

## ASSOCIATION OF SOUTHEAST ASIAN NATIONS

The Association of Southeast Asian Nations (ASEAN), comprising Indonesia, Malaysia, the Philippines, Singapore and Thailand, was formed in Bangkok in 1967. Brunei became the sixth member in January 1984. The original objectives of ASEAN as stated in the Bangkok Declaration were: (1) to accelerate economic growth, social progress and cultural development in the region, and (2) to promote regional peace and stability.

ASEAN members have made great strides in political cooperation on bilateral, regional and international political/security issues, as well as on broad economic matters. However, to date trade and commercial cooperation has been relatively modest. Progress in this latter respect has been slow since ASEAN economies are in many respects not complementary, and members are often competitors in the natural resources, agriculture, and fisheries sectors.

In 1987, The Third ASEAN Summit took several steps to galvanize greater economic cooperation among members, with particular attention to the three high-profile schemes now in place: ASEAN Preferential Tariff Arrangements; ASEAN Industrial Joint Ventures; and ASEAN Industrial Complementation.

The basic feature of the *Preferential Tariff Arrangements* (PTA) has been a commitment to exchange tariff preferences based on lists of products imported by member countries. Since its introduction in 1977, the PTA has grown to include over 20,000 items. However, the PTA scheme has not been successful in promoting intra-ASEAN trade as most significant items have been excluded. In 1987, ASEAN announced a 5-year plan to extend PTA coverage to 90% of total goods traded within the region and at least 50% of the value of total ASEAN-sourced imports. Other measures included an increase in preferential tariff rates and a commitment not to increase tariff or non-tariff barriers affecting intra-ASEAN trade.

The *ASEAN Industrial Joint Ventures* (AIJV) scheme was amended to attract greater private sector interest, especially from foreign investors who may now possess up to 60% equity in an AIJV project, up from 49%. Other improvements included an increase in tariff preferences for AIJV projects and undertaking to introduce Investment Guarantee legislation to protect investments from expropriation or nationalization.

*ASEAN Industrial Complementation* has been designated by the governments as the private sector's contribution to economic cooperation. Various industry groups, working through the ASEAN Chamber of Commerce and Industry, have set up "industry clubs" (15 at present) to develop cooperative approaches designed to strengthen their joint commercial and industrial activities. In some cases this has led to the integration of the industry on an ASEAN-wide basis. Cooperation is intended to take the form of harmonization of products standards and testing procedures, research and development, and coordination of investment projects so that ASEAN companies will not compete with each other. Again, progress has been very slow in this area.