

ASEAN at Forty: Opportunities and Challenges for the United States



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Summary

- ASEAN is a key U.S. economic and strategic partner.
- ASEAN economic integration is beneficial to the U.S., but progress toward integration is uneven.
- U.S. has developed a two-pronged ASEAN strategy.
- Whatever initiatives we pursue in ASEAN, time is of the essence and much is at stake.
- We need to rebuild the U.S. consensus in favor of trade and Trade Promotion Authority must be renewed for the U.S. to be able to stay in the game.

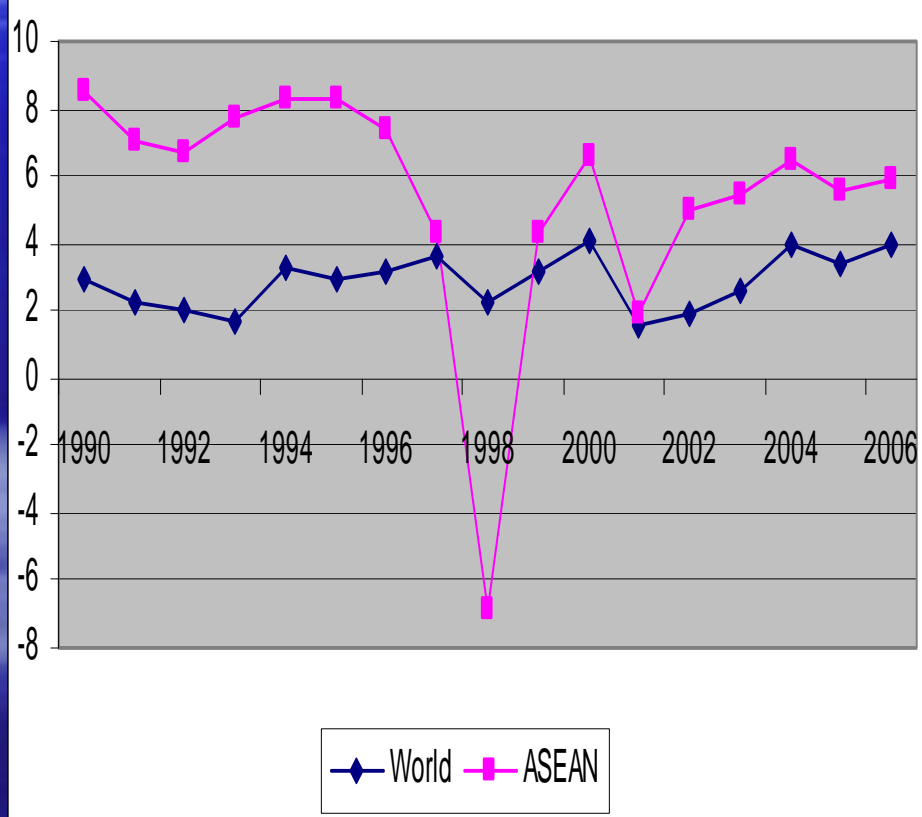
Importance of ASEAN to the United States

- Dynamic economies
- Large market
- Key export destination
- Significant agricultural market
- Important services market
- Strategically significant region

Dynamic Economies

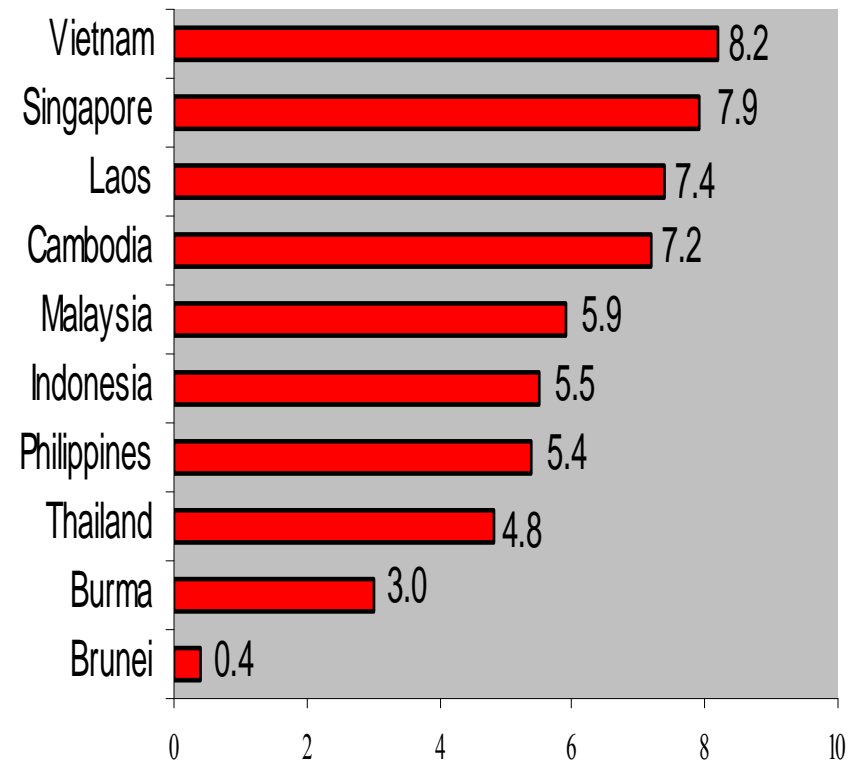
GDP Growth ASEAN vs. World Average

Percent



GDP Growth 2006

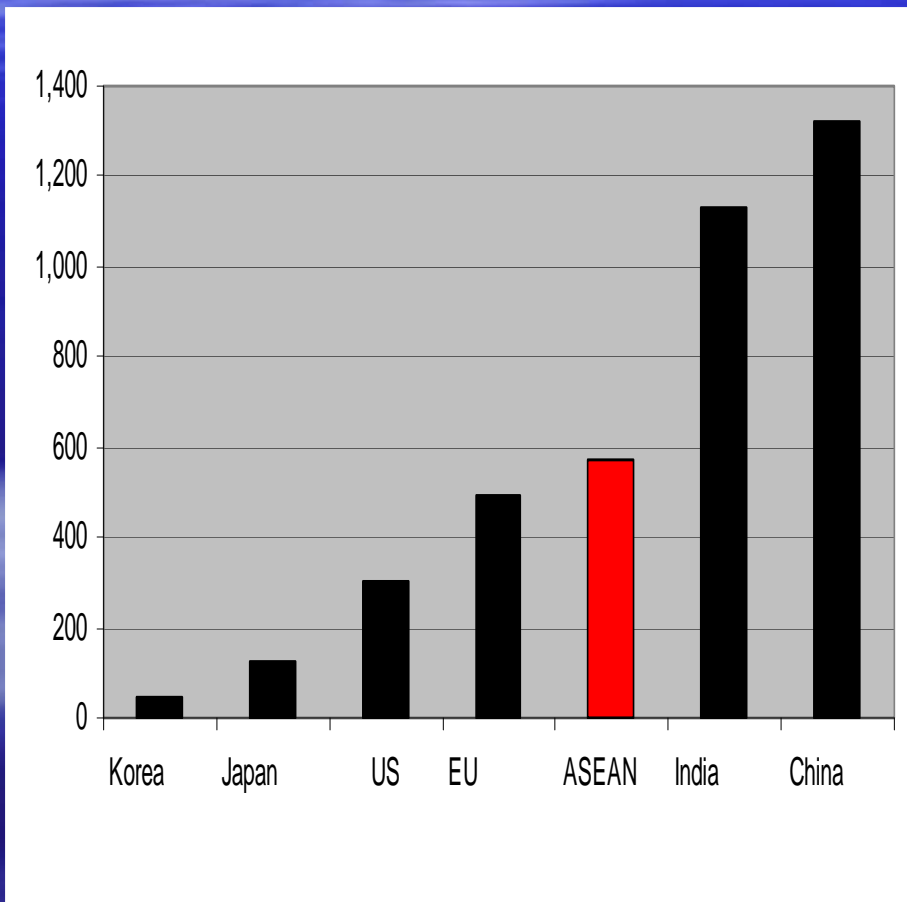
Percent



Large Market

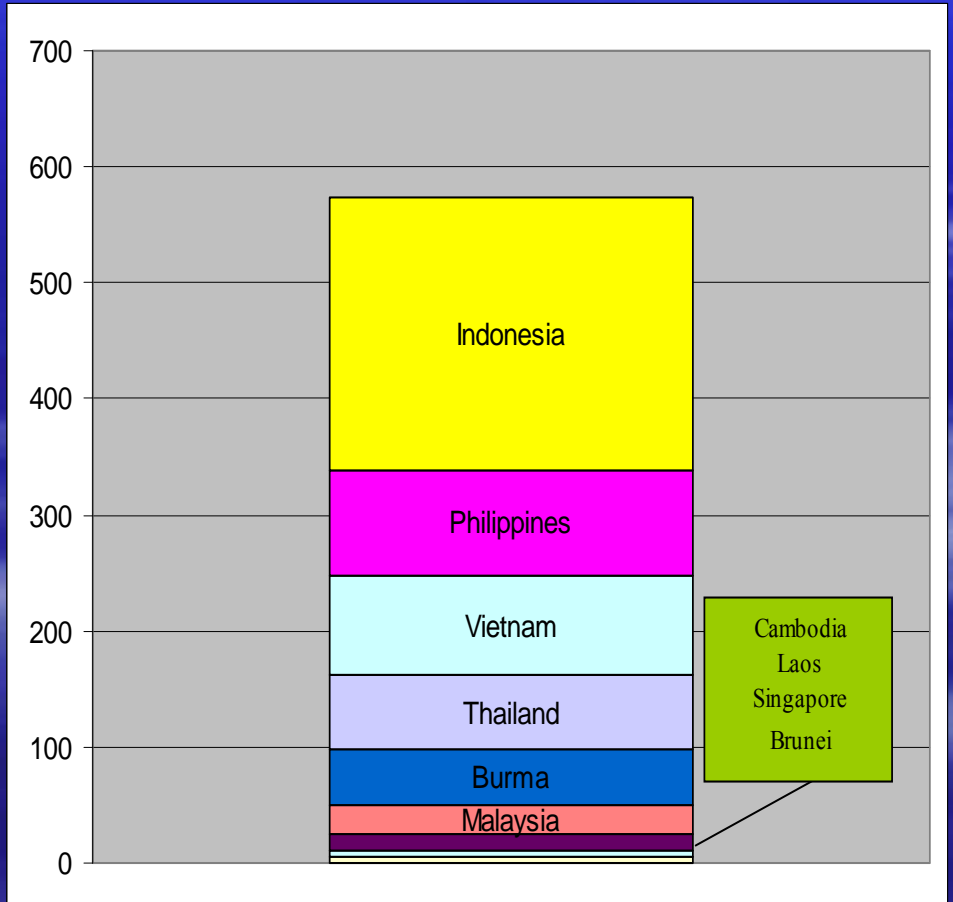
Population 2006

Millions



ASEAN Population 2006

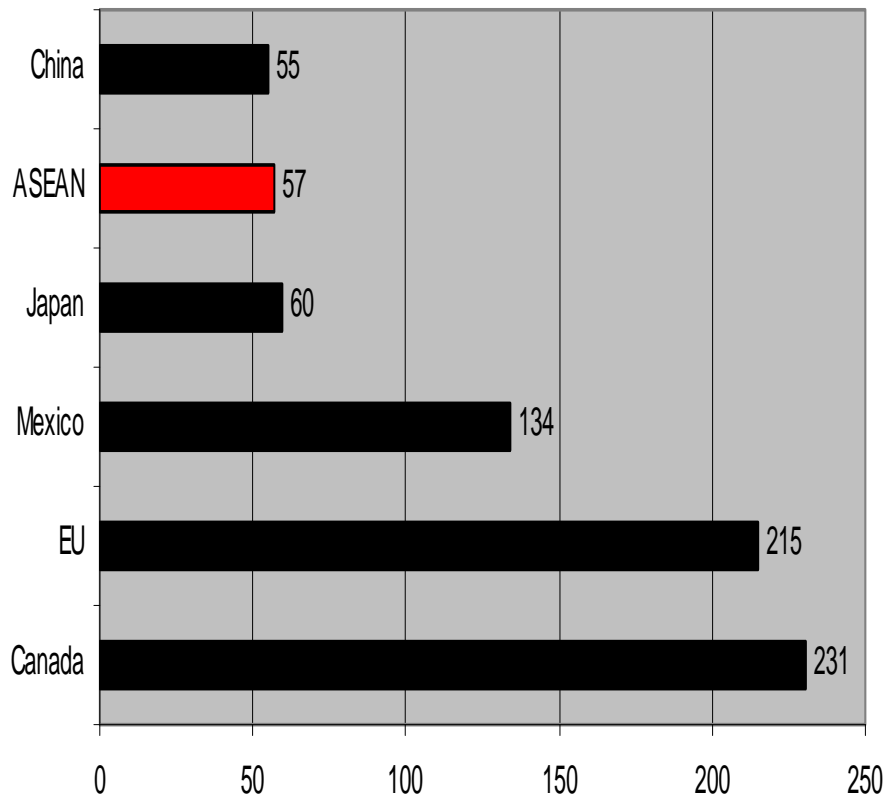
Millions



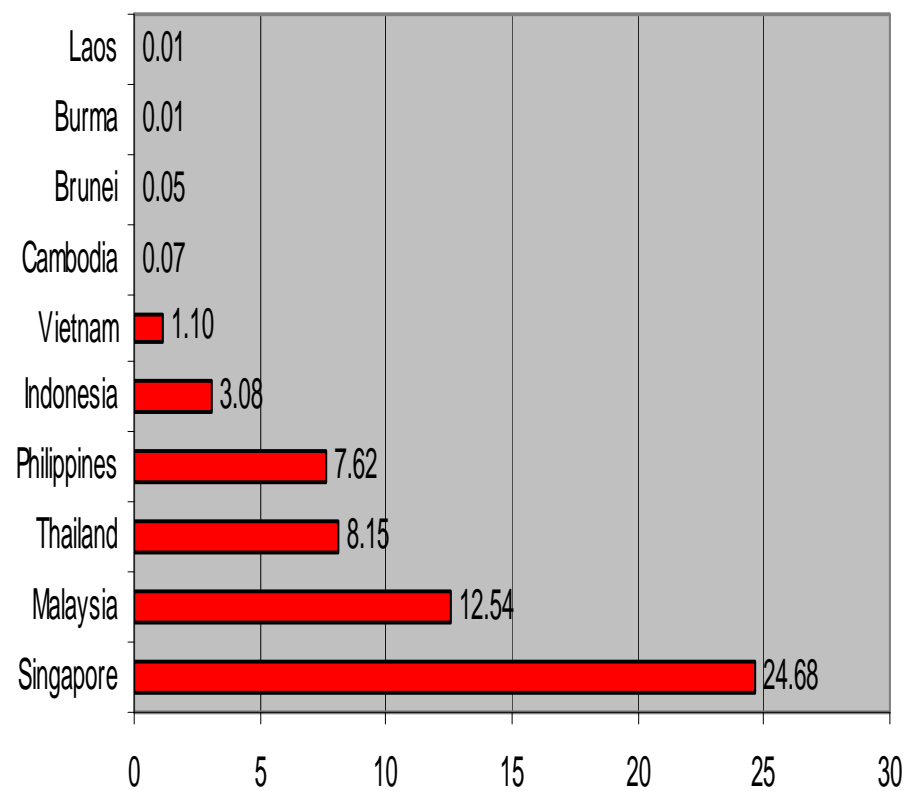
Source: CIA World Fact Book

Key U.S. Export Destinations

Top U.S. Export Markets 2006



U.S. Exports to ASEAN 2006



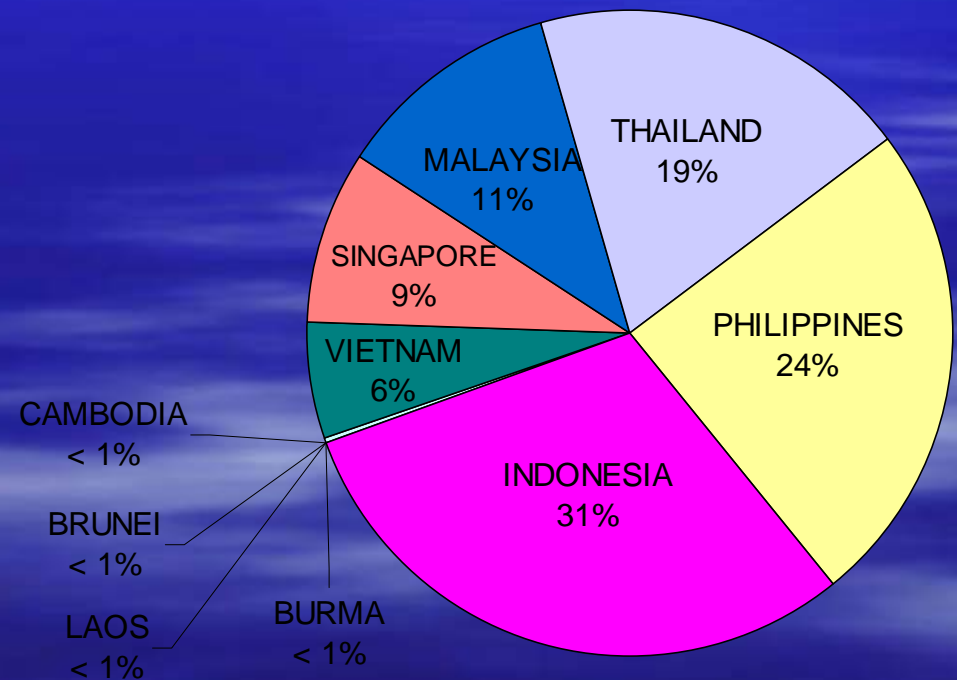
Source: Foreign Trade Division, U.S. Census Bureau

Significant Agricultural Export Market

Top U.S. Agriculture Export Markets, 2006

1. Canada	\$12.2 billion
2. Mexico	\$11.0 billion
3. Japan	\$ 9.5 billion
4. EU	\$ 7.9 billion
5. China	\$ 6.8 billion
6. ASEAN	\$ 3.6 billion
7. Korea	\$ 2.8 billion
8. Taiwan	\$ 2.4 billion

U.S. Agricultural Exports to ASEAN, 2006

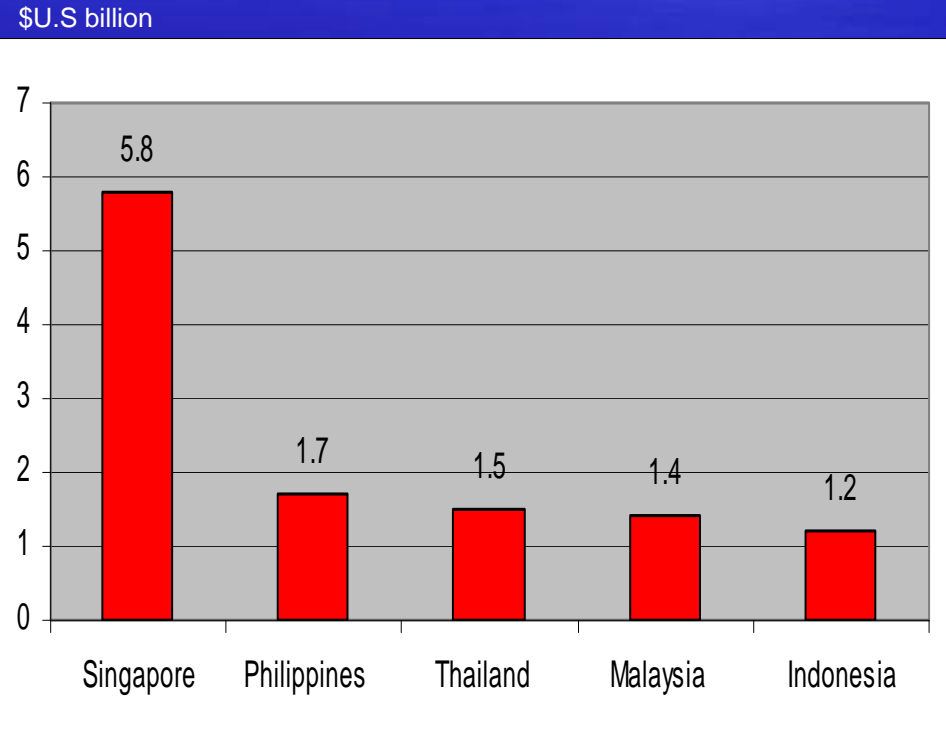


Important Services Market

Top U.S. Services Export Markets, 2005

1. EU	\$ 128 billion
2. Japan	\$ 42 billion
3. Canada	\$ 33 billion
4. Mexico	\$ 21 billion
5. ASEAN	\$ 11.6 billion*

U.S. Services Exports to ASEAN, 2005



*ASEAN figure only includes Singapore, Philippines, Thailand, Malaysia and Indonesia data

Strategically Significant Region to the United States

- Valued partners in regional and multilateral organizations.
- Growing geopolitical importance.
- Increasing military ties.
- Enhancing counterterrorism relationships.

ASEAN Economic Integration Benefits the U.S.

- Makes ASEAN more than the sum of its parts and encourages:
 - Economies of scale
 - Lower costs
 - Increased efficiency
 - Economic reforms

Scorecard

- ASEAN Community by 2015
- Goods
- Services
- Investment
- Governance and institutions

The ASEAN Free Trade Area

Coverage

- Reduce tariffs to 0-5% and eliminate non-tariff barriers and quantitative restrictions.
- More than 99 percent of tariff lines covered by 2003 for original members.
- Temporary exclusions, sensitive agricultural products and general exceptions.

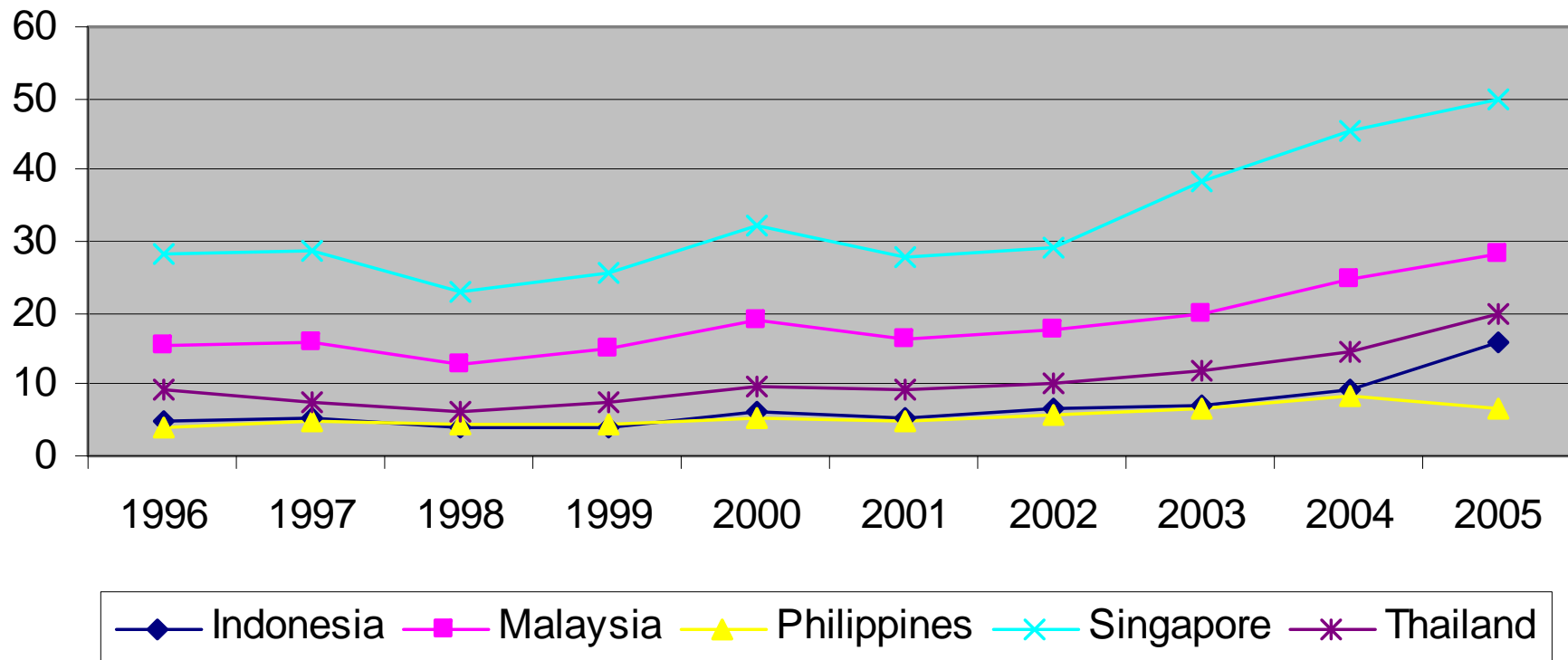
Schedule

- Reduction/elimination by 2003 for most goods for original ASEAN members and 2006 for Vietnam, 2008 for Laos and Burma and 2010 for Cambodia.
- Sensitive agricultural products deadline extended to 2010.
- Reduction to zero of virtually all imports by 2010 for original members and 2015 for newer members.

Intra-ASEAN Imports

1996-2005

\$U.S. billion



ASEAN Framework Agreement on Services

Coverage

- GATS-plus agreement that relies on GATS for underlying obligations.

Priority Sector Obligations

- Services priority sectors include logistics, air travel, ICT, healthcare, and tourism.
- Amended Agreement for the Integration of Priority Sectors (December 2006) calls for:
 - Accelerating liberalization of trade by 2010 through allowing commercial presence (Mode 3) equity participation targets, with flexibility, by yearend 2010 in conformity with ceilings set by ASEAN Economic Ministers.
 - Setting clear targets for liberalizing other limitations on commercial presence by yearend 2007.

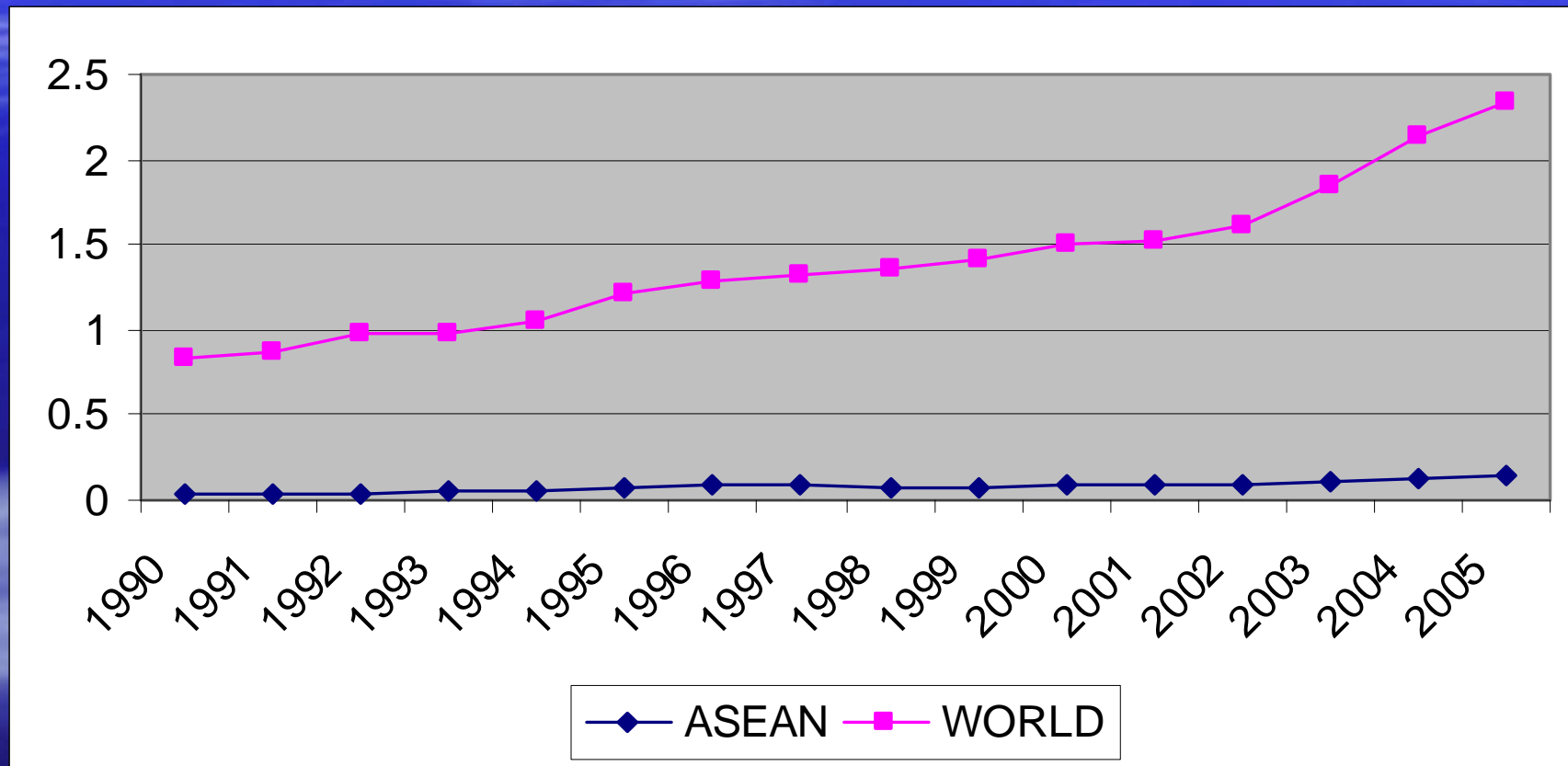
Future Work

- ASEAN Economic Community to be created by 2015 calls for free flow of services.
- ASEAN Ministers provided the following broad guidelines for further action:
 - Staging of services liberalization every two years until 2015.
 - No back-loading of commitments to the last year of the timeline.
 - Allowing members to have flexibility to determine their own pace of liberalization.
 - Setting mid-point targets for services liberalization.
 - Developing and incorporating safeguard mechanism.
- Other recommendations:
 - A complete list of non-conforming measures by 2008.
 - Schedule of commitments:
 - 2008 - at least 10 new sub-sectors
 - 2010 - 15 new sub-sectors
 - 2012 - 20 new sub-sectors
 - 2014 - 20 new sub-sectors
 - 2015 - 7 new sub-sectors

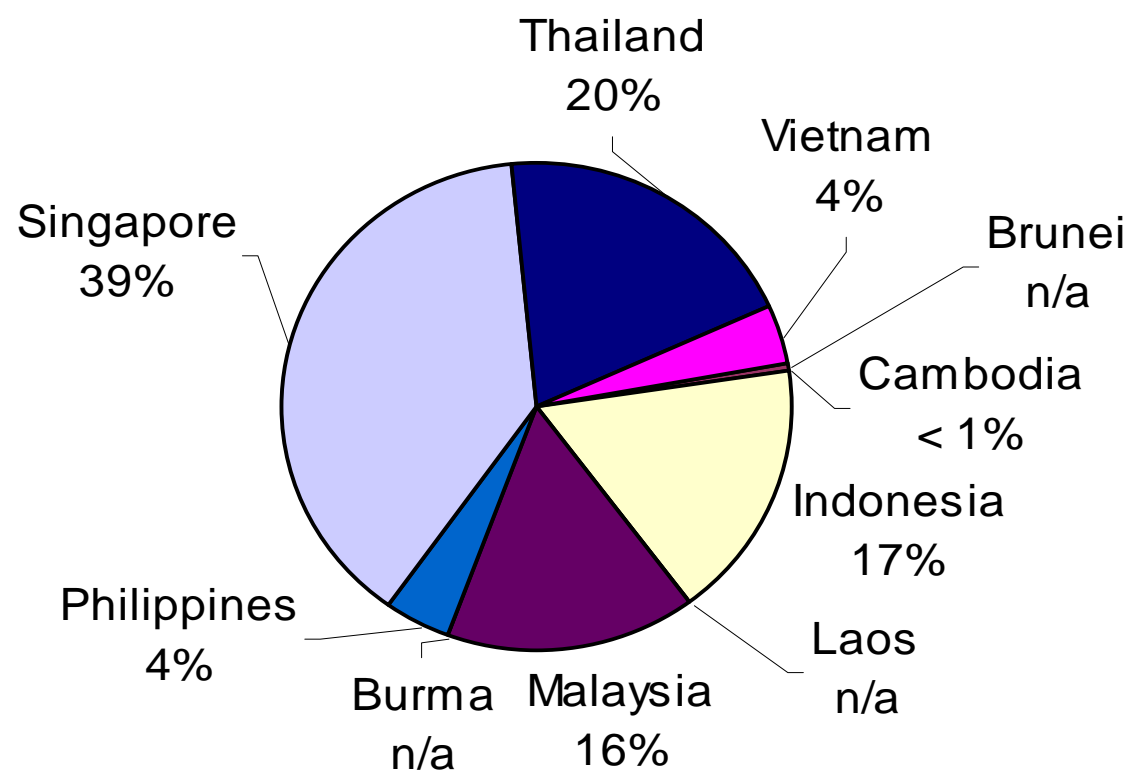
Services Imports ASEAN and World

1990-2005

\$U.S. billion



ASEAN Share of World Services Imports 2005



Framework Agreement on the ASEAN Investment Area (AIA)

Coverage

- Goods, including agriculture, forestry, fisheries, mining and quarrying; Services including those that are “incidental” to investment in the above sectors.
- Market access and national treatment for all industries for investors (pre- and post-establishment) from all ASEAN member countries by 2010 and to all investors by 2020.
- Most Favored Nation Treatment to be granted immediately unless not accorded MFN by another ASEAN member, and subject to:
 - Temporary exclusion lists to be reviewed every two years and eliminated by 2010 for original ASEAN members plus Cambodia; Vietnam by 2013; and Laos and Burma by 2015.
 - Sensitive lists to be reviewed at periodic intervals.
 - General exclusions.
 - Emergency safeguards
 - BOP measures.

Priority Sector Obligations

- Goods priority sectors include autos, agriculture, ICT products, electronic products, fisheries, rubber-based products, wood-based products, textiles and apparel.
- Amended Agreement for the Integration of Priority Sectors (December 2006) calls for:
 - Transferring items from sensitive list to temporary exclusion list to accelerate opening.
 - Reducing number of restrictive measures under sensitive list.
 - Retaining timeline for elimination of restrictive measures under temporary exclusion list.

Future Work

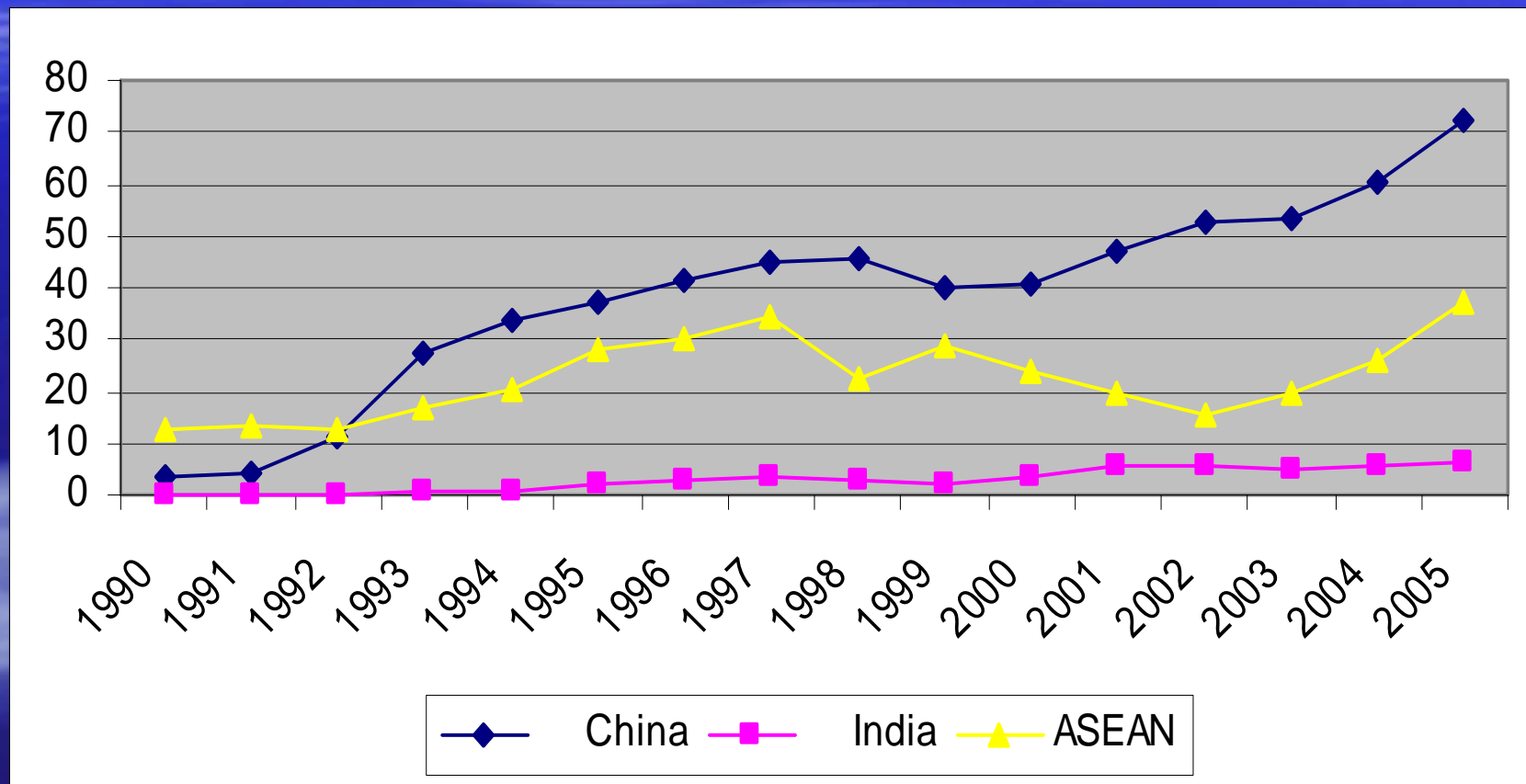
- Use AIA as basis for negotiation of investment liberalization with other trading partners.

FDI Flows

ASEAN, China and India

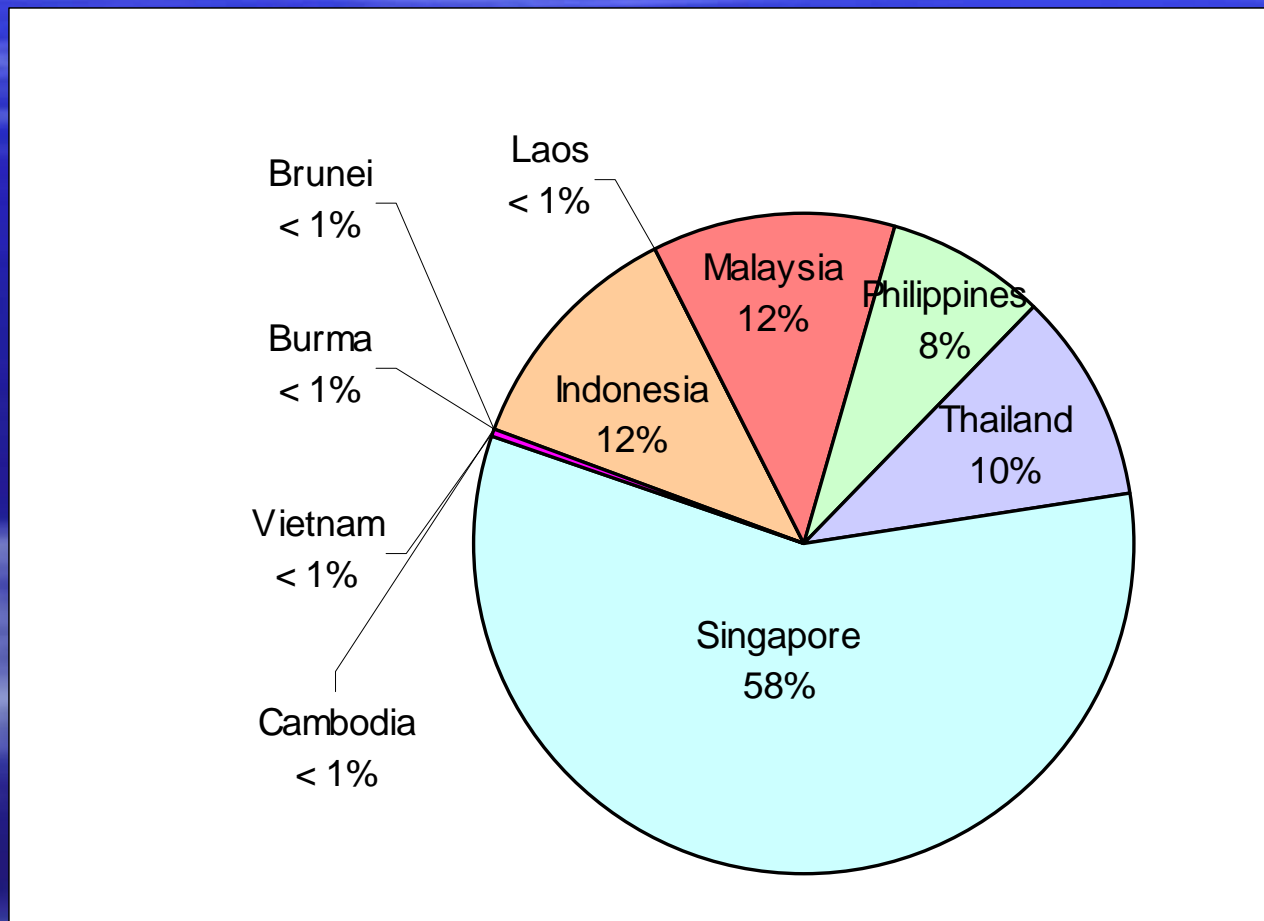
1990-2005

\$U.S. billion



ASEAN Share of U.S. FDI

2005



Governance / Institutions

- ASEAN Secretariat
- ASEAN Charter, Cebu Declaration, January 13, 2007:
 - First, we are committed to establish an ASEAN Charter as a crowning achievement of 40 years of ASEAN to enable ASEAN to meet future challenges and opportunities.
 - Second, we reiterate our conviction that an ASEAN Charter will serve as a firm foundation in achieving one ASEAN Community by providing and enhanced institutional framework as well as conferring a legal personality to ASEAN.
 - Third, we endorse the Report of the Eminent Persons Group (EPG) on the ASEAN Charter and agree that the High Level Task Force should commence the drafting of the ASEAN Charter based on our directions given at the 11th and 12th ASEAN Summits, the relevant ASEAN documents, together with the EPG recommendations, to be completed in time for the 13th ASEAN Summit in Singapore in November 2007.

Many Challenges Ahead

- Uncertainty over goals
- Leadership vacuum
- Economic/political/cultural diversity
- Growing inequality in the region
- Competition among ASEAN members
- Demographic issues
- Crony capitalism
- Limited bandwidth

U.S. Two-Pronged Policy

- Regional Initiatives
 - Enhanced Partnership
 - ASEAN TIFA
- Bilateral Initiatives
 - FTAs
 - TIFAs
 - Other agreements and dialogues

Enhanced Partnership

- **Economics:** The United States and ASEAN have developed an extensive program of cooperation to support ASEAN's economic integration. On intellectual property rights, for example, over 800 ASEAN officials have attended workshops, training, and other activities organized by the U.S. Patent and Trademark Office.
- **Health:** The United States has supported an expert on pandemic preparedness and avian influenza at the ASEAN Secretariat in Jakarta. We have also provided support and technical assistance to help ASEAN tackle HIV/AIDS and other public health problems.
- **Scholarships:** The Fulbright Commission has launched an ASEAN Visiting Scholars Program open to foreign affairs officials, scholars, and researchers working on issues central to the U.S.-ASEAN relationship.
- **Information and Communications Technology (ICT):** The United States is supporting an assessment of ASEAN's integration of the region's ICT sectors and has provided increased ICT capability to the ASEAN Secretariat.
- **Transport:** The United States has provided an assessment of the logistics sector in ASEAN, including its transport and communications infrastructure. This work contributed to ASEAN's plans to integrate freight, transport, and other logistics services to move goods more cheaply and efficiently.
- **Disaster Management:** The U.S. has been a major provider of assistance in response to natural disasters in Southeast Asia. We will continue to provide support and training for disaster response and management in the coming year.
- **Environment:** The U.S. supports environment programs and improved wildlife conservation in Southeast Asia. The U.S.-supported ASEAN-Wildlife Enforcement Network has already broken several wildlife trafficking rings and was showcased by the Convention on International Trade in Endangered Species of Fauna and Flora.
- **Energy:** The U.S. and ASEAN have organized workshops on clean energy, energy efficiency, clean coal, and other work.

U.S.-ASEAN TIFA

- Work plan aimed at supporting deeper intra-ASEAN economic integration and U.S.-ASEAN trade ties.
- Initial three projects:
 - ASEAN Single Window for customs clearance
 - Pharmaceutical regulatory harmonization
 - Sanitary and phytosanitary (quarantine) policy
- Next meeting to discuss new work plan items planned for November in Singapore.

Bilateral Initiatives

- Free Trade Agreements (FTAs)
 - Singapore, enacted 2004
 - Thailand
 - Malaysia
- Trade and Investment Framework Agreements (TIFAs)
 - Indonesia, Philippines, Vietnam, Cambodia, Brunei
- Bilateral Investment Treaties (BITs)
- WTO Accession Agreement
 - Laos

Are We Falling Behind?

	China	Japan	Korea	India	Australia	New Zealand	EU	US
ASEAN	● ○ ○	○	●	○	○	○	○	
Brunei								
Burma								
Cambodia								
Indonesia								
Laos								
Malaysia								○
Philippines								
Singapore								●
Thailand								○
Vietnam								

LEGEND

- – Signed/under implementation
- Under consultation/study or Under negotiation

Competing Visions for Asia-Pacific Trade

Regional architecture proposals:

- ASEAN plus three
- ASEAN plus six
- East Asian Summit
- Trans-Pacific Strategic Economic Partnership
- Free Trade Area of the Asia Pacific

Trade Has Benefited the U.S. Economy

- Reducing trade barriers will give our manufacturers, farmers, service providers and ranchers better access to the 95 percent of consumers who live outside the United States.
- Trade is not zero sum.
- As countries have integrated into global economy, they have seen their economies become more efficient and their living standards rise. Increases in economic growth and living standards abroad has led to increased demand for U.S. goods and services.
- Result has been positive for U.S. economy.
 - Real GDP was solid 3.1 percent in 2006.
 - Real compensation has been rising since 2001, and is up along with manufacturing output, which is up 50 percent since 1994, slightly fast than overall U.S. GDP.
 - Over the last four quarters, inflation-adjusted exports grew more than 3 times as fast as U.S. economy and accounted for nearly 43 percent of the economy's growth.

Creating New Economic Opportunities

- Need to renew our commitment to trade
- Pass outstanding FTAs
- Extend Trade Promotion Authority
 - Signal to world that U.S. will remain global leader on trade
 - Provide ability to keep U.S. in the game and advance U.S. interests in world
- Your support is vital