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A new boost for relations between Latin America and the Caribbean and Southeast Asian countries

Extra-Regional Relations

Regional Seminar on economic relations between Latin America and the Caribbean and Southeast Asian countries

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F O R E W O R D

This document was prepared in compliance with Activity III.1.4, Analysis and preparation of policy proposals to promote the economic relations between Latin America and the Caribbean and the emerging countries in East Asia, as set forth in the Work Programme of the Permanent Secretariat of SELA for the year 2012. It will serve as the basis for the Regional Seminar on this topic, to be held at the headquarters of SELA on 19 July 2012.

After a quick summary of the major historic and economic events in the countries that make up that geographic area, the second chapter elaborates on the experiences and the role of the Association of Southeast Asian Nations (ASEAN) in the regional integration process, detailing its most important features, its evolution through the years, the sometimes difficult economic circumstances that Southeast Asian countries have faced, and their process for inclusion into production circuits and the global economy, with an emphasis on their relations with its main trading partners and the Free Trade Agreements that these countries have signed or are still under negotiation.

The third chapter goes into explaining how the countries of East Asia might be positioned in the global economic scenario of the coming decades. The fourth chapter describes the economic relationship between East Asia and Latin America and the Caribbean, expanding the description of the flows of trade and investment between the two regions to outline some strategic elements to enhance bi-regional relations.

The Permanent Secretariat is grateful to Dr. Carlos Juan Moneta for his invaluable efforts as consultant in the preparation of this study.

EXECUTIVE SUMMARY

This document is intended to:

a) Examine the growth and the external economic integration achieved by the Southeast Asian countries during the last decades and the role of these actors in the complex intra articulation of production networks presented the so-called "Factory Asia", as well as its evolution in the medium-term prospects.

b) Assess the possibilities for the Association of Southeast Asian Nations (ASEAN) to establish a regional mechanism, in view of its characteristics and high diplomatic performance, which can make relevant contributions to the efforts of Latin America and the Caribbean to forge deeper and more comprehensive links with the economies of that region.

c) In the context of the interest shared in Latin America and the Caribbean in reinforcing political and economic relations with Asia Pacific, and taking into account the elements arising from paragraphs a) and b), to identify possible lines of action to facilitate the accomplishment of those goals.

This study takes due account of trends at the global level and in Asia, as well as the main guidelines followed by Southeast Asia in its economic dimension and its political coordination and integration. Similarly, a review is made of current obstacles and opportunities and the future scenarios for economic and commercial relations between Latin America and the Caribbean and Southeast Asia, in this decade and the next one.

The document is divided into four chapters. The first chapter analyzes the process of construction of Nation States in Southeast Asia and the creation of an Association of Southeast Asian Nations (ASEAN), as well as the process of intra-industrial linkage and economic growth in Asia Pacific up to the end of the 20th century.

The second chapter deals with the remarkable political and diplomatic role of ASEAN in the processes of integration and international insertion of Southeast Asia in the 21st century.

Chapter III reviews the scenarios of expected events in the medium term (2010-2020/30), paying special attention to current transition processes of the centres of economic weight to Asia Pacific, as well as the stronger role taken on by "emerging countries" in terms of economic growth and participation in the international spheres of economic and financial policy decision-making. This chapter also delves into the processes of integration institutions in the Asia Pacific region and the situation in Southeast Asia.

The fourth chapter focuses on the process of growing economic, commercial and financial linkage that is occurring between Latin America and the Caribbean and Asia Pacific and ASEAN. In this connection, emphasis is made on the role of FDI and bi-regional trade, projecting potential future developments.

The last section, which includes the Conclusions, deals with the possibility of outlining and implementing an "Action Plan" that allows for laying the foundations, in a coordinated way, of national and regional actions aimed at fully incorporating ASEAN/Southeast Asia into the current universe of economic and political relations with Latin America and the Caribbean.

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That section states that ASEAN offers a broad space for diplomatic, social and entrepreneurial action, taking advantage of the different mechanisms of external linkage that it has created. In this connection, it seems advisable to try to organize an ASEAN-LAC "Dialogue Group" at the regional and subregional levels.

In addition, ongoing changes in the distribution of power in the international-transnational system, with the rise of the so-called "emerging powers" in which there are countries of Southeast Asia and Latin America, offer opportunities for an innovative approach to the construction of a multidimensional cooperation scheme with ASEAN and the Asia Pacific region.

The analysis of future scenarios carried out in this paper allows for pointing out that in the next years there is going to be a greater and more diverse presence of Asian-origin TNEs in Latin America and the Caribbean. There are already Chinese, Indian, Japanese, and Korean enterprises, although it won't be long before TNEs from Singapore, Malaysia, Thailand and Indonesia incorporate (in fact, these countries already have some enterprises in the region). As a whole, they will mean substantial FDI flows to be placed in various countries in Latin America and the Caribbean.

In this regard, it is necessary to raise the general degree of regional preparation and coordination in this field. Thus, not only the coordination of regulations on foreign investment and shares standards for exploitation of natural resource are demanded, but also the availability of greater knowledge of the legislations and regulations in Asia Pacific and Southeast Asia, TNEs' organization and negotiation culture, and skilled human resources to attend and manage multiple fields.

A crucial problem, which has been widely underscored on several occasions, and is continuously present in trade relations of Latin American and Caribbean countries, is that their trade pattern mainly consists of energy and raw materials exports and manufactured products imports.

This situation dangles heavily in all the trade with Asia Pacific. Because of this, ASEAN countries – which are an important part of the industrial production networks that have their centre in China – offer a relevant opportunity of starting and moving forward on an exercise of intra-industry linkage. Thus, it has been suggested that it would be advisable to explore the linkage possibilities offered by several of the "Sectors of Integration and Priority Services".

Finally, the section "Elements for an Action Plan" ponders different possibilities for cooperation between Latin America and the Caribbean and ASEAN, within the framework of the agendas on climate change, institutional and para-institutional relations, science and technology.

To sum up, at present, Latin American and Caribbean countries have several ways to link themselves to Southeast Asia. Each one of them has costs and benefits that need to be borne in mind in medium and long-term scenarios.

In this context, this document seeks to highlight the need for Latin American and Caribbean countries to increase significantly their efforts towards coordination and cooperation in terms of policies and strategies at the economic, trade and scientific-technological level, if they want to overcome the profound asymmetries currently existing with Asia and the Pacific. In this way, it will be possible to establish a more egalitarian, solidarity-based relation with ASEAN countries.

I. SOUTHEAST ASIA AFTER WORLD WAR II. TOWARDS THE CONSTRUCTION OF NATION STATES AND A REGIONAL SUBSYSTEM: ASEAN¹

1. Introduction

For various historical, economic and cultural reasons, the countries of Latin America and the Caribbean had not included Southeast Asia² in a relevant place of their external economic agenda until the last decades of the 20th century. Although this region increases its importance in the global framework, accompanying the industrial restructuring in Asia-Pacific, which has China and Japan as epicentres, Latin America and the Caribbean appear not to have been able to determine in a precise way the goals to achieve and the best ways to reach Southeast Asian countries during that period.

In September 1996, SELA's Permanent Secretariat prepared a paper on the situation and development prospects of the Association of Southeast Asian Nations (ASEAN),³ as technical assistance to the Rio Group on the occasion of the meeting that the Group was going to hold with the ASEAN countries during that month, within the framework of the General Assembly of the United Nations.

At that time, it was already pointed out that "according to World Bank estimates, by 2020 ASEAN will be one of the five largest economic centres, behind NAFTA, the European Union, China and Japan."⁴ By 1994, Southeast Asia had become the fourth largest region in the world in the field of international trade, with an annual growth rate of about 7%, exports worth US\$ 257,600 million and imports amounting to US\$ 281,400 million.

In drafting this document, due account was taken of those elements included in the aforementioned study could be used as a basis for dealing with some issues, for instance: information on the structure and operation of ASEAN and the AFTA (ASEAN Free Trade Area) and the possibilities to increase inter-regional links with Latin America and the Caribbean. Similarly, a subsequent study prepared by the Permanent Secretariat, Prospects on the Economic Relations between Latin America and the Caribbean and Asia-Pacific" at the beginning of the 21st century (SP/CL/XXIX, O/Di N° 9-03), reviewed the progress of trade relations with Latin America and the Caribbean and the growth process of the economies of Asia Pacific – briefly interrupted by the financial crisis of that region in 1997 – until the early years of the last decade.

¹ References: Asian Development Bank (2004) The Greater Mekong Subregion. Atlas of the environment, Manila; Koninck, Rodolphe (2010) L'Asie du Sud-Est, Paris, Colin; Walters, O. W. (1982) History, Culture and Region in Southeast Asian Perspectives, Singapore, ISEAS; Baglioni, S. and Piovani, J. (2009) "El Sudeste Asiático, la construcción histórica de un proyecto político-cultural", in Baglioni, S. and Piovani, J. El Sudeste Asiático. Una visión contemporánea, Bs. As., Eduntref; Moneta, Carlos "Democracia no "Estado Asiático". Notas sobre a influência do Pensamento Político Chinês Tradicional na Configuração Contemporânea dos Regimes Políticos na Ásia-Pacífico", in Pennaforte, C. and Luigi, R. (Organizers) (2009), China. O Gigante do Século XXI, Rio de Janeiro, CENEGRI.

² The term "Southeast Asia" will be used in a broad and flexible sense, bearing in mind that it encompasses countries with very different situations and stages of development. It includes the countries of the Association of Southeast Asian Nations (ASEAN), namely: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

³ Rio Group dialogue with ASEAN (1996), "The Association of Southeast Asian Nations (ASEAN): Status and prospects for development of economic relations of Latin America and the Caribbean in Southeast Asia", SELA SP/DS/DT N°4, New York, USA, 23/09/96.

⁴ Op. cit., page 1.

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Taking into account the contribution provided by the aforementioned studies, the purpose of this paper is to:

a) review the economic growth and the foreign trade integration achieved by the countries of Southeast Asia in recent decades and the role they play in the intra-industry production networks which have as a centre the People's Republic of China, as well as the prospects for its development over the medium term;

b) evaluate ASEAN as a regional instrument which by its nature, extent and the sophistication of its diplomatic activity, could contribute substantially to the efforts of Latin America and the Caribbean to bond in a more comprehensive and profound manner with the economies of Asia Pacific;

c) explore the possibilities that arise to advance in the materialization of broader and deeper economic and trade ties and cooperation between Latin America and the Caribbean and Southeast Asia, which could also help to increase economic relations with Asia Pacific as a whole.

2. Southeast Asia: Background, geographical factors and socio-cultural and political processes: Diversity and complexity

Located between the Chinese and the Indian world, Southeast Asia is geographically located in the space occupied by a long triangle of land where the mainland ends, a field of interaction with the tropical and oceanic worlds. Divided into two zones - one, a continuation of the mainland and the other insular, which extends by way of archipelagos, peninsulas, submarine platforms and multiple islands - it represents in a sense, a synthesis of Asia. It is a space of connection and transition, a bio-hemispheric point, a pivot between two oceans, the Indian Ocean and the Pacific Ocean.

With an area of approximately 4,500,000 km² and a population currently exceeding 600 million inhabitants, the Indochinese peninsula extends into the long Malaysian peninsula. Five continental countries can be identified there, Myanmar (formerly Burma), Thailand, Cambodia, Laos and Vietnam. These are 2 million km² of continental land (43% of the region's total) in which more than 220 million people live.⁵ In the archipelago and the islands - the maritime transition zone - we find the Philippines (7,107 islands), Indonesia (1,700 islands), East Timor, Brunei, Singapore and Malaysia. They have more than 340 million inhabitants and an area of 2,500,000 km² of insular land.

These fragmented spaces, with the presence of thousands of islands, have allowed for the evolution of original civilizations while attracting the interest of its Asian neighbours and the distant European countries, leading to the creation of an intense and prolonged colonial experience. Throughout three centuries and a half (from the late 16th to the mid-20th century), it has been a factor in the process of imposing Western structures (and in some cases, Islamic structures), to the varied and complex matrix of cultural heritages. These included a wide spectrum of political regimes, religions, languages, ethnicities, social structures and economic organization (e.g. land use).

For these reasons, Southeast Asia is a region of great diversity and contrasts. Its countries have, in most cases, different traditions; they include differentiated historical, social, political and cultural realities.

⁵ FAO estimates for the year 2005 (FAOSTAT).

Malaysia and Indonesia are Islamic countries. The rest, with the exception of the Philippines (Catholic), are Buddhist societies that also include different faiths. In turn, all Southeast Asian States have significant minority ethnic groups. In some countries these differences are explicitly recognized and have active policies (e.g. Malaysia). In others, although they represent factors of tension and social conflict, public policies adopt other criteria (e.g. Indonesia, the Philippines). Furthermore, in Southeast Asia there are over 250 languages and dialects, most of the time non-communicable with each other.

The region has historically been a major corridor of passage for a large flow of ideas, religions, cultures, migration and trade. Three have been in the past the civilizations – China, India and Islam, but particularly the first two – that have shaped, from native elements with which they interacted, the social, political, economic and cultural matrix of Southeast Asia. China stood out for its political impact of social organization and institutional creation. India, by way of trade, substantially influenced in the religion and socio-cultural aspects; both powers heavily influenced the philosophical thought. Islam, dominating trade, brought its culture and Muslim religion between the tenth and fifteenth centuries, persisting as a major political force until the present. As a result of these interactions, predominantly Chinese and Indian areas formed as well as areas of mutual hybridization.

Kingdoms and principalities prevailed during the traditional stage. Meanwhile, the European colonial period drives the nation-state as a model of legal-political and territorial order. States are formed with viable boundaries, cash economy is introduced and the regional infrastructure system is developed. In the late 19th century the whole region (except for Thailand), was under European dominion. As a result, consolidated territorial States began to shape.

The Japanese invasion in the period of World War II, the need to shake off the yoke of the colonial powers, the anti-Nipponese struggle, having European powers (e.g. England) as allies, who will be defeated by Japan, the influence of modern European political thought, with its ideas of independence and the “window of opportunity” offered by the post-war, converge in a nascent sense of unity and in the struggle for national independence⁶ against the attempts to regain control by the European powers.

The forces of nationalism and anti-colonialism allowed for supporting movements in favour of independence. Subsequently, the nation-state building led to violent internal conflicts (e.g., Laos, Cambodia, Philippines) and international conflicts (Vietnam), as well as tensions with neighbours (e.g. Indonesia, Malaysia, Cambodia, Thailand and Vietnam).

Once independence was achieved, the strategic geographic location of Southeast Asia, Russia and Communist China's “vicinity” and the presence of the U.S. and Marxist guerrilla movements in different countries of Southeast Asia turned the region into a theatre of heavy ideological competition during the Cold War. Gradually, a process of collective identity construction begins, first, in the face of the “communist threat” and then, through the consolidation and pacification of these countries. The remarkable economic growth achieved, the progress with regard to intra-regional economic linkages and the emergence of the region in world politics and economy have all contributed significantly to forge a sense of belonging and common purpose.

The main consequence of these struggles was the emergence of the current States. While adopting the European political organization (a symbol of modernity), in so far as they

⁶ Baglioni, S. and Piovani, J. “El Sudeste Asiático. La construcción histórica de un proyecto político-cultural”, Piovani, J. and Baglioni, S. (Publishers) (2004) *El Sudeste Asiático...* Op. cit.

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economically grow and develop, they began to configure profiles with an identity of their own for the institutions adopted from Western democracy. Values, contents and endogenous practices are incorporated, which progressively lead to the cultural, political, social and economic processes that exhibit important differences with the “liberal democracy-market economy” model dominant in the West. Thus, Southeast Asian countries had to face the dilemma of preserving or changing old values and customs in the face of the forces of modernization and globalization (e.g. human rights, democratic institutions, according to the Western view), giving rise to the “Asian values” in response to the attempt to impose values, models and lifestyles.⁷

Despite the progress towards the convergence of the national processes that took place gradually over the last sixty years, each State retains its own dynamics, which is why it is necessary to consider their specific problems and guidelines for the development of effective involvement and cooperation strategies from Latin America and the Caribbean.

As examples, it is worth noting the weight of the agricultural problems in the Philippines, the difficulties generated by Indonesia's geography in the maintenance of political unity and the exercise of a consensual national action, the political and economic weight of Java and the cultural, religious and ethnic diversity of the country, the territorial duality in Malaysia, the coordination of wealth in Singapore and the Sultanate of Brunei, the ethnic conflicts in Myanmar, the imbalances of the economic development in Thailand, the relative marginality of Laos and Cambodia and the difficulties (nowadays largely surpassed) of the drives between division and unity in Vietnam.

These differences do not exclude characters and situations that approximate some countries. Such is the case of the Philippines and Indonesia, which add to their insular-maritime condition, the fact that their territorial unification was basically obtained during the colonial period (by Spain, then consolidated by the U.S., in the case of the Philippines, and by the Dutch, in the case of Indonesia). Myanmar and Thailand have historical and cultural processes associated with Buddhism and comparable territorial and ethnic structures, while Laos and Cambodia, despite their differences in geography and the pre-colonial historical and cultural background, have equivalences in their territorial formation with respect to its neighbours.

In this context, a current approach to Southeast Asia requires to incorporate an analysis of several interacting dimensions of its economic growth, modernity and development. The region, growing at very high rates and being now part of the new global economic epicentre, by virtue of its economic liaison with China, Japan, Korea and India, enjoys heavy expansion of its cities, industries, infrastructure and services, productive and financial systems, adequate integration and international insertion processes, as well as more stable political situations and an excellent diplomatic experience by way of over forty years of activity of the Association of Southeast Asian Nations (ASEAN).

However, in this context and despite the great achievements, there are still – as in other developing regions – “unfinished matters” in terms of social inequalities, ecological consequences of a too rapid growth, relative weaknesses in education and endogenous generation of science and technology and political processes that, according to the cases considered, may prove unsatisfactory for their societies.

⁷ Moneta, Carlos “Democracia no “Estilo Asiático”. Notas sobre a influência do Pensamento Político Chinês”. Op. cit.

In view of the desirability of an approach as comprehensive as possible for understanding the region, the sum of information and superficial analysis regarding some of these dimensions – for example, the situation in the field of education and science and technology – is relevant if we wanted to carry out a comparative assessment of two key factors for building competitive capabilities in the international arena. Similarly, and under a joint approach, it would help to facilitate the identification of strategic areas for inter-regional cooperation.

For these reasons, given, among other factors, their diversity of societies, territorial dimensions, endowments, levels of development and economic openness and pace of change, it is difficult to make comparisons and to avoid distortions in the generalization. It is necessary to observe the processes in the medium and long term to try to identify trends and core processes. That is the approach adopted in this study.

In sum, from the geographical standpoint, Southeast Asia includes eleven countries – Thailand, Indonesia, Malaysia, the Philippines, Brunei Darussalam, Vietnam, Laos, Cambodia, Myanmar, Singapore, East Timor and Papua New Guinea (which became independent in 2002) – representing a vast and diverse ethnic, religious and socio-cultural tapestry of political systems and economic growth. Such diversity renders consideration under shared criteria difficult. However, they have some common features: they have strong historical roots from ancient civilizations, they have suffered the occupation of their territory and the cultural and political influence of foreign powers, and they have gradually evolved into similar forms of economic growth and international integration in the last decades of the 20th century.

3. The process of intra-industry links and growth in Asia Pacific/Southeast Asia

How was the contemporary development of Southeast Asia reached? With the Meiji Restoration (1868-1912) and later with the reconstruction and rehabilitation process that took place after World War II, Japan was the first non-Western country to undertake a process of industrial upgrading from an endogenous model that allowed it for entering the most important centre of economic power in a relatively short period.⁸

Based on the huge industrial and financial capacity achieved by Japan, a virtuous cycle of intra-industry integration in Pacific Asia was built over the next years, by way of the gradual transnationalization and relocation of its businesses, which did not counted with agreements that institutionalized it. This process includes in a first stage the so-called “Four Dragons” – Taiwan, South Korea, Hong Kong and Thailand – to then expand to the rest of Southeast Asia, incorporating the Group of the “Tigers” – Indonesia, Malaysia, the Philippines and Thailand – and finally, in a third stage, other countries of the Peninsula of Indochina (e.g. Vietnam).

The model that explains this evolution corresponds to the poetically named “Flights of the Wild Geese” and it was developed by the Japanese economist Akamatsu Kaname in the late 1930s. In his view, the imbalances in the levels of national development are precisely those that will enable Asia Pacific to obtain its dynamics of growth. The difference of potentials, along with other social and economic factors, provides an area where comparative advantages are generated. Said comparative advantages allow for the specialization of the productive system through the relocation of industrial plants and

⁸ Between 1953 and 1971, Japan increased its annual average GDP by 8.8%. Although this value was reduced after the 1973 energy crisis, in 1986 its per capita income exceeded that of the United States and continued to grow at rates higher than those of other developed countries until the 1990s, when its economy, due to a strong “real estate bubble”, entered a recession, extending a period of very low or no growth until 2004.

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investments. Those investment flows were later joined – acquiring a significant share in the total foreign direct investment (FDI) – by funds coming from the “Dragons” and “Tigers”.

After World War II, Japan presents different phases in the FDI of its businesses in the Asian region. A first wave focuses on securing natural resources, the second wave, in the 1970s, is designed to circumvent restrictions on imports imposed by the Asian economies by manufacturing in their own territories.

With the government of President Ronald Reagan in the United States and the establishment of the dollar as global financial reference, comes a revaluation of the yen. This circumstance, coupled with the adoption of economic liberalization measures in the ASEAN countries and a forced restructuring of Nippon business to stay competitive, promotes the transfer abroad of large Japanese industrial units and companies of spare parts and components. This process continued throughout the 1990s, prompting a new division of labour among Japan and other countries in the region.⁹

As Japan grows and acquires greater industrial sophistication, it began to need commodities and intermediate industries to feed its productive sectors of greater added value. Thus, starting from 1959, different Nipponese industries with different technological complexity were gradually transferred to the “Dragons”, and then to the “Tigers”, China and other Southeast Asian countries. In this process, the People’s Republic of China also played a central role. The People’s Republic of China enters, in the late 1970s, a planned opening process of its economy and rapid growth through massive foreign industry location and FDI.

While, from the chronological point of view, the process of incorporating the “Tigers” began in the late seventies, the operation of the exo-oriented industrialization model underwent various difficulties and delays, achieving consistency from the 1980s onward. Industrialization advanced relatively well in Vietnam, for example, but it experienced problems in Cambodia, Laos and Myanmar. In all these, an important role was played by the political instability, the internal conflicts (which granted them the character of “high-risk countries” from the point of view of foreign investors), the absence of adequate infrastructure, the low levels of education and the high levels of poverty.

Industrialization descends geographically, moving towards the Peninsula of Indochina and South Asia (India). While this path is generated, specialization by adaptation to new conditions covers various sectors, from the textile sector to high technology. Between 1960 and the 1990s, the participation of agriculture is reduced and the participation of various sectors within the industry and services increases in the composition of the GDP.

All these countries (except for Hong Kong), had a very active phase that lasted for long periods (but smaller than in the case of Latin America), of import substitution, with selected sectors aimed at foreign markets. A growth strategy was applied based on the “walking on two legs” combination – import substitution, protection and promotion of rising industries and gradual and selective foreign openings – while the effort was concentrating on the development of exports.

In a third phase, which takes place partly in the nineties and deepens in the first decade of the 21st century, there is an attempt to strike a balance between increased exports to

⁹ Moneta, Carlos J. (1998) “Comercio e integración industrial en Asia-Pacífico: perspectivas de vinculación con América Latina”, in Moneta, C. and Noto, G (Comps.) Dragones, Tigres y Jaguares. Relación América Latina/Asia-Pacífico más allá de la crisis., Buenos Aires: IRIAP, Corregidor.

the United States and the European Union – its main customers – and the development of the domestic and regional markets.

To achieve these processes they have had the support of several key factors, including high levels of savings and domestic investment, gradual progress in human resource training and intelligent leadership by the State, which guides and coordinates its action with the business, financial and labour sectors. In this context, the growth strategy through exports is also compatible with the gradual removal of protectionist policies in the internal framework. In short, this is a model in which the State sets its goals while maintaining market-oriented positions, but without allowing it to substantially have an influence over the determination of the fundamental lines of growth and development.

4. The 1997 financial crisis in Asia Pacific. Impact and regional development up to the present¹⁰

During 1996, a slowdown of annual growth in Asia Pacific occurred, which went from 9% in 1994 to 7% in 1996. This drop in growth was generated, in part due to restrictive policies adopted by the governments to avoid overheating the high-growth economies (e.g. Indonesia, Malaysia). However, there was already a significant slowdown of the export growth, driven by government measures taken to overcome a contraction in global demand and the loss of competitiveness of these countries against the People's Republic of China, which had conducted a devaluation of its currency of 50% in 1994.

The impact of the sharp devaluation of the Thai baht in 1997 expanded rapidly in the region, with few exceptions (China, which grew 8.8% in that year and 7.8% the following year). During 1998, the growth rates of Southeast Asian countries showed substantial reductions. Indonesia saw its economy decline in real terms by -13% of the GDP; Malaysia, -7.4%, the Philippines, -0.5%, and Thailand, -10.8% of their GDP. Only Singapore (0.1%), and then, due to their still low degree of connection with the global economy, Vietnam (5.8%) and Myanmar (4.8%) were able to achieve positive results.

However, the great capacity for recovery of Southeast Asia already shows a year later. In 1999, Singapore's GDP grows 5.9%, Indonesia achieves a growth of 0.3%, Malaysia's GDP increases by 6.1% per annum and the Philippines to 3.3%, while Thailand increases it by 4.5% and Vietnam, 4.8%.¹¹

The impact of the financial crisis was multiple. Financially, most countries of the region undertook a restructuring process of their banking systems. In the field of production and trade, the crisis severely affected the productive enterprises and the export circuits, many companies were acquired by American and European capitals for very small values. With regard to foreign trade, the crisis affected, in varying degrees and in accordance to the different counterpart countries and regions, particularly Thailand, Malaysia, Indonesia and the Philippines.

To the extent that Asian economies started to recover – in substantive measure, thanks to the large increase in volume and prices of their exports to China – the export growth and the GDP consolidated, reducing their dependence on the economic cycles of the developed countries. With an average GDP growth of 5.5% for the years 2005, 2006 and

¹⁰ Miotti, E. L., Moneta, C. J. and Quenan, C. (1998) "La crisis asiática: riesgos y oportunidades para América Latina", in Moneta, C. and Noto, G (Comps.) Dragones, Tigres y Jaguares. Relación América Latina/Asia-Pacífico más allá de la crisis, Buenos Aires: IRIAP, Corregidor.

¹¹ Database of the Institute of Developing Economies, Tokyo and of JETRO, Japan, 2001.

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2007,¹² the 10 ASEAN countries achieved a GDP of US\$ 850,000 million and obtained US\$ 40,000 million of FDI, while their exports grew about 15 % per year.¹³

However, certain effects of the 1997 crisis remain, at least, as reflections, memory of negative experiences that will be very useful when the crisis of 2008 occurs: a) There is a development of a greater sensitivity to the impact on the economic front of communicable diseases (e.g. avian flu); natural phenomena (tsunami); evolution in the economies of China, the United States and the global economy; situation of the global financial system and contexts of political and social instability; b) more attention is paid to the role played by education, research and scientific development to maintain the desired long-term competitiveness in the international system¹⁴ and c) there is growing awareness of the difficulties faced by ASEAN to realize the decisions adopted by the Association to improve the situation of its members in various dimensions.

In the early 1980s, the crisis caused by the low price of raw materials led Southeast Asia to experiment opening up their economies, which gave rise to a rapid and successful industrialization process with exports led by transnational companies (TNCs) from Japan and the USA. With obvious differences in the policies applied and the results obtained, based on the heterogeneity of its members, the FDI flow to ASEAN increased by 65% annually between 1986 and 1990,¹⁵ thus allowing for financing the necessary infrastructures to continue the growth. All countries adopt policies aimed at attracting investments (creation of free zones, tax exemptions, incentives, standards for investment protection, etc.).

The model relied on the existence of cheap labour; specialization based particularly in consumer electronics; the articulation of interests among government, capital and entrepreneurs; heavy reliance on external markets, the existence of serious difficulties at the time to raise the technological level and the involvement of a ruling class still insufficiently prepared (this circumstance favours the State to assume the leadership of the process).

Together with other elements of cultural, social and political nature, which contribute to some extent to distort the Western view on the Asian praxis, this set of factors makes it difficult for the reforms dictated by the IMF and the World Bank vis-à-vis the crisis of 1997 – oriented by the U.S. and in varying degrees, by the EU – to fully achieve the results intended by these institutions. The recovery of Asia Pacific will be the result of a combination of Western recipes and Asian practices; the application of these criteria, as far as possible, “their way.”

The new phase of growth in Asia Pacific and Southeast Asia that extends until today, brings with it new elements: a sense of identity reaffirmation, the recognition of their own values and achievements, the intention that a new, multilateral and unified order materializes, the search for a different distribution of the political, economic and financial power in the institutions responsible for international governance.

There is no attempt to obtain a profound transformation of the market economy and its paradigms, as well as the logics of power. But there is, however, an attempt to modify

¹² ADB, *Asian Development Outlook*, (various years), Manila.

¹³ Ibid.

¹⁴ Boisseau des Roches, S. (2009) *L'Asie du Sud-Est. Prise au piège*, Paris, Perrin, Chap. 1.

¹⁵ Ibid., Chap. 2.

them in pursuit of a more equitable and organized world with less competitiveness and greater social harmony and ecological sustainability.

II. ASEAN'S ROLE IN THE INTERNATIONAL INSERTION PROCESS OF SOUTHEAST ASIA IN THE 21st CENTURY

1. ASEAN: Mission, instruments and organizational structure¹⁶

The Association of Southeast Asian Nations (ASEAN) was founded on 8 August 1967, through the signing of the "Bangkok Declaration" by Indonesia, Malaysia, the Philippines, Singapore and Thailand (known as ASEAN-5). Subsequently, they were joined by Vietnam (1995), Laos (1997), Cambodia (1999), Brunei Darussalam and Myanmar (1999).

Founded in a time of profound tensions and conflicts in Asia Pacific (including the presence and interaction of the U.S., the People's Republic of China and the USSR in the area under the "Cold War", as well as enmities between countries of the region), ASEAN had as main purpose during that period, to become an organ of coordination of policies in different areas, which were to contribute to the realization of a defensive strategy against the great powers and other actors and situations (e.g., guerrilla movements, ethnic and religious violence, intra-regional disputes) that threatened the sovereignty, stability and development of member countries.

The "Bangkok Declaration" established that the main objectives of the Association were to promote economic, cultural and social development through cooperation, to protect the regional political and economic stability and provide a forum for the resolution of conflicts within the region. However, in the situations they faced in the initial stage, the issues of economic growth remained circumscribed to the sphere of national development plans.

After the "Cold War", ASEAN sees as one of its main and priority lines of action the concentration of its efforts on economic cooperation. It was then decided, in 1992, to establish a Free Trade Area (AFTA), which would have a Common Effective Preferential Tariff (CEPT) as the main liberalizing instrument. This required reducing tariffs on intra-ASEAN trade to between 0 and 5% in 15 years. After successive agreements to shorten the period, six States (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) met the CEPT in 2003. In January, 2010 all tariffs of ASEAN-6 (representing 99% of the total) were eliminated.

ASEAN's organizational structure is complex and flexible and it has been described in detail in the document of the Permanent Secretariat "The Association of Southeast Asian Nations (ASEAN): Status and prospects for the development of the economic relations of Latin America and the Caribbean with Southeast Asia."¹⁷ It has Meetings of Heads of Government and numerous types of meetings of Ministers; Meetings of Senior Officials; a Standing Committee to act between the ministerial meetings; a Secretariat and a Secretary General of ASEAN, as well as National Secretariats and ASEAN Committees in third countries.

¹⁶ SELA (2003) SP/CL/XXIX, O/Di N°9. 03, Current Status and Prospects of the economic relations between Latin America and East Asia, XXIX Meeting of the Latin American Council Caracas, Caracas, Venezuela, 24-26, 2003. November; Chia Siow Yue, "Thirtieth Anniversary of ASEAN and currency crisis in Southeast Asia", Asia Pacific Analytical Unit, "MERCOSUR-ASEAN Dialogue. Initial Stage", Ministry of Economy", Rep. Argentina, in SELA-INTAL/BID (C. Moneta, Compiler) Relations of Latin America and the Caribbean with Asia Pacific (1997-98), Buenos Aires, Corregidor; Boisseau du Rochen, S. L'Asie du Sud-Est..., Op. cit., Chap. 7.

¹⁷ SELA, Permanent Secretariat, "Rio Group Dialogue with ASEAN", SP/DS/DT N°4 - 96, Annexes 1 and 2, New York, USA, 23/09/1996.

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In terms of economic cooperation, in addition to the Preferential Trade Agreement (AFTA) – a key component of the economic cooperation and of the dynamics of intra-ASEAN cooperation agreements – “Action Plans” and cooperation programmes were established for industrial development, finance (e.g. FDI) and banking, food, agriculture and forestry, energy, transport and communications, tourism, services and intellectual property. ASEAN functional cooperation covers the areas of science and technology, environment, culture and information, social development, drugs and narcotics control and civil service.

Similarly, the Association has developed successful economic liaisons and consultation channels, negotiation and cooperation with its “Dialogue Partners”, third countries and international organizations, including development cooperation.

Lastly, ASEAN has managed to achieve the adoption of common positions on various international and regional economic issues, coordinating the position in various international forums (e.g. PECC-Regional Cooperation Forum of Asia Pacific, WTO and intra-Asian Groups).

2. Contemporary evolution of regional integration in Southeast Asia¹⁸

The ten ASEAN members are strongly committed to deepening their regional economic integration, in order to create the “ASEAN Economic Community” (AEC) by 2015. This goal was ratified at the 16th Meeting of Heads of Government of the Organization (Hanoi, 2010).

In this context, the drives between two opposite forces, but with the same purpose, can be observed: to expand and strengthen internal integration and external insertion, along with the competitiveness of ASEAN. One, centripetal in nature, seeks to concentrate several integration initiatives adopted in 2007, in the context of the “Roadmap to reach the ASEAN Economic Community, 2008-2015”. In turn, the centrifugal force is directed toward establishing an important number of FTAs of bi- and plurilateral character with countries in Asia and other regions.

The idea behind this is to simultaneously strengthen the construction of the “ASEAN Community” and the centrality of the Association in the emerging schemes of economic cooperation and connection being forged from Asia to the rest of the world.¹⁹

The centrepiece of the dynamics of integration, as can be seen in Table 1, is to move from the current Free Trade Area into a single market and a production base and export platform for 2015, by way of the AEC (see Table 2). The underlying vision of the ACS is to create “a highly competitive single market that promotes equitable economic development among Member States, while facilitating its insertion into the global economy.”²⁰

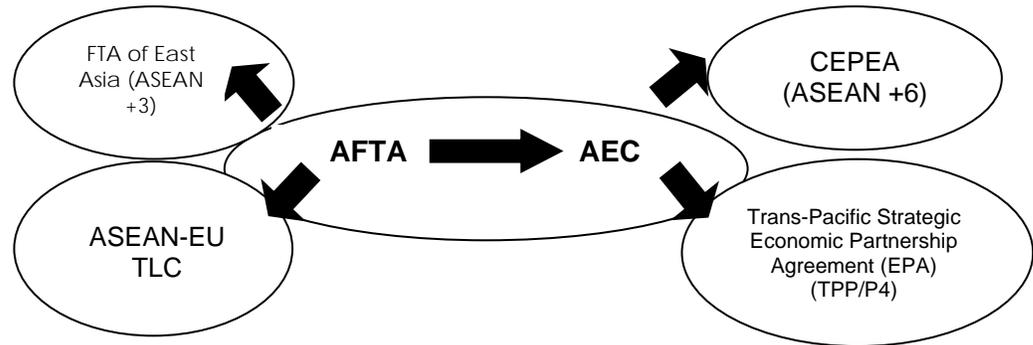
It should be noted that the ACS is, in practice, a complement and extension of earlier initiatives. These include the AFTA, a “Framework Agreement on Services” (FAS) and the “ASEAN Investment Area” (AIA). The ratification of the “ASEAN Charter” and the adoption of the “Roadmap” to achieve the AEC represent additional milestones in this direction.

¹⁸ References: OECD (2010) *Southeast Asian Economic Outlook, 2010*, Paris Development Centre; Galantas, Manuel (2011) *Southeast Asia's Dynamic Economies*, Madrid, BBVA Research, April 2011; The Bao Forum for Asia (2011) *Progress of Asia Economic Integration Annual Report 2011*, Beijing, UIBE.

¹⁹ *Southeast Asian Economic Outlook*, Op. cit., Chap. 3.

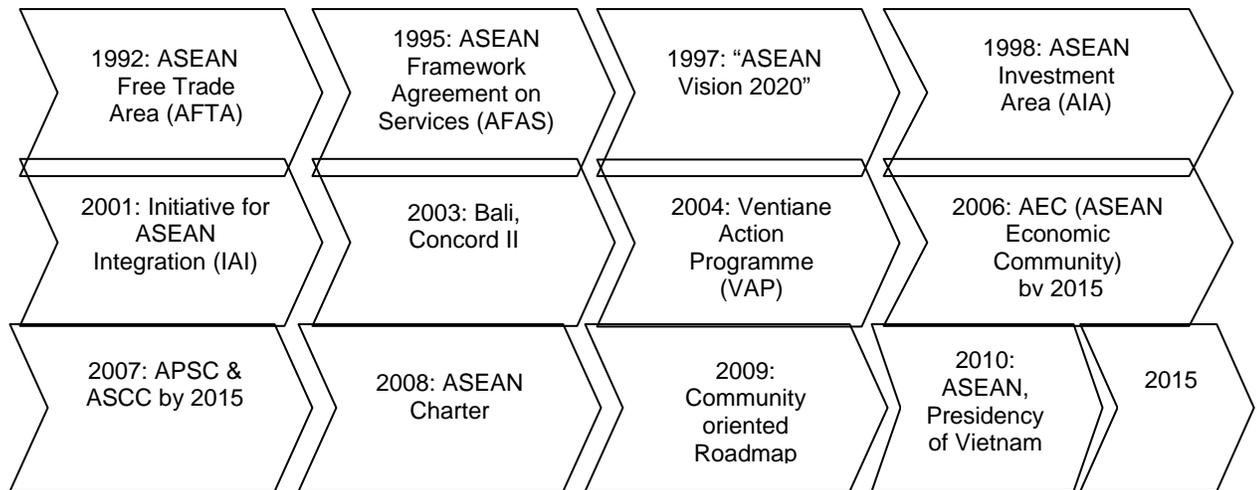
²⁰ *Ibid.*, page 81, quoting Hanoi, ASEAN 2010.

Table 1
Regional Integration: ASEAN ties with strategic partners



Notes:
 Comprehensive Economic Partnership for East Asia (CEPEA: ASEAN + Japan, China, South Korea, Australia, New Zealand, India); proposed / under consultation
 ASEAN +3: ASEAN + Japan, China and South Korea; proposed / under consultation
 ASEAN-EU FTA: in negotiation
 TPP/P4: Trans-Pacific Strategic Economic Partnership Agreement (Brunei Darussalam, Chile, New Zealand and Singapore); signed in 2005.
 Source: OECD Development Centre.

Table 2
Stages of key developments in the ASEAN integration process



Source: Based on OECD Development Centre documents.

The AEC to be achieved is a single market and production base characterized by the free movement of goods, services, investments, financial capital and skilled labour force.

Given the major challenges that this framework presents for highly dissimilar countries, members are allowed to focus their efforts and resources on a limited number of priority integration sectors (see Table 3).

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Table 3
Priority Integration Sectors (PISSs)

A. Nine priority goods sectors (PGS)

- (1) Agricultural products
- (2) Motor Vehicles
- (3) ICT equipment (ASEAN)
- (4) Electronics
- (5) Fishing
- (6) Health Products
- (7) Rubber-based products
- (8) Textiles and related products
- (9) Wood-based products

B. Five priority service sectors (PSSs)

- (1) ICT services (e-ASEAN)
- (2) Health Services
- (3) Air travel
- (4) Tourism
- (5) Logistics

Source: ASEAN Secretariat. <http://aseansec.org/68.htm>

- **Priority is given to signing FTAs in Asia and globally**

As stated in the "Bali Concord II" Agreement, the AEC differs from most other integration schemes because of its centrifuge orientation.

The Association has established a high number of FTAs and Comprehensive Economic Partnership Agreements (CEPA), both in Asia and the rest of the world. In mid-2010, the total number of FTAs and CEPAs amounted to 188, of which 98 were already signed and in force, 30 in negotiation stage and 51 proposed or under consultation and study. As shown in Table 4, Singapore leads the group, followed by Thailand and Malaysia.

As a positive result from the creation of multiple trade and investment networks, the average trade percentage (imports and exports) with its major counterparts for the period 2006-2008 showed an adequate degree of diversification (see Table 5).

Table 4
Free Trade Agreements (FTAs) entered into by Southeast Asian countries.
Improved market access via FTAs
(Status by 2012)

Country	Proposed	Under negotiation		Already negotiated		Total
		Signed Framework Agreements	Under negotiation	Signed but not yet in force	Signed and in force	
Brunei Darussalam	5	2	1	0	8	9
Cambodia	3	0	1	0	6	10
Indonesia	6	1	4	1	12	23
Laos PDR	3	0	1	0	8	12
Malaysia	8	1	5	2	10	26
Myanmar	3	1	1	0	6	11
Papua New Guinea	0	0	2	0	4	6
Philippines	5	0	1	0	7	13
Singapore	5	1	9	3	18	36
Thailand	6	3	4	0	12	25
Vietnam	7	1	1	1	7	17

Source: ADB, Asian Integration Centre (2006-2011)

Table 5
Bilateral and multilateral FTAs in Asia Pacific
(by country and negotiation status, June 2011)

	ASEAN	Japan	China	Republic of Korea	India	Australia	New Zealand
ASEAN	IF	IF	IF	IF	IF	IF	IF
Japan	IF		FS	UN	IF	UN	FS
China	IF	FS		FS	IF	UN	IF
Korea, Rep. of	IF	UN	FS		IF	UN	UN
India	IF	IF	FS	IF		FS	UN
Australia	IF	UN	UN	UN	FS		IF
New Zealand	IF	FS	IF	UN	FS	IF	

IF In force or signed UN Under negotiation FS Feasibility study

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

Note: Australia and New Zealand have a joint agreement with ASEAN. Although Japan and the Republic of Korea started negotiations in December 2003, the process was suspended in November 2004. A feasibility study on an agreement between China, Japan and the Republic of Korea was announced in May 2010.

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- AEC: Possibilities for future high growth rates

According to studies based on the simulation of the Computable General Equilibrium model,²¹ the AEC could generate a real income of around US\$ 69,000 million compared to the baseline scenario, a figure that represents more than six times the estimated result from completing the AFTA. A comparison with other similar studies confirms that if the AEC can be materialized, it will generate significant gains in industrial efficiency and economies of scale. Similarly, even greater benefits would arise if the AEC can be expanded to include ASEAN +3, ASEAN +6, or through FTAs with the U.S. or the EU.

3. Growth of ASEAN economies: Status and prospects

Asian developing countries have good growth prospects for the coming years. The Asian Development Bank (ADB) foresees an increase of 7.8% for the whole group in 2011 and 7.7% in 2012.²²

In 2010, Southeast Asia experienced an excellent recovery from the prolonged effects of the crisis in 2009. As shown in Table 6, the largest regional economies – Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam – made firm strides after the low rates of the previous year.

By the same token, projections for this year and 2012 are encouraging. Overall, the GDP would expand 5.5% in 2011 and 5.7% in 2012.²³ In addition, the rates for the period 2011-2015 for ASEAN-6, although presenting some reduction in the growth rate for various countries compared to the period 2003-2007 (see Table 7), maintain an equivalent average value as a group.

However, the average growth rate for the region does not reveal the significant differences among these diverse countries. In this connection, Indonesia (6.6%) and Vietnam (7.1%) will lead the expansion of the GDP and it is estimated to be one point higher (compared to the ASEAN average) during 2011-2015. In the case of Singapore and Malaysia, which were badly hit by the crisis, a growth of more than 4% is expected by 2015. Thailand is estimated to reach 5.2% by that year, and the Philippines will stand around 4.6% (see Tables N° 6 and 7).

²¹ OECD (2010) *Southeast Asian Economic...*, Op. cit., page 83.

²² ADB (2011) *Asian Development Outlook, 2011. South-South Economic links*, Figure 1.2.1, page 19, Manila.

²³ Ibid., page 20.

Table 6
GDP growth rate
(% per year)

	2007	2008	2009	2010	2011 (estimated)	2012 (estimated)
East Asia	11.3	7.3	6.8	9.6	8.4	8.1
China	14.2	9.6	9.2	10.3	9.6	9.2
Southern Asia	8.8	6.3	7.1	7.9	7.5	8.1
India	9.2	6.7	8.0	8.6	8.2	8.8
Southeast Asia	6.7	4.2	1.2	7.8	5.5	5.7
Brunei Darussalam	0.2	-1.9	-1.8	2.0	1.7	1.8
Cambodia	10.2	6.7	0.1	6.3	6.5	6.8
Indonesia	6.3	6.0	4.6	6.1	6.4	6.7
Laos	7.9	7.2	7.3	7.5	7.7	7.8
Malaysia	6.5	4.7	-1.7	7.2	5.3	5.3
Myanmar	5.5	3.6	5.1	5.3	5.5	5.5
The Philippines	7.1	3.7	1.1	7.3	5.0	5.3
Singapore	8.8	1.5	-0.8	14.5	5.5	4.8
Thailand	5.0	2.5	-2.3	7.8	4.5	4.8
Vietnam	8.5	6.3	5.3	6.8	6.1	6.7

Source: ADB (2011) *Asian Development Outlook, 2011. South-South Economic Links*.

Table 7
ASEAN-6: Real growth rates
(in yearly exchange %)

	2010	2015	Average 2003-2007	Average 2011-2015
Indonesia	6.1	7.1	5.5	6.6
Malaysia	6.5	5.3	6.0	5.5
The Philippines	6.0	4.4	5.7	4.6
Singapore	14.0	4.5	7.5	4.7
Thailand	7.0	5.1	5.6	5.2
Vietnam	6.8	7.2	8.1	7.1
Average for the six countries	7.3	6.0	6.1	6.0

Source: OECD Development Centre, MPF-SAE0 2010.

In turn, Tables 8, 9 and 10 show the changes that have been occurring in Southeast Asian countries regarding the participation of each one of the major sectors in the GDP conformation. Table 9 highlights the trend towards sustained growth in the added value of the industry in most of the member countries of ASEAN.

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Table 8
Added value growth in services
 (% per year)

	2007	2008	2009	2010	Sector's share 2009, %
East Asia					
China	16.0	10.4	9.6	9.5	32.6
Southern Asia					
India	10.5	9.8	10.1	9.6	57.5
Southeast Asia					
Brunei Darussalam	9.2	2.6	2.1	-	45.8
Cambodia	10.1	9.0	2.3	4.3	43.2
Indonesia	9.0	8.7	5.7	8.4	44.7
Laos	12.1	9.7	4.4	5.0	41.4
Malaysia	10.2	7.4	2.6	6.8	55.9
Myanmar	-	-	-	-	-
The Philippines	8.1	3.1	2.8	7.1	49.8
Singapore	9.1	4.1	-0.7	10.1	69.5
Thailand	5.0	1.3	-0.2	4.6	44.3
Vietnam	8.9	7.4	6.6	7.5	41.4

Source: Prepared by the author based on data from ADB (2011) *Asian Development Outlook, 2011. South-South Economic Links*, Statistical Appendix.

Table 9
Added value growth in the industry
 (% per year)

	2007	2008	2009	2010	Sector's share 2009, %
East Asia					
China	15.1	9.9	9.9	12.2	58.7
Southern Asia					
India	9.5	3.9	8.0	8.1	28.0
Southeast Asia					
Brunei Darussalam	-5.6	-5.4	-5.0	-	53.0
Cambodia	8.4	4.0	-9.5	11.6	26.8
Indonesia	4.7	3.7	3.5	4.7	41.7
Laos	6.5	10.0	17.0	18.0	25.0
Malaysia	3.0	0.7	-7.1	8.6	36.6
Myanmar	-	-	-	-	-
The Philippines	6.8	4.9	-0.9	12.1	32.1
Singapore	6.9	-1.4	-1.4	25.1	30.4
Thailand	5.8	3.2	-5.0	12.8	46.6
Vietnam	10.2	6.0	5.5	7.7	41.6

Source: Prepared by the author based on ADB (2011) *Asian Development Outlook, 2011. South-South Economic Links*, Statistical Appendix.

Table 10
Added value growth in agriculture
(% per year)

	2007	2008	2009	2010	Sector's share 2009, %
East Asia					
China	3.7	5.4	4.2	4.3	8.7
Southern Asia					
India	4.7	1.6	0.4	5.4	14.6
Southeast Asia					
Brunei Darussalam	-4.5	3.8	5.6	-	1.2
Cambodia	5.0	5.7	5.4	4.2	30.1
Indonesia	3.5	4.8	4.0	2.9	13.6
Laos	6.2	2.0	2.3	2.0	33.6
Malaysia	1.3	4.3	0.4	1.7	7.5
Myanmar	-	-	-	-	-
The Philippines	4.9	3.1	0.0	-0.5	18.1
Singapore	1.5	-4.2	-1.7	-0.1	0.0
Thailand	1.2	4.2	1.3	-2.2	9.2
Vietnam	3.8	4.7	1.8	2.8	17.1

Source: Prepared by the author based on ADB (2011) Asian Development Outlook, 2011. South-South Economic Links, Statistical Appendix.

It is also worth noting the weight still maintained by agriculture in those relatively less developed countries within the Association (Table 10).

Except for Singapore, which quickly managed to offset the effects of the 2008 crisis, the rest of ASEAN members have not yet overcome it completely. However, the percentage share of services in the GDP is high throughout the entire Association (Table 8).

Finally, Table 11 offers one of the indicators that point to the great social asymmetries that exist among the member countries of ASEAN. Thus, even if Brunei Darussalam and Singapore were excluded, the gap between Malaysia (the country that follows them in GDP value per capita) is 10 times higher than the lowest per capita GDP. In this context, a special effort is being carried out to include "CLMV" countries (Cambodia, Laos, Myanmar and Vietnam) in the growth of the group, basically by promoting the localization of development projects in which the private sector participates.

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Table 11
Southeast Asia: Growth per capita
 (% per year)

	2007	2008	2009	2010	2011 (estimate)	2012 (estimate)	GDP per capita, US\$, 2009
East Asia	10.7	6.8	6.3	9.1	7.9	7.6	
China	13.6	9.0	8.7	9.7	9.0	8.7	3,650
Southern Asia	7.2	4.8	5.6	6.5	6.0	6.6	
India	7.7	5.2	6.5	7.2	6.7	7.3	1,180
Southeast Asia	4.9	2.3	-0.3	6.5	4.2	4.4	
Brunei Darussalam	-1.6	-3.9	-3.7	1.8	-	-	-
Cambodia	9.3	4.9	-0.9	5.0	-	-	610
Indonesia	5.0	4.7	3.3	5.6	5.3	5.6	2,050
Laos	3.6	5.5	5.3	6.2	5.7	5.8	880
Malaysia	5.1	3.4	-3.0	5.8	3.8	3.8	7,350
Myanmar	3.4	1.6	3.0	3.2	-	-	-
The Philippines	5.0	1.7	-0.9	5.3	2.9	3.2	2,050
Singapore	4.4	-3.8	-3.7	12.5	3.1	2.4	37,220
Thailand	4.3	1.6	-3.1	5.8	3.9	4.4	3,760
Vietnam	7.3	5.2	4.2	5.7	5.0	5.6	930

Source: Prepared by the author based on ADB (2011) *Asian Development Outlook, 2011. South-South Economic Links, Statistical Appendix.*

In summary, the main assumptions on which estimates were made of the performance of ASEAN economies in the coming years are included in Table 12.

Table 12
Main assumptions for the medium term, 2015

- The gap between actual and potential GDP converges to zero by 2015
- Most ASEAN currencies will gradually gain more value towards 2015
- Inflation targets will be achieved by raising interest rates when necessary
- The recovery of the developed economies will be relatively slower than those of China and India
- Regional integration in Asia will grow gradually until 2015 (and beyond)
- The Five-Year Plans of the countries of Southeast Asia will be implemented as far as possible, given other circumstantial elements
- Fiscal policies include tax reforms and other fiscal consolidation plans

Source: Prepared by the author based on *Southeast Asian Economic Outlook, 2010, OED, Box 2.1, page 56.*

4. Regional and global trade: Southeast Asia as part of “Factory Asia”

4.1. Intra-industry restructuring in Asia Pacific

Trade in any of the countries of East Asia and Southeast Asia should actually be analyzed from the profound industrial and commercial transformation that China/Asia Pacific have had as its epicentre in the last two decades.

South-South trade of goods notably expanded between 1990 and 2010.²⁴ To a large extent, this strong growth was due to the emergence of a segmented structure of production networks that have the centre of their productive process in the People's Republic of China, where the last stage of assembly takes place.²⁵

The middle stages of the process are asymmetrically distributed across East Asia (including Japan in a relevant place) and Southeast Asia, while their final products are preferably targeted to the markets of developed countries, without forgetting however, to include Asia itself, Latin America and the Caribbean and Africa. In mass media jargon, this complex and powerful process is referred to as the emergence of “Factory Asia”.

Along with the rise of China to the rank of “engine of growth” (which includes India) and leading world exporter, developing Asia – in particular most of ASEAN – became an intricate web of regional trade of parts and components (see Table 13).

Table 13
Profile of exports from China and selected ASEAN countries

	China	Indonesia	Malaysia	The Philippines	Thailand	Vietnam
Average growth in non-oil exports (2004-2007 %)	28.2	17.0	10.5	7.8	16.5	23.9
Contributors to growth in exports						
Manufacturing (%)	94.9	38.9	75.1	73.3	80.7	69.1
Agriculture, forestry, fishing (%)	2.2	35.9	18.7	6.9	14.7	28.6
Mining (%)	2.6	23.7	3.6	18.2	3.0	1.0
Distribution of parts and components in intra-Asian trade (%)	20.1	11.2	22.5	29.0	18.5	10.8

Source: *Basri (2010)*, quoted in *Southeast Asian Economic Outlook, 2010, OED, Table 5.2*

For these reasons, Southeast Asian countries acquire the character of relevant stakeholders in the global supply chains (see Table 13), where different stages of the productive process are located in different countries, giving rise to an extensive trade in intermediate goods and services.²⁶

TNCs play a key role in this process by linking Asian domestic economies to the international production chains. The increasing flows of FDI (see Tables 14, 15 and 16),

²⁴ ADB (2011) *Asian Development Outlook...*, Op. cit. Table 2.2.1

²⁵ Ibid. page 46.

²⁶ Kimura, F. and Ando, M. (2005) “Two dimensional Fragmentation in East Asia: Conceptual Framework and Empirics”, in *International Review of Economics and Finance*, Vol. 14, pages 317-345.

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located in the last three decades in manufacturing export-oriented industries, have contributed substantially to the “de facto” economic integration between ASEAN and other economies in the region.

Japan started this process with its investments and location of industries in the Asian “dragons” (Taiwan, Hong Kong, Korea and Singapore) in the second half of the 1980s and then, these “Newly Industrialized Economies”, along with Japan, the U.S. and some European countries, extended to China and the “tigers”: Indonesia, Malaysia, Philippines and Thailand in the 1990s²⁷. Afterwards, it included Vietnam and India, while exploring and making the first investments in the rest of Southeast Asia and some countries in South Asia.

Finally, as China increases the technological value and expands its production, greater pressure is exerted on Southeast Asia to change its industrial profile, while a “window of opportunity” opens to supply China of manufactured goods and intermediate products.

Table 14
Southeast Asian countries: Foreign Direct Investment

(in US\$ million)

Country	2008	2009	2010
Brunei Darussalam	237	-	-
Cambodia	815	539	801
Indonesia	9318	4878	12736
Laos	930	769	394
Malaysia	7242	1430	8584
Myanmar	976	963	958
Philippines	1544	1963	1713
Singapore	8589	15279	38138
Thailand	8539	4976	6668
Vietnam	9279	6900	-

Source: ADB, Asian Development Outlook, 2011, Table A-16

In this context, it is worth noting the central role played by FDI – in terms of both inflows and outflows – in Asia Pacific, when compared to Latin America and the Caribbean (see Table 16). Unlike our region, in Asia Pacific there is a virtuous cycle in terms of the location of intra-regional investments, as can be seen in Table 15. Moreover, ASEAN benefits from substantial FDI contributions coming from the EU and the United States.

²⁷ Moneta, C. (2004) “El Sudeste Asiático y América Latina. Nuevas prioridades al inicio del siglo XXI”, in Piovani J. and Baglioni, S. (Publishers) El Sudeste Asiático.... Op. cit., Chap. 8.

Table 15

ASEAN: FDI flows by country of origin

(US\$ billion, 2007-2009)

Country/Region	FDI inflows (US\$ billion)
European Union	34,6
ASEAN	24,6
Japan	18,8
United States	16,6
South Korea	5,7
China	5,3
Australia	3,1
India	3,1
Canada	1,5
Rest of the world	50,2

Source: ASEAN Foreign Direct Investment Statistics Database, and BBVA Research, April 2011.

Table 16

FDI stock by region, 2010

(US\$ million)

	FDI by region from abroad	FDI within the region
Latin America and the Caribbean	732.781	1,722.278
South and Central America	406.071	1,307.203
South America	307.495	899.541
Central America	98.576	407.662
Caribbean	326.710	415.074
From: British Virgin Islands	238.252	212.034
From: Cayman Islands	84.478	133.967
East, South and Southeast Asia	2,115.165	3,087.772
East Asia	1,586.468	1,888.390
From: China	297.600	578.818
South Asia	97.168	260.980
From: India	92.407	197.939
Southeast Asia	431.529	938.401

Source: UNCTAD. World Investment Report, 2011, Annex Table 1.2

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4.2. Trade with other regions and countries

Table 17 shows that the distribution of foreign trade of ASEAN holds practically equivalent exchange values with the EU, Japan, the U.S. and China. Korea, China, Japan, Hong Kong, Australia and India accounted for 38.8% of all extra-ASEAN trade in 2009. Since trade exchanges within the Association add up to 24.5% and the flows with the U.S. (11.2%) and the EU (9.7%) total 20.9%, only 15.8% remains for trade with the rest of the world.

In this context, trade with Latin America and the Caribbean is minimal, as our region covers barely 3% of the total imports from Asia Pacific and only 2% of its total exports were destined to Latin America and the Caribbean. For the exchanges with ASEAN, our region only accounts for 3% of the total exports from Southeast Asia, and it receives 1% of our total exports.

Table 17
ASEAN: 10 strategic trade partners, 2009

Trade Partner Country/Region	Value			% of total ASEAN trade		
	Exports	Imports	Total trade	Exports	Imports	Trade Value
ASEAN	199,587.3	176,620.1	376,207.3	24.6	24.3	24.5
China	81,591.0	96,594.3	178,185.4	10.1	13.3	11.6
EU-27	92,990.0	78,795.0	171,785.9	11.5	10.8	11.2
Japan	78,088.8	82,795.1	160,863.9	9.6	11.4	10.5
USA	82,201.8	67,370.3	148,572.1	10.1	9.3	9.7
Republic of Korea	34,292.9	47,447.4	74,740.3	4.2	5.6	4.9
Hong Kong	56,696.7	11,218.6	67,915.2	7.0	1.5	4.4
Australia	29,039.3	14,810.8	43,850.1	3.6	2.0	2.9
India	26,520.3	12,595.5	39,115.8	3.3	1.7	2.5
Arab Emirates	10,569.5	13,797.0	24,366.5	1.3	1.9	1.6
Total 10 partners	691,558.3	595,044.0	1,286,602.3	85.3	81.9	83.7
Others	118,930.9	131,310.1	250,241.0	14.7	18.1	15.3
Total	810,489.2	726,354.1	1,536,843.3	100.0	100.0	100.0

Source: Compiled from ECLAC, based on COMTRADE data.

The export figures of Asia Pacific over the past decade, i.e. from 2000 to 2009, (see Table 18) clearly indicate the changes registered in the trade orientation. Southeast Asia during this period more than doubled its exports to the People's Republic of China, reduced by a third shipments to Japan and by almost 50% the ones corresponding to the U.S., while it maintained, with a reduction of about 3 percentage points, its shipments to the EU. These changes confirm the growing role played by intra-Asian trade and places China as the epicentre of it.

If you look at movements within ASEAN (see Table 18), except in the case of Cambodia, the other members of the Association posted a significant growth in their exports to China. With Japan, in the cases of Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand and Vietnam, exports are reduced.

Table 18
Export orientation
(% of the total)

To From	Developing Asia		China		Japan		U.S.		EU		Others	
	2000	2009	2000	2009	2000	2009	2000	2009	2000	2009	2000	2009
East Asia	25.9	28.1	11.7	14.3	11.4	6.9	21.8	15.0	15.2	16.1	13.9	19.6
China	32.9	33.5	-	-	16.3	8.0	20.4	18.0	16.1	19.3	14.3	21.2
South Asia	17.3	20.8	1.6	5.4	3.6	1.7	24.2	12.6	26.3	23.7	26.9	35.8
India	19.2	22.4	1.8	6.1	4.1	1.9	21.1	11.0	24.1	20.9	29.8	37.7
Southeast Asia	37.4	41.9	3.7	9.9	12.6	9.4	18.2	9.9	14.4	11.2	13.7	17.7
Brunei Darussalam	36.2	33.7	1.8	4.0	40.7	46.8	12.0	0.6	3.6	0.5	5.8	14.4
Cambodia	8.2	46.5	2.1	0.3	0.9	1.6	65.4	31.1	20.5	14.3	2.9	6.3
Indonesia	33.1	40.6	4.2	9.4	22.1	15.3	13.0	8.9	13.7	11.2	13.7	14.5
Laos	43.4	44.3	1.5	20.0	2.8	1.6	2.2	2.7	26.0	11.4	24.1	20.0
Malaysia	40.3	41.6	2.9	11.8	12.3	9.6	19.5	10.7	13.3	10.6	11.7	15.8
Myanmar	35.2	71.0	5.6	9.8	5.4	5.2	22.0	0.0	16.4	3.3	15.5	10.7
Philippines	30.5	31.8	1.6	7.3	13.4	15.5	27.3	16.8	16.5	19.5	10.7	9.0
Singapore	44.1	52.1	3.8	9.6	7.3	4.5	16.7	6.4	13.5	9.4	14.7	18.0
Thailand	30.8	34.1	3.9	10.4	14.2	10.1	20.5	10.8	15.7	11.6	15.0	23.1
Vietnam	25.8	22.7	10.3	8.5	17.2	10.8	4.9	19.6	20.0	16.2	21.9	22.3

Source: ADB (2011) *Asian Development Outlook, 2011. South-South Economic Links*

Similarly, the trend towards a sharp decline in exports from Southeast Asia to the U.S. is strengthened, nearly 50% as a whole, with the exception of Vietnam, which tripled its exports and, Laos, with a slight increase. With the EU there is also a decline in exports (3 points for ASEAN) covering all countries except for the Philippines. Southeast Asian exports to the rest of the world rise from 13.7% to 17.7%, the only countries which do not participate in that trend are Laos, Myanmar and to a lesser degree, the Philippines.

Table 19 shows declines in the share of exports from Southeast Asia to various destinations – United States, the Euro zone and Japan – which are partly due to the international crisis. Nevertheless, such drops seem to confirm the trends shown in the previous table, particularly as regards the United States and the positive role played by China in intra-regional trade.

In turn, Table 20 shows an excellent recovery from the adverse effects of the financial crisis on ASEAN, as exports rose from a negative growth rate of -17.02 in 2009 to 30% in 2010. Exports are expected to further increase to 12.9% in 2011 and to 13.9% in 2012. As for the expansion of imports of goods, Table 21 points to an equivalent process: the 4% drop in 2009 is followed by an increase of 32.7% in 2010, remaining steady at 15.4 % during 2011 and 2012.

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Table 19

ASEAN-5: Destination of exports

(% of GDP and average for the period)

Countries	Destinations									
	United States		Euro zone		Japan		PR China		Intra-regional	
	2001-2008	2009-2010	2001-2008	2009-2010	2001-2008	2009-2010	2001-2008	2009-2010	2001-2008	2009-2010
ASEAN-5	8,5	5,1	5,7	4,0	7,5	5,1	3,6	5,4	5,1	5,0
Indonesia	3,4	2,0	3,0	2,1	6,2	3,5	1,7	2,2	2,5	2,6
Malaysia	17,6	9,6	9,4	7,4	10,1	8,3	6,7	14,6	9,1	9,5
Philippines	8,0	4,0	6,1	3,7	6,4	3,7	2,8	3,6	3,8	2,2
Thailand	9,4	6,3	6,2	4,5	8,0	6,2	4,6	6,4	7,1	8,3
Vietnam	10,3	13,1	8,1	8,0	8,1	7,0	5,2	5,7	5,2	5,8
Singapore	18,8	10,0	15,0	11,2	9,8	7,0	13,1	15,4	25,7	27,5

Source: ADB, *Asia Economic Monitor*, Table 19, Philippines, 2011.

Table 20

Exports growth rate (% per year)

	2007	2008	2009	2010	2011 (estimate)	2012 (estimate)
East Asia	19.2	13.1	-16.2	30.1	15.7	14.7
China	25.8	17.6	-16.1	31.4	19.8	18.0
South Asia	24.5	14.1	-6.3	26.2	24.1	19.2
India	28.9	13.7	-7.4	31.6	26.7	19.5
Southeast Asia	12.2	14.6	-17.2	30.5	12.9	13.9
Brunei Darussalam	0.8	39.8	-33.1	14.8	-	-
Cambodia	10.7	15.1	-10.9	20.8	15.0	16.0
Indonesia	14.0	18.3	-14.3	32.2	15.2	17.8
Laos	16.6	21.5	-8.0	29.5	25.3	27.3
Malaysia	9.4	13.2	-21.1	26.4	8.0	8.6
Myanmar	23.9	15.5	4.4	4.8	12.5	12.9
Philippines	6.4	-2.5	-22.1	34.8	10.6	11.0
Singapore	10.3	13.1	-20.4	31.1	13.0	12.7
Thailand	18.2	15.9	-14.0	28.5	12.8	14.0
Vietnam	21.9	29.1	-8.9	26.4	10.0	14.0

Source: ADB (2011) *Asian Development Outlook, 2011. South-South Economic Links*.

In 2010, imports show very high percentage increases in all cases, which tend to offset a steep decline in 2009. Estimates for 2012 indicate that imports will continue to recover in the majority of countries of Southeast Asia, with a positive trend for ASEAN-5 as a whole with respect to the figures of 2007.

Table 21
Growth in imports of goods
(% per year)

	2007	2008	2009	2010	2011 (estimate)	2012 (estimate)
East Asia	15.8	15.8	-15.6	35.6	17.3	15.9
China	20.3	18.7	-11.1	39.1	22.7	20.0
South Asia	29.6	21.1	-5.1	19.6	22.5	22.8
India	35.1	19.8	-4.2	22.6	24.2	22.8
Southeast Asia	12.8	22.3	-21.4	32.7	15.4	15.4
Brunei Darussalam	25.9	43.5	-20.0	2.5	-	-
Cambodia	13.8	19.8	-10.4	15.9	14.0	14.0
Indonesia	15.4	36.9	-23.3	42.0	17.1	23.7
Laos	34.7	31.1	-13.0	13.5	18.9	22.0
Malaysia	12.1	7.1	-21.0	33.6	10.0	10.0
Myanmar	88.0	25.6	1.9	10.0	26.6	18.6
Philippines	8.7	5.6	-24.0	31.5	11.3	11.4
Singapore	10.4	22.9	-22.6	27.6	16.6	13.1
Thailand	9.1	26.8	-25.2	36.8	14.0	16.0
Vietnam	38.5	27.9	-13.3	21.2	12.0	10.0

Source: ADB (2011) *Asian Development Outlook, 2011. South-South Economic Links*.

Regarding the trade balance (Table 22), the positive values reached by China, and East Asia tend to gradually regain the level they had before the crisis. Southern Asia increases its negative balance and Southeast Asia, which in 2010 exceeded the values of 2007, will return to values near the ones of 2009 during 2011 and 2012. Individual examination of ASEAN countries indicates that negative trade balances will continue in the cases of Cambodia, Laos, the Philippines and Vietnam, and that there will be significant positive balances in the rest of the region.

Table 22
Trade balance
(US\$ million)

	2007	2008	2009	2010	2011 (estimate)	2012 (estimate)
East Asia	363,246	360,575	290,879	279,523	285,858	295,163
China	315,381	360,682	249,509	254,000	265,067	280,197
South Asia	-116,787	-155,893	-150,685	-165,500	-194,025	-247,913
India	-91,467	-119,520	-120,500	-132,000	-158,187	-203,882
Southeast Asia	115,574	81,245	104,761	120,366	106,452	106,235
Brunei Darussalam	5,677	7,862	4,884	5,888	-	-
Cambodia	-1,343	-1,800	-1,634	-1,689	-1,874	-2,020
Indonesia	32,753	22,916	30,148	31,093	33,404	30,568
Laos	-837	-1,224	-985	-881	-925	-1,002
Malaysia	37,668	51,179	40,215	42,400	42,667	43,843
Myanmar	924	507	703	363	-688	-1,337
Philippines	-8,391	-12,885	-8,842	-10,384	-11,912	-13,472
Singapore	46,780	27,842	29,190	46,642	41,501	45,319
Thailand	12,782	-371	19,388	14,031	13,672	11,490
Vietnam	-10,438	-12,782	-8,306	-7,097	-9,392	-7,155

Source: ADB (2011) *Asian Development Outlook, 2011. South-South Economic Links*.

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4.3. Intra-ASEAN trade

Table 23, which covers the past decade, shows that: a) ASEAN-6 concentrates almost all intra-ASEAN exports, accounting for 96.8% in 2000 and 93.2% in 2009. Approximate, but lower percentages are recorded in terms of imports, b) the CLMV countries – Cambodia, Laos, Myanmar and to a lesser degree, Vietnam – show very low values in intra-ASEAN exports (for the first two, nearly zero). These countries direct their exports to extra-ASEAN partners (e.g., Laos with China, the EU and other Asian Pacific countries; Cambodia, with the U.S. and the EU; Vietnam with the U.S., EU and China). Imports only cover 12% of the intra-ASEAN total, although they have increased, accounting for 7.7% in 2000 and reaching 11.8% in 2009.

Table 23
Intra-ASEAN trade (2000 and 2009)

	Value in US\$ million		% of intra-ASEAN trade	
	2000	2009	2000	2009
Intra-ASEAN Exports				
Brunei Darussalam	732,2	849,4	0,7	0,5
Cambodia	76,1	645,3	0,1	0,3
Indonesia	10883,7	24623,9	10,7	13,1
Laos	167,0	650,9	0,2	0,3
Malaysia	26067,9	40512,3	25,6	21,5
Myanmar	421,6	2880,6	0,4	1,5
Philippines	5982,6	6008,5	5,9	3,2
Singapore	41557,8	71182,7	40,8	37,8
Thailand	13340,0	32398,8	13,1	17,2
Vietnam	2619,4	8591,9	2,6	4,6
ASEAN-6¹	98564,2	175575,5	96,8	93,2
CLMV²	3284,1	12768,6	3,2	6,8
Total intra-ASEAN	101848,3	188344,1	100,0	100,0
	Value in US\$ million		% of intra-ASEAN trade	
	2000	2009	2000	2009
Intra-ASEAN Imports				
Brunei Darussalam	822,8	1663,9	0,9	1,0
Cambodia	554,4	1453,4	0,6	0,8
Indonesia	6486,6	27722,0	7,2	16,1
Laos	536,0	2041,7	0,6	1,2
Malaysia	19743,5	31190,7	22,1	18,1
Myanmar	1377,1	3143,4	1,5	1,8
Philippines	5363,5	11671,9	6,0	6,8
Singapore	39840,4	55079,1	44,5	31,9
Thailand	10318,7	24890,4	11,5	14,4
Vietnam	4449,1	13813,1	5,0	8,0
ASEAN-6¹	82575,5	152217,9	92,3	88,2
CLMV²	6916,6	20451,6	7,7	11,8
Total intra-ASEAN	89492,1	172669,5	100,0	100,0
Notes:				
1) ASEAN-6: Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand.				
2) CLMV: Cambodia, Laos, Myanmar and Vietnam.				

Source: OECD Development Centre. Calculations based on IMF, *Direction of Trade Statistics*.

Despite tariff reductions, there are no major changes in the percentage corresponding to intra-ASEAN trade under the total of the Association (ASEAN-10). That percentage rose from 18% in 1990 to 23% in 1995 and remained almost unchanged until 2005. Later on, it began to rise, reaching 26% in 2009. The percentage for intra-regional trade is higher if ASEAN+3 is taken into account (39% in 2009) and it is naturally much higher for ASEAN+6 (44% in 2009).²⁸

It should also be noted that, when considered in comparative terms, in the evolution of intra-regional trade – which gave rise to different integration schemes in Europe, Asia and Latin America between 1980 and end of the decade of the 1990s²⁹ – “ASEAN 5” reaches the largest relative growth (+20.4%), followed by NAFTA (+10.5%), “ASEAN 10” (+9.8%), “ASEAN+3” (+8.0%), CAN (+5.8%), MERCOSUR (+4.6%), the EU (+4.3%), and finally the CACM (+2.0%). In general terms, it can be seen that the growth of intra-regional trade in Asia Pacific has been greater than the one experienced in our region.

5. Some characteristics and trends of the production chains in Asia Pacific. ASEAN's share³⁰

- For the past decade, trade in ASEAN-5 (Indonesia, Thailand, Malaysia, the Philippines and Singapore) increased by 140%, while their share rates with the rest of Asia and, in particular with China and India, have grown significantly.
- China plays in 2010 the role of main trading partner for ASEAN-5.
- As for the composition of the leading export sectors, the concentration in manufacturing (see Table 24) is higher than the global average for most developing Asian economies, especially in equipment and office furniture and accounting and computing machinery, in Malaysia, Singapore, the Philippines and Thailand, as in radio, TV and communication equipment. In turn, the export profile of Indonesia and Vietnam is different from those of the above mentioned countries. Finally, most Southeast Asian countries have managed to reduce the export percentage that pertained to labour-intensive products (e.g. textiles, leather, and footwear).
- In the context presented above, China has become the dominant supplier in the areas of office equipment and accounting and computation machinery (see Table 24) both regionally and globally.
- In the nine priority goods sectors for ASEAN's exports to global markets, there is some competition with China, and India by ASEAN 5. These countries have a high degree of similarity with China in their exports (over 30%). As shown in Table 25, main exports relate to electronics and ICT equipment. ASEAN countries tend to specialize in exports of parts and components of electronic products for the global supply chains, while China dominates the final segments as assembler of the final production.³¹

²⁸ OECD, *South Asian Economic Outlook...*, Op. cit., page 84.

²⁹ ECLAC, based on COMTRADE data. Notes: (a): share in intra-regional trade is defined as the percentage of intra-regional trade compared to the total trade of the analyzed region, based on data on exports. (b): “ASEAN 10” includes the following countries: Brunei Darussalam, Cambodia, Philippines, Indonesia, Malaysia, Myanmar, Laos, Singapore, Thailand and Vietnam. (c): “ASEAN+3” includes the 10 countries of ASEAN plus China, Japan and the Republic of South Korea. (d) “CAN” (Andean Community) includes the Bolivarian Republic of Venezuela.

³⁰ In addition to the sources used in this chapter, BBVA Research, *Southeast Asian Dynamic Economies*, April 2011.

³¹ BBVA Research, *Southeast Asia's Dynamic Economies*, April 2011.

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Table 24

ASEAN countries, composition of exports*(% and average for the period)*

	2001-2008		2009-2010	
	Manufactures	Others (%)	Manufactures	Others (%)
ASEAN-5	69,7	30,3	64,7	35,3
Indonesia	50,6	49,4	42,1	57,9
Malaysia	74,1	25,9	69,7	30,3
Philippines	90,0	10,0	87,3	12,7
Thailand	75,6	24,4	72,8	27,2
Vietnam	51,4	48,6	59,1	40,9
Singapore	81,2	18,8	73,3	26,3
From China	92,8	7,2	94,7	5,3

Source: Estimates from ADB and UN Commodity Trade Database; ADB Asian Economic Monitor, Philippines, 2011.

Table 25

Trade in nine priority goods sectors: ASEAN, China and India*(in US\$ million and percentages, 2006-2008, annual average)*

ASEAN				
Nine priority goods sectors	Exports		Imports	
	Value	%	Value	%
Agro-Industry based products	57575	6,8	35745	4,7
Motor Vehicles	22451	2,7	19597	2,5
ICT equipment (E-ASEAN)	86781	10,3	41855	5,4
Electronics	184648	21,8	165145	21,5
Fishing	13051	1,5	3644	0,5
Rubber-based products	15527	1,8	15885	2,1
Health care products	22364	2,6	6086	0,8
Textiles and clothing	35741	4,2	18450	2,4
Wood-based products	26254	3,1	12196	1,6
Total Priority goods	464392	54,9	318605	41,5

*Source: Based on OECD, Southeast Asian Economic Outlook, 2011, Table 3.5.***6. Foreign Direct Investment**

- Table 26 presents figures on investment for Asia Pacific and Southeast Asian countries during the last years of the past decade, and Table 27 shows the totals for the year 2010.
- As pointed out in Table 15, the main suppliers of FDI to ASEAN countries include the EU, Japan, the U.S. and the members of the "ASEAN +3" (China, Japan and Korea). Of the latter comes just over a third of the FDI received in that decade. In this context, countries in South and Central America contributed 2.3% of the total, being included in the group of the 10 most important investors.

Table 26
Foreign Direct Investment (FDI)
(US\$ million)

	2007	2008	2009	2010
East Asia				
China	83,521	108,312	94,065	105,735
South Asia				
India	15,893	19,816	35,600	27,600
South East Asia				
Brunei Darussalam	260	237	-	-
Cambodia	867	815	539	801
Indonesia	6,929	9,318	4,878	12,736
Laos	790	930	769	394
Malaysia	8,594	7,242	1,430	8,584
Myanmar	715	976	963	958
Philippines	2,916	1,544	1,963	1,713
Singapore	37,033	8,589	15,279	38,638
Thailand	11,330	8,539	4,976	6,668
Vietnam	6,516	9,279	6,900	-
<i>Source: ADB (2011) Asian Development Outlook, 2011. South-South Economic Links.</i>				

- Lastly, Table 28 indicates that there are significant foreign investment flows from Southeast Asian countries (ASEAN-6) – US\$ 21.173 million in 2009 – which Latin America and the Caribbean should consider for the future. While to a large extent, these flows are destined to Asia Pacific and developed countries, in the coming decades we should expect a significant increase in investment from that source in Latin America and the Caribbean.

Table 27
ASEAN 10: Investment stock at 2010
(US\$ billion)

Country	Investment stock (US\$ billion)
Singapore	6.07
Myanmar	1.95
Indonesia	1.15
Cambodia	1.13
Thailand	1.08
Vietnam	0.99
Laos	0.85
Malaysia	0.71
Philippines	0.39
Brunei	0.05
Total	14.35
<i>Source: BBVA Research.</i>	

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Table 28

ASEAN countries' FDI abroad*(US\$ million, in current prices and exchange rates)*

FDI outward flows	2000	2009
Brunei Darussalam	20.1	29.8
Cambodia	16.3	-1.4
Indonesia ^a	150.0	2949.1
Laos	4.1	n.a.
Malaysia	2026.1	8038.2
Myanmar	n.a.	n.a.
Philippines	125.0	359.0
Singapore	5915.4	5979.3
Thailand	-19.8	3818.0
Vietnam	n.a.	111.7
ASEAN 6 ^b	8216.8	21173.4
ASEAN 10	8237.1	21283.7
CLMV ^c	20.3	110.3
CLMV/ASEAN 10 (%)	0.2	0.5
Notes:		
a) Indonesia includes East Timor up to 2002.		
b) ASEAN 6: Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand.		
c) CLMV: Cambodia, Laos, Myanmar and Vietnam.		
<i>Source: Based on UNCTAD data, quoted in Southeast Asian Economic Outlook, 2010, OED, Table A.10.</i>		

7. Partial conclusions and proposals

- This analysis clearly reveals that Southeast Asia is overcoming the current phase of the global financial crisis, in very good conditions and supported by solid economic bases.
- With the exception of the less developed economies of the region – Laos, Myanmar and Cambodia – which are at a lower level of relative development and that, despite sharing growth processes, experience significant obstacles related to social and political problems still unsolved, ASEAN 6 countries have benefited from intra-industry ties with the People's Republic of China to overcome the crisis. The GDP growth rates, value added production, FDI flows, trade and competitiveness have increased satisfactorily.
- In this context, Table 29 includes data on trade with China and its composition for Latin America and the Caribbean and AP/ASEAN. It clearly indicates that China has deficits with Japan, South Korea and ASEAN as suppliers of capital goods and intermediate goods for its manufacturing industries, which subsequently provide goods to the EU and the United States.
- In turn, Latin America and the Caribbean continue to export primary products and manufactured goods based on natural resources to China. In the sector of primary products they must compete with ASEAN, Australia, India, New Zealand and the United States, and in the natural resource-based manufacturing sector the confront South Korea and Japan.

Table 29
China: Trade balance with selected partners according to technological intensity
(2007-2009, US\$ million)

Country/region	Exports	Imports	Balance	Primary goods	Manufactured goods			
					Based on natural resources	Low technology	Medium technology	High technology
LAC	218.493	(226.031)	(7.538)	(143.0011)	(24.874)	57.817	58.264	43.916
South America	128.829	(200.255)	(71.426)	(138.111)	(34.843)	34.488	35.159	32.658
Mexico and C. America	77.488	(22.761)	54.727	(3.232)	9.207	21.310	17.074	10.524
Caribbean	12.176	(3.015)	9.161	(1.667)	763	3.019	6.031	1.004
ASEAN	358.866	(378.248)	(19.381)	(45.251)	(22.016)	69.029	54.582	(76.370)
Asia Pacific	967.876	(1.335.148)	(367.271)	(138.827)	(83.385)	185.833	(113.497)	(215.622)

Source: Prepared with ECLAC data, based on UN, COMTRADE.

- In practice, the region has not participated in the sector of intermediate goods. Its incursion into this sector, through value chains, is a strategic challenge in which forging links with Southeast Asia could play a relevant role.
- ASEAN economies are already well linked to Asian and international supply chains, with a competitive specialization in spare parts and components for ICT equipment and electronics. They are also preparing to become a strategic platform for production and marketing worldwide.
- At present, about 60% of the trade in transport equipment and machinery, parts and components in Asia Pacific occurs at the intra-regional level. East and Southeast Asia articulate and complement themselves in the "Factory Asia", while the situation in Latin America and the Caribbean is radically different. In addition to the unavailability of a programme for concerted action at regional and subregional levels in an equivalent manner, intra-regional trade in parts and components has been lesser,³² in an important degree, in our region.
- In this context, ASEAN has been able to determine, together with certain priority sectors of priority goods for export, whose goals are the product of work agreed upon and planned by the member states. This experience – regardless of which sectors are selected in our case – deserves to be studied carefully because it can help advance the necessary productive integration in Latin America and the Caribbean.
- In the next coming years we should expect considerable growth and deepening of economic and intra-industry ties between China and Southeast Asia, by virtue of the "Comprehensive Economic Cooperation Agreement between China and ASEAN" (ASEAN +1), which entered into force in 2010. In this context, an important challenge for ASEAN economies is to reduce their current high reliance on a small number of consumer electronics (mainly parts and components)³³ to continue increasing their technological added value and diversify their economy. Another

³² ECLAC (2008) Oportunidades de comercio e inversión entre América Latina y Asia Pacífico. El vínculo con la APEC, Santiago, Chile.

³³ OECD, *Southeast Economic Outlook...*, Op. cit., pages 106-107.

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challenge is maintaining close economic relationship with China, to diversify their partners and foreign markets in the area of emerging countries in other regions.

- Provided that they develop adequate policies and strategies, which will be part of a concerted effort, Latin America and the Caribbean countries may find here a “window of opportunity” to modify the existing inter-industrial exchange profile.

8. ASEAN: The political-diplomatic dimension ³⁴

The other essential axis of action is in the political-diplomatic field. ASEAN was a key instrument for the States of the region to consolidate their international action and insertion through the gradual generation of bases and elements of a regional foreign policy. That policy focused on consolidating the international legitimacy of the member States, establishing friendship relationships and economic links with the major powers, and generating external confidence on the group, but also among its members.

ASEAN builds its autonomy from the collective regional foreign-oriented effort. Thus, it not only prevents the region from the rivalry typical among the great powers but also allows them to create beneficial relations. The association also played an important role in keeping peace in the region and in searching for solutions to different conflicts and tensions (for instance, Vietnam-Cambodia, Laos, Timor, inner political problems in Cambodia and Myanmar).

In the 1990s, ASEAN launched a number of initiatives that earned the organization a central role both in the Asia Pacific region and at the global level. Malaysian Prime Minister Mahathir bin Mohamad’s proposal to organize an East Asian Economic Group, endorsed by ASEAN (Ministerial Meeting, 1992). The Bangkok Meeting on Human Rights and the Initiative on Asian Values (1993); the ASEAN Regional Forum (ARF, 1994) on security in East Asia (which allows for negotiating in non-hierarchical terms with the United States, the European Union, Canada, Japan, Australia, New Zealand, South Korea, Russia, China, Papua-New Guinea); the first Asia-Europe Meeting (Bangkok, 1996)³⁵ are examples of this very assertive positioning. Within such a context, we witness the “decline of the West” and the growth of Asia as the first world pole in a new, emerging world order in the 21st century.

Additionally, in spite of the intra-Asian exchanges, the dependence on external markets, particularly the United States, deepened after the 1997 crisis. Dependence on foreign demand represented a commercial vehicle to transmit the financial crisis to the Asia Pacific region. For this reason various measures were adopted nationally and regionally (particularly the free intra-regional exchange) to improve the demand and promote a better autonomy of the regional market. One of such measures was strengthening financial cooperation (Chiang Mai initiative, 2001).

In this context, the Bali Meeting of ASEAN+3 (May 2009) decided to make the group multilateral, gradually approaching it to the creation of an Asian monetary fund. One year later, the Meeting of Finance Ministers of ASEAN+3 decided to establish a macroeconomic research agency (AMRO) to monitor the economies of the region, identify crisis risks and provide financial aid.

³⁴ References: Mahmood, Rohana and Thangam Ramnath (1992) *Southeast Asia. The way forward*, Kuala Lumpur, Friedrich Ebert Stiftung; (1993) *Shared Destiny. Southeast Asia in the 21st century; Report of the ASEAN-Vietnam Group*, Singapore; Boisseau du Rocher, S. *L’Asie du Sud-Est...*, Op. cit., Chapter 7; Kishore Mahbubani, “The Pacific Impulse”, *Survival*, Vol. 35, 1, 1995; Moneta, C., “Democracia no ‘Estado Asiatico’. Notas...”, Op. cit.

³⁵ Boisseau du Rocher, S. *L’Asie du Sud-Est...*, Op. cit., pp. 265-266.

In the years following the 1997 crisis up to present, they took the path to recovery, even though each country shows significant differences with the others. However, the intra-ASEAN cooperation has not had the same fortune. The last decade of the 20th century and the first of the 21st faced the ASEAN countries with new challenges: Risks of terrorism and secession in the Philippines and Indonesia; social and political instability in several countries; authoritarian regimes in Myanmar and Laos; economic degradation (2008 crisis, with significant, temporary yet unsolved effects in the Philippines, though Malaysia and Indonesia are recovering).

As a result, the ASEAN States are attaching more importance to unconventional destabilization factors, along with food distribution and price problems, energy reserves, environmental protection, climatic change, and natural catastrophes, etc.

8.1. The adoption of an ASEAN Charter

The Association still lacks the judicial and institutional mechanisms to attack these and other problems of political nature, as the member States have not given it any autonomy or authority vis-à-vis the governments.

Such a situation limits ASEAN's capacity and speed to take action. For example, the methodology for the search of consensus in decision-making processes – which is so useful in normal circumstances – makes it difficult to reach solutions to urgent situations. The principle of non-interference in internal affairs of other States, in which the organization is based, may create obstacles (in the ground of cooperation and damage contention) to act, for instance, against a serious forest fire in bordering territories.

Considering these problems, an ASEAN Charter was proposed in 2004, with juridical personality, functions and responsibilities. A reflection group was formed one year later, which presented a report in 2007. A definite version of the text of the charter was submitted to the meeting of Heads of State in Singapore in November 2007, and the charter was signed, and then ratified in 2008; ASEAN was given the capacity to sign international treaties. It also assumed the compromise to defend democracy, human rights and the fundamental liberties. It seems to be the coming of a new era.

The problems that have appeared during the last few years should not override the great achievements of ASEAN in four decades of activities. It is an inter-State creation that promoted its members, gave them new strengths, identity and influence in the Asian and international fields, thanks to a sort of "soft power."

In this connection, it has had a positive influence on the process to construct an enhanced Asian space. The huge diplomatic capacity displayed by ASEAN and the positive role it has played as a link and intermediary among the greatest powers of the region and with India (which became a "dialogue partner" in 1997) has been widely acknowledged.

9. 2011-2020/25: Toward the future. Scenarios for ASEAN

The circumstances are certainly different now, at the onset of the second decade of this century, a moment when China already holds a leading place (shared with Japan) in the Asian constellation, and the ASEAN+1 (China) free trade agreement is in force since 2010. This Chinese initiative quickly led Japan and Korea to establish their own FTAs with ASEAN. It is in this context of the numerous FTAs approved, being negotiated or undergoing previous studies in the Asian-Pacific region (see Table 4) – where the Latin American and Caribbean countries and integration mechanisms determined to forge ties with their Asian counterparts must work. To the extent that the integration process in Asia

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Pacific continues to make rapid strides (at present, nearly 50% of trade flows in Asia Pacific are covered by preferential agreements) the trade flows between LAC and AP will face greater obstacles.³⁶

For this reason, establishing the role that ASEAN plays and may play in the future in the wide universe of intra-Asian and inter-regional (LAC-AP) integration processes is a requirement that must be fulfilled.

In principle, we can present two opposing scenarios regarding the possible role of ASEAN. The first one emphasizes China's ability to influence the other members of the group as a result of its political, economic and strategic importance. This adds to its condition of hub of the ASEAN+1 free trade agreement in relation to the spokes, represented by the other member States. The consequence would be a significant loss of ASEAN's ability to keep the desired degree of autonomy in the decisions to be adopted in the international arena.

The second scenario assigns a very important role to ASEAN, considering the enormous weight of China as an individual actor, its capacity of leadership and the loss of autonomy. It might become a necessary counterweight (together with "special relations" with other first-level actors, like Japan, Korea and India), conceived to prevent the ASEAN countries see their manoeuvring freedom reduced to the minimum. In this scenario, the Association should assume functions largely equivalent to those it had between 1967 and 1997, but adapted to the new context.

A third, intermediate scenario may arise from the previous two. It includes two factors: a) the role that ASEAN already plays as the virtual secretariat in the process of political and economic articulation of the Asia Pacific region (that is, the "long march" towards an "East Asian Community") and economic integration (numerous free trade agreements) of Asia Pacific and India; and b) a "hard" factor of *realpolitik*: The vital decisions marking the path in both processes are in the hands of the until now³⁷ small group of regional powers: China, India, Japan and Korea.

Such factors do not keep ASEAN's demonstrated "ability to make relevant proposals" from being appreciated and taken into account. If that were the case, ASEAN might see its manoeuvring freedom increased, but the situation might also be different if some of its members were to become members of the "board"³⁸ by cooption, which would negatively affect the rest of the Association.

Finally, it is worth noting that these speculations on the future of ASEAN – encompassed by the wide and varied framework of the current processes of advance toward economic integration and a stronger political cohesion in AP/India – should also take two elements into consideration: The capacity of adhesion that could be created by a process of integration fully respecting the interests and identities of its member States (desirable

³⁶ The tariffs applied by ASEAN, countries Japan, and Korea (ASEAN+3) to agricultural product, textiles and clothing, as well as those on some machinery, are still high. A tariff reduction in the "ASEAN+3" agreements or those of ASEAN with other countries, as well as for ASEAN-China and ASEAN-India, would be at the expense of Latin America and the Caribbean (see [Forum for East Asia-Latin America Cooperation \(FEALAC\). New bi-regional Trade and Investment in a changing world economic environment. ECLAC, Santiago, 2011, Chapter II, Table II.18](#)).

³⁷ Apart from the latent possibility that the two Koreas reunite, Vietnam and Indonesia, within ASEAN, might join the "board" of countries with the capacity to adopt strategic decisions for AP/China as a whole.

³⁸ Ibid.

situation but very difficult to reach) and the impact of rupture factors (for example, deep global and long-lasting crisis; significant increase in the disagreements and tensions between the main regional powers in AP, etc.).

Similarly, in the general middle-run scenarios,³⁹ a notable expansion is observed in the regionalism and the inter-regionalism in all dimensions, but this process can be accompanied with bigger asymmetries – in terms of viability and autonomy of action – in the various regional and sub-regional integration and partnership schemes.

The review of all these possible future scenarios was aimed at identifying trajectories of ASEAN. This exercise makes it easier to determine the appropriate strategies for a part of Latin America and the Caribbean to associate with the South-Eastern Pacific – an end in itself – by observing the possibilities of evolution of ASEAN as a way to join a bigger group: Asia Pacific.

III. 2010-2020/30: ONGOING CHANGES IN THE DISTRIBUTION OF POWER IN THE INTERNATIONAL/TRANSNATIONAL SYSTEM. EMERGING POWERS, NEW ECONOMIC-POLITICAL CENTER IN CHINA/ASIA PACIFIC/INDIA⁴⁰

*Listening to what is still to happen
is a state of wisdom;
seeing beforehand what is still to become
shape
is wisdom*

Wen-Tzu

SOME RELEVANT FACTORS THAT WILL INFLUENCE ON THE EVOLUTION OF THE GLOBAL SYSTEM (2010-2020/30)⁴¹

1. Toward a “new” geopolitical and geoeconomic world order?

Human nature does not change too much. But its context does change. Behaviour and structures are strongly marked by inertia and rigidity, which makes identification and assessment difficult. What events and innovations will be capable of influencing the global system (or its components), so that changes are possible?⁴²

This section details some of those events and innovations that are expected to have that capability:

³⁹ Moneta, Carlos (2006) “Escenarios Globales”, in *Ejercicio 2020. Escenarios y Estrategias en TIC*, Buenos Aires, State Secretariat for Science and Technology.

⁴⁰ Referencas: Carlos (2011) “El Pacífico Latinoamericano y el Asia del Pacífico: Dinámicas sistémicas y nuevas alianzas estratégicas”, Chapter I of *Encuentro Internacional “La América del Pacífico: continuidad y cambio”*, Facultad de Ciencias Políticas y Relaciones Internacionales, Pontificia Universidad Javeriana, Bogotá, 08/10-11/2011.

⁴¹ Moneta, Carlos in cooperation with Gabriel Bezchinsky (2007). “Escenarios Globales”, in *Ejercicio 2020. Escenarios y Estrategias en CTI*, Buenos Aires, Secretaría de Estado de Ciencia y Tecnología.

Note: The update of these *scenarios*, regarding the processes of change and evolution of the world economy and finance in the period 2008-2012, has received contributions from conversations held with some economists and specialists in international relations from various countries and international organizations.

⁴² The concept of change used here is as follows: “Transformations that qualitatively or quantitatively arise or may arise in the social environment in which a country (institution, etc.) operates that affects or may affect its management in terms of functionality, operativity and competitiveness# (Godet, Michel (2001) *Manuel de prospective stratégique*, Paris, Dunod).

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- Quasi-unipolar system in the strategic-military field. Variable, partial and asymmetric multi-polarity in all other dimensions. Continued imbalance between regions, States and non-State actors, albeit a reconfiguration in the nature, contents, dimension and actors that take part in various situations.
- From the standpoint of multilateralism, the phase of the “stabilizing hegemon” (the United States) would be evolving toward a co-existence of various integrated spaces and countries, where no single country may assume the role of “universal actor” with a degree of superiority.
- The shifting of the main economic – and, to a lesser extent, political – power toward the China/Asia Pacific/India group continues and consolidates.
- A new configuration arises in global accumulation, with a focus on emerging powers and countries (for example, BRICS and Eagles), as well as in the field of the multi-lateral management and governance mechanisms (G-20, among others).
- A noticeable expansion in regionalism and inter-regionalism can be seen in all their dimensions. This process is accompanied by a growth in the asymmetries in terms of viability and action autonomy of the various association and regional and sub-regional integration schemes. In addition, the differences among developing countries increase in terms of growth, development and international insertion.
- With the other crises that exploded after the one that started in 2008 and 2009, progress has been made on firmer bases (though not sufficient yet) as regards the institutional restructuring (IMF, WB) and the modification of the criteria for the regulation and performance of the international financial system. The participation of the new emerging financial powers plays an important role in these changes.
- The transfer and efforts to impose the “market logic” on the social, cultural and political areas continue. A dual economy prevails: On the one hand, modern sectors and regions inserted into international networks, and on the other hand, backward niches and sectors with low productivity, focused on local sub-national and regional markets.
- The transformation of the international value chains (decentralization, outsourcing) continues. The transnational companies act as coordinators of technological and commercial networks. There is “outsourcing” for research and development activities. Scientific research is mostly oriented by the market. It is more likely to find research and development in developing countries.
- The so-called “Third Industrial Revolution” will transform industrial processes. New technologies, materials and processes – particularly three-dimensional industrial printing – will allow for designing and constructing products through digital means. Among its multiple impacts, it will deeply change cost of labour ratios and industrial localization.
- Production maintains a strong concentration in China and Asia Pacific, but a new re-distribution includes more Southeast and South Asian and Latin American countries. Other emerging countries are added to the most dynamic markets, besides China/AP, India and developed countries.
- During the period analyzed here, the United States showed very good possibilities to keep most of its scientific and technological leadership,⁴³

⁴³ In the field of production, science and technology, the U.S. is expected to keep its leadership position in the next few years. Among other reasons, the country dominates biotechnologies and nanotechnologies, in research and development it invests amounts that surpass those of the European Union and Japan,| it shows a good (yet variable) productivity growth rate and occupies good positions in the design and conception of its products.

accompanied at a certain distance by Japan, the European Union and, to a lesser degree, China. However, China and India will be taking positions on the top in the next few scientific and technological revolutions. Behind them, a group of new emerging countries would also have outstanding positions.

- The abrupt arrival of massive application developments based on the (nano-bio-info-cogno) technological convergence, initially in the areas of health, ICTs and defence, with a rapid expansion to the environmental and other productive sectors. For example, the companies and services related to the “green” (ecologically sustainable) economies and the satisfaction of needs of the world’s middle class consolidate and expand.
- The incorporation of hundreds of millions of people (located basically in Asia Pacific and India) into the working market almost doubles the global man power. Similarly, the middle class (75 % of which will be in Asia Pacific and India) will see a significant growth, rising to a figure between 1.5 and two billion people by 2020.⁴⁴

2. The new configuration of the global accumulation processes: BRICS, EAGLES and Proto-EAGLES

2.1. BRICS and other emerging powers⁴⁵

Thanks to the continuous economic growth of the BRICS and the remaining group of emerging countries all along the past decade, this group has reached a GDP (measured in PPP, Purchase Parity Power) equivalent to 94 percent of the GDP of the developed countries. According to BBVA estimations, the emerging countries (excluding China) will be in conditions of equality, in this dimension, with the economies of the G-7 by 2018.⁴⁶ The emerging countries are growing at a speed between twice and three times faster than that of the developed countries (7% to 8% against 1.5% to 2%), advancing in the proportion that corresponds to them in the world’s riches. Thus, while the members of the OECD accounted for 60% of the GDP for the year 2000, it fell to 51% in 2010 and it is estimated to further decrease to 43% of the total by 2030.⁴⁷

During the financial crisis that started in 2008, the emerging countries demonstrated that they are capable of achieving economic growth in spite of the critical situations currently faced by developed countries.

For the first time in contemporary history, developing countries contributed about 50% of the world’s GDP and received 53% of FDI flows.⁴⁸

2.2 The EAGLES

According to the largest international consultancy firms and part of the financial groups, more countries will arise together with the BRICS (Brazil, Russia, India, China and, now, South Africa) to form the EAGLES (Emerging and Growth-Leading Economies). This group includes 10 countries (see Table 30) and it is expected to contribute to the growth of the world economy between 2010 and 2020 with percentages that, expressed in PPP, will be over those of the G-6 members (Canada, Germany, France, Italy, Japan, and England).

⁴⁴ ADB (2011). *Asia 2050. Realizing the Asian Century*, Singapore, ADB, pages 23-25.

⁴⁵ References: Moneta, Carlos and Velloso, Miguel (2011) “Chinese Trade and Investment in L.A. and Argentina: Present Situation and Foresee Scenarios”, Tercer Seminario Internacional “*Relaciones Económicas y Comerciales Sinolatinoamericanas. Desarrollo y Cooperación Sino-Latinoamericana*”, Beijing, University of International Business and Economics (UIBE), 27 May 2011, pages 3-4.

⁴⁶ BBVA Research (02/14/2011) *Cross-Country Emerging Markets Analysis Economic Watch*, Hong Kong, page 8.

⁴⁷ OECD, *Perspectives on Global Development 2010. Shifting Wealth*, Paris, June 2010.

⁴⁸ UNCTAD. *Global Investment Trends Monitor*, N° 5, Geneva, 17 May 2011.

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Table 30
EAGLES: Ranking (US\$ and PPP)

Country	Ranking GDP (PPP)	Ranking GDP (US\$)	Expected contribution to world growth (%), 2020	Expected GDP growth rates in PPP, 2010-2020 (EAGLES)	Expected GDP growth rates in PPP, 2010-2020 (G-6)
China	1	1	30.2	8.7	Canada: 2.4
India	2	2	8.5	6.9	France: 1.5
Brazil	3	3	2.7	4.5	Germany: 1.6
Indonesia	4	4	2.3	6.7	Italy: 0.9
Korea	5	5	1.8	4.4	Japan: 1.7
Russia	6	6	1.4	2.6	UK: 1.8
Mexico	7	8	1.2		
South Africa	-	-	1.0		
Egypt*	8	14	1.0	6.2	
Taiwan	9	9	1.0	4.7	
Turkey	10	7	1.0	4.1	
G-7			14.4		

Source: Prepared by the author with data from *BBVA Research* (Forecast Nov. 2010) and *Cross-Country Emerging Markets Economic Watch*, 15 December 2010, Table 1.

*Note: Given the current political crisis facing Egypt, the country is not likely to reach the required growth rates in the next few years.

According to BBVA estimates, the EAGLES might significantly increase the world's GDP, creating a new mass of business opportunities (which is, ultimately, what the banks seek for their clients). Thus, while an expansion of the GDP (measured in PPP and including the United States) of about US\$ 6 trillion is expected within the G-7, the increase accounted for by the EAGLES would reach US\$ 21 trillion.⁴⁹ In this context, Brazil would contribute to the change in the world's GDP 1.12 quintillion dollars; Indonesia, 0.94; Korea, 0.74; Russia, 0.59; Mexico, 0.5; Egypt, 0.42; Taiwan, 0.41, and the G-6, 0.21.⁵⁰

By way of example, the contribution of Brazil, Indonesia and Korea to the world's GDP is expected to exceed the contribution of Germany. Egypt, Turkey and Taiwan, instead, might now play a more important role than Canada, France and Italy.⁵¹

2.3. The Proto-EAGLES

In 1981, economist Antoine Van Agtmael came up with the concept of "emerging markets". Two decades later, Jim O'Neill (Goldman Sachs) coined the term "BRICS" (Brazil, Russia, India, and China). In 2010, Michael Ghegan referred to the "CIVETS Group" (Colombia, Indonesia, Vietnam, Egypt, Turkey, South Africa). In all cases, they were all attempts to identify those economies that were expected to maintain high growth rates over the coming decades.

⁴⁹ Schwartz, Stephen and BBVA (2011) "Looking to Asia for economic growth: Where we are and where are we headed", in *Syndicated & Leveraged Finance, Asia Pacific Conference*, April 2011, and data from the IMF.

⁵⁰ Ibid.

⁵¹ Ibid.

This list is rapidly growing and changing. Various international economic and financial institutions, as well as UN agencies, the World Bank and the IMF, compete in the search for possible new “economic champions”, mainly from among developing countries in Asia, Latin America and Africa.

Thus, for UN agencies working in the area of economic development, a next generation of emerging countries could include Indonesia, Argentina, Iran, Turkey, Thailand, the Philippines, South Africa, Ukraine, Egypt, Malaysia, Vietnam and Nigeria. Selection criteria include, among other indicators, PPA, Research and Development, Education and Political situation. The Citi Group has prepared its own list, which focuses on “border” markets, such as Bangladesh, Iraq, Mongolia, Nigeria and Sri Lanka, or small emerging markets such as Egypt and the Philippines. Hedge funds are watching with interest the evolution of Colombia, Peru, Romania, Vietnam, Pakistan and Kenya.

Beyond the serious concrete and subjective obstacles posed to identify these new relevant economic entities – for instance, the great heterogeneity in the evolution of political, social and human development indicators, the different dimensions of the financial and banking system, the operation of economic rules and the characteristics of their international insertion – simply belonging to one of such groups draws the attention of powerful financial stakeholders, thus encouraging new investment flows to those countries.

In spite of the above, it is necessary to have some reliable criteria as regards the expected economic growth and development for those countries. By way of example, Table 31 shows the projected evolution for some Southeast Asian countries during the decade 2010-2020.

Table 31
Evolution of the contribution of selected Southeast Asian countries to global GDP, 2011-2021

(current economic dimension and increase in GDP from 2011 to 2021, US\$ billion, PPP)

Country	Current economic dimension	Increase in GDP (2011-2021)
Indonesia	1100	983
Thailand	601	373
Vietnam	295	300
Malaysia	436	262
Philippines	382	225
Singapore	308	165

Source: Projections by the BBVA Research Department and IMF data.

In the case of Latin American and Caribbean countries, Table 32 – which is not restrictive – identifies some potential actors.

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Table 32**Current economic dimension (2011) and increase in GDP to be achieved (2021)***(US\$ billion, adjusted as per PPP)*

Country	Current GDP (2011)	Estimated increase (2021)
Brazil	1100	1137
Mexico	1628	514
Argentina	700	358
Colombia	461	341
Peru	296	229
Chile	275	176

Sources: IMF, WEO, BBVA Research Dpt.

Based on the remarks above, the author of this paper has identified a new group of emerging developing countries, which he has called Proto-EAGLES. These economies include six Asian countries: Thailand, Malaysia, Vietnam, the Philippines (ASEAN), Pakistan and Bangladesh; two African countries: Nigeria and South Africa; one from Eastern Europe: Poland; and three from Latin America: Colombia, Argentina and Peru (See Table 33).

According to a BBVA study,⁵² hierarchically, these countries rank between the 11th and 21st places, following the EAGLES and are considered to be the future emerging countries. As in the case of the EAGLES, they are also expected to make a contribution to the increase in the world GDP, which has been estimated, for the group, above the one that Italy will make to the G-6.

Considering that this exercise simply provides a model and bearing in mind the presence of a large part of ASEAN-5 and the three Latin American countries – two of them belonging to the Andean Community of Nations (CAN) and the newly created “Pacific Alliance”,⁵³ and one belonging to MERCOSUR – it is possible to conceive several association forms. The alternate ways of interaction offered by these developments should be taken into account when considering the medium-term opportunities and obstacles existing in the economic relations that Latin America and the Caribbean wish to establish with China, India and other Asian Pacific countries.

The presence of ASEAN members suggests a possible vector-based informal association – outside the field of the associations and integration mechanisms – that seems to be valid to explore. One of the forms could be the establishment of a “dialogue forum” for the Proto-EAGLES, which facilitates political communication, cooperation and economic links in areas agreed upon.

⁵² BBVA Research, “Cross-Country Emerging Market Analysis”, Geneva, in *Economic Watch*, Hong Kong, 02/14/2011, p. 12. At a large extent, this publication coincides with previous studies conducted by the United Nations, which were considered for the preparation of Table 30.

⁵³ The “Pacific Alliance” is made up by Chile, Peru, Colombia and Mexico, with Costa Rica and Panama as Observers. In early June 2012 a framework agreement was signed with the purpose of strengthening the bloc’s integration and its economic relations with Asia. The agreement seeks to promote growth, development and competitiveness, and expand and deepen economic relations with Asian Pacific countries.

Table 33
Proto-EAGLES. Ranking
(US\$ and PPP)

Country	Ranking GDP/PPP	Ranking GDP/US\$
Thailand	11	10
Nigeria	12	15
Poland	13	12
Colombia	14	13
South Africa	15	11
Malaysia	16	16
Vietnam	17	21
Pakistan	18	22
Bangladesh	19	19
Argentina	20	17
Peru	21	18
Philippines	22	20

Source: Prepared by the author with data from BBVA Research (Forecast Nov. 2010).

3. Potential sources of alternate financing in Asia Pacific / Southeast Asia

The 1997 financial crisis in the Asian Pacific region generated a deep distaste and distrust in multilateral institutions (IMF, WB), the government of the United States and the members of the European Union.⁵⁴ With the 2008 crisis, the Asian position consolidated thanks to the policies adopted: significant currency reserves (equivalent to four quintillion dollars; establishment of regional anti-cyclical financial accords (Chiang Mai initiative) protecting the region, and an active participation in multilateral organizations and international forums (for example, G-7, Basel Committee on Banking Supervision).

Other proposals were made to reform the international financial system. China proposed to replace the dollar with Special Drawing Rights (SDRs), (03/2009) as a currency of world reserve and promote the use of the yuan as exchange currency for trade and financing.

In this context, as a result of their financial surplus, certain Asian countries have placed part of their reserves in important State funds, namely the "sovereign funds" (see Table 34).

Table 34
Asia Pacific / South East Asia: Financial dimension and incidence capacity

Country	Name	Foundation year	Dimension (US\$ billion)
Singapore	Government of Singapore Investment Corporation	1981	100 - 330
China	China Investment Corporation	2007	300
Hong Kong	Hong Kong Monetary Authority Investment Portfolio	1998	163
Australia	Australia Future Fund	2004	61
Singapore	Temasek Holdings	1974	159

Source: Prepared by the author based on a report by the Sovereign Wealth Fund Institute, 2008.

⁵⁴ Moneta, Carlos; Miotti, Eduardo and Quenan, Carlos (1999) "La crisis asiática: riesgos y oportunidades para América Latina", in *Relaciones de América Latina y el Caribe con Asia Pacífico (1997-1998)*, Buenos Aires, SELA-IDB/INTAL; Corregidor.

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These funds have not only made investments in well-known Western banks during the current financial crisis (Temasek, for example, invested US\$ 4.4 trillion in Merrill Lynch, US\$ 400 million in Brazil, US\$ 200 million in Mexico; while China Investment Company Ltd. poured five trillion dollars into Morgan Stanley).⁵⁵ Also, particularly in the case of China, they have facilitated numerous company acquisition operations and investments in Europe, the United States and developing countries.

Based on all this, it would be plausible to explore the possible participation of these funds in supporting the various dimensions of development required by Latin American and Caribbean countries (infrastructure, energy, improvements in trade, etc.).

4. Asia and the free trade agreements (FTAs)⁵⁶

In item 2 of Chapter II, we examined ASEAN's regional integration strategy, with an emphasis on the importance given and the effort made for signing free trade agreements with other countries and regions, in order to broaden and strengthen its international insertion. This section will underscore the scope and incidence potential of the main intra-Asian and trans-Pacific free trade agreements with Latin America and the Caribbean.

Throughout the first decade of this century, Asia Pacific experienced a "big bang" in terms of the negotiation and signing of several dozens of free trade agreements within Asia and other countries and regions. The close economic articulation, existing then without the assistance of formal agreements, was at that moment institutionalized, widening its environments, sectors and involved countries, and the dynamic redefinition of the rules.

Table 35 shows the dimension that these processes are taking. Their present magnitude represents already a great challenge for Latin America and the Caribbean in establishing trans-Pacific economic ties, and these difficulties would highly grow in case that the more ambitious free trade agreements become concrete, as presented as follows:

⁵⁵ Michel, A. (01/17/2008) "Les Fonds souverains volent au secours des banques", *Le Monde*.

⁵⁶ References: Moneta, Carlos. "China y el nuevo proceso de institucionalización de la integración...", documents previously quoted and presented in the Specialization in Economy and Business with Asia Pacific and India, UNTREF, 2010-2011; UIBE (2011). *The Bao Forum for Asia (2011). Progress of Asian Economic Integration Annual Report*, Beijing, p. 24.

Table 35

AP/India: intra-Asian and trans-Pacific free trade agreements (examples)

"ASEAN + 1" (Japan)	To be completed (framework agreement signed and free trade agreement with each country)
"ASEAN + 1" (China)	In force since 2010
"ASEAN + 3" (Japan, South Korea, China project)	It would include 31.4% of the world population; 19.4% of the GDP and 22.7% of global trade
"ASEAN + 6" (Japan, South Korea, China, Australia, New Zealand, India project)	It would account for 49.6% of the world population; 23.3% of the GDP and 25% of global trade.
China – Japan – Korea	Project: It would encompass 70% of the Pacific GDP and 20% of the world's GDP. In a meeting held in Korea (5 May 2010), it was agreed to study the feasibility of a territorial FTA and to adopt decisions by 2012.
Individual FTAs	Examples: China-Taiwan, China (2010); China-Singapore (2008); Japan-Vietnam (2008); Singapore-Costa Rica (2010); China-Peru (2009); Singapore-Peru (2009); Malaysia-New Zealand (2010); Korea-ASEAN (2009); India-ASEAN; ASEAN-Japan.
APEC: "Transpacific Partnership Agreement" (TPP)	Originally (2006), it corresponded to a P4 agreement: New Zealand, Chile, Singapore and Brunei. Afterwards, the United States and other countries announced their readiness to participate and this was viewed as a possible base to establish an APEC Trans-Pacific agreement. At present, Malaysia, Australia, Peru, Chile, Vietnam and the United States are conducting negotiations.

If Japan (it has apparently decided to do so) and the United States joined, an agreement including the rest of the APEC would cover more than half the world economy, with 40.6% of the population, 53.3% of the GDP and 43.7% of the global trade.

But an addition should be made to this already impressive list in view of its political, social and economic scope. The Presidents and Heads of Government of China, Japan and South Korea reached an agreement during their annual Summit (Beijing, May 2012) to start negotiations by the end of this year for a Free Trade Agreement among the three countries – which account for approximately 20% of the world GDP – with the purpose of establishing a free trade area. On that occasion they also signed an agreement on investment protection and measures to deepen fiscal and financial cooperation, and promote bond markets in Asia.⁵⁷

This is the context in which Latin America and the Caribbean must shape up their policies and strategies for links and cooperation with Southeast Asia and Asia Pacific. In just a few years, linking axes have rapidly multiplied and expanded. Table 36 shows an account that allows for grasping the new dimensions of evolving trans-Pacific links. It is necessarily provisional and incomplete, since the number of trans-Pacific free trade agreements that have already been proposed, agreed to or are under negotiation between countries of Latin America and the Caribbean and Asia Pacific is rapidly growing.

⁵⁷ "China, Japan and South Korea to negotiate free trade agreement", [Notimex](#), Economy, 13 May 2012.

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Table 36
Trans-Pacific FTAs
(June 2011)

Agreements in force	Date of entry into force
Taiwan Prov. China - Panama	1 Jan. 2004
Korea, Rep. of -Chile	1 Apr. 2004
Japan-Mexico	1 Apr. 2005
Trans-Pacific Strategic Economic Partnership Agreement (P4)	28 May 2006
Singapore - Panama	24 July 2006
China-Chile	1 Oct. 2006
India-Chile	17 Aug. 2007
Japan-Chile	3 Sept. 2007
Nicaragua-Taiwan, Prov. China	1 Jan. 2008
Honduras-Taiwan, Prov. China	1 Mar. 2008
Australia-Chile	6 Mar. 2009
India -Mercosur	1 June 2009
Singapore -Peru	1 Aug. 2009
China -Peru	1 Mar. 2010
Malaysia-Chile	15 Nov. 2010
Korea, Rep. of. - Peru	21 Mar. 2011
China-Costa Rica	1 July 2011
Agreements signed, but not yet in force	Date signed
Singapore -Costa Rica	6 Apr. 2010
Thailand - Peru, Protocol	19 Nov. 2005
Japan-Peru	31 May 2011
Under negotiation	
Thailand - Chile	
Viet Nam-Chile	
Singapore-Colombia	
Korea Rep. of. - México	Negotiations suspended
Korea, Rep. of. - Colombia	
Singapore - Mexico	
Proposed agreements	
Korea Rep. of. - Mercosur	
Korea, Rep. of. - Panama	
Indonesia-Chile	

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of official information.

Table 36 reveals that eighteen FTAs were agreed to between 2004 and 2011, with four of them already signed though not yet in force and other eight still under negotiation. In addition, there are eleven new proposals. For this reason, some 30 or more FTAs with Asia Pacific can be expected to be in force by the end of this decade.

It should be noted that a small number of countries – Chile (6), Peru (4), Panama (2) – concentrate most of the agreements by our region, while on the other side of the Pacific, the largest number of FTAs has been signed by Taipei, China (4), Singapore (3), People's Republic of China (3), India (2), Japan (2), and South Korea (2). Also noteworthy is the fact that, in general, those countries with the largest trade flows in Latin America and the Caribbean and Asia Pacific, are the ones involved in free trade agreements.⁵⁸

⁵⁸ ADB-IDB, Office of Region Economic Integration, IMF, Direction of Trade Statistics Data. Published in *Shaping the future of the Asian-Latin America and the Caribbean Relationship*, Manila-Washington DC, 2011, Table 1b.

Table 37
Binding FTAs between countries participating in the negotiations for an enhanced TPP

	Australia	Brunei	Chile	Malaysia	New Zealand	Peru	Singapore	United States	Vietnam
Australia									
Brunei	X ^b								
Chile	X ^b	X ^c							
Malaysia	X	X ^d	X ^e						
New Zealand	X	X ^c	X ^c	X ^b					
Peru			X						
Singapore	X	X ^d	X ^c	X ^d	X ^g	X			
United States	X		X			X	X		
Vietnam	X ^b	X ^d	X ^f	X ^d	X ^b		X ^d		

Source: ECLAC – International Trade Series Nr. 106, based on data from the Foreign Trade Information System (www.sice.org).
a- All agreements are bilateral, unless otherwise stated.
b- ASEAN-Australia-New Zealand FTA
c- TPP
d- ASEAN Free Trade Area (AFTA)
e- Signed FTA, but not yet in force.
f- FTA under negotiation
g- New Zealand-Singapore Close Economic Partnership Agreement (NZSCEP), the ASEAN-Australia-Nueva Zealand FTA and the TPP co-exist.

In this context, in view of its geopolitical and geo-economic importance, special attention should be paid to the evolution that the "Trans-Pacific Partnership Agreement" (TPP) might have, as it tries to add up new Asian and Latin American members through an active co-option policy by the United States (see Table 37).

- What configuration should the trans-Pacific FTAs have?

- In Asia Pacific, the parameters of interaction between Japan and China seem to be heading to scenarios with "wheel" configurations, in which various countries of the region play the role of "hubs" and the others are "spokes".
- Two or three secondary groups will coexist in the region (in Singapore and Korea) but they will not be limited to the Asian territory, because they will include Latin American countries (for example, Chile and Peru; in the future, it might be Panama or Costa Rica and Colombia).
- Three ASEAN countries (Singapore, Thailand and Malaysia) already have or will soon have free trade agreements with Latin American and Caribbean countries. Indonesia and Vietnam can be expected to follow their example.
- Should the agreements between the European Union and Asia Pacific not be signed, although they have been being discussed for long time in the bilateral forum ASEM, Latin America could become the region with the closest relations with Asia Pacific in the next 10 to 15 years, thanks to their free trade agreements. Agreements with Korea already exist, but negotiations with China have borne no fruits thus far.

5. China/Asia Pacific-India, 2020: Profiles of an emerging economic system⁵⁹

This section presents some of the factors and processes connected to the gradual yet continued construction of an economically integrated and political cohesive Asia Pacific. A representation of "Asia as a system in formation", supported by tactic elements, requires overcoming unidirectional approaches – treating those countries without paying sufficient attention to their economic interactions or their intra-regional policies – because that generates distortions in the evaluation, which may afterwards influence on the outlining of partnership policies and strategies.

What will the situation of Asia Pacific be, in which economic agents of Latin America and the Caribbean must act all along this decade and, very probably, in the following years?

- As we have analyzed in the previous chapter, a new division of labour has been established after the restructuring of the intra-industrial relations of production and the dynamics of FDI flows in Asia Pacific. In these processes, Japan and China, the "Greater China" (Taiwan, Hong Kong and the Chinese community overseas), and Southeast Asia have played the role of relevant actors. The large number of free trade agreements being discussed and negotiated since the year 2000 strengthens, in Asia Pacific, the formation of an economic sub-system marked by complementarity and internal articulation that advance and deepen rapidly.

As stated before, these processes have forced South Asian countries and their Chinese neighbours to modify their production structure, increasing their value added (for example, from labour-intensive industries to production of intermediate goods). However, this effort has allowed them for benefiting from an enormous creation of intra-regional trade and investment. They went from a Chinese-ASEAN trade volume of US\$ 8 billion in 1991 to US\$ 135 billion in 2007, with high surplus flows favouring South East Asia. In terms of investment, a 10% increase in FDI in China generates from 5% to 6% of FDI in the region. These processes are leading China to the first place as a commercial counterpart of several countries in Asia Pacific and to lower the position of the United States and the European Union in trade exchanges with the region.⁶⁰

- China and South East Asia strengthen and consolidate their intra-industrial insertion in the world production chains. FDI has played a relevant role in this event by largely contributing to the insertion of firms based in China (both foreign companies and a growing number of local ones) into the global value chains. In this connection, it is worth mentioning that India has integrated into this scheme.
- During the next few decades, Asia Pacific and India will deepen and consolidate their condition of first-world economic hub. China, India, Indonesia, Japan, South Korea, Thailand and Malaysia are presently the seven leading

⁵⁹ References: Moneta, Carlos. "China y el nuevo proceso de institucionalización de la integración en Asia Pacífico. Perspectivas para Argentina/MERCOSUR y América Latina", in Cesarín, S. and Moneta, C. (2005) *China y América Latina. Nuevos enfoques sobre cooperación y desarrollo. ¿Una segunda ruta de la seda?*, REDEALAP, Buenos Aires, BID-INTAL; Moneta, Carlos (2007) "Escenarios 2015/20", SECYT, *Ejercicio 2020 Estrategias y Escenarios en CTI*, op. cit.; OECD (2010) *Southeast Asian Economic Outlook*, Paris, 2010; Maddison, A. (2007) *L'économie chinoise: une perspective historique, 960-2030*, OECD, p. 50; Moneta, Carlos. "El Pacífico latinoamericano y el Asia Pacífico. Dinámicas sistémicas y nuevas alianzas estratégicas; 2010-2020/30", Op. cit.

⁶⁰ Roland-Holst, David (2003). "East Asian trade relations in the wake of China's WTO accession" (Table 2.2), Mines, ADB Institute, Tokyo, 2003; Roland-Holst, D. and Weiss, J. (2004) "ASEAN and China: export rivals or partners in regional growth? *World Economy*, August 2004.

economies in this process and are estimated to keep that position. They amount to 78% of the population of Asia (3.1 billion inhabitants) and 87% of the total GDP of the region (US\$ 14.2 quintillion). According to the scenarios conceived by the Asian Development Bank, by 2020 the Asian share in the world's GDP will reach 33.5%, and 38.9% by 2030. It is estimated to surpass 50% of the global GDP by 2050. In this context, by the middle of this century, the seven countries will represent 90% of Asia's GDP and about 45% of the world's GDP.⁶¹

A phenomenon of equivalent proportions is the increase of the Asian middle class (see Table 38) and their consumption over the next few decades. They are going to be the growth engine thanks to their demand of goods and services, stimulated by a higher income and changes in life styles. This includes an important factor for Latin America and the Caribbean: the modification of eating habits.

At present, the consumption of the world middle class represents about a third of the total demand and will be concentrated in the most advanced countries of Europe, the United States and Asia. In the next 20 years, consumption expenses of the Asian middle class will grow by 9%, according to estimates. Along with Japan, the consumption will grow significantly in the People's Republic of China, India and Indonesia, in ASEAN.⁶² From the point of view of Latin America and the Caribbean, which want to see their exports to East and Southeast Asia increase, the appearance of a middle class with a growing power of purchase and an important degree of *occidentalization* in their consumption habits is a promising factor.

Table 38

Population	Middle class	High class	Per capita GDP (PPP)
PR China	1,120	40	21,100
India	1,190	15	13,200
Indonesia	220	5	13,500
South Korea	30	20	60,200
Vietnam	80	2	11,900

Source: ADB (2011). *Asia 2050. Realizing...* Op. cit., Table 3-2.

- In this context, an equivalent to the Japanese strategy – technological leadership in relevant areas, such as health, environment, “green” or environmentally sustainable industries and the creation of products for the well-being of the world middle class – might be adopted by China. Riddled with the problems created by its fast and poorly planned industrialization in the last few decades, China has also started to share advanced positions in the solution of environmental problems and the development of ecologically friendly industries, high-speed trains and the construction of infrastructure and hydraulic works. Like Japan, China wishes to take part, as a relevant actor, in the generation of products and services to satisfy the growth needs of the world middle class, to which a substantial portion of the Chinese population belongs.

⁶¹ ADB (2011). *Asia 2050. Realizing...*, (“Asian Century” scenario), Op. cit., pages. 31-32, Table 4-1. Other scenarios foresee a smaller growth in Asia. For example, by 2050, the Asian GDP would represent 32% of the world's (rather than 51% given by the previous scenario), while China and India would increase their share in the global GDP by 11% and 6%, respectively (“Middle Income Trap” scenario), Chapter 16, Table 16-1). However, these percentages are higher than those expected for Latin America.

⁶² Idem. p. 24.

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- Lastly, an “Asian financial sub-system” is emerging and consolidating, together with a growing stake and influence of the “sovereign funds” of China, the South East Asia and other Asian countries in the world FDI flows. In 2009, Asia accounted for 23% of the world’s financial assets (bonds, equities, bank deposits), but it might reach 30% or more between 2025 and 2027, and will continue to grow in the following years. In these scenarios,⁶³ apart from gaining more and more weight in financial markets, the region will modify its present situation from a passive role as a decision-taker in terms of standards and prices to a decision-maker of standards and prices, in combination with other large economies.
- According to the data presented in other sections of this study, integration processes in Asia Pacific will be growing under the leadership of China and Japan; and in South Asia, India. These powers will work in an environment of “competitive cooperation” with variable degrees of concentration and tensions.
- Within this framework, in the next few years, the variety of situations and interests in Asia Pacific / Southeast Asia allows for expecting an advance for Latin America and the Caribbean simultaneously, but acting separately or as competitors with individual initiatives. This is a particularly important conclusion for the formulation of policies and strategies by Latin America and the Caribbean.

6. Partial conclusions: Towards a viable future?

Finally, it would be worthwhile making a comment on the political dimension and viability of these processes. The road towards their materialization is certainly full of obstacles. Many of them come from historical conflicts and differences that affect the countries’ security, territory or population. Others derive from competitive behaviours and the struggles for power.

In the contemporary order, the most prominent and relevant aspects are those associated to socio-economic asymmetries within and between countries, the competition for energy and natural resources, the inter-regional distribution of the benefits of economic growth; the undesirable consequences of climatic change and global warming and the progressive aging of the population in some countries such as Japan and China. Others, meanwhile, will enjoy a high percentage of economically active population.

In spite of the obvious existence of all those factors, thus far, the political leadership of China/Asia Pacific and India has successfully led the processes of integration, partnership and economic growth, gradually advancing with long-term visions towards the progressive construction of essential political consensuses and agreements, institutional organization and governance.

An example of this is the *idée-force* of the East Asian Community (EAC). Originally proposed by Malaysian Prime Minister Mahathir in 1991 and strongly criticized by the United States, it has been reactivated by the East Asian Vision Group, created in 1998 upon a proposal made by South Korea, during an ASEAN+3 meeting hosted by Malaysian Prime Minister Abdullah Ahmad Badawi. The group meets with external powers, such as the United States, India, Australia and New Zealand, with Russia as an observer and Papua-New Guinea, Pakistan and Mongolia as candidates. Making progress towards an FTA among China, Japan and South Korea would provide strong political and economic foundations into a higher phase of institutional organization and integration in Asia Pacific.

⁶³ HDB (2011). *Asia 2050. Realizing...* Chapter 8, p. 56.

For the time being, a key task in which ASEAN has a large participation is to maintain a dialogue between many actors with different identities and interests, contain rivalries and competitions in the sub-group of Japan, Korea, China and India, and make progress in cooperation around common goods and shared interests. Thus its agenda is focused on financial cooperation and monetary unification, prevention of natural disasters, ecological protection, security promotion, efficient use of energy, and improvements in the measures to promote partnerships in science and technology.

Such forums – to start dialogue and cooperation on the basis of a search and identification of shared interests, leaving aside conflicts for as long as necessary – are a political model to which Latin America and the Caribbean should pay attention.

IV. DESIGNING THE FUTURE. TRADE AND COMPREHENSIVE APPROACHES TO COORDINATE COOPERATION WITH SOUTHEAST ASIA

1. The Pacific crossing. Trade in the LAC-AP/Southeast Asia Relations ⁶⁴

The “Pacific crossing” links two developing regions that encompass societies, economies, cultures and a variety of different factors. These processes occur during a globalization phase that gives shape to a particularly complex space-time relationship. This section deals with the evolution of trade in Latin America and the Caribbean with AP and ASEAN during the last decade, trying to highlight factors and guidelines proper to these trade flows and some criteria and measures that could be adopted.

- Over the last few decades, economic relations between Asia Pacific and Latin America and the Caribbean have increasingly developed to reach considerable levels, and are sustained by an increase in FTAs, bilateral trade expansion and FDI. Thus, for instance, total trade between Latin America and the Caribbean with Asia-Pacific has risen to an annual rate of 9.3% throughout the 1990s, which allowed for doubling the trade value from US\$ 2.5 to US\$ 5.6 billion.
- Nevertheless, such growth was even more important during the first decade of the 21st century. If compared with that corresponding to the United States, it can be seen that while U.S. exports increased by 68% in 2000-2008, Latin American and Caribbean exports to “ASEAN+6” rose by more than 250%. Similarly, imports from the U.S. increased by only 32%; conversely, those coming from “ASEAN+6” reached a 336% increase.⁶⁵
- By the same token, the exports to Asia and China in particular showed outstanding growth, well above the levels reached in the pre-crisis period. If compared with other world regions, U.S. exports showed a 20.6% positive variation in 2010, while that corresponding to Asia reached 29.8% (see Table 39).

⁶⁴ References: ECLAC (2011) “Exportaciones de América Latina y el Caribe a Asia Pacífico muestran fuerte crecimiento en 2010”, Santiago, Chile, [ENFOCO](#); ECLAC (2011) [COMERCIO EXTERIOR DE BIENES EN AMÉRICA LATINA Y CARIBE](#), Santiago, Chile, Boletín Estadístico, Primer Trimestre de 2011; ECLAC (2008) [Oportunidades de comercio e inversión entre A. Latina y Asia Pacífico. El vínculo con la APEC](#), Santiago, Chile. ASEAN FOUNDATION (2009) FRIAWAN, D. & KATRICA, P. “Prospects of Economic Relations between Latin America and Southeast Asia”, Jakarta, ASEAN Secretariat, 12/10/2009; Moneta, C. (2011) “El Pacífico Latinoamericano y el Asia Pacífico: Dinámicas Sistémicas y...” Op. cit.; Moneta, C. “El Sudeste Asiático y América Latina. Nuevas prioridades al inicio del siglo XXI” in Baglionis, S. and Piovani, J. [El Sudeste Asiático. Una visión...](#), Op. cit.

⁶⁵ ASEAN FOUNDATION, “Prospects of Economic Relations...” Op. cit.

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Table 39
Variation compared with other regions of the world
(accumulated until September each year)

	Variation 2008	Variation 2009	Variation 2010
Latin America and the Caribbean	16.0	-22.7	27.1
Africa and Middle East	39.2	-37.4	34.2
Asia	14.3	-15.9	29.8
United States	14.6	-18.1	20.6
Euro zone	10.4	-22.5	10.9
World	15.5	-22.8	22.0

Source: ECLAC, *Boletín Estadístico*, "Comercio exterior de bienes en América Latina y el Caribe", Op. cit

Table 40 Latin America and the Caribbean: Trade with selected Asian countries and groups, 2010
(percentages of total exports and imports)

	Exportaciones						Importaciones						
	China ^a	India	Japón	República de Corea	ASEAN ^b	Total grupo	China ^a	India	Japón	República de Corea	ASEAN ^b	Total grupo	
Cono Sur	Argentina	9,4	2,0	1,2	1,1	4,8	18,4	14,4	1,0	2,1	1,7	3,3	22,6
	Brasil	17,0	1,7	3,5	1,9	3,3	27,4	16,2	2,3	3,8	4,6	3,7	30,7
	Chile	27,4	2,5	10,7	5,8	1,7	48,0	17,2	0,7	5,7	5,9	1,9	31,3
	Paraguay	1,0	1,6	0,9	0,1	1,5	5,0	34,8	0,6	3,5	1,5	1,5	41,9
	Uruguay	6,3	0,2	0,1	0,3	2,0	9,0	14,5	0,6	1,1	1,2	1,9	19,2
Países andinos	Bolivia (Estado Plurinacional de)	3,1	0,1	6,7	5,3	0,0	15,2	10,6	1,0	5,8	0,8	1,1	19,3
	Colombia	5,6	0,9	1,3	0,9	1,4	10,1	14,5	1,7	2,8	2,3	2,1	23,4
	Ecuador	2,0	0,1	2,3	0,1	1,1	5,5	9,4	0,6	3,4	4,4	2,1	19,9
	Perú	16,5	0,6	5,1	2,6	1,0	25,8	18,3	1,7	4,6	3,5	2,5	30,6
	Venezuela (República Bolivariana de)	9,1	5,7	0,1	0,0	4,4	19,3	9,8	0,5	1,6	0,0	0,7	12,6
México y Centroamérica	Costa Rica	8,6	0,2	0,9	0,4	2,6	12,9	8,1	0,8	3,6	1,1	1,3	14,9
	El Salvador	0,5	0,1	0,4	0,4	0,3	1,7	7,5	0,4	1,8	1,0	1,0	11,7
	Guatemala	1,0	0,5	1,7	0,9	0,9	5,1	8,8	1,0	2,0	2,8	1,3	16,0
	Honduras	3,0	0,2	0,9	2,3	0,0	6,4	5,0	0,5	1,3	0,8	1,3	8,9
	México	1,7	0,3	0,6	0,3	0,4	3,4	17,1	0,6	5,0	4,2	4,3	31,3
	Nicaragua	2,2	1,0	0,8	0,3	0,0	4,4	9,2	1,1	2,8	3,4	1,7	18,3
	Panamá	0,8	0,1	0,9	0,2	0,3	2,3	32,0	0,6	3,0	2,5	14,0	52,1
El Caribe	Antigua y Barbuda	0,1	0,0	0,1	11,8	5,4	17,4	44,1	0,1	0,5	0,1	23,9	68,7
	Bahamas	0,0	0,0	0,0	0,0	20,0	20,1	4,9	8,0	7,1	12,0	5,8	37,8
	Barbados	1,4	0,3	0,0	0,1	0,5	2,2	5,6	0,8	3,6	1,0	2,0	13,0
	Belice	0,1	0,1	2,5	0,3	0,7	3,7	5,3	0,4	1,1	0,8	0,6	8,2
	Cuba	28,2	0,0	0,5	0,4	0,4	29,6	12,5	0,3	0,4	0,7	3,8	17,7
	Dominica	1,4	0,3	39,5	0,6	0,2	42,1	7,9	0,7	47,0	2,5	2,7	60,8
	República Dominicana	3,1	0,9	0,2	0,0	0,6	4,8	11,0	0,6	2,1	0,9	1,6	16,2
	Granada	0,0	0,1	0,0	0,0	0,6	0,7	1,6	0,2	1,6	0,6	0,5	4,4
	Guyana	2,3	0,3	0,9	0,1	1,3	4,9	6,4	1,7	3,6	0,8	1,6	14,1
	Haití	1,1	0,2	0,2	0,1	0,8	2,4	7,0	1,1	1,8	0,5	2,5	12,9
	Jamaica	0,4	0,0	1,8	0,1	0,2	2,6	5,3	0,5	2,0	0,4	1,3	9,6
	Saint Kitts y Nevis	0,3	0,0	0,1	0,0	0,0	0,5	0,8	0,5	1,8	0,4	0,5	3,9
	Santa Lucía	0,1	0,6	0,0	0,0	0,3	1,1	0,3	0,0	0,3	0,1	0,1	0,9
	San Vicente y las Granadinas	0,2	0,0	0,0	0,0	0,3	0,5	5,7	0,2	2,3	0,3	0,6	9,0
	Suriname	1,0	0,1	0,5	0,0	0,0	1,7	9,3	1,6	5,8	0,9	2,1	19,6
	Trinidad y Tabago	0,7	0,5	0,4	3,1	0,2	4,9	4,7	2,8	2,5	0,7	2,1	12,8
América Latina y el Caribe	9,3	1,4	2,4	1,3	2,0	16,4	15,4	1,2	3,9	3,6	3,5	27,6	

- In spite of these very high growth rates by the end of 2010, the balance of trade achieved by the region showed a surplus of US\$ 16 billion with the rest of the world, although it included a considerable deficit with Asia of around US\$ 81 billion.⁶⁶⁶⁷ With whole Asian, the 2009-2010 variation in exports from Latin America and the Caribbean was 28.9%, a 49.1% variation with China, and a 29.4% variation corresponded to the rest of the Asian countries. As for imports, those coming from ASEAN expanded by 45.1%, from China by 49.4%, and from the rest of that region by 41.2%. Its recovery was much more dynamic than the total exports (28%) and those sent to all the other destinations. The imports from Asia, with a 45% increase, rose significantly when compared with the 52% of the region's total imports.

In short, since Asia-Pacific and Latin America and the Caribbean are the first and second regions with greatest economic growth in the world, respectively, after its recovery from the global crisis during 2008-2009, Asia by its good performance consolidated in 2010 as an increasingly more important trade partner for the Latin American region.

Table 40 reveals that the shares in both exports and imports for ASEAN and the various subregions in Latin America and the Caribbean show very low values as percentages of total trade flows and also in terms of total trade with all the countries of Asia Pacific and India.

Exports to ASEAN originate mainly in Argentina (4.8% of the total), Venezuela (4.4%), Brazil (3.3%), Costa Rica (2.6%) and Chile (1.7%). As for imports, the first position corresponds to Panama (14% of the total) due to its role as an international distribution centre, followed by Mexico (4.3%), Brazil (3.7%), Argentina (3.3%) and Peru (2.5%). Finally, it should be noted that the trade balance is negative for most of the countries of our region.

If the previous decade is taken into account, just 1.4% of ASEAN exports and 1.7% of its imports corresponded to Latin America and the Caribbean. These data clearly show that most of the region does not maintain trade relations with ASEAN or, if such relations exist, they represent only marginal values.

- The shares of manufactured goods in our region's total imports rose from 6.6% in 1990 to 8.0% in 2000, and fell to 7.6% in the year 2008. Under these circumstances, imports of manufactured goods from ASEAN and ASEAN+3 grew significantly between over those two decades, which points to an increase in East and Southeast Asia competitiveness in that type of production, a greater opening of our markets to Asia Pacific, and a rising competition of Asia Pacific with the United States in that sector.
- With respect to the ASEAN, it should be noted that exports from Latin America and the Caribbean face a tough competition from that group of countries in the markets of China and India, particularly in the sector of natural resource-based manufactured goods.⁶⁸⁶⁹⁷⁰
- On our side, the exports share of manufactures in Latin American and Caribbean total exports have increased between 1990 and 2000, and fell in 2008. In this situation, our share in exports of manufactured goods to ASEAN, ASEAN+3 and ASEAN+6 shows a steady decrease since 1990.

⁶⁶ ECLAC, *Boletín Estadístico*, Op. cit., Table 33.

⁶⁷ HDB (2011), *Asia 2050. Realizing...* Chap. 8, page 56.

⁶⁸ ECLAC, *Forum for East Asia-Latin America Cooperation (FEALAC)*, Santiago, 2011, Tables 2.4 and 2.5.

⁶⁹ ECLAC, *Boletín Estadístico. Op. Cit. Table 33.*

⁷⁰ HDB (2011) *Asia 2050. Realizing...* Chap. 8, page 56.

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- On the contrary, the share of exports of agricultural products – and to a lesser extent in oils, minerals and metals – in our region's total exports to ASEAN and ASEAN+n countries has risen significantly. This points out to the comparative advantages of Latin America and the Caribbean in that type of products.
- ASEAN made full use of the process of economic opening and liberalization of Latin America and the Caribbean in the 1990s, by remarkably increasing its exports, which rose 640% during those years.
- In turn, ASEAN imports from our region started to rise at the beginning of the new century. Between 2000 and 2008 they increased to US\$ 14 billion, having a 343% growth rate for the period 2000-2008.
- Among the ASEAN-5 members, Singapore, Malaysia and Thailand show the higher trade volumes with Latin America and the Caribbean, which exceed those of Indonesia and Philippines. Particularly, Indonesia and Singapore concentrated their exports in Brazil and Thailand in Argentina. Singapore, Thailand and Vietnam have emerged as important destinations of exports from several countries in our region.
- Trade between Latin America and the Caribbean and ASEAN expanded in a remarkable way. The rates of increase exceed significantly the average growth of the Latin America and the Caribbean total trade during 2000-2008. Thus, the LAC-ASEAN imports share increased by 240% and their exports share by 322% in the period under consideration.
- Mexico was the main importer of products from Southeast Asia. This country accounted for 62% of the total imports from ASEAN in the period 2000-2008. Similarly, Brazil was the most important exporter, which achieved 49% of all exports from Latin America and the Caribbean to ASEAN.
- As can be seen in Table 41, exports from Latin American countries to ASEAN (ASEAN-5) are concentrated in a very small group of commodities. Those products cover more than two thirds of the total exports, with the exception of Brazil and Mexico.

Table 41
Latin America and the Caribbean: three main export products to the Asia-Pacific region,
by country and destination, 2004-2006

	ASEAN 5	
Argentina	Presscakes 43.5%; Maize, others 15.7%; Soy beans 15.0%	74.2%
Bolivia	Tin 87.8%; Non-coniferous Wood 3.8%; Inorganic acid 2.7%	94.2%
Brazil	Presscakes 11.8%; Sugars 6.3%; Iron, raw steel 6.0%	24.0%
Chile	Refined copper, 32.0%; Copper 17.3%; Iron 13.3%	62.6%
Colombia	Hides and Skins 23.3%; Gems 13.9%; Fungicides 12.0%	53.2%
Costa Rica	Parts of data processing machines 60.7%; Microcircuits 24.8%; nuts and grains 1.9%	87.4%
Ecuador	Fish oils and greases 31.8%; Tobacco 13.3%; Coffee extracts 10.2%	55.3%
El Salvador	Sugars 95.1%; Sewing machines 1.5%; Other non-ferrous scrap metal 1.5%	98.2%
Guatemala	Sugar 70.3%; Spices 17.9%; Merchandise vehicles 3.6%	91.8%
Honduras	Sugars 90.7%; Other textiles 4.2%; Coffee 1.7%	96.5%
Mexico	Parts of data processing machines 23.3%; Data processing equipments 6.5%; Microcircuits 5.7%	35.5%
Nicaragua	Monohydric alcohol 66.4%; Spirituous liquor 30.0%; Apparel and clothing accessories 2.5%	99.0%
Panama	Scrap iron 27.5%; Other ferrous scrap metal 22.7%; Other non-ferrous scrap metal 17.4%	67.6%
Paraguay	Other bovine and equine hides 47.3%; Cotton 24.1%; Wheat, not ground 21.9%	93.2%
Peru	Copper 26.0%; Flours, unfit for human consumption 25.8%; Zinc 21.6%	73.4%
Uruguay	Other bovine and equine hides 74.2%; Bovine meat 5.6%; Whole skins 4.5%	84.3%
Venezuela	Oil 64.4%; Iron products 15.7%; Acyclic Hydrocarbons 6.1%	86.2%
The Caribbean	Iron products 34.5%; Tobacco 6.1%; Electrical resistors 5.6%	46.2%

Source: ECLAC, *Oportunidades de Comercio e inversión con...*, Op. cit., COMTRADE database.

- This situation has been corroborated by ECLAC,⁷¹ indicating that from 93% of the sectors analyzed; most of the trade flows between the region and Asia-Pacific are inter-industrial. Our region maintains intra-industrial trade levels with the EU and the United States higher than those with Asia Pacific. Although a small increase is shown, the intra-industry trade coefficients still are very low, between 0.05% and 0.06%;⁷² however, those trade flows can be clearly characterized as inter-industrial.
- Tariff barriers still play a major role in bi-regional trade exchanges. Table 42 shows how strong are tariffs imposed by ASEAN on agricultural products from Latin America and the Caribbean. In turn, LAC has set high tariffs on manufactured goods from ASEAN, even though they are comparatively lower. In addition, both parties apply "tariff escalation" (i.e., tariffs increase, or escalate, as products undergo processing). Non-

⁷¹ ECLAC(2008) *Oportunidades de Comercio entre A. Latina y Asia Pacifico...*, Op.cit., p. 66.

⁷² Note: Using the Grubel-Lloyd index, the values are between 0.07 and 0.05 for the intra-industry trade cases of Mexico, Brazil, Argentina and Costa Rica; see Table IV.10, p. 39.

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tariff barriers are also applied; in the case of ASEAN, by imposing quotas and sanitary and phytosanitary measures.⁷³

Table 42
Average tariffs for inter-regional trade
(selected countries, 2009, %)

ASEAN tariffs on imports from Latin America and the Caribbean			
	Caribbean	Central America	South America
Mining	0.3	2.0	1.2
Agriculture	17.4	12.7	6.8
Manufactures	8.1	8.3	7.1
Latin American and Caribbean tariffs on imports from ASEAN			
Mining	7.5	4.1	5.8
Agriculture	15.8	10.5	11.0
Manufactures	10.2	5.9	8.0

Source: INT/IDB; UNCTAD TRAINS Data. Based on "Shaping the future...", Op. cit., Chapter 1, Table 2.
Note: Subregional figures correspond to the averages of their countries.

- Intra-industry trade barely exists, except for Mexico, Brazil, Argentina and Costa Rica.⁷⁴ To a certain extent, these countries are starting to show intra-industry trade with some Asian countries. In the case of Argentina – within the ASEAN group – this country carries it on with Singapore as Brazil does (which also shows some value with Indonesia, Thailand and Vietnam). Costa Rica has a relatively high intra-industry trade index with Malaysia, Singapore and Philippines. Mexico is the only country that widens the scope of counterparts by including Malaysia, Singapore, Thailand, Philippines, and to a lesser extent, Indonesia.⁷⁵
- In the context of what was previously examined, it is important to point out that the list of the 30 most important export products from Latin America and the Caribbean to Asia Pacific has changed. Thirteen new products have been added since the year 2006, among them microcircuits (that account for more than 0.1% to 1.2% of the total), parts, accessories and motor vehicles. This promising change shows that it is possible – although greater efforts should be made – to gradually modify the current pattern of inter-industrial trade (energy and commodities for manufactured products) with ASEAN/AP.
- Similarly, Table 43 shows that some Latin American countries – Mexico and Brazil, in particular, and Colombia and Peru, to a lesser extent – take part in certain sectors of the world market expansion of manufactured products, where some ASEAN countries (Singapore, Thailand, Philippines, Indonesia and Malaysia) are also present.

⁷³ "Shaping the Future...", Op. cit., Table 2, page 20.

⁷⁴ Ibid., page 57.

⁷⁵ Ibid.

Table 43
Share of selected consumer countries in the expansion of global markets for some industrial products
 (%)

Automobiles	Motorcycles	Electronic products	Mobile phones	Computers
1999-2004 (number of sales)	1999-2004 (number of sales)	2002-2005 (US dollars)	1999-2004 (number of contracts)	1999-2004 (number of sales)
Mexico: 5.9	Indonesia: 34.7	Brazil: 1.8	Brazil: 4.0	Brazil: 3.5
Thailand: 5.8	Vietnam: 11.1	Singapore: 1.7	Mexico: 2.4	Mexico: 1.8
Indonesia: 5.5	Brazil: 5.5		Philippines: 2.4	
Brazil: 4.6	Philippines: 2.1		Indonesia: 2.2	
Malaysia: 2.8	Mexico: 1.1		Thailand: 2.0	
	Colombia: 0.3			
	Peru: 0.2			

Source: ECLAC, based on data from the Japan External Trade Organization (JETRO), White Paper on Trade and Investment 2006.

- Bearing in mind that more than 40% of the intra-regional trade of Latin America and the Caribbean corresponds to manufactures of high and medium technological contents, which can also be observed to some extent in intra-regional trade of Asia Pacific, ⁷⁶ there emerges the possibility (which should be carefully analyzed) of striving to develop bi-regional trade flows by promoting links with Asian value chains.
- As pointed out in Chapter III.6, the number and extent of existing, and/or in draft and negotiations FTAs in Asia- Pacific/ASEAN, as well as those that have already crossed the Pacific, linking countries in both regions, require as a priority to make a study of the challenges and opportunities that they pose for the countries and the integration schemes of Latin America and the Caribbean, as well as the strategies and measures that might be adopted in this regard.
- As pointed out in Chapter III, Section 4, emphasis must be made on the fact that the countries and integration schemes of Latin America and the Caribbean face different situations in this critical area. Thus, most of their members have signed FTAs with the United States, the EU or both; however, they do not have such agreements with countries or subregions of Asia-Pacific/India.
- For instance, Mexico, Chile and Peru have been incorporated some time ago to Asia-Pacific Economic Cooperation (APEC) – the last two have a significant part of their trade oriented towards that direction – the three countries are going to strive and coordinate their actions with Colombia (and possibly with Panama and other countries of Central America), through the Pacific Alliance,⁷⁷ although the situation differs considerably if a closer look is taken at MERCOSUR or Central America and the Caribbean.
- Finally, the FTAs and economic integration processes in AP/ASEAN offer a vast experience in the field of trade facilitation (see Tables 44 and 45), and in this area our

⁷⁶ Ibid. p. 77.

⁷⁷ On 29 April 2011, a Presidential Declaration was signed (Panama became an Observer) in Lima that states the firm intention of those countries in furthering a trade and physical and financial integration agreement, as well as establishing that group as a platform of economic and political projection towards Asia-Pacific. Finally, on 6 June, the Pacific Alliance was established by the presidents of Chile, Colombia, Peru and Mexico.

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region still has a long way ahead. Considering the incidence of these effects on the competitiveness of both regions, it is presented as a very relevant area for the development of bi-regional and inter-regional cooperation programmes.

Table 44
Periods needed for exports; selected regions and countries

Region or country	Time to formalize exports (days/shipment)	Costs to export (US\$ per container)	Documents required to export (number)
OECD	9.8	905	4.5
Southeast Asia and Pacific	24.5	885	6.9
Latin America and the Caribbean	22.2	1108	7.0
South Asia	32.5	1180	8.6
Sub-Saharan Africa	35.6	1660	8.1
Indonesia	21.0	667	5.0
Malaysia	18.0	432	7.0
Singapore	5.0	416	4.0
Thailand	17.0	615	7.0
Vietnam	24.0	669	6.0
China	21.0	390	7.0

Source: World Bank (2008), quoted in *Southeast Asian Economic Outlook, 2010*, OECD, Table 5.7.

Table 45
Measures to facilitate cross-border trade in Asia Pacific

Country	Documents required to export (number)	Time to formalize exports (days)	Costs to export (US\$ per container)	Documents required to import (number)	Time to formalize imports (days)	Costs to import (US\$ per container)
Singapore	4	5	456	4	3	439
Malaysia	7	18	450	7	14	450
China	7	21	500	5	24	545
Hong Kong, China	4	6	625	4	5	583
Brunei Darussalam	6	28	630	6	19	708
Indonesia	5	21	704	6	27	660
Thailand	4	14	625	3	13	795
Taipei, China	7	13	720	7	12	732
Korea	3	8	742	3	8	742
Cambodia	11	22	732	3	8	742
Philippines	8	16	816	8	16	819
Vietnam	6	22	756	8	21	940
New Zealand	7	10	868	5	9	850
India	8	17	945	9	20	960
Japan	4	10	989	5	11	1047
Australia	6	9	1060	5	8	1119
Laos	9	50	1860	10	50	2040

*Notes: Documents required to export/import: Number of documents required to export/import goods.
Time to formalize exports/imports: Time needed to comply with all the procedures to export/import goods.*

Source: World Bank; (www.doingbusiness.org/ExploreTopics/Trading/AcrossBorders)

2. Foreign Direct Investment in Asia Pacific / ASEAN and LAC

Even though South-South FDI flows are still relative small, FDI between AP and LAC is having a positive dynamics of growth, especially because that region is playing a new role as FDI exporter to Latin America and the Caribbean. Similarly, South-South FDI has proved to be more resistant to external shocks when facing the financial crisis and its aftermath.

Undoubtedly, China represents the largest source of South FDI for Africa and Latin America. Table 46 shows how the FDI outflows from ASEAN-10 between 2005 and 2009 have changed, evidencing a significant increase.

Although those corresponding to ASEAN are still too small, and because the Asian private and public multinational enterprises are expanding their area of operations, in search of developing a greater efficiency, seizing market opportunities and obtaining energy and raw materials, it is likely to expect a greater presence of Asian enterprises in Latin America and the Caribbean during the next years.

Table 46
FDI: Inflows and outflows for selected countries (1990-94 and 2005-2009),
(US\$ trillion)

Region / Country	FDI outflows		FDI inflows	
	1990-94	2005-2009	1990-94	2005-2009
India	0.2	44.1	2.3	101.4
PR China	9.7	120.8	43.9	348.6
ASEAN-10	2.7	34.2	8.7	58.0
Developing Asia	5.3	57.9	10.8	50.7
Brazil	42.3	129.8	47.9	280.0
Japan	243.3	860.0	14.8	149.0
United States	900.8	4.158.0	686.2	3.076.2
EU-27	44.6	300.0	39.3	248.1

Source: ADB, based on UNCTAD data.

Total FDI from Asian economies to other developing countries usually exceeds the flows from Japan during the second half of the 1990s. In addition to China, Taiwan and Hong Kong, and Singapore and Malaysia in Southeast Asia have gained importance as FDI suppliers. It should be noted that Taiwan (Chinese Taipei), Malaysia and South Korea are the only countries⁷⁸ whose FDI outflows are greater than FDI inflows.

Tables 14, 15 and 16 show general FDI data in ASEAN-10 and Latin America. In both regions, investments in greenfield projects are concentrated in a small number of countries. Tables 47 and 48 present the percentages of investments in greenfield projects corresponding to various intra-regional investors.

⁷⁸ ADB, *Asian Development, South-South Economic...*, Op. cit., p. 67.

Table 47
Investment by some Southeast Asian countries in Latin America and the Caribbean
(percentages of total Asian investments in the region, 2003-2011)

Country	Percentage of investments
Philippines	0.87%
Singapore	2.38%
Other countries	1.62%
<i>Source: Based on "Shaping the future..." Op. cit., Chapter 3, figure 5.</i>	

Table 48
Localization of Latin American greenfield investments in Southeast Asian countries
(percentages of total LAC investments in Asia Pacific)

Country	Percentage of investments
Singapore	7,26%
Vietnam	4,27%
Philippines	3,85%
Thailand	1,71%
<i>Source: Based on "Shaping the future..." Op. cit., Chapter 3, figure 4.</i>	

In addition to the major inter-regional investors in both regions – namely, PR China, Japan and Korea in Latin America and the Caribbean, and Brazil, Mexico and Chile in Asia Pacific – mention should also be made of the roles played by Singapore, Malaysia, Philippines and Vietnam as ASEAN members.

As part of a strategy for economic and financial coordination, it is necessary for the countries of our region to strengthen – or to initiate, as the case may be – an FDI process in ASEAN / AP. Although Latin American investments in the countries of ASEAN are still limited (both in terms of countries of origin and sectors of localization) Table 49 shows a temporary increase and diversification of such investments.

Table 49
Investments by Latin American enterprises in Southeast Asian countries
(2011, some examples)

Country of origin	Company	Sector	Recipient country	
			Trade and technical assistance activities or commercial representation offices	Production facilities
Argentina	Techint	Steel, Engineering and Construction	Singapore	Indonesia
Brazil	Impsa	Metallurgy	Indonesia and Singapore	Malaysia, Philippines and Vietnam
	Vale (CVRD)	Mining	Singapore	Indonesia, Philippines and Malaysia
	Embraer	Aeronautics	Singapore	
	Marfrig	Food and Beverages		Thailand and Malaysia
	Weg	Electrical equipment	Singapore and Thailand	
Chile	Sociedad Quimica y minera de Chile			Thailand
Mexico	Gruma	Food and Beverages		Malaysia

Source: Based on data from news releases, Web pages and working papers. See "Las 'multilatinas' se expanden en Asia" in Observatorio Económico de la Red Mercosur, <http://www.oered.org>

3. Conclusions

3.1. Visions, policies and strategies

When reaching the end of this work, we note that we have taken into account the world trends and those of the Asian region, as well as the main guidelines that Southeast Asia presents in its economic dimension and, at the integration and policy coordination level. Similarly, a review was made of the actual obstacles and opportunities and those that can be expected in the future regarding economic and commercial relations between Latin America and the Caribbean and Southeast Asia, on the horizons of this decade and the next one.

The purpose of this study was to carry out an exploratory mission in a little known territory. It is sought to advance in developing economic and cooperation links, to expand and further our relations and, at the same time, to open new ways to East Asia, and to India,

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since this country has decided that Southeast Asia is the strategic door for entering Asia Pacific.

At first, it seems to be advisable to limit the focus and to circumscribe it to the area of Southeast Asia, from a conceptual and planning standpoint. That region has an enormous intrinsic value, and mission of this study is to contribute to the implementation of policies and strategies in Latin America and the Caribbean aimed at that goal.

However, it is essential to carry out properly this task to widen the vision, to search deeper into the knowledge not only of the "pieces" that make up "Factory Asia" (East Asia, Southeast Asia, etc.) and its internal structure, but also of the modes and reaches in its functioning as such. A complex system is built in Asia-Pacific, having China and, to a lesser extent, Japan as centres. This working paper enables to observe and explore part of this gigantic Meccano, and to give some hints:

- The foregoing explanation seen throughout this paper brings the possibility – established on firm bases- of the preparation and implementation of a "Action Programme" that will allow for laying the foundations, in a coordinated way, of national and regional actions aimed at fully incorporating ASEAN/Southeast Asia into the current universe of economic and political relations with Latin America and the Caribbean.
- It is advisable to conceive this Programme in a comprehensive way, including political, cultural, economic, trade, scientific and technological, and social actions. The programme should meet simultaneously the aim of strengthening relations with Southeast Asia and also acting as a closer linkage with China/AP.
- ASEAN is a political entity of particular interest to these effects. It offers a broad area for diplomatic, social and entrepreneurial action, taking advantage of the different mechanisms of external linkage that it has created. Within that framework, it seems advisable to try to organize an ASEAN-LAC "Dialogue Group" at the regional and subregional levels.
- Ongoing changes in the distribution of power in the international-transnational system, with the rise of the so-called "emerging powers" in which there are countries of Southeast Asia and Latin America, offer opportunities for an innovative approach to the construction of a multidimensional cooperation scheme with ASEAN and Asia Pacific.

It deals with strategies used by the media and non-governmental international entities –with a strong influence in public and specialized opinion (e.g. banks, financial institutes: consultants and think tanks) - to "create" new groups of States, like BRIC.

Therefore and as an example, the notion of the "Proto-Eagles" has been introduced. Within this framework, it must be borne in mind that the complex current global system allows for the creation of "brands", which in this case include countries that can be favoured in their international action because of the creation of those symbolic representations.

- Sooner than later – as it is happening all over the world and already with our region's actors – essential developments at the economic level of the relations are going to be obtained through "Preferential Economic Agreements", FTAs and "Integral Joint Ventures".

Those agreements can be bilateral between AP/Southeast Asia and LAC integration mechanisms, or go beyond bi-regional limits. At all instances, the agreements require to be carefully considered by SELA Member countries within a broader strategic framework, given their potential scope.

That is the case presented by this document of the "Trans-Pacific Strategic Economic Partnership Agreement" (TPP).

This project was drafted in the "P4" Meeting (Brunei Darussalam, Chile, New Zealand and Singapore).⁷⁹ At present, it has awakened a strong strategic interest in the United States, because it is perceived as an instrument that offers the possibility, through APEC, of their legitimate institutional participation in a "Trans-Pacific Community", and in this way to avoid the formation of an exclusively Asian economic bloc.

- The exploration of future scenarios carried out in this paper allows for pointing out that in the next years there is going to be a greater and more diverse presence of Asian-origin TNEs in Latin America and the Caribbean. There are already Chinese, Indian, Japanese, and Korean enterprises, although it won't be long before TNEs from Singapore, Malaysia, Thailand and Indonesia incorporate (in fact, these countries already have some enterprises in the region). As a whole, they will mean an essential FDI flow to be placed in different countries in Latin America and the Caribbean.

In this regard, it is necessary to raise the general degree of regional preparation and coordination in this field. Thus, not only the coordination of regulations on foreign investment and shares standards for exploitation of natural resource are demanded, but also the availability of greater knowledge of the law's rules and regulations of AP/Southeast Asia, TNEs' organization and negotiation culture, and skilled human resources to attend and manage multiple fields.

- An crucial problem, that has been widely underscored on several occasions, and is continuously present in Latin American and Caribbean trade relations, is their trade pattern which mainly consists of energy and raw materials exports and manufactured products imports.

This situation dangles in all the trade with Asia Pacific, in a central way. Because of this, the ASEAN countries – which are an important part of the industrial production networks that have their centre in China – offer a relevant opportunity of starting and moving forward on an exercise of intra-industry linkage. Thus, it has been suggested that it would be advisable to explore the linkage possibilities offered by several of the "Sectors of Integration and Priority Services".

⁷⁹ A thought that immediately comes to mind spins around the lost opportunities and the increase, as time goes by, of institutional and political obstacles to consolidate a wished pattern, different from the current economic relations with AP. In this context, it should be mentioned that the author of this paper was invited to participate in a high level "P4" meeting at the time of its establishment. At that time, there was an enormous interest and a great flexibility from its members in adding other LAC countries to the agreement, whether or not they were on the border of the Pacific.

3.2. Elements for an Action Plan

This section deals with some areas of activity and elements which – under a comprehensive approach – could form part of the areas covered by the suggested Plan:

- Diplomatic cooperation

Although an intense activity is already being carried out with AP/ASEAN concerning various issues on the current international agenda – e.g., the financial crisis, climate change and environment and international trade negotiations, among others – it might be possible to identify some other elements that respond to specific interests of ASEAN countries to a greater extent.

By way of example, in principle, it seems to be feasible to work on an environmental agenda that takes due account of the fact that most of the world's biodiversity and ecological critical mass is located in many Southeast Asian and Latin American countries. Such a factor could give rise to the creation of a group equivalent to the BRICS, which would conduct joint actions in that area at the international level.

- Numerous actions can be carried out to increase mutual knowledge, still clearly insufficient. In this connection, there is a special role to be played by universities and research centres in both regions. Similarly, the ongoing task of increasing academic exchanges and homologating educational systems turns out to be relevant.

- In the area of institutional and para-institutional relations, in addition to the known need of strengthening the Forum of East Asia – Latin American Cooperation (FEALAC), it is possible to promote formal and informal mechanisms to link other key sectors. Such is the case of the existing financial mechanisms in both regions. Making strides in economic relations requires an inter-regional network to foster the creation of links among financial institutions and stakeholders (banks, stock exchanges and research centres, among others). It is also necessary to establish a direct and close relation with the Economic and Social Commission for Asia and the Pacific (ESCAP) and the Asian Development Bank (ADB). At the political level, it is necessary to strengthen the efforts already being made by the corresponding regional coordination offices of political parties (COPPAL in our region and ICAPP in Asia Pacific) because, ultimately, political elites are in charge of taking decisions that have an impact on the evolution of bi-regional links.

- It is also advisable to conduct studies (for instance, by creating joint Observatories) so as to monitor the performance and expansion plans of TNEs, Chambers of Commerce and leading business associations in Southeast Asia and Latin America and the Caribbean. To this end, biregional meetings could be convened among entrepreneurs (such as those already held with China) and dispute settlement mechanisms could be established.

It is also necessary to clearly identify the main capabilities and roles played by each ASEAN country. In this connection, the archetypal case is Singapore, since it is characterized by the relevant roles it plays in the areas of finance trade, transport and scientific and technological development. In addition, it is convenient to know in detail the national development plans of ASEAN countries, because they display their strategic guidelines in the areas of production and international insertion.

Finally, a key sector is the area of science and technology. The study points out to the efforts being made in the areas of electronics and ICTs in ASEAN, as well as in other sectors of those goods ranked as priorities. In most of these fields, the countries of Latin America and the Caribbean have human resources, breakthroughs and experiences that can give rise to establishing cooperation links in those sectors of strategic importance for ASEAN.

To sum up, at present, Latin American and Caribbean countries have several ways to link themselves to Southeast Asia. Each one of them has costs and benefits that need to be borne in mind in medium and long-term scenarios.

In this context, this document seeks to highlight the need for Latin American and Caribbean countries to increase significantly their efforts towards coordination and cooperation in terms of policies and strategies at the economic, trade and scientific-technological level, if they want to overcome the profound asymmetries currently existing with Asia and the Pacific. In this way, it will be possible to establish a more egalitarian, solidarity-based relation with ASEAN countries.

Issues to be considered for policy-making ⁸⁰

Besides the initiatives proposed in this study, the following issues should also be taken into account in view of the crucial need for Latin America and the Caribbean to make progress – on the basis of a partnership framework – towards coordination of policies and strategies:

- Making the best use of the comparative advantages of abundant natural resources.
- Boosting innovation and international competitiveness in the area of manufactured goods.
- Conduction of regional and subregional value chains and linking them with Asian value chains – particularly, in the areas of electronics, nano and bio-technology, ICTs, energy, agricultural and livestock products, foodstuff and environmentally sustainable industries.
- Establishment of financial networks with ASEAN and Asia Pacific while searching and making proper use of Asian financial sources (e.g.: for infrastructure development, transport and bi-oceanic corridors).
- Generation and distribution of strategic economic information on ASEAN / AP.
- Establishment of associations, mechanisms for dialogue and bi-regional networks in multiple activities.
- Promotion and inter-regional linkage of SMEs.
- Expansion and improvement of trade facilitation (e.g.: customs and immigration procedures, improvement of ports, etc.)
- Migration policies and development of social inclusion programmes in communities of Asian origin in Latin America and the Caribbean.
- Formulation and start-up, at the intra and inter-regional levels, of coordinated cultural programmes; Organization of “town-twinning” programmes.

In short, in order to meet the goals of such a programme, it is necessary to make strides towards a deep coordination and integration of a cooperative nature in Latin America and the Caribbean, which should include developing multiple bi-regional ventures in the medium and long-terms.

⁸⁰ Forum for East Asia-Latin America Cooperation (FEALAC). New biregional Trade..., Op. cit. ECLAC, Santiago, 2011; ECLAC Panorama de la inserción internacional de América Latina y el Caribe, 2010-2011, Santiago, 2011, “Síntesis”; Moneta, Carlos, “América Latina/MERCOSUR. Situación actual y perspectivas”, (Texts related to the subject “International Political Economy”, as part of a Master’s Degree in International Economic Relations, Buenos Aires University, Buenos Aires, 2009-2012).

S T A T I S T I C A L A N N E X

Selected economic indicators for some ASEAN countries

Country	Indonesia				
	2008	2009	2010	2011	2012
Real GDP (%)	6.0	4.6	6.1	6.4	6.7
Consumption					
Private consumption	5.3	4.9	4.6	5.2	6.2
Public consumption	10.4	15.7	0.3	8.0	3.7
Domestic demand (contribution to growth)	5.3	3.4	5.3	5.2	5.5
Exports	9.5	-9.7	14.9	13.6	13.8
Imports	10.0	-15.0	17.3	14.1	14.8
External demand (contribution to growth)	0.7	1.2	0.8	1.3	1.2
<i>Source: BBVA Research.</i>					

Country	Malaysia				
	2008	2009	2010	2011	2012
Real GDP (%)	4.7	-1.7	7.2	5.1	5.4
Consumption					
Private consumption	8.5	0.7	6.7	5.7	5.7
Public consumption	10.7	3.1	0.1	3.5	2.8
Domestic demand (contribution to growth)	5.1	-2.3	10.4	3.5	5.6
Exports	1.6	-10.4	9.8	10.2	8.9
Imports	2.2	-12.3	14.7	9.6	9.9
External demand (contribution to growth)	-0.4	0.6	-3.3	1.6	-0.2
<i>Source: BBVA Research.</i>					

Country	Philippines				
	2008	2009	2010	2011	2012
Real GDP (%)	3.7	1.1	7.3	4.5	5.2
Consumption					
Private consumption	4.7	4.1	5.3	4.3	4.8
Public consumption	0.4	10.9	2.7	0.3	0.2
Domestic demand (contribution to growth)	4.5	4.7	6.7	6.3	5.8
Exports	-2.0	-13.4	25.6	15.8	14.2
Imports	0.8	-1.9	20.7	18.8	14.3
External demand (contribution to growth)	-0.8	-3.7	0.6	-1.8	-0.6
<i>Source: BBVA Research.</i>					

Country	Singapore				
	2008	2009	2010	2011	2012
Real GDP (%)	1.5	-0.8	14.5	5.0	4.8
Consumption					
Private consumption	3.2	0.2	4.2	5.2	4.2
Public consumption	7.2	3.5	11.0	6.3	4.2
Domestic demand (contribution to growth)	11.2	-5.4	4.0	1.4	-1.2
Exports	4.0	-8.1	19.2	9.5	10.5
Imports	9.4	-11.0	16.6	9.3	9.4
External demand (contribution to growth)	-9.7	4.6	10.5	3.6	6.1
<i>Source: BBVA Research.</i>					

Country	Thailand				
	2008	2009	2010	2011	2012
Real GDP (%)	2.5	-2.3	7.8	3.8	4.8
Consumption					
Private consumption	2.9	-1.1	4.8	4.2	4.5
Public consumption	3.2	7.5	6.0	4.0	5.5
Domestic demand (contribution to growth)	3.8	-5.6	8.3	3.6	4.2
Exports	5.1	-12.5	14.7	11.0	11.7
Imports	8.9	-21.5	21.5	14.0	13.8
External demand (contribution to growth)	-1.3	3.3	-0.5	0.2	0.6
<i>Source: BBVA Research.</i>					

Country	Vietnam				
	2008	2009	2010	2011	2012
Real GDP (%)	6.3	5.3	6.8	6.2	6.8
Consumption					
Private consumption	9.3	3.7	5.4	4.7	5.6
Public consumption	7.5	7.6	3.4	2.4	4.9
Domestic demand (contribution to growth)	9.6	3.6	7.9	7.3	8.0
Net exports	17.2	-8.2	6.0	6.0	6.8
External demand (contribution to growth)	-3.2	1.7	-1.1	-1.1	-1.2
<i>Source: BBVA Research.</i>					

Country	China				
	2008	2009	2010	2011	2012
Real GDP (%)	9.6	9.2	10.3	9.3	9.1
Consumption					
Private consumption	2.7	3.8	3.6	3.7	3.9
Public consumption	1.1	1.0	0.3	0.5	0.5
Domestic demand (contribution to growth)	8.6	13.3	9.5	9.2	9.0
Exports	2.3	-4.9	8.5	5.2	4.8
Imports	-1.3	0.8	-7.7	-5.0	-4.6
External demand (contribution to growth)	1.0	-4.1	0.8	0.3	0.1

Source: BBVA Research.

Country	India				
	2008	2009	2010	2011	2012
Real GDP (%)	7.5	7.0	8.6	8.1	8.0
Consumption					
Private consumption	12.8	5.5	16.0	7.3	6.8
Public consumption	22.2	15.2	13.5	7.5	8.0
Domestic demand (contribution to growth)	11.9	6.6	6.9	8.4	8.7
Exports	22.0	-8.9	24.4	13.0	7.0
Imports	37.0	-8.2	12.2	12.0	8.5
External demand (contribution to growth)	-4.4	0.4	1.7	-0.3	-0.7

Source: BBVA Research.