APPENDICES
INTRODUCTION

1 The Twenty-First ASEAN Ministerial Meeting was held in Bangkok on 4-5 July 1988. The Meeting was formally opened by His Excellency General Prem Tinsulanonda, Prime Minister of Thailand.

2 The Meeting was attended by His Royal Highness Prince Mohamed Bolkiah, Minister for Foreign Affairs of Brunei Darussalam; His Excellency Mr. Ali Alatas, Minister for Foreign Affairs of the Republic of Indonesia; His Excellency Dato' Haji Abu Hasam bin Haji Omar, Minister of Foreign Affairs of Malaysia; His Excellency Mr. Raul S. Manglapus, Secretary of Foreign Affairs of the Republic of the Philippines; His Excellency Mr. S. Dhakabala, Minister for Foreign Affairs and His Excellency Mr. Wong Kan Seng, Second Minister for Foreign Affairs of the Republic of Singapore; His Excellency Air Chief Marshal Siddhi Savetsila, Minister of Foreign Affairs of Thailand, and their respective delegations.

3 His Excellency Mr. Roderick Yong, Secretary-General of the ASEAN Secretariat, and his staff also attended the Meeting.

4 His Excellency Sebulon Kulu, Ambassador of Papua New Guinea to the Republic of Indonesia, attended the Open Sessions as Observer.

5 His Excellency Air Chief Marshal Siddhi Savetsila, Minister of Foreign Affairs of Thailand, chaired the Meeting. His Royal Highness Prince Mohamed Bolkiah, Minister for Foreign Affairs of Brunei Darussalam, was elected Vice-Chairman.

OPENING ADDRESS

6 In his Opening Address, H.E. General Prem Tinsulanonda, the Prime Minister of Thailand stated that ASEAN in its twenty-first year must increasingly assume the responsibility that comes with the growing maturity. The Third Meeting of the ASEAN Heads of Government in Manila in December 1987 had made a collective commitment to develop ASEAN into an organization of dynamism and strength. ASEAN should also endeavour to generate more tangible benefits for its people of the region. With regard to the achievement of peace in the region, there had emerged an agreed assessment that this was the opportune time. Efforts had been made by the major powers to
mitigate their international rivalries in order to turn to economic expansion. Recent dialogue with
the Soviet Union and Vietnam had shown that the possibility of reaching a political solution to the
Kampuchean problem could be achieved. It was hoped that an equitable settlement of the Kamp­
uchean issue could be hastily reached, in order to bring about a new era of peace and prosperity
in Southeast Asia.

THIRD ASEAN SUMMIT

24 The Foreign Ministers expressed satisfaction that the successful outcome of the Third Meeting
of the ASEAN Heads of Government in Manila in December 1987 has provided new directions to
intensify and accelerate political, economic, social and cultural cooperation of ASEAN. In this
regard, the Foreign Ministers emphasized the importance of the follow-up actions on the
decisions of the ASEAN Heads of Government to ensure their expeditious implementation. They
noted the progress made by the relevant ASEAN committees in the implementation of the
Programme of Action adopted by the ASEAN Heads of Government.

REVIEW OF ASEAN COOPERATION

26 The Foreign Ministers, in accordance with the directives of Third ASEAN Summit on the
enhancement of political cooperation among ASEAN countries, expressed their support for
Malaysia’s candidature for a non-permanent member seat in the United Nations Security Council
for the term 1989–90.

27 The Foreign Ministers commended the efforts made by other ASEAN Ministers to improve
and enhance ASEAN cooperation in their respective fields of responsibility. They noted that
various ministerial meetings were held during the year to prepare for the Third Meeting of
ASEAN Heads of Government. They noted with satisfaction the results of the 19th ASEAN
Economic Ministers Meeting, the Informal Meeting of ASEAN Economic Ministers, the Ninth
Meeting of ASEAN Ministers of Agriculture and Forestry, and the Third ASEAN Ministerial
Meeting on the Environment, which had made useful and practical recommendations to enhance
intra-ASEAN cooperation.

28 The Foreign Ministers noted with satisfaction that the relevant ASEAN Committees have
made marked progress in the implementation of the improved ASEAN Preferential Trading
Arrangements (PTA) and ASEAN Industrial Joint Ventures (AIJV) scheme. They further noted
that the ASEAN Committee on Trade and Tourism (COTT) has adopted the 1988 Programmes of
member countries to phase-in items on their exclusion lists into the PTA and that negotiations on
the rollback of Non-Tariff Measures (NTMs) will begin soon. The Foreign Ministers expressed
confidence that the improved AIJV Scheme and the Agreement for the Promotion and Protection
of Investment in ASEAN would promote joint venture cooperation among member countries and
between ASEAN and foreign investors, and increase the flow of foreign investments into the
ASEAN region. They welcomed the steps taken by the ASEAN Committee on Industry, Minerals
and Energy (COIME) to draw up the pre-approved list of AIJV products.

29 The Foreign Ministers recalled the decision by the ASEAN Heads of Government to declare
the year 1992, the 25th anniversary of ASEAN, as the “Visit ASEAN Year” (VAY). They
expressed the hope that the VAY Programme would promote intra-ASEAN tourism, increase
visitor traffic to ASEAN from major tourist generating markets, and help develop the tourist
industry in the region. The Foreign Ministers believed that the objectives of the VAY Programme would be realized through close cooperation and coordination among the ASEAN Heads of National Tourism Organizations, the ASEAN national flag carriers and ASLANTA.

30 The Foreign Ministers noted the Report of the Seventh Meeting of the ASEAN Economic Ministers on Energy Cooperation and expressed satisfaction with the progress made in the field of energy cooperation. They further noted that follow-up actions have been taken to implement the ASEAN Petroleum Security Agreement signed in 1986 in Manila.

31 The Foreign Ministers noted that functional cooperation has made significant progress in promoting ASEAN ideals and regional cooperation. They further noted that functional cooperation, which embraces a wide spectrum of activities in areas such as science and technology, culture and information and social development covering social welfare, education, women, youth, health, labor and population, is being intensified towards achieving the common aims of increasing awareness of ASEAN, widening the involvement and increasing the participation of the peoples of ASEAN in ASEAN undertakings, and promoting socio-economic development through human resources development (HRD). The Foreign Ministers, recognizing the role of women as active agents in and beneficiaries of development, signed on 5 July 1988 the Declaration on the Advancement of Women in the ASEAN Region.

POLYSECTORAL PROGRAMME FOR THE PHILIPPINES

32 The Foreign Ministers reaffirmed their belief that the political and economic resilience of each individual ASEAN country was vital to the stability and security of the region as a whole. They, therefore, expressed full support for the efforts and progress being made by the Philippine Government to revitalize the Philippine economy and promote the well-being of its people. The Foreign Ministers further called upon the international community to consider the immediate implementation of a polysectoral programme for economic assistance for the Philippines in order to give impetus to the economic recovery of the Philippines. They also stated that the other ASEAN member countries stand ready to contribute actively to such polysectoral programme for the Philippines. They emphasized the urgency of the plan and urged the major industrialized countries and other nations to respond positively and render full support to this initiative.

PRIVATE SECTOR AND NON-GOVERNMENTAL ORGANIZATIONS

33 The Foreign Ministers commended the private sector including the ASEAN-CCI, the research institutions in member countries and other ASEAN non-governmental organizations for their contribution to the formulation of new initiatives for future ASEAN cooperation. They emphasized the important role of the private sector in intra-ASEAN cooperation and in economic development of ASEAN and expressed the view that the active participation of the private sector in both intra-ASEAN cooperation and in its relations with the Dialogue Partners should be encouraged. In this regard, they noted that Guidelines for Private Sector Participation in ASEAN Meetings and Activities had been formulated by the ASEAN Standing Committee.

ASEAN PACIFIC COOPERATION—HUMAN RESOURCES DEVELOPMENT

37 With regard to the APC-HRD, the Foreign Ministers noted that the two year moratorium has expired and agreed to consider other projects besides the existing one. It was further agreed that
the ASEAN Directors-General consider the existing guidelines on APC-HRD in order to make recommendations to SOM for consideration.

COOPERATION WITH DIALOGUE PARTNERS AND OTHER ORGANIZATIONS

38 The Foreign Ministers noted the progress of ASEAN's cooperation with its Dialogue Partners namely Australia, Canada, the European Community, Japan, New Zealand, and the United States and the UNDP. They expressed their appreciation to the Dialogue Partners and the UNDP for their continued cooperation with ASEAN in various development projects. The Foreign Ministers reiterated the importance ASEAN attached to the cooperation with the Dialogue Partners and stressed that ASEAN is determined to make the dialogue relations more effective and mutually beneficial. Noting the decisions of the Third ASEAN Summit that emphasis of ASEAN cooperation with the Dialogue Partners should be placed on areas of special interest to ASEAN such as market access, trade and tourism promotion. investments, flow of resources, industrial development, transfer of technology, human resources development, and support for ASEAN's position at international fora such as GATT and UNCTAD, the Foreign Ministers expressed satisfaction that these decisions are being implemented.

39 The Foreign Ministers expressed satisfaction with the results of the 11th ASEAN-Australia Forum in Manila on 7-8 June 1988. They noted that ASEAN and Australia shared common views on many issues related to the Uruguay Round of Multilateral Trade Negotiations. They further noted that the Memorandum of Understanding (MOU) on the second phase of the ASEAN-Australia Economic Cooperation Programme (AAECP) had been finalised and would be signed by Australia and the Philippines, on behalf of ASEAN, during the Post Ministerial Conference with Australia on 9 July 1986. They were pleased to note that AAECP Phase II shall focus on areas of special interest to ASEAN.

40 The Foreign Ministers noted the successful conclusion of the Fifth ASEAN-Canada Joint Cooperation Committee (JCC) Meeting in Ottawa on 7-8 April 1988. They also took note of the signing of the Memorandum of Understanding between ASEAN and Canada on the ASEAN-Canada Forest Tree Seed Centre (Phase II). The Foreign Ministers expressed appreciation for Canada's continued endeavour in promoting trade, economic and development cooperation with ASEAN. They welcomed the participation of the representatives of the ASEAN-Canada Business Council (ACBC) at the Fifth JCC Meeting. The Foreign Ministers also stressed the need for close consultation between ASEAN and Canada on the Uruguay Round. They also noted that the Memorandum on Understanding (MOU) on ASEAN Grain Post-Harvest Programme would be signed by Canada and Thailand on behalf of ASEAN, during the Post Ministerial Conference with Canada on 8 July 1988.

41 The Foreign Ministers expressed satisfaction with the successful conclusion of the Seventh ASEAN-EC Ministerial Meeting (AEMM VII) on 2-3 May 1988 in Dusseldorf. The constructive and cordial exchange of views on political and economic issues of common concern has brought about better understanding and closer cooperation between ASEAN and the EC. The Foreign Ministers noted with satisfaction that the close cooperation in economic field has benefited the two regions. They also expressed great interest in intensifying industrial cooperation between ASEAN and the EC. The Foreign Ministers welcomed the establishment of the Joint ASEAN-EC Investment Committees (JIC) in all ASEAN capitals and agreed to accord high priority to the promotion of ASEAN-EC joint ventures. In the field of human resources development, the
Foreign Ministers took note that the operational details on the establishment of the ASEAN-EC Management Centre in Bandar Seri Begawan would be submitted to the EC prior to the next JCC Meeting. The Foreign Ministers stressed the need for close consultation between ASEAN and the EC on the Uruguay Round.

42 The Foreign Ministers noted the outcome of the Ninth Meeting of ASEAN-Japan Forum in Melaka, Malaysia on 22-23 July 1987. They also expressed the view that ASEAN-Japan cooperative activities have proceeded well in both economic and development fields. They however expressed the view that Japan could further improve its market opening measures to enable ASEAN countries to gain greater access, especially for their manufactured and semi-manufactured goods. They also urged Japan to take effective measures that could relieve the problems relating to the appreciation of the Yen faced by some member countries. The Foreign Ministers stressed the need for close consultation between ASEAN and Japan on the Uruguay Round.

43 The Foreign Ministers expressed appreciation for Japan's initiative in establishing the ASEAN-Japan Development Fund (AJDF). They also welcomed Japan's announcement to launch the "Japan-ASEAN Comprehensive Exchange Programme" (JACEP) which was aimed at promoting exchanges in a variety of fields among the six ASEAN countries and Japan.

44 In noting the positive trend in ASEAN-New Zealand relations, the Foreign Ministers expressed satisfaction with the progress made on various cooperative projects and New Zealand's increased interest in promoting trade and investment cooperation with ASEAN. They welcomed New Zealand's initiative to launch two programmes namely Trade and Investment Promotion Programme (TIPP) and Inter-Institutional Linkages Programme (IILP) as important areas for future cooperation. They expressed the hope that these two programmes will bring mutual benefits to both ASEAN and New Zealand. The Foreign Ministers stressed the need for close consultation between ASEAN and New Zealand on the Uruguay Round.

45 The Foreign Ministers noted the constructive result of the 8th ASEAN-US Dialogue on 10-11 February 1988 in Washington, D.C. They expressed satisfaction with the efforts undertaken by both sides to further improve the dialogue relations. They expressed the view that the Joint Study on ASEAN-US Economic Relations, to be launched soon, would enable the two sides to examine the modalities of the ASEAN-US Initiative (AUI). The Foreign Ministers noted with satisfaction the Presidential veto of the Omnibus Trade Bill and urged the US Administration to resist legislations which would adversely affect trade relations between ASEAN and the US. They expressed the hope that the US would work closely with ASEAN to ensure the success of the Uruguay Round.

46 The Foreign Ministers noted that immediately after the Post Ministerial Conferences of the 21st ASEAN Ministerial Meeting, there will be a rotation of the coordinating countries of the ASEAN Dialogues for a period of three years.

INTERNATIONAL ECONOMIC ISSUES

47 In reviewing the international economic environment, the Foreign Ministers noted that the global economic situation is still characterized by imbalances, rising protectionism, foreign debt problems, volatility in the exchange rates, unfair trade practices, subsidized programmes, instability in the prices of commodities, and agricultural products. In this regard, the Foreign Ministers...
stressed the need for closer and concrete cooperation between the developed and developing countries in achieving a sound international economy.

48 The Foreign Ministers noted the progress in the Uruguay Round and reaffirmed their commitment to work towards the attainment of the objectives laid down at Punta del Este. They also expressed the conviction that an open international trading system is fundamental for the sustained economic growth of all countries. The Foreign Ministers called on all participants in the negotiations to make concerted effort to overcome international trade problems through trade liberalization and the strengthening of the multilateral trade system. They also stressed that the commitment to the principles of standstill and rollback must be strictly adhered to.

49 The Foreign Ministers noted that world trade in agriculture has been adversely distorted by massive and excessive farm supports and subsidies, especially among major industrialized countries. They emphasized that the problem needed to be tackled at its root, particularly by phasing out all distorting measures on agricultural trade at the earliest. The Foreign Ministers reaffirmed their belief that progress in this sector is an important element to the overall success of the Uruguay Round as well as to the promotion of world agricultural trade. They expressed the view that the Cairns Group's recommendations could be a basis for solutions to the global agricultural trade problem.

50 The Foreign Ministers reiterated the importance that ASEAN attaches to the negotiations on tropical products and to its desire to achieve early results in the negotiations. They called upon all parties concerned to adopt a more positive attitude in the negotiations on tropical products and to take into account the interests of developing countries.

51 The Foreign Ministers welcomed the convening of the Mid-Term Review Conference of the Uruguay Round at Ministerial Level in Montreal in December 1988. They expressed hope that this Review would generate the necessary political impetus to make the negotiations successful, as well as stimulate progress towards the achievement of the negotiating objectives. They called for early agreements on Agriculture, Dispute Settlement, Tariff and Non-Tariff Measures, Safeguards, and Functioning of the GATT System. The Ministers reiterated that Tropical Products should be accorded fast track status as contained in the Punta del Este Ministerial Declaration.

52 The Foreign Ministers reiterated that the Principle of Special and Differential Treatment (S&D) for developing countries should be applied to all aspects of the Uruguay Round.

53 The Foreign Ministers expressed concern over the instability in commodity prices and export earnings of the developing countries. They also expressed concern on the activities undertaken by certain groups in the major industrialised countries against the various commodities, particularly on tropical vegetable oils and tropical timber. The Ministers called on the governments of the countries concerned to take steps to end such activities which have the effect of restricting the exports of ASEAN's commodities. They agreed that concerted international efforts should be exerted towards finding ways and means to bring about growth, diversification and expansion of international commodity trade. The Ministers also called on all parties concerned to ratify the International Natural Rubber Agreement 1987 before 1 January 1989 so that it could enter into force as scheduled.

54 The Foreign Ministers noted that satisfactory progress had been made in the ratification process of the Agreement Establishing the Common Fund for Commodities and were confident that the Agreement will enter into force soon.
55 The Foreign Ministers expressed concern over the problems of the international exchange rate realignment and the foreign debt burden of developing countries. They called for coordinated efforts by major industrialized countries towards achieving stable exchange rate relationships among their respective currencies. The Foreign Ministers also stressed that a lasting solution to the debt problem could not be realized unless the industrialized countries provide crucial support by eliminating protectionism, increasing financial assistance on concessional terms, and adopting sound fiscal and monetary policies.

56 The Foreign Ministers noted that ASEAN had presented an ASEAN Memorandum to the Toronto Summit, outlining its positions on major international economic issues. They welcomed the desire by the Summit to achieve successful negotiations on the Mid-Term Review. They were also satisfied that the Toronto Summit supported the efforts to adopt a framework approach, including short and long term goals to reduce all direct and indirect subsidies and other measures affecting agricultural trade.

57 The Foreign Ministers reiterated ASEAN's commitment to intensify joint efforts to deal with international economic issues. They also reaffirmed ASEAN's determination to promote close economic cooperation among developing countries in order to accelerate and strengthen South-South cooperation.

ASEAN SECRETARIAT

65 The Foreign Ministers approved the budget of the ASEAN Secretariat for the financial year 1988/1989. They commended the ASEAN Standing Committee for its continued endeavours to find effective means to improve the efficiency of the ASEAN Secretariat.

TWENTY-SECOND ASEAN MINISTERIAL MEETING

66 The Foreign Ministers agreed that the 22nd ASEAN Ministerial Meeting be held in Bandar Seri Begawan on 7-8 July 1989.

SOURCE: Ministry of Foreign Affairs, Singapore.
INTRODUCTION

1. The Twenty-Third ASEAN Ministerial Meeting was held in Jakarta from 24 to 25 July 1990. The Meeting was formally opened by His Excellency President SOEHRARTO of the Republic of Indonesia.

2. The Meeting was attended by His Royal Highness Prince Mohamed Bolkiah, Minister of Foreign Affairs of Brunei Darussalam; His Excellency Mr. Ali Alatas, Minister for Foreign Affairs of the Republic of Indonesia; His Excellency Dato' Haji Abu Hassan bin Haji Omar, Minister of Foreign Affairs of Malaysia; His Excellency Mr. Raul S. Manglapus, Secretary of Foreign Affairs of the Republic of the Philippines; His Excellency Mr. Wong Kan Seng, Minister for Foreign Affairs and Community Development of Singapore; His Excellency Air Chief Marshal Siddhi Savetsila, Minister of Foreign Affairs of Thailand and their respective delegations.

3. His Excellency Mr. Rusli Noor, Secretary-General of the ASEAN Secretariat and his staff also attended the Meeting.

4. His Excellency Mr. Michael Somare, Minister for Foreign Affairs and Trade of Papua New Guinea, attended the open session as Observer.

5. His Excellency Mr. Ali Alatas, Minister for Foreign Affairs of the Republic of Indonesia, chaired the Meeting. His Excellency Dato' Haji Abu Hassan bin Haji Omar, Minister of Foreign Affairs of Malaysia, was elected Vice Chairman.

OPENING ADDRESS

6. In his Opening Address, His Excellency President SOEHRARTO of the Republic of Indonesia stated among others that the ASEAN Ministerial Meeting was being held in the midst of profound global change and transition. It was also a time of challenge as well as of new opportunity within the on-going process of detente and conciliation between the two major powers and their respective alliances. The President stressed that the political and economic transformations which continued to unfold in Europe would have far-reaching ramifications for future relations among states not confined to the continent alone. The President emphasized that ASEAN, in facing these global changes, needed to maintain a commensurate capacity for dynamic adaptation and to preserve at all times a clear and unified sense of purpose. It was therefore pertinent that the present Meeting was not only a routine event, but a time for ASEAN to seize the opportunity to assess particularly and comprehensively its position, interest and objectives within a regional and global context.
REVIEW OF THE INTERNATIONAL SITUATION

1. The foreign Ministers noted that the world had changed dramatically in the intervening 12 months between the 22nd and 23rd AMM. Europe had undergone a radical transformation with the dismantling of the Berlin Wall and the democratization of the East European countries. German unification portended a whole new European architecture. East-West relations had improved beyond the level of detente as aid for East European economies, including the USSR, was being actively considered by the West. The relationship between the Warsaw Pact and NATO was undergoing rapid changes. The USSR had redirected its attention towards domestic problems. Plagued by persistent trade and budget deficits, the US was reassessing its global presence and calling on its allies to share the financial burden of their defense.

2. The Foreign Ministers felt that it was imperative for ASEAN, in taking cognizance of the above developments, to adopt a more flexible and forward-looking approach to prepare itself for the challenges of the 90s, and in particular to strengthen itself and intensify intra-ASEAN cooperation.

3. The ASEAN Foreign Ministers recommend that pursuant to the decision of the Heads of State/Government at the Manila Summit in 1987 and in view of the rapid changes presently taking place in the world, it would be desirable to prepare for the next Summit. They noted that careful preparation would have to be made to ensure a successful Summit.

4. Foreign Ministers agreed that the ASEAN Secretariat should develop a capability to conduct annually an exercise to produce an ASEAN Macroeconomic Outlook (AMO) for the consideration of ASEAN Ministers at their meetings. They requested the Secretary General of the ASEAN Secretariat to pursue the immediate implementation of the AMO project.

FOLLOW-UP ACTION ON THE DECISIONS OF THE THIRD MEETING OF ASEAN HEADS OF GOVERNMENT

27. The Foreign Ministers reviewed the implementation of the decisions of the Third Meeting of the ASEAN Heads of Government, held in Manila, December 1987. They were pleased to note that considerable progress had been made during the past year, particularly in the establishment of sectoral dialogue relations with the Republic of Korea. An important development in the strengthening of ASEAN's coordinating mechanism was the convening of the ASEAN Joint-Ministerial Meeting (JMM) of the Foreign and Economic Ministers. They welcomed the participation of the ASEAN Economic Ministers in the Post Ministerial Conferences especially as more economic issues were being discussed at these Meetings.

28. The Foreign Ministers approved the ASC's recommendations on the improvement of the format of the PMCs.

ASEAN SECRETARIAT

29. The Foreign Ministers expressed great satisfaction over the initiatives taken by the ASEAN Standing Committee to strengthen the role and effectiveness of the ASEAN mechanism and structures, especially the ASEAN Secretariat and called for sustained efforts in this direction. They welcomed the assistance being rendered by UNDP, ADB, Canada, and the EC in support of these initiatives.
30. The Foreign Ministers agreed to the establishment of the UNDP Sponsored panel of five Eminent Persons to study and make the necessary recommendations on strengthening and re-vamping the structure and mechanism of ASEAN, in particular the ASEAN Secretariat.

31. The Foreign Ministers appointed Dr. Chng Meng Kng of Singapore to the new post of Deputy Secretary General of the ASEAN Secretariat for a period of three years. The Foreign Ministers felt that the new post would assist in enhancing the role of the ASEAN Secretariat in line with the decision of the Third ASEAN Summit.

REVIEW OF ASEAN COOPERATION

32. In reviewing the progress made in ASEAN cooperation over the past year, the Foreign Ministers noted with satisfaction the various programmes and activities undertaken to further promote intra-ASEAN cooperation, particularly in the fields of trade, energy, commodities, social welfare, culture, labour affairs, education, youth development, science and technology and civil service matters.

33. The Foreign Ministers expressed satisfaction that progress had been made in the finalization of Thailand's ASEAN Potash Mining Project and noted that all the six ASEAN member countries would be participating as shareholders in the project.

34. The Foreign Ministers noted that the Revised Basic Agreement on ASEAN Industrial Joint Ventures (AIJV) would be amended in order to extend the deadline of 1990 for the 60% non-ASEAN equity participation in the AIJV up to the end of 1993.

35. The Foreign Ministers agreed on the establishment of the ASEAN Social Development Fund and, along with the ASEAN Science and Technology Fund which was created earlier, were convinced that these funds would help promote greater regional cooperation in these fields.


37. The Foreign Ministers noted with satisfaction the progress being made on the preparations for the Visit ASEAN Year 1992 (VAY '92) and requested the dialogue countries to contribute to the success of the programme.

PROPOSED ASEAN TREATY OF ECONOMIC COOPERATION

38. Cognizant of the urgent need for ASEAN to cope with the rapid and dramatic developments taking place not only in Europe but also in the region and conscious of the challenges that these events will pose for ASEAN's viability, the Foreign Ministers felt that it was timely to take more concrete steps towards more effective intra-ASEAN economic cooperation. In this connection the Foreign Ministers took particular note of the proposal of the Philippines for the conclusion of an ASEAN Treaty of Economic Cooperation and directed their senior officials, in coordination with
senior economic officials and the Directors-General of the ASEAN National Secretariats to consider the setting up of a committee to study the need for a treaty or other framework for ASEAN economic cooperation for submission to the AEM for its consideration.

PARTICIPATION OF THE PRIVATE SECTOR

39. The Foreign Ministers acknowledged the growing importance of private sector participation in the dialogue process as well as in intra-ASEAN cooperation and expressed the hope that such participation would be intensified.

ASEAN-PACIFIC COOPERATION ON HUMAN RESOURCES DEVELOPMENT PROGRAMME (APC-HRD)

41. The Foreign Ministers noted the report of the Fifth Meeting of the Ad-hoc Working Group on APC-HRD, held in Jakarta on 22 February 1990. They expressed concern over the lack of progress made to date on the implementation of the Programme and called upon the dialogue partners for a more positive response to the project proposals submitted by ASEAN.

COOPERATION WITH DIALOGUE COUNTRIES AND OTHER ORGANIZATIONS

42. The Foreign Ministers reviewed the activities being implemented within the framework of ASEAN cooperation with dialogue countries and international organizations and noted with satisfaction the progress made in the various fields, particularly in the area of development cooperation. The Foreign Ministers, however, expressed their disappointment on the slow progress on issues relating to improved market access for products of export interest to ASEAN.

43. The Foreign Ministers expressed satisfaction with the progress on the implementation of the ASEAN-Australia Economic Cooperation Programme (AAECP) Phase II and the focus given to the areas of trade and investment promotion, science and technology and agro-based projects, with special reference to Human Resources Development (HRD). The Foreign Ministers noted the broadening of the ASEAN-Australia Forum’s agenda to include cooperation in telecommunications, environment and education.

44. The Foreign Ministers noted with satisfaction the progress in the ASEAN-Canada dialogue relations. The Foreign Ministers also noted that the establishment of the Canada-ASEAN Centre in Singapore had resulted in improved management and coordination of the development cooperation programmes. The Foreign Ministers further expressed the hope that there would be greater increase in trade and investment cooperation between ASEAN and Canada. The Foreign Ministers welcomed the offer of the Canadian Government to host a Special ASEAN-Canada Ministerial Meeting in Jasper, Canada, on 5-7 October 1990 and hoped that the outcome of the meeting would further enhance the ASEAN-Canada relations.
45. The Foreign Ministers noted the successful outcome of the 8th ASEAN-EC Ministerial Meeting, Kuching, Malaysia, 16–17 February 1990. In taking note of the developments in the Soviet Union and in Central and Eastern Europe, the Foreign Ministers expressed the hope that the EC's commitment to assist these countries towards free-market economies would not be at the expense of ASEAN-EC ties. On the creation of the Single European Market, the Foreign Ministers urged the EC to ensure that its implementation would not adversely affect ASEAN's interests. The Foreign Ministers reaffirmed that industrial cooperation should be accorded high priority in ASEAN-EC relations. The Foreign Ministers further urged the EC to provide improved market access for ASEAN exports.

46. The Foreign Ministers expressed satisfaction over Japan's continuing support for ASEAN's cultural and development cooperation activities. The Ministers expressed the hope that Japan would give priority consideration to the resolution of existing trade issues between ASEAN and Japan, particularly in the area of market access for products of interest to ASEAN. In this regard, the Ministers welcomed the convening of the first meeting between ASEAN and Japan trade experts in Tokyo in September 1990, as well as the participation for the first time by the private sector in the forthcoming 12th ASEAN-Japan Forum in Tokyo.

47. The Foreign Ministers welcomed measures to be taken by the New Zealand Government in across-the-board reduction in its tariff and other liberalization programmes in the industrial sector. The Foreign Ministers requested New Zealand to continue to find practical ways to resolve problems and obstacles to facilitate the entry of ASEAN export products to the New Zealand market. The Foreign Ministers also welcomed the implementation of the projects under Inter-Institutional Linkages Programme (IILP) and the finalization of Trade and Investment Promotion Package (TIPP) projects.

48. The Foreign Ministers noted with satisfaction that the ASEAN-US Dialogue continued to serve as an important forum for cooperation in the areas of trade, investment and development. The Foreign Ministers welcomed the signing of the Project Grant Agreement on Private Investment and Trade Opportunities (PITO). The project set forth new directions for ASEAN-US cooperation which would enhance the participation of ASEAN and US private sectors in ASEAN-US trade and investment. On the ASEAN-US Initiative (AUI), the Foreign Ministers welcomed the decision of the AEM and the USTR to establish a Joint Working Group on ASEAN-US Economic Relations as a concrete effort not only to strengthen and improve the ASEAN-US economic and trade relations but also to complement the multilateral trading system under GATT.

49. The Foreign Ministers expressed their appreciation for the UNDP's contribution to ASEAN development cooperation. In particular, the Foreign Ministers were pleased to note the preparations being made for the 5th UNDP Cycle (1992–1996) in the development of a programmatic approach to the formulation and implementation of the ASEAN-UNDP technical cooperation.

**APEC**

50. The Foreign Ministers noted with satisfaction the outcome of the Joint Ministerial Meeting held in Kuching, Malaysia, on 15 February 1990, in which ASEAN reaffirmed its position on APEC as stated at the Canberra Meeting on 6–7 November 1989. ASEAN would continue to be guided by the basic principles stated at the Canberra Meeting, which stated, inter alia, that the
APEC should continue to be a loose, exploratory and informal consultative process, that APEC process should not dilute ASEAN's identity and that it should not be directed towards the establishment of an economic trading bloc, as this would be contrary to ASEAN's support for the establishment of a more fair and freer multilateral trading system. In pursuing this goal, ASEAN should take a pragmatic and gradual approach.

51. The Foreign Ministers welcomed the positive results of the two Meetings of APEC Senior Officials held in Singapore in March and May 1990 and looked forward to the opportunity for consultations with other participants on major economic developments and issues at the forthcoming Ministerial Meeting in Singapore, 29-30 July 1990.

INTERNATIONAL ECONOMIC ISSUES

52. The Foreign Ministers noted that the global economic scene was still characterized by the escalation of trade protectionism including new forms of protectionism, the unstable and low commodity prices, heavy debt burden and the drastic aggravation of reversed trans of financial flows and the persistent monetary instability. The Foreign Ministers felt that it was therefore essential for the developed and developing countries to enhance their cooperation in addressing the global problems of an increasingly interdependent and integrated world economy.

53. The Foreign Ministers reaffirmed their strong commitment to the successful completion of the URMTN by December 1990 and urged the developed countries to adopt a more forthcoming and positive attitude in the remaining period of the Uruguay Round, taking fully into consideration the areas of interest to the developing countries particularly tropical products, agriculture, textiles and clothing, and international trading rules including anti-dumping and countervailing measures. The Foreign Ministers reiterated that Special and Differential treatment for developing countries was an integral element of the negotiations and that it should be applied to all aspects of the Uruguay Round.

54. The Foreign Ministers expressed concern at the adverse effects that the anti-tropical timber and anti-vegetable oil campaigns in certain developed countries were having on ASEAN exports earnings. The Foreign Ministers noted that an ASEAN Ministerial Delegation would be visiting the EC and other major consuming countries to counter the anti-tropical timber campaigns. The Foreign Ministers urged the developed countries to provide technical and research expertise to upgrade tropical forest management and development, so as to intensify R and D activities on tropical forests.

55. The Foreign Ministers were of the view that efforts should be made for the Common Fund for Commodities to become operational as soon as possible as it would give fresh impetus to international action in the area of commodities.

56. On the global debt problem, the Foreign Ministers expressed their concern over the growing financial outflows from developing countries in the form of external debt payment which constituted one of the most debilitating deterrents to sustained growth and development. The Foreign Ministers felt that a comprehensive, durable and development-oriented solution to the debt problem, based on the principle of shared responsibility of both debtors and creditors, was imperative.
SUMMIT LEVEL GROUP FOR SOUTH-SOUTH CONSULTATION AND COOPERATION (G-15)

57. The Foreign Ministers welcomed the First Meeting of the Summit Level Group for South-South Consultation and Cooperation, Kuala Lumpur, Malaysia, 1-3 June 1990. The Foreign Ministers expressed the hope that this forum would further enhance cooperation through the revitalization of the North-South Dialogue and the strengthening of South-South cooperation.

TWENTY-FOURTH ASEAN MINISTERIAL MEETING

76. The Foreign Ministers agreed that the Twenty-Fourth ASEAN Ministerial Meeting would be held in Malaysia in June 1991.

77. The Delegations of Brunei Darussalam, Malaysia, the Philippines, Singapore and Thailand expressed their sincere and deep appreciation to the Government and people of the Republic of Indonesia for their warm and generous hospitality and the excellent facilities and efficient arrangements made for the Meeting.

78. The Meeting was held in the traditional spirit of ASEAN friendship and solidarity.

SOURCE: Ministry of Foreign Affairs, Republic of Singapore.
Ministers from Australia, Brunei Darussalam, Canada, Indonesia, Japan, Malaysia, New Zealand, the Philippines, Republic of Korea, Singapore, Thailand and the United States met in Singapore on 29–31 July 90 to continue their discussions on the process of Asia Pacific Economic Cooperation (APEC). The ASEAN Secretariat, the Pacific Economic Cooperation Conference (PECC) and the South Pacific Forum (SPF) were present as observers. A full list of Ministers and Observers attending the Meeting is attached. (Annex A).

2 The Meeting was co-chaired by Mr Wong Kan Seng, Minister for Foreign Affairs and Minister for Community Development and BG (Res) Lee Hsien Loong, Minister for Trade and Industry and Second Minister for Defence (Services).

3 Ministers recalled Prime Minister Lee Kuan Yew’s keynote address in which he set forth the tone for the next two days’ meetings:

“All countries present today have grown faster because of the GATT-IMF multilateral free trade regime. It is in all our interests to keep open the system of free and fair trade.

Indeed APEC countries should set themselves up as examples of good GATT abiding citizens of the world and oppose the formation of trading blocs. In that way we will contribute to world economic growth.”
4 Ministers also noted that without strong economic performance, democratic institutions cannot flourish, nor can social justice be promoted. Strong economic growth therefore promotes security in the region.

5 Ministers discussed a range of topics including:
   (a) World and Regional Economic Developments/Regional Economic Outlook
   (b) Global Trade Liberalisation — GATT Uruguay Round
   (c) APEC Work Projects
   (d) Future Participation.

6 Ministers reiterated their appreciation for the important contribution that ASEAN and its dialogue relationships have continued to play in the development of APEC and stressed that the enhancement of Asia Pacific Economic Cooperation would complement and strengthen the constructive role played by ASEAN. Ministers reaffirmed that APEC was outward-looking and did not aim to form a trading bloc, thereby contributing to further development of the world economy.

WORLD AND REGIONAL ECONOMIC DEVELOPMENTS

7 Ministers exchanged views on world and regional economic developments and noted that those economies following market-oriented policies have been among the most successful in providing their citizens with improving standards of living.

8 Ministers noted that the world economy and international trade would continue to expand in 1990 and 1991, albeit at a slower rate. Ministers also welcomed the concerted efforts made by all trading nations in conducting structural adjustments in their respective countries, for example the Structural Impediments Initiative Talks and the external effects that these would also have on third countries; the increasing awareness of the importance of sound domestic market-oriented policies; and the decrease in the external imbalances among major trading countries. They noted that these positive developments would help to reduce protectionist pressures and help bring about a more vibrant world economy to the benefit of all. Ministers agreed that increased international cooperation would help to ensure further progress in these areas.

9 Ministers examined the newly emerging patterns of trade, investment and specialisation in the Asia Pacific region, and the challenges and opportunities posed by these changes. There were discussions on continuing inflationary pressures in the light of robust economic growth in the region. Ministers noted that there had been some reduction in such pressures.

10 Ministers agreed that increased domestic capital formation and foreign investments in the Asia Pacific region should be encouraged. Ministers also agreed that increasing financial resource flows were an important requirement for sustained economic growth, as well as a means to address debt-related problems. They also agreed that the transfer of technology was an essential element of economic development and recognised that efforts were needed to improve the access of economies in the Asia Pacific region to productive technologies.

11 Mindful of the need for cooperation in the attainment of the overall objective of accelerating region-wide development, Ministers recognised the urgency of bridging the economic disparities in the Asia Pacific region.
Ministers expressed their support for, and looked forward to, the opening of the Central and East European economies to the world. Ministers also discussed the effects of the transition from centrally planned to market economies in these countries, and their implications for the Asia Pacific region. The changes in Europe could lead to increased flows of goods, technology, capital and investment to that region and could provide new export markets for APEC economies.

Ministers noted that the increase in global demand for savings could push up world interest rates unless careful macro-economic management was followed. Ministers cautioned that higher interest rates could have negative effects on debtor countries and implications for the world payments mechanism. The developing economies in the Asia Pacific will need to compete actively for scarce resources by following more market-oriented policies.

Ministers noted that the West European countries would be increasingly preoccupied with developments in Central and Eastern Europe, as well as the advent of the Single European Market. Ministers expressed the hope that the creation of a Single European Market would lead to the emergence of an outward-looking dynamic economy and not a more restrictive trading bloc.

Ministers agreed that consultation among policy makers in the region was valuable in their common efforts to sustain growth, promote adjustment, and reduce economic disparities.

GATT

Ministers agreed that the primary objective of APEC this year was to ensure a successful conclusion of the Uruguay Round. This was essential to preserve and enhance the open multilateral trading system on which their economies all depended.

Ministers reviewed the outcome of the July TNC meeting in Geneva and expressed grave concern that differences remained in key areas of the negotiations. They called for urgent efforts to overcome them and committed themselves to advancing the negotiations in accordance with the deadlines set forth in the TNC. In the light of such commitments, each Minister agreed to conduct an urgent review of all negotiating positions with a view towards finding increased flexibility and thereby facilitating a breakthrough in the negotiations which would resume on 27 August 1990. Ministers urged all non-APEC participants in the Uruguay Round to conduct similar reviews.

Ministers issued the Singapore APEC Declaration on the Uruguay Round (Annex B) and directed that consultations on the Round between APEC representatives should be intensified. They welcomed Canada’s decision to convene a meeting of APEC Ministers concerned with trade policy in Vancouver from 11-12 September 1990. They intended that it should lead to a further consolidation of Asia Pacific views.

TRADE LIBERALISATION IN THE REGION

Ministers agreed that a continuing central theme of APEC, following the completion of the Uruguay Round, would be the promotion of a more open trading system. They agreed in this respect that it was desirable to reduce barriers to trade in goods and services among participants, so long as any such liberalisation was consistent with GATT principles and was not to the detriment of other parties. They agreed that senior officials should explore possibilities towards this end and that this matter should be further discussed at the Seoul Meeting.
WORK PROJECTS

20. At the Canberra Meeting, Ministers agreed that if Asia Pacific Economic Cooperation was to lead to tangible benefits, there was a need to progress beyond agreement or general principles. The Ministers had identified broad areas of cooperation, including economic studies; trade liberalisation; investment; technology transfer and human resources development; and sectoral cooperation as the basis for the development of a work programme.

21. Ministers expressed satisfaction that their senior officials, at the meetings in Singapore in March and May 1990, had advanced the work programme considerably. Seven potential work projects had been identified, and work had already begun. A number of shepherd's meetings and working group meetings on the work projects have been convened in the various APEC countries. The seven work projects are:

a. **Review of Trade and Investment Data**
   To develop reliable and comparable data on trade and investment flows among the 12 APEC economies. The initial emphasis is on improving the comparability of merchandise trade data but preliminary work is also being undertaken on data on trade in services and investment flows.

b. **Trade Promotion: Programmes Mechanisms For Cooperation**
   To facilitate and promote expansion of trade amongst the APEC economies as well as with those outside the region so that the potential accruing from international specialisation and comparative advantage could be fully exploited, five programmes have been proposed at the first meeting. These programmes include exchanging trade and industrial information; trade and economic missions; facilitating promotion seminars, trade fairs and training courses. One co-operating country has been designated to each programme. It was agreed that the active involvement of the region's private sector was essential to expanding regional trade and that private sector representatives should be closely involved in each work programme.

c. **Expansion of Investment and Technology Transfer in the Asia Pacific Region**
   To promote economic growth through expansion of investment and technology transfer in the Asia Pacific region. Towards this end, two projects will be initially undertaken, namely the establishment of an investment and technology information network for the Asia Pacific region taking into account established sources, and dissemination of experiences in the establishment and management of technoparks which are a potentially effective vehicle for investment expansion and technology transfer. These two projects would include cooperation in the field of research and development.

d. **Asia Pacific Multilateral Human Resource Development Initiative**
   To foster human resource development activities in APEC economies in such areas as development management and planning, business management, and industrial technology and training, particularly taking into account the serious shortage in ASEAN countries of planners and coordinators for national development policy as well as managers and engineers in private sector. In this regard, Ministers took positive note of the US initiative for an APEC partnership for education.

e. **Regional Energy Cooperation**
   To provide the means for exchanges amongst high-level policy decision-makers on the issues and developments affecting the energy sector in the Asia Pacific region. Six specific themes will be developed: information exchanges on energy trends; supply and demand outlook; energy conservation and efficiency; research and development; environmental factors and energy technology transfer.
A coordinating country for each theme is being determined and a working meeting of energy experts will be held later this year or early next year.

i **Marine Resource Conservation: Problem of Marine Pollution in the APEC Region**

The objective is to establish a dialogue on the Pacific marine environment which recognizes the economic benefits of sustainable development. The initial focus of this dialogue would be the marine transport of hazardous substances, the discharge of marine pollutants, and the problem of marine debris. An experts workshop will be convened in Vancouver in November 1990 for the purpose of developing recommendations for Ministers.

j **Telecommunications**

To study a specific prototype project taking into consideration the following areas to be prioritised, namely human resource development, technology transfer and regional cooperation, opportunities for on-site visits/observerships/fellowships and telecommunications standardisation (involving the compatibility of equipment).

22 Ministers reviewed and endorsed the seven work projects as concrete areas for closer cooperation among the APEC economies. Ministers encouraged the senior officials to advance these work projects so as to achieve optimum results. Ministers reconfirmed that wherever possible, the APEC process should make use of existing cooperation mechanisms to avoid duplication of efforts. Ministers recognised the necessity of close collaboration with the private sector throughout the APEC work programme and noted in particular the valuable work done by PECC and the Pacific Basin Economic Council.

23 Ministers noted the Report by the PECC Task Force on the Management of Fisheries Resources and referred it to their senior officials. Ministers also asked their officials to report on the potential benefits of additional work projects in the areas of transportation, tourism and fisheries.

**VENUE FOR FUTURE APEC MEETINGS**

24 Ministers welcomed the Republic of Korea’s offer to convene the Third Ministerial-level Meeting in Seoul in mid-October 1991. They asked their respective senior officials together with representation from the ASEAN Secretariat, PECC and SPF, to meet later this year to begin preparations for their next Meeting.

25 Ministers also welcomed Thailand’s offer to host the Fourth Ministerial-level Meeting in 1992 and the United States’ offer to host the Fifth Ministerial-level Meeting in 1993.

**FUTURE PARTICIPATION IN APEC**

26 Recognising that APEC is a non-formal forum for consultation among high-level representatives of economies with strong or increasing economic linkages in the Asia Pacific region, Ministers agreed to keep under review in subsequent meetings the question of additional participation.

27 Ministers acknowledged the particularly significant role in the Asia Pacific region of the three economies of the PRC, Taiwan and Hong Kong, both in terms of present economic activity and their importance for the region’s future prosperity. They reaffirmed their view, expressed in Canberra in 1989, that it was desirable for these three economies to participate in future APEC consultative meetings.
28 Ministers agreed that consultations should proceed with the three economies, with a view to reaching arrangements agreeable to those three and to the current members of APEC for all three to participate in APEC at the same time, either at the Seoul meeting or as soon as possible thereafter. The results of these consultations will be conveyed to Ministers.

OTHER MATTERS

29 At the conclusion of this Second Meeting, Ministers expressed satisfaction with the discussions which reaffirmed the value of closer regional consultation and economic cooperation on matters of mutual interest.

30 Ministers and their delegations expressed their appreciation to the Government and people of the Republic of Singapore for organising the meeting, for the excellent arrangements made for it as well as for the warm hospitality extended to them.

LIST OF MINISTERS AND OBSERVERS ATTENDING THE APEC MINISTERIAL MEETING, SINGAPORE, 29-31 JULY 1990

AUSTRALIA

1 Senator The Hon Gareth Evans, QC
   Minister for Foreign Affairs and Trade

2 The Hon Neal Blewett, MP
   Minister for Trade Negotiations

BRUNEI DARUSSALAM

3 The Hon Pehin Dato Abdul Rahman Taib
   Minister of Industry and Primary Resources

CANADA

4 The Rt Hon Joe Clark
   Secretary of State for External Affairs

INDONESIA

5 Mr Ali Alatas
   Minister of Foreign Affairs

6 Dr Arifin Siregar
   Minister of Trade

7 Mr Hartarto
   Minister of Industry

JAPAN

8 Dr Taro Nakayama
   Minister for Foreign Affairs

9 The Hon Kabun Muto
   Minister of International Trade and Industry

MALAYSIA

10 The Hon Dato' Hj Ab. Hassan Bin. Hj. Omar
   Minister of Foreign Affairs

11 The Hon Dato' Seri Rafidah Aziz
   Minister of Trade and Industry

NEW ZEALAND

12 Rt Hon Mike Moore
   Minister of External Relations and Trade

THE PHILIPPINES

13 Mr Raul S Manglapus
   Secretary of Foreign Affairs

14 Mr Jose Concepcion, Jr
   Secretary of Trade and Industry

REPUBLIC OF KOREA

15 Mr Ho-Joong Cho
   Minister of Foreign Affairs

16 Dr Pil-Soo Park
   Minister of Trade and Industry
APEC Declaration on the Uruguay Round
Singapore, 30 July 1990

1 Ministers from Australia, Brunei Darussalam, Canada, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, the Philippines, Singapore, Thailand and the United States met in Singapore on 30–31 July 1990 and assessed the progress of the Uruguay Round of Multilateral Trade Negotiations in the light of the recent meeting of the Trade Negotiations Committee. Ministers agreed that a successful conclusion of the Uruguay Round is the single most important issue on the international agenda.

2 Ministers expressed grave concern that greater progress had not been made and reiterated their firm commitment to a timely and successful completion of the Uruguay Round. They agreed that at this juncture of the negotiating process all participants must be prepared urgently to undertake commitments and political decisions to overcome the core difficulties in order that the Uruguay Round would achieve major and substantive results by December 1990. They urged all participants to engage fully and constructively in the intensified work programme accepted at the TNC Meeting.

3 Ministers emphasized that a significant outcome in Agriculture, and in Textiles and Clothing, Services, and each of the market access groups is crucial to a successful outcome in the Uruguay Round. They noted with concern a lack of progress in these areas of negotiations and called on all
participants in the Round to intensify their efforts. They noted that access negotiations in certain sectors could not be further deferred and recommended that negotiations among all participants in the Round should proceed on an urgent basis. They committed themselves to advancing access negotiations in accordance with the deadline as set down by the TNC.

4 Ministers emphasized that the trade rules emerging from the Uruguay Round must enhance open and fair competition. They agreed on the need for a strengthened multilateral trading system. They stressed the importance of achieving a more effective GATT Dispute Settlement System, which should lead to a commitment to operate only under the multilateral rules.

5 Ministers shared the belief that the results of negotiations in the new areas should meet the concerns of all participants to ensure full participation.

6 Ministers confirmed their intention to meet in Vancouver, Canada on September 11 and 12, 1990 to further assess developments in the Uruguay Round and to consider ways by which they could unblock any obstacles to a comprehensive and ambitious Uruguay Round result. They reaffirmed their intention at that time to achieve progress in all aspects of the negotiations.

7 Ministers also agreed to convene a special meeting of APEC Ministers concerned with Trade Policy soon after the finish of the Round to assess its results.

SOURCE: Ministry of Foreign Affairs, Republic of Singapore.
JOINT PRESS STATEMENT

1. The Twenty-Second Meeting of the ASEAN Economic Ministers (AEM) was held at Denpasar, Bali, Indonesia on 29–30 October 1990. The Meeting was formally opened by His Excellency President Soeharto of Indonesia, and was preceded by a Preparatory Meeting of the ASEAN Senior Economic Officials (SEOM) on 26–27 October 1990.

2. The Meeting was attended by H. E. Pehin Dato' Abdul Rahman Taib, Minister of Industry and Primary Resources of Brunei Darussalam; H. E. Dr. Arifin M. Siregar, Minister of Trade of Indonesia; H. E. Mr. Hartarto, Minister of Industry of Indonesia; H. E. Mr. Hasjul Harahap, Minister of Forestry of Indonesia; H. E. Dr. Sjarifudin Baharsjah, Junior Minister of Agriculture of Indonesia; H. E. Dato' Shaharuddin Haron, Secretary-General, representing H. E. Dato' Seri Rafidah Aziz, Minister of International Trade and Industry of Malaysia; H. E. Mr. Jose S. Concepcion Jr, Secretary of Trade and Industry of the Philippines; H. E. Brig. Gen. (Res) Lee Hsien Loong, Minister for Trade and Industry of Singapore; H. E. Mr. 'Mah Bow Tan, Minister of State for Trade and Industry of Singapore; H. E. Mr. Amaret Sila-On, Minister of Commerce of Thailand; H. E. Mr. Amnuay Yossuck, Deputy Minister of Foreign Affairs of Thailand; H. E. Mr. Suchet Charnpoonod, Deputy Minister of Finance of Thailand; and their respective delegations. H. E. Mr. Rusli Noor, Secretary-General of the ASEAN Secretariat and members of his staff were also present.

3. His Excellency President Soeharto in his Inaugural Address welcomed all delegates to Indonesia. He noted that the present ASEAN Economic Ministerial Meeting was held at a time when the world was undergoing rapid and fundamental changes where peace, cooperation and friendship prevailed. As the strength of ASEAN laid essentially in the spirit of cohesion and solidarity, he urged the member countries to jointly exert further efforts to create a more meaningful and effective intra-ASEAN economic cooperation. He called for speeding up the implementation of the AUV and PTA and simplifying its procedure as well as being more effective in the fields of agriculture, forestry, finance and transportation. He stated that the strengthening of the ASEAN Secretariat might also be initiated. The President encouraged the participation of ASEAN businessmen to contribute to the promotion of intra-ASEAN cooperation. ASEAN being recognized as playing an increasingly important role in international development and cooperation, should make use of this opportunity to promote the cause for free, fair and equitable trading practices, particularly in supporting the Uruguay Round so that world economic development would be boosted by a free trading system.

4. The Ministers reviewed the overall ASEAN economic cooperation against the background of the momentous economic and political changes within and outside the region, namely, the developments
in Central and Eastern Europe, the imminent Single European Market after 1992, the critical phase of the Uruguay Round, the rapprochement of the Superpowers, the possible end to the Cambodian problem, and the Gulf crisis. They agreed that the changes presented both challenges and opportunities which would increasingly test the resolve and strength of ASEAN.

5. Against such a background, the Ministers set out to examine the existing intra-ASEAN economic cooperation, ASEAN's external relations, its role and strategy in the world economic arena, and the ASEAN machinery. While finding the existing economic cooperation to be progressing well, the Ministers saw the need to focus on measures to further strengthen such cooperation. The Ministers were determined to adopt whatever appropriate measures to enhance the strength of ASEAN as a whole to effectively cope with the challenges and opportunities. In this regard, the Ministers felt that the development of a growth triangle among regions of Malaysia, Singapore and Indonesia could be a useful model for further strengthening economic cooperation among ASEAN member countries.

6. With full awareness of the prevailing economic reality and its volatile implications as well as ASEAN's dynamism, the Ministers focused their attention on the economic cooperation in a number of areas mentioned in the ensuing paragraphs.

7. The Ministers initialled the Supplementary Agreement establishing the ASEAN Potash Mining Project, and approved the Joint Venture Agreement of the Project. The Project, to be located in Thailand, is an ASEAN Industrial Project with initial capital of US$289 million and an annual capacity of 1 million tons. It would engage in the construction, operation, manufacture and sale of Potassium Chloride to both ASEAN and non-ASEAN countries.

8. The Ministers welcomed the approval of multi-stage high powered centrifugal pumps and seven DAF truck components as AIJV products. Additional products were also approved for inclusion in the BBC scheme both from the existing schemes of Mitsubishi Motors Corporation and Volvo and from the BBC nominations of Nissan and the DAF Group of Belgium. The Ministers also welcomed the final approval of the BBC scheme of the Toyota Motors Corporation.

9. The Ministers stressed that ASEAN's industrial cooperation programmes should yield concrete results in terms of increased intra-ASEAN investments and contribute to member countries' industrial development. With regard to the AIJV scheme, the Ministers agreed to make it more attractive to investors by, inter alia, relaxing ASEAN equity requirements, greater accessibility of AIJV production to investors and more attractive tariff preferences on AIJV products. More specifically, the Ministers agreed to (i) extend the period during which non-ASEAN investors can hold as much as 60% of the equity of the AIJV project, from December 31, 1990 to December 31, 1993; (ii) remove the exclusivity privilege granted to new AIJV projects; (iii) application of a common effective preferential tariff on AIJV products among participating countries; (iv) waive the requirement for a minimum 5% equity contribution from nationals of the participating countries after the 4th year of commercial operations of the AIJV project for as long as the cumulative ASEAN equity remains at least 40% and that there are at least two ASEAN countries participating in the project; (v) extend the special treatment of AIJV products by reserving the preferential tariff only for the AIJV products and the participating countries until such time when the non-participating countries agree to extend all the AIJV privileges to the AIJV products imported into its markets or grant a common effective preferential tariff to the AIJV products after 8th year in all member countries.

10. Noting that all member countries have confirmed their programmes and product lists, the Ministers endorsed the implementation of the 1991 PTA programmes. The Ministers also endorsed the list of chemical products eligible for reduction of ASEAN content requirement.

11. The Ministers recognized that the PTA, upon the completion of the current programmes in 1992, would need to be improved and agreed that the next programmes would be extended to 1999. Some of the elements in the next PTA programmes may include the deepening of the MOP of the existing PTA
items to 75% and granting the MOP of 50% to new items; reducing further the number of items in the exclusion list to 5%; reducing the ASEAN content requirements from 50% to 35% for 21 chemical products while maintaining the current rate for Indonesia at 42%; the feasibility of introducing the sectoral approach and the ASEAN preferential tariff quota applying common effective tariff on product basis under the sectoral approach.

12. The Ministers adopted the concept of a common effective preferential tariff on selected industrial products as a new scheme to facilitate the free flow of goods within ASEAN and thereby further increase ASEAN trade and investments. The integration of elements of liberalizing foreign exchange rules and revoking quantitative restriction on imports of products to be included into the new scheme would be explored.

13. The Ministers expressed satisfaction with the preparations for the Visit ASEAN Year 1992. All member countries have established their respective National VAY '92 Committees and identified preliminary lists of events to be organized in 1992.

14. The Ministers welcomed the increasing use of ASEAN currencies in the settlement of intra-ASEAN trade. The Ministers also encouraged the expansion of the co-operation in the areas of fiscal, financial and monetary management, capital market development and State-owned Enterprises.

15. The Ministers were encouraged by the good progress in the implementation of the Foot and Mouth Disease (FMD) Eradication Programme in ASEAN and the efforts to develop the ASEAN standards of Animal Vaccines. In this connection, the Ministers reaffirmed AMAF's approval on Indonesia's application to declare the whole of Indonesia as an FMD-free zone.

16. The Ministers expressed satisfaction with the implementation of the ASEAN Optical Fibre Submarine Cable Network (AOFSCN). Since the signing of the MOU for the construction of the system on 8 March 1990, the first three systems, namely, the Kuantan-Kota Kinabalu, Brunei-Malaysia-Philippines and the Brunei-Singapore cable systems are currently being implemented.

17. The Ministers, in reviewing the progress of ASEAN economic co-operation with Third Countries/International Organizations, reaffirmed the need for more active participation and contributions of private sectors in the dialogue process.

18. The Ministers endorsed the draft Memorandum of Understanding (MOU) on the ASEAN-US Economic Relations to establish a Trade and Investment Co-operation Committee and agreed that it be signed by appropriate ASEAN representatives and the USTR possibly before the end of 1990.

19. On the Asia-Pacific Economic Co-operation (APEC), the Ministers reaffirmed the need for ASEAN cohesion in the APEC process and emphasized that the global trade liberalization should remain a major theme of the APEC consultative process, even after the Uruguay Round. In this light, the Ministers expressed ASEAN's conviction that APEC would not evolve into a trading bloc.

20. The Ministers noted with deep regret the latest developments in the Uruguay Round negotiations. With hardly a month before Brussels, the Uruguay Round is facing a real crisis. The Ministers resolved that the Round should be concluded successfully in December 1990, as scheduled, to the benefit of the multilateral trading system and that all participants must similarly show the same determination. They would continue to assess the progress and intensify consultations in these last few days of negotiations, and should take concerted actions commensurate with the situation necessary to secure and promote ASEAN's trade interest. In this regard, the Ministers issued the ASEAN Statement on the Uruguay Round of Multilateral Trade Negotiations.

21. The Ministers expressed concern over the high level of farm subsidies provided by the developed countries which adversely affected agricultural exports from the developing countries including ASEAN. They urged that positive measures be undertaken to eliminate or substantially reduce these subsidies.
22. The Ministers expressed satisfaction with efforts to counter the Anti-Tropical Timber Campaign. The ASEAN Ministerial Mission to Europe had inculcated some understanding in the EC of forestry management and problems faced by ASEAN. The issuances of the Joint Communiqué by ASEAN and the EC and the Joint Press Release by ASEAN and Germany provided some recognition by the EC of ASEAN’s efforts in sustainable forest development and the need to co-operate and collaborate to improve forestry management on a sustainable basis in ASEAN. The Ministers also endorsed the recommendations submitted by the leader of the ASEAN Ministerial Mission to Europe on the comprehensive measures including the sending of similar missions to other developed countries and the formulation of a common ASEAN stand on the global forest and related conventions.

23. The Ministers concurred with the proposal of the ASEAN Ministerial Meeting to study the need for a treaty or other framework for ASEAN economic co-operation and directed the ASEAN Senior Economic Officials to be actively involved in such proposed study.

24. The Ministers attached great importance to the subject of ASEAN machinery. They agreed that the outcome of the study by the Panel of Five Eminent Persons on the strengthening of the ASEAN Secretariat should be taken into consideration, as the subject of ASEAN machinery should be tackled in a comprehensive manner.

25. The Ministers expressed their appreciation to the ASEAN-CCI for its involvement in ASEAN activities and agreed that the co-operation between private and public sectors of ASEAN should be made more effective, particularly with regard to the improvement of the existing ASEAN trade and investment mechanism.

26. The Ministers agreed to hold the Twenty-Third AEM Meeting in Malaysia in 1991.

27. The Ministers expressed their most grateful appreciation to His Excellency President Soeharto of Indonesia for the valuable guidance and for having provided the framework for the deliberation of this Meeting as well as for his Excellency’s gracious hospitality.

28. The delegations of Brunei Darussalam, Malaysia, Philippines, Singapore and Thailand expressed appreciation to the Government and people of Indonesia for the warm hospitality extended to them and the excellent arrangements made for the Meeting.

29. The Meeting was held in the traditional spirit of ASEAN cordiality and solidarity.

Source: Ministry of Foreign Affairs, Republic of Singapore.
As we approach a new millennium, the prediction that the 21st century will be the Pacific century appears set to come true. Today, the Asia-Pacific is the fastest growing economic region in the world. It currently produces 48 per cent or nearly half of the world's GNP and has more than a third share of world trade. In the last decade, the Asia-Pacific economies grew at an average of five per cent a year. The average for Western Europe was only 2.5 per cent. The Asian NIEs grew even faster at eight per cent per annum. And they are being chased by other Dynamic Asian Economies. With a population of 1.9 billion, the Asia-Pacific region certainly has the potential to become an enormous market for consumer products in the next century. It is no wonder that it has almost become a cliche to say that the 21st century will be the Pacific century.

But I do not believe that the PECC brings together leading thinkers and policy-makers from the Asia-Pacific region only to indulge in self-congratulation. There have been many positive developments in our region to cheer us on. But history has also demonstrated that over-confidence can lead to downfall. I thought, therefore, that instead of merely reconfirming in your minds that the Asia-Pacific region is on the right light path, I should try to challenge some assumptions which we may have accepted too easily.

I intend to do this in two ways. I would like to ask whether it is not possible that the 21st century could be the century of Europe rather than the Pacific century. I would like to pose several basic questions that the Asia-Pacific countries will have to answer before the 21st century can become the Pacific century.

First, let us compare the relative strengths of Asia-Pacific and Western Europe. How broadly base is, for example, the economic development of the Asia-Pacific region? How much of the region's economic strength is due only to two enormous economic giants in our midst: the U.S. and Japan? The answer is revealing. Although the Asia-Pacific accounts for 48 per cent of the world's GNP, 40 per cent comes from the United States and Japan. Western Europe's share of the world's GNP is under 30 per cent, but it is much larger than the eight per cent for the Asia-Pacific region minus the U.S. and Japan. Also, in terms of trade, Western Europe surpasses the entire Asia-Pacific, including the United States and Japan. It accounts for 42 per cent of global trade compared with Asia-Pacific's 38 per cent.

Western Europe is therefore a formidable economic player. More important, it has the potential of growing bigger. The EC is progressing smoothly towards the Single European Market (SEM). Paolo Cecchini in his book, The European Challenge, 1992: The Benefits of a Single Market estimated that
when the SEM is established, in the medium term, Europe’s combined GDP could grow by an additional 4.5 per cent, or adding about US$220 billion to the European Community’s GDP. This increase of US$220 billion alone is eight times the size of Singapore’s GDP, three times the size of Indonesia’s and about the size of the entire current GDP of the six ASEAN countries. It is a revelation, isn’t it, that just by removing trade restrictions and increasing competition the EC countries can generate an additional income which equals the total for all ASEAN countries.

The potential growth for Europe is even greater if the EC and EFTA economies are integrated, and even more so if the Eastern and Central European economies can become successful free market economies. Looking over the horizon, it is conceivable that the Soviet Union, or the sum of its parts, could also be integrated into Europe. Then with a combined population of over 700 million, Europe could well pull the centre of gravity of the world’s economy towards it, away from the Pacific Basin.

The attraction of Europe is already evident from the latest flow of U.S. investments. The December 1990 U.S. Department of Commerce Survey showed that U.S. investments in Europe would increase by 11 per cent, compared with seven per cent for the Asia-Pacific. The increase in U.S. investments worldwide is estimated at six per cent. One can only conclude that U.S. corporations found Europe more attractive because of the anticipated benefits of the Single European Market.

Europe has another advantage over the Asia-Pacific region. As a result of two disastrous world wars, the populations of the European continent are war-weary, and a more stable regime of political relationships now exists. Although the rise of nationalist sentiments in Yugoslavia and the Soviet Union makes one less confident of a happy ending for Europe, few would predict the outbreak of a major international conflict on that continent.

This relative strength of Europe becomes clearer when one looks at some of the political and economic challenges faced by the Asia-Pacific region. Despite growing economic integration, Asia-Pacific lacks political cohesiveness. In Europe, several European institutions have been created to provide the glue for regional cohesiveness. They range from NATO and the Conference on Security and Cooperation in Europe to the family of EC institutions. The Asia-Pacific region, by contrast, is divided. Old disputes like Cambodia and Korea, traditional border disputes in the South China Sea and waters further north, all these provide potential ground for conflict.

There are many major challenges that we in the Asia-Pacific region will have to come to terms with before we can do better than Europe.

First of all, it is absolutely crucial that the US-Japan alliance should remain intact in the coming decades. All other alternatives would be worse for the region. But the two countries are evolving a new relationship. For over 45 years, Japan comfortably accepted the U.S. nuclear security umbrella and American political dominance in exchange for the freedom to grow economically. Today, that relationship has grown from dependence to inter-dependence. The deficit-ridden U.S. economy needs Japanese capital infusions as much as Japan needs the U.S. market. The U.S. Government, as demonstrated by the recent Gulf War, cannot afford the financial burden of major overseas military commitments. Japan’s Treasury had to make a sizable contribution to the Gulf War. Hence, the future of the Japan-U.S. relationship has to change. A new one has to emerge. What will this new relationship be? Will it ensure the continued prosperity of the Asia-Pacific region?

Next, in tandem with the U.S., the rest of the Asia-Pacific region also has to come to terms with a resurgent Japan. A new dialogue has to begin with Japan. But for that dialogue to succeed, Japan must win over its neighbours, neighbours who still bear scars from World War II. Japan has already expressed contrition for its past behaviour in Korea, China and Southeast Asia. Such words matter. However, deeds will speak more eloquently. Japan can win over the trust of its neighbours by demonstrating to them the same magnanimity of spirit that the United States once displayed towards Japan. Japan should make major investments in the Asia-Pacific region. It should transfer technology.
skills and management to its Asia-Pacific neighbours. This will enable the region to grow, within the first half of the next century, to Japan’s present level. Can Japan accept this challenge and responsibility of helping to raise the standards of living of its neighbours?

Thirdly, the failure of the Brussels Round reminded us that the two largest economic powers in the world, the United States and the EC, can hold the entire multilateral trading system to ransom when they disagree on a single issue like agriculture. Also, the impending North American Free Trade Area and the enlarged EC could settle new trading rules between them to our detriment. Hence, there is a need for the East-Asian region to have its own voice to protect its economic interests. Can this be done?

Fourthly, our region has a vital stake in the continued success of China’s modernization policies. There have been hiccups in China’s modernization policies. There have been hiccups in China’s growth process. However, over the long-term, China’s leaders realize that they have no choice but to open up China’s economy. It is in the interest of all of us to keep China outward-looking and to help it succeed in its modernization efforts, however slow its rate of political liberalization. An isolated, impoverished and unstable China would be troublesome. Similarly, we also have a big interest in the continued dynamism of Hong Kong after 1997, as well as the peaceful resolution of the division across the Taiwan Straits. Can China modernize successfully and can Hong Kong and Taiwan retain their current free market dynamism whatever their political status?

The Korean problem will also have to be resolved and Indo-China will have to open a new chapter in its domestic and foreign policies. The world is still waiting for Hanoi and Phnom Penh to accept the UN peace plan. Only when that is done, will a new chapter open in Vietnam’s relations with the rest of the Asia-Pacific region. Will Hanoi and Phnom Penh accept the UN peace plan? Can the Korean problem be peacefully resolved?

Lastly, the ASEAN countries must come up with bold new initiatives to consolidate themselves, and to build bridges to other Asia-Pacific countries.

The ASEAN countries have made valuable contribution towards Asia-Pacific co-operation over the past decade. Their cohesiveness has provided the vital catalyst for Asia-Pacific co-operation. It was ASEAN’s initial success that encouraged diverse Asia-Pacific countries to attempt regional co-operation. Some seeds for Asia-Pacific co-operation were planted at the annual ASEAN Post-Ministerial conferences where ASEAN Ministers have met year after year. The familiarity developed at these meetings also helped to lay the foundations for the successful launching of APEC.

As the continued growth and success of the Asia-Pacific region serves ASEAN’s long-term interest, ASEAN should now explore how to inspire a faster rate of Asia-Pacific co-operation. It can trigger off this process by increasing economic co-operation among its members. ASEAN can learn from the experience of Europe by embarking on a new phase of competitive co-operation within a regional framework. By competitive co-operation, I mean working together to attract investments into the region and competing, through market efficiency, to have particular investments located in each country. The governments should encourage the free flow of these investments. Like the Single European Market, ASEAN countries should compete to bring down their cost of production and stimulate further economic activities. The question is: in today’s competitive global environment, will ASEAN deregulate and liberalize faster and in the process add billions to its GNP, the way the Single European Market is expected to do? Can ASEAN take the lead in regional economic co-operation and slowly expand this co-operation to include the other Asia-Pacific countries?

Conclusion

As we move into the 21st century, I envisage that both Europe and the Asia-Pacific region will do well in the next century. Both face a host of political issues. Western Europe faces the challenge of
integrating Eastern Europe. The Asia-Pacific will have to resolve the political questions I have discussed. It will be the political issues, not economic rationality, that determine the degree of economic co-operation and the rate of economic growth. If the Asia-Pacific countries are prepared to grasp the political nettle, wealth in the Asia-Pacific will spread beyond the United States and Japan to the other countries in the region. Then there will be more dynamic economies and more NIEs.

I like to think that the next century will not be the European century, and that the economic epicentre of the world will not be in Europe. This does not mean I wish it to be the century of the Pacific. I hope it will be the century for both Europe and the Pacific, and because of the seismic effects of two active epicentres, that it will be a century of global prosperity.

PECC membership is expanding. I want to personally welcome Chile, Hong Kong, Mexico and Peru. The expanding membership of the PECC shows a growing desire by more nations wanting to be part of the powerful new global economic growth process. I am confident that your deliberations in Singapore will contribute to this process and I am happy to declare this Conference open.

SOURCE: Ministry of Information and the Arts, Republic of Singapore.
JOINT PRESS RELEASE

1. The Second Meeting of the ASEAN-Republic of Korea Joint Sectoral Cooperation Committee (ASEAN-ROK JSCC) was held in Seoul on 11–12 June 1991.
2. The Meeting was attended by delegations from the ASEAN member countries and the ROK. The Deputy Secretary-General of the ASEAN Secretariat and his staff were also present.
3. H.E. Mr. Lee Ki Choo, Assistant Minister of the Ministry of Foreign Affairs, ROK, and H.E. Mr. Agus Tarmidzi, Director-General, ASEAN-Indonesia, jointly chaired the Meeting.
4. The Meeting noted with satisfaction that the relations between ASEAN and ROK have registered substantial progress since the establishment of the ASEAN-ROK Sectoral Dialogue Relations in November 1989.
5. The Meeting reviewed the results of the cooperation projects which were agreed at the First Meeting of the ASEAN-ROK JSCC in August 1990 and noted that those projects including ASEAN Week in Seoul were completed with great success.
6. The Meeting exchanged views on ways and means to further enhance cooperative relations between ASEAN and ROK as it was noted that the coming ASEAN Ministerial Meeting (AMM) in July 1991 would be expected to make final decision on elevation of ROK's status to a full dialogue partner and its participation in the Post Ministerial Conference (PMC).
   When the ROK's status is elevated to full dialogue partner, the JSCC Meeting will be named as the ASEAN-Republic of Korea Joint Cooperation Committee.
7. The Meeting also agreed that the ASEAN-ROK cooperation would be expanded to other areas including development cooperation, transfer of technology and Human Resources Development (HRD) in addition to trade, investment and tourism.
8. The Meeting also welcomed the participation of the ASEAN-ROK Business Council beginning from the next Meeting.
9. It was agreed that the next Meeting would be held in Malaysia in 1992.
10. The Meeting was held in an atmosphere of friendship and cooperation. The ASEAN delegations expressed their gratitude for the warm hospitality and the excellent arrangements accorded by the Government and people of the Republic of Korea.
Meeting of ASEAN and Indian Senior Officials on the Establishment of Sectoral Dialogue Relations between ASEAN and India

JOINT PRESS RELEASE

New Delhi, 16–17 March 1993

1. The Meeting of ASEAN and Indian Senior Officials on the establishment of Sectoral Dialogue between ASEAN and India was held in New Delhi on March 16 and 17 1993.

2. The Meeting was attended on the ASEAN side by H.E. Dato' Ajit Singh, Secretary-General, ASEAN, H.E. Dato Paduka Haji Mohd. Adnan bin Buntar, Director-General, ASEAN-Brunei Darussalam, H.E. Mr Susanto Ismodirdjo, Head of Bureau of Development and Analysis, ASEAN-Indonesia, H.E. Mr Hasmy Agam, Director-General, ASEAN-Malaysia, H.E. Ms Delia Albert, Director-General, ASEAN-Philippines, H.F. Mr Toh Hock Ghim, Director-General, ASEAN-Singapore, H.E. Mrs Laxanachantom Laohaphan, Director-General, ASEAN-Thailand and their respective delegations.

   Also in attendance from ASEAN were the ASEAN Heads of Missions in New Delhi and their staff as well as officials from the ASEAN Secretariat.

   The Indian delegation was led by the Hon'ble Minister of External Affairs, Shri Dinesh Singh and included the Hon'ble Minister of State for External Affairs, Shri Salman Kurshid, Foreign Secretary, Shri J.N. Dixit, Commerce Secretary, Shri A.V. Ganesan, Industry Secretary, Shri Suresh Kumar, Secretary for Science and Technology, Dr P. Rama Rao, Secretary for Tourism, Shri J.M. Lyngdoh and Additional Secretary (MEA) Shri P.M.S. Malik.

3. Opening Remarks
   In their opening remarks, H.E. Shri Dinesh Singh, Minister of External Affairs, India and H.E. Dato' Ajit Singh, Secretary-General, ASEAN, both emphasized the importance and timeliness of the establishment of ASEAN-India Sectoral Dialogue and expressed the sincere intention of ASEAN and India to further promote co-operation through this relationship.

4. Adoption of the Agenda
   The Official Meeting was co-chaired by H.E. J.N. Dixit, Foreign Secretary, Ministry of Foreign Affairs and H.E. Dato' Ajit Singh, Secretary-General, ASEAN.
5. Exchange of Letters
The Meeting noted and affirmed the exchange of letters between the two sides on the establishment of sectoral dialogue relations between ASEAN and India.

6. Consideration of Modalities
The Meeting considered the following:

(i) ASEAN-India Joint Sectoral Cooperation Committee
(ii) ASEAN New Delhi Committee
(iii) Joint ASEAN-India Business Council

The ASEAN-India Joint Sectoral Cooperation Committee will be set up as the inter-government consultative body to co-ordinate the ASEAN-India Sectoral Dialogue Relations, initially in the areas of trade, investment and tourism. It will also establish sub-committees as appropriate.

The Meeting also agreed to set up an ASEAN New Delhi Committee consisting of the Heads of Diplomatic Missions of ASEAN member countries in New Delhi who shall facilitate ASEAN’s Sectoral Dialogue Relations with India.

The meeting also agreed to establish a Joint ASEAN-India Business Council which will consist of representatives from the respective private sectors of ASEAN and India.

7. Consideration of relevant matters on the areas of co-operation
The Meeting agreed on various proposals to increase co-operation in the areas of trade, investment and tourism.

Trade and Investment
In the area of trade, India proposed four areas of co-operation which could form the basis for discussion in future sectoral dialogue meetings.

(i) Hold regular trade talks between India and ASEAN.
(ii) Establish a mechanism for the exchange of trade and commercial data.
(iii) Have regular interaction between the business communities of India and ASEAN.
(iv) Establish a mechanism for interaction on industrial standards and quality control.

The Meeting noted that India would be establishing a fund under the Indian Technical and Economic Cooperation (ITEC) to develop programmes and projects in the fields of tourism, administration and management, trade and investments, computers and informatics, and solar energy and environmental protection. This fund would be placed at the disposal of the ASEAN Secretariat and administered by a Joint Management Committee which will be established for this purpose.

ASEAN too put forward several proposals such as an Information/Promotion Centre for Trade/Investment, lists of investment opportunities for investors from both sides, an increased exchange of trade missions and trade fairs and the development of joint marketing strategies for the promotion of exports to third countries.

India informed the Meeting of changes in investment policies and the improvement of investment incentives on the Indian side and proposed joint ventures between ASEAN and India which could explore the specific areas of co-operation.
Science and Technology

The Meeting was also informed of India’s suggestion that each side offer six post-doctoral fellowships for up to six months in the areas of science and technology and in holding of joint workshops to identify themes of common interest for joint projects in the areas of:

1. advanced materials
2. biotechnology
3. information technology

Tourism

In the field of tourism, the Meeting recognized the vast potential that exists for collaboration between ASEAN and India. It was agreed that co-operation in travel, hotels and joint marketing of tourist destinations would certainly be of benefit to both sides. India expressed its desire to learn more about tourism publicity from ASEAN. The following areas of co-operation were identified:

1. Management of destination tourism
2. Co-operation between the travel trade on the two sides
3. Co-operation in the Hotel Industry
4. Promoting a Visit India-ASEAN Year
5. Establishing an ASEAN-India Tourist Information Centre.

The meeting agreed that the above proposals were by no means exhaustive or inclusive and that these and other new proposals which each side may wish to make would be taken up at the first meeting of the AJSCC.

8. Date and Venue of the First Meeting of the ASEAN-India Joint Sectoral Cooperation Committee.

The Date and Venue of the First ASEAN-India Sectoral Dialogue will be decided through diplomatic channels.

SOURCE: Ministry for Foreign Affairs, ASEAN-Singapore.
INTRODUCTION

1. The Twenty-Fourth ASEAN Ministerial Meeting was held in Kuala Lumpur from 19 to 20 July 1991. The Meeting was formally opened by the Honourable Dato' Seri Dr Mahathir Mohamad, Prime Minister of Malaysia.

2. The Meeting was attended by His Royal Highness Prince Mohamedolkiah, Minister of Foreign Affairs of Brunei Darussalam; His Excellency Mr Ali Alatas, Minister for Foreign Affairs of the Republic of Indonesia; His Excellency Datuk Abdullah bin Ahmad Badawi, Minister of Foreign Affairs of Malaysia; His Excellency Mr Raul S. Manglapus, Secretary of Foreign Affairs of the Republic of the Philippines; His Excellency Mr Wong Kan Seng, Minister for Foreign Affairs of Singapore; His Excellency Mr Asa Sarasin, Minister of Foreign Affairs of Thailand and their respective delegations.

3. His Excellency Mr Rusli Noor, Secretary-General of the ASEAN Secretariat, and his staff were also present.

4. His Excellency Sir Michael Somare GCMG, Minister for Foreign Affairs and Trade of Papua New Guinea, attended the open session as Observer.

5. His Excellency Mr Yuri Maslyukov, Deputy Prime Minister of the Soviet Union and His Excellency Mr Qian Qichen, Minister of Foreign Affairs of the People’s Republic of China, attended the open session as guests of the Government of Malaysia.

6. His Excellency Datuk Abdullah bin Ahmad Badawi, Minister for Foreign Affairs of Malaysia, chaired the Meeting. His Excellency Mr Raul S. Manglapus, Secretary of Foreign Affairs of the Republic of the Philippines, was elected Vice-Chairman.

OPENING ADDRESS

7. In his Opening Address, the Honourable Dato’ Seri Dr Mahathir Mohamad, Prime Minister of Malaysia, stated that, in the ASEAN experience, member countries have learnt that both at the national and regional levels, peace and security, democracy and freedom as well as stability are possible and sustainable only when the people are free from economic deprivation and have a stake in the national life. He disagreed, however, that democracy has only one definition or that political systems qualify as democratic only when they measure up to certain particular yardsticks. Therefore, when the issue of human rights is linked to trade, investment and finance, ASEAN cannot but view it as added conditionalities and protectionism by other means. On the question of security, the Prime Minister said it is from a strong ASEAN base that we should approach the
question of peace and security of the immediate wider environment in the Asia-Pacific region. ASEAN has already made its mark in terms of geo-politics. It is equally important that ASEAN should be made relevant in terms of geo-strategy. Regionalism in Southeast Asia has to be brought to a higher plane from the process of communication and consultation to that of conscious and organised inter-dependence between all the regional states.

8. The Prime Minister emphasized that at this time of uncertain global economic developments brought about by trade disputes between the economic superpowers, rising protectionism and closed regionalism, ASEAN and the other East Asian countries must act in concert to maintain an open global trading system. He felt that a strong and united ASEAN could bring the East Asia Economic Group into shape for the benefit of all. He stressed that ASEAN must proceed to a higher plane of cooperation, collective action and self-reliance in order to have an effective voice in the international, inter-regional and multilateral fora. He called upon ASEAN member states to exercise collective will to achieve the objectives of greater trade liberalisation and integration of the ASEAN economies. He supported the recent proposal made by H E. the Prime Minister of Thailand for the establishment of a Free Trade Area by the turn of the century. He believed in the need for a strong and effective ASEAN Secretariat to bring about an increase in the substance of ASEAN economic cooperation.

INTERNATIONAL AND REGIONAL SITUATION

9. The Foreign Ministers had an extensive exchange of views on the latest international developments. They noted that the emerging strategic relationships that evolved following the end of the Cold War and their impact are as yet unclear. This is further blurred by evolving international economic alignments as well as efforts to make environmental concerns and human rights considerations new conditionalities in development assistance and inter-state relations.

10. The Foreign Ministers welcomed the positive developments in Central and Eastern Europe which have contributed to the improvement of the political and economic climate particularly in Europe. The Foreign Ministers noted with concern the instability prevailing in the region and urged that differences be resolved peacefully. They also noted that Central and Eastern European countries require assistance in their reform and reconstruction efforts. In recognising these needs, they expressed the hope that the developed countries would maintain their interest and continue to make available new aid and additional resources to developing countries and, in particular, to the countries in South East Asia.

11. The Foreign Ministers noted that the evolving international environment has implications for the rapidly developing East Asian region. They welcomed the generally improving situation in the broader Asia-Pacific but noted that there remained areas and issues that require attention.

12. The Foreign Ministers took note of the increasing interest in issues relating to peace and security in the region. They were of the view that ZOPFAN, the Treaty of Amity and Cooperation in South East Asia and the PMC (Post Ministerial Conferences) process were appropriate bases for addressing the regional peace and security issues in the nineties.

13. The Foreign Ministers reiterated that ASEAN, in responding to the challenges of the nineties, should be more dynamic and forward-looking. ASEAN should strengthen itself and intensify intra-regional cooperation. They expressed the hope that the non-ASEAN South East Asian nations could find it possible to participate in the activities of the region. They also recognised that ASEAN and other countries in the East Asian region and the broader Asia-Pacific should engage in regular constructive consultations.

14. In this connection, the Foreign Ministers noted the report of the Secretary of Foreign Affairs of the Philippines on the seminar on the theme “ASEAN and the Asia-Pacific Region: Prospects for Security Cooperation in the 1990’s”, which was organized by his Department and held in Manila from 5 to 7 June 1991 with the participation of senior experts from the government and academic sectors of ASEAN and a
Cambodia

16. The Foreign Ministers reviewed the latest developments regarding the situation in Cambodia and the continuing efforts within the negotiating process of the Paris Conference of Cambodia (PCC), as well as the efforts of all concerned countries, and in particular, the Cambodian parties, to achieve a comprehensive political settlement. They reiterated their support for the continuing efforts of the Co-Chairmen of the PCC to reconvene at the earliest possible date, the Paris Conference on Cambodia with the view to finalising the draft agreements.

17. The Foreign Ministers welcomed the Framework Document on a comprehensive political settlement agreed to by the Five Permanent Members of the UN Security Council in August 1990. The Foreign Ministers noted with satisfaction the agreement achieved by the Cambodian parties at the Jakarta Informal Meeting on 10 September 1990 to the Framework Document in its entirety as the basis for settling the Cambodian conflict as well as the establishment of the Supreme National Council (SNC) of Cambodia.

18. The Foreign Ministers reiterated their full support for the said Framework Document unanimously endorsed by the UN Security Council (Res. 668) on 20 September 1990 and by the UN General Assembly (Res. 45/3) on 15 October 1990. This Framework Document constitutes a major contribution and has become the basis for the efforts to achieve a comprehensive political settlement of the Cambodian question.

19. They expressed satisfaction with the elaboration of the Framework Document into the draft Agreements on a comprehensive political settlement by the Co-Chairmen of the PCC and the Five Permanent Members of the UN Security Council at the Paris meeting, 23–26 November 1990. They noted that the SNC had agreed to most of the fundamental points of the draft Agreements at its meeting with the Co-Chairmen of the PCC. However, they expressed concern that the involved parties are still far apart on some aspects of the remaining issues pertaining to military arrangements, genocide and the role of the United Nations during the transitional period.

20. The Foreign Ministers welcomed HRH Samdech Norodom Sihanouk’s initiative in convening and presiding over the meeting of the SNC in Pattaya, 24–26 June 1991. They also welcomed the Final Communiqué of the meeting, in particular, the decision to set up the SNC Headquarters in Phnom Penh as well as the agreements on the unlimited ceasefire and cessation of foreign arms supply. They urged the SNC to work out as soon as possible the modalities with the UN for the control and monitoring of the ceasefire and the cessation of foreign arms supply.

21. The Foreign Ministers reemphasized the fundamental right of Cambodians to choose their own government in free and fair elections supervised by the United Nations. They reiterated that human rights...
in Cambodia should be fully protected. They also expressed the view that any settlement should prevent the return to the genocidal practices and policies of the past and that no Cambodian party should be allowed to seize or retain power through force of arms.

22. They recorded their appreciation to His Excellency Mr Javier Perez de Cuellar, the UN Secretary-General, for his valuable efforts in finding a comprehensive political settlement to the Cambodian problem. They also expressed their thanks to His Excellency Mr Rafeuuddin Ahmed, Special Representative of the UN Secretary-General for Humanitarian Affairs in South East Asia, and welcomed his presence at the 24th ASEAN Ministerial Meeting.

**INDOCHINESE ASYLUM SEEKERS**

23. The Foreign Ministers expressed their deep concern that, notwithstanding two years of efforts in implementing the Comprehensive Plan of Action, countries of temporary refuge (CTR) are no nearer to a durable solution of the problem of the Vietnamese boat people. The total number of the Vietnamese boat people in camps of the affected CTR remain as high as in 1979.

24. The Foreign Ministers reiterated their commitment to the objectives of the CPA and reaffirmed the importance of a balanced and coordinated implementation of the CPA which must lead to a resettlement of all refugees in third countries and repatriation of non-refugees to Vietnam within the time-frame agreed to at the 1989 International Conference on Indochinese Refugees in Geneva.

25. The Foreign Ministers noted with satisfaction the resettlement of the pre-Cu-Off-Date arrivals which had exceeded the targets set for the first two years of [the] CPA's implementation as well as the expansion of the Orderly Departure Programme. In this connection, they expressed their deep appreciation to all parties concerned for their cooperation.

26. While acknowledging the significant decline in recent months in the arrivals of the Vietnamese boat people to ASEAN countries concerned, the Foreign Ministers urged Vietnam to tighten measures to check the clandestine departures of its people to avoid a reversal of the situation.

27. The Foreign Ministers reiterated their position that the viability of the CPA requires the urgent resolution of the fundamental question of repatriation to Vietnam of all boat people who are determined to be non-refugees. In this connection, they expressed their deep concern over the increasing number of this category of people who have refused repatriation. The Foreign Ministers emphasized that the continuation of such a situation is unacceptable. In recalling the Jakarta Joint Statement of 24 July 1990 by the ASEAN Foreign Ministers on the problem of the Vietnamese boat people, they urged that internationally-managed centres in Vietnam for non-refugees, as envisaged in the CPA, be established as an effective intermediate solution to involuntary repatriation.

28. The Foreign Ministers expressed their appreciation for the role played by the UN High Commissioner for Refugees in supporting international efforts to solve this problem and welcomed his readiness to monitor all non-refugees back to Vietnam, regardless of their mode of return. In this connection, they called on the international community to provide the UNHCR the necessary financial resources for these purposes.

**MIDDLE EAST**

29. The Foreign Ministers reviewed the situation in the Middle East in the Post Gulf War period. They welcomed the restoration of the legitimate Government of Kuwait and reaffirmed their commitment to the sovereignty, unity, and independence and territorial integrity of all countries in the region.

30. The Foreign Ministers emphasized that the immediate post-War period is an opportune moment to address the fundamental causes of instability within the region, in particular the Arab-Israeli conflict and the
Palestinian question. They took note of the efforts of the United States in promoting peaceful settlement of the Arab-Israeli conflict and the Palestinian question. They reaffirmed their support for the convening of an International Conference under the auspices of the UN to work out a peace settlement. In this connection, they stressed the need to adhere to the UN Security Council Resolutions 242 and 338 which would uphold the right to security of all states in the region, including that of Israel, and recognition of the legitimate rights of the Palestinian people, including their right to self-determination with all that this implies, in particular, their right to a homeland.

31. The Foreign Ministers deplored the continuing establishment of illegal Israeli settlements in the occupied territories in defiance of UN Security Council resolutions.

SOUTH AFRICA

32. The Foreign Ministers reiterated their total rejection of the system of apartheid and reaffirmed their commitment to its complete elimination so that a new, non-racist, united and democratic society could be built in its place. While welcoming the repeal of apartheid legislations in South Africa, they stressed that these reforms must in reality lead to the attainment by the black majority population of South Africa of all political, economic and social rights enjoyed by the whites, to be guaranteed within the framework of a new Constitution of South Africa.

33. The Foreign Ministers noted with concern the continuing inter-factional violence in South Africa which has impeded the process of working towards the drafting of a new, non-racist and democratic Constitution. They called on the regime of South Africa to fulfill its responsibilities in maintaining law and order and urged leaders of all parties to restrain their followers and promote an atmosphere of political tolerance.

34. Recognising the positive developments taking place in South Africa, they were of the view that the lifting of sanctions should be commensurate with progress towards the achievement of irreversible change and towards the attainment of an apartheid-free South Africa.

INTERNATIONAL ECONOMIC ISSUES

35. The Foreign Ministers reviewed the international economic situation. They expressed their concern on the present global economic slowdown and the adverse impact it has on trade and growth of developing countries. They called for greater efforts to stimulate global economic growth by finding solutions to the problems of high inflation, low growth rates, debt overhang and increasing trade protectionism. They also noted the increasing competing demand for capital and investment resources from Eastern Europe, from the indebted countries of Asia, Latin America and Africa, as well as to meet the needs of reconstruction in the Gulf and in the Soviet Union.

36. The Foreign Ministers reiterated the need to increase global savings to deal with the shortage of funds needed for reconstruction and structural adjustments. They agreed that this should be accompanied by effective utilization of funds to support well-designed economic policies and programmes.

37. On the external debt problem, the Foreign Ministers welcomed some progress made in resolving the debt crisis. Nevertheless, the Foreign Ministers viewed with concern the continuing high level of debt which imposes on sustainable growth and development. The Foreign Ministers urged that a coordinated tripartite approach involving debtors, creditor countries and financial institutions be undertaken to speed up debt relief and to allow for recovery to take place in the countries concerned. They took note of the recent write-off of bilateral official debts of selected countries and expressed the hope that these be extended to the other indebted countries as well. They also recognised that indebted developing countries are dependent on agriculture. Therefore, in order to reach a permanent long-term solution, it is of utmost urgency that the markets for agricultural products in developed countries must be liberalised.
38. The Foreign Ministers expressed disappointment over the failure of the Brussels Ministerial Meeting to successfully conclude the Uruguay Round of the Multilateral Trade Negotiations. Concerned with the slow pace of the resumed negotiations, the Foreign Ministers called upon all participants, especially the developed countries, to exert the necessary political will to ensure that negotiations get under way in a purposeful manner to enable its early and successful conclusion. They expressed the hope that there should be comprehensive and balanced results which take into account the interest of all parties, especially the developmental needs and concerns of developing countries.

39. The Foreign Ministers reiterated that environment and development are interrelated and mutually reinforcing. Economic development is as much an inherent right of the people as it is a pressing responsibility for governments in developing countries. The Ministers agreed that the measures for the protection of the environment should support economic growth and sustainable development.

40. The Foreign Ministers, in reaffirming their determination to work together for the success of the forthcoming United Nations Conference on Environment and Development scheduled to take place in Brazil in 1992, stressed that any global initiative should be balanced in approach and take into account the interests of both developing and developed countries. The concept of equitable sharing of responsibilities and the ability of developing countries to respond to environmental challenges should be taken into account.

41. The Foreign Ministers called upon developed countries to substantially assist developing countries by providing new and additional resources, transfer of and access to environmentally sound technologies. They should also assist in ensuring a supportive international economic environment which would promote economic growth and development in developing countries.

42. The Foreign Ministers noted the dynamic performance of East Asian economies in an environment of declining global growth and increasing protectionism in the international trading system. They called upon East Asian countries to further strengthen economic cooperation and increase interdependence among them so as to enhance trade and investment flows in the region which would also contribute to global growth and development.

43. The Foreign Ministers expressed their view that the emerging global economic order must be one which provides for more equal economic opportunities for all nations, an important feature of which should be the strengthening of an open international trading system. The Ministers expressed their resolve to exert all efforts towards this end.

INTRA-ASEAN COOPERATION

44. The Foreign Ministers reviewed intra-ASEAN cooperation over the last year and welcomed the various measures, activities and programmes of action carried out by the ASEAN Economic Ministers and the Ministers of Agriculture and Forestry, Energy, Environment, Information, Labour, Science and Technology and Social Affairs. They also commended the continuing efforts and cooperation of the drug agencies and non-governmental organizations in ASEAN in combating drug abuse and illicit trafficking. These activities clearly reflect the broad front of intra-ASEAN cooperation.

45. The Foreign Ministers noted that there now exists a growing awareness of the need for ASEAN to be a dynamic, vibrant and resilient organization in order to face the growing political and economic challenges of the 90s. They took note that the 24th ASEAN Standing Committee had paid particular attention to this and welcomed the various efforts, measures and initiatives taken to meet this goal.

46. They noted, in particular, that a number of studies to strengthen intra-ASEAN cooperation had been commissioned. These included the Review on ASEAN-UNDP Technical Cooperation Programme, Study on ASEAN Economic Cooperation for the 1990s; Study of the Exclusion Lists to enhance the level of PTA Trade in Intra-ASEAN Trade and the annual ASEAN Macroeconomic Outlook.

47. The Foreign Ministers also welcomed and adopted the recommendations of the ASEAN Standing
Committee on the new criteria and the guidelines for the generation and selection of projects which arose out of the study on the Review of ASEAN-UNDP Technical Cooperation Programme. They were confident that a more ASEAN-centric approach would now be taken in project planning and formulation and that these projects would conform to the main themes of the human development of the ASEAN region's human resource potential and sustainable economic reform through the expansion and intensification of ASEAN economic cooperation.

48. The Foreign Ministers also endorsed the recommendation of the 24th ASEAN Standing Committee to establish an ASEAN Cooperation Unit (ACU) in the ASEAN Secretariat with the initial assistance of the UNDP. They expressed their confidence that there would now be a more professional and integrated approach to the formulation and implementation of projects. They called on the 25th ASEAN Standing Committee to work out the details of its establishment as soon as possible.

49. The Foreign Ministers, in recalling the decision of the 23rd ASEAN Ministerial Meeting to establish a Panel of 5 Eminent Persons to look into the strengthening and the revamping of the mechanism and structure of ASEAN, in particular the ASEAN Secretariat, expressed appreciation to members of the Panel headed by H.E. Tan Sri Muhammad Ghazali Shafie, for their Report. They also expressed appreciation to the UNDP for assisting in the study.

50. The Foreign Ministers noted that the Report had been extensively discussed in ASEAN. They agreed that while many of the recommendations in the Report merit full support and could be implement immediately, there were certain aspects which needed further study. In view of this, they agreed that a Working Group be established under the chairmanship of Dato' Paduka Lim Jock Seng to study these aspects of the Report which still need further deliberations with a view to submitting its recommendations to the 4th ASEAN Summit.

51. The Foreign Ministers had an exchange of views on the future of ASEAN's external relations. They mandated the same Working Group under the chairmanship of Dato' Paduka Lim Jock Seng to study and make recommendations on the direction and form these relationships should take in future in the best interest of ASEAN.

52. The Foreign Ministers welcomed the opportunity provided by the informal meetings between the Foreign Ministers of ASEAN and the Deputy Prime Minister of the USSR and the Foreign Minister of the People's Republic of China respectively to have discussions over a wide range of issues. These discussions represented the beginning of a process of consultations between ASEAN and these two countries.

53. The Foreign Ministers noted that the proposed ASEAN Treaty of Economic Cooperation had been considered by the Standing Committee, Senior Officials Meeting and Senior Economic Officials and the Secretary-General. The Foreign Ministers, in considering the UNDP-assisted Study on ASEAN Economic Cooperation in the 1990's, noted the Report of the Secretary-General that the study will be finalised by 10 November 1991. In view thereof, the 25th ASC was directed to consider the study for final submission to the 4th Summit in January 1992.

ESTABLISHING OF A FREE TRADE AREA

54. The Foreign Ministers welcome as a matter for serious consideration the initiative of His Excellency the Prime Minister of Thailand, which was supported by the Honourable Prime Minister of Malaysia, that ASEAN moves towards a Free Trade Area by the turn of the century and agreed that the Senior Officials of ASEAN undertake further study and discussion for submission to the forthcoming ASEAN Summit.

FOURTH ASEAN SUMMIT

55. The Foreign Ministers noted that, after consultations, the ASEAN Heads of Government have agreed to
hold the 4th ASEAN Summit from 27 to 28 January 1992 in Singapore. They were of the view that it was timely to convene another Summit to chart new directions to enhance intra-ASEAN cooperation. They directed the ASEAN Senior Officials and the ASEAN Directors-General to continue to work together with the Senior Economic Officials, in preparing for the 4th ASEAN Summit.

COOPERATION WITH DIALOGUE COUNTRIES AND OTHER ORGANIZATIONS

56. The Foreign Ministers expressed satisfaction at the progress of ASEAN's relations with its Dialogue Partners, namely Australia, Canada, the EC, Japan, New Zealand, the US and the UNDP. They continued to attach great importance to these relations which had helped to create a special partnership in collaborative endeavours between ASEAN and the Dialogue Partners. They noted the new trend in ASEAN's dialogue relations from that of a donor-recipient to one of a mature and balanced relationship. They called for a further strengthening of this partnership for their mutual benefit.

57. The Foreign Ministers also expressed their appreciation for all the assistance rendered by the Dialogue Partners, in particular in the implementation of various projects. They also welcomed the flexibility shown by the Dialogue Partners in responding to ASEAN's changing priorities and in broadening and seeking new areas of cooperation. In this regard, they agreed that future activities should focus on human resource development, science and technology, trade, industry, investment and environment. They also noted that the various consultative mechanisms which existed within the framework of these relations had proven particularly useful in raising issues such as market access, trade disputes and in the promotion of joint ventures and called for their continued use.

58. The Foreign Ministers were also pleased to note that the participation of the private sector in the dialogue process was accepted by nearly all the Dialogue Partners and that such participation had proven beneficial to all sides. They expressed the hope that the ASEAN private sector, on its part, would take full advantage of the opportunities now being offered and play its assigned role as the engine of growth in ASEAN.

59. The Ministers noted with concern the increasing tendencies to link the issues of environmental protection and human rights to development and commercial cooperation. They stressed that these issues should not be used as conditionality for aid and development financing.

ELEVATION OF THE REPUBLIC OF KOREA TO FULL DIALOGUE STATUS AND ITS PARTICIPATION AT THE POST MINISTERIAL CONFERENCES (PMC)

60. Taking into account the very close economic cooperation existing between ASEAN countries and the Republic of Korea, the Foreign Ministers adopted the recommendation of the 24th ASEAN Standing Committee that the Republic of Korea be granted full dialogue status. The Foreign Ministers also agreed that consequent upon this decision, the Republic of Korea be invited to participate at the forthcoming Post Ministerial Conference and at future Conferences as a Dialogue Partner.

APEC

61. The Foreign Ministers expressed satisfaction with the results of the 2nd APEC Ministerial Meeting in Singapore, 29-31 July 1990. They reiterated that ASEAN's participation in the APEC process will continue to be governed by the principles they had agreed to at their 1st AMM held in Jakarta in July 1990. They also agreed that the issues concerning the Uruguay Round and trade liberalization measures remain the priority issues for them. They were of the view that there should be no proliferation of work projects and agreed that the on-going projects should not exceed 10 in number at any one time so as not to dissipate
the scarce resources available to them. They also affirmed that in the implementation of these projects, due account had to be taken of the different level of development of the countries and that the developing countries of the region had to be given special treatment. They also noted that consultations were proceeding in finding appropriate modalities in bringing the People's Republic of China, Taiwan and Hong Kong into the APEC process and expressed the hope that this matter could be resolved soon.

EAEG

62. The Foreign Ministers considered the Summary Records of the first meeting of the ASEAN Working Group on the East Asia Economic Group (EAEG) which was held in Kuala Lumpur from 4-5 July 1991 and expressed satisfaction on the progress made in further studying the concept of the EAEG. They agreed that there was the need to further examine and advance the proposal. In this regard, they decided that further meetings were necessary and that the second meeting of the ASEAN Working Group on the EAEG take place in Singapore and that the report of the meeting be submitted to the Foreign Ministers and to the ASEAN Economic Ministers when they meet in Kuala Lumpur from 7-8 October 1991.

25TH AMM

63. The Foreign Ministers agreed that the 25th AMM would be held in the Philippines in June/July 1992. 64. The delegations of Brunei Darussalam, Indonesia, Philippines, Singapore and Thailand expressed their sincere and deep appreciation to the Government and people of Malaysia for the warm and generous hospitality and excellent facilities and arrangements made for the Meeting.

65. The Meeting was held in the traditional spirit of ASEAN friendship and solidarity.
Your Royal Highnesses
Your Excellencies
Ladies and Gentlemen

I take great pleasure in welcoming all of you to Singapore. It is an honour for the government and people of Singapore to host this 26th ASEAN Ministerial Meeting and the Post-Conference dialogues that are to follow.

The ASEAN Foreign Ministers are no strangers and are always honoured guests. Mr John Kaputin, Foreign Minister of Papua New Guinea, has also visited us before and, as always, we are happy to receive him. I believe that our two other observers, Mr Nguyen Manh Cam, Foreign Minister of Vietnam, and Mr Somsavat Lengsavad, Foreign Minister of Laos, are visiting Singapore for the first time. I extend to them a special welcome.

Our warmest welcome also to ASEAN’s two guests, Mr Qian Qichen, Vice Premier and Foreign Minister of China, and Mr Andrei Kozyrev, Foreign Minister of the Russian Federation.

We are happy to receive Prince Norodom Sivirudh, Foreign Minister of Cambodia. His presence in Singapore today as a special guest of ASEAN marks the first stage in Cambodia’s return to the Southeast Asian community of nations. I want to wish him a very special welcome.

We meet under fortunate circumstances. After more than a quarter century of ASEAN co-operation, we enter the 1990s in sound condition. Our countries are at peace, both internally and with each other. Our economies are healthy and the prospects for more development are good.

Vietnam and Laos have become observers in ASEAN. We hope that Myanmar and Cambodia will follow them when conditions permit. Then, all ten Southeast Asian countries will be integrated into a single community.
In the meantime, a stable equilibrium exists in Southeast Asia, creating optimal conditions for growth. We all have healthy relationships with the major powers that advance our interests without compromising our sovereignty.

This state of affairs prompted ASEAN Foreign and Economic ministers to report to the Fourth ASEAN Summit last year that "conditions in Southeast Asia today approximate those envisaged in the Declaration on ZOPFAN".

Such an outcome was not inevitable. In fact, in the 1960s, Southeast Asia was often referred to as the "Balkans of Asia". It was not an unreasonable description of a region that was then characterized by division and conflict. In the 1960s, every member of ASEAN was at one time or another in dispute with another member. Many faced serious internal instabilities as well.

Southeast Asia is still a diverse region. But the worst case scenario has not come to pass. We have learned to manage our diversity and our differences. We have avoided the kind of vicious blood letting that we sadly witness in the former Yugoslavia, the original Balkans.

Why were we spared? We would be less than honest if we did not acknowledge a large dose of luck. But we also made our own luck by adopting sound internal and external policies.

Whatever the differences of style or policy, all ASEAN countries have always put the well-being of their peoples above all else. All of us also knew that we could achieve a high standard of living for our peoples only if regional peace and stability were maintained.

ASEAN therefore worked because we made it work. ASEAN worked because, whatever the differences, all of us always had a compelling interest in making ASEAN succeed.

We co-operate through an active network of regional and extra-regional agreements and processes. These multiple forums draw on different sources of strength.

We may disagree. We may argue. Discussions can get heated. But there are always consultations at different levels. We have avoided resort to force. This has created a pattern of peaceful and co-operative behaviour.

This larger achievement is more important than specific outcomes. It is the ASEAN process that has kept us cohesive. It is the process that has allowed us to manage differences; build networks of personal relationships at all levels; and helped define common parameters even if we cannot always reach common positions.

In the 1990s, the ASEAN process must grow to meet new challenges. Prosperity, peace and stability cannot be taken for granted. To be sure, there are no imminent threats. But across the Pacific major changes are under way. The geo-political landscape is being reshaped in response to global shifts of strategic balances after the end of the Cold War.

Leaders in governments and in the media are extrapolating China's economic success into the 21st Century. They all concede the vast economic potential. But they also ask how a powerful China will act, whether such a powerful China can be a comfortable partner for peace and progress in the Asia-Pacific.

Japan is building an internal and regional consensus on a new and bigger political role. We, and maybe many Japanese themselves, do not know what kind of Japanese consensus will be reached.

The United States is and will remain a key-factor for Asia-Pacific stability. President Clinton has reiterated that the United States will remain engaged in Asia. America's budgetary and economic problems have coloured the long-term outlook of the American presence in the region. The United States has moved towards looser but more cost-effective access arrangements. To be durable, the U.S. presence must be based on strong political and economic interests. It is in the self interest of the United States to remain plugged in to this economically dynamic area.

Next, the international trading system is under severe pressure because of global structural changes. Even though prospects for a successful completion of the Uruguay Round have improved after the G-7
Summit, some developed countries seem to feel that the open trading system will threaten their domestic industries and jobs by cheaper imports from poorer countries. A more restrictive trading regime cannot be entirely ruled out.

ASEAN cannot stand aloof from these changes. Of course, we must expect the major powers to act in their own interests. But we are not totally at their mercy. ASEAN should not allow its future to be decided only by the actions and policies of other countries. So long as ASEAN is cohesive, we cannot be ignored by the major powers. ASEAN must be a factor in their Asia-Pacific calculations. A forward-looking, realistic and creative ASEAN can help shape the new pattern of relationships in the Asia-Pacific.

Indeed, we have already begun to do so. The Fourth ASEAN Summit made several key decisions. It set up the ASEAN Free Trade Area (AFTA). We should press ahead and combine our markets to improve our attractiveness to investors and increase our bargaining power in dealing with protectionist groups. Investments will increase. Trade will expand. Our economies will all become more competitive.

The Summit also agreed to use existing forums like the ASEAN Ministerial Meeting and the Post Ministerial Conferences to discuss regional security.

The 25th ASEAN Ministerial Meeting held in Manila in July last year began such discussions. It produced a Declaration on the South China Sea that helped define some of the principles for a peaceful resolution to complex territorial issues like the Spratlys. The Declaration made special reference to the Treaty of Amity and Cooperation in Southeast Asia as the basis for establishing an international code of conduct for the South China Sea.

We followed up by securing recognition for the Treaty in a consensus resolution in the United Nations. This gives greater weight to the Treaty as the basis of a peaceful regional order, not just for Southeast Asia, but in the broader Asia-Pacific.

As mandated by the Fourth ASEAN Summit, we have begun to re-examine old concepts like SEANWFZ to see how they can fit into the post-Cold War World in ways that will protect and promote our interests and those of our friends.

Another follow-up to the Fourth ASEAN Summit was the special Senior Officials’ Meeting convened in Manila last year. For the first time ASEAN defence and military officials sat alongside their colleagues from the foreign ministries.

ASEAN is not and will not become a military pact. Each member country must always assume primary responsibility for its own defence and security. But consultations among defence and military officials will help build an environment of confidence. They add to regional stability. We should study how such intra-ASEAN defence dialogues can be added to existing ASEAN processes.

Just two months ago, senior officials from ASEAN and our seven dialogue partners met for the first time in Singapore to discuss regional and global issues. Such a meeting would have been inconceivable just a few years ago. Any multilateral political and security dialogue would then have conjured up images of blocs and ideological conflict. But all agreed that the Singapore meeting was constructive and should be continued. The officials will meet again in Thailand next year.

ASEAN has also established consultative relationships with other key players in the Asia-Pacific — China and Russia. Together with our sectoral dialogue with India, this makes the ASEAN PMC process a unique diplomatic forum which will bring together all the major players. It complements existing bilateral arrangements and multilateral forums like APEC. It can be the vehicle for engaging and accommodating all interests in the region in an acceptable common framework. This will contribute to the peace, stability and economic progress of the whole region.
Your Royal Highnesses
Your Excellencies
Ladies and Gentlemen

The decisions of the Fourth ASEAN Summit and the follow-up actions that I have briefly described will form the basic agenda for co-operation within ASEAN and between ASEAN and other Asia Pacific countries in the 1990s. The task of the 26th ASEAN Ministerial Meeting is to build on these foundations.

In conclusion, let me once again welcome all our friends to Singapore. We are honoured by your presence. I hope that you will find your stay enjoyable and the discussions constructive.

Thank you.

SOURCE: Ministry of Foreign Affairs, Republic of Singapore.
ASEAN on the Road to Recovery

Introductory Address by H.E. Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at the Seminar on The Economic Crisis: Roads to Recovery sponsored by the Asian Institute of Development Communication and the Konrad Adenauer Foundation

Kuala Lumpur, 8 March 1999

Your Excellency Dato' Mustapa Mohamed, Second Finance Minister of Malaysia,
The Honorable Dato' Haji Mazlan Nordin, Chairman of the Asian Institute of Development Communication,
Mr. Wolfgang Moellers of the Konrad Adenauer Foundation,
Seminar participants, friends:

It gives me particular pleasure to participate in this seminar, no matter how briefly, and to congratulate AIDCOM and the Konrad Adenauer Foundation for organizing it.

I say this not merely as the usual courtesy. I say it with a special earnestness. Taken together, the subjects covered by the seminar address in a most comprehensive manner the prospects for growth of the economies of Southeast Asia. The seminar is thus most useful in its timeliness and scope.

In this seminar, we will talk about AFTA and the promotion of intra-regional trade. The re-affirmation and acceleration of regional economic integration are probably ASEAN's most important response to the global economic upheaval that has hit Southeast Asia particularly hard. Integration, rather than a slide back to fragmentation, is the way to go in making our economies more efficient, attracting investments into them, and stimulating economic activity.

Investment and currency issues, another topic for the seminar, are, of course, central to the problem, particularly to the prevention of similar crises in the future. The role of governments has been a hot topic for intense debate in international conclaves. Including this subject in the seminar will, I hope, contribute to this ongoing debate.

I am particularly gratified by the attention that we will be giving to statistics. As I told the ASEAN heads of statistical offices in their second meeting two months ago, "We can expect investor confidence
to return only on the basis of the transparency that is the call of the hour in the global economy. Reliable statistics are one measure of transparency, an important one. Business enterprises and financial institutions, having learned to be more careful in their investments, need, more than ever before, accurate and adequate data to make business and investment decisions.

Finally, the role of the media is critical, and it is a central topic of our discussions. To an important extent, today’s economic crisis is a crisis of confidence, and confidence is essentially a matter of perception. Media reporting shapes much of that perception. Although the media have generally been diligent, inaccuracies and distortions have crept into their reporting and analysis of the situation, particularly in the form of quotations from so-called “observers” and “analysts”. So, the challenge of the crisis to the media is an appropriate focus for this seminar.

Cautious Hope

We are meeting on these crucial topics in an atmosphere of cautious hope for ASEAN. One conclusion that I draw from some tentative projections by authoritative analysts is that 1999 will mark the beginning of ASEAN’s economic recovery. Most informed observers that I have read or talked to share this estimate.

ASEAN’s economy, on the average, should, in 1999, resume growth, or contract only slightly, after an average contraction of -9.6 per cent in 1998. Among the larger ASEAN economies, Indonesia’s is projected to shrink by 4.2 per cent, but that would be much better than the -15.3 per cent recorded in 1998. Malaysia’s economy is expected to grow by one per cent, far from the prodigious growth of the previous decade or so, but a distinct improvement over last year’s -7.5 per cent. The Philippine economy, after being almost flat last year, is projected to grow by anywhere from 2.5 to 3.2 per cent this year. The projection for Thailand of one-per cent growth would be a marked improvement over last year’s contraction of eight per cent. Singapore’s performance is expected to remain more or less flat, but better than previously predicted. Remarkably, average growth for Laos, Myanmar and Vietnam should continue at six or seven per cent.

Similarly, projections for inflation this year are encouraging. Inflation in Indonesia is expected to go down from over 70 to 15–17 per cent, while Thailand’s is seen as diminishing from eight to three per cent. The rates for Malaysia and the Philippines are projected to remain manageable at four and 8.0–8.5 per cent, respectively. For Brunei Darussalam, Laos, Myanmar and Vietnam, the average inflation rate is expected to fall from 23 per cent last year to 14.5 per cent this year. Hardly any inflation is expected in Singapore. Consequently, interest rates are forecast to fall throughout the region. Exchange rates have stabilized.

Expectations for export volumes are just as optimistic, with the global demand for semiconductors and other electronic goods expected to rise. Indonesia’s exports are expected to expand by more than 20 per cent after contracting by 9.4 per cent last year. Thailand’s exports are projected to keep growing at over four per cent and Vietnam’s at over six per cent. Philippine exports are expected to continue their relatively rapid growth, at 15 per cent this year, somewhat slower than last year’s 17 per cent. Malaysia’s exports could grow slightly, after going down last year. Some analysts expect Singapore’s export volume to contract some, but less than last year. Myanmar’s exports are seen to expand by 7.5 per cent and those of Laos by a hefty 19 per cent, albeit from fairly low bases.

Critical Factors

Nevertheless, positive expectations for the region depend for their fulfilment on several factors, some within the control of the ASEAN countries themselves, others outside their control.
Much will depend on the growth of import demand in ASEAN’s foreign markets, particularly in Japan but also in other G-7 countries and in Europe generally. The United States has to keep growing as a market. At the same time, rising protectionist tendencies in these markets have to be vigorously resisted.

Concrete ASEAN Measures

Sharply conscious of this, the leaders of ASEAN, at their summit meeting in Hanoi last December, took forthright, concrete measures to tackle the situation head-on. These regional actions, embodied mainly in the Hanoi Plan of Action, are in addition to the national reforms that the individual ASEAN countries have been undertaking.

First, the leaders agreed to strengthen the ASEAN surveillance process. As a direct, collective response to the crisis, ASEAN’s finance ministers had agreed to set up a surveillance mechanism to keep an eye on the movement of capital and on shifts in economic indicators. This will serve as an early warning system to alert ASEAN ministers to impending trouble in the future. The mechanism is operated by the ASEAN Secretariat and the Asian Development Bank under the supervision of the finance ministers and officials.

ASEAN’s leaders also agreed to develop ASEAN capital markets, adopt internationally accepted practices and standards, and improve corporate governance. They resolved to de-regulate and liberalize the financial services sector more rapidly, as part of the ongoing ASEAN work on liberalizing trade in services.

The leaders proclaimed a bold and wide-ranging set of incentives for investors applying to invest in ASEAN within 1999 and 2000. Those investors will be exempted from corporate income taxes for at least three years or enjoy a 30-per cent investment tax allowance. Imported capital goods required by the investment will be exempt from duties. Equity in investing companies can be 100-per cent owned by foreigners. Such companies can use or lease industrial land for at least 30 years. They can employ foreigners on liberal terms. On top of these, individual ASEAN members offer their own additional incentives to investors.

Three days ago, the ministerial-level ASEAN Investment Area Council met in Phuket and agreed on measures to invigorate investments in ASEAN. In another of those turning points in the history of ASEAN economic co-operation, the ministers agreed, in concert, to open up their manufacturing sector to foreign investments, from ASEAN in the first place, but also from outside ASEAN. While some exceptions are allowed in a few sensitive areas, these are to be phased out by 2003 for the six older ASEAN members and a bit later for the newer ones. Just as importantly, the ministers agreed that the process of opening up their economies to foreign investments was irreversible.

On With Economic Integration

In a way, ASEAN’s most forceful response to the crisis has been the affirmation of its commitment to regional economic integration, particularly to the ASEAN Free Trade Area. Contrary to predictions by self-appointed prophets, ASEAN has repeated this commitment since the onset of the crisis. At their December summit in Hanoi, ASEAN’s leaders not only re-iterated it in the strongest terms but, in fact, decreed AFTA’s acceleration. For the original signatories, AFTA is now to be officially completed in 2002 instead of 2003; but, by the year 2000, most of the goods traded among ASEAN members will have tariffs of no more than five per cent. Agricultural products, unprocessed as well as processed, have been brought into AFTA coverage.
Two days ago, also in Phuket, ASEAN's economic ministers agreed to work out, very soon, a timetable for dropping tariffs to zero on most, if not all, products. They also agreed to act more vigorously in removing non-tariff barriers within ASEAN.

Beyond the removal of trade barriers, ASEAN's leaders and ministers have agreed on other measures to make trade easier among ASEAN members. These include harmonizing customs rules and procedures, adopting common tariff nomenclatures, adhering to standard valuation systems, negotiating mutual recognition arrangements, aligning product standards, and encouraging the use of ASEAN currencies in intra-ASEAN trade.

ASEAN economic integration means more than removing obstacles to trade. It also means binding economies closer together through infrastructure linkages, like road networks, railway networks, power grids, gas pipelines. ASEAN is pushing these linkages, at the highest level.

Why is ASEAN so committed to regional economic integration?

A Market of 450 Million

AFTA and freer trade in services create a market of 450 million people. They make production more efficient. They thus help to attract investments in ASEAN both from within and from outside.

At the same time, ASEAN knows that, in order to compete in today's globalized economy, its members have to co-operate to develop science and technology and enable their human resources to acquire the skills needed for the industries of today and tomorrow. ASEAN's leaders, at the Hanoi summit, placed high importance on science and technology and human resource development.

ASEAN members know, too, that economic recovery and growth can be sustained only if they protect the environment. And they realize that they have to work together and co-operate in order to do this effectively. The pollution of the atmosphere and of the sea does not respect national boundaries, as we have seen in the ravages wrought by the haze arising from land and forest fires in our region. Thus, the Hanoi Plan of Action devotes particular attention to ASEAN co-operation in safeguarding the environment, specifically including the fight against the menace of haze pollution.

Healthy business and economic activity takes place best in an atmosphere of security and stability. The Hanoi Plan of Action seeks to ensure that ASEAN continues to promote the peaceful settlement of disputes among its members, engage the major powers in dialogue and consultations on the security of the region, principally through the ASEAN Regional Forum, and keep the region free from nuclear weapons.

ASEAN Vision 2020

The Hanoi Plan of Action, together with the Hanoi Declaration and the Bold Measures issued at the last summit, is a landmark document that charts the course of ASEAN co-operation toward the attainment of the ASEAN leaders' Vision 2020.

In the words of the leaders' statement of December 1997, "That vision is of ASEAN as a concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies."

In order to attain that vision, they said, "We will create a stable, prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities."

In moving ASEAN toward Vision 2020, the Hanoi Plan of Action, and the statement on bold measures that accompanies it, lay down specific steps for the early recovery of ASEAN's economies. That recovery proceeds on fairly solid ground — the physical infrastructure built during the years of rapid growth.
hard-working, educated and highly trainable people, an entrepreneurial middle class, open economies, outward-looking economic policies — qualities that made possible two decades of development that were the marvel of the world.

As I said in the beginning, early signs of recovery are now apparent.

What ASEAN's members resolve to do now is to adjust and modernize their national economic, social and political institutions and practices to respond to the more rigorous demands of a global economy. And they are determined to strengthen further ASEAN solidarity, cohesion, co-operation and integration, which is essential for the countries of Southeast Asia to recover and flourish in the world of the twenty-first century.

I wish this seminar success in contributing to these urgent endeavours.

The Impact of the Economic Crisis on ASEAN: A Blessing in Disguise?

Keynote address by H.E. Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at the opening of the Seventh ASEAN Editors’ Conference

Jakarta, 12 April 1999

The topic of this forum asks the question: What is the impact of the financial and economic crisis on ASEAN?

When the crisis broke into public view, the answer was immediate. The “observers” and “analysts” perennially quoted in the media had their answer: Surely, the ASEAN countries will now retreat into their own nationalistic shells. They will build protectionist walls around them. They will pursue their own national interests. To each his own. Forget ASEAN solidarity. Forget ASEAN co-operation. The “observers” and “analysts”, herd-like, concluded: Surely, at the very least, AFTA — the ASEAN Free Trade Area, scheduled for completion in 2003 — is dead.

Now, what is the factual answer, as opposed to gloomy speculation?

In fact, the real impact of this experience on ASEAN has been to pull the ASEAN countries more closely together. It has opened them more widely to one another. It has strengthened ASEAN solidarity. It has intensified ASEAN co-operation. It has hastened ASEAN integration. The result has been the opposite of the public expectation, the outcome contrary to the popular prognosis.

As the “observers” and “analysts” were predicting doom for ASEAN, ASEAN’s leaders, meeting in Kuala Lumpur in December 1997, put forth their own vision for the association, their ASEAN Vision 2020. It was a vision of ASEAN “as a concert of Southeast Asian Nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development, in a community of caring societies” (italics mine).

Upon the suggestion of the Prime Minister of Vietnam, the leaders directed ASEAN’s ministers and officials, committees, and other bodies to draw up programmes of action and specific measures to move ASEAN closer to the realization of ASEAN Vision 2020, the vision of an ASEAN working together in concert, partnership and community. The ASEAN members and sectoral committees and working groups have done exactly that, with the Secretariat in a co-ordinating role. On the basis of their work, the leaders, meeting in Hanoi last December, issued the Hanoi Plan of Action.
Spurring the Recovery

The Hanoi Plan of Action is a set of measures and actions that ASEAN would undertake, in co-operation and solidarity, to respond to the challenges of globalization. For the short term, it would spur ASEAN’s economies to recover and seek to protect the poor from the ravages of the crisis. For the longer term, it would preserve the environment, lay the foundations for solid and equitable development, and get ASEAN’s work better known in the world.

Some of this work, of course, had already begun even before the Hanoi summit. ASEAN’s leaders, ministers and officials had been working out concrete ways to hasten and deepen ASEAN co-operation and integration, in consultation with the business sector and non-governmental organizations.

They took a look at the regional and global financial turmoil and its impact on the lives of the region’s people and saw what had to be done. Factories and businesses had to run at full speed again. Investments had to be brought back in. More money had to be put in the hands of people so that they could improve their lives and buy more goods and services. Financial institutions and corporations had to be straightened out in order to foster efficiency and restore confidence in them. Monopolistic practices and favoritism had to be done away with, because the margin for the inefficiency and waste that they had brought about had [to be] considerably reduced. The business of lending and borrowing had to be made transparent and aboveboard. The international investing community had to be persuaded that Southeast Asia remained a good place in which to invest.

Meanwhile, people, particularly the poor, had to be cushioned from the impact of the crisis. They had to have food, medical care and housing. They had to be put back to work as soon as possible. Some of their income had to be maintained. For the longer term, they had to acquire the skills and the infrastructure to prepare for the competitive rigors of a globalized economy, especially for the information-technology industry and other industries of the future. The environment had to be protected if recovery and growth were to endure.

ASEAN knew that bigger, rather than smaller, markets would make production and trade more efficient and thus attract investments better. Not even the market of Singapore or of Indonesia would be enough for many investors. The ASEAN market of close to half a billion customers would be much more attractive.

Accelerating AFTA

So, ASEAN did the logical and the rational thing, against the popularized expectation. ASEAN decided to move faster and deeper on the ASEAN Free Trade Area. Upon the leaders’ mandate, the ASEAN Economic Ministers have agreed to move as fast as possible in placing as many of their countries’ products as possible under AFTA coverage. They have also agreed that, for the older ASEAN members, AFTA products would have tariffs of no more than 0-5 per cent by 2002. For at least 90 per cent of tariff lines, tariffs would be brought down to 0-5 per cent by 2000. Although there is a time lag for the newer members, the schedule has been accelerated for them, too.

This means that, for the six older ASEAN members, AFTA will be substantially completed in less than nine months. So much for the prediction of AFTA’s death.

ASEAN is moving, too, on bringing down barriers to trade in services. Already, ASEAN members have made commitments to one another on seven services sectors — air transport, business services, construction, financial services, maritime transport, telecommunications and tourism. Trade in services is a bit more complicated than trade in goods, but ASEAN has decided to open all services sectors and all modes of supply to future negotiations. Such negotiations are expected to open soon, as directed by ASEAN’s leaders, and completed by 2001.
ASEAN is also integrating itself as a single investment destination. Last October, the ASEAN Economic Ministers established the ASEAN Investment Area. Under this scheme, ASEAN countries are to open up their manufacturing sectors to ASEAN investors, each country treating their investments as if they were those of its own nationals. Any exceptions to this are to be phased out according to a short and definite schedule.

ASEAN is only too aware that investments among ASEAN members are far from enough. Investments from the richer countries have to be drawn in fast, so as to reverse the capital flight that has been one of the major effects and causes of the crisis. ASEAN has thus decided to promote investments into ASEAN jointly. At their summit in Hanoi last December, ASEAN's leaders agreed upon a set of what they called "bold measures" to draw investments into ASEAN.

The Return of Investments

The leaders not only directed that AFTA be accelerated in order to create the larger market attractive to investors. The leaders also offered further inducements to investors who submit applications this year or next. Such investors will be exempt from the corporate income tax for at least three years or given a corporate investment tax allowance of at least 30 per cent. They can be 100-per cent foreign-owned. They can import capital goods duty-free and have access to the domestic market. They can lease industrial land for periods of at least thirty years. They can hire foreign personnel. This would be in addition to the incentives that each ASEAN country already offers to foreign investors.

ASEAN members know that for their economies to recover they have to bring back investments — to stimulate economic activity, create jobs and raise people's living standards to what they were before the crisis. And to bring back investments, they have to act as one. They were seen as one when investors fled or stayed away; they have to be seen as one for investors to return.

This is one lesson that the crisis has taught Southeast Asia — graphically, painfully. Countries can no longer afford to act in isolation. Increasingly, the age of globalization has brought with it the era of regionalism. Nations that are of less than continental dimension, countries that are less than the United States, China, India or Russia in size, have to coalesce in regions if they are to thrive in a globalized economy, if they are to survive in it.

This is certainly true in the world of finance. The financial crisis that started in East Asia, in ASEAN, caught almost everyone by surprise, including most of the world's most brilliant economists. And it quickly spread. Because of inadequate consultation among ASEAN members, no ASEAN country was sufficiently aware of the problems building up in others or of the imminent impact of those problems on themselves. There was no institutionalized mechanism for ASEAN members to compare notes on developments in their economies, particularly in their financial sectors, but in the real economy as well. There was no formal forum for the finance ministers to consult on what to do about impending or fundamental problems that they may see.

Surveillance and Peer Review

Now, since the onset of the crisis, ASEAN’s finance ministers, central bank governors and their deputies have greatly intensified their consultations. One of the mechanisms and bases for such consultations is the ASEAN surveillance process that the ministers established last year. Through this process, the finance ministries and central bank governors look over the developments in each of their economies and in the region as a whole. They exchange information on the policies that they have adopted and are carrying out and subject these to peer review. In this way, they expect to deal with problems before they erupt into crises and before they spread.
The surveillance mechanism is managed at the ASEAN Secretariat, with temporary funding and technical support from the Asian Development Bank. The surveillance process entails the collection of macroeconomic data and other economic and social indicators. It involves the collective analysis and reporting of such data by the ASEAN governments. It also includes the training of officials in the conduct of this process.

The first report of the surveillance process was submitted by the so-called Select Committee of finance ministry and central bank deputies last month. The report carried a tone of cautious optimism, forecasting that growth in the region will resume later this year, but warning about potential developments elsewhere in the world that can obstruct growth.

More importantly, the report carried accounts of what each ASEAN country was doing to stimulate domestic demand, protect the poor, revitalize the financial and corporate sectors, improve transparency and corporate governance, and mobilize resources to finance growth. The finance ministers reviewed these policies and actions.

ASEAN realizes, of course, that much of the global financial turmoil arises from weaknesses elsewhere in the world and in the global financial system itself. The ASEAN finance ministers and their deputies have started close and frequent consultations with their counterparts from China, Japan and Korea, countries which are in ASEAN's immediate vicinity and share many of its problems. Some ASEAN ministers have been active in the financial forums of APEC, ASEM, the Manila Framework group, the Group of 22 that is reviewing the international financial architecture, and the Group of 15 developing countries.

Contributing to the Global Debate

As their common contribution to the global debate, and in the ASEAN interest, the finance ministers have been developing a common position on the issues arising from attempts to review the international financial system. They insist that any measures adopted to deal with the global financial turmoil must be flexible and take into account the particular situations, concerns and interests of all countries and not just of a few. The poor must be protected. Inasmuch as the private sector was involved in the problems giving rise to the crisis, the private sector must be involved in the solutions. Transparency requirements must apply to the private as well as to the public sector. Short-term capital flows must be closely monitored. From now on, the liberalization of the capital account must take into account the state of development of the domestic financial sector.

There is now open discussion of what has hitherto been unthinkable — an exchange-rate system or even a single currency. Studies have been officially mandated on these subjects.

The quickening pace of regional economic integration and financial consultations has accompanied ever-closer and wide-ranging ASEAN co-operation. Such co-operation has brought ASEAN ever more firmly together. It takes many forms — the ASEAN gas pipelines and road networks, intra-ASEAN transport arrangements, inter-connectivity in telecommunications, disease surveillance, joint action on the haze arising from land and forest fires, the fight against and prevention of drug abuse, the ASEAN University Network, and so on.

These developments in ASEAN co-operation and integration could have implications of enormous historic magnitude for our region, including political ones. I will not go into these implications now except to say that they will have a bearing on the potential for peace and conflict within ASEAN and on Southeast Asia's capacity to deal with its neighbours and the world beyond.

This is why ASEAN places such a high premium on Southeast Asian solidarity and why it resists so firmly any attempt by others to discriminate among its members whenever the association itself is involved.
To me, then, the most significant impact of the recent crisis on ASEAN is the spur that it has given to ASEAN co-operation, integration and solidarity. We have found in this crisis that the quickening of closer ASEAN co-operation, integration and solidarity is essential for Southeast Asia to survive and flourish in a world that, in many ways, is fast coming together.

To that extent, the economic crisis may yet prove, for ASEAN and its peoples, to be a blessing in disguise.

I wish to thank your chairman, my former boss, Bobby Romulo, for inviting me to be around for this meeting of the Standing Committee of PECC.

Being here reminds me of my first encounter with PECC. It was at the general meeting in Vancouver, in 1986. I remember that meeting for two things. One is the fact that it was the first time that representatives of China and Taiwan sat down together in an international body. The second is the offer that, as the Philippine Government representative, I made to the South Pacific countries of training in fisheries under the Philippines' modest technical assistance program.

As a non-governmental institution, PECC from the beginning advocated an inter-governmental body for economic co-operation in the Pacific. APEC is now with us, and has been for the past ten years.

PECC has remained closely linked with APEC, and APEC is the better for it. The unique tripartite composition of PECC ensures that, beyond the normal considerations and mental processes of government officials, its work is leavened by the fresh insights of academics and is anchored firmly on the ground by the pragmatic calculations of businessmen. APEC's linkage with and support from PECC have served it well. It has been a natural and useful partnership.

ASEAN and PECC are both observers in APEC. As Bobby Romulo and I sat side-by-side at the APEC ministerial meeting in Kuala Lumpur last November, we both wondered why ASEAN and PECC had not worked closely together before, when, in fact, it had become clearer and clearer over the years that they had much to share with each other, that each could benefit from the work of the other. I hope that my participation in your meeting today will lead to a close partnership between ASEAN and PECC in the future.

Today, I have been asked to update you on the economic situation in Southeast Asia, a situation that has caused so much concern in the rest of the Asia-Pacific, and on what ASEAN is doing about it. We
could also take a look at the longer term, at some of the measures that ASEAN intends to take in the next few years.

First, the Situation Today: Beginning of Recovery

Estimates and projections available to the ASEAN Secretariat indicate that ASEAN’s economies should begin their recovery this year. Indonesia’s gross domestic product, for example, is projected to shrink by 2.4 per cent. This would, normally, be bad news, but it would be much better than the -13.6 per cent recorded in 1998. Malaysia’s economy is expected to grow by one per cent, far from the prodigious growth of the previous decade or so, but a distinct improvement over last year’s hefty contraction. The Philippine economy, after being flat last year, is projected to grow by two or 2.5 per cent this year. The projection for Thailand of one per cent growth would be a marked improvement over last year’s contraction of eight per cent. Remarkably, Myanmar’s GDP is expected to continue to grow briskly, at 6.5 per cent, and Vietnam’s by five or six per cent.

The World Bank has recently come out with even more optimistic estimates for the growth of Malaysia and Thailand this year, which the Bank is now projecting at two per cent for both.

Similarly, projections for inflation this year are encouraging. Inflation in Indonesia is expected to go down from over 7 to around 17 per cent, while Thailand’s is seen as diminishing from eight to three per cent. The rates for Malaysia and the Philippines are projected to remain manageable at four and 3.5 per cent, respectively. For Vietnam, the average inflation rate is expected to remain at under ten per cent this year. Hardly any inflation is expected in Singapore. Consequently, interest rates are forecast to fall throughout the region. Exchange rates have stabilized.

Expectations for export volumes are just as optimistic, with the global demand for semiconductors and other electronic goods expected to rise. Indonesia’s exports are seen to expand, in volume terms, by more than 20 per cent after contracting by 9.4 per cent last year. Thailand’s exports are projected to keep growing at over four per cent and Vietnam’s at over six per cent. Philippine exports are expected to continue their relatively rapid growth, at 15 per cent this year, somewhat slower than last year’s 17 per cent. Malaysia’s exports could grow slightly, after going down last year. Some analysts expect Singapore’s export volume to contract some, but less than last year. Myanmar’s exports are seen to expand by 7.5 per cent and those of Laos by a hefty 19 per cent, albeit from fairly low bases.

How ASEAN’s economic performance actually turns out, of course, depends on a combination of and the interplay among three sets of factors — the national policies and reform measures that each member-state adopts, the strength of the co-operation within ASEAN, and developments elsewhere in the world.

National Reforms

I need not relate the details of the policies and measures that individual ASEAN countries have been carrying out to deal with the impact of the global and regional financial turmoil. They have been reported extensively in the media. I would just like to recall that, at their meeting in Hanoi last month, the ASEAN Finance Ministers undertook “to persevere with economic and financial re-structuring to ensure sustainable growth with stability” and re-affirmed their “commitment to expediting reforms in these areas”.

What is little known is the fact that the ASEAN governments have begun to inform one another about their internal policies and reforms and have exchanged views on them. At their Hanoi meeting, the Finance Ministers reported to one another the measures that their governments had been taking to (1) revive domestic demand, (2) protect the poor, (3) revitalize the financial and corporate sectors, (4) strengthen transparency and good governance, and (5) mobilize additional resources to finance growth.
This sharing of information is motivated not only by the heightened need for transparency; it is also a mechanism for intensified consultation and mutual encouragement. It is the beginning of the peer review that the Finance Ministers have decided to undertake.

Peer review, in turn, is part of the surveillance process that the Ministers have established to help them keep track of macroeconomic trends and other economic and social indicators — and of any unusual glitches in them — and thus alert them to any impending problems. The process is operated by a special unit at the ASEAN Secretariat with initial funding and technical support from the Asian Development Bank. The ADB has a counterpart unit in Manila that provides that support and is to train ASEAN officials in the conduct of this novel activity.

For peer review to work, the Finance Ministries and Central Banks of ASEAN have to undertake frequent and intensive consultations. It is remarkable that ASEAN's Finance Ministers met formally for the first time only in March 1997. Before that, finance had not been in the mainstream of ASEAN cooperation. Now, however, of all ASEAN Ministers, the Ministers of Finance meet the most frequently.

Faster Integration

A strong and decisive ASEAN response to the financial crisis has been the acceleration of regional economic integration, although media speculation was the exact opposite. At their summit in Kuala Lumpur in December 1997, at the very time when the crisis was gathering momentum, the ASEAN heads of state and government declared very clearly:

We will create a stable, prosperous and highly competitive ASEAN Economic Region in which there is a free flow of goods, services and investments, a freer flow of capital, equitable economic development and reduced poverty and socio-economic disparities.

Since then, in a series of agreements and decisions, some mandated by the leaders themselves, ASEAN has taken steps to move forward the implementation of the ASEAN Free Trade Area. The date for the completion of AFTA has been advanced to 2002 for the six original signatories of the AFTA agreement. The ASEAN Economic Ministers have agreed to push almost all traded products into the Inclusion list for AFTA coverage. Of that list, 90 per cent of tariff lines are to have tariffs of no more than 0–5 per cent by 2000, with each country committing itself to make such tariff reductions on at least 85 per cent of its tariff lines. Thus, by the beginning of 2000, or less than nine months from now, AFTA will be substantially, if not formally, achieved. ASEAN is now looking, together, into those few sectors that may encounter problems with the more rapid pace of regional free trade and into how such problems may be overcome.

Beyond trade in goods, the Economic Ministers have turned their attention to trade in services, which are a bit more complicated. They have made commitments to bring down barriers to trade among ASEAN countries in seven services sectors — air transport, business services, construction, financial services, maritime transport, telecommunications and tourism. Now, upon the leaders' directive, they are working on a more comprehensive approach, looking to a new round of negotiations on trade in services in all sectors and all modes of supply. The round is to start this year and wind up in 2001.

ASEAN seeks to strengthen regional economic integration not only by bringing down statutory barriers to trade. Integration is also being fostered by co-operative measures to improve the operation of customs. Work is proceeding on common standards for products and processes. Transport linkages are being streamlined through landmark agreements on goods in transit and multi-modal transport. An agreement on inter-state transport is being worked out. Plans for road networks, railway links and trans-boundary gas pipelines have been laid.
Attracting Investments

The idea here, of course, is to improve the efficiency of production in ASEAN, stimulate competition, make trade easier, lower costs, create a larger market of half a billion consumers, and thus attract investments into the region — all of which have become urgent in the face of economic strains.

Beyond making trade freer and easier, the ASEAN leaders, at their Hanoi summit, decided to take direct steps to attract investments into the region. For investments applied for in 1999 or 2000 and approved, foreign investments are to be exempt from the corporate income tax for at least three years or given a corporate investment tax allowance of at least 30 per cent. They can be 100-per cent foreign-owned. They can import capital goods duty-free and have access to the domestic market. They can lease industrial land for periods of at least thirty years. They can hire foreign personnel. This would be in addition to the incentives that each ASEAN country already offers to foreign investors.

The leaders also agreed to waive the 30-per cent national-equity requirement for investments under the ASEAN Industrial Co-operation scheme for the 1999-2000 period. As you will recall, AICO is a scheme under which products of companies operating in two or more ASEAN countries immediately receive full AFTA treatment. A number of large Japanese and European multinational companies, many in the automotive industry, have already taken advantage of the scheme.

ASEAN members, of course, know that economic recovery in the region does not depend only on them, individually or as a region. At their meeting last month, the Finance Ministers expressed their confidence that "1999 will witness improved economic prospects for the region". They cited the "return of stability in the foreign-exchange markets; rising current account surpluses and a build-up of reserves; substantial decline in domestic interest rates; easing of inflationary pressures; recovery in stock markets; improvement in consumer sentiment; levelling-off in the contraction of industrial production."

External Challenges

But they also acknowledged several external factors — "challenges," they called them — that could hinder economic recovery — "the risk of rising protectionism, a sharp reversal in the U.S. stock market, weakness in the Japanese economy, exchange rate misalignment of major currencies, and uncertainty of external financial flows."

They, therefore, resolved to "adopt a more proactive role at various international and regional fora to ensure that (ASEAN's) interests and priorities are given due consideration in any proposal to reform the international financial architecture". The Ministers then laid down the ASEAN positions on several issues involved in the review of the financial architecture.

For the longer term, ASEAN has set its sights on rural development, small and medium enterprises, entrepreneurial training, the development of technology, including information technology, and the protection of the environment, as well as on the continued attraction of investments and financial co-operation.

The Hanoi Plan of Action, which ASEAN's leaders issued at their summit last December, mandates the steps to be taken in those areas, now, for the fulfilment of the 1997 vision, beyond those that are already being undertaken. The ASEAN Ministers, committees and other bodies, together with the ASEAN Secretariat, have been working on specific activities and their expected concrete outcomes in carrying out these mandates.

On investments, for example, studies are to be undertaken on impediments to investment in ASEAN countries and how to eliminate them. A common ASEAN approach to statistics on foreign direct investment is to be worked out. Ways of encouraging technology transfer are being looked into. The impact of the liberalization of investment flows on certain specific industries is to be analyzed.
ASEAN is determined to build the ASEAN Information Infrastructure, and studies on its shape and contents are to be carried out.

In the new area of financial co-operation, studies are being proposed on capital account liberalization, the monitoring of short-term capital flows, the facilitation of cross-border financial flows, and the development of common financial practices and standards. An exchange-rate system and even an ASEAN currency are to be explored. Networking among development banks in the region is envisioned.

Small and Medium Enterprises

ASEAN is paying particular attention to small and medium enterprises. A match-making workshop involving ASEAN SMEs and those of other countries is being planned. Ways of attracting investments in SMEs specifically are being pursued. A regional export financing and credit guarantee scheme, and even an investment fund, for SMEs are under consideration.

In order to harness the region's human resources for productive activity and improve people's lives, co-operative programmes are to be worked out to develop the skills and spirit of entrepreneurship and the capacity for self-employment. ASEAN countries are to co-operate in their efforts to impart productive skills to women and out-of-school youth.

Among measures to raise the level of science and technology in the region are the development of a technology scan mechanism and a system of technological competitiveness indicators.

On the environment, apart from the work currently being done; ASEAN intends to set up an environmental database and public information programme. Ways of sharing environmental technology are to be developed.

Cushioning the Social Impact

In order to help cushion the impact of this and future economic downturns on people's lives, ASEAN is devising programmes to improve the region's capacity to design social safety nets and to assess the social impact of economic and other setbacks.

The growing problem of caring for the elderly and the disabled is to be addressed, and particularly prevalent communicable diseases are being dealt with in co-operation. More ways of fighting the manufacture of, trafficking in, and abuse of illicit drugs are being worked out.

These are just a few of the activities that ASEAN is going into in dealing with the economic and social problems that are emerging today. ASEAN cannot do it all by itself. Most of it has to be done in collaboration with ASEAN's dialogue partners, other countries, international institutions, foundations, and other non-governmental organizations. The ASEAN Secretariat is convening on 6 and 7 May a forum among these agencies to identify the areas where collaboration can be productively undertaken.

Trade and investment liberalization, facilitation and promotion, transportation and communications, co-operation in finance, industrial co-operation, small and medium enterprises, information technology, human resource development, the development and transfer of technology. If these sound familiar to PECC as areas for regional co-operation, then they indicate the extent to which ASEAN and PECC can and ought to work together.

PECC is doing much useful work in these areas. A certain amount of overlap with what ASEAN is doing cannot be avoided, but we can reduce wasteful duplication if we consult more closely with each other and cooperate with each other. We can begin by letting each other know what we are working on, as we are doing today. We can share the results of our studies. We could even work together on certain issues.

For example, PECC is doing studies on the state of the automotive industry in the region, a sector of great interest to ASEAN. PECC has also offered to work with ASEAN on developing the ASEAN
Information Infrastructure.

Seven ASEAN members belong to PECC. Many of our objectives coincide. We work for the same purposes, which are the breaking down of barriers between economies, expanding economic opportunities, nurturing the spirit of co-operation among the countries of the Pacific, and improving the lives of our peoples.

Statement by the Secretary-General of ASEAN Welcoming the Kingdom of Cambodia as the Tenth Member State of ASEAN

ASEAN Secretariat, 30 April 1999

Excellencies,
Mr Noun Chivorn, Chargé d'Affaires of the Royal Embassy of Cambodia
Distinguished Guests,
Ladies and Gentlemen,

A few moments ago, the ceremony for the admission of the Kingdom of Cambodia into ASEAN was held in Hanoi. The admission was marked by the signing of the Declaration on the Admission of the Kingdom of Cambodia by the Cambodian Senior Minister and Minister of Foreign Affairs and International Cooperation and the ASEAN Foreign Ministers. The Cambodian Minister then signed the Protocol for the Accession of the Kingdom of Cambodia to ASEAN Agreements. The national flag of the Kingdom of Cambodia was then raised.

I take great pleasure in extending on behalf of the ASEAN Secretariat and myself our heartiest welcome to the Kingdom of Cambodia into our ASEAN family. At long last, after 32 years, we have fulfilled the vision of our Founding Fathers to unite all nations of Southeast Asia under one ASEAN roof. This is truly a historic moment that we can all cherish.

The realization of "ASEAN-10" has not only a symbolic significance, but also immense implications for the future of our region. With mutual respect and equality, we have turned our diversity to our advantage and pulled together to advance our common interest in strengthening peace and stability in our region. The Kingdom of Cambodia's membership will be a substantial contribution to this endeavour.

One painful but invaluable lesson from the current economic difficulties is that in this age of globalization, nations can thrive and flourish only if they band together for common purposes. Through internal reforms, active co-operation and purposeful integration, ASEAN will certainly overcome the difficulties, as it has already begun to do so. ASEAN will be stronger and ready for sustainable growth and development in the new millennium. With half a billion people in ASEAN and a combined GDP of nearly US$700 billion, ASEAN remains an important market and platform for production.

It is in this spirit that I once again welcome the Kingdom of Cambodia into our ASEAN family. I would like to take this opportunity to reassure the Kingdom of Cambodia of the co-operation of the ASEAN Secretariat and of our support for the Kingdom of Cambodia's active participation in all ASEAN
activities. We look forward to welcoming a team of 19 Cambodian officials, which is scheduled to undergo a three-day training programme at our office early next week.

In conclusion, let me thank all of you for taking part in this ceremony, which is our small way of sharing the joy of seeing the dream of unity and solidarity in Southeast Asia come true.

Developing the Greater Mekong Sub-Region: The ASEAN Context

Statement of Mr. Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at the Greater Mekong Sub-region Business Workshops

Bangkok, 10 February 2000

Efforts to develop the Mekong Sub-region far antedate ASEAN. The Mekong Committee was established under the auspices of ESCAP as early as 1957. The sub-region can thus be said to be a pioneer in regional cooperation in Southeast Asia.

Even after ASEAN's founding, for many years, only Thailand among the Mekong riparian states was an ASEAN member. The GMS forum itself was initiated in 1992. In 1994, the ASEAN Economic Ministers and Japan's Ministry of International Trade and Industry launched their efforts to develop Cambodia, Laos and Myanmar. In April 1995, the Mekong Committee was transformed into the Mekong River Commission. All of this took place before Viet Nam, Laos, Myanmar, and Cambodia came into ASEAN.

Now, all five Southeast Asian riparian states belong to ASEAN, constituting half the membership of the association. Their membership in ASEAN has given cooperative development in the Mekong Sub-region a new dimension, a new context, added strength, an added advantage.

ASEAN and GMS share the same purposes. They both pursue cooperative development as a fundamental objective. They both seek to foster a good climate and set the necessary conditions for investment and other economic activity.

Now, ASEAN makes available a broader regional framework in which GMS can carry out its work. Many GMS infrastructure projects are part of ASEAN-wide programs. Many ASEAN and GMS activities overlap. ASEAN deliberately directs some of its own activities, particularly those in human resource development, to its four newest members, all of which happen to be in GMS. ASEAN has, in fact, used GMS as a framework for its determined push to integrate its four new members more closely and more quickly with the rest of ASEAN.
At the same time, many ASEAN programs, especially those in infrastructure, human resources and the environment, could be implemented with greater focus and at a more rapid pace when carried out in the smaller area and context of GMS. These ASEAN programs could thus move forward more quickly with GMS as the sub-regional vanguard.

An Integrated Market

In GMS and in the broader setting of ASEAN, the development of infrastructure and human resources and the protection of the environment provide the necessary elements for private-sector investments and trade. The ASEAN framework provides something more; and that is the policy context that can make business activities more efficient, more productive and more profitable.

For example, the ASEAN Free Trade Area. Tariffs on most products traded within ASEAN are now down to no more than five percent or soon will be. Non-tariff barriers are being dismantled ASEAN-wide. Products of companies operating in two or more ASEAN countries under the ASEAN Industrial Cooperation scheme can be freely exchanged across national boundaries for further processing. Customs procedures are being coordinated, regulations and standards harmonized. Trade is thus made freer and easier. In this way, ASEAN is being steadily integrated in one huge market of half a billion people with a gross regional product of almost US$800 billion. An investor in any of the ASEAN members in GMS has, therefore, this large integrated market for his products. Negotiations have been, or are about to be, launched on trade in services in several critical sectors, including air and maritime transport, financial services, telecommunications and tourism. Again, suppliers of services in those sectors in GMS will have all of ASEAN for their market.

As part of the same move toward closer economic integration in ASEAN, investments from an ASEAN member now have access to and are extended national treatment by other ASEAN countries. Exceptions from this are to be phased out within a specific timeframe. Thus, Singaporean or Malaysian or Thai investors, whether by themselves or in joint venture with others — provided there is sufficient ASEAN equity — can freely invest in GMS.

The GMS states, as ASEAN members, are parties to binding ASEAN agreements, such as the Common Effective Preferential Tariff leading to the ASEAN Free Trade Area, the agreement on the ASEAN Investment Area, and the ASEAN Framework Agreement on Services. ASEAN also has a dispute-settlement mechanism applicable to all ASEAN economic agreements. This means that the GMS states are fully integrated in ASEAN’s rules-based trading and investment system. For example, each ASEAN country is required to adopt legislation binding that country to specific tariff reductions in order to fulfill its obligations in the tariff-reduction schedule agreed upon in the AFTA-CEPT system. Their participation in ASEAN agreements thus helps establish a predictable and transparent legal environment for business and investment in the GMS countries. This should be most welcome to businessmen and investors, whose worst nightmares are sudden reversals in the government policies affecting them.

From the beginning, ASEAN based its economic strategy on the free market. Efforts to integrate the newer members with the rest of ASEAN are helping them make the transition to free markets.

Infrastructure Linkages

The ASEAN economies are being integrated not only by removing barriers to trade and investment between them, not only by facilitating trade and investment flows. They are also being bound together by infrastructure linkages. Because they are not separated by ocean, the GMS members of ASEAN are perhaps in a stronger position to set up, expand and strengthen these linkages.
ASEAN's land transport program has an obvious and specific relevance for GMS. Most of the nine priority road projects of GMS have become integral parts of the ASEAN Highway Network, a scheme just recently formalized. The routes identified for the Singapore-Kunming Rail Link, conceived and pursued under ASEAN auspices, coincide with those projected for GMS. ASEAN has concluded or is soon to conclude framework agreements on the facilitation of goods in transit, multi-modal transport, and inter-state transport. Laos, Thailand and Viet Nam have worked out an even more comprehensive agreement covering transit, inter-state and multi-modal transport and also passengers, which shows how sub-regional arrangements can help to advance regional endeavors more rapidly. Another example of GMS moving ahead is the agreement on river transport among China's Yunnan Province, Laos, Myanmar and Thailand to promote trade and tourism along the Mekong.

ASEAN is pushing a trans-regional energy network consisting of the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline. The scheme, of course, covers the GMS part of ASEAN, with six of the fourteen power interconnection projects located in GMS. Several power-purchase agreements among GMS countries are in place, clearly requiring interconnection. The security and sustainability of power supply that these programs foster would be of great benefit to investments in GMS.

In the vital realm of telecommunications, ASEAN is cooperating in broadband interconnectivity covering the policy and regulatory environment, universal access, technical standardization and harmonization, data security, intellectual property rights, and cooperative applications. The aim is to ensure seamless roaming of telecommunications: services and to ease intra-ASEAN trade in telecommunications equipment and services. In GMS, there are now ten sub-regional transmission projects. These projects are to be implemented in two phases in order to expedite the development of backbone transmission lines in GMS.

Leapfrogging the Stages of Growth

ASEAN work on telecommunications interconnectivity has clear implications for the development of e-ASEAN. According to this concept, which ASEAN's leaders have endorsed, e-ASEAN would pull together and integrate ASEAN members' efforts in information and communications technology. It would involve inter-connectivity, with its own high-speed backbone. It would seek to harmonize policies, regulations and standards in information and communications technology within ASEAN. A combined public-private sector task force has been organized to bring e-ASEAN to reality. In the context of GMS, information and communications technology could help ASEAN's newer members to leapfrog the normal stages of economic growth and enter the information age.

This requires a massive drive for the development of human skills to enable ASEAN, including GMS, to build the knowledge industries and knowledge societies that are the key to the future. A major part of ASEAN's efforts to integrate its newest members into the association is focused on human resource development in GMS.

In the building of institutions, the development of human skills, and the transfer of technology, GMS has the benefit of ASEAN's system of dialogue cooperation with strategic partners. This system can help mobilize resources for and direct international attention to the Mekong Sub-region. Specifically devoted to GMS are the ASEAN-Mekong Basin Development Cooperation forum, in which all of ASEAN engages China at the ministerial level, and the AEM-MITI Economic and Industrial Cooperation Committee, a body of ASEAN and Japanese trade and industry ministers that retains from its origins its focus on the development of GMS. The forum among ASEAN, China, Japan and the Republic of Korea, which has been convening at several levels, including the summit, is taking a special look at developing GMS. The GMS members of ASEAN stand to benefit from the intensifying cooperation between ASEAN and the Closer Economic Relations between Australia and New Zealand.
In sum, investors and businesses in GMS have as their market all of ASEAN's steadily integrating economies and have their choice of production platforms in ASEAN for marketing to the world. ASEAN's growing infrastructure linkages in transport, energy and telecommunications, much of which is centered on GMS, both facilitate the conduct of business and present opportunities for investment. ASEAN's economic integration and its infrastructure and human linkages, particularly the boundary-transcending power of information technology, make GMS much bigger than it geographically is.

The synergies between ASEAN and GMS programs of development thus offer immense potential for growth and profit. But governments can only put up the setting for business and investments to flourish. Business people are the real actors, giving substance to development, creating wealth out of our region's rich natural and human resources. The ASEAN Secretariat has the mandate to work closely with the private sector, listening to its views, working out its responses, including its complaints, and raising them with ASEAN's decision-makers.

The synergies among governments, international institutions, the ASEAN Secretariat and private business are what this workshop is all about.

Source: ASEAN Secretariat <http://www.aseansec.org>
Regional Economic Integration: The Challenges Ahead
Statement by H. E. Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at the workshop on Beyond AFTA: Facing the Challenge of Closer Economic Integration

Bangkok, 2 October 2000

I should like, together with you, to trace the evolution of regional economic integration in ASEAN, examine its nature, define its current status, and put forward some views on what else needs to be done to advance its essential purposes: that is, as the title of this workshop suggests, what are today's challenges for closer economic integration in Southeast Asia.

In 1967, in this very city, ASEAN was founded for three interlocking and ambitious objectives — regional peace, stability and prosperity. From the beginning, economic co-operation was to be a key to achieving these goals. At the time, the Indochina war was raging. The Cold War was threatening to wipe out the hopes of Southeast Asia's people for a better life. Disputes among the nations of the region continued to unsettle it.

In these unpromising circumstances, the countries of Southeast Asia set their minds, their labours and their resources on the development of their economies. At the same time, it became increasingly clear that their national programmes for development and prosperity would be strengthened and made more effective by openness to and co-operation with the rest of the world, particularly and above all within the region. Economic co-operation would give each member of the new association a stake in the economic well-being of the others and thus serve as a potent force for regional peace. This was the logic of the European Communities and the European Common Market. Firmly locking their economies together would bind together the core nations of Europe so closely that the wars that had so ravaged the continent for centuries would be unthinkable in the future. At the same time, peace among nations and economic progress for their peoples would bring about a measure of stability that would make further development possible.

Thus, ASEAN laid down programmes of co-operation in industry, minerals and energy, in finance and banking, in transport and communications, in food, agriculture and forestry. The ASEAN countries
devised schemes like the ASEAN Industrial Projects and the ASEAN Industrial Joint Ventures. They set up the Preferential Trading Arrangements.

They used such programmes, schemes and arrangements not only to help their own national development efforts but also to build confidence among themselves, develop personal relationships among their leaders, and cultivate a sense of regional identity among their peoples.

**AFTA is Born**

After many years, they realized and decided that these tentative and modest measures for regional economic co-operation — nobody dared talk of economic integration in those days — were not enough. Looking to the future, the ASEAN leaders knew that these measures would not be enough to bring about the economic efficiencies and attract the investments essential for their countries’ continued development.

At their fourth summit, in Singapore in 1992, ASEAN’s leaders decided to move ASEAN to an entirely new stage in their countries’ economic relations, to make the leap from co-operation to integration, by resolving to transform the region into a free trade area. In fifteen years, tariffs on goods traded within ASEAN, with some exceptions, would be eliminated or reduced to a maximum of 5 per cent. This commitment would be subject to legally binding schedules of tariff reductions. Most exceptions would be phased out according to fixed timetables.

The objective was to create an integrated ASEAN market for trade in goods. Such an enlarged market would attract investments much more effectively than the much smaller national domestic markets. It would thus be a further stimulus for growth. It would also raise, for ASEAN members, the stakes in one another’s purchasing power and economic progress.

In four years, from 1993 to 1997, the value of intra-ASEAN trade almost doubled, from less than US$44 billion to more than US$85 billion, from less than 21 per cent to almost 25 per cent of total trade. Largely on account of the financial crisis, these figures dropped to US$71 billion and 22 per cent in 1998, rising again in 1999. They are still well above pre-AFTA levels. This dramatic rise in intra-ASEAN trade cannot be attributed entirely to AFTA, of course, but AFTA’s significance is such that many of the world’s largest companies have displayed extraordinary interest in AFTA’s progress.

If AFTA is good for ASEAN in economic and other terms, why wait for 2008 for its completion? Asking themselves this question, ASEAN’s leaders, meeting in this city in December 1995, decided to advance AFTA’s completion date to the beginning of 2003. A few months later, ASEAN adopted the ASEAN Industrial Co-operation scheme, or AICO, in which products of companies operating in two or more ASEAN countries would enjoy the full AFTA treatment immediately.

In 1997, the international financial crisis struck Southeast Asia particularly hard. Immediately, the usual instant commentaries predicted that, as a result of the crisis, ASEAN countries would retreat into isolation, that ASEAN would fall into disarray, that AFTA was dead. Such speculations, some of it evidently arising from herd instinct, were made in defiance of logic and without waiting for the facts to unfold.

**AFTA Speeds Up**

What ASEAN needed at a time of economic contraction and diminished investor confidence was to regain that confidence and bring investments back in. In the face of this reality, the logical thing to do was to deepen and expand and accelerate regional economic integration instead of hollowing it out, constricting it, or slowing it down. That was the logic. The fact was that, in 1998, at their summit in Hanoi, the ASEAN leaders again advanced the completion date of AFTA, this time by one year, to the beginning of 2002 for the six original signatories to the AFTA agreement, with the later signatories given a few more years to adjust to regional free trade.
The beginning of 2002 is just a little over a year from now. Already, more than 85 per cent of tariff lines for goods traded under AFTA are in the minimal 0-5 per cent zone, representing more than 90 per cent of the value of intra-ASEAN trade. Next year fully 90 per cent of tariff lines will drop to that zone. By 2010, all tariffs among the original six are to be abolished. ASEAN countries are also committed to removing non-tariff barriers among them. Even today, average tariff rates for goods traded within AFTA are down to a low 4.4 per cent and should be less than 4 per cent next year.

To be sure, the financial crisis has brought particular difficulty for some specific industries in individual ASEAN countries. ASEAN is ready to make allowances for the relief of such industries, but these are strictly circumscribed as to scope, timeframe and other conditions.

Dismantling trade barriers is, of course, not enough. Trade must be made easier as well as freer. Thus, ASEAN has been working on the harmonization of tariff nomenclatures, the compatibility of product standards, mutual recognition arrangements, and the streamlining of customs procedures. Nor is it sufficient to free up and facilitate trade in goods. Services are becoming a larger and larger part of ASEAN's economy. Services are also a much more complex area to deal with than merchandise trade. But they, too, are now subject to liberalization negotiations, sector by sector.

ASEAN is seeking to increase its attractiveness to investments by integrating itself as a market for goods and services. It is also doing this by directly allowing investments to move freely within ASEAN. Under the ASEAN Investment Area agreement, each ASEAN country opens itself up to investments from other ASEAN countries and extends national treatment to those investments. The few exclusions are to be phased out according to an agreed, binding and short timetable. Impediments to investments are being removed. ASEAN has also begun to promote itself jointly as one investment area in Japan, the United States and Europe.

ASEAN's economies are being bound closer together through infrastructure linkages. ASEAN is planning the consolidated expansion of the already extensive road network on mainland Southeast Asia covering a total of 33,480 kilometres. It is working out the protocols for the implementation of the agreement to facilitate the treatment of goods in transit. Agreements on multi-modal transport and interstate transport are in the works. The feasibility study on the completion of a railway from Singapore to Kunming in southern China has been completed, and a decision on the precise route out of several alternatives should be made soon. For the power grid on the mainland, two out of the fourteen projected interconnections are already in operation. The trans-ASEAN gas pipeline network should, as it moves to completion, progressively help to ensure the region's energy security. Co-operative measures are being taken to make possible telecommunications interconnectivity in ASEAN and the standardization of telecommunications equipment. The question now is how to package these infrastructure projects as attractive opportunities for investment.

Into the Information Age

ASEAN is taking economic integration into the information age, while using information and communications technology to strengthen regional economic integration. A combined private-sector and public-sector task force is working on a programme to create e-ASEAN. It would recommend the facilities and policy environment required to encourage the private sector and the people in general to make use of and develop technology for progress and profit. The work covers such key areas as an ASEAN information infrastructure, the facilitation of e-commerce, the legal and policy environment for the development and use of information technology, the liberalization of the trade in goods and services related to such technology. It is expected to identify the requirements for human resources and ways to meet those requirements. It also addresses the use of information and communications technology for improved governance and for social uses like health and education and even rural development.
The impact of the financial crisis on the region, with its strong characteristics of contagion, demonstrated, if further proof was needed, how integrated the ASEAN economy had become. If that was so, then not only must the market for goods and services be more deeply and more rapidly integrated, not only must ASEAN investments flow more freely in the region; co-operation in financial matters needed to be pursued much more intensively.

Thus, ASEAN's finance ministers have set up a surveillance mechanism through which the ASEAN governments would monitor macroeconomic developments in the region and encourage one another, through a process of peer review, to strengthen their economic fundamentals and to push forward the necessary economic reforms. Last week, the ministers conducted, in Prague, the fourth such review. The ministers also decided to enlarge the currency swap arrangement through which ASEAN countries could help one another in case of balance-of-payments difficulties.

Analyses within ASEAN, however, have highlighted the fact that market integration and financial co-operation, essential as they are, are today not enough to shore up investor confidence in ASEAN and enhance ASEAN's strength in the global competition for investment capital. Attention must be paid to the domestic investment climate in each ASEAN member. Here we enter into the area beyond AFTA, beyond market integration, beyond strictly economic and financial co-operation, in order to face the challenges of the future.

The domestic investment climate of each ASEAN country has to be constantly burnished. Each government has to put in place the necessary national laws and policies. The rule of law has to be fortified. The competitive field must be levelled. Transparency must be fostered. The integrity of governmental and corporate institutions and processes must be upheld. The people's skills have to be upgraded to ensure their competitiveness. Security and order have to prevail — and be perceived to prevail.

The Next Step

This is the next important stage in ASEAN's integration, a broader stage than dismantling international barriers to trade and investment. This may require ASEAN countries to concern themselves more with issues of governance without, of course, interfering in one another's internal affairs or imposing policies on one another.

This is not without precedent in ASEAN. After all, tariff policy and other trade restrictions are a matter of sovereign right on the part of states. But AFTA obligates ASEAN members to make commitments to one another in bringing down, through domestic legislation, barriers to regional trade. They are doing so with respect to obstacles to intra-regional investments. They are about to do so in the case of services. In the peer review that the finance ministers frequently conduct, they look into one another's national economic policies and reform measures. Other ministers and officials have been discussing national policies and practices that have a serious impact on the atmospheric pollution levels in other parts of the region.

ASEAN governments should be able to discuss, in a frank but friendly and discreet manner, other elements of the investment climate — governance, the rule of law, the judicial system, transparency and accountability, corruption and integrity, measures to improve people's skills, order and security. After all, the image of disorder in one country affects perceptions of the stability of the region as a whole. Impressions of an inhospitable investment climate in one country deeply influence the regional climate.

ASEAN ministers have begun to conduct such dialogues with increasing frequency and intensity, as they respond to the challenge of regional economic integration beyond free trade areas, investment areas and financial policy co-ordination. This is for them a matter of regional solidarity. And that is what ASEAN is about.

SOURCE: ASEAN Secretariat <http://www.aseansec.org>
ASEAN has always placed great value on the role of the private sector in economic growth — the role of ASEAN’s own private sector and the role of private foreign investment in ASEAN. As a matter of development strategy, ASEAN governments and ASEAN itself have deliberately cultivated a climate in which private trade can flourish and private investment can make profit. The private sector has responded by driving ASEAN’s phenomenal growth for two decades. The encouragement of private business activity remains central to ASEAN’s approach to development. It is at the core of ASEAN’s strategy for economic recovery and sustained growth.

Indeed, ASEAN was formed on the premise of a strong private-sector role in economic development and in its relations with the rest of the world. Even those countries that have come into ASEAN with centrally planned economics have done so in the midst of opening up their economies to market forces, to the private sector and to foreign investment. Today, they are fully committed to the basic ASEAN policy of harnessing the economy to the energy of private enterprise. It is in this light that we value every opportunity that we can get for consultations between governments and private business.

ASEAN conducts our dialogue today on increasingly solid ground. Last March, ASEAN’s finance ministers projected growth rates for the region to average somewhere between 4.5 and 5 per cent. The international financial institutions — the IMF, the World Bank and the Asian Development Bank — have had periodically to revise upward their growth estimates for ASEAN. The exports of the six older members of ASEAN alone — Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand — have been surging — by 7.7 per cent from US$316.6 billion in 1998 to US$341.1 billion in 1999. Imports grew at the same rate, from US$259.5 billion in 1998 to US$279.5 billion in 1999.

The surge in imports reflects a rise not only in production requirements for export but also in domestic demand, including for housing, commercial property and automotive products. According to the ASEAN Federation of Automotive Industries, automobile sales in Indonesia, Malaysia, the Philippines and Thailand rose, 67 per cent, from 273,000 units in the first half of 1999 to 456,000 units in the first half of 2000. In Indonesia, car sales jumped 455 per cent during that period, from about 24,000 to about
The automotive industry estimates that the demand for automobiles in the six major ASEAN markets — Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam — will hit 1.4 million units in 2003 and 1.6 million units in 2004, considerably surpassing the levels before the financial crisis.

Investment Flows into ASEAN

Foreign direct investment flows into ASEAN were at the healthy level of US$16.9 billion in 1999, with investments from the United States soaring more than seven times from 1998 to 1999, mostly in the form of reinvestments and cross-border mergers and acquisitions. However, for various reasons, total FDI in ASEAN dropped by 14 per cent from 1998 to 1999. We see better prospects for 2001 and thereafter, as the ASEAN economies recover and further integrate — and are seen by investors to recover and further integrate — as opportunities for mergers and acquisitions grow, and as investment flows are stimulated by the continued strength of the U. S. economy, the growth of the Japanese and Korean economies, and the maintenance of Taiwanese attention to Southeast Asia.

An important point to remember is that most large ventures already established in ASEAN did not leave the region even at the height of the crisis; in fact, many of them expanded their facilities, taking advantage of lower asset values and weaker national currencies.

In the midst of the resumption of economic growth, inflation has been kept under control. Interest rates are down. Financial reserves are up, although some currencies have weakened. Reforms in the financial and corporate sectors continue, although with ups and downs. ASEAN’s finance ministers, among themselves and together with those of China, Japan and the Republic of Korea, are strengthening the monitoring of economic developments and policy measures in the region. They are setting up a mechanism for providing resources to countries in the region that may find themselves in balance-of-payments difficulties.

ASEAN economic integration has, as you know, been accelerated. The ASEAN Free Trade Area will be completed, for the six original signatories to the AFTA treaty, by the beginning of 2002. This means that, in just a little over a year from now, most of the goods traded within ASEAN will have tariffs of no more than 5 per cent or none at all. Even today, 85 per cent of tariff lines in the AFTA scheme already are in that minimal-tariff zone, representing more than 90 per cent of goods traded among ASEAN countries. No one can ask more of a regional association. By next year, average tariffs on goods traded under the AFTA scheme will be down to less than 4 per cent from 4.43 per cent today. All electrical and electronic goods are in the AFTA inclusion lists of the six original signatories to the agreement. Average duties on them are already in the minimal range. The first six signatories to the AFTA treaty aim to abolish all import duties on trade among them by 2010. Non-tariff barriers are also being dismantled.

In the meantime, the ASEAN Industrial Co-operation scheme, or AICO, gives immediate full AFTA treatment to products traded within ASEAN by companies operating in two or more ASEAN countries. As you may know, most of the companies taking advantage of the AICO scheme are Japanese. Most of these Japanese concerns are automotive companies. A few of them are electrical and electronics firms.

A Rules-Based System

Earlier this month, the ASEAN economic ministers adopted, for signing next month, a set of rules for dealing with products that a certain AFTA party may find difficulty in moving to the AFTA scheme. The rules are based on international norms and practice. They would not only provide objectivity and transparency in dealing with such cases; they would also impose stringent conditions for resorting to them. So far, only Malaysia has indicated any definitive intention of resorting to this mechanism — only
for completely built-up and completely knocked-down cars and only for a short delay.

The ASEAN market for services is also being integrated, with several sectors at various stages of negotiation. ASEAN is creating an ASEAN Investment Area, in which each ASEAN country opens up and gives national treatment to other ASEAN investors, including joint ventures between ASEAN and foreign companies.

ASEAN is also being bound together and its economy further integrated by physical infrastructure projects — the road and highway network, the seaport and airport network, the ASEAN power grid, and the gas pipeline network. ASEAN is working on the interconnectivity of telecommunications and the standardization of telecommunications equipment. These projects both present enormous opportunities for investment and would stimulate other forms of investment and economic activity.

In any event, all ASEAN countries are committed to the integration of their economies as a principal way of strengthening their competitiveness in a globalized economy, where competition for investments as well as markets is becoming more and more intense.

At the same time, ASEAN is determined to build up its competitiveness in the industries of the future, in the knowledge industries, in enterprises involving information and communications technology. Part of this effort is the adoption this month of an e-ASEAN framework agreement for signature by ASEAN’s leaders next month. The programme includes the legal and policy environment for the development and use of information and communications technology for e-commerce, for government, and for human and social development. It involves the free movement of ICT goods and services and the training of ASEAN’s people in this field. The Japanese Government has given clear indications of its desire and readiness to be deeply involved in ASEAN’s endeavours in this area. ASEAN seeks and welcomes this Japanese collaboration.

In sum, the steady and accelerated integration of the ASEAN economy, the resumption of its growth, the development of the regional infrastructure, and ASEAN’s commitment to the industries of the future provide new and fertile ground for ASEAN and Japan to further deepen their already strong links. Those links go back many decades. They are deep and wide-ranging. New opportunities are now opening up for making those ties deeper and stronger than ever before. I am confident that our roundtable today will contribute substantially to this for the benefit of all.

SOURCE: ASEAN Secretariat <http://www.aseansec.org>
Japanese companies have for a long time — since the 1950s — been using Southeast Asian countries as a site for profits, cost-effectiveness, and global competitiveness. Japanese firms have located their operations in Southeast Asian countries for their low-cost but productive labour, to be where needed raw materials can be extracted, to gain access to domestic markets that are getting bigger and richer, as production platforms for the markets of the world.

In this, the Japanese Government has been exceedingly helpful to Japanese companies, as well as to the Southeast Asian countries. This help has come in the form of trade financing, loan guarantees, assistance in the development of infrastructure where the companies are located, and the cultivation of good political relations between Japan and Southeast Asia. Of course, Southeast Asia has benefited, too, in terms of jobs, foreign exchange, business partnerships, access to the Japanese and world markets, and the transfer of technology.

In recent times, this beneficial relationship has hit some snags. Japanese investments in ASEAN have gone down in value, and their share in total foreign direct investment flows into ASEAN has diminished. On the basis of balance-of-payments data, Japan’s share of FDI flows into ASEAN was but 5.4 per cent in 1999, behind the European Union and the United States, as against 13.5 per cent in 1998. Meanwhile, U.S. investments in ASEAN swelled by seven-and-a-half times from US$1.1 billion in 1998 to US$9.4 billion in 1999, mostly by way of reinvestments and mergers and acquisitions.

This downturn has had an impact on the trade between ASEAN and Japan. Japan remains one of ASEAN’s three leading trading partners, but its share of ASEAN’s trade has been diminishing since the early 1990s. Japan’s share of the imports of ASEAN’s six leading trading nations — Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand — shrank steadily from almost 25 per cent in 1993 to less than 18 per cent in 1998. The share of the Japanese market in the exports of the same six countries went down from 15 per cent in 1993 to less than 11 per cent in 1998. The result is that by 1999 Japan had slipped to third place among all of ASEAN’s trading partners, behind the United States and the European Union.
There are several reasons for this. Two of the broadest are the slump in the Japanese economy and the financial crisis of 1997-98 in most of Southeast Asia.

Now, the Japanese economy seems to be picking up. The economies of Southeast Asian countries are recovering faster than expected. But other, equally important things have also been changing. These changes have been transforming the investment climate in Southeast Asia, the opportunities for investment there, and the factors that determine decisions on such investments.

New Developments

Now is, therefore, a good time to take stock and try to peer into the future. I suggest that we look at four areas where new developments are taking place that are relevant to long-term investment decisions. These are:

- the growing integration of the ASEAN economy;
- the expansion and diversification of ASEAN;
- the progressive openness of ASEAN economies; and
- the growth and potential of information and communications technology.

ASEAN's commitment to regional economic integration should be clear to all. The ASEAN Free Trade Area is now substantially with us, with more than 85 per cent of tariff lines in the AFTA scheme already in the minimal-tariff zone. This represents more than 90 per cent of goods traded among ASEAN countries. By the beginning of 2002, in just a little over a year from now, most of the goods traded within ASEAN will have tariffs of no more than 5 per cent or none at all. By next year, average tariffs on goods traded under the AFTA scheme will be down to less than 4 per cent from the 4.43 per cent today. The first six signatories to the AFTA treaty intend to abolish all import duties on trade among them by 2010. Non-tariff barriers are also being dismantled.

ASEAN has adopted a mechanism, based on international rules and practice, to deal with any delays in the transfer to the AFTA inclusion list of products supposed to be included during the current period. ASEAN countries are streamlining and harmonizing customs procedures. They are entering into mutual recognition arrangements on product standards and otherwise harmonizing them. The liberalization of trade in services within ASEAN is being negotiated. The sectors involved are in various stages of negotiation.

The integration of the ASEAN economy is producing a market of half a billion people, close to half the population of China, with a gross domestic product equivalent to that of China. This should be an important factor in decisions on investment in ASEAN.

Another significant factor is the expansion of ASEAN to embrace all of Southeast Asia. An ASEAN of ten countries of the region is not only a fulfilment of the vision of ASEAN's founders; it is not only a stronger force for regional stability. It also gives investors more choices in deciding where to locate their operations for the increasingly integrated ASEAN market or for production for export elsewhere in the world. Whether a potential investor looks for high-technology capability, efficiency in services, abundant raw materials, or low-cost labour, the investor can find it in one or another ASEAN country.

ASEAN is making a special effort to upgrade the skills of the people of the newer members and build their institutional capacity. Work is also being done to promote the development of their infrastructure. In much of this, ASEAN is working closely together with others in the international community, particularly with Japan.
Opening to the World

ASEAN economies are steadily opening up. All are committed to the liberalization of the domestic economic regime, to market forces as the energizer of growth, to the critical role of the private sector in economic development. Thus, they are on the steady path of liberalization, privatization and deregulation. This is a matter both of unilateral policy choice and of the obligation to the World Trade Organization on the part of those ASEAN countries that are already members of WTO and of those aspiring to enter it.

Moreover, ASEAN is moving toward new forms of linkage with other countries and regions, individually or collectively. In some cases, free trade areas are being explored; in others, broader, deeper and more comprehensive relationships. Examples are the recently initialed Singapore-New Zealand Agreement on a Closer Economic Partnership and the recently announced start of negotiations on a Singapore-Japan Economic Agreement for a New Age Partnership. Another is the trade agreement between Vietnam and the United States. ASEAN and Australia and New Zealand have just agreed to develop a much closer and more comprehensive relationship between them.

The process of expanding and deepening co-operation between ASEAN and China, Japan and the Republic of Korea — the process known as ASEAN+3 — is rapidly gaining momentum. The ASEAN+3 finance ministers have embarked on solid co-operative undertakings. These include the joint monitoring of financial and economic movements in East Asia and in the world and a network of currency swap and repurchase agreements to make resources available to countries in balance-of-payments difficulties. The ASEAN+3 economic ministers have agreed on priority areas for co-operation and the guidelines for carrying it out. ASEAN's particular relationship with Japan has been moving forward, with its own forums for financial and economic co-operation.

These novel forms of external relationships for ASEAN have profound implications and present rich opportunities for Japanese investors in ASEAN. Such potentials and opportunities beckon particularly in the exciting area of information and communications technology and other knowledge industries. Japan has, in recent years, surged in IT use and capability, finding lucrative niches in this fiercely competitive but wide-open field.

At the same time, ASEAN is determined to join the information age, get into cyberspace, and form e-space in ASEAN, or e-ASEAN. The ASEAN economic ministers have just adopted, for the ASEAN leaders' signature next month, an e-ASEAN agreement that is to provide the framework for this determined venture into the information age and into cyberspace. This endeavour involves the adoption and harmonization of laws and policies to stimulate the development and use of IT for commerce and for social purposes. It entails the training of ASEAN's people to enable them to use and develop IT. It envisions free trade in IT goods and services, which should offer opportunities for Japanese suppliers of such goods and services. It calls for the standardization and harmonization of IT products and processes. Again, this presents a rich potential for Japanese products and technology.

Not least, the development and use of IT requires the freer flow of ideas and people. This entails new business and human relationships, new procedures, new modes of thinking, new ways of doing things on the part of governments, business, and other institutions, as well as individuals.

I am convinced that these factors — ASEAN's economic integration, its expansion, its steady opening to its neighbours and the rest of the world, and its embrace of IT — offers virtually unlimited potential for the resurgence of ASEAN-Japan economic relations, including Japanese investments in ASEAN.

Source: ASEAN Secretariat <http://www.aseansec.org>
The ASEAN Free Trade Area: Moving Ahead on Regional Integration
Address by H. E. Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at the AFTA Roundtable Discussion
Bangkok, 21 November 2000

We are here, first, to have a close look at where we are in the economic integration of Southeast Asia—particularly at the state of the ASEAN Free Trade Area, which is a key component of regional integration. Secondly, we hope to harvest from our discussions some ideas on how to deepen, broaden and hasten integration.

The public discussion of regional economic integration in Southeast Asia in the past three years has been burdened by two myths. The first myth is that the financial crisis would lead to the crippling, even the death, of AFTA and the consequent evisceration, and even the break-up, of ASEAN. The second myth is that the delay in the transfer by one country of finished or knocked-down cars into the AFTA scheme would constitute a devastating setback for AFTA, if not for ASEAN itself.

First, the myth about the financial crisis destroying AFTA. Almost as soon as the crisis struck, many commentators predicted—almost in glee—that the ASEAN countries would retreat into protectionism, into isolationism, that AFTA would break up. It would be every country for itself. Such predictions flew in the face of logic, of ASEAN’s words, and of ASEAN’s deeds. They went against what would logically be expected and against what actually happened.

Apprehensions over AFTA’s death as a result of the crisis went against all logic. If ASEAN needed anything in those difficult times, it was investments, particularly foreign direct investments. The way to attract investments was to move faster on creating a big, regional, integrated market, which investors, particularly in these times, generally prefer to small, national, fragmented economies. It made no sense for the ASEAN countries, having gone so far on the road to a free trade area, suddenly to reverse course. It would have been self-destructive.

These decisions were made almost two years ago, and they are being carried out. Nonetheless, perceptions that AFTA has been derailed. This impression has been reinforced by the well-publicized proposal of one ASEAN member to delay the transfer into its Inclusion List of finished or completely knocked-down automobiles. The idea is being spread that the acceptance of this proposal would deal a fatal blow to AFTA.
The ASEAN commitment to AFTA and to regional economic integration was exactly what ASEAN’s leaders re-affirmed at the height of the crisis. At their summit in December 1997, they issued the ASEAN Vision 2020 statement, in which they committed themselves "to moving towards closer cohesion and economic integration" and resolved to "advance economic integration and co-operation" by, among other measures, "fully implementing the ASEAN Free Trade Area and accelerating the liberalization of trade in services".

The next year, in December 1998, the ASEAN leaders declared:

We reaffirm our commitment to the greater integration of our economies as a primary expression of our co-operation and solidarity. ASEAN will keep its markets open as it recognizes that the key to strengthening and stabilizing the region’s currencies and economies is to attract long-term investments. ASEAN reaffirms its commitment to trade and investment liberalization and facilitation, at the multilateral and regional levels, and will continue to undertake concrete measures towards these objectives.

We resolve to implement, as scheduled, the ASEAN Free Trade Area (AFTA) and all approved programmes and projects. In addition, we seek to further accelerate AFTA and expedite the implementation of the ASEAN Industrial Co-operation Scheme (AICO). We shall open up our investment regimes through the launching of the ASEAN Investment Area (AIA), which will enhance the attractiveness of the region as an investment destination through the application of consistent investment laws and policies.

**Bold Measures**

To carry out their resolve, the ASEAN leaders, on the same occasion, announced a series of special measures. One of these was AFTA’s acceleration. In what they called their Statement on Bold Measures, the leaders affirmed: "In order to regain business confidence, enhance economic recovery and promote growth, the ASEAN Leaders are committed to the realization of the ASEAN Free Trade Area (AFTA). . . . To enhance further economic integration of the region, the Leaders also agreed to further liberalize trade in services."

I quote the ASEAN leaders at some length to emphasize that ASEAN has not been lacking in clear statements of policy. Those were the words, but many outside observers did not hear — or listen. What the leaders actually did was to accelerate AFTA, but many outside observers did not seem to notice.

At that same summit in 1998, ASEAN agreed to advance AFTA’s completion, for the six original signatories to the AFTA agreement, from the then target year of 2003 to 2002. This meant that tariffs of the six countries on products traded among them in the AFTA scheme would be brought down to anywhere between 0 and 5 per cent by the beginning of 2002. This is just a little over a year from now. Moreover, by 2000, at least 90 per cent of their total tariff lines would be within the 0–5 per cent zone, accounting for more than 90 per cent of intra-ASEAN trade, a target that has already been exceeded. Individually, each country would bring down to 0–5 per cent the tariffs on at least 85 per cent of the products on its Inclusion List by this year and 90 per cent by 2001. The member countries also agreed to eliminate tariffs altogether as soon as possible and accelerate the transfer into the Inclusion List of products not yet in it.

**Modification of Concessions**

These decisions were made almost two years ago, and they are being carried out. Yet, the notion persists that AFTA has been derailed. This impression has been reinforced by the well-publicized proposal of one ASEAN member to delay the transfer into its Inclusion List of finished or completely knocked-down automobiles. The idea is being spread that the acceptance of this proposal would deal a fatal blow to AFTA.
Let us look at this issue in perspective. First, the proposal involves only completely built-up and completely knocked-down vehicles and has nothing to do with car parts. Secondly, it is limited to trade involving Malaysia. Trade between other parties to AFTA is not directly affected. Thirdly, the proposed delay will be limited in its timeframe. Finally, the products involved account for less than 2 per cent of intra-ASEAN trade.

In a couple of days, the ministerial-level AFTA Council will sign a protocol laying down some stringent rules to govern such modifications of concessions. These rules are patterned after Article XXVIII of GATT and, therefore, accord with international practice. Invocation of the protocol requires negotiations with affected parties and could entail compensation. Its application would be transparent and rules-based. It would be limited to situations of real difficulty.

AFTA’s tariff-cutting schedule is essentially on track. But it is, of course, not enough. AFTA is not just about tariff-cutting. It also calls for the dismantling of non-tariff barriers. Here, it gets more complicated, as those barriers come in many disguises — not just in ASEAN, not just among developing countries, but, perhaps especially, in the developed countries. ASEAN is keeping a watchful eye on such devices and striving patiently to do away with them.

Nor is removing barriers enough. Economic integration requires making trade smoother and easier. Customs, for example. To be effective, AFTA has to be administered at points of entry, by customs. This means the training of customs officials. ASEAN is doing that jointly. ASEAN is streamlining customs procedures. It is planning to adopt the post-audit clearance system. ASEAN is harmonizing its tariff nomenclatures, the harmonized system to be implemented starting in 2002.

ASEAN is also making it easier to trade specific products, sector by sector, through mutual recognition arrangements and the harmonization of regulations, product standards and safety norms. The process has begun with respect to cosmetics, pharmaceuticals, and electrical and electronic equipment. ASEAN is not stopping at trade in goods. Following the leaders’ explicit instructions, ASEAN is moving on the much more complex endeavour of liberalizing trade in services, putting together a package of commitments, beyond those that they have made in WTO, to remove restrictions on certain modes of trade in services.

Easing Transportation

In facilitating trade, priority is given to transportation. Removing tariff and technical barriers to trade would have little effect if goods could not physically cross national boundaries with ease and dispatch. ASEAN has put in place an agreement to ease the overland transport of goods between two ASEAN countries through a third ASEAN country. It is also working on agreements on multi-modal transport and inter-state transport.

ASEAN has identified twenty-three priority routes for the upgrading and development of the trans-ASEAN highway system. Three days from today, ASEAN’s leaders will receive the completed feasibility study on the Singapore-Kunming railway. The plan is to connect the existing railway lines in mainland Southeast Asia to form one system linking ASEAN to southern China.

ASEAN is progressively liberalizing air transport, working on a multilateral air transport agreement that should lead eventually to an open-skies regime. ASEAN’s energy agencies and companies are formulating master plans for the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline Network so as to improve the region’s energy security. Telecommunications interconnectivity is being worked out.

ASEAN is working together to pull Southeast Asia into the information age, something that we hope will further strengthen ASEAN’s cohesion. A public-private task force is helping ASEAN working groups to create a regional electronic space that encompasses infrastructure, e-commerce, free trade in information and communications technology goods and services, people’s IT skills, and the development and use of IT in government and society as a whole. Japan and multinational companies are supporting
this effort. At their summit in Singapore three days from today, ASEAN's leaders will be signing the e-ASEAN Framework Agreement to provide the political impetus and the formal basis for ASEAN's move into cyberspace.

Much work is going on to integrate the ASEAN economy in many ways and dimensions. A great deal of this work is quiet and does not interest people very much, although some corporations are intensely watching it. It is plodding, patient, slow work — often, too slow. But it is going on, and, as it progressively integrates the ASEAN economy, it has a real impact on companies operating in ASEAN and on the lives of its people.

It also has implications broader than the purely economic. But that is another story.

**Source:** ASEAN Secretariat <http://www.aseansec.org>
ASEAN in APEC at a Time of Adversity and Hope

Statement by H. E. Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at the APEC Ministerial Meeting

Shanghai, 18 October 2001

I will begin with an understatement: The past year has been difficult for the global economy. The APEC economies have not been spared. ASEAN has not been spared. Hardly had the ASEAN economy started to recover from the financial crisis of 1997-98 than the unexpected downturn in the American economy stopped ASEAN’s growth almost dead in its tracks, the American economic that is a principal market for ASEAN as for most of the world. Japan, stagnating for the better part of a decade, and the European Union, growing more slowly than expected — these two major markets for ASEAN have not been able to take up the slack.

And now, in the United States, the mass murder of so many innocent people by international terrorists. We cannot measure the loss of a single human life. We cannot put a price on a human tragedy of such magnitude as the one that occurred on 11 September. We cannot fathom the evil of the deed that caused it. ASEAN has, on several occasions, condemned this massacre and conveyed its sympathies to the American people and the families of the victims.

Nevertheless, we cannot avoid feeling the economic impact of this tragedy, which has aggravated an already bad economic situation. Some ASEAN countries, like many other countries around the world, are no strangers to terrorism. But the fact that a single series of acts of terrorism could hurt on such a scale the most powerful nation in the world has gravely diminished the sense of security of us all, a sense of security, moreover, on which much economic activity depends. And the damage done to an economy that is the leading market for the world has grievously injured us all.

This shows once again and in such tragic terms how the world has become one — in an economic no less than in a human sense. The international community’s response has been not to retreat into the false
safety of isolation but to work more closely together. Against international terrorism, humanity has
mustered a remarkable solidarity. In the face of continuing economic adversity, the countries of the world
seek to bring down barriers to trade, investments and technology and proclaim their willingness to help
the weaker among them strengthen their capacity to compete.

This is what APEC is all about. This is what ASEAN is seeking to do on a regional scale.

ASEAN’s members are of the conviction that the way to overcome their difficulties of the moment and
compete effectively in the world is not to wall themselves off against one another and against the world
but to integrate the regional economy so as to enlarge the regional market, foster competition, achieve
economies of scale, attract investments, and promote efficiency and growth. ASEAN remains open to the
rest of the world. The integration of the regional economy and its continuing openness are ASEAN’s
supreme contribution to APEC’s purposes and to the integration of the global economy.

We are creating the ASEAN Free Trade Area. Already, in the case of the six original signatories to the
AFTA agreement, which are the region’s leading trading nations, tariffs on 90 per cent of the products
included in the AFTA process have gone down to the 0-to-5 per cent level, well before the target year
of 2002. We are removing tariffs altogether on information and communications technology products over
the next few years. The ASEAN industrial Co-operation scheme has attracted a growing number
of multinational companies. ASEAN has harmonized its tariff nomenclatures. We are concluding mutual
recognition arrangements on a number of product groups.

We are creating the ASEAN Investment Area, within which investments are to flow freely and treated
without discrimination. In fact, our leaders have directed the acceleration of its fulfillment.

We are binding the region closer together through transportation and energy linkages. We are seeking
to link the countries of mainland Southeast Asia and southern China with a highway network and a
railway. We have a framework agreement to facilitate the flow of goods-in-transit. We have drawn up the
texts of agreements on multi-modal and inter-state transport. Master plans are being worked out for the
ASEAN Power Grid and the Trans-ASEAN Gas Pipeline Network.

ASEAN has unequivocally embraced information and communications technology. Our leaders
themselves signed the e-ASEAN Framework Agreement embodying that commitment. Regional pilot
projects have been endorsed, several of which are in operation. Comparative studies on e-commerce laws
are being undertaken. An e-readiness assessment exercise has been completed, indicating the level of each
ASEAN member-country’s state of readiness for the information age and containing specific
recommendations for national or regional action to ascend the ladder of e-readiness.

Like APEC, ASEAN recognizes the supreme importance of the development of human resources for
steady, equitable and sustainable growth. We place high priority on HRD in our co-operation both among
ourselves and with others, including members of APEC.

We have been working together on the protection of the environment, including the management of
coastal zones and the preservation of our region’s immense bio-diversity. We have been carrying out
programmes for the prevention of the periodic haze caused by land and forest fires and the mitigation of
its impact should such fires occur. A landmark agreement on trans-boundary haze pollution is nearing
completion.

Between 1995 and 1999, ASEAN’s membership grew from six to ten. A major endeavour of ASEAN,
and of its co-operation with others, is the effort to raise the level of development of the newer members
and integrate them into the regional economy. A preferential trading scheme is being worked out between
older and newer members. Technical co-operation is being undertaken between them. In this context, the
development of the Mekong Basin, where all the new members are located, is receiving concentrated
attention.

ASEAN remains open to the global economy. More than that, it is seeking to strengthen its linkages
with other countries and regions, with its neighbours above all. It is in this context that ASEAN has
supported China’s membership in the World Trade Organization from the beginning, seeing in China’s rapid economic growth an opportunity as well as a healthy competitive challenge. It is also in this context that ASEAN is deepening its ties with China, Japan and the Republic of Korea, all APEC members, in the ASEAN+3 process. ASEAN+3 co-operation in the financial sphere is gaining momentum. The East Asia Vision Group is ready with its recommendations on how to move East Asian co-operation forward. Joint studies are being undertaken on how precisely to strengthen the economic relations between ASEAN and China and between ASEAN and Japan in the face of present challenges and in anticipation of future opportunities. A similar process is taking place between ASEAN and the Closer Economic Relations of Australia and New Zealand, both members of APEC. The United States remains a major economic partner for ASEAN.

In all of this, ASEAN is an active and willing building block for the global economic structure that APEC is helping to construct. Indeed, ASEAN was one of APEC’s founders. It is, therefore, somewhat of an anomaly that three of ASEAN’s members remain outside of APEC. We hope that Cambodia, Laos and Myanmar can fully participate in APEC as soon as possible.

ASEAN is dealing with the challenges of a rapidly, even suddenly changing global economy with a spirit of solidarity and singleness of purpose. It is resolved to integrate the regional economy and strengthen its economic ties to the rest of the world.

It is in this spirit that ASEAN — its members and its secretariat — takes part in APEC’s work.

SOURCE: ASEAN Secretariat <http://www.aseansec.org>
The first thing that we ought to note is that, after the financial crisis of 1997–98, the ASEAN economy is well on the road to recovery, growing by 4.6 per cent in 1999 as against the contraction of -4.4 per cent in 1998. Average GDP is, of course, a rather crude indicator, but an indicator nevertheless. There are others, which I will not cite now. All I would like to add — and this is closely related to the economic recovery — is that most ASEAN countries are today in some form of transition. The transition takes different forms and proceeds at different paces: but all are in the direction of more professional, more institutional, more transparent governance, both public and corporate, and greater openness to the region and to the rest of the world. Transitions being what they are, there are bumps along the road, and naturally there is a degree of uncertainty — economic and political — about the prospects for growth, stability, and so on. But the direction of the national responses is clear.

As a group, the principal ASEAN response not only to the imperative of economic recovery but also to the challenge of global competition is to hasten and deepen the integration of the region. At their summit last November in Singapore, the ASEAN’s leaders made crystal-clear the priority that they give to regional integration. ASEAN is sharply aware that integrating the region is essential for strengthening their economies and making them more efficient, for attracting investments, even for promoting regional security and stability. It is the only way for Southeast Asia to compete effectively in a globalized economy, to compete for markets and investments against continent-sized countries like India and China and free trade areas elsewhere in the world.

For ASEAN, regional integration means three things — the integration of the market, physical integration through infrastructure, and the integration of the newer ASEAN members into the ASEAN mainstream.

Market integration is ASEAN’s principal regional response to the challenge of fiercer and more open global competition. The cornerstone of ASEAN market integration is the ASEAN Free trade Area. The AFTA process was accelerated, for the second time, in 1998, and it is well on track. Today, close to 85
per cent of all products traded in ASEAN is included in the AFTA process. For the first six ASEAN members, which are the region's leading trading nations, 98 per cent of traded products are in the Inclusion List. And 85 per cent of those products are already in the AFTA target zone of 0-to-5 per cent tariffs. The average tariff rate on products in the Inclusion List is now down to 4.29 per cent from 12.8 per cent in 1993, when the AFTA process began. By the beginning of 2002, in less than one year from now, no tariffs on products in the Inclusion Lists of the original six signatories to the AFTA agreement will be more than five per cent. The newer members are given a little more time.

ASEAN's commitment to AFTA is firm. AFTA, however, is not unrealistically inflexible. A protocol concluded last November allows for delays in the inclusion of a product in the AFTA process for a country having difficulty with respect to that product. But the protocol ensures that any such delay is done according to clear rules, subject to stringent conditions, including negotiations with other members, and granted only to a member in real difficulty. ASEAN has started negotiations on the more difficult subject of liberalizing trade in services. It has agreed to create the ASEAN Investment Area, which throws each ASEAN economy open to investors from other ASEAN members, including joint ventures with non-ASEAN partners. The opening of the area to all other investors will be carried out according to fixed schedules. ASEAN is pushing other forms of economic co-operation, including linkages among small and medium enterprises. The finance ministers have set up a system for the monitoring of economic trends, surveillance for signs of trouble, periodic peer reviews, and mutual encouragement of reform measures. The ASEAN central banks have agreed to enlarge the ASEAN Swap Arrangement, under which ASEAN members are to provide financial resources to one that may find itself in difficulty.

Integration by Infrastructure

ASEAN is also being physically integrated by regional infrastructure projects — land transport facilities and arrangements, power grids, a gas pipeline network, telecommunications interconnectivity.

A feasibility study has been completed for upgrading mainland Southeast Asia's railways, filling the gaps to complete the network, and linking it to Kunming in southern China. ASEAN is planning the consolidated expansion of the already extensive road network on mainland Southeast Asia, a program covering 33,480 kilometres of roads. It is working out the protocols for the implementation of the agreement to facilitate the treatment of goods in transit. Agreements on multi-modal transport and interstate transport are in the works.

Work is being done on master plans for the ASEAN Power Grid and a network of gas pipelines throughout the region. These schemes should provide a ready market for ASEAN energy producers and help strengthen the energy security of the importers. The projects have attracted the attention of major energy companies. The interconnectivity of telecommunications facilities and the standardization of telecommunications equipment are being dealt with.

These infrastructure programmes not only strengthen the investment climate in the region but also present enormous opportunities for investment. Indian companies are, of course, most welcome to participate in them.

Integrating the Newer Members

An essential component of ASEAN integration is ensuring that its four newer members — Cambodia, Laos, Myanmar and Vietnam — fully participate in and benefit from ASEAN activities. For this purpose, ASEAN is devoting attention to the development of the Mekong Basin, in which all the new members are located, the advancement of human resources, which ASEAN regards as the key to development, and the promotion of information technology. Over the past four and a half decades, numerous programmes have been undertaken for the development of the Mekong Basin, with varying degrees of success.
ASEAN, together with its partners in Northeast Asia and the Asian Development Bank, is seeking to give some coherence to these programmes from the standpoint of regional integration. The Singapore-Kunming rail link is part of this. So is the envisioned highway network. And so is China’s proposal to help in extending the navigability of the Mekong River. Special programmes are being undertaken, bilaterally between individual ASEAN countries or in co-operation with Dialogue Partners, particularly China, Japan, Korea and Australia, in the development of the human resources of the newer members in a broad range of quite specific areas, most of them designed to help the newer members integrate their economies with the rest of ASEAN. Similarly, special programmes for the development and use of IT in the newer members are being worked out, again bilaterally or with the support of Dialogue Partners, out of the conviction that IT can help to telescope in some ways the process of development.

IT, as well as HRD, is, of course, an ASEAN-wide undertaking. ASEAN fully recognizes the vital role that IT is performing in the conduct of business, the operation of industry, and, in general, the improvement of people’s lives — in ways that are clearly evident today and in other ways in the future that we can now only dimly discern. In response, ASEAN has organized a high-level task force of public and private-sector representatives that is now churning out concrete and practical recommendations for the accelerated development and use of IT in ASEAN. To provide the political framework for this endeavour, ASEAN’s leaders last November signed the e-ASEAN agreement. The agreement covers the legal and policy environment for the development and use of IT, questions pertaining to e-commerce, the ASEAN Information Infrastructure, the liberalization of trade in IT goods and services, the standardization of IT products, the training of ASEAN’s people for the information age, the use of IT for government services and communications, and the harnessing of IT for health care, education, rural development, and other social purposes.

From the State Government’s paper “AP First: Information Technology Policy — 2000,” I have learned that Andhra Pradesh has a similar vision for its economy and its people, articulated in the State’s blueprint called Vision 2020. It is thus a natural area for ASEAN-India collaboration. In the India-ASEAN Eminent Persons Lecture that I gave in New Delhi two days ago, I suggested that ASEAN and India work together in evaluating their state of readiness for the digital age, identifying areas for common action, an effort that could include an index of readiness and an annual progress report. I also proposed that ASEAN and India co-operate in training people, undertake consultations on the use of IT for education, health care, employment, small and medium enterprises and rural development, and set up channels for the regular exchange of experience and information on IT developments. Because of the priority that it has assigned to IT, Andhra Pradesh could take the lead in this on the Indian side.

Openness to the World

Even as it steadily integrates as a region, ASEAN remains open to the rest of the world, creatively developing ties with other countries and regions. The ASEAN-Plus-Three forum with China, Japan and Korea has progressed well beyond expectations. The most rapid progress has been achieved in financial co-operation, which covers joint monitoring of the regional economy and training and research. The thirteen East Asian countries are setting up a network of bilateral swap and repurchase agreements to help one another in case of financial difficulty. They have also agreed to cooperate in trade, investments and technology transfer, in IT and e-commerce, in developing small and medium enterprises and supporting industries, and in human resource development. As I mentioned earlier, ASEAN-Plus-Three is directing a large portion of this co-operation to the development of the Mekong Basin. An East Asia Vision Group is nearing the end of its work on how to hasten and deepen the ASEAN-Plus-Three process further.

ASEAN and Japan are now looking into the implementation of the recommendations made by a joint public-private consultative body for the deepening of economic and other relations between them. ASEAN and China have agreed to set up an expert group to propose ways of tightening their trade and
other economic ties. ASEAN and South Korea are consulting on measures to strengthen their co-operation across the board.

A high-level joint task force has submitted a wide-ranging set of bold and concrete recommendations for the deepening of the linkage between the ASEAN Free Trade Area and the Closer Economic Relations of Australia and New Zealand. Ministers have agreed to work on a “closer economic partnership” between the two sides, and officials are now looking into measures for achieving this. The United States remains a leading trading and investment partner of ASEAN. ASEAN-European Union relations have just been reinvigorated.

As a full ASEAN Dialogue Partner, India certainly has a place in ASEAN’s network of external relationships. Right now, a joint study is being done on how to establish linkages between India and the ASEAN Free Trade Area. One of the ways that I can envision is the extension to India of the trade facilitation measures that are being adopted in ASEAN. These include customs co-ordination, product harmonization, and mutual recognition arrangements. We could look at reducing non-tariff barriers between the two sides.

ASEAN-India trade has been growing rather rapidly, particularly since the early 1990s, but it still constitutes less than 2 per cent of ASEAN’s total trade. Part of the problem is the knowledge gap between the business communities of the two sides and the lag in the appreciation of each business community of economic developments on the other side. We have to devise ways to make sure that the business communities have up-to-date information about market conditions in each other’s country or region. Contacts between them have to be assiduously promoted. The Confederation of Indian Industry is an obvious focal point for this effort on the Indian side.

A Trend of Convergence

Economic ties between India and Southeast Asia are, for reasons of history, orientation and policy, today still rather thin. Fortunately, there seems to be a trend of convergence between the economic orientations and policies of India and Southeast Asia, as there is within ASEAN itself, and, therefore, of their future destinies.

That trend is toward giving rein to the market as the principal force for economic growth and allowing private enterprise to serve as the engine of that growth. The trend is toward liberalization, privatization and de-regulation. It is toward the prevalence of the rule of law and toward greater openness and transparency in public and corporate transactions.

At the same time, ASEAN and India have found a common interest in ensuring that freer global trade and globalization itself do not remain tilted toward the developed countries, toward those who start the game of global competition already far ahead in terms of resources, technology and power. Both would want to see the better management of international short-term capital flows in order to reduce their volatility.

There also seems to be a trend toward a common recognition that states and corporations have to ensure that their people are adequately educated and trained and physically fit for the rigors of global competition in the information age, having an inherent right, in any case, to education and health care.

As their outlooks converge, there seems to be enough common ground between ASEAN and India for them to forge ahead in cultivating the environment for expanding and deepening the trade, investments and capital flows between them. I am confident that governments and business communities of your country and our region will find such an expansion and deepening, as well as the convergence itself, to be of benefit to themselves and to their people.

Source: ASEAN Secretariat <http://www.aseansec.org>
The ASEAN Free Trade Area: Moving Ahead on Regional Integration

Address by H. E. Rodolfo C. Severino, Secretary-General of the Association of Southeast Asian Nations, at the AFTA Roundtable Discussion

Bangkok, 21 November 2000

We are here, first, to have a close look at where we are in the economic integration of Southeast Asia—particularly at the state of the ASEAN Free Trade Area, which is a key component of regional integration. Secondly, we hope to harvest from our discussions some ideas on how to deepen, broaden and hasten integration.

The public discussion of regional economic integration in Southeast Asia in the past three years has been burdened by two myths. The first myth is that the financial crisis would lead to the crippling, even the death, of AFTA and the consequent evisceration, and even the break-up, of ASEAN. The second myth is that the delay in the transfer by one country of finished or knocked-down cars into the AFTA scheme would constitute a devastating setback for AFTA, if not for ASEAN itself.

First, the myth about the financial crisis destroying AFTA. Almost as soon as the crisis struck, many commentators predicted—almost in glee—that the ASEAN countries would retreat into protectionism, into isolationism, that AFTA would break up. It would be every country for itself. Such predictions flew in the face of logic, of ASEAN’s words, and of ASEAN’s deeds. They went against what would logically be expected and against what actually happened.

Apprehensions over AFTA’s death as a result of the crisis went against all logic. If ASEAN needed anything in those difficult times, it was investments, particularly foreign direct investments. The way to attract investments was to move faster on creating a big, regional, integrated market, which investors, particularly in these times, generally prefer to small, national, fragmented economies. It made no sense for the ASEAN countries, having gone so far on the road to a free trade area, suddenly to reverse course. It would have been self-destructive.
The ASEAN commitment to AFTA and to regional economic integration was exactly what ASEAN's leaders reaffirmed at the height of the crisis. At their summit in December 1997, they issued the ASEAN Vision 2020 statement, in which they committed themselves "to moving towards closer cohesion and economic integration" and resolved to "advance economic integration and co-operation" by, among other measures, "fully implementing the ASEAN Free Trade Area and accelerating the liberalization of trade in services".

The next year, in December 1998, the ASEAN leaders declared:

We reaffirm our commitment to the greater integration of our economies as a primary expression of our co-operation and solidarity. ASEAN will keep its markets open as it recognizes that the key to strengthening and stabilizing the region's currencies and economies is to attract long-term investments. ASEAN reaffirms its commitment to trade and investment liberalization and facilitation, at the multilateral and regional levels, and will continue to undertake concrete measures towards these objectives.

We resolve to implement, as scheduled, the ASEAN Free Trade Area (AFTA) and all approved programmes and projects. In addition, we seek to further accelerate AFTA and expedite the implementation of the ASEAN Industrial Co-operation Scheme (AICO). We shall open up our investment regimes through the launching of the ASEAN Investment Area (AlA), which will enhance the attractiveness of the region as an investment destination through the application of consistent investment laws and policies.

Bold Measures

To carry out their resolve, the ASEAN leaders, on the same occasion, announced a series of special measures. One of these was AFTA's acceleration. In what they called their Statement on Bold Measures, the leaders affirmed: "In order to regain business confidence, enhance economic recovery and promote growth, the ASEAN Leaders are committed to the realization of the ASEAN Free Trade Area (AFTA)... To enhance further economic integration of the region, the Leaders also agreed to further liberalize trade in services."

I quote the ASEAN leaders at some length to emphasize that ASEAN has not been lacking in clear statements of policy. These were the words, but many outside observers did not hear — or listen. What the leaders actually did was to accelerate AFTA, but many outside observers did not seem to notice.

At that same summit in 1998, ASEAN agreed to advance AFTA's completion, for the six original signatories to the AFTA agreement, from the then target year of 2003 to 2002. This meant that tariffs of the six countries on products traded among them in the AFTA scheme would be brought down to anywhere between 0 and 5 per cent by the beginning of 2002. This is just a little over a year from now. Moreover, by 2000, at least 90 per cent of their total tariff lines would be within the 0–5 per cent zone, accounting for more than 90 per cent of intra-ASEAN trade, a target that has already been exceeded. Individually, each country would bring down to 0–5 per cent the tariffs on at least 85 per cent of the products on its Inclusion List by this year and 90 per cent by 2001. The member countries also agreed to eliminate tariffs altogether as soon as possible and accelerate the transfer into the Inclusion List of products not yet in it.

Modification of Concessions

These decisions were made almost two years ago, and they are being carried out. Yet, the notion persists that AFTA has been derailed. This impression has been reinforced by the well-publicized proposal of one ASEAN member to delay the transfer into its Inclusion List of finished or completely knocked-down automobiles. The idea is being spread that the acceptance of this proposal would deal a fatal blow to AFTA.
Let us look at this issue in perspective. First, the proposal involves only completely built-up and completely knocked-down vehicles and has nothing to do with car parts. Secondly, it is limited to trade involving Malaysia. Trade between other parties to AFTA is not directly affected. Thirdly, the proposed delay will be limited in its timeframe. Finally, the products involved account for less than 2 per cent of intra-AFTA trade.

In a couple of days, the ministerial-level AFTA Council will sign a protocol laying down some stringent rules to govern such modifications of concessions. These rules are patterned after Article XXVIII of GATT and, therefore, accord with international practice. Invocation of the protocol requires negotiations with affected parties and could entail compensation. Its application would be transparent and rules-based. It would be limited to situations of real difficulty.

AFTA's tariff-cutting schedule is essentially on track. But it is, of course, not enough. AFTA is not just about tariff-cutting. It also calls for the dismantling of non-tariff barriers. Here, it gets more complicated, as those barriers come in many disguises — not just in ASEAN, not just among developing countries, but, perhaps especially, in the developed countries. ASEAN is keeping a watchful eye on such devices and striving patiently to do away with them.

Nor is removing barriers enough. Economic integration requires making trade smoother and easier. Customs, for example. To be effective, AFTA has to be administered at ports of entry, by customs. This means the training of customs officials. ASEAN is doing that jointly. ASEAN is streamlining customs procedures. It is planning to adopt the post-audit clearance system. ASEAN is harmonizing its tariff nomenclatures, the harmonized system to be implemented starting in 2002.

ASEAN is also making it easier to trade specific products, sector by sector, through mutual recognition arrangements and the harmonization of regulations, product standards and safety norms. The process has begun with respect to cosmetics, pharmaceuticals, and electrical and electronic equipment. ASEAN is not stopping at trade in goods. Following the leaders' explicit instructions, ASEAN is moving on the much more complex endeavour of liberalizing trade in services, putting together a package of commitments, beyond those that they have made in WTO, to remove restrictions on certain modes of trade in services.

**Easing Transportation**

In facilitating trade, priority is given to transportation. Removing tariff and technical barriers to trade would have little effect if goods could not physically cross national boundaries with ease and dispatch. ASEAN has put in place an agreement to ease the overland transport of goods between two ASEAN countries through a third ASEAN country. It is also working on agreements on multi-modal transport and inter-state transport.

ASEAN has identified twenty-three priority routes for the upgrading and development of the trans-ASEAN highway system. Three days from today, ASEAN's leaders will receive the completed feasibility study on the Singapore-Kunming railway. The plan is to connect the existing railway lines in mainland Southeast Asia to form one system linking ASEAN to southern China.

ASEAN is progressively liberalizing air transport, working on a multilateral air transport agreement that should lead eventually to an open-skies regime. ASEAN's energy agencies and companies are formulating master plans for the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline Network so as to improve the region's energy security. Telecommunications interconnectivity is being worked out.

ASEAN is working together to pull Southeast Asia into the information age, something that we hope will further strengthen ASEAN's cohesion. A public-private task force is helping ASEAN working groups to create a regional electronic space that encompasses infrastructure, e-commerce, free trade in information and communications technology goods and services, people's IT skills, and the development and use of IT in government and society as a whole. Japan and multinational companies are supporting...
this effort. At their summit in Singapore three days from today, ASEAN’s leaders will be signing the e-ASEAN Framework Agreement to provide the political impetus and the formal basis for ASEAN’s move into cyberspace.

Much work is going on to integrate the ASEAN economy in many ways and dimensions. A great deal of this work is quiet and does not interest people very much, although some corporations are intensely watching it. It is plodding, patient, slow work -- often, too slow. But it is going on, and, as it progressively integrates the ASEAN economy, it has a real impact on companies operating in ASEAN and on the lives of its people.

It also has implications broader than the purely economic. But that is another story.

Source: ASEAN Secretariat <http://www.aseansec.org>