

**ASEAN
RELATIONS
with
DIALOGUE
PARTNERS**

B. A. Hamzah



Pelanduk
Publications

518538

Pelanduk Publications (M) Sdn. Bhd.

24, Jalan 20/16A,
Paramount Garden,
46300 Petaling Jaya,
Selangor Darul Ehsan,
Malaysia

APB

M

337.59

HAM

© Hamzah bin Ahmad 1989

ISBN 967-978-193-3

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopy, recording or any information storage and retrieval system, without permission in writing from the publisher. Printed by Eagle Trading Sdn. Bhd., No. 81, Jalan SS 25/32, Taman Mayang, 47301 Petaling Jaya, Selangor.

15 NOV 1989

Perpustakaan Negara
Malaysia

About the Author

BA HAMZAH is presently Senior Fellow at the Institute of Strategic and International Studies (ISIS) Malaysia. He has lectured for some years in the School of Social Sciences, Universiti Sains Malaysia. Prior to joining ISIS he was Head of Strategic and International Relations at the Armed Forces Defence College, Ministry of Defence, Malaysia.

BA HAMZAH received his Ph. D. from the Fletcher School of Law and Diplomacy at Tufts and has also attended Harvard.

Preface

This monograph has dealt at great length with only one major aspect of Asean dialogue relations process — albeit a very important one. It deals with technical cooperation and technical assistance. It has not addressed in great detail trade and commercial issues in dialogue relations — the two weak links which Asean countries need to upgrade to give meat and meaning to the dialogue process.

Asean countries have come a long way in recognizing the need to close ranks and approach their dialogue partners in a much more realistic way. The need for collective approach and collective action was given a special emphasis at the 19th Meeting of the Asean Economic Ministers' Meeting held in Singapore (9-11 July 1987).

Among other issues the Economic Ministers' Meeting noted with concern were the strong protectionist mood in the US Congress and numerous other trade problems faced by Asean in the dialogue countries. Some of the problems with the US which were cited include: anti-dumping actions, countervailing duty petitions, GSP petitions, farm subsidies and "buy America" campaigns.

One encouraging element in the US—Asean dialogue process deals with the new Asean-US Initiative (AUI).

The Asean-US Initiative concept is old wine in a new bottle. The need for long-term economic cooperation with all the dialogue partners for mutual benefit has been

discussed and trashed out for many years. The need is more pressing now than ever as the international economic environment is becoming more unpredictable. The AUI is a manifestation of this need. It is possible that the AUI concept will also find popular precedence with other dialogue partners. Some Asean countries are already talking of an Asean-Japan initiative.

The Asean Economic Ministers were also concerned about the smear campaigns mounted by the American Soyabean Association against tropical oils. The Asean Ministers had agreed to develop appropriate counter-strategies to counter these smear campaigns which advocated restriction of the entry into the US market of palm oil, palm kernel oil and coconut oil.

It is important that Asean face the campaign in a concerted manner with all the resources that it can command. With the exception of Brunei, all Asean countries sell tropical oils to the US market. Although Singapore is not a producer of commodities it still exports both crude and refined tropical oils.

The Economic Ministers' Meeting also welcomed the announcement by Japan at the Post-Ministerial Meeting that it would establish a fund to help promote Asean economic cooperation and development. Asean ministers urged Japan to make the fund available for joint-ventures among the private sectors of Asean and to encourage private joint-ventures between Japanese and Asean businessmen.

At the meeting with the Japanese officials the Asean Economic Ministers pointed out the potential for investment in Asean. It was argued that as a result of currency realignments in Japan's favour it would be more cost efficient for Japan to relocate some of the low technology industries to the Asean countries. Not only would these industries gain from the currency realignments; cheap labour and high skills in Asean would also give the Japanese manufacturers a competitive edge in the international market.

The Economic Ministers also pleaded with the Japanese to make greater efforts to arrange for "buy-back" of Japanese manufactures from Asean countries. The Asean countries want Japan to open up its market a bit for their manufactures produced by Japanese investment and technology. Japan should seriously consider Asean's legitimate request. Poor quality product control should be used as an excuse to block Asean access to the Japanese market as these products are essentially Japanese products. The only difference is they are produced in Asean countries using Asean labour.

To the European Community (EC) countries the Asean Ministers' Meeting pointed out that the proposed levy on vegetable oils (of which Asean as a group is the largest producer in the world) constituted a breach of the Punta Del Este Ministerial Declaration. The Asean Ministers' Meeting had agreed to send a strong Asean delegation to the European Community, to be led by Malaysia, with the express aim of pressuring the EC to drop the proposal completely.

With Australia, the Ministers' Meeting pointed out with concern that Australia did not take into consideration Asean views when it reviewed its anti-dumping legislations. The Meeting had also been intimated that Australia was likely to introduce a very restrictive post-1988 Textile, Clothing and Footwear Programme which could be detrimental to the trading and business interests of most Asean countries.

In the past the major stumbling block to better trade relations between Asean and New Zealand concerned the tariff classification of Asean products. The Asean Economic Ministers had noted that New Zealand had reinstated developing country tariff-rates status to all export products from Asean countries and that such reclassification of tariff-rates status was well received in Asean.

With Canada the problems are not as acute as with US or Japan. Nonetheless, it was felt at the Meeting that

there was need for Asean to pursue consultations with Canada on specific trade issues which affected the region as a group.

To be fair the Asean Economic Ministers' Meeting did not solely concern itself with dialogue relations *per se*. At that meeting the Economic Ministers also dealt with broader issues of economic cooperation within the organization as Asean was preparing for its Third Summitry in December 1987.

In a keynote address to the Ministers' Meeting in 1987, the Prime Minister of Singapore, His Excellency Mr Lee Kuan Yew, urged the Asean Ministers to come up with practical proposals which could generate conditions or define parameters for greater intra-Asean economic cooperation. He also called for substantive proposals that could improve the Asean economic climate and attract foreigners to invest in Asean countries. Mr Lee Kuan Yew finally called for dynamic ideas that could transform Asean into an attractive growth centre.

Among the proposals which had been recommended by the Asean Ministers for the consideration of the Third Asean summit are:

- a) To improve the Asean Industrial Joint-Venture (AIJV) scheme by introducing the following incentives:
 - (1) Deepening the margin of preference (MOP) from the present 75 per cent to 90 per cent.
 - (2) Raising the ceiling on non-Asean equity in all AIJV projects to 60 per cent for applications submitted before 31 December 1990.
 - (3) Allowing non-participating countries a maximum 8 years waiver period. This means a non-participating country which does not wish to grant MOP can maintain its position subject to a maximum period of 8 years.
 - (4) A pre-approved list of AIJV will be prepared by COIME (Committee on Industry, Minerals and Energy).

- (5) Participating countries to give all AIJV products local accreditation.
- b) Intra-Asean investments will be protected under a new scheme to be called "An Asean Investment Guarantee Agreement". This Agreement will be useful to avoid undesirable back-lash policies in Asean countries. The logic of this concept is well understood in that if Asean countries could separately enter into investment guarantee schemes with all other countries, they should also do so among themselves.
- c) Asean countries to review the PTA list so that a more substantial exclusion list can be drawn up. Many instruments were suggested. The following were critical:
 - (1) items excluded from intra-Asean trade (PTA) should not account for more than 50 per cent of intra-Asean trade value.
 - (2) MOP for existing items on PTA should be deepened to 50 per cent.
 - (3) The Asean local content requirement in the PTA rules of origin to be reduced to 35 per cent from 50 per cent for five years on a case-by-case basis.

The Economic Ministers also addressed some other common issues: trade, business, investment, tourism, banking, transport, communication and other topics which in their minds could contribute to intra-Asean economic cooperation. It should be borne in mind that the primary objective of the 19th Economic Ministers' Meeting was to develop ideas which could be used to enhance intra-Asean economic cooperation.

In writing this manuscript, I have drawn on the time and patience of many people and organizations. I would like to single out for mention certain salient contributions although the debts incurred are more extensive. I would like first of all to thank all friends at ISIS and other organizations who for some reasons must remain any-

mous for sharing with me their ideas and thoughts on Asean and its dialogue partners.

At the editorial level I would like to thank Encik Khalid Abdullah and Mr Chan Ngor Chong who have suggested some important changes to the earlier manuscript. Their editorial assistance is extremely valuable in providing coherence to the book. At the more personal level my thanks go to all the typists (Zainal, Zarina, Shima and Fauziah) for the pains they have taken in deciphering my scrawl. Finally, I owe a debt of gratitude to my wife and two kids for their constant encouragement and patience.

My publishers have been kind enough to decide on the publication of this manuscript in a very short time.

The views expressed in this manuscript are my own. They do not represent the policies or views of ISIS. I alone am responsible for the facts and opinions presented in this manuscript.

BA Hamzah

Author's Afternote:

This monograph was completed before the third meeting of the Asean Heads of State in Manila (14 — 15 December 1987). Many of the recommendations adopted at the 19th meeting of the Asean Economic Ministers' Meeting have been endorsed and adopted by the Third Summit but not incorporated in this monograph.

List of Abbreviations

ABC	— Asean Brussels Committee
ACC	— Asean Canberra Committee
ACW	— Asean Committee in Wellington
ACT	— Asean Committee in Tokyo
AGC	— Asean Geneva Committee
ALC	— Asean London Committee
AIJV	— Asean Industrial Joint-Venture
AIP	— Asean Industrial Projects
AIT	— Asean Institute of Technology
AMM	— Asean Ministerial Meeting
AOC	— Asean Ottawa Committee
APC	— Asean Paris Committee
APC	— Asean Promotion Centre on Trade
APC—HRD	— Asean Pacific Co-operation for Human Resources Development
AUI	— Asean-US Initiative
AWC	— Asean Washington Committee
BAC	— Bonn Asean Committee
CGDK	— Coalition Government of Democratic Kampuchea
COCI	— (Asean) Committee on Culture and Information
COFAF	— (Asean) Committee on Food, Agriculture and Forestry
COIME	— (Asean) Committee on Industry, Minerals and Energy

COSD	— (Asean) Committee on Social Development
COST	— (Asean) Committee on Science & Technology
COTT	— (Asean) Committee on Trade and Tourism
ECs	— European Community countries
GDP	— Gross Domestic Products
GSP	— Generalised Special Preferences
GATT	— General Agreement on Trade and Tariff
IDRC	— International Development Research Centre
ISEAS	— Institute of Southeast Asian Studies
JACPP	— Japan-Asean Co-operation Programme
JCC	— Joint Co-operation Committee
JICA	— Japan International Co-operation Agency
MAF	— (Asean) Mission Administered Fund
MOP	— margin of preference
NICs	— New Industrialising Countries
NOAA	— National Oceanic and Atmospheric Administration
PMC	— Post-Ministerial Conference
PTA	— Preferential Trading Arrangement
SMBs	— small and medium businesses
TIPP	— Trade and Investment Promotion Programme
UNDP	— United Nations Development Agency

Asean Relations with Dialogue Partners: A Commentary

INTRODUCTION

ASEAN is a diplomatic community which subscribes to a free trade and free enterprise system. Yet as a group it practises trading preferences which are considered incompatible with the basic principles of free enterprise. However, these trading preferences are not meant to discriminate against trading partners; they are, on the contrary, policies to reinforce bilateral relations on a regional basis.

Asean also maintains special dialogue relations with major trading nations, or groups of nations and multilateral organizations. The dialogue mechanism in trade relations is unique to Asean and is a special feature in Asean economic diplomacy, hardly replicated elsewhere.

Everything about Asean deals with negotiations¹ and trade-offs — an important attribute of international diplomacy. Indeed, Asean as a concept survives through the process of diplomatic juggling. Asean not only survives on diplomacy, it thrives on diplomacy! Whether the issue is the intra-Asean preferential trading arrangement (PTA) or the Kampuchean conflict, the glue that holds Asean together is diplomatic goodwill.

Asean has a natural inclination for diplomacy. It was diplomacy that brought the five Asean wisemen together and enabled them to hatch the Bangkok Declaration in August 1967. Hindsight appears to indicate that Asean's relations

with its six dialogue partners would not have reached this advanced stage without the wealth of goodwill and diplomatic initiatives from Asean leaders. Without the clever manipulation of diplomatic initiatives Asean would not have found its present niche on the global scene.

Asean's talks with dialogue partners are grounded in sound logic. As Asean depends on exports as a major source of its foreign exchange, it needs to obtain foreign markets to promote growth. Asean nations have long recognized that without policy coordination, especially in trade, they would be competing for the same markets resulting in a dangerous falling-out.

As outward-looking economies, the prosperity of Asean nations depends on foreign markets and foreign investments. Asean goods and produce have to be traded in foreign markets as a result of structural problems (e.g. competing economies, production of the same type of products and with the exception of Singapore Asean economies are basically agricultural in orientation) in the Asean economies. Political stability and potential for a common market in Asean have attracted foreign investments to the region. To some extent, foreign investors are attracted to the region because they *believe* the Asean countries are moving towards a common market. The promise of a large thriving Asean market of close to 300 million people has been cited as one factor encouraging foreign investment in Asean.

On the other hand, a hypothetical question that may be raised is whether foreign investment would continue to flow into the region should Asean fail to create a common market? This is a crucial issue for both foreign investors and the Asean nations. Foreign investors may move out of the region to other countries in Latin America, East Asia and the developed world should the attraction of a common market fade. In reality, Asean is experiencing the movement of foreign investment away from the region.

There is evidently a shift of Japanese business interests away from Asean, because, currency re-alignment and other forms of attractive return on investment have made it more

compelling for Japan to invest in developed countries like the USA and Western Europe. The declining importance of primary commodities in the manufacture of industrial goods – the old concept of the decoupling of primary commodities from industrial products that Peter Drucker² has recently persuasively revived – forms one compelling reason for Japanese reluctance to invest in Asean. Problems of political instability, corruption, shift in the geo-strategic interests of foreign investors to new areas, are also significant issues which Asean countries need to address quickly.

One of the purposes for the Asean link-ups with the industrial world is to create access to their markets and to buy time for regional development. In anchoring to the industrial world the Asean countries also hope to ensure against sudden shifts in global business structure as new business opportunities present themselves. It will be shown in due course that through dialogue partners Asean has built a wealth of experience in multilateral negotiations. Besides confidence Asean has also benefited tremendously from their special relations with the dialogue countries who are Asean major trading partners in the world.

Rationale for Dialogue Relations

Over the years the Asean dialogue partner relations have become a forum for the following:

- o technical and development assistance for common Asean projects;
- o trade and economic concessions through Asean collective lobbying;
- o strengthening of political relations with the dialogue partners; and
- o boosting Asean economic standing.

The Asean dialogue partner-relations arrangements with external powers have become a useful mechanism for coordinating Asean common positions on various issues which are primarily economic in nature. This mechanism also reinforces other dealings by Asean with these countries and provides

the dialogue countries with a machinery to complement their respective bilateral economic relations. What is yet to be established is the extent to which Asean dialogue partners coordinate their positions towards Asean or the extent to which they plan independently of each other. The evidence for this type of counter-response strategy is meagre at present. Collective efforts on a coordinated and planned basis by Asean trading partners towards Asean are not evident. This is because it is not necessary for the dialogue partners to approach Asean with a common position: the problems facing Asean are not common.

At present, Asean maintains dialogue-relations with the European Community (since 1972), Australia (1974), New Zealand (1975), Japan (1977), Canada (1977), United States (1977) and the United Nations Development Programme (UNDP) (since 1977). The UNDP is a major multilateral agency for funding technical assistance to Asean.

The Asean system of appointing a country or the Asean Secretariat to coordinate policies pertaining to dialogue relations on rotation basis has worked very well. Rotating the Chairmanship of the dialogue partners has allayed the fear of complicity and familiarity. The Secretariat takes charge of the UNDP. But this system is deficient in one respect — by appointing one country to look after each dialogue partner, Asean in its present form can only have six dialogue nations. This limitation can be easily resolved by assigning a country to *more than one* dialogue partner on the same Asean consensus principle of six-minus-X if Asean cannot find a sufficient number of dialogue partners to be equally distributed. A more preferred approach would be to go on issue rather than country basis. A combination of issue-cum-country basis should be ideal for the future.

Politics

Since its inception in August 1967 the Asean countries comprising Brunei, Indonesia, Malaysia, Singapore, the Philippines and Thailand have emerged as a rapidly growing economic and political force in Southeast Asia, making a niche on

the global economic scene. Asean's declared goals remain unchanged; i.e. the promotion of economic and cultural co-operation through regional self-reliance.

However, the underpinning of Asean economic co-operation is politics. Before 1967, Asean countries were quite hostile towards each other. Asean was characterised by many conflicts. It was a region of revolt and political instability. The big powers took advantage of their weaknesses and exploited them to the fullest. Political dominions were carved out in the Asean region and the colonial powers adopted a policy of divide and rule. Brunei and Malaya (now Malaysia) came under British rule, while Indonesia was a Dutch colony in the period before 1946. Only Thailand was not colonised. Thailand was able to steer an independent course only by cleverly adjusting its foreign policies and accommodating itself to the changing international and regional environments. As for the Philippines, it was first colonised by the Spaniards and later the Americans. All this is now history.

Contrary to popular belief Asean was not established *primarily* as a means to foster economic co-operation. Economic co-operation became its declared objective simply to provide an excuse for the countries to get together in a loose political arrangement.

It would not have been possible for Asean to take off in 1967 had it been couched with political underpinnings. The quarrels in the region during pre-Asean days were due to political differences rather than a lack of economic co-operation. Economic integration or a common market had never been the intention of the original Asean designers. A common Asean market is only a recent idea that derives its inspiration mainly from developments in Europe.

The primary concern of Asean in 1967 was to create conditions for political co-operation, to establish the parameters for friendly relations between neighbours. At the same time, communist insurgency was then a common security threat. Combatting communist insurgency thus became a common concern of the Asean countries now bound together

by a common ideological pursuit of free enterprise and democracy. Communism, moreover, was also the common external threat to all Asean countries. There was strong concern that China and the Soviet Union would export communist revolutions to the Asean countries. Asean was further obsessed with the US global policy of rolling back communism or its containment.

Enhancing democracy and the promotion of the free enterprise system became crucial for the Asean countries following communist victory in Vietnam. The withdrawal of American troops – the soldiers of democracy – from Vietnam signalled a new era in Asean foreign policy approaches. Asean has long recognized that the potential for open intra-Asean political rifts is high and this can prevent regional solidarity. The unfortunate conflict (Konfrontasi episode) between Malaysia and Indonesia was brought to an end in August 1966, paving the way for an *Asean declaration* in Bangkok exactly a year later.

The Filipino claim on Sabah, advanced in 1969, has all the ingredients of another open territorial conflict in the region. Whilst this territorial dispute has yet to be finally resolved – the then President of the Philippines, Ferdinand Marcos, gave an undertaking in the form of a unilateral declaration during the 1967 Asean Summit that he would take steps to solve it. Such a declaration given publicly and voluntarily by the Head of State of the country with a direct interest in the issue does create some legal obligations.³

Defending democracy and enhancing free enterprise has become the undeclared Asean policy. Asean continues to emphasise free enterprise as an economic system and it is within this larger context of free enterprise and free trade that economic and cultural co-operation among the Asean countries is to be enhanced. Greater momentum in Asean political co-operation was generated following the first Summit of Asean Heads of States in 1976. Since then, Asean's political cohesiveness has been strengthened. Regional co-operation in economic, cultural and social fields (Asean's declared objectives since 1967) has also been expanded. Unfortunately,

the pace for co-operation in non-economic spheres has been kept cautiously slow.

Asean has made major headway in the realm of politics due mainly to the problem of Vietnamese aggression in Kampuchea and its aftermath. After the fall of Saigon, the fear of a common threat from Vietnam, in the absence of a strong American military countervailing support has forced the Asean leaders to re-examine their geostrategic options. In more ways than one, the Kampuchean problem has not only become a rallying cry for greater Asean co-operation but also changed the course of Asean history. Vietnamese aggression against Kampuchea has put to rest all wavering doubts that Asean countries maintained about Vietnam. Had Vietnam consolidated its power base differently – without mounting an invasion of Kampuchea, Asean would have reacted towards Vietnam differently.

The Kampuchean problem⁴ has been a blessing in disguise for Asean political co-operation. Kampuchea has been Asean's shot in the arm. The unresolved Kampuchean problem has also become an important rationale for Asean countries to mobilize international support against Vietnamese aggression. As a group of civilized nations Asean eschews the use of force as an instrument of national policy which has long been proscribed by international law.

Asean's failure to resolve the Kampuchean crisis has certain implications for political co-operation in the six-nation regional grouping. The Kampuchean policy first began as a Thai response to Vietnamese aggression against Kampuchea. The Thai policy of embroiling Asean in an otherwise bilateral conflict with Vietnam, their longstanding arch rival for the control of Kampuchea, had been cleverly orchestrated by experienced Thai diplomats to make it look like a common Asean concern and not one imposed on the other Asean countries. The other Asean countries grabbed the dangling Thai carrot as an excuse to strengthen Asean's fledgling image in political co-operation.

This simple Thai policy on Kampuchea which Asean originally treated as a temporary measure to enhance intra-

Asean political co-operation has eventually evolved into a permanent "Asean Policy" on Kampuchea which it now cannot disown without hurting the Thais.

Apart from putting up a strong political resistance to Vietnamese diplomatic initiatives in international fora, Asean has also created a third force under the aegis of the Coalition Government of Democratic Kampuchea (CGDK) as an alternative to the Heng Samrin government which Asean has refused to recognize. Asean claims the CGDK is the legitimate government of Kampuchea, although, legally speaking, it is difficult to justify such a claim by the usual international practices and norms. The CGDK does not have a strong following; nor does it control any large territory within Kampuchea. Operating mainly outside Kampuchea, its leaders with the exception of the hard core, generally do not live in Kampuchea. Yet the CGDK is not prepared to be labelled as a government-in-exile.

Asean has succeeded in mobilising international support to block the United Nations General Assembly against recognizing the credentials of the Heng Samrin government. In the UN forum the CGDK is the legitimate government of Kampuchea. But the question which begs to be answered is how long can Asean help to sustain an artificial position for the CGDK in the United Nations? Without the popular support of the Kampuchean people it would presumably be difficult in the long run for Asean and the CGDK to deny the Heng Samrin regime a place in the UN.

The CGDK derives its "legitimacy" from Asean and would fall apart without the Asean consensus. Asean consensus is built on the perception that the Kampuchean crisis necessitates political co-operation among the Asean states. So long as fears of a revived communist insurgency in Asean persist, Asean will continue to oppose Vietnam. Moreover Asean finds it difficult to accept a strong communist Indochina as its immediate neighbour. Thus Asean policy towards Kampuchea seems to stem from a clever expediency in crisis management within Asean, rather than from a hostile external environment.

There are other international issues, such as drug menace and the Antarctica, in which all Asean states share common positions. In general, Asean has succeeded in steering reasonably clear of cold war politics. This has yielded the impression that Asean is treading a middle path or adhering to a neutral position. But in reality Asean is positively tilted to the side that champions democracy, free enterprise and free trade. This is indeed inevitable because a strong element in Asean development programme is the view that the private sector must be involved in the development process. Moreover Asean is also looking to all the economic giants (EC, US, Japan, Australia, Canada and other trading nations in the West) for support and co-operation in trade, and for markets, investment capital and general economic assistance for promoting regional economic development.

MECHANISMS IN DECISION-MAKING

The guidelines adopted by the Asean countries with regard to the dialogue partners have been set forth in the 1976 Declaration of Concord and the Treaty of Amity.⁵ These are:

- * co-operation with Asean as a group should not be at the expense of existing bilateral arrangements;
- * co-operation should serve to complement Asean's capabilities and not to supplant them;
- * co-operation should be for projects conceived by Asean which are of regional character and for the benefit of all Asean countries; and
- * co-operation should be unconditional.

Collective dialogues with external powers are conducted by various functional and policy-making bodies formed by Asean. The mechanisms adopted by Asean for this purpose consist of Committees, Meetings, Joint Study Groups and other bodies created to enhance co-operation in all fields of endeavour.

Policy coordination in Asean is carried out at different levels in the policy-making stages from the various techni-

cal committees to the Asean Ministers Committee which makes important policy decisions. The bottom-up style in policy-making is useful for achieving consensus at all levels – at least in the public sector. Even major decisions affecting the private sector in Asean still have to be endorsed by the appropriate ministerial meetings before the policies can receive the blessings of the governments concerned. Government endorsement is important because only governments in Asean can grant concessions (e.g. trade concessions or tariff reductions). What the private sector hopes to achieve today is to induce the various Asean governments to liberalize economic co-operation slightly through deregulation. The extent to which the Asean countries can deregulate and liberalize their economies, so that the free enterprise system will bloom, holds the key to greater economic co-operation in Asean.

Decision-making structures – the Asean model

At the apex of the Asean decision-making structure is the Meeting of Heads of Government popularly known as the Asean Summit. So far, there have been only two Asean Summits (1969 and 1977). The Third Summit is scheduled for December 1987. Major policy decisions are expected to be evolved at the forthcoming meeting of the Asean Heads. Quite clearly all the Asean countries are working hard to make specific proposals to the Summit on the new directions for Asean's forward march. The Third Summit was held in Manila, 14 – 15 December 1987 as scheduled.

Asean has been so structured it can still function even without regular summit meetings. This is because major decisions in Asean are effected elsewhere, not at the Summits. Besides, the nature of decision-making by consensus provides a mechanism to sidestep sensitive issues mainly by delaying or postponing controversial decisions. Nonetheless, regular summits are important for reaffirming commitments and as forums to adopt self-correcting measures with regard to policy directions.

Decision-making fora

In Asean politics, policy decisions are made by the respective Ministers' Meetings which are convened regularly. The two most effective forums are the Foreign Ministers' Meeting and the Economic Ministers' Meeting. The friendly rivalry between the two bodies is understandable as the declared objective of Asean remains economic co-operation. But the Asean Foreign Ministers claim that the undeclared political objective as well as foreign policy co-ordination within the grouping is more important and remains the thrust of Asean co-operation. There is, however, some discreet jostling for equality and power sharing in the decision-making process within Asean by the two groups. It would be some time before the Foreign Ministers' Meeting would be eclipsed by its rival and in the process devolve its predominance in Asean decision-making upon the Economic Ministers' Meeting. The existing status quo will remain so long as the level of Asean economic co-operation remains peripheral to political co-operation.

Role of the Standing Committee

The Standing Committee – the work-horse or brains trust of Asean Co-operation – provides secretarial functions for the Asean Ministers Council. The Standing Committee co-ordinates activities within the Asean network and actually provides more than secretarial back-up for the respective Ministers' Meetings. To illustrate, working through the Meetings of the Asean Secretaries-General, the Standing Committee co-ordinates the functions of the Asean Permanent Committees, the *Ad hoc* Committees and the Economic Committees. Where applicable, the Asean Standing Committee maintains liaison links with all the respective committees. The Standing Committee becomes a sort of clearing-house for Asean policies.

The issues discussed

Numerous issues are regularly discussed between the Asean ministers concerned. At the policy-dialogue sessions the problems raised are extensive involving international, regional

as well as bilateral issues. Issues of common problems are also examined in some detail. In particular, the problem of market accessibility tends to dominate discussions and, as self-interests predominate in such an issue, it is not surprising that each side tends to be on the defensive. Protectionism is another key issue and is the spectre which haunts both the industrial and developing countries.

Problems pertaining to external debt, foreign exchange realignment and monetary movements, GATT rules, the ongoing trade hiccups between the US and Japan, commodities and the problems associated with their price declines have been thrashed out in the dialogue discussions. On a number of occasions, Asean only responded to these problems on ex-post factor basis. There is no evidence of Asean adopting joint machinery for preventing the occurrence of an issue.

Assertiveness and professionalism

There is, however, a weak link in the organization. Under the present arrangement Asean does not have the means to forecast events likely to affect them negatively. Perhaps, what Asean needs is a business/market type of intelligence network or an early warning system that can be triggered when danger signs become imminent. The present reactive policy is unsatisfactory as it puts Asean on the defensive most of the time. Asean needs to be more assertive in its external economic diplomacy if it is going to be more effective in bargaining for better deals in the future.

Constructing the agenda

As a matter of policy, the coordinator country does not *decide* on what items or policies to be discussed or adopted. As the name implies, the coordinator country only catalogues, and coordinates ideas and complaints for inclusion into the meeting agenda. Every Asean country has the right to introduce or request any item to be placed on the agenda. The usual practice in the past has been for all Asean representatives for the particular dialogue country meeting to

meet together to finalize a common agenda which as a matter of course involves some amount of horse-trading between the six members. Usually the Asean negotiators do approach each dialogue partner with some professionalism, always mindful that a common position could strengthen their bargaining strength.

The post-Ministerial conference

Besides the regular dialogues between officials, there is the Post-Ministerial Conference (PMC). This is a forum of Asean Foreign Ministers and the dialogue partners to trash out general problems and issues. Once the policies are agreed upon, the officials will work out their own work schedules. Complementing the formal dialogue partner relations links are the respective business committees in different trading centres. The Asean Third Countries Committees (as they are called) are as follows:

1. Asean Brussels Committee (ABC)
2. Asean London Committee (ALC)
3. Asean Committee in Wellington (ACW)
4. Asean Washington Committee (AWC)
5. Asean Canberra Committee (ACC)
6. Asean Ottawa Committee (AOC)
7. Asean Committee in Tokyo (ACT)
8. Bonn Asean Committee (BAC)
9. Asean Geneva Committee (AGC)
10. Asean Paris Committee (APC)

The Asean Third Countries Committees are also useful as focal points for members of the business community to meet Asean officials in the respective capitals. The forum further provides a convenient meeting place for visiting Asean businessmen who like to meet their business counterparts. Although decisions are not made by this forum the views of the private sector are consulted, highly respected and usually find their way into policy dialogues at some stage or other. The Asean Third Countries Committees do complement other dialogue partner activities.

ASEAN DIALOGUE PARTNER RELATIONS: ISSUES AND PROBLEMS

Asean talks with its dialogue partners on numerous issues. These are not confined only to economic problems and opportunities. When it was conceived, the idea of Asean-dialogue relations revolved around economic considerations – how to obtain more economic gains through direct investment, trade and technical assistance for the Asean countries. Non-economic issues are now often included in the dialogue discussions. For Asean, such a forum is extremely useful for airing its views on issues of vexing international relations – especially when such issues have a direct bearing on Asean's overall destiny. Asean has been known to explore all possibilities and has left no stone unturned whenever such an opportunity arises for it to focus on particularly controversial political issues like Kampuchea, superpower relations and North/South dialogues. Nonetheless, for very obvious reasons, economic matters continue to dominate Asean-Third Countries dialogue partners talks.

A look at the Asean-dialogue partner relations reveals Asean's growing maturity and confidence in its dealings with its dialogue partners. These newfound characteristics have enabled Asean to treat itself as its dialogue partners' equal or near equal.⁶ In practice this involves a combination of the following:

- a) Asean is now more prepared to shift inter-governmental dialogue towards issues of mutual market access, and the facilitation of private sectors;
- b) the relationship has moved beyond the unilateral dimension. It has developed into a strong partnership for mutual benefit; and
- c) Such a relationship has also helped to defuse other sensitivities with the dialogue partners in other international fora. Asean always votes as a bloc especially on issues of immutable principles in international relations. Asean bloc voting and lobbying are significant in offering reasonable trade-offs.

The dialogue partners are happy with dialogue relations for a number¹ of reasons. Some of these are:

- a) to emphasise the importance these countries attach to their relations with Asean by a frank and open exchange of views on economic matters of common concern;
- b) to move further along the road toward a much more mature and reciprocal relationship with the Asean countries — emphasising in particular that market access and a favourable investment climate are two-way streets;
- c) to emphasise the limitation the public sector faces in transacting business. In the free enterprise system business remains the major concern of the private sector. Therefore, the dialogue partners are mainly concerned with promoting the idea that the private sector performs a primary function in economic relations. Hence their continued insistence for some kind of private representation in Asean-Third countries dialogue process;
- d) for the dialogue partners, such meetings are useful for them to inform Asean and at the same time create better understanding of their own external policies on issues such as GATT, GSP, import limitations of certain products, investment policies and issues relating to domestic constituencies;
- e) All dialogue countries see Asean as a strong bloc that they can rely on to support certain objectives. For example, the United States is keen to encourage Asean accession to the full range on MTN codes and get Asean to co-operate in the new GATT round;
- f) to review regularly the status of ongoing projects; and
- g) dialogue partners are interested in having access to an enlarged Asean market. The dialogue partners are hoping that Asean will integrate its disparate markets into a common system. The advantages of a single Asean market from the investors' point of view are too obvious.

ACHIEVEMENTS

Considering the number of approved technical projects, the achievements of Asean dialogue relations are numerous but insignificant in substance. This is because Asean countries put too much effort on technical assistance and do not venture positively into much more significant business areas. As a mechanism for defusing trade differences the system of dialogue relations can be said to have made an impact but at times it fails to work. The Australian aviation policy is a good case in point.

Dialogue-partner Projects

An examination of the projects with the six dialogue partners is attempted in this section. These projects are listed in the appendices.

Australia

With Australia⁷, for example, project concentration is in the areas of food, agriculture and nutrition. The Asean-dialogue talks received its initial inspiration from the talks in January, 1974 at Bangkok between officials of the Australian Government and the Asean Secretaries-General. This informal meeting paved the way for the formal inauguration of an Asean-Australian dialogue in Canberra in April 1974. In line with the Bangkok initiatives, the Australian Government committed \$A5 million to an Asean-Australian Economic Co-operation programme in the following five major areas:

- o the development of improved post-harvest techniques;
- o the development of low cost, protein-rich food based on soya bean; handling of grains, horticultural products, livestock and fish;
- o an Asean-Australia Trade Co-operation programme;
- o the establishment of an Asean Research Centre for Education; and
- o the establishment of an Asean Consumer Protection agency.

Specific projects have been formulated under each of the above programmes funded by the Australian Development Assistance Bureau. Evidence points to the fact that Australia is keen to help Asean get on with some projects. It has matched words with deeds by increasing commitments to the Asean-Australian Economic Co-operation. Until June 1986, Australia has committed \$60.33 million for the programme.

Australia has sponsored projects under six principal Asean Committees. The Asean countries have also requested co-operation in the transportation sector at the 1984 Eight Forum. Australia is likely to give a favourable consideration to this request.

Asean-Australian Co-operation is not without its shortcomings. Asean still views with great concern Australia's immigration policy and overseas student policy. Much goodwill has been lost as a result of these two policies. The Asean countries consider these policies as another protectionist barrier against the Asean countries. Australia has also been chided for its protectionist trade practices which deny markets to Asean exports.

Canada

Asean maintains extensive dialogue relations links with Canada as it does with Australia, Japan, the US, New Zealand and the EEC countries. However, in the case of Canada the dialogue relations are more formal in that they are premised on the Asean-Canada Co-operation Agreement signed in September 1981. This agreement emphasises programmes in certain selected areas of industrial, commercial and development co-operation.⁸

Presently, as Annexure C shows, the Canada-Asean dialogue is concentrating on agriculture, forestry and fisheries. At a meeting in Manila in October 1984 and on other subsequent occasions, the Asean countries have indicated to Canada, as they have to the other dialogue countries, their intention to diversify their co-operation into more substantive areas. This movement away from development on technical

co-operation into priority areas of market access, energy co-operation, shipping and transfer of technology has received positive response from Canada.

Japan

Asean-Japan dialogue was first initiated in the second half of the 1970s with the first Asean-Japan Forum held in Tokyo in 1977. At this forum, Japan promised assistance to Asean countries amounting to S\$1.01325 billion in the form of the Fukuda Fund, the Human Resources Development Programme, the Cultural Fund, the Asean-Japan Scholarship Fund, the Asean Regional Studies Programme and the Asean-Japan Co-operation Promotion Programmes. Japan also supported projects such as the Asean Urea Project, the Duck Disease Research Centre, Studies on Tides and Tidal Phenomena and Seminar on Japan's GSP.

Asean-Japan co-operation with its beginnings in the fields of trade, commerce and economics has now been expanded to include other areas. Most prominent are the areas of human resource development, agricultural science, engineering science, medical science, basic research and frontier technologies. Asean hopes that scientific co-operation with Japan can become the basis for the Asean Plan of Action in Science and Technology – a kind of Asean manifesto on science and technology for the region.

Apart from discussing technical co-operation efforts, a lot of Asean energies have been focussed currently on yen appreciation and other currency alignments and their effect on Asean economies. Asean countries are also very concerned about the trade imbalances with Japan. The problem of dumping of obsolete technologies and the movement of "dirty industries" to Asean are also issues included on the Asean agenda for discussion with Japan.

EEC

The EEC is Asean's oldest dialogue partner. Like its relations with Canada, the Asean-EEC dialogue is also based on a co-operation agreement – the Asean-EEC Co-operation

Agreement which was signed in Kuala Lumpur in March, 1980.

This document lays down the framework for co-operation in commercial and economic development and in culture. The Agreement is also instrumental in setting up the Joint Co-operation Committee (JCC) – a body that meets annually “. . . to review as well as to guide the direction and implementation of the Asean-EEC co-operation”. Of course, the Asean Brussels Committee plays an important role in helping the co-ordinator country to co-ordinate and implement the Asean-EC dialogue relations.

Since the establishment of the JCC forum, the EC countries have contributed significantly to development in Asean. The co-operation covers trade, technology transfer, development and financial co-operation. In 1985, total Asean-EEC trade was valued at US\$16.5 billion, with EEC achieving a trade surplus of \$1.7 billion. EEC as a bloc invests in Asean quite significantly – 12 per cent of the total foreign investment in the region.⁹

Like all the other dialogue relations maintained by Asean, Asean EC dialogue relations suffer from the same substantive flaw – too much emphasis on technical co-operation, very little movement in substantive issues like trade, investment and real technology transfer. Of great concern to Asean right now is of course EC's imposition of a consumption tax on vegetable oils and fats, which has led to Asean talk of boycotting EC goods as a retaliatory measure.

New Zealand

The dialogue with New Zealand was first initiated in 1975 with Singapore as the co-ordinator country. The Asean Committee in Wellington (ACW) has assisted considerably in the implementation and co-ordination of projects sponsored by New Zealand.

On the development and technical front, New Zealand has contributed quite generously – 12 per cent of its Overseas Development aid has gone to Asean. Some of the projects undertaken with the co-operation of New Zealand include

the survey on End Uses of Timber, Animal Husbandry Dairy Training Centres, an afforestation project and research projects at the Institute of Southeast Asian Studies (ISEAS). Questions on admission to New Zealand's higher institutions of learning and development of human resources have also been raised by Asean.

Despite very restricted GSP rules, rigid import licensing and non-tariff barriers, trade between Asean and New Zealand has improved quite significantly. Between 1975 and 1982 trade between Asean and New Zealand grew to NZ\$41.2 billion representing about 8 per cent of New Zealand's total trade. Between 1982-1985 the balance of trade with New Zealand was in Asean's favour.¹⁰

Much of Asean trade with New Zealand comes in the form of petroleum and its byproducts, dairy products, as well as cereals.

United States

Asean-US dialogue co-operation first began in earnest in 1975 with the Philippines as the co-ordinator. Although there are problems with the US, especially over its trade policies, agricultural subsidy policies, and rising protectionist attitudes, on the whole the dialogue relations have been successful and mutually beneficial.

Apart from natural rubber, tropical timber, vegetable oils, sugar, petroleum, natural gas, manufactures, textiles and other products, Asean sells tin to the US. Therefore, US failure to join the Sixth International Tin Agreement and GSA sales of tin from the US strategic stockpile at a time of weak export markets became an especially contentious issue in 1981-1982. This problem was temporarily resolved by the signing of a Memorandum of Understanding on Tin in 1985.

The US is a major trading partner for all the Asean countries. Next to Japan, it is the biggest investor in the Asean countries. US ties with Asean are not only economic in nature, but also political and cultural. In fact US cultural influence in Asean is extensive. One only has to glance at the TV guides in the Asean countries to establish this. US

companies have substantial interests in Asean and US-Asean economic co-operation is rapidly increasing. US Trade with Asean in 1984 was about \$26 billion and US direct investment is now more than \$10 billion, the bulk of it in the petroleum sector.

Significant progress has been made in the Asean-US development co-operation sector. US assistance to Asean has increased from US\$105,000 in 1979 to \$33.8 million in 1984. One area taking centre stage in US-Asean technical co-operation is the human resource development to which the US has pledged to commit about \$18 million over the next few years.¹¹

UNDP

The decision to appoint the Asean Secretariat as the permanent co-ordinator for dialogue relations with the UNDP was made at the 17th Asean Ministerial Meeting (AMM). As a result of this decision, the responsibility for this was transferred from the UNDP Regional Office in Bangkok to the Asean Secretariat in Jakarta.

UNDP has programmed a series of projects in the Third Cycle (1982-1986) and the Fourth Cycle (1987-1991). A sum of US\$2.5 million has been allocated for projects in the Third Cycle. As of May, 1986, UNDP has completed 14 projects with 19 more ongoing projects to be completed, for which UNDP has set aside about \$6.2 million.

The following projects by Committees were approved in 1985/1986:¹²

- o COTAC Project on Training in the use of Computers in Telecommunications
- o COIME Project on Information Exchange System for Transfer of Technology
- o COST Project on User's Manual for Asean Climatic Atlas and Compendium
- o COIME Project on short term Technical Assistance to COIME in Project Identification, Preparation and Promotion
- o ASOD Project on Asean Training Courses for Drug Rehabilitation Professionals

- o COST Project on Asean Science and Technology Week
- o COCI Project on Conservation of Cultural Property
- o COTAC Project on Support to Maritime Sector (Asean)

UNDP projects too suffer from the same defect of excessive emphasis on technical assistance and too little on trade creation. Asean should attempt to ease out from this technical assistance policy and concentrate more on the latter. Technical assistance while useful is not a substitute for exchange and trade. The problems with Asean economic co-operation have little to do with the shortage of ideas or skills that can be resolved through technical co-operation. Asean's problems in economic co-operation are in the area of market access, capital inputs, investments and opportunities to conduct business at arm's length.

Technical co-operation is one of the objectives of the Asean dialogue partner relations but not the most important consideration. What Asean needs most is a policy on how it can as a group influence its dialogue partners into giving special treatment to Asean goods – i.e. to develop a credible mechanism for trade creation and reduce linkages or trade diversions from the region. Reinforcing this is the need to develop collective strategies – essentially those which could help to breach protectionist walls that its trading partners have erected. At the same time, besides giving priority to trade, Asean must attract more foreign investment.

Another problem with technical co-operation is that of a subsidy mentality or technical co-operation mentality which tends to make the 'beneficiary' more inward-looking and to assume that crutches are there forever. A stable economic relationship between nations must rely on reciprocal trading arrangements which can produce a consistently interdependent relationship. A dominating or dependent relationship must be avoided to remove economic distortions which, in the long run, can be damaging to Asean economies.

Thirdly, Asean should gravitate away from a dependency on the technical assistance syndrome as this tends to be a

function of generosity and not affordability. Besides, there are times when technical assistance comes with invisible strings discreetly attached. Moreover, the proportion of technical assistance depends on the rate of economic growth and the willingness with which the countries are prepared to contribute. It would be counter-productive for long term planning in Asean to rely too much on technical assistance or one-time grants. Funding for Asean projects is likely to be adversely affected in the future as a result of the slowing down in the economies of the developed countries.

Fourthly, as Professor Sadli¹³ demonstrates, Asean tends to put too much emphasis on bilateral projects other than those with regional considerations. What should be done in the future is for Asean countries to identify one regional project that allows for joint-funding from all the dialogue partners. The kind of project in mind and one that can produce regional benefits in the long run is the establishment of an Asean University. The project has been discussed for some time now but no action has been taken to realise it. The problem lies not so much with the concept, which no one objects to, but in minor technical problems like the siting of the proposed University.

Asean University

Siting is not a problem if Asean countries can agree to disperse the proposed university into existing campuses of the six Asean countries. The campuses would then be linked up through curriculum co-ordination and agreements on essentials; for example student recruitment policies. Co-ordinating curriculum and policies on student recruitment can be undertaken by the Asean Ministers of Education forum. Actual day-to-day running of the faculties can be entrusted to the respective national universities. An Asean University if properly conducted can help to develop an Asean consciousness or mind. The University could also become a testing ground for ideas on how to enhance greater co-operation within the Asean region.

The Asean University is only one of such projects. Asean can start any project that can produce regional benefits once the Asean countries can agree on a set of criteria and procedures for such projects. This seems to be a problem with Asean. With regard to technical assistance it operates on an *ad hoc* basis without firm guiding principles. It would appear the projects are selected as a matter of prestige – to ensure that each Asean country has a project that receives funding from an external source. Evidently, there is little planning and co-ordination with regard to project selection. Co-ordination occurs only during the presentation of projects to the dialogue partners. Asean countries should co-ordinate and select carefully regional projects that require external funding. The most important criterion for selection would be its contribution to the economic well-being of the region. A project that cannot generate greater economic welfare for the Asean region, no matter how attractive it may seem to be and even if it produces short term benefits, should not be encouraged if in the long run it is likely to injure the welfare of the region. It is always better never to be 'penny wise and pound foolish' in the selection of regional projects. This is not to suggest that thus far none of the currently on-going projects has benefited the region.

Technical co-operation with dialogue partners can lead to unhealthy relations in the long run if donor countries insist on managing the projects as their own. Asean countries have correctly resisted attempts by donor countries to monitor their management and execution. Asean countries only need the funds to establish the projects and firmly believe they have the expertise to *manage* the projects on their own. Some mutually agreed upon guidelines on project management would be required as it can be expected donors would feel they have a responsibility to their people with regard to public spending. Perhaps a joint Project Supervisory Committee of six Asean countries plus other interested and relevant parties should be considered. A joint Project Supervisory Committee in the author's view can help reduce misgivings on both sides.

According to Professor Sadli of Indonesia, the Asean dialogue relations arrangement has lost some of its early enthusiasm. He attributed this to Asean's diminishing capacity to attract foreign investment as a result of two major considerations: the balance of payments problems in the Asean countries and Asean's reluctance to establish a common market. Part of the problem also has to do with our early discussions on new investments moving away from the Asean region to the developed countries where returns on investments are much higher. While Asean countries as a group do not suffer from too much political instability, a factor that investors are sensitive to is that the region as a whole is still considered relatively unsafe for long-term large scale investments. The recent political upheavals in the Philippines and the unsettling problems in the Indochinese states are bitter reminders of the kinds of political turbulence which could affect the Asean business environment. Problems of political succession in Asean nations have also raised some alarm among potential investors. Besides, a large chunk of foreign investment in Asean has gone into petroleum mining — a sector which has almost reached saturation point.

Asean leaders should promote a programme of strategic initiatives or offensives in order to improve business opportunities in the Asean region. The following initiatives should bear dividends in the long run:

- 1) Asean should attempt to make the region more attractive to foreign investments. Short of a common market how can this be done? Asean should forge ahead with a limited free trading area comprising Indonesia, Singapore, Brunei and Malaysia.¹⁴ The limited free trading area solution is likely to attract foreign investment for the following reasons:
 - a) All the four countries are not discouraged by the common market concept. All four have created a strong trading infrastructure. More than 70 per cent of intra-Asean trading is transacted between the four countries;
 - b) All four have resources which could attract foreign investors;

- c) The political situation in the four countries is reasonably stable and is not inclined to sudden changes in government;
 - d) The cost of skilled labour in Indonesia and Malaysia is still cheap;
 - e) Brunei and Singapore have plenty of reserve capital for joint venture activities;
 - f) Singapore's level of technological expertise is high. Communication facilities on the island and the other three countries are comparable with the best in the world. Besides, Singapore can provide a strong base for offshore funds;
 - g) Together all four have a combined market of about 200 million people or roughly 70 per cent of the total Asean market; and
 - h) A limited free market area can produce the essential stimulus for a regional common market. This factor alone is useful in attracting potential investors into the region.
- 2) However, Asean should not over-emphasise the importance of technical co-operation and projects. Their limitations in stimulating development have been discussed. Asean should instead concentrate on investment and new market openings.
 - 3) Trade should be a major concern of Asean countries *vis-a-vis* the outsiders. Asean should develop strategies to expand extra-Asean trade especially those of value added made-in-Asean goods. This can be achieved through a system of market sharing.¹⁵
 - 4) Besides market sharing Asean countries should identify certain commodities as general products which could be exported on revenue sharing basis. This policy on revenue sharing of selected Asean products should complement the existing AIJV philosophy. Revenue sharing in Asean is not too far-fetched an idealism. Presently Singapore and Malaysia have a revenue sharing arrangement on a limited basis in their aviation industries.

- 5) Concentrating on trade makes sense as all Asean countries depend on exports for their foreign exchange. But as a strategy Asean should also expand its activities into non-trade areas e.g. services. For example, joint Asean shipping link-ups or aviation policy co-ordination with a view to deriving some amount of market sharing or revenue sharing could forge closer Asean economic co-operation.
- 6) Lessening dependence on foreign capital from traditional sources for various technical projects means Asean has to raise alternative funds from local and other multilateral sources. It would certainly be in the interest of Asean to initiate an Asean Investment Fund from multilateral agencies and matching contributions from all Asean countries for regional projects.
- 7) Asean countries should also establish criteria for Asean projects which can be funded by the Asean Investment Fund. A Manila Charter for Asean Investment has been proposed for consideration by the Group-14. Liberalising the Asean economy may produce a more accommodating business environment for the Asean region which may lead to a better appreciation of the role of Asean-dialogue process in enhancing economic co-operation in Asean. The following recommendations can reinforce further Asean co-operation with its dialogue partners:
 - a) put more emphasis on general discussions of global economic and trade issues. At the present time, the Asean side tends to focus too much on development projects;
 - b) Asean negotiators should comprise persons with the right type of expertise and experience to enhance the quality of discussions;
 - f) Greater co-ordination between and among Asean countries with regard to project proposals. The general complaint is that Asean takes too much time to formulate and finalize project proposals

and documents thus slowing down the process of project implementation. Perhaps it is important to establish a unit within the Asean Secretariat to monitor and co-ordinate project proposals and developments with dialogue partners. It would not be totally fair to let the co-ordinator countries handle all activities with dialogue partners without the active participation of the Asean Secretariat in Jakarta;

- d) Asean countries should also avail themselves of all existing machinery that dialogue partners have in the area for economic co-operation;
- e) There must be greater co-operation between private sectors of Asean and those in the dialogue partner countries;
- f) It is important to view dialogue partners as separate entities. A separate common Asean policy for each dialogue partner is more practical than a general policy for all dialogue partners;
- g) Structural improvements to take into account the changing international business and economic environment;
- h) Expand dialogue partners to include the centrally controlled economies (e.g. the Soviet Union, China and Eastern Europe) and other countries which Asean does trading with (e.g. South Korea, India);
- i) Select negotiation topics of common concern to Asean with excellent scope for concerted effort;
- j) Asean countries should not only respond to certain actions by the developed countries but should plan ahead of time to prevent policies damaging to their common interests from being introduced; and
- k) Asean countries should create a corps of experts competent in trade negotiations and equipped with a thorough understanding of the ground rules in international trading environment, eg. GATT and GSP.

General discussion of global economic and political issues is stressed for the following reasons:

- 1) As economic giants the dialogue partners are obviously more interested in developing projects which could ultimately raise the economic welfare of their own citizens. As such, it is natural to expect them to be more concerned with global economic issues which have a direct bearing on their economic well-being;
- 2) Asean countries have expended too much energy on requests for development assistance. While development projects are important and can help to stimulate economic growth, they are no substitute for trade and investment. Asean should stress trade and investment, rather than seek technical aid in the form of development projects;
- 3) Furthermore, economic development projects can be requested without much haggling. The crux of the matter in international business is market accessibility and investment. These two are central to the development of Asean countries. Asean wants to promote free enterprise. It wants to enter overseas market without any hindrance. Likewise Asean countries need direct foreign investments to undertake long-term structural adjustments for trade and economic liberalization policies; and
- 4) Development projects can be handled by a special committee and do not have to be subjected to all forms of red-tape in decision-making procedures. Asean should not try to discuss development projects together with business or investment proposals.

Expertise and experience in negotiations are the keys to success. It is important for Asean countries to develop a corps of regional experts in trade negotiations for the following reasons:

- a) To enhance the quality of the discussions;
- b) To match the expertise of the dialogue partners;
- c) To understand thoroughly the rules of international

trade arrangement, e.g. GATT and GSP and to take advantage of any loophole that these rules may contain for their common benefit. Besides, a good grasp of the ground rules would enable trade negotiators to plan their strategy well in advance.

- d) Only with matching expertise can Asean expect corresponding respect from the economic giants;
- e) Experts from the private sector can complement bureaucrats to negotiate for better business terms.

Co-ordination and planning with regard to project proposals is essential for the following reasons:

- a) to minimise waste of resources;
- b) to reduce red-tape;
- c) to ensure chosen projects will really benefit the Asean countries. Sometimes it is not possible for a particular project to generate equal benefits to all. In such a case, the Asean consensus principle of six-minus-X (6-X) should be applicable. Other Asean countries which may not benefit directly from a certain project should not jeopardize the chances for a majority interest; and
- d) presently, all development projects are funded by the public sector. Little money comes from the private sector. In future, support for technical assistance may have to come from the private sector. In Japan, for example, it is quite evident that the public sector is no longer able to support these activities.

Dialogue partners usually appoint overseas offices to facilitate business contacts. Besides embassies, these offices become the local focal points for business in the area. For example, the United States has an AID Liaison office in Manila. Canada has a small office in Singapore that vets all applications for aid from IDRC (International Development Research Centre). Japan has its own IDRC equivalent in the region in the form of JICA (Japan International Co-operation Agency). Full utilization of these offices is recommended for

the following reasons:

- 1) It is more convenient to deal with these contacts as they are already within the community so to speak;
- 2) Contacts at local level will circumvent red-tape as they would be in a position to advise on resource availability and what their parent organizations/countries can or cannot offer; and
- 3) Bypassing local contacts may cause delay as sponsors may refer specific proposals back to them for their views, recommendations or even decisions.

Greater co-operation between the private sector of the Asean countries and that of the dialogue partners is encouraged for the following reasons:

- 1) In future, the engine for growth in Asean (already true in the industrial countries) is likely to be the private sector;
- 2) Governments do not get involved in business or invest to the same extent as the private sector does;
- 3) The machinery for co-operation between governments is already well established. The weak linkages between the various private sectors need to be reinforced to facilitate closer rapport with each other; and
- 4) In a free enterprise system, it is important for the private sector to be seen as taking the initiative and leading the public sector by way of investment and other activities. Each Asean country should be able to identify its strong private enterprises for possible link-ups. Perhaps an Asean Private Sector Enterprise Information Exchange Centre would be a useful organization to co-ordinate disparate private sector activities.

The reasons why Asean countries should treat dialogue partners as separate units are as follows:

- 1) They are sovereign nations which need to be treated with care and respect;

- 2) Each country has its own peculiarities; its own laws and a host of other things which are not common with the other countries;
- 3) Asean has different interests and emphasises different things with each dialogue partner. Perhaps it is the protectionist tendencies in America and the non-tariff barriers in Japan that worry Asean most. Even in investment patterns the approach is visibly different. While in a general sense Asean welcomes all forms of direct foreign investment, the sectors requiring investment may differ from country to country. Likewise dialogue partners may want to invest in different sectors. This calls for a lot of co-ordination and planning; and
- 4) Certain structural improvements and adjustments will be useful to keep Asean in step with the changing international and domestic environment. The following approaches are proposed:
 - (i) PMC (Post Ministerial Conference) – the PMC should focus on broad policy issues. Besides the political issues – there should be an exchange of views on the world economy, its trends, outlook, problems and possible solutions. Through the discussions, the ministers could give guidance and directives, identify common positions and differences and agree on possible areas of close consultations at official level. Specific economic and trade issues of a bilateral nature should not be taken up at the PMC. Moreover, there should be a close linkage between the dialogue partners and the PMC for more effective follow-up action. Decisions taken at the PMC should be implemented under the dialogue which should in turn keep the PMC informed of its activities;
 - (ii) Regular meetings between the co-ordinating country and local dialogue partners and Embassy officials should be encouraged to discuss dialogue matters to review progress, to consider follow-

up action and to identify new areas of co-operation;

- (iii) Likewise, regular meetings between Asean country committees (eg. Asean Washington Committee) and officials in the relevant ministries/departments (eg. US State Department in the case of USA) and other agencies to discuss specific or bilateral issues are to be encouraged. In the case of the US, for example, regular meetings between AWC and officials from the State Department to discuss specific issues – e.g. US disposal of its tin stockpile and US action against Asean's textile exports – will be useful to all the parties concerned; and
- (iv) Both Asean and dialogue partners should actively explore new areas of co-operation, particularly among the private sectors which should be accorded a larger and more regularised role in the overall dialogue process.

It is important to expand dialogue partners for the following reasons:

- 1) To reach bigger markets;
- 2) To avoid allegations of trading discrimination. It would be difficult to prevent those who have been lobbying hard to become dialogue partners (e.g. South Korea and India) from feeling that they have been discriminated against by the Asean bloc;
- 3) Such negative perceptions can spawn negative counter responses; and
- 4) Such a policy is aimed at reducing overt dependence on a particular bloc to avoid market distortions that may occur.

Identification of common activities or initiatives (e.g. GATT) for joint negotiations becomes crucial to Asean long-term and short-term strategic interests for the following reasons:

- 1) concentration of force is useful in any negotiation to derive maximum benefits;
- 2) to approach the dialogue partners with one voice thereby minimising intra-Asean conflicts; selection of topics of common interest would be more conducive for the optimisation of resources for negotiation. Topics such as GATT, market accessibility, investments and trade are core to Asean. By now, Asean should recognize which common topics can be pursued jointly and which can be pursued separately by each Asean country. Either way it would be useful to nominate one expert to be spokesman or leader for that particular topic; and
- 3) by identifying and selecting topics and prioritising them, Asean can plan its subsequent moves.

Asean should not only make counter-moves or counter-responses but should also prevent certain damaging policies from being introduced. This is important for the following reasons:

- 1) Counter-responses without planning tend to be counter-productive. This tendency does not generate goodwill in international relations;
- 2) Once a policy has passed the formulation stage, it is difficult to withdraw; and
- 3) Preventing a policy from being formulated is easier than dismantling it. Asean needs information well in advance for any form of lobbying to be effective. A good business/trade network with advanced warning system attributes would be useful for long-term planning. The proposal for an Early Warning Business System for Asean as discussed earlier is strongly recommended.

CONCLUSION

Asean is a community of trading nations. In 1986 Asean total exports accounted for 40 per cent of its combined

Gross Domestic Product (GDP). Asean's dependence on external trade is well-established: 42 per cent for Thailand, 47 per cent for the Philippines, 50 per cent for Indonesia, 79 per cent for Malaysia, 109 per cent for Brunei and 617 per cent for Singapore. The rate of dependence on external trade for Asean is twice higher than that of the world's average — making Asean extremely sensitive to the volatilities of global trade. Hence, managing the global economic environment, which is increasingly hostile to the Asean countries, has now become a very crucial consideration for Asean's future.

Asean should use the dialogue relations as a mechanism to cushion the impact of a hostile external economic environment. Some ideas of tackling the problem have been discussed. Lest it may be taken for granted, the Asean countries should not consider the dialogue machinery as the panacea for all the economic ills in the region. The dialogue-relations machinery forms only a very small component (albeit a significant element) in Asean external economic diplomacy. Asean leaders should try to use the dialogue machinery to reinforce other economic initiatives to obtain a better deal for the region. Asean is also well-placed to play a moderating role on behalf of the other developing countries in influencing the trade policies of the developed world. Together Asean can form a strong force to bring down protectionist barriers in the industrial world.

In the short-term, Asean should focus on bringing greater economic benefits to the region. Asean should also seek to get better terms of trade through the machinery of dialogue relations to expand the Asean export sector. Securing greater flows of capital for investment in Asean is also another important consideration in Asean economic diplomacy.

It is difficult to assess the quantum of foreign investment in the region as being attributable to the efforts of dialogue relations talks. In general, direct foreign investment in Asean countries owes much to bilateral efforts. This puts the dialogue relations in a dilemma, which seems to have little contribution to make in the realm of foreign investment.

Although it is strongly recommended that Asean should shift the substance of its focus in dialogue relations to investment and trade – how it can be effected through the mechanism of dialogue relations talks cannot be precisely established and has not been fully addressed in this book apart from suggesting in broad terms the adoption of an Asean Investment Charter.

It is very difficult to operationalize common policies on investment for the region in the absence of an integrated or common market. Presently, all the Asean countries have their own investment policies. Each country draws up its own investment programmes with competitive incentives.

At the most basic level in Asean economic diplomacy there seems to exist a broad consensus over the rationale for joining Asean. The countries have teamed up in Asean in order to minimise intra-Asean conflicts and to increase their ability to achieve certain objectives which they are unlikely to accomplish on their own. These objectives are not confined only to the realm of foreign policy co-ordination or economic diplomacy. Precisely how Asean can serve this purpose is less certain. What is certain, however, is that Asean hopes to derive some economic gains from dialogue relations with the major trading powers.

In all fairness to Asean, the dialogue relations as an economic diplomacy mechanism can only work well when all other issues are in place. Dialogue relations can also be seen as another form of North-South talks or negotiations taking place in the absence of a new International Economic Order. The extent to which Asean countries – which happen to belong to the South – can attain economic advancement or benefits without a restructuring of the global economy is also less certain. Nonetheless, the Asean experience of negotiating with the Northern countries for better trade terms and investments is useful for the other countries to emulate. It is important in this context for the Asean countries to develop strategic initiatives which can further reinforce their bargaining power with the industrialized countries.

These initiatives may include some of the suggestions proposed here. Perhaps it may prove pertinent for the Asean countries to team up with other countries in the South on such common issues as commodity prices and external debts, to confront the North. For a start, it may be necessary for Asean countries to co-ordinate common positions with members from other regional groupings with similar economic fates, e.g. the South Pacific Forum, with a view to strengthening their overall bargaining positions vis-a-vis the North. In this connection Asean should strive to explore new directions in its external economic relations. It is proposed that Asean should expand its dialogue partners to include South Korea, India, China and other major trading nations. Asean should also establish special relations with capital-surplus New Industrializing Countries (NICs) like Taiwan and Hong Kong.

In the long term, Asean should strive hard to reduce the North/South disparity. Efforts to establish a New International Economic Order which the South countries have been championing for many decades in the past should be reinvigorated. As they negotiate for better economic terms, the Asean countries should not lose sight of their overall strategic objective, which is to ensure that the South wins better deals in their economic negotiations with the North. The South should not be content with just continuing to serve their economic masters in the North. The North must be made to understand that South-South Co-operation is a necessity and no longer an exercise in public relations. The North must also be told that while the ongoing North/South negotiations are useful to provide the necessary balance in the world economy, they should not take the South for granted.

The above study has amply demonstrated that the present machinery for dialogue-relations is too weak to undertake the more substantive functions assigned to the forum. Perhaps there is need to strengthen the Asean Secretariat in Jakarta. It may also be useful in the long run to allow all the six economic committees to conduct dialogues on their own as it would be extremely difficult to schedule meetings

with senior Asean trade officials on a regular basis. Some other acceptable arrangement should be considered. Besides, trade policies do take time to formulate.

-
- ¹ For a good treatment of Asean negotiation styles please refer to Puspha Thambipillai and J. Saravanamuthu, *Asean Negotiations*, Institute of South-east Asian Studies, Singapore 1985.
 - ² Peter Drucker, "The Changed World Economy", *Foreign Affairs*, Vol. 64, No. 4, Spring 1986, pp. 768-791.
 - ³ See for example the Judgement of the International Court of Justice in the Nuclear Test Cases (Australia vs France) [1974] ICJ Rep 253 and Nuclear Tests (New Zealand vs France, id, 457.
 - ⁴ There are others who argue that failure to resolve the Kampuchean problem could lead to a split in Asean. While there are different approaches to solving the Kampuchean problem – all Asean countries agree as a matter of principle that Asean is more important than Kampuchea or Vietnam. No Asean leader in his right mind will allow Kampuchea to divide Asean. Once the Question of Kampuchea begins to show cracks in Asean – it is my opinion that Asean countries will rally around, dump Kampuchea and adopt other measures which would unite Asean solidarity.
 - ⁵ See P. Valer-Quisumbing and E. Aguilin-Pangalongan in *Vital Asean Documents*, The Academy of Asean Law and Jurisprudence, Manila, 1985.
 - ⁶ Asean is now more vocal. It complains a great deal about policies which it considers offensive and inimical to its advancement. For example, Asean recently took a firm stand on the question of EEC countries levying a tax on palm oil. The Minister of Primary Commodities of Malaysia, Dr Lim Keng Yaik, has even suggested "retaliatory measures" against EEC in the form of trade boycotts should EEC go ahead with its policy.
 - ⁷ See Progress Report submitted by *Asean-Australia Economic Co-operation Program Committee*, Aug. 1986 (limited circulation). Also, *Asean-CCI Handbook, 1986/1987*.
 - ⁸ *Asean-CCI Handbook, 1986-87*, Kuala Lumpur, 1986.
 - ⁹ *Asean-CCI Handbook, 1986-1987*, pp. 69-70.
 - ¹⁰ See *Asean-CCI Handbook, 1986-1987*, pp. 90.
 - ¹¹ *Asean-CCI Handbook, 1986-1987*.
 - ¹² *This list is taken from the Asean-CCI Handbook, 1986-1987*.
 - ¹³ See, Mohd. Sadli, "Asean and Its Dialogue Partners" (1986), Unpublished. Presented to the Working Committee on Group 14.

- ¹⁴ See, Seiji Naya, *Toward the Establishment of An Asean Trade Area*, 20 March, 1987 (A Report Prepared for the Asean Secretariat and Committee in Trade and Tourism – still in draft form). The other advocate for a limited common market is Hans Christophe Rieger. He suggests the creation of an "Asean-Trading Area" in four stages. Essentially, what he has in mind is to establish a customs-union type of common market between Indonesia, Malaysia, the Philippines and Thailand, the integrate the proposed custom Union with Singapore and Brunei to form an Asean-Trading Area [see Han Christophe Rieger, "Towards an Asean Common Market", A paper presented at the conference "Towards The Making of an Asean Common Market", Oct. 30-31, 1986 in Kuala Lumpur].
- ¹⁵ There are some slacks in Asean export quotas. For example, Thailand and Indonesia sell tapioca to Europe. While Thailand's quota has been fully satisfied and it even has surplus that it cannot sell, Indonesia cannot fulfil its quota. In such a case – what Asean can do is to share market – i.e. by allowing Thailand to take up the unfulfilled Indonesian quota through a system of compensatory arrangement or revenue sharing formula to be worked out between Indonesia and Thailand.

Bibliography

- (1) *Allen, Thomas W.* 'Joint Venture Opportunities for Australian Companies in ASEAN Countries.' Paper presented at the Third ASEAN-Australia Business Council Joint Meeting and Conference, Sydney, 13-14 September 1984.
- (2) *Atarashi, Kinyu.* 'Japan's economic co-operation policy towards the ASEAN countries,' *International Affairs*, Vol. 61, No. 1 (Winter 1984/5), pp. 109-127.
- (3) 'ASEAN hopes for greater Japanese commitment,' *ASEAN Forecast*, Vol. 7, No. 2 (February 1987), p. 1.
- (4) 'ASEAN and Australia, Australian Foreign Affairs Review' (January 1983), pp. 6-10.
- (5) *Booth, J.D.* 'Trade and Investment Flows Between Australia, Japan and ASEAN.' Paper presented at the Symposium on ASEAN, Australia and Japan: 'Breaking Down the Barriers', Kuala Lumpur, 7 May 1984.
- (6) *Castro, Amado A.* 'ASEAN economic co-operation', in Ross Garnaut (ed.), *ASEAN in a Changing Pacific and World Economy*. Canberra: Australian National University Press, 1980, pp. 53-72.
- (7) *Chedsky, Ed.* 'Commodities in U.S. - ASEAN Relations: Problems and Prospects.' Paper presented at the Con-

ference on US-ASEAN Relations: Prospects for the 1990s, Kuala Lumpur, 31 March – 2 April 1986.

- (8) *Chee, Peng Lim*. 'ASEAN-EEC external relations: co-operation, trade and investment,' in *ASEAN External Relations: Proceedings of the Fifth Conference of the Federation of ASEAN Economic Associations, Singapore, 1980*. Singapore: Chopmen Publishers, 1982, pp. 242-256.
- (9) *Chiang, Hai Ding*. 'ASEAN-EC relations: an ASEAN view,' *Euro-Asia Business Review*, Vol. 5, No. 3 (July 1986), pp. 20-24.
- (10) *Chia, Siow Yue*. 'ASEAN external relations with Australia and New Zealand,' in *ASEAN External Economic Relations: Proceedings of the Fifth Conference of the Federation of ASEAN Associations, Singapore, 30 October – 1 November 1980*. Singapore: Chopmen Publishers, 1982, pp. 82-132.
- (11) *Ch'ng, Meng Kng*. 'ASEAN economic co-operation: the current status,' *Southeast Asian Affairs 1985*. Singapore: Institute of Southeast Asian Studies, 1985, pp. 31-53.
- (12) *Drummond, Stuart*. 'ASEAN: National policies versus economic co-operation?,' *The Round Table*, No. 295 (July 1985), pp. 263-271.
- (13) *Droker, Linda*. 'U.S.-ASEAN dialogue,' *Business America* (1 April 1985), pp. 2-4.
- (14) *Hervouet, Garard*. 'Canada and ASEAN: renewed interest between two distant partners,' *Contemporary Southeast Asia* Vol. 4, No. 4 (March 1983), pp. 509-521.
- (15) *Ikema, Makoto*. 'Japan's economic relations with ASEAN', in Ross Garnaut (ed.), *ASEAN in a Changing Pacific and World Economy*. Canberra: Australian National University Press, 1980, pp. 453-486.

- (16) Krause, Lawrence B. 'U.S. merchandise trade with "ASEAN";' his *U.S. Economic Policy Toward the Association of Southeast Asian Nations: Meeting the Japanese Challenge*. Washington, D.C. : Brookings Institute, 1982, pp. 35-55.
- (17) Khoo, Philip. 'ASEAN, Australia and Japan: Breaking Down the Barriers.' Paper presented at the Symposium on ASEAN Australia and Japan: Breaking Down the Barriers, Kuala Lumpur, 7 May 1984.
- (18) Lancanlale, Agerico O. 'Community formation in ASEAN's external relations,' in R.P. Anand & P.V. Quismbing (eds.), *ASEAN: Identity, Development & Culture*. Quezon City: University of the Philippines Law Center, 1981, pp. 378-409.
- (19) Langhammer, Rolf J. 'ASEAN-EC economic relations on a side-track?', *Euro-Asia Business Review*, Vol. 5, No. 4 (October 1986), pp. 34-38.
- (20) Lorenz, Detlef. 'International division of labour or closer co-operation? A look at ASEAN-EC relations,' *ASEAN Economic Bulletin*, Vol. 2, No. 3 (March 1986), pp. 168-185.
- (21) Narongchai Akrasanee. 'Breaking Down the Japanese Barriers: View from ASEAN.' Paper presented at the Symposium on ASEAN, Australia and Japan: Breaking Down Barriers, Kuala Lumpur, 7 May 1984.
- (22) Ow, Chin Hock & Lim Chong Yah. 'ASEAN-Australia relations,' in Ow Chin Hock & Lim Chong Yah. *The Development of ASEAN: A Perspective on Relations with Australia*. Kuala Lumpur: ASEAN-Australia Joint Research Project, 1984, pp. 17-28.
- (23) Simandjuntak, Djisman S. 'The Future of ASEAN Economic Co-operation.' Paper presented at the Second Meeting of ASEAN Institutes of Strategic and International Studies, Kuala Lumpur, 13-15 January 1986.

- (24) *Sekiguchi, Sueo & Lawrence B. Krause*. 'Direct foreign investment in ASEAN by Japan and the United States' in Ross Garnaut (ed.), *ASEAN in Changing Pacific and World Economy*. Canberra: Australian National University Press, 1980, pp. 421-452.
- (25) 'U.S. protectionism continues to worry ASEAN,' *ASEAN Forecast*, Vol. 6, No. 9 (September 1986), pp.1.
- (26) *Sakuta, Eiji*. 'Japan-ASEAN economic relations,' *Journal of Japanese Trade & Industry*, Vol. 5 No. 5 (September/October 1986), pp. 10-14.
- (27) *Steven, Christopher*. 'The implications of the EC's development policy for ASEAN,' *ASEAN Economic Bulletin*, Vol. 1, No. 3 (March 1985), pp. 223-231.
- (28) *Warr, Peter G.* 'Trade versus aid in ASEAN-Australian economic relations,' *ASEAN Economic Bulletin*, Vol. 1, No. 3 (March 1985), pp. 195-208.
- (29) *Yokota, Katsuhiko*. 'ASEAN industrialization and Japanese economic co-operation,' *Journal of Japanese Trade & Industry*, Vol. 5, No. 5 (September/October 1986), pp. 15-18.

Appendices

ANNEXURE A TO ASEAN RELATIONS WITH DIALOGUE PARTNERS

AUSTRALIA – ASEAN PROJECTS

I. PROJECTS UNDER THE ASEAN COMMITTEE ON SCIENCE AND TECHNOLOGY (COST)

a. Asean Protein Project

Purpose: to upgrade the protein content of diets in Asean countries by increasing the availability of high protein foods made from local products.

Date of commencement	: June, 1975
Date of completion	: June, 1985
Total financial commitment	: \$7,500,000*
Total Expenditure to 30.6.85	: \$7,147,000

b. Food Waste Materials Project

Objective: to improve the management and utilization of food waste materials in the Asean region through:

- o proper utilization of waste material to eliminate a source of pollution – particularly water pollution.
- o using relevant technology to convert wastes into useful by-products (e.g. biogas, ethanol, human food, animal feeds and chemicals).

* all in Australian dollars

Date of commencement	: October, 1980
Total financial commitment	: \$7,875,000
Total expenditure to 30.6.85	: \$6,505,313
1985/86 expenditure to 30.6.86	: \$803,693

c. **Asean Food Technology Research and Development Project**

Purpose: the project seeks to indentify and extend existing food technology and food quality programmes with regard to:

- o applying appropriate technology for food processing industries.
- o providing a scientific and technological base for the exchange of information.
- o strengthening technical expertise in the Asean region.

Date of commencement	: October, 1982
Total commitment	: \$5,850,000
Total expenditure to 30.6.75	: \$2,385,755
1985/1986 expenditure to 30.6.66:	\$715,755

Status

The first phase of the project was completed in mid-1985. In February 1986 the Australian Minister for Foreign Affairs approved a five-year extension of the project at a cost of \$4.2 million.

d. **Food Habits Project**

Objectives: to provide the following:

- o food composition table for use in the Asean region;
- o monograph on Asean experiences of intervention programmes;
- o handbook on traditional food processing technologies;

- o annotated bibliography on food habits research. An Asean map on dietary patterns;
- o Improved knowledge and understanding of the nature of food habits, their causes and consequences.

Date of commencement	: 1 July, 1984
Financial commitment	: \$2,000,000
Total expenditure to 30.6.86	: \$1,529,000
1985/1986 expenditure to 30.6.86	: \$691,000

Status

On-going project.

2. FOOD RELATED PROJECTS UNDER THE ASEAN COMMITTEE ON FOOD, AGRICULTURE AND FORESTRY (COFAF)

a. The ASEAN Food Handling Project

Objective: to improve food handling and distribution from producers to consumers in Asean. The emphasis is on reducing post-harvest or post-production losses.

Date of commencement	: September, 1975
Total commitment	: \$26,832,000
Total expenditure to 30.6.86	: \$17,368,509
1985/1986 expenditure to 30.6.86	: \$3,260,000

Status

Some of the projects have been completed; new projects are in progress.

b. ASEAN Crops Post Harvest Program

Objective: to improve the availability of rice and

other important grains by developing existing and new post-harvest systems best suited to local ASEAN conditions.

Date of commencement	: 1 October, 1963
Total commitment	: \$500,000
Total expenditure to 30.6.86	: \$494,000
1986/1986 expenditure to 30.6.86	: \$180,000

3. OTHER PROJECTS UNDER COST

a. ASEAN-Australian Energy Cooperation

Objective: to research into non-conventional energy sectors. The project consists of three sub-phases:

- o The bio-mass sub-project.
- o The energy conservation sub-project includes training of Asean energy conservation technologists.
- o The coal technology field – provision of training and research facilities at Australian coal institutions.

Date of commencement	: October, 1982
Total financial commitment	: \$3,335,000
Total Expenditure to 30.6.86	: \$3,327,000
1985/1986 Expenditure to 30.6.86	: \$819,000

b. Marine Science Program

(1) Living Marine Resources in Coastal Area

Date of commencement	: September, 1964
Total financial commitment	: \$3.2 million
Total expenditure to 30.6.86	: \$931,000
1985/1986 expenditure to 30.6.86	: \$766,000

(2) Tides and Tidal Phenomena

Date of Commencement	: November, 1984
Total financial commitment	: \$1,829,000
1985/1986 expenditure to 30.6.86	: \$1,060,000
Total expenditure to 30.6.86	: \$2,043,000

c. Management of Science and Technology

Date of commencement	: November, 1984
Total financial commitment	: \$2.265 million
Total expenditure to 30.6.86	: \$1,054,000
1985/1986 expenditure to 28.6.86	: \$495,000

(1) Science and Technology Policy Development Program Management

(2) Management of Research and Development

d. Regional Training Course in Water Quality Management in Tropical Regions

Date of commencement	: October, 1985
Financial commitment	: \$104,000
Disbursements to 30.6.86	: \$104,000
1985/1986 expenditure	: Nil

e. Design Capabilities in Microelectronics

Date of commencement	: Mid-1986
Financial commitment	: \$2,650,000
Total expenditure to 30.6.86	: \$41,490
1985/1986 expenditure	: \$34,556

4. OTHER PROJECTS UNDER COFAF

a. ASEAN-Australian Forest Tree Improvement Project

Objective: to develop and produce improved high quality forest tree species for reforestation in Asean countries.

Date of commencement	: February, 1986
Total financial commitment	: \$2,650,000
Total expenditure to 30.6.86	: \$151,000
1985/1986 expenditure	: \$93,000

5. PROJECT UNDER THE ASEAN COMMITTEE ON SOCIAL DEVELOPMENT (COSD)

a. ASEAN Development Education Project

Objectives:

- (1) the development of a mechanism to consolidate educational efforts in the region;
- (2) to disseminate research findings and development activities in the field of education;
- (3) to provide a mechanism for the sharing of technical educational services
- (4) to promote efforts to improve technical education in the Asean region.

Date of commencement	: August, 1980
Total financial commitment	: \$2,860,000
Total expenditure to 30.6.86	: \$2,684,000
1985/1986 expenditure to 30.6.86	: \$8,600

b. Population Project

Objective: to explore the implications of changes in demographic patterns upon development in Asean countries – emphasising the following:

- o Human Resource Development
- o Population and Development Policy
- o Information and Communication

Date of commencement	: April, 1980
Total financial commitment	: \$9,310,000
Total expenditure to 30.6.86	: \$6,251,000
1985/1986 Expenditure	: \$805,000

c. **ASEAN Diabetes Prevention Control Project**

Objective: to identify the extent of diabetes and its related problems in Asean countries:

Financial commitment	: \$3.2 million
Total expenditure 30.6.86	: \$125,000
1985/1986 expenditure to 30.6.86	: \$53,000

6. **PROJECTS UNDER ASEAN COMMITTEE ON INDUSTRY, MINERALS AND ENERGY (COIME)**a. **Feasibility and Pre-Feasibility Studies on:**

- (1) Kaolin and Barite Study.
- (2) Mine Safety and Health.
- (3) Agro-based industries

Objective: to seek assistance in the conduct of pre-feasibility and feasibility studies of possible projects in the fields of industry, minerals and energy.

Total expenditure to 30.6.86	: \$325,000
1985/1986 expenditure to 30.6.87	: Nil

7. **PROJECTS UNDER THE ASEAN COMMITTEE ON CULTURE AND INFORMATION (COCI)****Media and Information Program**

Objective: to focus on professional training for Asean media personnel in film, television and radio production.

Date of commencement	: June, 1987
Total financial commitment	: \$4,180,356
Total expenditure to 30.6.86	: \$1,624,000
1985/1986 expenditure to 30.6.86	: \$357,000

8. PROJECTS REPORTING TO THE ASEAN STANDING COMMITTEE

(1) ASEAN-Australia Joint Research Project

Objective: to promote research likely to be useful to policy-makers concerned with the management of long-term economic relationship between Asean and Australia.

Date of commencement	: March, 1981
Total financial commitment	: \$3,253,000
Total expenditure to 30.6.86	: \$3,234,000
1985/1986 expenditure to 30.6.86	: \$80,000

(2) Asean Consumer Protection Project

Date of commencement	: March, 1980
Financial commitment	: Annual allocations
Total expenditure to 30.6.86	: \$114,273
1984/1985 expenditure to 30.6.86	: \$15,706

(3) Asean Special Visits Scheme

Date of commencement	: July, 1982
Total expenditure to 30.6.86	: \$639,000
1985/1986 expenditure to 30.6.86	: \$166,000

Objective: to fund visits to appropriate Australian organizations by Asean businessmen, officials, scientists and technicians to further enhance their training and understanding of their fields of specializations.

(4) Asean Drug Prevention Film

Total financial commitment	: \$67,650
Total expenditure to 28.6.85	: \$67,650

9. PROJECTS UNDER THE ASEAN COMMITTEES ON TRADE AND TOURISM (COTT)

(1) Trade and Investment Promotion Programme (TIPP)

Date of commencement	: December, 1977
Total financial commitment	: \$9,446,000
Total expenditure to 30.6.86	: \$8,056,000
1985/1986 expenditure to 30.6.86	: \$995,000

Objective: to facilitate the development of Asean exports to Australia and encourage Australian investment in Asean.

**ANNEXURE B TO ASEAN
RELATIONS WITH DIALOGUE
PARTNERS**

**US-ASEAN DEVELOPMENT CO-OPERATION:
ACTIVE PROJECTS**

1. ISEAS ECONOMIC RESEARCH AND FELLOWSHIPS

Under this project, A.I.D., has provided \$850,000 to finance development economic research fellowships at the Institute of Southeast Asian Studies (ISEAS) in Singapore. The project provides for 20 research grants (four for each original ASEAN member). The project began in July 1979.

2. PLANT QUARANTINE TRAINING CENTER AND INSTITUTE (PLANT 1)

This project was signed in September 1980. The U.S., through A.I.D., has provided \$5.4 million to help establish the ASEAN PLANTI near Kuala Lumpur, Malaysia. PLANTI conducts research, training, and studies of ASEAN plant quarantine standards, practices and procedures. U.S. funding is for PLANTI operations and staff, construction, technical assistance, training and commodities.

3. SMALL AND MEDIUM BUSINESS IMPROVEMENT

This is the most recent of the A.I.D. - funded projects, agreed to last year. Under this project, the U.S. will contribute \$3.35 million to improve the technical and managerial abilities of small and medium scale businesses (SMBs) in the ASEAN region.

Background

This project is being implemented through grants to four non-profit, non-governmental institutes and through contracts for co-ordination and evaluation services. A summary of activities to be conducted under each of the four institutes is as follows:

TECHNONET Asia – Provides transfer of technology to ASEAN SMBs through industry-specific courses organized at the regional and local levels. Each course will run up to four weeks and accommodate 25-30 people. The first courses were conducted in Thailand, Singapore and Manila in late 1984/early 1985.

Asian Institute of Technology – Prepares new case materials and teaching materials to tailor its present management programmes to the specific needs of ASEAN SMBs. The new teaching programme will be built around functional management subjects. Materials for at least three case studies have already been prepared and are ready for testing.

Institute for South East Asian Studies (ISEAS) – Conducts research designed to examine practical constraints on SMBs in the region.

U.S. ASEAN Center for Technology Exchange – Sponsors technical training seminars and conducts technology search missions, aimed at helping ASEAN SMBs identify technologies useful in improving productivity and quality. Technical seminars have already been conducted in the Philippines, Malaysia, Thailand and Indonesia. The early seminars focused on food processing, plastics production, insurance, and machine tools.

4. WATERSHED PROJECT

This project, through which A.I.D., has agreed to provide \$3.0 million, began in July 1983. The purpose of the project is to establish a watershed research network among national agencies in ASEAN. The network would focus research on sustained yields, soil erosion reduction, and improved water

quality/distribution. A.I.D. funding is also for research support, equipment, the hiring of a U.S. Liaison specialist and consultants on short term basis.

Background

Delay in recruitment of the Project Liaison Specialist has contributed to difficulties experienced in getting the project underway. Although the physical project site is staffed and in full readiness at the College of Forestry, University of the Philippines at Los Banos, specific research priorities are yet to be defined. A.I.D.'s Regional Forestry Advisor provided some practical technical advice to the project unit in September 1984. The services of A.I.D.'s central offices are also planned over the next several months.

5. AIT SCHOLARSHIP AND RESEARCH

A.I.D. originally funded this project in July 1979 at a level of \$3.125 million. In response to a request put forth at the Fifth ASEAN-U.S. Dialogue, A.I.D. added \$1.0 million to the project bringing the total U.S. contribution to \$4.125 million.

Essential Factors

This project was the first major project under the ASEAN regional programme. It supports Master's level and selected short-term studies of 250 ASEAN students at the Asian Institute of Technology (AIT) near Bangkok, Thailand. Areas of study offered include agriculture and food process engineering, energy technology, human settlements and rural development planning, soil and water engineering, computer application technology, and transportation engineering.

The project provides opportunity for trainees from different countries to interact closely with one another, establishing relationships which last many years after the formal training is completed. AIT tracer studies also show that persons trained at regional institutions are more likely to use their skills in the region after training.

6. SCHOLARSHIP PROGRAMME FOR APPLIED TROPICAL MEDICINE AND HEALTH.

A.I.D. gave \$2.5 million for this project to co-finance approximately 500 scholarships over a five-year period. The project began in August 1981.

Essential Factors

This project focuses on public health and preventive medicine activities designed to improve health standards in rural areas, where 80 per cent of ASEAN's population resides. The project, administered on behalf of ASEAN by the Government of Thailand, consists primarily of scholarships for health and medical workers and paramedics in the existing educational institutions of the ASEAN region.

7. AGRICULTURE DEVELOPMENT PLANNING CENTRE.

A.I.D. committed \$3 million to this project to help establish an ASEAN Agriculture Development and Planning Centre on the campus of Kasetsart University Bangkok, Thailand. The Centre conducts training in agriculture sector modelling and agriculture policy planning. U.S. funding will train approximately 200 people in a variety of subjects, including long-term studies leading to a Master's Degree. The project began in August 1980.

This project is designed to establish a Centre that will provide agriculture development planning expertise, serve as a regional data bank for agricultural information, train government personnel, and undertake studies on ASEAN agricultural policies.

8. LIVING COASTAL RESOURCES MANAGEMENT

A version of this marine sciences project was first introduced at the 1982 Dialogue. This revised version is in the final stage of approval within A.I.P. It is expected that a grant agreement

will be ready for signature in late spring or early summer of this year.

Essential Factors

When the first marine sciences project was introduced, it included work on tides and tidal phenomena, areas in which A.I.D. could not help. National Oceanic and Atmospheric Administration (NOAA) involvement was then requested. NOAA identified three different projects, all of which were reviewed by the ASEAN Committee on Science and Technology (COST) in early 1984. COST was interested in pursuing all three proposals, and in March 1984 presented its latest proposal for consideration of ASEAN-US Co-operation Committee. The proposal included three areas of concentration: (1) application of satellite and local environmental data to assess and map coastal resources for coastal zone management; (2) effective development and management of fisheries resources; and (3) strengthening coastal remote sensing techniques through training.

Following discussions in June 1984 with NOAA, the present A.I.D. modification of the COST proposal seeks to place greater emphasis on institutional and technical solutions to resource-use-conflicts affecting living coastal resources, including capture fisheries and coastal aquaculture. This modified approach, which responds in part to the March 1984 COST proposal, was discussed with members of the ASEAN Expert Working Group on Marine Sciences in September 1984, prior to the COST meeting in Chiang Mai in November. A second A.I.D./ASEAN Working Group meeting in Manila, 10-12 April, is expected to produce a final proposal for presentation to the next COST meeting in Brunei. NOAA has also been discussing other aspects of COST's marine sciences proposals with ASEAN recently.

A.I.D. expects to approve a project in the \$3-4 million range.

9. ENERGY CO-OPERATION DEVELOPMENT

A.I.D. has provided \$1 million to further ASEAN-US co-

operation in energy. This project, which began in March 1982, has three components: (1) coal use training; (2) energy conservation in building construction; and (3) alternative energy systems for water pumping. The project includes technical assistance; professional development and training, and energy information exchange.

Essential Factors

The coal-use training and energy conservation in building construction components have been successfully completed. Completion of the solar water pumping component, however, will require extension of the project.

Coal Use Technology – Some 30 ASEAN technicians, managers and policy-makers received training at Argonne National Laboratory in the U.S. in the areas of coal utilization, handling and preparation, research and chemical and analyses, exploration and mining, energy policy and economics.

Energy Conservation in buildings – The Lawrence Berkley Laboratory in the US carried out this component of the project. Findings of investigations into potential energy savings in commercial and high-rise buildings showed significant opportunities for reduction of electricity usage.

Solar Water Pumping – This component is being conducted under a contract with Sheladia Associates, a US based company. Balik Pulau in Central Penang Island has been selected as the primary site for photovoltaic and gasifier installations, and sites for direct village water supply are being considered. The contractor's site assessment report has been prepared, but must be reviewed and decisions made before moving to the next stage.

10. ENERGY III – ENERGY CONSERVATION AND MANAGEMENT

At the Fifth ASEAN-US Dialogue, the US indicated that

it was favourably disposed to supporting a third energy project. The second component will be training in energy management. This project will focus both on energy planning and renewable energy training at the Asian Institute of Technology, and involves training in the US, on energy management and coal use technology.

The US anticipates a commitment of approximately \$5 million for this project.

ANNEXURE C TO ASEAN RELATIONS WITH DIALOGUE PARTNERS

CANADA-ASEAN DEVELOPMENT PROJECTS

1. a. **ASEAN/Canada Forest Tree Seed Centre Muak Lek, Saraburi Province, Thailand**

Objective: to assist in the development of a fully operational Tree Seed Centre with an active programme of services and research in order to assist member countries in reforestation programme.

Canadian contribution	: \$2.40 million
Thai contribution	: \$2.0 million
Other Asean countries	: \$0.5 million
Date of commencement	: May, 1981
Date of completion	: December, 1987
ASEAN Committee	: COFAF

- b. **ASEAN Forest Tree Seed and Genetic Resource Centre (Phase 2 of Asean-Canada Forest Tree Seed Centre) – COFAF**

Objective: to increase the supply of quality forest tree seed and genetic materials for forestry requirements in Asean countries.

Canadian contribution (recommended)	: \$7.5 million
Thai contribution (recommended)	: \$2.175 million

Contribution from other Asean
countries : \$800,000

c. **ASEAN Forest Management & Institute**

Objective: to assist in the establishment of an Asean Institute of Forest Management which will provide the Asean member countries with access to expertise in inventory, planning and management, harvesting and reforestation of natural tropical forests.

Canadian contribution : \$8.2 million
 Malaysian contribution : \$2.2 million
 Other Asean countries : \$1.0 million
 Date of commencement : November, 1984
 Date of completion : 1991
 Asean Committee : COFAF

d. **Post-Harvest Fisheries Technology (COFAF)**

Objective: to assist the Asean countries to maximise the utilization and minimize wastage of available fish resources and increases the supply of protein.

Canadian contribution : \$2.50 million
 Asean contribution : \$1 million
 Date of commencement : May, 1980
 Date of completion : May, 1987
 Asean Committee : COFAF

e. **ASEAN Crops Post-Harvest Programme**

Objective: to identify constraints and problems affecting post-harvest systems and causes of post-harvest losses in the region and to develop solutions to these problems through provisions of technical assistance for research, development, training, information and pilot projects.

Canadian contribution	: \$0.5 million
Asean contribution	: \$0.32 million
Other doners	: \$1.68 million
Date of commencement	: January, 1984
Date of completion	: 1987
Asean Committee	: COFAF

2. PROJECTS HANDLED BY COST AND COTAC

a. ASEAN Science and Technology Week (COST)

The first Asean Science and Technology week was held in Kuala Lumpur, April 24-30, 1986. Canada provided an accountable grant of C\$100,000.

b. ASEAN-Co-operative Program on Development and management of Living Resources (COST)

Objective: to optimize the management and development of living marine resources within the jurisdiction of Asean countries in order to increase food production, provide environmental protection and permit socio-economic development.

Canadian contribution	: \$0.96 million
Date of commencement	: January, 1985
Date of completion	: 1989
Asean Committee	: COST

c. Canada-ASEAN Energy Seminars (COST)

Objective: to introduce Canadian experiences in energy management to Asean to facilitate the transfer of Canadian technology in the following areas (1) management (2) distribution and development of energy resources (3) energy conservation and (4) the use of coal and natural gas in electrical power generation.

Canadian contribution	: \$972,000
Asean contribution	: to be determined
Date of commencement	: 1985
Asean Committee	: COST

d. **Co-operation in Non-Conventional Energy: Bio-gas Technology**

e. **Canada-ASEAN Co-operation in the 12 GH Propagation Measurement Program on Earth-Space Path**

3. **PROJECTS IN HUMAN RESOURCE DEVELOPMENT OR PROJECTS AND PROGRAMMES HANDLED BY COSD, COFB, COCI**

a. **Projects in Social Development (COSD)**

(1) Preventive Drug Education.

Canadian contribution : \$100,000

(2) Information Service with Asean Secreatariat.

b. **Projects in Finance and Banking**

(1) Co-operation in the Field of Computerization in Tax Administration Operations.

(2) ASEAN-Canada Co-operation in Insurance.

4. **ASEAN MISSION ADMINISTERED FUND (MAF)**

Objective: this fund has been established by CIDA and presently administered by the Canadian Embassy in Bangkok. The purpose of the fund is "to provide financial support for small innovative development projects aimed at fostering regional co-operation at the official and peoples to peoples level in the six countries."

Projects funded from 1986/1987 Asean MAF are:

- o Tropical Veterinary Medicine Conference in Malaysia.
- o Participation of APROTECH Asia Women in Management for Women Seminar.

64 ASEAN RELATIONS WITH DIALOGUE PARTNERS

- o Seminar in Status and Trends in use of the Media in Distance Learning.
- o Barriers to Asean Market Access to the US, Japan and EEC.
- o The People of the Pacific: May be and reality of the new Era.

5. CANADA/ASEAN HUMAN RESOURCES DEVELOPMENT FUND. [remains a proposal]

6. NEW PROJECTS PROPOSED BY ASEAN FOR CONSIDERATION OF CANADA

- o Visiting Tour for Senior Level Asean Finance officers on Finance and Banking Management in Canada.
- o Training Course on Computer Application for Customs Administration in Canada.
- o Study Tour at the Canada Export Development Corporation.
- o Asean Fruit Research and Dvelopment Centre.
- o Asean Fish Quarantine Project.

**ANNEXURE D TO ASEAN RE-
LATIONS WITH DIALOGUE
PARTNERS.**

PROJECTS OF JAPAN FOR ASEAN¹
(on Regional Basis)

- 1) ASEAN Promotion Center on Trade, Investment and Tourism (APC) (located in Tokyo)
Japan is paying 90 per cent of the annual budget of the centre-which amounts to 600 million yen (10 million ringgit).
- 2) Japan-ASEAN Co-operation Programme (JACPP)
Japan has been donating to the fund about 60 million yen (1 million ringgit) every year from 1980.
- 3) ASEAN Industrial Projects (AIP)
Concerning projects in Malaysia, Japan rendered the financial assistance amounting to 48 billion yen (80 million ringgit) in 1982 and 6.8 billion yen (11 million ringgit) in 1986.
- 4) Japan-ASEAN Scientific and Technological Co-operation
Japan agreed to accept and finance trainees from ASEAN and send experts to ASEAN in the field of biology in May 1985.

At the same time, Japan has agreed to accept trainees from ASEAN in the field of micro-electronics and extend

¹ Information provided by the Japanese Embassy in Kuala Lumpur, June 1987.

technical co-operation on project basis in the field of material science.

- 5) **Friendship Program for the 21st Century**
Japan started this programme in 1984 by inviting 150 youths from each ASEAN country, every year until 1989; the Japanese Government pays roundtrip airfares and accommodation in Japan for one month.
- 6) **ASEAN-PACIFIC Co-operation for Human Resources Development (APC-HRD)**
Japan is participating and sharing cost of fifteen projects.
- 7) **ASEAN Cultural Fund**
Japan donated 2 billion yen (33 million ringgit) in 1978 and 3 billion yen (50 million ringgit) in 1979. for the fund.
- 8) **ASEAN Scholarship**
Japan has been donating one million US\$ every year since 1980, which will continue until 1990.
- 9) **ASEAN Regional Studies Promotion Programme**
Japan made financial assistance for research, meetings, symposium and publications by experts from ASEAN on area study for five years from 1982 to 1986, paying about 20 million yen (150 thousand ringgit) every year.

ANNEX E

ASEAN-NEW ZEALAND PROJECTS*

YEAR	1 1987/88	2 1988/89	3 1989/90	4 1990/91	5 1991/92
ALLOCATION	\$2.4m	\$2.4m	\$2.4m	\$2.4m	\$2.4m
A. Completed/Ongoing					
1. End-use of Timber	100	150			(Update earlier survey)
2. VADP (Veterinary Administration (Malaysia)	40				
					Philippines 60
3. ISEAS (Research Fellowships)	125	130	140	150	160
4. Diary Development	200				
5. Legal Aid Services	30				
6. Victoria Commerce Facility	1,145	1,250	1,000	750	(Provision of University Places)
7. ANZAP (Afforestation)	450				
8. Narcotic Dog Handling					
i. Residual Costs for 1987 course	6				

ii. Assessment Visit	40	(No. 3)	
iii. Course No. 2	70	90	
B. Project Proposals Awaiting Response/ Implementation			
1. English for Business and Technology	100	100	100
C. New Project Proposals			
1. Trade and Investment Promotion*	40	440	450 470 500
2. Inter-Institutional Linkage Programme*	40	200	250 300 350
	2,386	2,420	1,940 1,670 1,010

* Tentative allocations only. Budget estimates will depend on the project design outlined by the consultants.

**LIST OF PROJECTS/PROPOSALS AGREED
FOR FY 1987/88**

A	COMPLETED/ONGOING	<i>FY 1986/87 (NZ\$)</i>	<i>FY 1987/88 (NZ\$)</i>
1	Survey on End-Uses of Timber	—	100,000
2	Veterinary Administration Development Programme (Costs)	—	40,000
3	Research Fellowships in ASEAN Affairs at ISEAS (2 awards)	120,000	125,000
4	Dairy Development Training Programme	—	200,000
5	Legal Aid Services	—	30,000
6	Commerce Facility at Victoria University	766,750	1,145,000
7	ANZAP	562,000	450,000
8	Narcotics Dog Handling course 1986/87 — residual costs	58,000	6,000
9	Narcotics Dog Handling — Assessment Visit mid-1987 — Course No. 2 (Jan 1988) if agreed	—	40,000 70,000
			2,206,000
B	Project Proposals Awaiting Response/Implementation		Estimated Budget
1	English for Business and Technology \$283,363 over 3 years		100,000
C	New Project Proposals		
1	Consultancy to draw up a compre- hensive trade and investment promotion package, for implemen- tation over 4 years (1988/89-1991/		

70 ASEAN RELATIONS WITH DIALOGUE PARTNERS

	92); including elements such as training in taxation auditing and finance and banking	40,000
2	Consultancy to draw up a comprehensive Inter-Institutional Linkage Programme, for implementation over 4 years (1988/89-1991/92)	40,000
		<u>\$2,386,000</u>
	Allocation for 1987/88	\$2,400,000

TABLE 1
FOREIGN INVESTMENT FLOWS INTO THE ASEAN COUNTRIES BY HOME COUNTRY

	Indonesia (1968-81)	Malaysia (1968-79)	Philippines (1968-80)	Singapore (1970-81)	Thailand (1970-80)
	US\$	US\$	US\$	US\$	US\$
	million	million	million	million	million
	per cent	per cent	per cent	per cent	per cent
United States	504.8	74.1	298.4	1177.6	318.6
Japan	1593.4	170.3	218.8	1129.8	286.7
World	4727.6	919.5	972.0	3753.0	977.0
	10.7	8.1	29.8	31.4	32.6
	33.7	18.5	22.5	30.1	29.3
	100.0	100.0	100.0	100.0	100.0

Source: Taken from Charles W. Lindsey, "Transfer of Technology to the Asean Region by US Transnational Corporation," Asean Economic Bulletin (Nov. 1986).

TABLE 2
 ASEAN COUNTRIES' EXPORTS TO THE US FOB
 (US\$ million at current prices)

	1978	1979	1980	1981	1982	1983	1984
BRUNEI	165.5	210.8	394.6	427.8	482.6	272.8	—
INDONESIA	2962.0	3171.0	4303.0	4360.0	3546.0	4267.0	4505.0
MALAYSIA	1379.0	1913.0	2119.0	1538.0	1399.0	1864.0	2212.0
PHILIPPINES	1159.2	1390.0	1593.6	1770.8	1588.5	1792.6	2031.5
SINGAPORE	1626.0	1967.0	2424.0	2770.0	2612.0	3954.0	4823.0
THAILAND	450.5	593.8	823.1	905.5	880.8	953.2	1275.7
ASEAN	7742.2	9245.6	11657.3	11772.1	10508.9	13103.6	14847.2

Source: IMF, Direction of Trade Statistic, Yearbook, 1985.

TABLE 3
 ASEAN COUNTRIES' EXPORTS TO THE WORLD FOB
 (US\$ million at current prices)

	1978	1979	1980	1981	1982	1983	1984
BRUNEI	1844.8	2653.2	4588.6	4001.2	3785.5	3366.7	2739.6
INDONESIA	11643.0	15579.0	21909.0	23810.0	22329.0	21146.0	21881.0
MALAYSIA	7413.0	11077.0	12960.0	11773.0	12044.0	14128.0	16342.0
PHILIPPINES	3425.8	4602.4	5787.7	5720.7	5019.8	4932.0	5342.6
SINGAPORE	10132.0	14239.0	19377.0	20970.0	20787.0	21832.0	24070.0
THAILAND	4086.2	5300.9	6501.3	7026.9	6934.6	6367.7	7401.4
ASEAN	38544.8	53451.5	71123.6	73301.8	70899.9	71771.4	77776.6

Source: IMF, Direction of Trade Statistics, Yearbook, 1985.

TABLE 4
PROPORTION OF ASEAN EXPORTS TO THE US TO EXPORTS TO THE WORLD
 (percentages)

	1978	1979	1980	1981	1982	1983	1984
BRUNEI	9.0%	7.9%	8.6%	10.7%	12.7%	8.1%	—
INDONESIA	25.4%	20.4%	19.6%	18.3%	15.9%	20.2%	20.6%
MALAYSIA	18.6%	17.3%	16.4%	13.1%	11.6%	13.2%	13.5%
PHILIPPINES	33.8%	30.2%	27.5%	31.0%	31.6%	36.3%	38.0%
SINGAPORE	16.0%	13.8%	12.5%	13.2%	12.6%	18.1%	20.0%
THAILAND	11.0%	11.2%	12.7%	12.9%	12.7%	15.0%	17.2%
ASEAN	20.1%	17.3%	16.4%	16.1%	14.8%	18.3%	19.1%

Source: Computed from tables.

TABLE 5
GROWTH RATES OF ASEAN COUNTRIES' EXPORTS TO THE US
(percentages)

	1979	1980	1981	1982	1983	1984	1979-84
BRUNEI	27.4%	87.2%	8.4%	12.8%	-43.5%	-	18.5%
INDONESIA	7.1%	35.7%	1.3%	-18.7%	20.3%	5.6%	8.6%
MALAYSIA	38.7%	10.8%	-27.4%	-9.0%	33.2%	18.7%	10.8%
PHILIPPINES	19.9%	14.6%	11.1%	-10.3%	12.8%	13.3%	10.3%
SINGAPORE	21.0%	23.2%	14.3%	-5.7%	51.4%	22.0%	21.0%
THAILAND	31.8%	38.6%	10.0%	-2.7%	8.2%	33.8%	20.0%
ASEAN	19.4%	26.1%	1.0%	-10.7%	24.7%	13.3%	12.3%

Source: Computed from tables.

TABLE 6
GROWTH RATES OF ASEAN COUNTRIES' EXPORTS TO THE WORLD FOB
 (percentages)

	1979	1980	1981	1982	1983	1984	1979-84
BRUNEI	43.8%	72.9%	-12.8%	-5.4%	-11.1%	-18.6%	11.5%
INDONESIA	33.8%	40.6%	8.7%	-6.2%	-5.3%	3.5%	12.5%
MALAYSIA	49.4%	17.0%	-9.2%	2.3%	17.3%	15.7%	15.4%
PHILIPPINES	34.3%	25.8%	-1.2%	-12.3%	-1.7%	8.3%	8.9%
SINGAPORE	40.5%	36.1%	8.2%	-0.9%	5.0%	10.3%	16.5%
THAILAND	29.7%	22.6%	8.1%	-1.3%	-8.2%	16.2%	11.2%
ASEAN	38.7%	33.1%	3.1%	3.3%	1.2%	8.4%	13.5%

Source: Computed from tables.

TABLE 7
 ASEAN COUNTRIES' IMPORTS FROM THE USA CIF
 (US\$ million at current prices)

	1978	1979	1980	1981	1982	1983	1984
BRUNEI	41.9	66.6	114.9	110.1	124.2	141.3	-
INDONESIA	839.0	1053.0	1409.0	1795.0	2417.0	2534.0	2560.0
MALAYSIA	824.0	1173.0	1632.0	1688.0	2181.0	2127.0	2264.0
PHILIPPINES	1083.7	1511.3	1950.9	1930.6	1860.9	1831.3	1713.5
SINGAPORE	1664.0	2527.0	3389.0	3484.0	3632.0	4261.0	4179.0
THAILAND	734.8	1122.6	1332.4	1296.5	1144.1	1299.0	1391.0
ASEAN	5187.4	7453.5	9828.2	10304.2	11359.2	12193.6	12107.5

Source: IMF, Direction of Trade Statistics, Yearbook, 1985

TABLE 8
ASEAN COUNTRIES' IMPORTS FROM THE WORLD
 (US\$ million at current prices)

	1978	1979	1980	1981	1982	1983	1984
BRUNEI	281.2	396.3	573.1	589.0	731.5	724.0	814.0
INDONESIA	6690.0	7226.0	10837.0	13270.0	16859.0	16351.0	13880.0
MALAYSIA	5929.0	7842.0	10821.0	11581.0	12409.0	13241.0	14097.0
PHILIPPINES	3535.4	4410.3	5031.5	4970.8	4994.9	4562.9	3585.0
SINGAPORE	13061.0	17643.0	24031.0	27571.0	28176.0	28158.0	28667.0
THAILAND	5355.2	7164.3	9212.6	9954.1	8531.5	10282.9	10347.8
ASEAN	34851.8	44681.9	60506.2	67935.9	71701.9	73319.8	71390.8

Source: IMF, Direction of Trade Statistics, Yearbook, 1985.

TABLE 9
 PROPORTION OF ASEAN IMPORTS FROM THE US TO IMPORTS FROM THE WORLD
 (percentages)

	1978	1979	1980	1981	1982	1983	1984
BRUNEI	14.9%	16.8%	20.0%	18.7%	17.0%	19.5%	-
INDONESIA	12.5%	14.6%	13.0%	13.5%	14.3%	15.5%	18.4%
MALAYSIA	13.9%	15.0%	15.1%	14.6%	17.6%	16.1%	16.1%
PHILIPPINES	30.7%	34.3%	38.8%	38.8%	37.3%	40.1%	47.8%
SINGAPORE	12.7%	14.3%	14.1%	12.6%	12.9%	15.1%	14.6%
THAILAND	13.7%	15.7%	14.5%	13.0%	13.4%	12.6%	13.4%
ASEAN	14.9%	16.7%	16.2%	15.2%	15.8%	16.6%	17.0%

Source: Computed from tables.

TABLE 10
DIRECTION OF US EXPORTS FOB
 (US\$ million at current prices)

	1978	1979	1980	1981	1982	1983	1984
WORLD	143762	182003	220781	233739	212274	200528	217889
BRUNEI	35	51	70	45	79	58	34
INDONESIA	751	981	1545	1302	2025	1466	1217
MALAYSIA	728	932	1337	1537	1736	1684	1856
PHILIPPINES	1040	1570	1999	1787	1854	1807	1766
SINGAPORE	1462	2331	3033	3003	3214	3759	3675
THAILAND	629	961	1263	1170	915	1063	1113
ASEAN	4645	6826	9247	8844	9823	9837	9661
ASEAN/WORLD	3.2%	3.8%	4.2%	3.8%	4.6%	4.9%	4.4%

Source: IMF, Direction of Trade Statistics, Yearbook, 1985.

TABLE 11
 DIRECTION OF US IMPORTS CIF
 (US\$ million at current prices)

	1978	1979	1980	1981	1982	1983	1984
WORLD	186050	222335	256959	273351	254882	269880	341170
BRUNEI	162	185	293	343	219	20	11
INDONESIA	3906	3927	5539	6413	4509	5657	5867
MALAYSIA	1596	2252	2688	2272	1959	2205	2829
PHILIPPINES	1346	1648	1913	2161	1956	2160	2622
SINGAPORE	1119	1535	1985	2195	2274	2969	4121
THAILAND	478	646	866	1007	956	1035	1426
ASEAN	8607	10193	13284	14391	11873	14046	16876
ASEAN/WORLD	4.6%	4.6%	5.2%	5.3%	4.7%	5.2%	4.9%

Source: IMF, Direction of Trade Statistics, Yearbook, 1985.

TABLE 12
BALANCE OF US DIRECT INVESTMENT IN PEC AREA
 (US\$ million)

	1970		1975		1980		1983		1984	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
World Total	78,178 (100.0)		124,212 (100.0)		215,578 (100.00)		226,962 (100.0)		223,412 (100.0)	
Advanced Countries	27,761	79.4	39,807	76.1	59,461	74.3	64,950	70.2	68,553	69.5
Canada	22,790	65.0	31,038	59.3	44,978	56.2	47,553	51.4	50,468	51.1
Japan	1,483	4.2	3,339	6.4	6,243	7.8	8,063	8.7	8,374	8.5
Asian NICs	-	-	-	-	3,151	3.9	4,661	5.0	5,450	5.5
Hong Kong	-	-	-	-	2,078	2.6	3,310	3.6	3,799	3.8
Korea	-	-	-	-	575	0.7	650	0.7	823	0.8
Taiwan	-	-	-	-	-	-	701	0.8	828	0.8
ASEAN Countries	701	2.0	2,325	4.4	4,770	6.0	8,140	8.8	9,946	10.1

15 NOV 1989

Brunei	-	-	-	-	-	-	-	-	-
Indonesia	-	-	1,587	3.0	1,314	1.6	3,213	3.5	4,409
Malaysia	-	-	-	-	632	0.8	1,121	1.2	1,153
Philippines	701	2.0	783	1.4	1,259	1.6	1,107	1.2	1,185
Singapore	-	-	-	-	1,204	1.5	1,969	2.1	2,232
Thailand	-	-	-	-	361	0.5	730	0.8	967
Latin America	5,171	14.7	7,150	13.7	12,695	15.9	14,802	16.0	14,731
									14,9

Source: Survey of Current Business, 1970-1985 (US Department of Commerce)