


ASEAN AND TPP

Association of Southeast Asian Nations



The Association of Southeast Asian Nations or ASEAN was established on 8 August 1967 in Bangkok by the five original Member Countries, namely, Indonesia, Malaysia, Philippines, Singapore, and Thailand.
Brunei Darussalam joined on 8 January 1984
Vietnam on 28 July 1995
Laos and Myanmar on 23 July 1997

Selected basic ASEAN indicators
as of 31 January 2013

Indicators	Unit	2010	2011	2012
Total land area	km ²	4,433,670	4,433,674	4,433,677
Total population	thousand	606,291	608,383	616,614
Gross domestic product at current prices	US\$ million	1,884,069	2,164,499	2,311,315
GDP growth	percent	7.8	4.7	8.2
Gross domestic product per capita at current prices	US\$	3,139	3,591	3,748
International merchandise trade	US\$ million	2,009,116	2,388,444	2,476,427
Export	US\$ million	1,051,674	1,242,199	1,284,581
Import	US\$ million	957,502	1,146,245	1,221,867
Foreign direct investments inflow	US\$ million	98,873	109,320	110,291
Visitor arrivals	thousand	73,792.6	81,229.0	89,225

ASEANstats
ASEAN Statistical Database

ASEAN Member Countries



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Goals of ASEAN

- To accelerate the economic growth, social progress and cultural development in the region through joint endeavors; and
- To promote regional peace and stability through abiding respect for justice and the rule of law.

Political Objective : Promoting Peace & Stability

- Through political dialogue and confidence building, no tension has escalated into armed confrontation among ASEAN members since its establishment more than three decades ago.

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ECONOMIC AND FUNCTIONAL COOPERATION

- When ASEAN was established, trade among the Member Countries was insignificant
- Thus, some of the earliest economic cooperation schemes of ASEAN were aimed at addressing this situation
- The Framework Agreement on Enhancing Economic Cooperation was adopted at the Fourth ASEAN Summit in Singapore in 1992, which included the launching of a scheme toward an ASEAN Free Trade Area or AFTA.

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- In 1997, the ASEAN leaders adopted the ASEAN Vision 2020, which aimed at forging closer economic integration within the region. The vision statement also resolved to create a stable, prosperous and highly competitive ASEAN Economic Region, in which there is a free flow of goods, services, investments, capital, and equitable economic development and reduced poverty and socio-economic disparities
- In addition to trade and investment liberalization, regional economic integration is being pursued through the development of Trans-ASEAN transportation network consisting of major inter-state highway and railway networks, principal ports and sea lanes for maritime traffic, inland waterway transport, and major civil aviation links
- Today, ASEAN economic cooperation covers the following areas: trade, investment, industry, services, finance, agriculture, forestry, energy, transportation and communication, intellectual property, small and medium enterprises, and tourism.

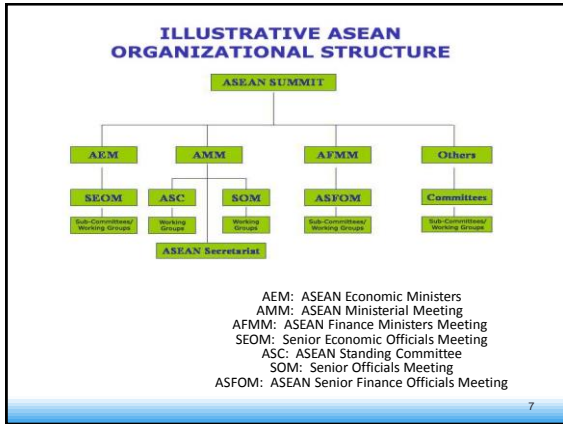
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STRUCTURES AND MECHANISMS

- The highest decision-making organ of ASEAN is the Meeting of the ASEAN Heads of State and Government. The ASEAN Summit is convened every year
- The ASEAN Ministerial Meeting (Foreign Ministers) is held on an annual basis.
- Ministerial meetings on several other sectors are also held
- Supporting these ministerial bodies are 29 committees of senior officials and 122 technical working groups.

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ASEAN Free Trade Area

Launched in January 1992

- Eliminating tariff barriers among the Southeast Asian countries
- Integrating the ASEAN economies into a single production base
- Creating a regional market of over 500 million people

Chart 1: Intra-ASEAN Trade 2010-2012

COUNTRIES	TOTAL TRADE (value in US\$ million)		
	2010	2011	2012
Brunei	2,267.6	2,912.1	3,340.1
Cambodia	2,384.6	3,003.0	5,142.9
Indonesia	80,472.6	99,353.2	95,654.5
Lao PDR	2,576.5	2,530.3	2,337.2
Malaysia	95,270.6	108,139.7	116,030.1
Myanmar*	5,733.1	7,207.7	5,518.9
Philippines	27,627.5	23,675.6	24,758.3
Singapore	189,983.2	205,670.9	210,323.0
Thailand	86,610.7	111,450.8	99,535.5
Vietnam	26,678.3	34,298.1	38,320.2
Total	519,804.7	598,242.2	600,960.7

Source: ASEAN Secretariat
 Note: *Myanmar figures are only until Quarter 3
 **Value in US\$ million

Figure 2
The vision of the ASEAN Economic Community

Free trade in goods	<ul style="list-style-type: none"> • Eliminate all tariffs • Remove non-tariff barriers, including subsidies, restrictions, and sensitive industry classification • Create simplified, harmonized, and standardized trade and customs processes and procedures
Free trade in services	<ul style="list-style-type: none"> • Facilitate cross-border interactions, subject to domestic regulations • Eliminate intra-regional trade restrictions, and expand liberalization in services, especially in financial services, transport, tourism, telecommunications, and professional business services
Free flow of skilled labor	<ul style="list-style-type: none"> • Manage mobility limited to only people engaged in trade in goods, services, and investments, subject to domestic regulations • Expedite issuance of work permits and other related documents
Free flow of investment	<ul style="list-style-type: none"> • Open up all industries for ASEAN investors with limitation to some sensitive industries • Harmonize and streamline investment policies and procedures • Increase support among governments
Free flow of capital	<ul style="list-style-type: none"> • Strengthen domestic capital markets through better market access and increased market liquidity • Create progressive capital account liberalization, and standardize capital market's rules and regulations • Connect ASEAN's individual capital markets on a common platform

Note: ASEAN is the Association of Southeast Asian Nations.
 Sources: ASEAN Economic Community 2015: Opportunities or Threats? by the Bank of Thailand; A.T. Kearney analysis

- To support the conduct of ASEAN's external relations, ASEAN has established committees composed of heads of diplomatic missions in major capitals
- The Secretary-General of ASEAN is appointed on merit and accorded ministerial status. The Secretary-General of ASEAN, who has a five-year term, is mandated to initiate, advise, coordinate, and implement ASEAN activities.
- ASEAN has several specialized bodies and arrangements promoting inter-governmental cooperation in various fields

ASEAN Tourism

To promote Southeast Asia as a single tourism destination.

TransPacific Partnership (TPP) I

- The changing patterns of trade and structural changes noted above have implications for a major U.S. initiative – the TransPacific Partnership (TPP)
- The United States and China are offering competing frameworks for security, trade and economic cooperation in the Asia Pacific Region
- In the U.S. case this involves binding traditionally strong bilateral treaty allies and states concerned by China's rising economic heft and territorial claims into a mutually beneficial multilateral framework
- China considers these arrangements as designed to contain that country
- More subtly, the approach is centered on regional trading arrangements and strategic plans intended to make it difficult for China to alter the status quo even as its economic power grows.

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TransPacific Partnership (TPP) II

- Countries currently in negotiations for the TPP are: Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the United States and Vietnam.
- If signed, it will represent one of the world's most expansive trade agreements
- If Canada, Mexico and especially Japan also sign the agreement will add billions to the U.S. economy and solidify Washington's political financial and military commitment to the Pacific for decades to come.
- China which is the main trading partner for almost all other Asian states has promoted its "Association of Southeast Asian Nations (ASEAN) Plus Three (China, Japan and South Korea) framework
- It offers an easily implemented multilateral trade partnership based on a lowest common denominator formula in which countries remove only some trade barriers resulting in rapid, albeit narrow gains

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TransPacific Partnership (TPP) III

- The US aware that the Chinese framework would marginalize the U.S. -- argues that the TPP would yield superior economic gains.
- The TPP requires a greater commitment among members regarding binding rules and standards, but offers the potential for deeper gains through progress on investment, property rights, competition provisions as well as reducing trade barriers.
- While the U.S. has not formally excluded China from joining the TPP, the country would need to revalue its currency, reduce subsidies to state-owned companies, provide better protection to intellectual property, as well as reduce trade barriers-- all improbable steps
- Given the complexity of the TPP, its creation may not be a realistic prospect until early in the next decade -- until then it does hold out an alternative to China's ASEAN Plus Three.

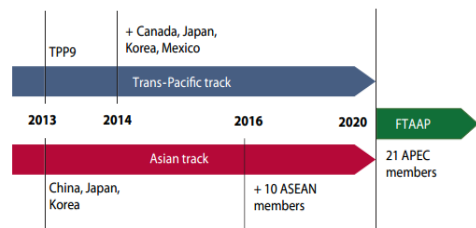
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TransPacific Partnership (TPP) IV

- One thing is certain: the TPP will not derail Asia's intra-regional trade integration for a number of reasons:
 - Asia is likely to be the fastest-growing region in the world for the foreseeable future and to increasingly provide the bulk of incremental global demand.
 - This means that intra-Asian trade will continue to outpace trade with the rest of the world
 - Countries in the region have undertaken investments in transport infrastructure connecting the SE-Asian economies with each other and with China
 - Rising real wages and land prices in China and the country's appreciating exchange rate will drive labor intensive Chinese firms to eventually relocate in labor-abundant SE-Asian economies further generating trade and investment flows
- In sum, trade and investment agreements like the TPP can only facilitate market forces, not fight them.
- Several scenarios see an eventual merging of a China-led Asian track and a U.S. led TPP track with the center of the world's economy in the Pacific basin

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Scenarios for the Trans-Pacific and Asian Tracks



TPP – Trans-Pacific Partnership; APEC – Asia Pacific Economic Cooperation forum; ASEAN – Association of Southeast Asian Nations; FTAAP = Free Trade Area of the Asia Pacific

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