

Developing the Greater Mekong Sub-Region: The ASEAN Context

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Efforts to develop the Mekong Sub-region far antedate ASEAN. The Mekong Committee was established under the auspices of ESCAP as early as 1957. The sub-region can thus be said to be a pioneer in regional cooperation in Southeast Asia.

Even after ASEAN's founding, for many years, only Thailand among the Mekong riparian states was an ASEAN member. The GMS forum itself was initiated in 1992. In 1994, the ASEAN Economic Ministers and Japan's Ministry of International Trade and Industry launched their efforts to develop Cambodia, Laos and Myanmar. In April 1995, the Mekong Committee was transformed into the Mekong River Commission. All of this took place before Viet Nam, Laos, Myanmar, and Cambodia came into ASEAN.

Now, all five Southeast Asian riparian states belong to ASEAN, constituting half the membership of the association. Their membership in ASEAN has given cooperative development in the Mekong Sub-region a new dimension, a new context, added strength, an added advantage.

ASEAN and GMS share the same purposes. They both pursue cooperative development as a fundamental objective. They both seek to foster a good climate and set the necessary conditions for investment and other economic activity.

Now, ASEAN makes available a broader regional framework in which GMS can carry out its work. Many GMS infrastructure projects are part of ASEAN-wide programs. Many ASEAN and GMS activities overlap. ASEAN deliberately directs some of its own activities, particularly those in human resource development, to its four newest members, all of which happen to be in GMS. ASEAN has, in fact, used GMS as a framework for its determined push to integrate its four new members more closely and more quickly with the rest of ASEAN.

At the same time, many ASEAN programs, especially those in infrastructure, human resources and the environment, could be implemented with greater focus and at a more rapid pace when carried out in the smaller area and context of GMS. These ASEAN programs could thus move forward more quickly with GMS as the sub-regional vanguard.

An Integrated Market

In GMS and in the broader setting of ASEAN, the development of infrastructure and human resources and the protection of the environment provide the necessary elements for private-sector investments and trade. The ASEAN framework provides something more, and that is the policy context that can make business activities more efficient, more productive and more profitable.

For example, the ASEAN Free Trade Area. Tariffs on most products traded within ASEAN are now down to no more than five percent or soon will be. Non-tariff barriers are being dismantled ASEAN-wide. Products of companies operating in two or more ASEAN countries under the ASEAN Industrial Cooperation scheme can be freely exchanged across national boundaries for further processing. Customs procedures are being coordinated, regulations and standards harmonized. Trade is thus made freer and easier. In this way, ASEAN is being steadily integrated in one huge market of half a billion people with a gross regional product of almost US\$800 billion. An investor in any of the ASEAN members in GMS has, therefore, this large integrated market for his products. Negotiations have been, or are about to be, launched on trade in services in several critical sectors, including air and maritime transport, financial services, telecommunications and tourism. Again, suppliers of services in those sectors in GMS will have all of ASEAN for their market.

As part of the same move toward closer economic integration in ASEAN, investments from an ASEAN member now have access to and are extended national treatment by other ASEAN countries. Exceptions from this are to be phased out within a specific timeframe. Thus, Singaporean or Malaysian or Thai investors, whether by themselves or in joint venture with others — provided there is sufficient ASEAN equity — can freely invest in GMS.

The GMS states, as ASEAN members, are parties to binding ASEAN agreements, such as the Common Effective Preferential Tariff leading to the ASEAN Free Trade Area, the agreement on the ASEAN Investment Area, and the ASEAN Framework Agreement on Services. ASEAN also has a dispute-settlement mechanism applicable to all ASEAN economic agreements. This means that the GMS states are fully integrated in ASEAN's rules-based trading and investment system. For example, each ASEAN country is required to adopt legislation binding that country to specific tariff reductions in order to fulfil its obligations in the tariff-reduction schedule agreed upon in the AFTA-CEPT system. Their participation in ASEAN agreements thus helps establish a predictable and transparent legal environment for business and investment in the GMS countries. This should be most welcome to businessmen and investors, whose worst nightmares are sudden reversals in the government policies affecting them.

From the beginning, ASEAN based its economic strategy on the free market. Efforts to integrate the newer members with the rest of ASEAN are helping them make the transition to free markets.

Infrastructure Linkages

The ASEAN economies are being integrated not only by removing barriers to trade and investment between them, not only by facilitating trade and investment flows. They are also being bound together by infrastructure linkages. Because they are not separated by ocean, the GMS members of ASEAN are perhaps in a stronger position to set up, expand and strengthen these linkages.

ASEAN's land transport program has an obvious and specific relevance for GMS. Most of the nine priority road projects of GMS have become integral parts of the ASEAN Highway Network, a scheme just recently formalized. The routes identified for the Singapore-Kunming Rail Link, conceived and pursued under ASEAN auspices, coincide with those projected for GMS. ASEAN has concluded or is soon to conclude framework agreements on the facilitation of goods in transit, multi-modal transport, and inter-state transport. Laos, Thailand and Viet Nam have worked out an even more comprehensive agreement covering transit, inter-state and multi-modal transport and also passengers, which shows how sub-regional arrangements can help to advance regional endeavors more rapidly. Another example of GMS moving ahead is the agreement on river transport among China's Yunnan Province, Laos, Myanmar and Thailand to promote trade and tourism along the Mekong.

ASEAN is pushing a trans-regional energy network consisting of the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline. The scheme, of course, covers the GMS part of ASEAN, with six of the fourteen power interconnection projects located in GMS. Several power-purchase agreements among GMS countries are in place, clearly requiring interconnection. The security and sustainability of power supply that these programs foster would be of great benefit to investments in GMS.

In the vital realm of telecommunications, ASEAN is cooperating in broadband interconnectivity covering the policy and regulatory environment, universal access, technical standardization and harmonization, data security, intellectual property rights, and cooperative applications. The aim is to ensure seamless roaming of telecommunications services and to ease intra-ASEAN trade in telecommunications equipment and services. In GMS, there are now ten sub-regional transmission projects. These projects are to be implemented in two phases in order to expedite the development of backbone transmission lines in GMS.

Leapfrogging the Stages of Growth

ASEAN work on telecommunications interconnectivity has clear implications for the development of e-ASEAN. According to this concept, which ASEAN's leaders have endorsed, e-ASEAN would pull together and integrate ASEAN members' efforts in information and communications technology. It would involve inter-connectivity, with its own high-speed backbone. It would seek to harmonize policies, regulations and standards in information and communications technology within ASEAN. A combined public-private sector task force has been organized to bring e-ASEAN to reality. In the context of GMS, information and communications technology could help ASEAN's newer members to leapfrog the normal stages of economic growth and enter the information age.

This requires a massive drive for the development of human skills to enable ASEAN, including GMS, to build the knowledge industries and knowledge societies that are the key to the future. A major part of ASEAN's efforts to integrate its newest members into the association is focused on human resource development in GMS.

In the building of institutions, the development of human skills, and the transfer of technology, GMS has the benefit of ASEAN's system of dialogue cooperation with strategic partners. This system can help mobilize resources for and direct international attention to the Mekong Sub-region. Specifically devoted to GMS are the ASEAN-Mekong Basin Development Cooperation forum, in which all of ASEAN engages China at the ministerial level, and the AEM-MITI Economic and Industrial Cooperation Committee, a body of ASEAN and Japanese trade and industry ministers that retains from its origins its focus on the development of GMS. The forum among ASEAN, China, Japan and the Republic of Korea, which has been convening at several levels, including the summit, is taking a special look at developing GMS. The GMS members of ASEAN stand to benefit from the intensifying cooperation between ASEAN and the Closer Economic Relations between Australia and New Zealand.

In sum, investors and businesses in GMS have as their market all of ASEAN's steadily integrating economies and have their choice of production platforms in ASEAN for marketing to the world. ASEAN's growing infrastructure linkages in transport, energy and telecommunications, much of which is centered on GMS, both facilitate the conduct of business and present opportunities for investment. ASEAN's economic integration and its infrastructure and human linkages, particularly the boundary-transcending power of information technology, make GMS much bigger than it geographically is.

The synergies between ASEAN and GMS programs of development thus offer immense potential for growth and profit. But governments can only put up the setting for business and investments to flourish. Business people are the real actors, giving substance to development, creating wealth out of our region's rich natural and human resources. The ASEAN Secretariat has the mandate to work closely with the private sector, listening to its views, working out its responses, including its complaints, and raising them with ASEAN's decision-makers.

The synergies among governments, international institutions, the ASEAN Secretariat and private business are what this workshop is all about.

SOURCE: ASEAN Secretariat <<http://www.aseansec.org>>