World Exports	Extra-ASEAN Exports
1990	144,149	4.18%	
1991	165,184	4.70%	
1992	186,345	4.95%	
1993	212,327	5.62%	167,845
1994	262,142	6.06%	202,094
1995	321,408	6.23%	249,153
1996	340,733	6.32%	258,935
1997	353,037	6.33%	267,459
1998	329,674	6.00%	258,360
1999	359,229	6.30%	281,037
2000	427,515	6.65%	331,051
2001	381,611	6.18%	296,309
2002	401,264	6.25%	

Source: World Trade Organization and ASEAN Secretariat.

The above data show that ASEAN is now finding it more and more difficult to compete with China in the world market. Thus far, the full impacts of China's greater competitiveness on ASEAN exports may not have been seriously felt. This is because ASEAN exports have still been increasing, although at a much slower rate compared to before the crisis. However, one needs to take account of the fact that as a result of the crisis ASEAN currencies have weakened considerably against the Yuan which has been virtually pegged to the US\$. Using export shares of ASEAN member countries as weights, the weighted real exchange rate index of ASEAN currencies relative to the Yuan has depreciated by about 27 percent between 1996 and 2002. This has helped to keep ASEAN export growing. However, even with the depreciation, ASEAN is finding it difficult to compete with China. And with ASEAN currencies entering a more stable phase over the last year or so, it is unlikely that ASEAN can rely on this source of increased competitiveness to boost its exports relative to China in the future.<sup>3</sup>

The greater competitiveness of China is also reflected in the huge amount of foreign direct investment (FDI) that flows into China each year, amounting to about US\$ 40 billion per year over the past six to seven years (Table 3). At the same time this Table also shows the alarming decline in net FDI coming into ASEAN over the past couple of years.

**Table 3 Net Foreign Direct Investment (Million US\$)**

	ASEAN	China
1990	10,181	2,657
1991	12,718	3,453
1992	10,515	7,156
1993	12,102	23,115
1994	13,292	31,787
1995	17,879	33,849
1996	18,197	38,066
1997	18,215	41,674
1998	18,813	41,117
1999	15,588	36,978
2000	3,847	37,483
2001	2,452	37,357

Source: World Bank.

The emergence of China and its impacts on world trade and investment flows should be matters of great concerns to ASEAN. The message is likely to become clearer and stronger that size does matter, and that ASEAN will need to integrate a lot more and a lot quicker to reduce the cost of doing business in ASEAN, to make the region more competitive and more attractive to foreign investment. Unless ASEAN takes the challenge of China seriously and push quickly ahead with much deeper regional integration, there is the danger that each of the ASEAN economies will become marginalized. This would be a great pity, since ASEAN as a group is certainly not small. With a population of about 530 million and total GDP (current US\$) of about US\$ 560 billion, the region is about half the size of

China and should be able to compete equally with China, whether in terms of exports or the ability to attract FDI.

### Proliferation of Regional FTAs

Apart from the China factor, the proliferation of various FTAs or Economic Partnership initiatives between ASEAN and key external partners, such as China, Japan and the United States (U.S.), should also provide an additional impetus for deeper integration within ASEAN.

From what was written in the last section, it may be surprising that the China-ASEAN FTA was developed and agreed over a relatively short period of time. The "Framework Agreement on Comprehensive Economic Cooperation between the Association of Southeast Asian Nations and the People's Republic of China" was signed on November 4, 2002 in Phnom Penh only a couple of years after the idea was introduced by China. However, a number of reasons may explain why the China-ASEAN economic cooperation framework has progressed very quickly.

First, the Chinese economy has been the fastest growing economy in the region for a number of years, and has been playing a more and more important role in absorbing some of the exports from ASEAN countries. Between 1997 and 2001, exports of ASEAN countries to China grew by an average of about 36 percent per annum. By 2001, ASEAN exports to China totaled about US\$ 31.5 billion or about 8.2 percent of total ASEAN exports.<sup>4</sup> Of course, imports from China have also increased, but so far imports from China to ASEAN have grown more slowly than ASEAN exports to China. Imports from China to ASEAN increased from about US\$ 13.5 billion in 1997 to about US\$ 23.8 billion in 2001. This is probably because China's exports are mostly targeted to the advanced (rich) economies. Only in the last couple of years or so have high-end Chinese products, such as electrical appliances, become more widely available in the middle income ASEAN countries.

Secondly, apart from being a rapidly growing market for ASEAN exports, there are also plenty of investment opportunities in China for the larger and more competitive ASEAN companies to exploit. The CP Group in Thailand, for example, is a major investor in China.

Thirdly, the introduction of the "Early Harvest Programme" makes the China-ASEAN FTA stand out. Many ASEAN economies have some comparative advantages in some food and agriculture sectors included as part of the program, and these economies are therefore attracted to the benefits that could be gained in the relatively short-term. Some of the sectors are also complementary between tropical ASEAN and the more moderate climate China, such as fruits and vegetables.

Finally, for geo-political reasons, the China-ASEAN FTA is also of benefit to the ASEAN economies. Japan had to respond quickly to the China-ASEAN initiative to maintain its regional leadership role, and a "Joint Declaration of the Leaders of ASEAN

and Japan on the Comprehensive Economic Partnership" was announced on November 5, 2002, in Phnom Penh just one day after the signing of the China-ASEAN economic cooperation framework agreement. Even the U.S. took notice of China's initiative, and also introduced an Enterprise for ASEAN Initiative (EAI) that opened the window for possible bilateral FTAs between the U.S. and members of ASEAN along the lines of the Singapore-U.S. FTA.<sup>5</sup> The China-ASEAN economic cooperation initiative therefore led to much indirect benefits for ASEAN. For ASEAN, it should be of more direct benefit to develop an FTA with an economy that is at a more advanced stage of development than with a country that is still at a lower level of development compared to ASEAN. While the agreement with China may be risky in competitive terms, if it can bring about indirect benefits through FTAs with countries such as Japan and the U.S., the net benefits are likely to be significantly positive.

The China-ASEAN framework agreement has set the goal to achieve zero tariffs for all products in the "normal" track by 2010 between China and ASEAN-6 and by 2015 between China and the newer ASEAN member countries. While it is hard to anticipate whether detailed negotiations under the China-ASEAN FTA will proceed smoothly, it is clear that this kind of regional FTA should provide added impetus for deeper ASEAN integration.

The China-ASEAN FTA will bring increased competition for companies in a particular ASEAN country, both in the domestic market of that company, and also in the market of the other ASEAN countries. This should provide the impetus for businesses to pressure their governments to make sure that any barriers for intra-ASEAN trades are minimized, and certainly should match any deals made between various ASEAN countries and China. ASEAN based companies will also need to increase efficiency and competitiveness to compete with Chinese producers. For many multinational companies in the region, this will involve a shift from a country focused investment and production strategy to a regional focused investment and production strategy in order to exploit scale economies. This shift will only be effective if ASEAN can implement further integration measures to develop ASEAN into a truly integrated regional production area where components, parts and final products can move at low cost (whether in terms of tariffs and non-tariff barriers, customs and other clearance procedures, transportation cost etc.). Thus, there will be pressures from multinationals that have invested heavily in ASEAN in the past for deeper and faster integration of ASEAN.

One strand of thinking behind the ASEAN-Japan Comprehensive Economic Partnership (AJCEP) is precisely about the need for further ASEAN integration to become an integrated trading and production region. This is particularly important from the Japanese perspective. Even though Japan's FDI flows in recent years have focused more on China compared to ASEAN, the cumulative stock of Japanese investment in ASEAN

is still over three times larger than that in China. Therefore, it is important for Japanese companies to maximize the effectiveness of these investment given the emerging challenges posed by China. This involves exploiting scale economies by changing investment and production strategies from country based as in the past to regional based. However, at present, there are still important barriers to this regional strategy.

While most intra-ASEAN trades now face 0-5 percent tariff (in ASEAN-6), there are still important sensitive products that various countries are still protecting. In the case of automobiles, for example, because Malaysia is delaying its tariff reductions, in reciprocal fashion Thailand's tariffs on automobile related products from Malaysia remain high. Automobile parts shipped from Malaysia to Thailand still face a tariff of between 30-42 percent. This causes a lot of problems for some Japanese producers who have plants producing automobile parts in Malaysia and would like to transport them to Thailand for final assembly. Apart from inefficiencies arising from various sensitive products, there are of course many other implicit barriers that add to the cost of sourcing parts and supplies among ASEAN countries, such as customs, standards and other trade facilitation measures.

A recent joint study by 10 research institutes in ASEAN (one from each ASEAN member country) plus IDE/JETRO from Japan on the AJCEP<sup>6</sup> recommended a number of tasks to be pursued in achieving the AJCEP. These included the need to complete the single ASEAN market, further structural reforms in ASEAN economies emphasizing competitiveness enhancing policies, and reductions in barriers to trade, services and investments. The goal for ASEAN should be to make the region as integrated and competitive as possible. This will enable ASEAN to take full advantage of the current situation where ASEAN seems to be a hub of interest for FTAs by key countries.

Another important initiative that could provide an impetus for further ASEAN integration is the EAI. This could lead the way to an ASEAN FTA with the U.S. The U.S. has already concluded a comprehensive FTA with Singapore. This covered a broad range of trade and non-trade issues, including: *Goods Trade*; elimination of bilateral duties; *Services Trade*; includes improved market access opportunities in the area of professional services and express delivery; *Financial Services*; new market access in the banking and security sectors, including access to ATM networks, and increased market access in the insurance sector; *Telecommunications and E-Commerce*; market access and competition safeguards, including permanent duty-free status of products delivered electronically; *Competition Policy*; commitments by Singapore to develop competition law and regulatory regime and commitments that government enterprises will operate commercially; *Intellectual Property*; strong intellectual property and an agreement to limit the use of compulsory licenses; *Labor and Environmental Standards*; agreement on high legal

standards of environmental and labor protections and enforcement.

Under the EAI the U.S. and each member of ASEAN will jointly determine if and when they are ready to launch an FTA negotiation, but the potential ASEAN partner must already have concluded a Trade and Investment Framework Agreement (TIFA) with the U.S. The EAI also states that the bilateral FTA with each ASEAN country will be based on the model of the Singapore-U.S. FTA. Given the comprehensiveness of the U.S.-Singapore FTA, this will imply that the ASEAN partner will have to substantially liberalize its trade and investment relations with the U.S. and will need to adopt most of the international standards on such issues as competition regimes, intellectual property rights and labor and environmental standards. While many of these latter issues are still very controversial, for example about compulsory licensing of key medicines, the large markets in the U.S. and potential trade diversions from other FTAs that the U.S. has been pursuing with other partners (such as the Free Trade Area of the Americas, FTAA) may push ASEAN countries to pursue an FTA with the U.S.

Currently, the starting of FTAs negotiations between the U.S. with Malaysia, the Philippines and Thailand are being explored. If one or more of these countries conclude an FTA with the U.S. then the incentives for other ASEAN countries to do the same will become much greater in order not to become disadvantaged. Business pressures on governments to increase competitiveness and further facilitate intra-ASEAN trade would come into play just as in the case of the China-ASEAN FTA and the AJCEP. In addition, the broad range of issues covered by an FTA with the U.S. would provide a very useful example of how these issues could be tackled in the further integration of ASEAN, particularly if ASEAN is to move toward something like an Economic Community.

### **Movement Toward Deeper East Asian Cooperation and Integration**

The 1997 economic crisis in the region has provided the impetus for economic and financial cooperation in East Asia. Prior to the crisis, it was hard to imagine a group such as the ASEAN+3 forming. Countries in the region have realized that their economic fortunes are closely tied together. Contagion of the crisis from one country to another made this abundantly clear. Countries need more cooperation to strengthen the whole region and provide better protection against the risks and volatilities arising from the global financial system.

It is noteworthy that the first concrete area of cooperation of the ASEAN+3 group was in the financial area. This is in contrast to the European Union (EU), where a long history of trade and investment integration preceded financial integration. Of course, financial cooperation in East Asia is still no where near the EU's common currency and monetary union. Thus far, financial cooperation has led to the Chiang Mai initiative

and the Asia Bond Market initiative. However, greater dialogues between all the East Asia countries have also been the springboard for initiating other areas of cooperation, particularly on the trade side. And while concrete steps for FTAs have emerged through the ASEAN+1 processes (China-ASEAN and Japan-ASEAN) rather than the ASEAN+3, there is always in the background the idea of an eventually East Asian FTA somewhere into the future. Many also realize that as trade and investment relations in the region deepen, greater financial integration will also be needed to facilitate these other areas of economic integration. Issues such as greater exchange rate coordination, currency bands, and even a common currency and monetary union for East Asia have been discussed and researched.<sup>7</sup>

The movement in East Asia in the direction of greater economic and financial cooperation and integration should provide a strong impetus for ASEAN to deepen its own economic integration. As a group of 10 countries in an East Asian region dominated economically, technologically and in terms of size by Japan and China, only by integrating closely as a unit will ASEAN have sufficient clout to take full advantage of East Asian integration.

### PROSPECTS OF ASEAN ECONOMIC COMMUNITY (AEC)

The push factors indicated in the previous section should provide good reasons for ASEAN countries to work actively toward an AEC. Yet there seems to be many obstacles in the way, particular if the AEC is looked at as being along the model of the EU together with common currency and monetary integration. It is often pointed out that ASEAN countries are still very diverse, with huge differences in economic development

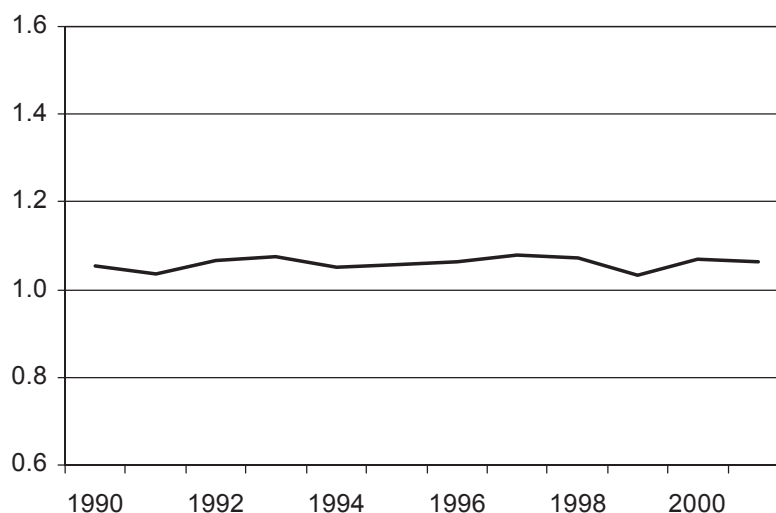
and per capita incomes. And certainly the variation in development level of ASEAN countries is much larger than that for the original European Economic Community (EEC) six back in the late 1950s, or the EU when the single currency was introduced, or the expanded EU including the 10 new member countries, or the North American Free Trade Agreement (NAFTA) when it was formed.

To see the range of differences, Figure 1 shows the coefficient of variation<sup>8</sup> of the per capita GDP of the ASEAN member countries between 1990 and 2001.<sup>9</sup> It can be seen that this ranges between 1.0-1.1 for the whole period. In contrast, the coefficient of variation of the per capita GDP of various other groups are as follows:-

Group	Date	Coefficient of Variation
Original Six European Economic Community (EEC) Members	1960	0.29
European Union	2001	0.34
European Union Plus 10 New Members	2001	0.64
NAFTA	1994	0.67

For the original six members of the EEC near the time when the Treaty of Rome was signed, the coefficient of variation was only about 0.29. Thus, these six countries were at a very similar levels of development. For the EU of today, the coefficient of variation is about 0.34, which is still very low. If we take account of the current EU expansion plan and add the 10 new members, then the coefficient of variation increases to 0.64. This is still much less than that for ASEAN and is about the same as that for NAFTA when it was formed (1994).

**Figure 1 Coefficient of Variation of ASEAN Per Capita GDP**



Another feature of Figure 1 is the very stable values for the coefficient of variation for ASEAN over the whole period from 1990 to 2001, meaning that there is no sign of convergence of the per capita GDPs among ASEAN member countries. Thus, if less dispersion in the level of development is an important step before being able to successfully form an Economic Community, then extra efforts will be needed to close the development gaps between ASEAN members.<sup>10</sup>

In spite of the fact that the coefficient of variation for ASEAN is much higher than that for the other groups that have successfully formed a fairly integrated (or very integrated) economic region, this may not be an insurmountable obstacle. If one looks at the notion for the FTAA and consider the variation in development levels between various countries that may form the core of the FTAA, it turns out that the dispersion in development level is similar to that in ASEAN. If one takes the NAFTA countries and add the four countries in Mercosur<sup>11</sup> plus Chile, then it turns out that the coefficient of variation of per capita GDP of these eight countries are very similar to that for ASEAN. For these countries, the coefficient of variation was about 1.1 in 2001 and has been relatively stable since 1990, just like in the case of ASEAN. So if one takes the example of the move to form the FTAA, then the variation in development level of ASEAN countries should not be an insurmountable obstacle for the establishment of some form of AEC.

A more important obstacle would be steps toward an AEC that would lead to a major sacrifice in sovereignty for various ASEAN countries. This is quite understandable as ASEAN history is very different to that of Europe, which, for good historical reasons, could start its economic integration process by embarking on an initiative that involved important sacrifices in the role of nation states.

For Europe, a major concern in the early days of European integration was to avoid conflicts between sovereign nations that led to the devastations of the World Wars.<sup>12</sup> It was therefore possible to start with an initiative such as the Shuman Plan that established the European Coal and Steel Community (ECSC) in 1952 where the roles of the six national states that formed the ECSC for these sectors were completely submerged by a supranational body.

In the ASEAN of today, the sovereignty of each nation state of ASEAN in important policy matters is still jealously guarded, and also not considered to be something that would bring about great harm to the region. Therefore, the move toward an Economic Community need to put most efforts on initiatives that achieve the underlying objective for integration without requiring unrealistic sacrifices in sovereignty from member countries. In particular, aiming for something like a common currency for ASEAN would meet with great resistance at the present time. Instead, the aim should be to stress the underlying objective of greater integration, particularly to increase ASEAN competitiveness and the attractiveness of ASEAN as an

integrated trading and production region where firms can exploit the aggregate size of ASEAN to achieve the necessary scale economies and efficiencies.

Ideas from the Institute of Southeast Asian Studies (ISEAS) in Singapore for an FTA-Plus type of Economic Community incorporating an FTA together with some elements of a common market for labor and capital to be achieved by 2020 appears realistic.<sup>13</sup> However, for many sectors, it is unlikely that ASEAN can afford to wait that long to fully integrate ASEAN markets. By that time, ASEAN may have already fallen so far behind in competitiveness that the production base may have long moved out of ASEAN to China and elsewhere. Therefore, proposals to develop integrated markets for specific products in the relatively near future as proposed by McKinsey & Co in the study that ASEAN commissioned on ASEAN competitiveness should be actively pursued.

The need for ASEAN to move beyond AFTA to become an integrated and efficient production and trading region has long been well recognized. It is also an important focus of ASEAN Leaders and Economic Ministers. Much remains to be done. Even as recently as in July 2003, ASEAN Economic Ministers at their informal meeting in Indonesia noted that the process toward the ASEAN trade integration, which had started about 10 years ago, remains insufficient. A lot of intra-ASEAN trades are impeded by non-tariff barriers such as complicated customs procedures, various regulations and different standards of products. Apparently, agreement was reached at the meeting for the first time on problems in trade and investments concerning dispute settlement, certificate of origin and standard and procedures in customs offices. The Ministers also initiated a process to explore regional integration of specific economic sectors similarly to that suggested by McKinsey.<sup>14</sup> These developments appear to show that ASEAN is now much more serious about deepening its regional integration beyond AFTA.

Plenty of visions and plans of actions consistent with the development of the AEC are already available as earlier indicated. The main task now is to seriously implement these. With recent developments that appear to put higher visibility and seriousness on the need for deeper regional integration beyond AFTA, possibly the push factors that were highlighted in the last section are now becoming more effective. It is hoped that this will help to push ASEAN along a path toward some form of Economic Community that will allow ASEAN to retain its competitiveness and revitalized the whole region back to some semblance of dynamism that was so evident in the region in the decade period prior to the crisis.

## ENDNOTES

- <sup>1</sup> Press statement by the Chairman of the 8th ASEAN summit, the 6th ASEAN+3 summit and the ASEAN-China summit. Phnom Penh, Cambodia, 4 November, 2002.

- <sup>2</sup> See Richard Baldwin and Charles Wyplosz. *The Economics of European Integration*, Chapter 1. Forthcoming. Available on line at [http://heiwwww.unige.ch/~baldwin/papers/BW/BW\\_May03.htm](http://heiwwww.unige.ch/~baldwin/papers/BW/BW_May03.htm).
- <sup>3</sup> Of course, if China is somehow pressured to revalue the Yuan, then this could provide a few more years of breathing room for ASEAN exports. However, the combined current account surplus of ASEAN countries are much larger than China's (about US\$ 40 billion for ASEAN in 2002 compared to about US\$ 23.4 billion for China) so that there are also likely to be pressures on ASEAN countries to appreciate their currencies as well.
- <sup>4</sup> Data from ASEAN Secretariat.
- <sup>5</sup> The EAI was announced by President George W. Bush to the ASEAN Leaders in Los Cabos, Mexico on 26 October 2002.
- <sup>6</sup> ASEAN-Japan Research Institute Meeting Joint Study Report. *ASEAN-Japan Comprehensive Economic Partnership: Vision and Tasks Ahead*. IDE/JETRO, Japan, July 2003.
- <sup>7</sup> With so many ongoing regional cooperation activities, Prime Minister Mahathir Mohamad has reactivated his initiative calling for the formation of an East Asian Economic Grouping (EAEG) with the rationale that East Asian countries need no longer hide behind the ASEAN+3 name. See New Strait Times, August 5, front page.
- <sup>8</sup> Standard Deviation divided by the Mean.
- <sup>9</sup> This excludes Myanmar as reliable Per Capita GDP is not available and also excludes the small by very high income economies of Brunei and Singapore. Including the latter two would increase the coefficient of variation to about 1.5, but would tend to give a distorted view as it would overstate the importance of these economies in the overall picture of ASEAN (not taking account of their small population size).
- <sup>10</sup> Through such schemes as the Initiative for ASEAN Integration (IAI), and also through special bilateral assistances from the richer members and outside donors.
- <sup>11</sup> Argentina, Brazil, Paraguay and Uruguay are members of Mercosur.
- <sup>12</sup> Richard Baldwin and Charles Wyplosz, Op. Cit.
- <sup>13</sup> See for example Dennis Hew. *Towards an ASEAN Economic Community by 2020: Vision or Reality? Viewpoints*. Institute of Southeast Asian Studies. 16 June 2003. Available on line at <http://www.iseas.edu.sg/viewpoint.html>.
- <sup>14</sup> Business News, Jakarta, July 18, 2003.

