

Association of Southeast Asian Nations

Association of Southeast Asian Nations, ASEAN

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Member countries

The member countries of the Association of Southeast Asian Nations (ASEAN) are Indonesia, Malaysia, Philippines, Singapore, Thailand, Brunei Darussalam, Vietnam, Laos and Myanmar.

The countries of Association of Southeast Asian Nations (ASEAN) have a combined population of 890 million and now constitute one of the fastest growing regions in the world. The ASEAN economy has grown to a combined gross national product (GNP) of about S312 billion and a percapita of US\$496

ASEAN's average economic growth rate was as high as 5.5 percent for the period 1980 to 1990, much higher than the world export growth of 10.8 percent.

Foreign investment into ASEAN, on the other hand, grew as fast as 40 percent.

History

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967 in Bangkok, Thailand, with the signing of the Bangkok Declaration by the five original Member Countries namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined the Association on 8 January 1984. Vietnam became the seventh member of ASEAN on 28 July 1995. Laos and Myanmar were admitted into ASEAN on 23 July 1997.

The Bangkok Declaration united the ASEAN Member Countries in a joint effort to promote economic cooperation and the welfare of the people in the region. The Bangkok Declaration set out guidelines for ASEAN's activities and defined the aims of the organization. The ASEAN nations came together with

three main objectives in mind: to promote the economic, social and cultural development of the region through cooperative programmes; to safeguard the political and economic stability of the region against big power rivalry; and to serve as a forum for the resolution of intra-regional differences.

The First Summit Meeting was held in Bali, Indonesia in February 1976, during which, the five Member Countries signed the Treaty of Amity and Cooperation in Southeast Asia and the Declaration of ASEAN Concord. Both documents signified ASEAN's aims towards ensuring regional peace and stability and to foster economic and social growth and enhancing the need for cooperation with all peace-loving nations. At this meeting, a small permanent secretariat was also established in Jakarta to provide administrative support and to help in coordination of ASEAN activities.

The Second Summit Meeting was held in Kuala Lumpur, Malaysia in August 1977 to commemorate the Tenth Anniversary of ASEAN and to assess the progress in the implementation of the decisions taken at the Bali Summit.

The Third Summit Meeting took place in Manila, Philippines in December 1987. The thrust of this Summit was on economic cooperation. The Member Countries signed the Manila Declaration and set up the ASEAN Plan of Action. The Protocol Amending the Treaty of Amity and Cooperation in Southeast Asia was also signed to enable countries outside the ASEAN region to accede to the Treaty.

The Fourth Summit was held in Singapore in January 1992. The ASEAN Heads of Government signed the Singapore Declaration of 1992 and the Framework Agreement on Enhancing ASEAN Economic Cooperation. One of the major outcomes of this Summit is the decision to set up the ASEAN Free Trade Area ([AFTA](#)) within 15 years. Member Countries also signed the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme which is the main instrument to establish AFTA. The Fourth Summit also enhanced the role of the Secretary-General of ASEAN and enlarged the functions of the ASEAN Secretariat to carry out its new mandate.

The Fifth Summit was held in Bangkok, Thailand in December 1995. This was the first Summit where the ASEAN Leaders met with their counterparts from Cambodia, Laos and Myanmar. This initial meeting of all the Leaders of the ten Southeast Asian states saw the signing of the Southeast Asia Nuclear Weapon-Free Zone Treaty. Among the other areas covered in the Bangkok Summit were the elevation of functional cooperation into a higher plane; measures to further strengthen ASEAN's national and regional resilience in the political, economic, social, cultural, humanitarian and other fields and the need to continue to actively participate and cooperate in various regional and international fora to enhance peace, security and prosperity in Asia and the Pacific and the world.

At the Fifth Summit, the ASEAN Leaders agreed to meet informally every year. The First Informal Meeting of the ASEAN Heads of Government was held in Jakarta on 30 November 1996. At this Meeting, the ASEAN Leaders reaffirmed their strong commitment to the speedy realisation of an ASEAN comprising all ten Southeast Asian countries.

The Second Informal Meeting of the ASEAN Heads of Government will take place in Kuala Lumpur in December 1997. Laos and Myanmar will attend the Meeting as Members of ASEAN for the first time. During the Informal Meeting, the ASEAN Leaders will also meet with their counterparts from China, Japan and Korea. The Informal Summit will also be called the Commemorative Summit as ASEAN celebrates thirty years of its founding on 8 August 1997.

The Sixth Summit will be held in Vietnam in 1998.

Organizational structure

ASEAN Heads of Government

The highest authority of ASEAN is the Meeting of the ASEAN Heads of Government, the ASEAN Summit. In 1992, the Fourth ASEAN Summit in Singapore decided that the ASEAN Heads of Government would meet formally every three years and informally at least once in between to lay down directions and initiatives for ASEAN activities. In 1995, the Fifth ASEAN Summit in Bangkok decided to hold annual Informal Summits in between the formal ASEAN Summits which take place every three years. The First Informal Summit was held in Jakarta in December 1996.

ASEAN Ministerial Meeting (AMM)

The ASEAN Foreign Ministers meet annually during the AMM. The AMM, established by the 1967 Bangkok Declaration, is responsible for the formulation of policy guidelines and coordination of ASEAN activities. At the 1977 Kuala Lumpur Summit, the ASEAN Heads of Government agreed that the AMM could include other relevant Ministers as and when necessary. During an ASEAN Summit, the AMM and AEM report jointly to the ASEAN Heads of Government.

ASEAN Economic Ministers (AEM)

The AEM meets formally or informally to direct ASEAN economic cooperation. The AEM was institutionalised at the 1977 Kuala Lumpur Summit. Like the AMM, the AEM also meets annually. The AFTA Council was established by the Fourth Summit to supervise, coordinate, and review the implementation of the CEPT Scheme for AFTA. The AEM and AMM report jointly to the ASEAN Heads of Government during an ASEAN Summit.

Sectoral Ministers Meeting

Ministers for specific sectors of economic cooperation meet as and when necessary to give guidance on ASEAN cooperation. These are meetings of Ministers on Energy, Ministers on Agriculture and Forestry, Ministers on Tourism, and Ministers on Transport. The sectoral Economic Ministers report to the AEM. The ASEAN Finance Ministers have also agreed to meet regularly. Their first meeting was held in Phuket in February 1997.

Other Non-Economic ASEAN Ministerial Meetings

Meetings of Ministers in other fields of ASEAN cooperation, such as Health, Environment, Labour, Social Welfare, Education, Science and Technology, Information and Justice/Law, are held regularly. While there is coordination between meetings of other Ministers and the AMM, each meeting of Ministers may report directly to the Heads of Government.

Joint Ministerial Meeting (JMM)

The JMM, established by the 1987 Manila Summit, meets as and when necessary to facilitate the cross-sectoral coordination of and consultation on ASEAN activities. The JMM comprises the ASEAN Foreign Ministers and Economic Ministers under the joint chairmanship of the AMM and AEM

chairmen. Such a joint meeting can be initiated either by the Foreign Ministers or the Economic Ministers. The JMM usually meets prior to the Summit.

Secretary-General of ASEAN

The Secretary-General is appointed on merit by the ASEAN Heads of Government with the recommendation of the AMM. He is accorded ministerial status with the mandate to initiate, advise, coordinate and implement ASEAN activities. The Protocol Amending the Agreement on the Establishment of the ASEAN Secretariat, signed in Manila on 22 July 1992, provides that the Secretary-General is responsible to the Heads of Government Meeting and to all Meetings of ASEAN Ministers when they are in session and to the chairman of the ASC. He also chairs all meetings of the ASC on behalf of the ASC Chairman, except the first and the last.

ASEAN Standing Committee (ASC)

The ASC is the policy arm and organ of coordination of ASEAN between the AMM. The ASC, which reports directly to the AMM, comprises the Chairman who is the Foreign Minister of the country hosting the AMM, the Secretary-General of ASEAN and the Directors-General of the ASEAN National Secretariats. As an advisory body to the Permanent Committees, the ASC reviews the work of Committees with a view to implementing policy guidelines set by the AMM.

Senior Officials Meeting (SOM)

The SOM was formally institutionalised as part of the ASEAN machinery at the 1987 Manila Summit. Responsible for ASEAN political cooperation, the SOM meets as and when necessary and reports directly to the AMM. SOM consists of heads of the Foreign Ministries of the ASEAN Member Countries.

Senior Economic Officials Meeting (SEOM)

The SEOM was also established as part of the ASEAN machinery at the Manila Summit and comprises the heads of trade, industry, finance and commerce of the ASEAN Member Countries. The Fourth ASEAN Summit agreed that the five ASEAN Economic Committees on Finance and Banking (COFAB); Food, Agriculture and Forestry (COFAF); Industry, Minerals and Energy (COIME); Transportation and Communications (COTAC); and Trade and Tourism (COTT) be dissolved and SEOM be tasked to handle all aspects of ASEAN economic cooperation. The SEOM meets regularly and reports directly to the AEM.

Other ASEAN Senior Officials Meeting

Other ASEAN Senior Officials Meetings comprise the ASEAN Senior Officials on the Environment (ASOEN) and ASEAN Senior Officials on Drug Matters (ASOD) as well as ASEAN Committees such as Committee on Social Development (COSD), Committee on Science and Technology (COST), ASEAN Conference on Civil Service Matters (ACCSM) and Committee on Culture and Information (COCI). These bodies report to the ASC and to the relevant meetings of Ministers.

Joint Consultative Meeting (JCM)

The JCM, set up at the 1987 Manila Summit, comprises the Secretary-General of ASEAN, SOM, SEOM and the ASEAN Directors-General. It facilitates the intersectoral coordination of ASEAN activities at the

officials level. The Secretary-General reports the results of the Meeting directly to the AMM and AEM.

ASEAN National Secretariats

Each ASEAN country has a National Secretariat in the Foreign Ministry which organises and implements ASEAN-related activities at the country level. At the head of each National Secretariat is a Director-General.

ASEAN Committees in Third Countries

ASEAN has established committees in its Dialogue Partner countries to handle ASEAN's external relations with these countries and international organisations. These committees comprise the heads of diplomatic missions of the ASEAN Member Countries in the host country. They conduct consultative meetings with their host governments. Presently, there are fourteen ASEAN Committees in third countries, namely: Beijing, Bonn, Brussels, Canberra, Geneva, London, Moscow, Ottawa, Paris, Seoul, Tokyo, Washington, Wellington and New Delhi. The Chairmen of the ASEAN Committees in Third Countries submit progress reports to the ASC on the activities of the Committees and seek guidance as needed from the ASC.

ASEAN Secretariat

The ASEAN Secretariat was established by an Agreement signed by the ASEAN Foreign Ministers during the 1976 Bali Summit to enhance coordination and implementation of policies, projects and activities of the various ASEAN bodies.

The 1992 Singapore Summit agreed to strengthen the ASEAN Secretariat so that it would effectively support the Summit's initiatives. The Protocol Amending the Agreement on the Establishment of the ASEAN Secretariat, signed at the 25th AMM in Manila in 1992, provided the Secretariat with a new structure. The Protocol vested the Secretariat with an expanded set of functions and responsibilities to initiate, advise, coordinate and implement ASEAN activities.

The Special Meeting of the ASEAN Foreign Ministers in Kuala Lumpur in May 1997 agreed to the creation of an additional post of Deputy Secretary-General at the ASEAN Secretariat. One Deputy Secretary-General will assist the Secretary-General on AFTA and Economic Cooperation while the other will assist in Functional Cooperation, ASEAN Cooperation and Dialogue Relations and Administration, Finance and Personnel.

Staffing of the Secretariat has moved from national nomination to open recruitment. A total of 35 professional staff have been recruited, more than double the size of the previous professional staff of 14 before the reorganisation.

The ASEAN Secretariat adopted a Mission Statement which reflects the spirit and goals of the Fourth Summit, "Towards strengthening and intensifying intra-ASEAN cooperation". The work of the Secretariat is guided by this Mission Statement in order to provide responsive support to the tasks of the various ASEAN bodies.

The Secretariat has four Bureaus. The AFTA Bureau, in addition to handling the implementation and monitoring of AFTA, also handles other related issues such as the elimination of non-tariff barriers, the harmonising of tariff nomenclature, the issue of standards and conformance and customs valuation and procedures. Apart from the meetings of the AFTA Council of Ministers, the AEM and SEOM, the

Bureau also fully services the meeting of the ASEAN Directors-General of Customs and the ASEAN Consultative Committee on Standards and Quality.

The Bureau of Economic Cooperation handles such matters as investment, services, finance, banking, intellectual property, food, agriculture, transportation and energy. The Bureau is also responsible for issues related to industrial cooperation and, generally, non AFTA issues, including those involving the private sector. In addition to the AEM, the Bureau services the meetings of the Ministers of Agriculture, Energy, Finance, Transport and Communications and Tourism, as well as that of their respective officials.

The Bureau of Functional Cooperation has been actively engaged in drawing up and coordinating the implementation of the Action Plans for Science and Technology, Environment, Culture and Information, Social Development and Drug Abuse Control. In addition to this, the Bureau has also, among others, taken the initiative which resulted in the establishment of the ASEAN University Network and its Charter. The Bureau reports directly to the meeting of the Ministers responsible for the respective sectors mentioned above and also services fully the five Committees on Functional Cooperation, their sub-committees and working groups.

The Bureau for ASEAN Cooperation and Dialogue Relations is responsible for the operationalisation of the project appraisal system adopted by the ASEAN Standing Committee. Under this system, project appraisal, implementation, monitoring and evaluation procedures have been set up and the Bureau provides advisory services to the various ASEAN bodies on these procedures and in project formulation and design. The Bureau also identifies funding sources and assists Member Countries by preparing papers on development cooperation policies and strategies which are used as a basis for discussions with Dialogue Partners.

Economic cooperation

Introduction

Starting with a degree of cooperation which was initially limited to only a few economic activities in the 1960s, ASEAN economic cooperation has not only deepened but also widened in the last five years. This is evidence of the ASEAN Member Countries' strong commitment to making the region a strong and dynamic economic force.

Economic cooperation in ASEAN does not entail only trade liberalisation measures but also trade facilitation, non-border measures and investment promotion activities. New areas of cooperation, such as in services and intellectual property rights are being implemented. Bold decisions have also been made to elevate and strengthen ASEAN industrial cooperation through a new scheme which will take into account present industrial needs and economic situation in ASEAN. Cooperation in private sector development, small- and medium-size enterprises, infrastructural development and regional investment promotion measures have also made considerable progress.

The thrusts of ASEAN economic cooperation in the 1990s include the following :

- **to fully implement the ASEAN Free Trade Area ([AFTA](#));**
- **to develop the region into a global base for the manufacture of value added and technologically sophisticated products geared towards servicing the region and world markets;**

- to enhance the industrial efficiency of the region through exploiting complementary location advantages based on the principles of market sharing and resource pooling;
- to enhance the attractiveness of the region for investment and as a tourist destination;
- to cooperate in enhancing greater infrastructural development which will contribute towards more efficient business environment; and
- to ensure that the rich resources (minerals, energy, forestry and others) of the region are exploited effectively and efficiently.

Guiding Principles

The success of ASEAN Economic Cooperation, seen as a possible model for regional cooperation among developing countries, is very much the result of the wisdom, foresight and bold decisions of the Bangkok Declaration of 1967 and the past four Summits' guidance. ASEAN Economic Cooperation was first stressed in the Bangkok Declaration of 1967 which laid the foundation for economic cooperation. The Declaration emphasized among other things, the following aims and purposes :

- to accelerate economic growth, social progress and cultural development in the region;
- to promote active collaboration and mutual assistance of matters of common interest in the economic, social, cultural, technical, scientific and administrative fields;
- to collaborate more effectively for the greater utilization of the region's agriculture and industries, the expansion of trade, including the study of the problems of international commodity trade, the improvement of its transportation and communications facilities and the raising of the living standards of its peoples.

ASEAN Economic Cooperation was subsequently guided further by the decisions of subsequent ASEAN Summits. The First ASEAN Summit, held in Bali in 1976, called for intensifying cooperation in economic and social development and taking cooperative action in national and regional development programmes, utilizing as far as possible the resources available in the ASEAN region to broaden the complementarity of respective economies.

The Second ASEAN Summit held in Kuala Lumpur in 1977, stressed, among others, that efforts should be intensified and that the pace of economic cooperation accelerated with greater vigour, the private sector should intensify efforts towards the implementation of industrial complementation schemes and projects and industrial development in the region; and measures be taken to stimulate the flow of technology, know-how and private investment among the Member Countries.

The Third ASEAN Summit, held in Manila in 1987, emphasized that ASEAN regionalism founded upon political, economic, and cultural cohesion is more vital than ever for the future of Southeast Asia; Member States should strengthen intra-ASEAN economic cooperation to maximize the realization of the region's potential in trade and development and to increase ASEAN's efficacy in combating protectionism and countering its effects as well as to promote an environment in which the private sector can play an increasing role in economic development and in intra-ASEAN cooperation.

The Fourth ASEAN Summit, held in Singapore in 1992 reiterated that ASEAN accelerate efforts enhancing intra-ASEAN economic cooperation and adopt appropriate new economic measures as contained in the Framework Agreement on Enhancing ASEAN Economic Cooperation. The Summit decision was directed towards sustaining ASEAN growth and development which are essential to the

stability and prosperity of the region.

The Fifth ASEAN Summit, held in Bangkok in 1995 focused on the theme, "Greater ASEAN Economic Cooperation " and decided on the acceleration and deepening of the commitments under the ASEAN Free Trade Area (AFTA), expansion of ASEAN economic cooperation in new sectors, in particular, services and intellectual property, endorsed a new ASEAN Industrial Cooperation Scheme, AICO, and a proposal to create an ASEAN Investment Area (AIA). AICO will replace the BBC and AIJV Schemes while the AIA will encourage more investment into the region. The Summit also discussed how ASEAN might participate in the economic development of the Mekong Basin and agreed on the implementation of the following plans of action : Infrastructure Development, Transport and Communication, Energy and SME Development.

The First Informal Summit held in Jakarta on 30 November 1996 requested the Ministers to develop an ASEAN Vision towards the year 2020, taking into account that by then AFTA would have been fully implemented for almost two decades. The Leaders also endorsed the Basic Framework of the ASEAN-Mekong Basin Development Cooperation and hoped that such cooperation would promote the economic integration and interconnection between the economies of ASEAN and the non-ASEAN Mekong Riparian States. In addition, the Heads of Government agreed to request the economic ministers to develop the possibility of ASEAN cooperation on the facilitation of goods in transit.

ASEAN Free Trade Area

The most significant step in enhancing trade in ASEAN was the decision of the Fourth ASEAN Summit in 1992 to establish the ASEAN Free Trade Area by the year 2008. In September 1994, the ASEAN Member Countries agreed to accelerate the establishment of [AFTA](#) by reducing the initial time frame of 15 years to 10 years.

The primary objective of AFTA was to enhance ASEAN's position as a competitive production base geared towards servicing the global market. This was to be achieved through the expansion of intra-ASEAN trade, making possible both greater specialization and economies of scale. It was also to be achieved through the inflow of more foreign direct investment who would be attracted by the emergence of a single ASEAN market.

The Common Effective Preferential Tariff (CEPT) Scheme, which is the main mechanism for realizing AFTA, was launched on 1 January 1993. The CEPT Scheme covers both manufactured and agricultural products. The product coverage in the CEPT Scheme is the most comprehensive ever in any ASEAN trading arrangement. For instance, more than 90% of the total tariff lines in ASEAN are already included in the CEPT Scheme. These tariff lines account for more than 81% of intra-ASEAN trade values.

The CEPT Scheme requires the reduction of tariffs for all products in the Inclusion List, the elimination of quantitative restrictions as well as other non-tariff barriers. By the year 2003, all tariffs for products in the Inclusion List should be no higher than 5%. The tariff reductions began in the year 1994. To ensure that AFTA is realized expeditiously, other trade facilitation measures are also being undertaken. These include harmonization of customs matters (tariff nomenclature, customs valuation systems, customs procedures and the establishment of a Green Lane System to help expedite clearance for CEPT products). Considerable work is also being done to harmonize product standards to facilitate intra-ASEAN trade. A list of 20 priority product groups, including some major consumer durables, has already been identified.

Between 1993-95, intra-ASEAN exports grew from \$ 42.77 billion to \$ 68.83 billion. This represents an average growth rate of 30.46% per annum, significantly higher than the average 20% growth of total ASEAN exports. The share of intra-ASEAN exports to total exports inched up to 22% in 1995. In 1995, nearly 59% of intra-ASEAN exports was made up of exports of machinery and electrical appliances reflecting the extent of intra-industry trade. Other major sectors traded within the region are mineral products (petroleum), base metals, chemicals and plastics.

In keeping with the principle of open regionalism, ASEAN has been pursuing regional linkages with other regional trading arrangements. The AFTA-CER linkage was the first of these linkages and the activities include creation of a customs compendium, information exchange on standards and conformance including collaborative work on ISO 14000 and linkage of trade and investment databases. Similar initiatives are being pursued with other regional groupings such as the North American Free Trade Agreement (NAFTA), the Mercado Comun del Sur ([MERCOSUR](#)), the European Free Trade Association (EFTA) and the Southern African Development Community (SADC).

Cooperation in Industrial Development

Industrial Cooperation has been an important cornerstone of ASEAN economic cooperation. Various industrial cooperation initiatives have been pursued with the aim of enhancing the industrial competitiveness of the region. Industrial cooperation schemes based on the principles of resource pooling and market sharing have been introduced to facilitate effective exploitation of economies of scale and the region's complementary location advantages. The Schemes are:

1. The ASEAN Industrial Projects (AIP) introduced in 1976. The aim of AIP is to establish large-scale regional industrial projects that will meet the basic needs of the region and ensure more efficient use of the region's resources. The AIP resulted in the establishment of the ASEAN-Acheh Fertilizer and ASEAN-Bintulu Fertilizer Plants.
2. The ASEAN Industrial Complementation (AIC) Scheme was established in 1981) and the Brand-to-Brand Complementation (BBC) Scheme was set up in 1988. Both the schemes were aimed at the automotive sector and was designed to promote industrial complementation between companies operating in the region. The BBC Scheme, an offshoot of the AIC, is concerned with the production and exchange of automotive parts and components to facilitate horizontal specialization in the production of these products in the region. The Schemes encourage automotive brand owners to exploit economies of scale of production through rationalization and specialization of automotive production units by allowing exchange of approved automotive parts and components for specific automotive brand model. These automotive parts and components were granted 50% MOP of the prevailing MFN rate by the participating importing countries as well as local content accreditation.
3. The ASEAN Industrial Joint Venture (AIJV) Scheme was introduced in 1983 and revised in 1987. The aim was to encourage greater investment into and within the region, and to increase industrial production through resource pooling and market sharing activities. AIJV products were granted 90% MOP of the prevailing MFN rate and local content accreditation where applicable of the participating importing country.
4. Given the rapid industrial development of the region, the ASEAN Member Countries in 1995 agreed that the existing BBC and AIJV Schemes be phased out and be replaced by a new industrial cooperative scheme taking into account the gradual tariff liberalization of the CEPT Scheme. The Basic Agreement on the ASEAN Industrial Cooperation (AICO) Scheme was signed on 27 April

1997 and became operational on 1 November of the same year. The AICO Scheme aimed at promoting joint manufacturing activities of companies operating in ASEAN. Products under the AICO Scheme will be granted 0-5% preferential tariff rate which in effect is equivalent to the final CEPT rate and local content accreditation where applicable. The AICO Scheme was developed with the active participation and cooperation of the private sector.

Cooperation in Finance and Banking

ASEAN finance cooperation has been further strengthened with the various decisions made at the First ASEAN Finance Ministers Meeting (AFMM) held on 1 March 1997 in Phuket, Thailand. The decision to strengthen cooperation in the field of finance will provide strong support to the various regional initiatives and schemes expounded by the ASEAN Leaders. This includes, among others, the ASEAN Free Trade Area (AFTA), ASEAN Industrial Cooperation Scheme (AICO) and ASEAN Investment Area (AIA).

Two important documents were signed by the ASEAN Finance Ministers in Phuket. These were the Ministerial Understanding (MU) on Finance Cooperation and the ASEAN Agreement on Customs. The former lays down the foundation for strengthening cooperation in finance. In particular, the MU provides a framework for enhancing cooperation in several areas of finance which include banking; financial and capital markets development; customs matters; insurance matters; taxation and public finance matters; monetary policy cooperation; and human resource development in the area of finance.

The signing of the Customs Agreement will enhance ASEAN cooperation in customs activities and will help expedite the early realisation of AFTA as it contains provisions that would facilitate greater intra-regional trade and investment flow. The Agreement also stipulates joint efforts in anti-smuggling and customs control activities, mutual technical assistance, customs modernisation, and upgrade customs skills to meet present and future challenges.

In view of increasing level of finance activities and cooperation, the ASEAN Finance Ministers (AFM) have established the ASEAN Senior Finance Officials Meeting (ASFOM) to assist the AFM in their work. The ASFOM and its working group will meet regularly to develop, manage and implement regional finance cooperation activities. Other finance-related bodies such as the insurance regulators, capital markets, tax and central bank authorities have been encouraged to establish appropriate forum for initiating activities and strengthening cooperation endeavours in each of the finance sub-sectors.

Cooperation in Investment

Since the Fifth ASEAN Summit, held in December 1995 in Bangkok, ASEAN cooperation in the area of investment has made significant developments. One notable development, is the progress made towards realising the decision of the ASEAN Heads of Government on establishing a bold regional arrangement for investment known as the ASEAN Investment Area (AIA). The objective of AIA is to help ASEAN attract greater and sustainable levels of FDI flows into and within the region. This is to be achieved by undertaking collective measures that would enhance the attractiveness, competitiveness and the complementarity of the region for FDI.

Given the importance of investment and heightened cooperation in this field, a number of investment bodies have been institutionalised to handle increasing level of regional investment matters. The ASEAN Heads of Investment Agencies (AHIA) assisted by the Senior Officials Meeting on Investment (SOM-I) met regularly to discuss, initiate and implement various aspects of regional investment cooperation

matters. Prior to the establishment of SOM-I, a Working Group on Investment Cooperation and Promotion (WGICP) was the body responsible to handle regional investment matters. A Working Committee on Drafting the Framework Agreement on the ASEAN Investment Area (WCAIA) has convened to draft the framework agreement which is expected to be completed before the 30th AEM Meeting in 1998.

The present form and scope of ASEAN investment cooperation emanated from the Meeting of the ASEAN Heads of Investment Agencies in Bangkok on 14-15 December 1995. Since then, a number of significant areas of achievement have been made. These cover, among other things, the following:

- (i) A Plan of Action on Cooperation and Promotion of Foreign Direct Investment and Intra-ASEAN Investment;
- (ii) A Work Programme on Cooperation and Promotion of Foreign Direct Investment;
- (iii) The Protocol improving the 1987 ASEAN Agreement for the Promotion and Protection of Investments;
- (iv) Joint Annual Training Workshops for ASEAN Investment Policy Making Officials;
- (v) A Comprehensive Survey on the Promotion of Foreign Direct Investment;
- (vi) A High-Level Roundtable for the Formulation of Strategic Plans on Cooperation and Promotion of FDI in ASEAN; and
- (vii) An Experts Seminar on the Promotion of Foreign Direct Investment in the Context of the ASEAN Investment Area.

Cooperation in Food, Agriculture and Forestry

Various measures have been implemented to promote the production and trade in agriculture and forestry products given that these sectors are still significant to many ASEAN economies. The Ministerial Understanding on ASEAN Cooperation in Food, Agriculture and Forestry had provided a framework for sectoral cooperation in these areas. A Memorandum of Understanding on ASEAN Cooperation and Joint Approaches on Agriculture and Forest Products Promotion Scheme has been designed to improve the competitiveness of ASEAN agriculture and forest products. The ASEAN Food Security Reserve will accordingly be reviewed for the purposes of creating a more dynamic food security arrangement to enhance intra-ASEAN trade and promoting food production under the principle of comparative advantage.

Cooperation in Minerals

The Programme of Action for cooperation in minerals was approved by the Fifth ASEAN Summit to promote trade and investment in industrial minerals. Member Countries have pursued initiatives to exchange information on policy, regulations and legislation to attract investments. To further strengthen ASEAN of cooperation in the sector, Member Countries agreed to establish an ASEAN Industrial Minerals Information System (AIMIS) and a Directory of Research and Development and Training Centres available in the region.

Cooperation in Energy

With ASEAN expected to become a net oil importing region by the turn of the century, ASEAN's collective action is in the furtherance of ensuring greater security and sustainability of energy supply through diversification, development and conservation of resources, the efficient use of energy and wide application of environmentally sound technologies. In line with the Agreement on ASEAN Energy Cooperation of 1986, the Medium-Term Programme of Action on Energy Cooperation (1995-1999) is being vigorously implemented in the following sectors; electricity, oil and gas, coal, new and renewable sources of energy, energy efficiency and conservation, energy and environment and energy policy and planning. An ASEAN emergency petroleum sharing scheme is likewise in place. Cooperative efforts will likewise focus on the realization of regional interconnecting arrangements for electricity and natural gas, through the ASEAN Power Grid and Trans-ASEAN Gas Pipeline Projects. The ASEAN-EC Energy Management Research and Training Centre (AEEMTRC) will be eventually transformed into the ASEAN Energy Centre.

Cooperation in Transportation and Communications

The transport and communications sector is a critical logistics and services support sector in the integration of the ASEAN economies. ASEAN Member Countries are implementing the ASEAN Plan of Action in Transport and Communications through the Integrated Implementation Programme, involving 45 projects and activities in the following cooperative areas; multimodal transport, interconnectivity in telecommunications, harmonization of road transport laws, rules and regulations, airspace management, maritime safety and pollution, human resources, and air services liberalization. Feasibility study for the Singapore-Kunming (China) Rail Link Project and the development of the ASEAN Framework Agreement on the Facilitation of Goods in Transit will also be undertaken. Future collaborative efforts to keep pace with the increasing demand for improved infrastructure and communications will be towards the development of an integrated and harmonized trans-ASEAN transportation network and the harnessing of technology advances in telecommunications and information technology. Special emphasis will be given to link the planned information highways/multimedia corridors in ASEAN, promote open sky policy, develop multimodal transport, facilitate goods in transit, develop regional shipping policy and integrate further telecommunications networks.

Cooperation in Tourism

ASEAN tourism, which exhibits strong growth potentials, has contributed significant gains to the regional economy. ASEAN cooperation in tourism is aimed to develop and promote ASEAN as a single tourism destination product with world class attractions, standards and facilities, achieve facilitation of intra-ASEAN travel and freer trade in tourism services, and promote sustainable tourism development. Joint efforts of the Member Countries shall entail policy coordination and/or harmonization in areas such as investment policy, tourism development planning, human resources and environmental and cultural preservation. The Tourism Ministers will henceforth convene formal meetings, to pave the way for developing coordinated and concrete strategies for tourism development and cooperation in ASEAN. The formation of the ASEAN Crises Team for Tourism (ACTT) has been also launched by the ASEAN National Tourism Organizations (NTOs).

Cooperation in Services

ASEAN Member Countries have agreed to enhance cooperation in this new area of economic cooperation and to liberalize trade in services. The ASEAN Framework Agreement on Services was signed during the Fifth ASEAN Summit in December 1995 in Bangkok. At the Summit, it was agreed

that a process of negotiations shall commence beginning 1 January 1996 and ending 31 December 1998. The negotiations will aim to produce commitments on increased market access and national treatment from Member Countries in the seven priority service sectors - air transport, business services, construction, financial services, maritime transport, telecommunications and tourism. A Coordinating Committee on Services (CCS) has already been established with seven working groups under it. Member Countries have exchanged information on their General Agreement on Trade in Services (GATS) commitments and service regime. An initial package of offers is scheduled to be finalized before October 1997 for implementation no later than 31 March 1998.

Cooperation in Intellectual Property

As ASEAN Member Countries strive towards the next level of economic development, apart from the need to ensure continuous investment capital inflow through FDI, ASEAN also requires the inflow of new or up to date manufacturing technology. It is important that ASEAN continuously upgrade its technological competitiveness in order to sustain its high economic growth. It is in this respect that there is a strong and urgent need for ASEAN to strengthen its intellectual property (IP) legislation, administration and enforcement.

Greater cooperation amongst ASEAN Member Countries in the area of intellectual property will increase the confidence of the owners of technology that their ideas and technology are sufficiently protected in the region. Thus, Member Countries have signed the ASEAN Framework Agreement on Intellectual Property Cooperation during the Fifth ASEAN Summit. A Programme of Action of 1996 - 1998 to carry out the activities of the Framework Agreement has been adopted. Among the activities included in the Programme are measures to enhance and strengthen intellectual property enforcement, protection, administration, legislation, and inculcation of public IP awareness.

Private Sector

ASEAN recognizes the importance of the role the private sector can play to ensure success in implementing the various economic cooperation programmes. The private sector has been referred to as the engine of growth and has been strongly urged to participate actively in the ASEAN economic cooperation process. Against this backdrop, various channels of consultations have been established for regular consultations between the Senior Economic Officials and the representatives of the ASEAN Chambers of Commerce and Industry. Consultations between the high-level ranking private sector representatives with the ASEAN Economic Ministers is also held every year.

To ensure the effective functioning of the ASEAN-CCI, it has been agreed that a permanent secretariat of the ASEAN-CCI be established. The ASEAN Secretary-General has agreed to the secretariat being located at the ASEAN Secretariat in Jakarta. The establishment of the ASEAN-CCI secretariat will help foster even greater communications and linkages between the policy-making bodies and the private sector.

For more information, visit ASEAN home page: <http://www.asean.or.id/>

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