

Reproduced from *ASEAN in the New Asia: Issues & Trends* edited by Chia Siow Yue and Marcello Pacini (Singapore: Institute of Southeast Asian Studies, 1997). This version was obtained electronically direct from the publisher on condition that copyright is not infringed. No part of this publication may be reproduced without the prior permission of the Institute of Southeast Asian Studies. Individual articles are available at <http://bookshop.iseas.edu.sg>

ASEAN IN THE NEW ASIA

ISSUES & TRENDS

The **Giovanni Agnelli Foundation** is an independent cultural and research institution in the field of human and social sciences. The principles underlying all the Foundation's research programmes and its other activities are: the orientation to the future, focus on policy orientation, the complementary approach to socio-economic variables and cultural and value systems. This approach is applied in these years mainly in two general research areas. The first is *The New Geo-economy*: it focuses on globalization and the changing conditions of the worldwide economic competition and the international division of labour. The second is *Cultural Universes and Modernity*: it studies the new role played by the historical cultural traditions in the transition towards modernity within the different cultural areas of the world. Special attention is paid to the dialogue between cultures. The *Senator Giovanni Agnelli Prize for Dialogue between Cultural Universes*, managed by the Foundation, refers strongly to this programme. In this framework, the promotion of the knowledge on Asia has become an autonomous programme of the Giovanni Agnelli Foundation.

The **Institute of Southeast Asian Studies (ISEAS)** was established as an autonomous organization in 1968. It is a regional research centre for scholars and other specialists concerned with modern Southeast Asia, particularly the many-faceted problems of stability and security, economic development, and political and social change.

The Institute's research programmes are the Regional Economic Studies Programme (RES, including ASEAN and APEC), Regional Strategic and Political Studies Programme (RSPS), Regional Social and Cultural Studies Programme (RSCS), and the Indochina Programme (ICP).

The Institute is governed by a twenty-two-member Board of Trustees comprising nominees from the Singapore Government, the National University of Singapore, the various Chambers of Commerce, and professional and civic organizations. A ten-man Executive Committee oversees day-to-day operations; it is chaired by the Director, the Institute's chief academic and administrative officer.

ASEAN IN THE NEW ASIA

ISSUES & TRENDS

EDITED BY

CHIA SIOW YUE | MARCELLO PACINI

INSTITUTE OF SOUTHEAST ASIAN STUDIES, SINGAPORE & GIOVANNI AGNELLI FOUNDATION, ITALY

Published by
Institute of Southeast Asian Studies
Heng Mui Keng Terrace
Pasir Panjang Road
Singapore 119596

Internet e-mail: publish@iseas.ac.sg
World Wide Web: <http://www.iseas.ac.sg/pub.html>

All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system,
or transmitted in any form or by any means, electronic, mechanical, photocopying,
recording or otherwise, without the prior permission of the
Institute of Southeast Asian Studies.

© 1997 Institute of Southeast Asian Studies, Singapore

*The responsibility for facts and opinions expressed in this publication
rests exclusively with the authors and their interpretations
do not necessarily reflect the views or the policy of the
Institute or the Foundation.*

Cataloguing in Publication Data

ASEAN in the new Asia : issues and trends/edited by Chia Siow Yue and Marcello Pacini.
" ... revised and edited papers first presented in late February 1996 at a conference in Turin,
Italy"—Pref.

1. ASEAN countries—Politics and government—Congresses.
 2. ASEAN countries—Foreign economic relations—Congresses.
 3. Investments, Foreign—ASEAN countries—Congresses.
 4. Free trade—ASEAN countries—Congresses.
 5. National security—ASEAN countries—Congresses.
- I. Chia, Siow Yue.
II. Pacini, Marcello.
III. Convegno internazionale: Le prospettive geoeconomiche e geopolitiche del Sud-Est
Asiatico (1996 : Turin, Italy)

DS526.7 A84 1997

ISBN 981-3055-84-7 (soft cover)

ISBN 981-3055-85-5 (hard cover)

Typeset by The Fototype Business

Printed in Singapore by Stamford Press Pte Ltd.

CONTENTS

<i>List of Tables</i>	<i>vi</i>
<i>List of Figures</i>	<i>vii</i>
<i>List of Contributors</i>	<i>viii</i>
<i>Preface</i>	<i>ix</i>
1 ASEAN in a New Asia: Challenges and Opportunities <i>Tan Kong Yam</i>	1
2 Foreign Direct Investment in Southeast Asia <i>Chia Siow Yue</i>	34
3 Intra-Regional Trade Liberalization in ASEAN à la AFTA <i>Mohamed Ariff</i>	67
4 EU–ASEAN Relationship: Trends and Issues <i>Djisman S. Simandjuntak</i>	92
5 ASEAN and the Security of Southeast Asia <i>Daljit Singh</i>	118
6 ASEAN in the New Millennium <i>Chin Kin Wah</i>	144
<i>Index</i>	165
<i>The Editors</i>	176

TABLES

1.1	Foreign Direct Investment in Manufacturing in Selected Asian Countries	7
1.2	Percentage Distribution of Investments in ASEAN, 1990	7
1.3	Growth Rate of GDP in ASEAN Countries	9
1.4	Taiwan's Investment in ASEAN Countries and China	18
1.5	Real GDP Growth of East Asia and Selected Countries, 1990–93	23
2.1	ASEAN: FDI Inflow/Gross Domestic Fixed Capital Formation Ratios, 1984–94	43
2.2	ASEAN: Inward FDI Stock/Gross Domestic Product Ratios	43
2.3	ASEAN: Inward FDI Stock	46
2.4	ASEAN: Inward FDI Flows	48
2.5	ASEAN: Sourcing of Inward FDI	53
3.1	AFTA: Number of Tariff Lines in CEPT	73
3.2	AFTA: Tariff Lines in the Normal Track by Sector and by Country	74
3.3	AFTA: Tariff Lines in the Fast Track by Sector and by Country	75
3.4	AFTA: Tariff Lines in the Temporary Exclusion List by Sector and by Country	76
3.5	AFTA: Number of Tariff Lines for Unprocessed Agricultural Products	77
3.6	AFTA: Average CEPT Tariff Rates within New Time Frame	78
3.7	AFTA: Most Prevalent NTBs, by Number of Tariff Lines	80

3.8	AFTA: Intra-Regional Exports of CEPT Products, 1993–94	82
3.9	AFTA: Intra-Regional Imports of CEPT Products, 1993–94	83

FIGURES

1.1	Indices of Selected Currencies against the US\$	6
1.2	Economic Growth: East Asia (Excluding China) against the United States, 1971–81	23
1.3	Economic Growth: East Asia (Including China) against the United States, 1983–93	24
3.1	AFTA: Normal Track Schedule	70
3.2	AFTA: Fast Track Schedule	71
3.3	ASEAN Institutional Arrangements	73

THE CONTRIBUTORS

Mohamed Ariff holds the Chair of Analytical Economics in the Faculty of Economics and Administration, University of Malaya, Kuala Lumpur.

Chia Siow Yue is Director of the Institute of Southeast Asian Studies in Singapore and was previously Associate Professor of Economics at the National University of Singapore.

Chin Kin Wah is Associate Professor in Political Science at the National University of Singapore.

Djisman S. Simandjuntak is Executive Director of the Prasetiya Mulya Graduate School of Management in Jakarta.

Daljit Singh is a Senior Fellow at the Institute of Southeast Asian Studies, Singapore.

Tan Kong Yam is currently Professor and Head of the Department of Business Policy, Faculty of Business Administration at the National University of Singapore.

PREFACE

This volume comprises the revised and edited papers first presented in late February 1996 at a conference in Turin, Italy. The conference was a collaborative effort by the Giovanni Agnelli Foundation of Italy and the Institute of Southeast Asian Studies (ISEAS) in Singapore. The idea of the conference came from the Giovanni Agnelli Foundation which saw the need to promote a better understanding of Southeast Asia among the academic, business, and media élite of Italy on the eve of the first meeting of government leaders of Asia and Europe (ASEM) in Bangkok in March 1996. The Giovanni Agnelli Foundation also bore the costs of the conference and of the production of *ASEAN in the New Asia*. ISEAS was responsible for getting scholars from Southeast Asia and for editing and publishing this volume.

Since economic matters feature prominently in Southeast Asia–Europe relations, the focus of the conference was more economic. However, the relationship between the two regions goes beyond economics, and, further, any attempt to understand Southeast Asia must take into account the changes in the security environment. So issues of politics and security were not ignored. This is evident from the Table of Contents to this volume.

We take this opportunity to thank the authors of the articles in this volume for their contributions.

Marcello Pacini
Director
Giovanni Agnelli Foundation
Italy

Chia Siow Yue
Director
Institute of
Southeast Asian Studies
Singapore

June 1997