

RIS DISCUSSION PAPERS

**ASEAN's Contribution to the Building
of an Asian Economic Community**

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RIS-DP # 50/2003



**Research and Information System
for the Non-Aligned and
Other Developing Countries**

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May 2003

**RESEARCH AND INFORMATION SYSTEM FOR THE
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ASEAN's Contribution to the Building of an Asian Economic Community

K. Kesavapany

1. Introduction

The emergence of ASEAN as a regional grouping

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967 amidst a period of great geo-political uncertainties. The signing of the Bangkok Declaration by the five original Member Countries namely Indonesia, Malaysia, Philippines, Singapore and Thailand paved the way for the formation of this grouping. Five more members have since joined this grouping over a period of more than three decades¹.

ASEAN was formed with the aim of fulfilling three main objectives, viz. a) to promote the economic, social and cultural development of the region through cooperative programmes; b) to safeguard the political and economic stability of the region against big power rivalry; c) and to serve as a forum for the resolution of intra-regional differences. To provide administrative support to the grouping and help in better coordination, an ASEAN Secretariat, headed by a Secretary General, was established in Jakarta during the First ASEAN Summit meeting in Bali in February 1976.

At this summit, the member countries, in recognition of their close interdependence on one another, signed the Treaty of Amity and Cooperation in Southeast Asia (TAC). The treaty spelled out the basic principles for their relations with one another and the conduct of the grouping's programme for cooperation².

¹ Brunei Darussalam joined the Association on 8 January 1984. The four new members added in the decade of the nineties were Vietnam (1995), Laos and Myanmar (1997), and Cambodia (1999).

² The TAC enshrined the following principles: mutual respect for one another's sovereignty; noninterference in internal affairs; the peaceful settlement of intra-regional disputes; effective cooperation and provision for a code of conduct for the peaceful settlement of disputes.

Over the next few decades, ASEAN, as a grouping, achieved important milestones by promoting regional peace and stability, enhancing its economic relations with non-member states and regional groupings, and enhancing steps for economic integration among the member countries. The achievements of ASEAN in each of these three areas were as follows:

- a) To promote regional peace and stability, apart from the TAC, ASEAN members signed two important accords. One was the Zone of Peace, Freedom and Neutrality (ZOPFEN) Declaration in 1991, while the other was the Treaty on the Southeast Asia Nuclear Weapon Free Zone (SEANWFZ) in 1995. A major achievement by the grouping was a contribution towards the resolution of the Cambodian conflict, through a ASEAN sponsored UN resolution. ASEAN also spearheaded the establishment of the ASEAN Regional Forum (ARF) in 1994, which was aimed at working with non-member states to enhance regional security.
- b) The need to expand relations with non-member countries, regional groupings and organizations, was discussed at the Second ASEAN Summit in Kuala Lumpur in 1977. This led to the establishment to the system of dialogue partnership, with the foreign ministers of dialogue partner countries interacting with their ASEAN counterparts on promoting economic and political cooperation. The initial dialogue partners of ASEAN were Australia, Canada, EU, Japan, New Zealand and the US. Later, Four more countries joined the ASEAN dialogue system. These were China (1996), India (1996), the Republic of Korea (1991) and Russia (1996). The United Nations Development Programme (1977) remains the only dialogue partner that is not a sovereign state.
- c) Although ASEAN as a grouping was initially focused extensively on political cooperation and the attainment of regional security and stability, regional economic cooperation as one of its objectives was always on the agenda. At the Fourth ASEAN Summit in Singapore in 1992, ASEAN leaders moved towards promoting regional economic cooperation by signing the Framework Agreement on ASEAN Economic Cooperation. The major outcome of this exercise was the establishment of the Common Effective Preferential Tariff (CEPT) Scheme, as an instrument to create the ASEAN Free Trade Area (AFTA). Since then, ASEAN has achieved important milestones in implementing AFTA for ASEAN-6 in 2003. Programmes to achieve deeper regional economic integration beyond goods, and in services, trade facilitation and in investment, have been formulated. These will be discussed in detail in the later part of this paper.

Thus, over a period of more than three decades, ASEAN has emerged as one of the most important regional groupings in Asia, with significant experience and achievements in attaining closer cooperation among its members at all levels. This culminated in the Hanoi Plan of Action of 1998 which envisaged an integrated ASEAN by the year 2020.

ASEAN's experience in promoting regional economic integration could provide important lessons for establishment of a wider pan-Asian regional economic community, the rationale for which has been clearly enunciated in the theme paper by Dr. Nagesh Kumar. My presentation would seek to show the contribution that ASEAN, as a sub-regional grouping, could make to the evolution of an Asian Economic Community.

2. The Genesis of Economic Cooperation within ASEAN

The steps towards economic integration in ASEAN started with the establishment of the ASEAN Free Trade Area (AFTA), and the signing of a Common Effective Preferential Tariff (CEPT) Scheme in 1992. The aim was to eliminate tariff barriers among Southeast Asian countries and integrate the ASEAN economies into a single production base and regional market. Over time the AFTA has been extended to include other areas of economic cooperation apart from merchandise trade. These include the ASEAN Framework Agreement on Services (AFAS), signed in 1995, for liberalizing trade in services within ASEAN, and the ASEAN Investment Area (AIA), signed in 1998, for liberalizing investment flows within the region.

This section reviews the state of economic integration in ASEAN by analyzing the developments in each of these components of regional integration involving merchandise trade, services trade and investment flows respectively. It also analyzes the trade facilitation measures undertaken to support these components and the ways in which these can help in greater economic integration among the ASEAN economies.

i) Merchandise Trade

The CEPT under AFTA was fully implemented in 2003 with the original six members (Malaysia, Singapore, Indonesia, the Philippines, Thailand and Brunei) complying with the Agreement on the CEPT Scheme, which requires that tariff rates on a wide range of products

traded within the region be reduced to between zero and 5 percent. Some of the earlier targets for newer ASEAN members have been advanced in the light of rapid changes in the global economy. Thus, Vietnam is expected to reach its tariff elimination target in 2006, Laos and Myanmar in 2008 and Cambodia in 2010.

Among the new members of ASEAN, Viet Nam is expected to maximize the number of tariff lines in the 0-5 percent range by 2003, while the deadline for Laos and Myanmar is 2005.

The above indicates that there has been significant progress on the CEPT implementation, with the intention of achieving a free trade area among all ASEAN members much earlier than planned. In September 1999, ASEAN economic ministers went further to realize a vision of a regional free trade area by signing an agreement to adopt a target of zero tariffs by 2015 for the ASEAN-6 countries and by 2018 for the newer ASEAN member countries. Hence, the full implementation of the CEPT across all ASEAN members by 2010 and the target of close to zero tariffs by 2018 would be important building blocks for regional economic integration.

ii) Services

The ASEAN Framework Agreement on Services (AFAS) is a regional agreement on services trade cooperation involving the member countries of the Association of Southeast Asian Nations (ASEAN). This was signed during the Fifth ASEAN Summit on December 15, 1995. The AFAS was aimed at enhancing co-operation in the service sector among ASEAN members by eliminating intra-regional trade restrictions and expanding the scope of liberalization in services beyond those already undertaken under the General Agreement on Trade in Services (GATS)³. In other words, the AFAS is meant to be GATS-plus⁴. Under the AFAS, initial negotiations focused on financial services, transport, telecommunications, tourism and professional business services.

³ The GATS is the service element of the WTO. The agreement which came into force in 1995 is negotiated by the government themselves and consists of multilateral rules covering international trade in services.

⁴ This sort of preferential treatment in services trade among regional groupings is permitted under WTO rules, provided that the agreement covers "substantially all" sectors, and eliminates discrimination among members to a substantial extent as well.

Currently, the AFAS has completed two rounds of negotiations, with three packages of commitments in seven service sectors, adding construction and maritime transport services to its initial list of five sectors. The initial package of commitments was endorsed during the 29th ASEAN Economic Ministers (AEM) meeting on October 16, 1997 in Kuala Lumpur, Malaysia. A second package of commitments was concluded at the 30th AEM on October 7, 1998 in Makati city, Philippines. Subsequently, a third package of commitments was approved during the 7th ASEAN Transport Ministers meeting in Kuala Lumpur, Malaysia in October 2001. The third round of negotiations was launched during the 33rd AEM at Hanoi, Vietnam, starting from 2002 and ending in 2004, covering all service sectors and all four modes of service provision.

The ASEAN Economic Ministers have considered that for the third round of negotiations, with the view to accelerating progressive liberalization, Member Countries adopt the ‘like-minded countries approach’ (also known as the “ASEAN minus-X principle”) wherein agreements could be concluded by those countries that were ready while others could accede at a later time.

Thus overall, in a gap of about eight years since AFAS was signed, three rounds of negotiations have taken place. However, an analysis of the commitments made by individual ASEAN countries for the liberalization of important service sectors indicate that not much progress has been achieved during the first two rounds of negotiations Rajan and Sen, (2002); Nikomborirak and Stephenson (2001). Indeed, if one compares the various specific AFAS commitments offered by the ASEAN economies, it can be summarized that the content of services trade liberalization in most of these countries can at best be termed as “weak”. The common trade barriers as evinced by these commitments are mainly in the form of restrictions on equity participation, on the type of commercial establishment that is allowed to be set up by the foreign company (i.e. joint ventures, representative offices, branches, or wholly foreign owned), and on the movement of natural persons (mode 4), are common for other categories of services trade as well. These barriers continue to affect the efficiency and competitiveness of service sector in these countries, but are preferred since they serve domestic business interests.

One of the key challenges facing AFAS is the accommodation of the uneven levels of development among the ASEAN economies, and gaining technical expertise in

the legal and sectoral aspects of services trade liberalization, and at the same time ensuring that the process of liberalization proceeds smoothly. Some analysts argue that AFAS should have a multi-track approach wherein some industries that are more rapidly growing and are less affected by national interests be liberalized faster than others (Low, 2000).

This indicates that in the context of broader economic cooperation, it is the area of services trade liberalization among ASEAN economies that would be the most challenging of all to implement, especially as it would affect the domestic interests of each member country in a different manner.

iii) Investment

ASEAN Ministers signed the Framework Agreement on the ASEAN Investment Area (AIA) on 7 October 1998 in Manila. The AIA aims to make ASEAN a competitive, conducive and liberal investment area. The privileges offered by the AIA in investment, market access and the granting of national treatment take immediate effect for ASEAN investors, with the exception of those sectors in the list of exclusions, which includes a Temporary Exclusion List (TEL), Sensitive List, and a General Exception List. Under the AIA, Brunei Darussalam, Indonesia, Malaysia, Myanmar, the Philippines, Singapore and Thailand had until 1 January 2003 to phase out their Temporary Exclusion List (TEL) for the manufacturing sector. The newer members of ASEAN, Cambodia, Laos and Viet Nam have until 1 January 2010 to do so.

The AIA is expected to have important implications for investment strategies and production activities in the region. For instance, the AIA will encourage investors to think increasingly in regional term and to adopt a regional investment strategy and network of operations. It is thus expected to provide greater scope for division of labour and industrial activities across the region, creating opportunities for greater efficiency and cost competitiveness. Current and potential investors are thus expected to benefit from the AIA arrangements through greater investment access to industries and economic sectors, national treatment as ASEAN investors, greater transparency and a more liberal and competitive

investment regimes and through lower transaction costs for business operations across the region.

A Ministerial-level ASEAN Investment Area Council has been established to oversee the implementation of the Framework Agreement. This Council is assisted by the ASEAN Coordinating Committee on Investment. There are currently three programmes that constitute the building blocks for the AIA, i.e. a) Cooperation and Facilitation Programme to ASEAN's competitiveness and provide investors with an efficient and low-transaction cost investment environment; b) Promotion and Awareness Programme to promote ASEAN as a single investment destination, and to give investors a better understanding and awareness of the region's investment opportunities; c) Liberalization Programme to open up investment regimes throughout the region by eliminating investment barriers, liberalizing investment rules and policies, and granting national treatment.

It is noted that the AIA programme is also supported by the industrial cooperation programme viz. the ASEAN Industrial Cooperation (AICO), which was initiated in 1996 to encourage companies across ASEAN economies to cooperate in the manufacturing of selected products, which could enjoy preferential tariff rates of 0-5 percent as in the CEPT scheme and other privileges.

Thus, through the AIA and AICO, ASEAN economies already have a framework agreement in place for regional industrial and investment cooperation, which once fully implemented, would be an important element of a more economically integrated ASEAN. This is so as it will not only help in attracting greater foreign investment within the ASEAN economies from abroad, but would also help in fostering greater intra-regional investment within ASEAN. However, it is to be noted that since commercial presence through foreign investment is a major mode of service provision, the success of the AIA would critically depend upon the pace and extent of services trade liberalization within ASEAN, under the AFAS.

iv) e-ASEAN

The ASEAN leaders, at their summit meeting in Manila in November 1999, endorsed the e-ASEAN initiative. This aims to develop a broad-based and comprehensive action plan including physical, legal, logistical, social and economic infrastructure needed

to promote an ASEAN e-space, as part of an ASEAN positioning and branding strategy. e-ASEAN would cover the economy, society and government. A high-level e-ASEAN Task Force comprising government and private sector representatives has been working on concrete ways to realize the initiative. While focusing on encouraging and facilitating the growth of e-commerce, e-ASEAN would include prescriptive measures to narrow the digital divide within the region.

e-ASEAN is a bold initiative that needs to be explored in greater detail, in order to integrate it with the other initiatives on regional trade and investment cooperation as indicated earlier. The proposed ASEAN e-space, as envisaged by this initiative, would be vital for efficient networking and coordination within ASEAN.

v) Trade Facilitation

Trade facilitation measures constitute a vital support framework for ensuring the success of any regional trade and investment programmes. In this context, it is important to note that an ASEAN Agreement on Customs (AAC) was signed in 1997, which is aimed at enhancing customs cooperation and harmonization of procedures and to ensure efficient administration and expeditious clearance of goods to facilitate intra-regional trade and investments across ASEAN countries. Another objective was to ensure consistency, transparency and fair application of Customs laws and regulations, procedures and other administrative guidelines within each ASEAN Member State. This has been established as part of the broader ASEAN Customs Vision 2020⁵. ASEAN member countries also entered into a protocol for establishing a Dispute settlement Mechanism in November 1996 in Manila to strengthen the rules and disciplines of the CEPT programme. The adoption of an ASEAN Harmonized Tariff Nomenclature by 2002 has also been targeted.

Further, two important developments in this area have taken place. The first relates to the harmonization of product standards for priority sectors. ASEAN has identified 20 priority sectors, mainly electrical and electronic products, whose product standards would be

⁵ The theme of the ASEAN Customs Vision 2020 is: *An ASEAN Customs Partnership for World Class Standards and Excellence in efficiency, professionalism and service and uniformity through harmonized procedures, to promote trade and investment and to protect the health and well-being of the ASEAN Community.* See Joint Press Statement on the Fifth ASEAN Director-General Meeting of Customs Meeting, Brunei Darussalam, 22-23 May 1997 <www.aseansec.org>

harmonized to international standards. The second relates to the development of Mutual Recognition Agreements (MRAs) across ASEAN members. A Framework Agreement on Mutual Recognition Agreements was signed in December 1998. Under the MRAs, all ASEAN Member countries would use the value of intra-regional trade, existence of technical barriers, and indication of strong interest from member countries as criteria for identifying the sectors that would be suitable for MRAs. ASEAN has considered MRAs so far for cosmetics, pharmaceuticals, electrical and electronic products (Teh, 2000).

Challenges for broader Economic Integration

Since the Asian financial crisis of 1997-1998, growth prospects in ASEAN countries over the longer to medium term have diminished, with a decline in the levels of foreign investment and in intra-ASEAN trade, which presently accounts for nearly one-fourth of ASEAN's total trade, slightly higher than 21.4 percent in 1993. This has led ASEAN to look for growth opportunities by engaging its trading partners outside the region.

ASEAN leaders have also been concerned by the growing competitive challenge from China. According to the United Nations Conference on Trade and Development (UNCTAD), China is now the largest recipient of foreign direct investment (FDI) flows in the Asia-Pacific region. There are acute concerns that China's rise would divert FDI inflows from ASEAN towards China, and enhance export competition in third markets in products wherein both China and ASEAN enjoy a strong comparative advantage, thus affecting ASEAN's competitiveness.

Concurrent with China's rapid growth, the Indian economy is also emerging as a potential challenger to Southeast Asia. However, India also provides economic opportunities for cooperation with a growth potential of more than 6 % per annum. Thus, China and India along with Southeast Asia now constitute the new growth pools of Asia, being one of the fastest growing regions in the world. Bilateral trade growth has spurred among these three entities in recent years, with ASEAN-China trade growing at about 30-50 % per annum, ASEAN-India trade growing at about 30% per annum, and a 52-fold increase in China-India trade over a decade, albeit from a significantly low base. Such trends are indicative of an emerging economic network between these three growth poles.

In an increasingly globalised economy, it has thus become critical for Southeast Asia to stay competitive in order to remain an important growth pole in Asia, along with the emerging market economies of China and India. For ASEAN, this would thus involve the restructuring and integration of their economies. Clearly, an economically integrated ASEAN with a combined population of 500 million could make the region more competitive vis-a-vis China and India, while at the same time strengthening economic linkages with them. It is in this context that at the ASEAN Summit on 4 November 2002 in Cambodia, ASEAN leaders agreed to explore the possibility of transforming ASEAN into an ASEAN Economic Community (AEC) by 2020. Although the concept of an AEC and how this would be achieved were not elaborated during the Summit, it undoubtedly involves fostering closer economic cooperation and expediting the current economic integration process within ASEAN.

The above analysis of the present state of economic integration programmes in ASEAN suggests that most of the programmes for achieving regional economic integration through trade and investment are already in place, with most of the components, with the exception of AFAS and e-ASEAN, having a deadline for implementation by 2010. In other words, most of the building blocks for the proposed AEC by 2020 seem to be already in place. However, there are serious challenges to be faced by both ASEAN as an entity as well as its individual member countries, in order to bring the proposed AEC to a reality.

First, with the implementation of the CEPT on target for all ASEAN economies by 2010, services trade liberalization under AFAS needs to be accorded top priority. It is expected that the current round of negotiations as well as the future ones would yield more bold and substantial commitments for market access in important service sectors, viz. Telecommunication, Energy services, Financial Services and Travel and Transport, which are essential for enhancing competitiveness of ASEAN countries in an increasingly knowledge-based and rapidly globalizing world. Although the ASEAN minus-X principle is useful in this regard to allow faster members to liberalize earlier, it is important to ensure that slower members are also able to “catch-up” faster in this area. Establishment of deadlines for implementation of negotiations under AFAS is thus critical to provide a sense of urgency in this respect. Thus, as mentioned earlier, rapid progress and implementation of services trade liberalization would be central to an early realization of the proposed AEC.

Second, it is important to note that for the above to be successful, many of the individual member countries within ASEAN would have to focus on domestic reforms, and would need to enhance their competitiveness in these sectors (Nesadurai, 2003). This is particularly so in case of the financial services sector, which was affected the most during the crisis of 1997-98. Some ASEAN countries, viz. Malaysia, have made important progress in these directions, but others, viz. Indonesia have fallen back on the pace of domestic reforms and would need to step up the pace.

Finally, it is important to note that although individual programmes and framework agreements for regional economic cooperation are in place, they are inadequate to help achieve the realization of the proposed AEC without the establishment of a stronger institutional structure with a better enforcement mechanism. There is thus a need to streamline, strengthen and enhance coordination among the existing institutions, as well as design better enforcement mechanisms in order to facilitate the creation of an economic community as envisaged by the proposed AEC. Creation of new supranational institutions may be required in this context, with the powers of the existing ASEAN Secretariat being strengthened.

To conclude, if individual ASEAN member governments can commit towards speedy implementation of the component programmes, particularly in services as well as investment liberalization, successfully implement a zero-tariff AFTA and achieve better trade facilitation across borders, with a proper institutional framework in place, such steps would significantly help ASEAN to consolidate itself as a regional market in the form of the proposed AEC by the year 2020.

Hopefully, the experiences of ASEAN in moving towards sub-regional economic integration could provide some insights into the road ahead for the realization of the Asian Economic Community.

3. Sub-Regional Economic Cooperation between ASEAN and Its Trading Partners: Building Blocks for an Asian Economic Community

Over the decades, ASEAN has enhanced its sub-regional cooperation with its major trading partners outside the region as well as the regional groupings therein (Figure 1). Thus

the web of ASEAN's sub-regional cooperation involves the Asia-Pacific economies (through APEC), Latin American economies (through the EALAF), EU economies (through the ASEM), and the SAARC economic grouping (by way of India's membership in the ARF and being a dialogue partner of ASEAN since 1996). However, the degree and intensity of ASEAN's engagement with each of these groupings varies considerably, depending upon strategic and economic considerations of ASEAN.

In the aftermath of the crisis in East Asia in 1997-98, there has been an increased need for greater institutional cooperation transcending North and Southeast Asia. Thus, efforts towards regionalism has been further stepped up in East Asia with the formation of the ASEAN+3 grouping in 1997 comprising of ASEAN member countries and China, Japan and Korea, the three major economies in East Asia. This has been widely observed as a move towards achieving an East Asia-wide Free Trade Area in future⁶. The impetus has gathered momentum with initiatives from these three East Asian economies to form a bilateral FTAs or a closer economic partnership with ASEAN economies. The most important of these initiatives from a strategic as well as economic point of view for ASEAN, is that of the ASEAN-China FTA. The framework agreement for this FTA has already been signed in November 2002 at the last ASEAN summit. Thus ASEAN is already playing an important role in a build-up of this East Asian economic community.

It is observed that such an arrangement does become a building block for a wider pan-Asian Economic Community if another major emerging market economy in Asia, i.e. India joins in. India had hitherto not yet entered into any preferential trade negotiations with any other regional grouping or its members on a bilateral basis except for some of its regional neighbours viz. Nepal and Sri Lanka. Both of these are SAARC member countries of which India is also a member. It is important to note that India is now more actively pursuing bilateral trade negotiations with its other major trading partners including those in ASEAN. Thus, India is at an advanced stage of trade negotiations with Brazil, Chile, and Thailand, with negotiations expected to begin with Singapore in April 2003.

It is evident that India's increasing engagement with ASEAN since 1991, as part of its look-east policy, provides an important link to the building up of an Asian Economic

Community. This engagement has seen some important milestones for deepening economic and political relations. It began with its interaction as a sectoral dialogue partner of ASEAN in 1992 on areas viz. trade, investment, tourism and science and technology. Mutual interest for a wider engagement led India to be invited as a full dialogue partner of ASEAN during the Fifth ASEAN Summit in Bangkok in December 1995. The importance of India for Asia's regional security prompted ASEAN to further invite India to be a member of the ASEAN Regional Forum (ARF) in July 1996. However, the most important milestone was achieved recently with the beginning of the first ASEAN-India summit held in Phnom Penh Cambodia in November 2002. This summit has been the result of strong signals of economic cooperation from India provided by a series of bilateral visits by Indian leaders to existing as well as smaller and newer members of ASEAN, which highlighted the need for both parties to bilateral engage in summit level interactions for a deeper and greater understanding of the opportunities and challenges faced by them, and find ways for effective cooperation to create synergies for mutual benefits. As analyzed in Asher et.al (2001), India now has the capability to cooperate with ASEAN member-countries not just on food security by exporting (and importing) wide variety of food products such as rice and wheat, but also be a partner in agricultural research and technology, and machinery. It can also cooperate in addressing the digital divide, and partner ASEAN members in media and entertainment industry. Indian technical and professional manpower is competitive and has been culturally compatible with those in ASEAN member countries.

Among the various issues discussed and proposed during the first ASEAN-India summit, of particular significance is that of India proposing to form a closer economic partnership (CEP) with ASEAN, with a view to establish a free trade area within a decade. ASEAN members are also engaged in bilateral economic cooperation at the same time, with some members, viz. Singapore, engaged in establishing a bilateral Closer Economic Cooperation Agreement (CECA) with India⁷. It is important to note that at the same time, the bilateral relationship between India and China, Japan, as well as South Korea has also been indeed growing, with a trend that is likely to continue. These developments, along with the proposed ASEAN-India FTA could thus link up with the web of other FTAs involving ASEAN, to eventually establish a stronger economic relationship between India, ASEAN,

⁶ An East Asian Vision Group was formed in 1998 to look into the possibilities of forming an East Asian Free Trade Area, before 2020, the deadline for free trade within APEC, as set by the Bogor Declaration of 1996.

and the three East Asian economies. This, as argued, would lay a strong foundation for an Asian Economic Community.

4. Concluding Remarks

The economic developments within ASEAN and the various initiatives to promote regional integration, as well as its attempts to enhance cooperative relationships with countries outside the region, indicates that ASEAN is well placed to make a positive and substantial contribution to the emergence of an Asian Economic Community. Indeed, if ASEAN realizes its vision of achieving an ASEAN Economic Community by 2020, this contribution could be even more substantial.

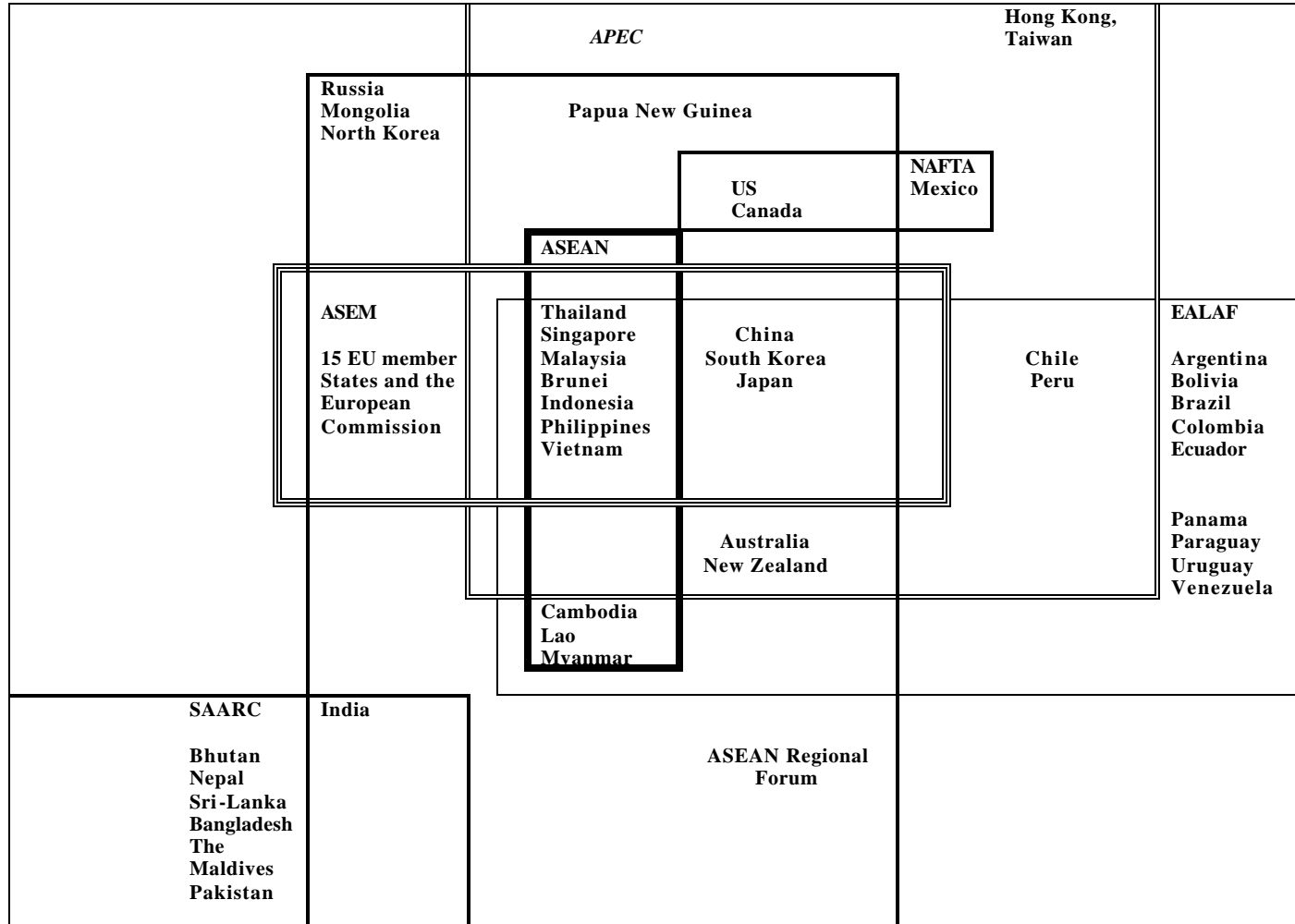
Currently, ASEAN holds separate annual summit meetings with China, Japan and Korea within the ASEAN+3 framework, and will also be holding similar meetings with India. In the context of an Asian Economic Community, ASEAN thus could serve as a vital link between India and the East Asian economies. Hopefully, this could lead to the establishment of an ASEAN+4 framework. Such a framework would enable North and Southeast Asia to interact more effectively with India. However, the significant heterogeneity among these Asian countries would present significant challenges. Some of these challenges have already been outlined in the context of economic integration within ASEAN, which in itself is an heterogeneous entity at the first place. Such challenges would manifest in a much bigger manner when considered in the context of an Asian Economic Community. Hence, lessons from ASEAN's emergence as a regional grouping and its efforts towards greater economic integration could serve as a useful learning experience in the quest towards achieving an Asian Economic Community.

⁷ The framework agreement for the CECA is expected to be completed in April, with the visit of Singapore Prime Minister Mr. Goh Chok Tong to India.

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Figure 1
Network of Cooperation Involving East Asian Countries including ASEAN



Source: Compiled from Sung-Hoon (2002)

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