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## East Asian Regional Cooperation: Approaches and Processes

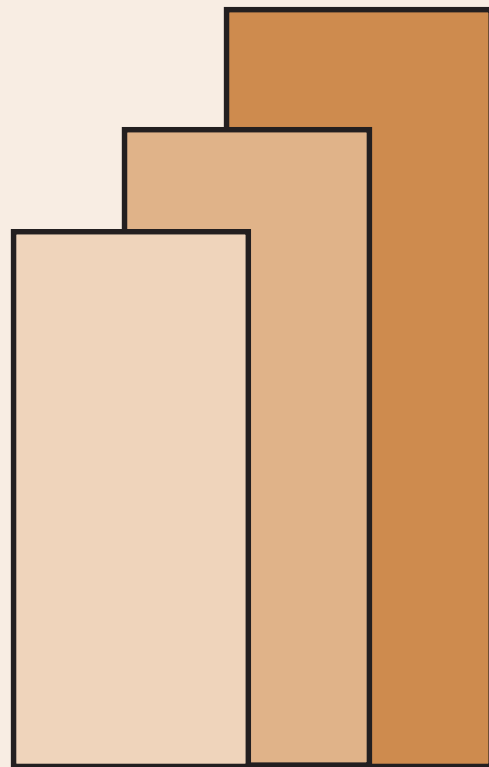
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# **East Asian Regional Cooperation: Approaches and Processes**

**Myrna S. Austria**

## **Abstract**

East Asia has been caught with regionalism in recent years. There has been a proliferation of bilateral and regional trading arrangement initiatives across the region. Long known for their support to the multilateral framework under the WTO, the leading economies in the region (Japan, South Korea, China and Singapore) have been pursuing bilateral arrangements with other economies within and outside the region. The ASEAN is also at the center stage of these initiatives. Such a development is a big contrast to the trading landscape in the region prior to the end of the last millennium. What explains this new interest in finding new arrangements for cooperation? And where will this lead East Asia? This paper attempts to address these questions. In particular, the paper examines the factors behind the growing sense of regionalism in the region; analyzes the approaches and processes of regional cooperation, highlighting the elements and features that distinguish and set the region apart from the other major regional cooperation in the world; and explores the possibilities of where will the growing regional cooperation initiatives lead East Asia.

*Keywords:* regionalism, regional cooperation, economic integration, liberalization

# East Asian Regional Cooperation: Approaches and Processes\*

Myrna S. Austria\*\*

## 1. Introduction

East Asia has been caught with regionalism in recent years. There has been a proliferation of bilateral trading arrangement initiatives across the region. Such a development is a big contrast to the trading landscape in the region prior to the end of the last millennium. East Asia used to shy away from too much institutionalization of regional integration. The ASEAN is the only sub-grouping, encompassing only the southeast. Hardly any cooperation exists among the northeast economies until recently. In the past decade, Asia-Pacific has always been the preferred framework of cooperation in the region, as exemplified by the Asia-Pacific Economic Cooperation (APEC), the only regional cooperation that includes virtually all East Asian economies.

The past few years, however, saw a changing mindset in East Asia. Japan, for example, the staunchest supporter of the multilateral framework of the WTO, has shifted its long-standing policy of ‘multilateralism-only’ trade liberalization to initiate negotiations on free trade areas with a number of economies within and outside of the region. Also, the ASEAN, who normally stand with one voice on matters concerning regional cooperation, is seeing one of its members, Singapore, aggressively pursuing free trade areas with other economies outside of the region. Although there is no reason that can prevent Singapore, the other ASEAN has not been comfortable with this recent move of Singapore.

What explains this new interest in finding new arrangements for cooperation? And where will this lead East Asia? This paper attempts to address these questions. In particular, the paper will analyze the approaches and processes of regional cooperation in East Asia, highlighting the elements and features that distinguish and set the region apart from the other major regional cooperation in the world.

The paper is organized as follows. Section 2 discusses the general issues concerning regionalism and its implication on the global trading system. Section 3 discusses the growing sense of regionalism in East Asia, highlighting the factors behind it. Section 4 analyzes the approaches and processes of the different regional cooperation arrangements in the region. Section 5 explores the possibility of where will the growing regional cooperation initiatives lead East Asia. Section 6 contains the summary and conclusions.

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## 2. Regionalism in a Globalizing World

While the world is becoming increasingly integrated because of the intensive trade liberalization in different parts of the globe, regionalism or the establishment of regional trading agreements (RTAs) are also on the rise (WTO 2000; WTO 2001; Whalley 1999). RTA is not actually something new for it has always been a feature of the post-war global trading system. Article XXIV of the GATT permits the formation of RTAs, where parties to the agreement grant each other preferential tariff treatment on a reciprocal basis provided that certain conditions are met<sup>1</sup>. By its nature, such arrangement discriminates against non-members. RTAs are therefore exceptions to the most-favored nation (MFN) principle of the WTO<sup>2</sup>.

The first wave of regionalism came in the 1950s and 1960s and is said to have first occurred with the formation of the European Free Trade Area in 1959 following the formation of the European Economic Community. Soon after, developing countries of Latin America and Africa formed their own RTAs. However, these RTAs did not succeed, except for the European Free Trade Area, primarily because the USA, the largest trading economy, was originally opposed to regionalism and promoted instead multilateral free trade through the GATT.

Regionalism came into force again in the late 1980s (second wave) with the formation of the European Union's (EU) Single Market and with the US abandoning its anti-regionalism stance and formed the US-Canada Free Trade Area and North American Free Trade Area (NAFTA). The formation of the EU and NAFTA created a domino effect reviving old RTAs and forming new ones in Latin America and Africa (like MERCOSUR, Andean Community). The Asia-Pacific came in quite late, with the formation of the ASEAN Free Trade Area (AFTA) in 1992.

However, the first and second waves of regionalism are very distinct in character. The first was inward-looking and shallow integration, involving mostly tariff reductions. The second wave, on the other hand, is outward-looking seeking for greater and faster liberalization; involves deeper integration, going beyond tariff reductions; and non-exclusive, as one country can simultaneously be a member of more than one RTA (Box 1).

Most WTO members are party to at least one regional trading agreement. As of July 2000, there were 204 RTAs, 70 percent of which are currently in force. Intra-RTA trade accounts for about 43 percent of world trade in 2000 (WTO 2001). Major developments have occurred in the past 2 or 3 years. These include the launch of negotiations for the formation of the Free Trade Agreement of the Americas (FTAA), linking the North and South American economies; EU forging free trade agreements (FTAs) with Africa, Latin America and the emerging economies of Europe and

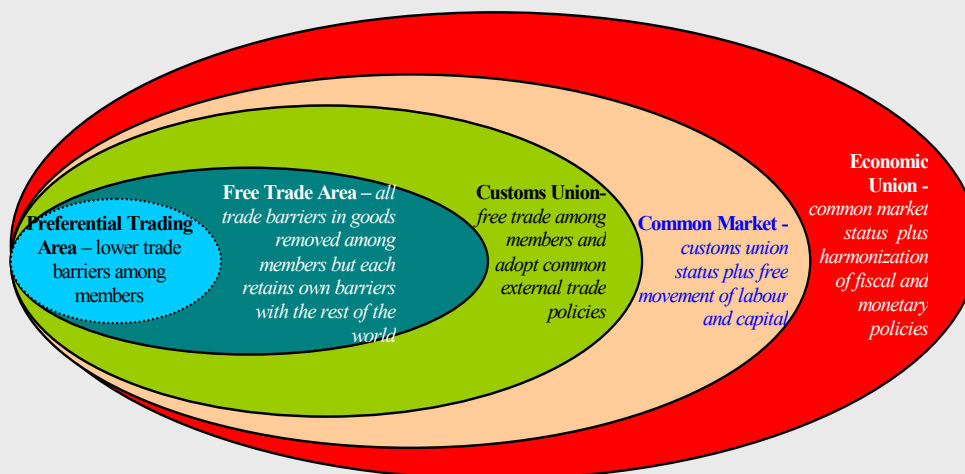
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<sup>1</sup> The conditions for the formation of RTA under Article XXIV includes: (i) the establishment of a free trade area among members within a reasonable period of time; (ii) the reduction of tariffs to zero and the elimination of other restrictive regulations on substantially all trade between the participants; and (iii) duties and other regulations to third countries are not raised.

<sup>2</sup> The *most favored nation (MFN) principle* means that member countries of the WTO cannot discriminate between their trading partners. A lower tariff rate for a particular product that is granted to one member has to be granted to all the other members.

Central Asia; and in the Asia-Pacific region, the more developed economies like Australia, New Zealand, Japan, Singapore and South Korea are negotiating for FTAs with one another and other Latin American countries (like Chile and Mexico).

### Box 1. The Evolution of Economic Integration



Sources: Low (2000a).

Regional trading arrangements (RTAs) can take various forms, either as preferential trade area, free trade areas, custom unions, common market or economic union. Under preferential trade area, trading partners grant partial preferential tariff reductions to each other. In a free trade area, members eliminate all tariffs and non-tariff barriers among themselves, but each member can set its own tariff rates on non-members. Customs union is free trade area but members adopt a common external tariff on non-members. Common market goes beyond custom union by allowing free movements of factors of production. Finally, economic union involves integrating national economic policies, like fiscal and monetary policies.

RTAs differ in configuration, either bilateral (agreement between two parties) or plurilateral (agreement among three or more parties). More complex agreements occur when one (or more) of the parties is an RTA itself or all parties are themselves distinct RTAs.

RTAs also differ in scope. The simplest form takes the exchange of preferences on a number of limited products among the parties. The more complex ones go beyond tariff elimination to include services, investment, competition policy, government procurement, intellectual property rights, etc.

The proliferation of RTAs has raised concerns over their effects on the trade environment as well as on the trading system. The usual question of whether RTAs are building blocs or stumbling blocs to the rules-based multilateral trading system under the WTO have been greatly debated in the literature<sup>3</sup>. Whether an RTA brings about a gain in welfare or not depends on the balance between trade diversion and trade creation. Trade diversion occurs when an inefficient firm inside the RTA is able to gain market access, because of the preferential agreement, at the expense of an efficient firm from a non-member of the RTA. On the other hand, trade is created when efficient firms inside the RTA are able to expand their market shares at the expense of inefficient firms from non-members. The overall impact depends of the net effect of trade creation and trade diversion.

There is a general consensus, however, that RTAs of the second wave offer faster and deeper liberalization than is possible at the multilateral level; and that, liberalization at the regional level can serve as a prerequisite or an aid to achieving multilateral consensus at the WTO. As Baldwin (1997) has said, “regionalism is half of the wheel of liberalization going around the globe”. The Information Technology Agreement (ITA) of the WTO best illustrates this – the agreement was initially launched in APEC before it was brought to the WTO<sup>4</sup>.

However, as one country can be a member of more than one RTA, the overlapping RTAs can increase the risk of inconsistencies in trading rules among the RTAs and this can lead to implementation problems<sup>5</sup> (WTO 2001). Also, such inconsistencies can cause systemic risk on the functioning of the WTO by rendering future efforts to develop consistent multilateral rules difficult, if not impossible. The different rules of origin among RTAs best illustrate this point.

Whether or not RTAs can work hand in hand with the multilateral trading system remains an open question. Findlay and Pangestu (2001) have identified ways and areas of cooperation on how to avoid the inefficient outcome of an uncoordinated approach to preferential trading system. What is more pressing at this stage however, are the implications of the current proliferation of RTAs on the policy options of developing countries. Given that RTAs are expected to continue their spread across the globe, developing countries are concerned that unless they will join they will be left out. This concern becomes more justified when considering that their major trading partners and sources of FDI are the ones leading the formation of RTAs and that their competitors are already members of one or more RTAs. There is a growing awareness that any developing country will be faced with discriminatory deals from any RTA of which it is not a member but of which its competitors and major trading partners are members.

### **3. The Growing Sense of Regionalism in East Asia**

East Asia is currently the only region in the world that has no region-wide trade bloc, despite that the region includes the second world’s economic power, Japan. There are

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<sup>3</sup> See for example Krueger (1999), Laird (1999), Ethier (1998), Baldwin (1997), and Bhagwati (1992).

<sup>4</sup> The Information Technology Agreement (ITA) provides for the elimination of tariffs on IT products by 2000, with extended transition for some products.

<sup>5</sup> The ground rules under Article XXIV suffer from systemic issues rendering them ineffective in imposing discipline in the RTAs.

two main reasons advanced for the apparent absence of a regional integration of the kind that exists in Europe or America. First, Asia, in general, has no enduring history of unity and accepted commonality (Tay 2001). Diversity in culture, religion, language, politics, and levels of development among the Asian economies present an enormous obstacle to the development of a regional identity. And second, the trading interests of Asian economies have been traditionally outside of the region, basically North America and Europe. These two regions serve as the primary export markets and sources of foreign direct investment for the majority of Asian economies.

During the last decade, however, there was a growing interdependence among economies in East Asia. Such interdependence and integration occurred, however, through a market-led process and without any formal economic and institutional arrangements. The developing economies in the region (Japan being the only developed economy) have done substantial trade and investment liberalization, either unilaterally or multilaterally through the WTO, compared with developing economies in other regions. To a large extent, the kind of integration that evolved in East Asia is the product of intra-regional trade and investment linkages between Northeast Asia and Southeast Asia but expanding to North America. This process of increased economic integration in the region has been called the “flying geese”, made possible by the reduction of barriers to trade and investment, and the rapid development of transportation, and information and communication technology.

The “flying geese” is best explained by the international production sharing of transnational companies (TNCs) of developed economies (Japan and the US). It started in the 1980s when TNCs from Japan established their affiliates in developing countries in East Asia in response to shortage in labor, surge in wage rates and the appreciation of the yen following the Plaza Accord in 1985. The situation forced Japan to go global in its production strategy by separating the labor-intensive segments of its technologically complex production processes from the capital- and skill-intensive segments and locating these in different developing countries (first with NIEs and then the ASEAN), linked through international subcontracting or outsourcing arrangements. Soon, TNCs from the US followed as part of their global strategy to remain competitive. The outcome was the significant improvement of economic performance in East Asia, which together with the intensification of economic linkages among the economies, have led to the growing appreciation of the commonality of interests and concerns among the economies in the region (Intal and Austria 2000).

### **Factors Behind East Asian Regionalism**

While market forces are still very much at work in the region, the past few years saw a growing sense of regionalism in East Asia. For one, there has been a change in mindset as far as modalities of trade liberalization is concerned. There is a shift from multilateralism to the preferential route to liberalization. Table 1 shows the various initiatives in RTAs in the region in various stages of formation. Among the economies, Singapore is the most aggressive, followed by Japan and South Korea. One unique feature of the RTAs is that they are bilateral RTAs within the bigger region of APEC. In other words, they are sub-regional trading agreements (SRTAs) of APEC.

**Table 1. Bilateral and Regional Trading Arrangements in East Asia**

Partners	Type of Arrangements	Status	Year
ASEAN	Free Trade Area	Implemented	1993
Singapore-New Zealand	Closer Economic Partnership	Implemented	2001
Singapore-Japan	New Age Economic Partnership	Signed	2002
Singapore-EFTA	Free Trade Area	Signed 11 April 2002, to be implemented in January 2003	2002
South Korea-Chile	Free Trade Area	Under negotiations	1998
South Korea-US	Free Trade Area	Under negotiations	2001
Singapore-Mexico	Free Trade Area	Under negotiations	1999
Singapore-Australia	Free Trade Area	Under negotiations	2000
Singapore-Canada	Free Trade Area	Under negotiations	2001
Singapore-US	Free Trade Area	Under negotiations	2000
Singapore-Chile	Free Trade Area	Under negotiations	2000
AFTA-Australia-New Zealand	Closer Economic Relations	Official discussion/ study	1999
ASEAN-China	Free Trade Area	Official discussion/ study	2001
ASEAN +3	Free Trade Area	Official discussions	2000
ASEAN-Japan	Comprehensive Economic Partnership	Official discussions	2002
ASEAN-South Korea	Free Trade Area	Official discussions	
Japan-Chile	Free Trade Area	Official discussion/ study	2000
Japan-Mexico	Free Trade Area	Official discussion/ study	1999
Japan-South Korea	Free Trade Area	Official discussion/ study	1998
Japan-South Korea-China	Free Trade Area	Official discussion/ study	
South Korea-Mexico	Free Trade Area	Official discussion/ study	2000
South Korea-New Zealand	Free Trade Area	Official discussion/ study	2000
South Korea-Australia	Free Trade Area	Official discussion	2000
Hongkong-New Zealand	Closer Economic Partnership	Official discussion	2001
Japan-Canada	Free Trade Area	Proposal/ study	2000
Japan-Thailand	Closer Economic Partnership	Proposal/ study	2002
Pacific 5	Free Trade Area	Proposal	1998
Singapore-Taiwan	Free Trade Area	Proposal/ study	2002
South Korea-China	Free Trade Area	Proposal/ study	
South Korea-Thailand	Free Trade Area	Proposal/ study	2001
Thailand-Croatia	Free Trade Area	Proposal	2001
Thailand-Czech Republic	Free Trade Area	Proposal	2001
US-Philippines	Free Trade Area	Proposal	2002

Notes: EFTA – Switzerland, Iceland, Liechtenstein, Norway  
 ASEAN – Thailand, Singapore, Indonesia, Malaysia, Philippines, Brunei, Cambodia, Vietnam, Myanmar, Laos  
 Pacific 5 – Singapore, Australia, New Zealand, USA and Chile  
 ASEAN +3 – ASEAN, Japan, South Korea and China  
 AFTA – ASEAN Free Trade Area

Source: Compiled by the author from various sources.

Several factors have been suggested to contribute to this emerging phenomenon. First, several APEC member economies started to consider using RTAs as an alternative to multilateral liberalization under APEC and WTO around the time that APEC failed in its Early Voluntary Sectoral Liberalization (EVSL) initiative in 1998 (Okuda 2001; Scollay and Gilbert 2001). The disappointing outcome of the EVSL shows that moving beyond the voluntary approach to liberalization to binding commitments may not be relied upon as an instrument for regional liberalization in APEC. The experience also showed that not all members of APEC, particularly Japan and the US, the two leading economic powers in the world and in the Asia Pacific, are not likely to take active participation in APEC's concerted unilateral approach to liberalization but are likely to deliver their APEC commitments through the negotiated process of the WTO (Scollay and Gilbert 2001).

Also, the EVSL experience demonstrated the drawback of the consensus approach in APEC. It was a slow process and the least willing member can hold the pace of the liberalization and integration back. Hence, the formation of sub-RTAs within the APEC region could be regarded as an instrument to expedite liberalization among the "like minded" economies in the region that are willing to proceed with liberalization ahead of the others and hence, overcome the "convoy problem" (Rajan and Sen 2002).

Second, the failure to launch a new WTO round at the Seattle Ministerial Meeting in 1999 may have reinforced the necessity among APEC member economies to seek for RTAs. Likewise, the slow pace of liberalization at the WTO and the dissatisfaction with the implementation of rules by some WTO members may have pushed economies to look for alternative modes of liberalization.

Third, the aftermath of the Asian financial crisis in 1997-1998 has demonstrated the need for cooperation to manage an existing integration. The crisis spread quickly around the region with little regard to differences in economic fundamentals of the economies (Tay 2001). The kind of integration that already exists in the region was of no help for the economies to do anything to prevent the contagion. Even the ASEAN was not in the position to do anything for its members (Soesastro 2002a). In fact, the lack of coordination in the response of the affected economies themselves contributed to the spread of the crisis. This realization, together with their frustration with the perceived lack of understanding of the region by the International Monetary Fund (IMF) and the World Bank (WB), increased the awareness of the economies that something should be done by them as a region.

Finally, Japan's and China's motivations behind regional initiatives are influenced more by geo-political considerations than economic (Avila 2002; Yun 2002). Japan has long been the leading economic power in the region, largely on account of its economic success in the post war period. As the regional leader, it has greatly influenced industrial development in the region following the flying geese pattern of development, as discussed earlier, that ultimately led to the high economic growth of the NIEs since the mid-1980s and then the ASEAN-Four in the 1990s, at least prior to the crisis. However, the decade-long recession that is going on in Japan is increasingly weakening Japan's leadership position in the region.

In addition, Japan's wants to maintain its influence on the global economic agenda. Japan's position as the second largest economic power in the world is being threatened by the expanded role that the US and the EU are playing in the Americas and Europe. The US has expanded NAFTA to include Latin America under the Free Trade Agreement of the Americas (FTAA) while EU is forming a free trade area with Eastern Europe, Mexico and the MERCOSUR. If Japan were to maintain its multilateral approach to liberalization, its negotiating power could be substantially weakened as it losses its markets in the two expanded regional markets. Already, Japanese corporations are losing their competitiveness to their American and European counterparts, as they are excluded by the US and EU free trade areas.

Equally important is the possible impact that the euro may have on the yen. The development of the euro may eventually divide the world into two currency blocs, squeezing the yen out of the global currency markets.

On the other hand, China is a burgeoning economic power, not only in East Asia but also around the globe. The country is experiencing phenomenal economic growth, particularly in its exports, in recent years. The country is a huge market by itself now that it has joined the WTO. At the same time, however, the world market is flooded with cheap labor-intensive China products. The NIEs and the ASEAN are also losing foreign direct investment to China because of the latter's very low wage rates. China's new approach of preferential trading with the rest of the region could therefore open the door for the country to seize the opportunity to replace Japan as the primary driving force for economic growth and integration in the region.

#### **4. Regional Integration the East Asian Way**

As pointed out earlier, East Asia caught on to regionalism quite late, relative to other regions. Prior to the rise of new the RTA initiatives, the ASEAN and APEC are the only two regional cooperation existing in the region, although ASEAN only covers the southeast region while APEC includes the Asia-Pacific Rim. The institutionalization of these two organizations has evolved through time, and has followed approaches and processes that are distinctly different from the regional cooperation of other regions. In general, regional cooperation in East Asia has been led, not by institutionalized mechanisms guided by common ideology, but by market processes. This is not surprising though, as all economies in the region are strong supporters of the multilateral framework of the WTO.

**ASEAN-AFTA.** The ASEAN was the first regional cooperation established in the region. ASEAN was formed in 1967, with very broad objectives encompassing political, social, developmental, economic, cultural and environmental issues (Akaha 1999; Soesastro 2002a). Its institutionalization has evolved through time, adapting to changes within the region itself and to the external environments. In 1993, its scope expanded to an economic cooperation with the goal of establishing a free trade area (FTA) in the region. The goal of the ASEAN Free Trade Area (AFTA) is to increase the competitiveness of the ASEAN as a production base for the world market. The mechanism for achieving this is the Common Effective Preferential Tariff (CEPT)

scheme where intra-regional tariffs will be reduced to 0-5 percent over a 15-year period starting in 1993.

Over the years, AFTA has taken significant leaps towards the attainment of its goal. The deadline for achieving its goal of 0-5 percent ending tariff rates has been accelerated from the original date of 2008 to 2003 and then to 2002. Likewise, the goal was deepened to a zero ending tariff rate on all products by 2010 for the original six members and by 2015 for the four new members<sup>6</sup>.

Unlike EU where there is supranational policy coordination under the direction of the European Commission, the European Parliament and the European Court of Justice, the ASEAN is devoid of such a body to implement its programs. Instead, the ASEAN process involves numerous meetings among its members at all levels involving heads of governments, foreign ministers, economic ministers and committees. The most important of these meetings, however, are the annual ASEAN Ministerial Meeting (AMM) involving the foreign ministers where major agreements and policies are formulated; and the formal Summit Meetings of the heads of the government every three years where policy announcement are made and declaration adopted. However, for politically sensitive issues, ASEAN adapts a second-track process involving non-governmental organizations engaged in people-to-people cooperation and diplomacy (Soesastro 2002a). This part of the ASEAN process facilitates free and open discussion of sensitive issues.

The decision-making process in all the meetings, however, is guided by the principle of consensus. The principle is the hallmark of the ASEAN process, the practice having guided and sustained cooperation in the region since the inception of the organization. The “ASEAN Way”, as it is often called, involves “non-confrontational attitude, a genuine willingness to see the points of view of others, a conscious refrain from exerting influence or coercion over other member states, and a willingness to be patient and persevere in reaching consensus” (Akaha 1999:11). To a large extent, the principle reflects the conventions and customs prevailing among the member states. And rightfully, considering the diversity among the members, “the approach has proved useful in solving differences, harmonizing diverging interests, and managing conflicts among member states” (Soesastro 2002a:5).

In terms of economic integration under AFTA, the approach is driven by the ASEAN’s common desire to push for further liberalization. Its preferential trading approach under the CEPT scheme is also accompanied by unilateral and multilateral liberalization. In fact, AFTA is probably one of the few RTAs in the world that has achieved substantial regional liberalization along with unilateral liberalization<sup>7</sup>. The region’s desire to expand AFTA with another free trade arrangement either with another economy or another RTA could be a step forward to overcoming barriers to trade beyond what could be achieved within the multilateral framework of the WTO and by the CEPT scheme itself. Like the new RTAs, AFTA is also going beyond the traditional border barriers to include investment, competition policy, rules of origin and standards.

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<sup>6</sup> The original six members include Indonesia, Malaysia, Philippines, Singapore, Thailand and Brunei Darussalam; while the four new members include Vietnam, Myanmar, Cambodia and Laos.

<sup>7</sup> The Australia-New Zealand Closer Economic Relationship (CER) also exemplifies this approach.

Over the years, however, the consensus-based decision-making process is becoming a weakness, limiting the growth of the ASEAN as an organization. The process is slow and time-consuming, producing decisions that are neither swift nor drastic. This is best illustrated by the slow and indecisive reaction of the ASEAN to the crisis of 1997-1998. With increased membership and more difficult and complex issues on the ASEAN agenda, there are doubts whether the “ASEAN Way” of doing things will still be effective. In fact, there have been increasing demands that ASEAN should adopt a flexible consensus approach or a “coalition of the willing” approach for it to remain relevant and effective. But to date, ASEAN has been reluctant to adopt such an approach.

Nonetheless, there are also concerns on the effect that the increased diversity of the ASEAN membership may have on the implementation of AFTA. The stark differences between the democratic prosperous original members versus the partly socialist and poor new members could hamper economic integration and delay of AFTA.

**APEC.** APEC is the second regional cooperation in the region. Membership spans the Americas, Oceania, and East Asia with the Pacific as the defining border. Strictly speaking, APEC is not a preferential trading arrangement as it aims to achieve free trade within the area, not a free trade area. That is, APEC’s goal is to achieve a free and open trade and investment in the region no later than 2010 for its developed economy members and 2020 for its developing economy members, through a three-pillar agenda of trade and investment liberalization, trade and investment facilitation and technical cooperation.

The formation of APEC differed significantly from that of EU or NAFTA. The difference lies in the market-led process of integration that characterize APEC. The driving force behind this is the strong dependence of the member economies to the global trading system. That is, the member economies, especially the developing East Asian member economies, had enormous stakes in the global trading system. Compared with developing economies in other regions of the world, the East Asian developing economies are more firmly committed to the multilateral trading system of the WTO.

It is not surprising then that the institutional arrangement in APEC follows market initiatives as exemplified by its principle of open regionalism. In its narrow sense, open regionalism means that the region will not introduce measures that will discriminate countries and regions outside of APEC (Soesastro 2002b). Hence, APEC is consistent with and supportive of the global trading system under the WTO framework. This is in contrast to the inward-looking regionalism that occurs in other parts of the world, i.e. intra-regional trade liberalization. Open regionalism also means that membership is non-exclusive and open to new members to join.

Open regionalism is best illustrated by APEC’s concerted unilateralism approach to liberalization. Under the scheme, each member economy prepares its own liberalization program and implements them according to its own pace or schedules and domestic rules. However, member economies watch the implementation of each other’s liberalization program and this build pressure for each

member to implement its program. The program is implemented through the Individual Action Plans (IAPs) complemented by the Collective Action Plans (CAP).

The concerted unilateral approach to liberalization demonstrates the voluntary nature of the APEC process. This is in contrast to other regional arrangements where there is one set of rules applied to all members. It is also opposite the “single undertaking” principle of the WTO where all members have to abide by all the agreements made. The voluntary approach is primarily a consideration of the diversity in the levels of economic development of the member economies. Another distinguishing feature of APEC when compared to other regional economic arrangements is in the way it gives importance to economic and technical cooperation as well as trade and investment facilitation.

The APEC process and institution building follows very much the ASEAN way. Decisions are arrived at through consensus. This is the guiding principle at all levels of the process. Such an approach keeps the hegemonic tendencies of the US in check (Akaha 1999). Likewise, commitments are non-binding, without the formal legal obligations of participating economies. Enforcement of commitments is left to each member economy. Again, this is a big contrast to the legally binding approach of other regional cooperation arrangements.

APEC has now become a major regional group, second only to EU, in terms of membership and coverage. Unlike the EU or other regional cooperation arrangements, however, leadership in APEC does not come from a supranational institution<sup>8</sup>. Instead, the APEC process adopts an annual cycle of leadership. Each member economy has a chance to lead, through the annual rotation of the chairmanship. The Chair for the year, who also becomes the host economy of the meetings, gets the privileged position of injecting new initiatives and of influencing and directing APEC’s agenda. To a great extent, therefore, leadership in APEC is collective and issue-led, depending largely on the issues pushed by the APEC Chair. The rotation of chairmanship is a built-in assurance that APEC’s agenda will reflect a balance of the interests of its diverse members (Soesastro 2002b). It also ensures that the process will not be dominated by the larger member economies, namely US and Japan.

APEC has reached important milestones in its institutional development; and this is due to its success in establishing a broad support base, as shown by the various levels of the APEC process - working groups, sub-committees, committees, and senior officials meetings, leading to the ministerial meetings and the leaders’ meeting. APEC also follows a second-track process by involving the efforts of the business sector, non-government organizations and the academe through the APEC Business Advisory Council (ABAC), the Pacific Economic Cooperation Council (PECC) and the APEC Study Centers. These groups have their own parallel meetings with the different levels of official meetings in APEC. They have also provided significant inputs into the APEC process itself and have evaluated APEC’s accomplishments and progress.

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<sup>8</sup> APEC has a Secretariat but its structure is lean, designed to handle only administrative requirements of the various levels of meetings.

The most significant in APEC's institutional development, however, is the inclusion of the annual meeting of the heads of the states in the process. Notwithstanding Malaysia's initial reluctance, APEC mustered the support of top political leaders with the first Leaders' Summit in 1993. By this, APEC showed the world that it is serious in adopting and faithfully working towards its goals with its high level annual informal gatherings. The Leaders' Summits are critical as they set the organization's future direction and they serve as venue where bold concepts are translated into operational realities. The annual summits also forced the leaders to make commitments.

APEC has started to influence East Asia, the region which shaped it. It has also raised the international profile of the Southeast Asian economies. This is best reflected in the current practice of holding the annual meeting of the heads of the APEC member economies every other year in a Southeast Asian economy. Similarly APEC's East Asian "culture" is largely Southeast Asian. Just as it has benefited ASEAN economies, APEC has at the same time, influenced ASEAN to deepen further the latter's intra-regional liberalization, integration and cooperation efforts. Indeed, in many ways, ASEAN agenda for increased economic cooperation and integration in the ASEAN region follows APEC's agenda. In another vein, APEC has given East Asia greater influence in international economic and diplomatic affairs, e.g. formation of the Asia-Europe Meeting (ASEM). In short, APEC has been largely beneficial to East Asia<sup>9</sup>.

Despite its achievements and progress, however, there is now a growing concern on the effectiveness of APEC, as it is now, in responding to current challenges facing the region. This is clearly manifested in the general consensus that APEC did not do enough to address the financial crisis faced by its East Asian member economies in 1997-1998. Some reasoned that the trigger of the financial crisis was in the financial realm, an area that until lately was not at the core of APEC. But just the same, it was not of much help in saving the image of APEC. APEC has faced many difficulties since the crisis. Liberalization, for one, has stalled. Member economies are not willing to move ahead too fast or too far. Also, given the outcome of the crisis, there is a growing division between the developing and developed members over the priority that should be given to trade and investment liberalization vis-à-vis economic and technical cooperation. The developing member economies naturally favor the first set of objectives while the developed member economies favor the second (Akaha 1999).

Also, the ASEAN way of consensus-based decision making approach has frustrated the efforts of some of the APEC member economies to speed up the process of trade liberalization. As discussed earlier, the disappointing outcome of the EVSL initiative has shown that not all member economies are willing to participate in the concerted liberalization approach. The EVSL experience also shows that voluntary and negotiated reciprocity in the APEC process is difficult and undesirable, particularly on sensitive sectors, like the agriculture. These recent developments raise concern on whether APEC can move forward along the ASEAN way.

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<sup>9</sup> This paragraph and the one preceding it were taken from Intal and Austria (2000).

**ASEAN Plus Three.** This regional cooperation, linking the 10 ASEAN members and China, South Korea and Japan, was born out of the financial crisis. It started as a cooperation in international finance driven by the need to avoid future currency crises within the region. The process started with the First Summit Meeting of the ASEAN+3 Leaders in 1997; and after two more summit meetings, the first outcome was the Chiang Mai Initiative in 2000 under which the 13 economies agreed to establish a network of bilateral currency swaps agreements. Under the arrangement, participating economies that are experiencing short-term liquidity shortfalls, in the event of sudden attacks to their currencies, can borrow from one another. The initiative therefore provides a mechanism for the economies to borrow funds to address currency problems without having to undertake austerity measures under the IMF.

In a short span of time since the first summit meeting of the leaders, other areas of cooperation have evolved and expanded to include not only finance but also trade, investment, technology transfer, information and communication technology, e-commerce, human resource development, industrial cooperation, tourism, small and medium enterprises and supporting industries, and political/security concerns. The most recent one is the proposal to form a free trade area following the ASEAN+3 framework. However, the proposal has been overtaken by events, such as the announcement of China and the ASEAN in November 2001 to establish a bilateral FTA by 2010, followed by Japan's proposal for an economic partnership also with the ASEAN.

Equal partnership has been emphasized as the basis of cooperation between the ASEAN plus the three. So far, the process has been led by the "Plus 3" part. The Summit Meeting of the Leaders has also become an annual event. As the areas of cooperation are increasing, so is the institution. The ASEAN+3 process now includes annual meetings of the economic and foreign ministers, as well as the senior officials.

The "Plus 3" part of the process is an important tool to keep Japan, China and South Korea together. The annual meetings provide a good opportunity to build good relations among the three, considering the history of their political and security relations. Also, the ASEAN+3 framework provides a mechanism by which to engage China as a constructive and cooperative member of East Asia, both in political and economic sense.

**Bilateral Trading Arrangements.** Based on Table 1, there are three bilateral trading arrangements that have been recently established in the region namely, the Agreement between New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP) established in 2001; the Japan-Singapore New Age Economic Partnership Agreement (JSEPA) signed in early 2002; and the Agreement between Singapore and the EFTA States composed Iceland, Liechtenstein, Norway and the Swiss Confederation, signed in April 2002, to be implemented 2003. Of the three, only the Singapore-Japan partnership is entirely within the confines of East Asia.

These bilateral trading arrangements are very new and have yet to make their impact in the region. An examination of the agreements shows, however, that the elements of the agreements include only economic and that they go beyond the WTO and APEC concerns (Table 2). In other words, the new initiatives are built on

existing commitments under the WTO and APEC. The areas of cooperation go well beyond the traditional merchandise trade liberalization and include liberalization of trade in services, trade facilitation measures (custom procedures, mutual recognition arrangements, etc.), investment, government procurement, competition, human resource development, intellectual property rights, and the like.

The most comprehensive of the three is the JSEPA. Except for the JSEPA, the new economic cooperation initiatives are open to accession by any member of the WTO, or by any other State or separate customs territory on terms to be agreed between the parties, taking into account the circumstances of the prospective member, in particular with respect to timetables for liberalization.

Another important feature of the agreements is the provision on resolving any inconsistency of the agreements with any other international, regional or bilateral agreements to which they are parties, with the general principles of international law. This provision will ensure that the agreements will be consistent with the multilateral framework of the WTO and hence, supportive of the global trading system.

In general, the elements and features of the bilateral agreements indicate that they will play a catalytic role in accelerating global and regional trade and investment liberalization and in deepening regional cooperation in East Asia.

## **5. An East Asian Free Trade Area?**

Where will the growing bilateral and regional RTA initiatives lead East Asia? Although the form of regional integration that these new initiatives will take has yet to be defined, there are already suggestions that the movement might eventually push to an East Asia-wide regional trading bloc. However, the issue of leadership in the region has always been a question, for it lacks one. No leadership exists in the region of the kind that France and Germany played in the EU or the US in NAFTA or the FTAA. For now, the two Asian giants, China and Japan, are showing rivalry and competition in taking that initiative, as discussed in Section 3. These are evident in the strategies that these two countries are taking, especially in the selection of partners in their bilateral or regional cooperation arrangements.

For example, the Japan-Singapore partnership is the first bilateral arrangement of Japan in the region; and Japan's choice of Singapore is very strategic given the role that Singapore has been playing in the region. Singapore has been functioning as the hub of the ASEAN, especially for the Japanese manufacturing network in the ASEAN (Yun 2002). But with the economic downturn in East Asia, Singapore does not want to be identified as one on the same boat as the other Asians, particularly ASEAN. Hence, Singapore has reached a free trade agreement with New Zealand and is currently negotiating agreements with the US, Mexico, Chile, Canada and Australia and also proposing the "Pacific 5" (to be composed of Singapore, Australia, New Zealand, US and Chile).

**Table 2. Elements of the New Bilateral Trading Arrangements in East Asia.**

Elements/coverage	Japan-Singapore New Age Economic Partnership	New Zealand-Singapore Closer Economic Partnership	Singapore-EFTA Agreement
<b>Liberalization and Facilitation</b>			
Trade in goods	X	X	X
Rules of origin	X	X	X
Customs procedures	X	X	
Paperless trading	X	X	
Mutual recognition arrangements	X		
Trade in services	X	X	X
Investment	X	X	X
Movement of natural persons	X	X	
Intellectual property	X	X	X
Government procurement	X	X	X
Competition	X	X	X
State trading enterprises			X
<b>Partnership and Cooperation</b>			
Financial services	X		
Information and communication technology	X		
Science and technology	X		
Human resource development	X		
Trade and investment promotion	X		
Small and medium enterprises	X		
Broadcasting	X		
Tourism	X		
<b>Dispute Settlement</b>	X	X	X
<b>Open to Accession of other members</b>	X	X	X

Sources:

- (1) Agreement Between the Republic of Singapore and Japan for a New-Age Economic Partnership;
- (2) Agreement Between New Zealand and Singapore on a Closer Economic Partnership; and
- (3) Agreement Between the EFTA Estates and Singapore.

With these moves, it is not far-fetched that Singapore could become the hub of trans-Pacific free trade areas. Given these roles of Singapore in the ASEAN and in the Pacific, the Japan-Singapore Economic Partnership could serve as a springboard for promoting Japan's economic relations with the ASEAN. This could be reinforced further with the bilateral FTAs that Japan is currently working on with the ASEAN and South Korea. Japan's strategy is obviously a counter proposal to China's strategic moves, as discussed next.

China has agreed with the ASEAN to establish a free trade area by 2010 following the CEPT scheme of the AFTA. Considering the favorable prospects on China's economic growth, such an arrangement can provide China the leading role in the economic affairs of East Asia. This strategy of China in expanding its role in the region is also meant to target the US and Taiwan (Huang 2002). Taiwan has been an important source of foreign direct investment for the ASEAN in the 1990s. The China-ASEAN arrangement can marginalize Taiwan's role in the region, as it can limit Taiwan's participation in any economic cooperation with the ASEAN. Also, the China-ASEAN arrangement can increase China's voice in regional matters and hence, weakens US influence in the region.

At the center of these two Asian giants is the ASEAN. For ASEAN members, an important consideration is the impact that any regional agreement will have on both regional trade and investment flows. ASEAN's choice of China instead of the three East Asians together is obvious. Both global and regional economic situations have prevented the ASEAN from regaining their economic resilience and competitiveness after the financial crisis. The expansions of RTAs in other parts of the world creates fear that they might be left out where their markets and foreign direct investments are diverted to Latin America or China. In particular, some of the ASEAN economies are losing markets to Mexico because of the NAFTA (Austria 2002). Also, a significant part of the foreign direct investments made in the ASEAN until the mid 1990s is now flowing into China (Yun 2002). The opening up of China to the ASEAN could help dispel such fear. Likewise, China's huge domestic market offers trade and investment opportunities for the ASEAN. On the political side, the new regional cooperation is a sharp change from what used to dictate relations between the ASEAN and China. The new arrangement shows that security issues in the region are no longer the primary factors influencing ASEAN-China relations (Huang 2002).

### **What could prevent an East Asian FTA?**

It is said that the ultimate goal of the ASEAN-China FTA is to include Japan and South Korea and that the ASEAN-Japan partnership will also include South Korea and China. Both are viewed as a precursor to the formation of an East Asia-wide FTA. But is it feasible? Several factors could prevent it from happening.

The major factor is the role of the US in the region. The political dynamics in the region and the trilateral nature of much trade in the region indicate that an East Asians-only regional grouping would not be politically and economically viable (Intal and Austria 2000). As discussed in Section 3, the US is a significant part of the

triangular pattern of production and trade in the region (Northeast Asia, Southeast Asia and the US). The US is the single country that has dominated much of the trade in both the southeast and northeast Asian regions (See Appendix Tables 1 to 4). The country is also a major investor for most of the economies in the region. Furthermore, there is a general recognition that the hegemonic presence of the US as the provider of peace and stability in the region was a significant element in the economic progress the region's economies (Tay 2001). Japan, South Korea, Thailand and the Philippines have defense alliances with the US.

Another factor is the issue on agriculture. Japan has been very protective of its agriculture sector, as shown by the EVSL experience. It was easy for Japan to conclude an FTA with Singapore because the latter has no agriculture sector. But the situation is very different with the exporting agricultural countries of ASEAN, such as Thailand and Vietnam. These two countries would most likely not agree to an FTA without including the agriculture sector. Unless Japan would include agriculture cooperation as one of the elements of regional integration in the region, an East Asian FTA will not become a reality. But most importantly, an exclusion of agriculture is not compatible with the requirements of the WTO on the formation of RTAs to include substantially all trade.

Another issue is the similarity in the export and production structures of most of the economies in the region. Japan and South Korea share a similar structure of comparative advantages; and so are the ASEAN and China, and the NIES. This indicates that their export structures are in highly competitive relationship.

## **6. Summary and Conclusions**

The growing regionalism around the globe has not escaped East Asia. Long known for their support to the multilateral framework under the WTO, the leading economies in the region (Japan, South Korea, China and Singapore) have been pursuing bilateral arrangements with other economies within and outside the region. A host of factors have influenced the phenomenon, ranging from economic to political. This does not mean, however, that the region has abandoned its support for the multilateral framework under the WTO. Instead, the East Asian economies appear to be using both routes (regional and multilateral) as a strategy to accelerate regional and global liberalization. The elements and form of the recently concluded bilateral trading arrangements in the region indicate that they appear to be developing in a building bloc fashion, at least for APEC. If all the bilateral and regional trading arrangement initiatives in the region will have the same characteristics, then all will converge to the APEC goal of free and open trade and investment.

The strategy, however, is not surprising. Unlike other regional arrangements, regional integration and cooperation in East Asia is not anchored on a common ideology but on the central role of market forces. In general, institutional arrangements followed market initiatives, guided by the principles of open regionalism, voluntarism and flexibility. This is shown by the substantial regional liberalization that was achieved along with unilateral liberalization. Likewise, consensus decision-making is central to the process of regional cooperation.

However, there is no certainty that all the initiatives will materialize. One, negotiations are still on-going and they can end up to nothing. Others are still on the proposal/study stage. Two, there are concerns whether the region can move forward along the “ASEAN way”. With more complex issues in the agenda of these new initiatives, the consensus approach could be a limiting factor. And three, there is the Doha round which can offer better and bigger concessions to the economies.

Furthermore, one cannot predict where will all these bilateral/regional initiatives lead East Asia. The forms of integration that the initiatives will take are still unclear. But more importantly, existing realities in the region (political, institutional and economic) could make the establishment of an East Asian Free Trade Area very difficult. Complete absence of the US in the arrangements is unlikely to be feasible given the importance of the US to the region as a whole and to certain economies in particular.

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**Appendix Table 1. Exports of Northeast Asia to APEC Economies, 1991 and 1999 (%)**

ECONOMY/ GROUP	CHINA		HONG KONG		JAPAN		SOUTH KOREA		TAIWAN	
	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999
TOTAL WORLD		100.00		100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL APEC		73.52		75.66	61.55	72.66	66.66	69.34	74.32	76.69
NORTHEAST ASIA		41.57		36.72	14.30	23.23	25.22	31.28	30.15	35.64
China		-		29.09	2.73	5.59	1.39	9.52	0.00	2.10
Hongkong		18.91		-	5.19	5.27	6.64	6.30	16.35	21.67
Japan		16.63		3.15	-	-	17.19	11.04	12.10	9.73
South Korea		4.01		0.92	6.38	5.48	-	-	1.70	2.14
Taiwan (POC)		2.03		3.56	0.00	6.89	0.00	4.42	-	-
SOUTHEAST (ASEAN)		6.02		6.05	12.05	12.92	10.16	12.13	9.92	11.64
Brunei		0.00		0.01	0.04	0.01	0.00	0.01	0.01	0.01
Indonesia		0.91		0.40	1.78	1.16	1.88	1.77	1.58	1.06
Malaysia		0.86		1.12	2.43	2.66	1.44	2.54	1.93	2.35
Philippines		0.71		1.28	0.85	2.10	0.94	2.18	1.12	2.16
Singapore		2.31		2.13	3.88	3.90	3.76	3.43	3.18	3.19
Thailand		0.74		0.77	3.00	2.70	1.86	1.21	1.90	1.77
Vietnam		0.49		0.34	0.07	0.39	0.28	1.01	0.20	1.09
EAST ASIA		47.59		42.76	26.35	36.15	35.38	43.41	40.07	47.28
ANZ-CER		1.56		1.14	2.41	2.38	1.54	1.88	2.02	1.67
Australia		1.39		1.04	2.06	2.02	1.38	1.69	1.77	1.50
New Zealand		0.18		0.10	0.34	0.36	0.17	0.19	0.25	0.17
NAFTA		23.20		31.67	32.48	33.79	29.30	23.15	31.95	27.58
Canada		1.25		1.81	2.31	1.66	2.33	1.14	2.13	1.42
Mexico		0.41		0.27	0.90	1.05	1.08	1.40	0.48	0.73
USA		21.55		29.59	29.28	31.08	25.89	20.60	29.33	25.42
Chile		0.31		0.04	0.20	0.13	0.38	0.32	0.27	0.16
Papua New Guinea		0.01		0.01	0.05	0.02	0.03	0.01	0.01	0.01
Peru		0.07		0.01	0.06	0.07	0.03	0.13	0.00	0.00
Russia		0.77		0.03	0.00	0.12	0.00	0.44	0.00	0.00

Sources of basic data: PC-TAS, NAPES

**Appendix Table 2. Imports of Northeast Asia from APEC Economies, 1991 and 1999 (%)**

ECONOMY/ GROUP	CHINA		HONG KONG		JAPAN		SOUTH KOREA		TAIWAN	
	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999
TOTAL WORLD		100.00		100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL APEC		74.54		86.05	59.88	70.43	69.54	70.15	74.23	75.93
NORTHEAST ASIA		46.72		66.99	12.09	23.70	31.08	30.78	36.49	40.06
China		-		43.34	6.00	13.82	4.22	7.40	0.47	4.10
Hongkong		4.16		-	0.87	0.58	0.95	0.74	2.81	1.83
Japan		20.38		11.63	-	-	25.91	20.16	30.50	27.62
South Korea		10.40		4.86	5.21	5.17	-	-	2.71	6.52
Taiwan (POC)		11.78		7.16	0.00	4.13	0.00	2.48	-	-
SOUTHEAST (ASEAN)		8.91		9.95	13.69	14.87	7.55	10.21	8.19	13.06
Brunei		0.00		0.00	0.63	0.34	0.35	0.24	0.10	0.01
Indonesia		1.84		0.85	5.39	4.06	2.52	3.33	2.00	2.05
Malaysia		2.18		2.14	2.73	3.52	2.29	2.63	2.29	3.51
Philippines		0.55		0.92	0.99	1.71	0.40	0.97	0.38	1.97
Singapore		2.45		4.30	1.44	1.75	1.26	1.93	2.34	2.98
Thailand		1.68		1.63	2.22	2.86	0.69	0.89	0.95	2.18
Vietnam		0.21		0.11	0.28	0.63	0.05	0.22	0.13	0.36
EAST ASIA		55.62		76.94	25.78	38.58	38.63	40.99	45.18	53.12
ANZ-CER		2.47		1.16	6.26	4.74	4.31	4.40	3.45	2.84
Australia		2.18		0.96	5.50	4.13	3.69	3.90	3.02	2.51
New Zealand		0.29		0.20	0.77	0.61	0.61	0.49	0.43	0.33
NAFTA		13.27		7.70	26.71	24.87	25.80	22.57	24.78	19.43
Canada		1.41		0.55	3.25	2.55	2.34	1.50	1.58	1.01
Mexico		0.10		0.11	0.74	0.53	0.27	0.24	0.29	0.45
USA		11.76		7.04	22.73	21.78	23.19	20.83	22.91	17.96
Chile		0.40		0.07	0.80	0.81	0.45	0.68	0.82	0.54
Papua New Guinea		0.05		0.00	0.16	0.12	0.18	0.12	0.00	0.01
Peru		0.19		0.01	0.17	0.09	0.17	0.07	0.00	0.00
Russia		2.55		0.17		1.22		1.33	0.00	0.00

Sources of basic data: PC-TAS, NAPES

**Appendix Table 3. Exports of Southeast Asia to APEC Economies, 1991-1999 (%)**

Economy/ Group	BRUNEI		CAMBODIA		INDONESIA		LAOS		MALAYSIA		PHILIPPINES		SINGAPORE		THAILAND		VIETNAM	
	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999
TOTAL WORLD	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL APEC	99.83	94.44	54.65	76.40	76.72	67.44	69.08	47.75	74.88	75.78	74.59	78.18	66.90	75.27	62.52	70.23	75.90	60.75
NORTHEAST ASIA	77.57	57.61	11.27	9.63	50.13	31.84	9.17	12.96	25.34	26.32	28.49	32.00	19.71	26.50	25.62	27.45	55.82	29.69
China	0.15	0.00	0.87	4.74	4.09	4.13	2.66	4.07	1.86	2.74	1.45	1.64	1.46	3.42	1.18	3.19	0.62	3.32
Hongkong	0.00	0.11	0.37	0.94	2.41	2.73	0.14	0.03	3.36	4.47	4.43	5.56	7.21	7.68	4.73	5.09	9.96	1.86
Japan	64.12	45.12	9.96	2.94	36.95	21.36	5.34	5.80	15.70	11.61	20.04	13.31	8.67	7.42	18.10	14.12	38.17	18.35
South Korea	10.57	12.14	0.44	0.44	6.68	0.00	0.70	0.70	4.41	2.96	2.58	2.94	2.36	3.10	1.61	1.56	2.37	2.47
Taiwan (POC)	2.73	0.25	0.07	0.58	0.00	3.61	1.03	2.35	0.00	4.55	0.00	8.54	0.00	4.88	0.00	3.49	4.69	3.70
SOUTHEAST (ASEAN)	18.33	15.16	41.10	11.96	11.45	16.71	56.57	27.74	29.33	23.50	7.21	14.21	23.33	25.14	11.77	16.60	18.03	15.03
Brunei	-	-	0.00	0.00	0.00	0.06	0.00	0.00	0.34	0.25	0.01	0.02	0.94	0.42	0.10	0.07	0.00	0.00
Indonesia	0.00	1.62	1.69	0.12	-	-	0.00	0.05	1.47	1.46	0.47	0.35	0.00	0.00	0.74	1.66	5.03	5.66
Malaysia	0.07	0.52	18.34	0.91	1.17	2.75	0.18	0.02	-	-	1.39	4.22	14.95	16.55	2.41	3.63	3.60	2.32
Philippines	3.98	0.00	0.00	0.00	0.58	1.43	0.14		0.96	1.53	-	-	1.15	2.47	0.37	1.58	2.69	
Singapore	5.85	6.63		9.68	8.27	10.13		3.60	23.31	16.53	2.60	7.04	-	-	8.07	8.68		4.91
Thailand	8.43	6.40	21.06	1.25	0.92	1.67	56.25	24.08	3.19	3.26	2.50	2.40	6.28	4.39	-	-	6.71	2.14
Vietnam	0.00		0.00	0.00	0.52	0.68	0.00	0.00	0.07	0.46	0.24	0.18		1.30	0.08	0.98	-	-
EAST ASIA	95.91	72.77	52.37	21.60	61.58	48.55	65.74	40.70	54.67	49.82	35.71	46.21	43.04	51.64	37.39	44.05	73.86	44.73
ANZ-CER	2.90	3.72	0.08	0.10	2.24	3.27	0.08	0.18	1.91	2.76	1.29	0.69	2.79	3.13	1.80	2.53	1.39	8.29
Australia	2.69	2.61	0.08	0.07	2.15	3.05	0.08	0.17	1.71	2.40	1.18	0.64	2.47	2.77	1.63	2.25	1.36	8.04
New Zealand	0.21	1.11		0.03	0.09	0.22	0.00	0.01	0.20	0.36	0.11	0.05	0.32	0.36	0.17	0.28	0.03	0.25
NAFTA	1.01	17.96	2.20	54.69	12.82	15.29	3.26	6.86	17.97	23.00	37.45	31.20	20.68	20.22	23.14	23.36	0.65	7.63
Canada	0.00	0.03	2.13	0.65	0.59	0.73	0.77	0.83	0.78	0.74	1.65	0.91	0.77	0.38	1.39	1.20	0.65	1.23
Mexico	0.00	0.01	0.07	0.05	0.19	0.37		0.35	0.27	0.33	0.15	0.34	0.15	0.61	0.33	0.49	0.00	0.28
USA	1.01	17.92	0.00	54.00	12.04	14.19	2.49	5.68	16.92	21.93	35.65	29.95	19.76	19.23	21.41	21.67	0.00	6.13
Chile	0.00			0.01	0.03	0.15		0.00	0.25	0.06	0.11	0.05	0.13	0.03	0.07	0.09	0.00	0.09
Papua New Guinea	0.00		0.00	0.00	0.03	0.07	0.00	0.00	0.06	0.05	0.03	0.01	0.25	0.13	0.05	0.03		
Peru	0.00	0.00	0.00	0.00	0.00	0.04	0.00	0.00	0.01	0.01	0.00	0.00	0.02	0.01	0.08	0.02	0.00	0.00
Russia	0.00	0.00	0.00	0.00		0.07	0.00	0.00		0.08		0.01		0.12		0.16	0.00	0.00

Notes: (1) no data available for Myanmar; (2) Cambodia and Laos data includes APEC 18 only.

Sources of basic data: PC-TAS, NAPES database

**Appendix Table 4. Imports of Southeast Asia from APEC Economies, 1991-1999 (%)**

Economy/ Group	BRUNEI		CAMBODIA		INDONESIA		LAOS		MALAYSIA		PHILIPPINES		SINGAPORE		THAILAND		VIETNAM		
	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	1991	1999	
TOTAL WORLD	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
TOTAL APEC	72.89	75.19	71.97	94.00	65.07	67.69	88.30	92.15	73.25	82.69	67.20	81.82	68.40	75.70	65.42	71.42	72.73	83.45	
NORTHEAST ASIA	22.40	12.06	34.97	37.15	34.14	27.07	26.55	12.13	33.07	37.45	31.21	41.40	30.55	32.41	38.72	38.92	58.25	54.09	
China	2.88	0.63	5.34	7.16	3.23	5.18	5.63	3.94	2.20	3.29	1.89	3.41	3.36	5.13	3.06	4.96	1.28	8.93	
Hongkong	1.77	3.02	13.14	10.88	0.90	0.95	2.60	1.78	2.05	2.53	4.78	3.99	3.01	2.87	2.06	1.40	22.86	4.19	
Japan	15.78	4.08	16.49	3.45	24.46	12.14	16.85	4.02	26.11	20.99	19.58	20.03	21.34	16.65	29.36	24.36	13.02	15.06	
South Korea	0.63	1.07		5.50	5.56	5.54		1.87	2.72	5.26	4.97	8.65	2.84	3.75	4.24	3.51	11.94	13.39	
Taiwan (POC)	1.34	3.26	0.00	10.17	0.00	3.27	1.47	0.51	0.00	5.37	0.00	5.31	0.00	4.01	0.00	4.69	9.14	12.52	
SOUTHEAST (ASEAN)	36.15	62.44	29.30	55.13	9.86	19.84	60.66	79.54	20.08	23.53	9.45	14.61	19.10	23.54	12.78	15.49	13.07	25.80	
Brunei	-	-	0.00	0.00	0.00	0.16	0.00	0.00	0.00	0.02	0.76	0.00	0.28	0.14	0.50	0.30	0.00	0.00	
Indonesia	1.65	2.15	13.38	4.75	-	-	0.07	0.30	1.38	2.71	1.38	2.36	0.00	0.00	0.59	2.20	9.07	3.07	
Malaysia	9.62	16.54	4.51	2.62	1.57	2.52	0.05	0.23	-	-	2.46	3.18	15.22	15.56	3.17	4.99	1.40	3.57	
Philippines	0.13	37.50	0.00	0.00	0.31	0.23	0.00		0.49	2.52	-	-	0.42	2.64	0.26	1.62		1.27	
Singapore	22.05	1.06		23.55	6.57	10.52		5.97	15.59	14.11	3.70	5.67	-	-	7.95	5.93		13.86	
Thailand	2.68	5.19	11.41	24.21	1.07	3.89	60.54	73.03	2.43	3.80	0.78	2.70	3.18	4.72	-	-	1.34	5.30	
Vietnam	0.00	0.00	0.00	0.00	0.34	2.52	0.00	0.00	0.17	0.38	0.36	0.70		0.47	0.31	0.46	-	-	
EAST ASIA	58.55	74.50	64.27	92.28	44.01	46.91	87.21	91.66	53.15	60.98	40.66	56.01	49.64	55.95	51.50	54.40	71.32	79.89	
ANZ-CER	0.28	0.17	7.57	0.23	5.78	6.54	0.34	0.19	3.69	2.72	3.85	3.05	2.12	1.47	2.05	2.29	0.18	0.49	
Australia	0.00	0.00	7.57	0.22	5.33	6.08	0.32	0.18	3.10	2.30	3.27	2.57	1.88	1.31	1.75	1.94	0.00	0.00	
New Zealand	0.28	0.17		0.01	0.45	0.46	0.02	0.01	0.59	0.43	0.58	0.48	0.24	0.16	0.30	0.35	0.18	0.49	
NAFTA	14.05	0.16	0.14	1.47	14.82	13.69	0.75	0.29	16.21	18.28	21.71	21.22	16.49	18.03	11.75	13.74	1.22	3.00	
Canada	0.37	0.16	0.05	0.10	1.37	1.75	0.04	0.01	0.82	0.58	1.35	0.67	0.61	0.37	0.93	0.66	0.97	0.30	
Mexico	0.01	0.00	0.04	0.00	0.31	0.10		0.00	0.02	0.12	0.06	0.09	0.08	0.53	0.20	0.30	0.05	0.01	
USA	13.68		0.04	1.37	13.13	11.83	0.71	0.28	15.36	17.57	20.30	20.47	15.80	17.12	10.62	12.78	0.21	2.69	
Chile	0.01			0.01	0.45	0.37		0.01	0.14	0.20	0.34	0.20	0.12	0.12	0.11	0.12	0.00	0.07	
Papua New Guinea	0.00		0.00	0.00	0.00	0.18	0.00	0.00	0.01	0.03	0.57	0.18	0.02	0.01	0.00	0.07			
Peru	0.00		0.00	0.00	0.01	0.00	0.00	0.00	0.05	0.04	0.08	0.09	0.01	0.00	0.01	0.13	0.00	0.00	
Russia	0.00	0.36	0.00	0.00		0.00	0.00	0.00		0.44		1.07		0.12	0.66		0.00	0.00	

Notes: (1) no data available for Myanmar; (2) Brunei, Cambodia, Indonesia (for 1991), Laos and Vietnam from NAPES database.

Sources of basic data: PC-TAS