

ECONOMIC PERSPECTIVES OF THAILAND'S REGIONAL INTEGRATION FOR 2010

Michel PICAUVET*

Abstract

After a general analysis of the impact of Thailand's economic integration within ASEAN (Association of South East Asian Nations), this paper will look at the evolution of regional integration movement in South East Asia, the issues concerning convergence and divergence of the member states, and the perspectives for 2010. At the same time it will attempt to answer the following questions: what would be the most effective trade integration, the best regional investment, and the best areas for monetary, financial, political, institutional and social regional co-operation agreements, and how

interesting, at the end of the day, is ASEAN integration for Thailand?

1. THE THAI ECONOMY AND REGIONAL INTEGRATION

Understanding how the post-financial crisis was managed helps us to appreciate the internal capacity for adjusting to change (monetary stabilization, lowering of interest rates, control of inflation, macro-economic equilibrium), in view of the structural reforms (environmental equilibrium, education, commercial law, restructuring of the banking and finance systems, new laws on foreign investment) and the constraints of global and regional integration (interdependence, need for outside capital, global market laws). The

* Professor Picavet obtained a Ph.D. in International Economics for Development from University of Paris III. He has been a faculty member of EDHEC Graduate School of Management (Catholic University of LILLE – France) since 1985. Presently, he is a Professor of Financial Accounting, Asian Management (EDHEC Graduate Programme and Executive Programmes – Accounting-Controlling Department).

main issue is the capacity of the industrial and financial sector to relaunch growth in the context of industrial over-production and the need for technological investment within the framework of a regional integration process, limited for the moment to 10 countries, mainly within the AFTA (Asian Free Trade Association) free-trade zone. The impact of regional integration on the principal sectors of the Thai economy can be illustrated through the macro-economic factors.

1. The macro-economic indicators 2001-2002⁽¹⁾

The economic situation shows heavy external dependence despite effective control of the macro-economic equilibrium. The year 2001, greatly affected by the external economic climate (Japan, USA, Europe), was marked by a fall in exports (6.4%) but the balance of trade remained sound because of lower imports and an increase in income from tourism. Growth in gross domestic product (GNP) was only 1.8% because of sluggish private consumption (3.2%) and private investment (0.8%). Public expenditure increased by 6%, with public debt at almost 60% of GNP, and control of inflation remained effective. Direct foreign investment was again on the rise (from 115,3 to 166,9 billion bahts), and there was a remarkable effort to curb the

trend towards an increase in debt, which affected the balance of capital, last reserves have increased⁽²⁾⁽³⁾.

In terms of the private sector at the end of 2001⁽⁴⁾, the traditional industries found themselves in a difficult situation with, for example, the stagnation of the textile sector in the face of strong regional competition. Substantial growth in turnover together with stagnant EBITDA meant that companies had difficulty controlling their running costs, not because of cost drift but rather because of increased international activity which hampered price controls. Furthermore, fluctuations in profit ratio on turnover meant that financial expenses from prior debts were paid in foreign currencies. With production capacity at 60%, high debt, difficulty to obtain credit, and the restraints inherent in being quoted on the stock exchange, investment recovery was seriously hampered, although this was compensated by an upturn in private consumption. The move from gearing ratio to capital cover confirmed the upturn in the financial situation due to greater stock market activity, the conversion of current liabilities to long term liabilities, and external debt reduction.

In 2002⁽⁵⁾, the objective was to reduce expenses and the public deficit to 3% of GNP, but the poor economic climate and the deferral of a VAT increase to 10% so as

¹ Table showing internal and external indicators (Annex 1)

² Notes of French Economic Office (PEE) Bangkok, Situation économique de la Thaïlande (2002)

³ Year End 2002 Economic Review, Bangkok Post

⁴ Notes of French Economic Office (PEE) Bangkok, Etat du secteur privé thaïlandais in 2001

⁵ Notes of French Economic Office (PEE) Bangkok, Situation économique et financière de la Thaïlande au premier semestre 2002 (November 2002)

not to hold back domestic consumption, led to fiscal reflation, with a new objective of a 3.6% deficit, based largely on a boost in tax revenue, in particular from the automobile, telecommunications, electronics and service sectors. The shortfall was financed by bond issues and a tough monetary policy to bring inflation down to under 1%. The government signed agreements for automatic swaps with Japan, Korea, and China and backed the project for an Asian bond market. To meet the cost of long term debt, 5% growth will be necessary over the next few years.

The first half of 2002 confirmed the upturn in private consumption (3.6% increase), growth in private investment especially in construction, an increase in the use of production capacity to over 60%, a recovery in export volume, and a 54% increase in the balance of trade thanks to a drop in imports and in spite of the slow down in dollar exports. But Thailand is slow to take transitional measures to increase its production range.

2. Foreign investment and balance of payments

In 2001, the substantial increase in direct foreign investment, particularly in the sectors of electrical and electronics products, metal, petrochemicals, textiles and trade, came largely from Japanese firms which represent around 50% of all foreign investment. These firms were looking to relocate their production (Hitachi planned a research and development unit and

production facilities for electrical products to counter Korean competition)⁽⁶⁾. Singapore accounts for virtually all the ASEAN investment flow towards Thailand. The global flow of direct foreign investment in 2002 totalled 46% for the Far East and South Asia, with 50% for China, 9% for Singapore, 4% for Thailand and 3% for Korea.

In 2002, there was a downturn during the first 9 months with disinvestment during the third quarter ⁽⁶⁾ due to the attractiveness of China and ambiguous reports concerning foreign firms (priority given to local suppliers in order to develop added value etc.). Positive measures were introduced by the Board of Investment of Thailand, however, with fiscal advantages for the installation of head offices. At the same time, portfolio investments increased, a clear sign of a buoyant Thai and regional market. The need for direct foreign investment was substantial given the level of debt and the difficulty to increase export values. The recovery of the stock market in Bangkok demonstrated renewed interest from foreign investors while intra-ASEAN investments benefited from national advantages.

The net flows of non-banking capital between 1996 and 2000, shown in annex 2, demonstrate the low level of direct investment from ASEAN countries, apart from Singapore, and the existence of a regional investment space if we take the ASEAN+3 zone (Japan, China, Korea) (56.7% of investment flow in 2000).

⁶ Notes of French economic Office (PEE) Bangkok, Investments (December 2002)

Portfolio investments, apart from the erratic flow from Korea and Hong Kong, mostly come from Singapore. Lastly, with regard to Thai investment in foreign equity capital, only the ASEAN countries (especially Singapore) and China benefited, and it remained marginal compared to the incoming flow from other foreign capital.

3. Exports and imports

The table in annex 3, illustrating the geographical distribution of imports and exports from Thailand, shows that the amount of trade with ASEAN changed very little if we compare 1996 and 2001 (21.7% in 1996 and 22% in 2001 for exports, and 13.5% in 1996 and 16.2% in 2001 for imports), with a period of regression due to the 97-98 financial crisis. On the other hand, if we look at ASEAN+3, where we find Japan as the main trading partner with China rising steadily in second place, the percentage of exports to imports ranges from 45 to 55%, demonstrating a real regional integration of trade in an era of globalization. According to the Bangkok Post, the geographic distribution of exports in value from January to September 2002 was the following: USA-Canada (21%, down), Europe (15.5%, down), Japan, Korea, Taiwan (somewhat less than 20%, well up for Korea and down for Japan), China, Hong Kong (10%, well up), ASEAN (a little over 20%, up by 6%), in other words around 55% for the Far East, and other countries (around 12%). China, with whom trade has increased four-fold in 7 years, has become

Thailand's third supplier and fifth largest client, third with Hong Kong⁽⁷⁾. The rise in exports and the stagnation of imports with ASEAN enabled Thailand to chalk up a 75% surplus in 2001, so that ASEAN became the main trading partner, before Japan and the USA, for the first time during the first half of 2002. Most Thai tariffs will be phased out by 2010 including those on sensitive products such as coffee, flowers, onions, tapioca, rice, tobacco and petrochemicals. Average tariffs in Thailand on ASEAN products fell from 9.8% to 7.3% between 1999 and 2001, dropping yet further to 4.6% in 2003, the aim being to decrease tariffs to less than 5% (7).

The table in annex 4 shows the extent of ASEAN and ASEAN+3 trading with regard to the main product lines, based on the ASEAN database. With a 22% average in 2001, ASEAN export figures have seen little change since 1996. The most integrated product lines are mineral products (55.7%), chemicals (46.9%), machinery and electrical appliances (26.9%), followed by vegetable products, oils and fats, plastic products, base metal and metal articles (around 25%). Compared to an average of 16.2% in 2001, ASEAN imports are slightly up since 1996, the most integrated product lines being wood, wood articles and paper (33.8%), mineral products (24.3%), machinery and electrical appliances (18.9%), chemicals (16.5%), live animals (16.5%), and plastics (16.3%), which indicates rather insignificant and highly variable regional integration, depending on the sectors. Furthermore, the table in annex

⁷ Notes of French Economic Office (PEE) Bangkok, Commerce extérieur de la Thaïlande (March and November 2002)

5 shows that the cover ratio of imports by exports for intra-ASEAN trade has been largely superior to 1 since 1998, which has also resulted in a trade surplus (see previous paragraph).

The ASEAN+3 table in annex 4 shows that exports on many product lines in 2001 were over 40% intra-ASEAN (43.6% on average): mineral products (75.8%), chemicals (68.2%), plastics (52.2%), live animals (50.3%), machinery and electrical appliances (49.2%), stones, cement and ceramics (47.6%), base metal and metal articles (47.1%), wood, wood articles and paper (44.3%), prepared foodstuffs (42.6%), and oil, vegetable and fat products (42.4%). In 2001, intra-ASEAN imports were also over 40% (averaging 48%) on many product lines: stones, cement and ceramics (70.4%), footwear (64.4%), plastics (62.2%), machinery and electrical appliances (57%), base metal and metal articles (51.8%), optical, precision and musical instruments (50.9%), wood, wood articles, and paper (49.6%), chemicals (44.9%), and vehicles (41.3%). These figures highlight its increasing positioning as a regionally integrated trading area, with the most integrated import-export markets in mineral products, chemicals, plastics, base metal and metal products, machinery and electrical appliances, wood, wood articles and paper, and stones, cement and ceramics. Nevertheless, inter-regional trade remains linked to American activities and to reorganisation of the production chain in Asia in view of the growing competition from China. In terms of exports, Thailand has

difficulty upgrading its product range apart from vehicles and electronics, but there is no integrated channel, while for imports, machine-tools and electronics are re-exported. In the long term, AFTA+3 perspectives could reduce dependence on the USA.

The conflict between Cambodia and Thailand has led Thailand to suppress all bilateral programmes, as well as provoking a delay in the implementation of the great Mekong project. Today, however, we are seeing a recovery in trade and investment (7). Exports to Cambodia are mainly in prepared foodstuffs, petrol, two-wheel vehicles and iron, leather and wood imports. Thai investments (fifth place) are in key sectors such as tourism, telephone, telecommunications, agriculture, transport, and basic industries.

2. THE REGIONAL INTEGRATIONIST MOVEMENT AND ITS PROSPECTS

According to Tertrais⁽⁸⁾, in order to form a regional economic integration zone, a certain amount of economic, political, and cultural solidarity is necessary to give members the sense of belonging to a same body with international visibility.

1. Environmental factors in regional economic integration

Divergent structural factors

Divergences arise, on the one hand from the heterogeneous nature of the civilisations and

⁸ TERTRAIS H., *Asie du Sud-est: enjeu régional ou enjeu mondial?*, Ed Folio Actuel, 2002, 278p

cultures, which range from Indian, Chinese, and peninsular and insular cultures, the latter including the Buddhist and Malaysian worlds, with Indian and Muslim influences as well as Chinese and western influences, and on the other hand differences in geographical size, population size, wealth and growth, religion (Buddhism, Islam, Christianity), political systems (monarchies, authoritarian and more or less liberal republics), economic systems (liberal with more or less government control or communism). Furthermore, the ASEAN zone has been the contemporary field of conflicts with Europe, Japan, the communist block countries, and China (Vietnam). On the other hand, convergences arise from the fact that it has historically been a trading area for many centuries, it is globally poor with more or less minor players (GNP lower than in France), and it is a real economic maritime centre (Japan, Korea, Taiwan, Hong Kong, Singapore, Malaysia, and Thailand).

Restrictive political and institutional factors

Founded by authoritarian states, ASEAN's logic is more national than ideological, which means that, given their economic implication, the authorities are accused of being responsible for the crisis through nepotism or excess of authoritarianism. The crisis led to certain practices being dropped as well as an awareness that national logic is sometimes limited (deforestation). The rise in the middle classes and the new means of communication fostered the emergence of a more influential civil society in the decision-making process. ASEAN found it impossible to deal with the crisis for operational reasons, having no power to impose a solution; it simply became

a forum for negotiation, putting forward suggestions in order to unblock certain situations. The decision-making process by consensus, for cultural reasons (unanimous decisions where nobody loses face) and nationalist reasons (ASEAN is inter-governmental and non supranational), allows agreements to be reached with no objections but there is incompatibility when urgent decisions need to be made (lower rubber prices, forest fires, occupation of the Spratleys Islands) or when somewhat unorthodox compromises are made (too rapid integration and ignorance of money laundering in Burma). These decisions and compromises have reinforced the status quo, blocked negotiations with external partners and caused ASEAN to lose its diplomatic credibility. Understanding and confidence between the leaders are no longer sufficient to deal with serious national or regional problems. ASEAN will have to introduce institutional reforms for it has neither the means (means of intervention, permanent structure etc.), nor the political will to make its voice heard on the international stage.

Social factors

The rise in the middle classes, communication and urbanisation, has tended to homogenize societies and their problems to some extent, making them more open to outside influences, increasing schooling and eradicating illiteracy, and leading to a decrease in the number of families with more than 2 children. Nevertheless, rural populations remain high (around 50% in Thailand) and western modernisation is not always a positive factor for the local societies (Thailand). Modernisation has destroyed certain cultural values, and led to changes in

eating habits in urban areas as well as a rise in individualisation, despite the fact that Thai society is historically very close-knit, even in its vertical relations. There is still little mechanization in farming, while textile, automobile, and electronics industrialisation and a growing service sector have led an increase in salaried work. New differentiations and social inequalities have appeared as well as an exploited female work force and a black market sector in the towns. During the crisis, the countries had to take emergency measures, leading to higher social spending. Thailand spent 2.3 billion dollars⁽⁹⁾ on job creation programmes, social infrastructure projects, increases in redundancy packages and greater social protection.

With globalization, population movements such as the migrant flow from Burma and Cambodia to Thailand, and from Thailand to Malaysia and Singapore, led to a certain melting-pot of migrant workers, but with the depression, unemployment put a stop to immigration (migrants sent back from Malaysia and Thailand and borders closed), and national preference took the place of regional co-operation. There was no regional control of these population movements which obviously could not continue in times of crisis. Furthermore, with the intensification of urbanisation and an ageing population, the problem of a qualified workforce will become more acute for all ASEAN countries apart from Singapore. Korea, Thailand and China will have to face this problem before the end of the decade.

The security factor

Faced with new risks of conflict between the different states⁽¹⁰⁾ and the return of the Americans to the region, there is a question of security in the region given the arms race taking place at national level. Nevertheless, ASEAN has chosen to adopt a double strategy, on the one hand creating a regional Asian forum, which brings together the ASEAN+3 countries, the USA, Russia, and the South Pacific, where strategic discussions can take place to construct the mechanisms necessary to prevent conflict, while, on the other hand, delegating initiative and means to allied countries, and fostering peace-keeping initiatives. In terms of internal conflict (piracy, drugs, financial and fiscal crime), regional co-operation is ensured by specialised ASEAN organisations which deal with periodic problems, but concerted action is limited by the absence of any real policy over and above national interests, issues of sovereignty and the legal differences of the partner countries.

The scarcity of resources

The destruction of the environment will not only have an economic cost but will also increase dependence on the outside. Given the rapid urbanisation, unplanned industrialisation, and massive agricultural irrigation, water shortages are highly likely due to insufficient resources and poorly developed infrastructures (Korea, China, Thailand, Singapore). Cutting down forests will lead to flooding and loss of production (Indonesia, Thailand, Cambodia, Burma). In terms of air pollution, while the major Chinese

⁹ TERTRAIS H., *Asie du Sud Est: enjeu régional ou enjeu mondial?*; Ed Folio Actuel, 2002, 278p

¹⁰ Korea, Taiwan, Paracels, Spratleys, ..

cities are among the most highly polluted in the world, the problem of pollution in large Asian cities is not irreversible. In Tokyo, for example, the use of catalytic converters and filters on factory chimneys has led to a substantial decrease in pollution, at the same time reducing costs both in terms of health and the economy. With regard to food levels, cereal reserves are below the ONU minimum (18%) and ASEAN has become a net importer, as have China and Japan, while demand has increased because of changes in eating habits. Lastly, with regard to energy, petrol will remain the dominant form of energy in Asia (apart from China which uses coal) until cheaper forms of energy are found as a replacement, and this will increase external dependence in the next five years.

An economic and geopolitical area with no centre of gravity

The financial, economic and social crisis, which has destabilised the global integration movement, has affected the intermediary countries the most, in other words Malaysia, Thailand, and Korea. The solidarity which arose to deal with the crisis did not result in effective regionalisation. It provided no concrete answers either to the extent of the problem or the return of capital, as the different economies are too heterogeneous. On the contrary, national reactions dominated, with an increase in temporary exemption procedures to defer the new AFTA legislation. Regional contagion of the depression demonstrated that there has been an increase in intra-regional trade, and that the end of the crisis in the medium term necessitates greater regional integration, as national solutions can no longer be found in globalisation. Regional

measures must be accompanied by monitoring mechanisms, prevention, control, and adjustment.

For some members (Philippines, Thailand), the financial crisis presented an opportunity for change, with a few regional solutions being put forward. At the same time, it brought into question the principle of non interference for certain problems (fire etc.), which has affected the evolution of several countries. Other members preferred to keep the status quo, preferring to reactivate ASEAN in a better economic climate. ASEAN, which manages the tensions between regional and national interests, has become a forum where an East-Asian identity may be forged by those wishing to 'Asianize' western cultural and scientific values. Today, its success may be measured by its capacity to conciliate the struggle between the autocratic powers and fundamentalists and the principles of a market economy. ASEAN clearly wants to become a geopolitical power through economic measures (creation of a free trade zone), political measures (extending to Indochina and Burma), and strategic measures (regional security forum), as well as through specific agreements with Japan, China et Korea. The regional integration process is highly complex, for, on the one hand, ASEAN is finding it difficult to transform its political ambitions into an economic project and, on the other hand, it tends to identify to some extent with the axis ASEAN+3. However, it cannot continue to stay on the sidelines if it is to ensure regional stability and foster a climate of confidence, covering political, security, environmental, social, and diplomatic issues.

2. The AFTA free trade zone and its potential for the future

A slowdown in intra-ASEAN trade

The tables in annexes 7 and 8, show that the increase in value of intra-ASEAN trade for the strong growth period, 1993 to 1997, (95.4% for exports and 66.7% for imports) was not sufficient to noticeably increase the relative percentage of intra-ASEAN trade to external trade outside the ASEAN zone, particularly in imports (24.9% instead of 21.1% for exports and 18.2% instead of 17.4% for imports), given the global integration movement which led to a more or less parallel trade increase with East Asian countries and the USA. Despite the downturn in trade due to the depression at the end of 1997-1998, intra-ASEAN trade in value was higher in 2000 than the 1997 level (+11.6% for exports and +13.9% for imports), resulting in a rise in the percentage of regional imports (21.3% instead of 18.2%). On the other hand, regional exports fell slightly (23.2% instead of 24.9%). 2001 saw a regional trade recession due to the sluggish economy of the main international players, and also to stagnation in regional trade (22.8% for exports and 21,3 % for imports). This slowdown in intra-regional trade, which stabilised around 21-25% in spite of the highly jittery economic climate, was mainly due to two factors; on the one hand, a lack of complementarity in the economies which developed in parallel with the global integration movement, and on the other hand, the fact each country was more interested in its own growth, with the result that regional industrial projects were never finalised due to national ambitions (vehicles). Co-

operation is effective mainly as a means of negotiating access to overseas markets.

Measures needed to reinforce AFTA

A first step will be to extend the AFTA list of 15000 products identified which no longer correspond to the real needs of the member states and which represent a relatively small percentage of commercial transactions. These products slow down the integration of sectors such as electronics and vehicles as they need additional negotiations in terms of product definition, application deadlines, and national standards. Harmonisation of norms will allow economies of scale to be made, particularly in the context of global integration. A second measure would be to speed up the application of new policies and extend them to services. A further measure would be to progressively harmonise the VAT rate and to do away with the different duties on the principal market products.

Co-operation over legislation on competition will help regulate agreements and prevent abuse from more dominant members, thereby ensuring fair trade between the member states, as powerful monopolies often result in higher prices and lower standards. Furthermore, public subsidies must remain coherent with the principles of a market economy and not interfere with competition, although some dispensation should be given to help develop regions in difficulty or to restructure vital product sectors. With regard to privatisation, deregulation of public service monopolies will result in a service with a higher quality/price ratio and a separation of the infrastructures, which can still be managed

by the public monopolies. The services should be managed on the basis of competition, although a minimum level of social cohesion should be maintained at the same time. This would necessitate state regulation as well as the application of a national tariff in order to avoid the risk of an interruption of activities in certain regions. Harmonisation of national legislation is also necessary in the health, security and environmental sectors in order to deal with external or natural crises.

As agriculture is a key sector in most ASEAN countries, there needs to be greater liberalisation and more pertinent co-operation over agricultural policies, particularly as it is a trading sector which represents a major integration factor (rice, rubber etc). Since the slump in rubber prices, the leading producer countries (Thailand, Malaysia, Indonesia) have applied an export reduction plan of 4% a year over five years, which is a 'first'⁽¹¹⁾. The objectives are to obtain a rise in productivity, an improvement in the standard of living for farmers with more stable markets and prices, guaranteed supplies, and stability in consumer prices. Conditions must include the free circulation of farm products, a preference for domestic products, agreements on prices and quantities, limiting price guarantees to certain production volumes in order to avoid speculation, and aid linked to the environment and desertification. These measures will mean a partial customs union can be established for the farming sector, leading to additional trade flow between the

member states. In this way, national suppliers of every member country where costs are the lowest can develop their exports within the area, phasing out less efficient producers, or even giving preference to less efficient suppliers within the area rather than to external suppliers. The net result of this creation of traffic will be even more marked once the measures mentioned earlier are taken with regard to reinforcing AFTA (norms, VAT, competition etc.), given that the initial domestic customs protection is already strong and foreign imports are relatively few, the technological level is similar, the regional market is vast, and the economies are complementary. Difficulties may arise, however, from the fact that production units within the region are too localised, which could benefit firms from other countries operating in the area, and also disadvantage companies from member countries with production units outside the area who wish to export to the region. On the other hand, a partial customs union would also benefit the automobile and electronics sectors.

The reinforcement of the flow of trade within AFTA will lead, firstly, to making the area even more attractive to foreign and regional investors confronted with a vast domestic market with high development potential, and secondly, to economies of scale, such as cost reductions and more competitive prices, thus stimulating demand and company profits, making them more competitive with more specific prices and ranges.

¹¹ TERTRAIS H., *Asie du Sud-est: enjeu régional ou enjeu mondial*, Ed Folio Actuel, 2002, 278p

Extending AFTA to an ASEAN+3 zone

ASEAN+3 trade (China, Korea, Japan) represents around 50% of exports and imports in the region. The relative percentage of this trade has grown since the end of the high growth period, in spite of a certain global stagnation. The export rate was 41.3% in 1993 and 48.3% in 2001, while the import rate was 47.5% in 1993 and 49.5% in 2001, with a high of 52.5% in 2000. Growth in trade resulted more from trade with China and Japan than an intra-ASEAN flow. It led to the Singapore-Japan free trade agreement and the China-ASEAN agreement in 2001, which provides for free trade in 2010. The ASEAN+3 structure corresponds better to economic realities, and the free trade zone will therefore be extended to China, Korea, and Japan, where the advantages strongly outweigh the drawbacks. Chinese competition will oblige some countries, including Thailand, having to become more specialised and produce better quality products, but it also provides a major zone for imports. In reality, trade between ASEAN countries and China is increasing more rapidly than intra-ASEAN trade or trade with Japan, and a more pragmatic approach will progressively contribute to the development of the AFTA+3 zone by 2010.

3. What co-operation in terms of development and investment?

A substantial flow of direct foreign investment and a non-existent intra-ASEAN flow

The downturn in direct foreign investment weakens all the interlocking relocation strategies in the Asia Pacific region

(electronic components). Redistribution of capital has therefore been introduced, partly as a result of the production capacity being transferred to international investors together with a wave of relocation in a mixed globalisation/regionalisation process. This was because the need for capital, following the economic crisis, meant that most restrictions to the opening of capital were lifted. Singapore lifted restrictions on foreign controlling interests in banks, Malaysia no longer imposes a threshold, and the same goes for Korea and Japan. Thailand favours deals with Japan, its main regional ally and principal economic partner, to avoid falling into western hands. Hence, Japanese capital is invested in Thai banks, and Mitsubishi has taken 96% control of the second distributor of Thai vehicles. On the other hand, 2001 saw a revival in direct investment in some of the region's countries, as in Thailand, for ASEAN remains an attractive market with a 0.5 billion consumer potential and the possibility for substantial economies of scale (cf. previous paragraph on the effects of AFTA). With regard to intra-Asean flow of capital, Singapore has reinforced its influence by taking control of the banks in Thailand, the Philippines and Indonesia, and also by receiving substantial investment from Japan and the USA. Intra-Asean investment is generally quite haphazard, however, and, apart from Singapore, remains marginal.

What investment strategy is needed?

The Singapore development model was based on planned industrialisation for export, in line with the market evolution, at the same time ensuring employment, income, and a high standard of living. It was based on industrialisation in three stages; firstly, an

industry based on a substantial labour force, secondly, on high value added industries (petrochemicals, semi-conductors), and lastly on a highly technological industry (telecommunications). This was combined with a deliberate policy to foster training, local employment and skilled foreign labour. The other ASEAN countries were not ready to accept the constraints involved, which led to an influx of short-term capital in non productive spheres or to industries requiring high manpower, little knowledge transfer and massive loans.

Some countries are beginning to base their economy on a more up-market production strategy in certain sectors, such as Thailand with synthetic fibres and plastic products, based on a national industry and internal market. Globally, however, the strategy remains the same, in other words, promoting exports through the comparative cost advantages of work/exchange rate, based on assembly work and a bottom of the range industry, with a focus on Pacific Asia and the USA. Japan transfers its least profitable production to the area, notably Canon in Malaysia, and then reimports to its own market in order to remain competitive. However, the ASEAN countries should be cautious of staying too dependent on exports, as this can result in strong sector-based and geographical polarisation. Moving to more upmarket production would seem a key move for certain member states, particularly Thailand and, to a lesser extent, Malaysia, given their level of development, (although this is not the case for Singapore) because the centre of gravity is moving towards China which,

in 2001, chalked up twice as much direct foreign investment as ASEAN.

The move will entail adopting new technologies and products with higher value added, as well as a more varied export range.

The future of the zone would appear to depend on information technologies, together with Japan's new relocation strategy. Numerical development could help develop the domestic markets, but the production of goods requiring average technology remains high in imports and does not always lead to better technological power, as, if we look at the example of Thailand and Malaysia, electronic export products are mainly produced by subsidiaries of multinational firms unconnected with the local fabric. Japan remains a leading investment and trading partner, as no ASEAN country is strong or credible enough to invest in setting up technology industries, even though they are necessary for sustainable development within the region. A regional investment area needs to be constructed with incentives, joint fiscal laws, a joint open policy to foreign investment, and priority zones and sectors, accompanied by security and adjustment measures. Furthermore, Chinese involvement in this regional investment area is also desirable to make the whole area an even more attractive investment prospect, particularly as China is soon to join AFTA.

Company restructuring is a priority

The Japanese development model and its Asian emulation, with a central role for the state and neo-corporatism, was brought

into question during the economic crisis. And the concept of the state developer in Singapore, associating public and private capital was misappropriated as state nepotism and patronization, which eventually led to the destruction of natural resources. Restructuring of the key industries implies redefining the role of the State, especially in Indonesia, Vietnam, Korea, and China, and the development of privatisation in certain domains. This requires a reassessment of business/political relations, greater transparency and putting accounts back on an even keel, but in the end these economies offer great advantages including high savings capacity and a high production capacity.

Economic and social co-operation for depressed areas

To speed up the convergence of countries or regions which have fallen behind (employment, revenue, infrastructure, qualifications of the workforce, geographical distance), the first priority should be the infrastructure, including transport, telecommunications, energy, environment, to avoid divergent effects. This is because global integration tends to promote the development of centres of activity, resulting in economies of scale in production and distribution, lower trading costs, a research-development activity, and the development of horizontal networks between the main cities, thereby weakening the network of proximity to the countryside, and threatening the socio-economic equilibrium (China). A well-balanced growth policy is required for ASEAN, which means the decentralisation of human resources, and financial resources and infrastructures in favour of rural areas,

as development aid cannot replace political commitment.

4. Prospects for financial and monetary co-operation

The absence of co-operation and the weakness of the banking systems

The crisis arose from poor management in the private sector (financing investments in sectors of over-production or in non productive spheres through short-term loans in foreign currency without risk coverage), the complicity of the authorities (absence of prudential legislation, anchoring the currency to the dollar, and the illusion of a neutralisation of currency risk, public guarantees which encouraged risky behaviour linked to political relations), the complacency of foreign lenders given the facility of capital movement (desire to make short-term profit), and the deficiencies of the banking systems. Six aspects need highlighting concerning the weaknesses of ASEAN banking systems, apart from those of Singapore. The first concerns the absence, or the small number of bonds on the financial market, the second the absence of evaluation of loan risks attached to real estate operations or to ambitious national projects dependent on political pressures, the third the inexistence of regulating bodies and controls, the fourth the revaluation of banking assets as capital gains were released on the stock and real estate markets followed by increases in capital, the fifth the absence of allowance for bad debts, and the sixth the effect of contagion given the many cross-holdings of the banks.

Financial co-operation remains limited, despite some support for the baht in May 1997. Intra ASEAN capital flow (direct or portfolio investment, loans) remains very limited. Most foreign capital remains fairly volatile in spite of a recovery in direct foreign investment, particularly portfolio investments. There is still a lack of transparency in the financial systems although there has been some progress (insufficient prudential legislation and lack of structure in banking controls). Japan, which has considerable holdings and foreign exchange reserves, suggested the creation of an Asian fund of 100 billion dollars, but this was abandoned in the face of American pressure. Japan's inability to withstand this pressure means it lost the opportunity to reinforce regional integration, but the economic and financial domination of Japan nevertheless remains intact, as it is still the leading financial supplier (recently joined by Europe), even if it is currently restructuring its financial system.

There are too many differences to envisage the possibility of a convergence resulting in an Asian euro, particularly as this would lead to a loss of monetary and financial sovereignty. With regard to the currencies used as payment for international trading with Thailand (table in annex 9), for exports as for imports, the euro and the yen are in second position, as most trade remains within the American NAFTA zone, but even with ASEAN, Japan and the EU trade, the dollar is used as the main currency, which means there is no monetary centre of gravity in the Far East.

The ideal regional monetary and financial zone

The idea of a regional monetary zone, based on a currency basket with a regulating mechanism similar to the European currency snake in order to stabilise exchange rates, appears more realistic, but this will require the co-operation of national monetary and fiscal policies, although without creating a supranational power. To be truly effective, however, this must be backed up by financial co-operation. The stability of the banking and financial systems of most ASEAN countries, apart from Singapore, requires continued restructuring of the banking sector in order to avoid a chain reaction of failures, while enabling internal and external debts to be controlled. The fundamental measures ASEAN central banks will need to take to set up a policy of stability include monitoring of prudential ratios, selection and anticipation of risks, preventative measures against exchange risks, the definition of standards for the financial and stock markets, securing assets so as to mobilise capital, building up provisions, and setting up audits and criteria grids for company loan selection in order to avoid non performing loans, thereby forcing companies to adopt international standards of financial management. As the recovery of the financial markets is vital for the restructuring of companies, two aspects need to be developed; firstly, the expansion of the bond market to mobilise more capital, which seems to be the method chosen by the Thaksin government in Bangkok, and secondly, securing banking liquidity by rediscounting the central banks at regional level, using futures contracts. Furthermore, monetary dematerialisation,

and disintermediation will promote the stock market.

Several limiting factors, due to the very different social, economic, legal and political environments, may prejudice consolidation of a regional financial market. These include the diversity of legislation and lack of legal weapons in financial matters, the support for sovereignty for cultural and political reasons, but also the economic pressure groups, the very different levels of development, the lack of convergence of economic interests due to poor complementarity, and lastly the acceleration of global integration which runs counter to the installation of a regional zone.

Expected effects on companies and the banking sector of a regional integration area

For companies, a regional monetary and financial area will help promote transactions and thus regional integration, encouraging regional and foreign ventures, competition, and mergers and acquisitions, and will weed out non competitive actors. At banking level, the expected effects will be added to those of globalisation, promoting transparency and the elimination of bad debts, as well as competition and confidence in the banking institutions, privatisation, a switch from trade accounts to private liabilities, banking concentration, the flow of incoming foreign and regional capital, and a drop in interest rate differentials. Lastly, it will promote and increase the flow of stocks on the stock markets with a corresponding increase in the number of investors.

Banking supervision must be global: one regional body of central banks

Banking crises were preceded by rough and badly managed financial liberalisation policies, characterised by exchange rate and balance of payment problems, a rapid increase in bank loans leading to inflation and speculation bubbles, a surevaluation of currencies resulting in a slowdown in exports, a stagnation followed by a loss of confidence. Added to the crises were the risks of contagion by chain reaction, the risk of illiquidity, and the risk of international proportions in the face of deregulation and the global capital market. At international level, regulations are imposed by market discipline with fixed prudential regulations. The organisation of banking controls at regional level must reconcile several objectives: it must harmonise legislation, respect the diversity and autonomy of national systems and ensure coordination between national authorities. Harmonisation of legislation concerns the free flow of capital, the freedom to set up a business, freedom to offer services, and monitoring by the national authorities who are responsible for economic controls. Supervision of microeconomic prudence, such as the monitoring of business establishments, is decentralised locally. The regional board of central banks will, however, intervene if supporting an establishment endangers banking liquidity or risks impacting on interest rates. With regard to monitoring macroeconomic prudence, when the governance and stability of the banking system presents a risk, co-operation between national authorities is necessary to ensure prudential measures are taken.

Increasingly, financial companies have to operate on the global market, resulting in the development of transnational financial conglomerates which can easily get around regulations by transferring their activities to less highly-regulated regions. Consequently, monitoring needs to be global.

Looking forward to 2010

China, the key partner with Japan, has the means to control the flow of capital, with a fixed exchange rate and considerable reserves, a savings rate of around 35%, a very positive balance of trade, and less export vulnerability than the ASEAN countries, with exports averaging around 5% of GNP compared with around 37% for Thailand, according to Richer⁽¹²⁾. Furthermore, given the weaknesses of ASEAN, Korea and also Japan, China was asked not to devalue the yuan in order to avoid competitive devaluations, highlighting its global significance. China also has the possibility to delocalise its production inland to lower its costs, it defended the Hong Kong dollar against speculation, managed to maintain parity with the dollar, and joined the WTO, thus strengthening its global and regional integration positioning. In 2020, economic power will be shared between China and Japan. Japan will remain a key trading and financial partner, relocating its production and concentrating on its services. China will become the main exporter of manufactured products which is why commercial, monetary, financial and

investment cohabitation will become a necessity.

Two possible situations may be envisaged for the future of ASEAN by 2010. The first is that it will lose its powers to coordinate and intervene as ASEAN will be diluted in the global integration process, provisional and partial protectionism measures and exchange rate controls will be introduced to benefit as much as possible from globalisation, but it will find itself incapable of reacting when confronted with regional problems⁽¹³⁾. The second possibility is that ASEAN resolves its difficulties and revitalises the regional co-operation zone on three levels, enabling it firstly, to take on a political, diplomatic and monitoring role, while managing its natural resources, secondly, enabling it to manage a regional monetary, financial and investment zone, in collaboration with the three associated members (China, Japan, and Korea), and thirdly, to develop a free-trade zone which will include China, Japan, and Korea. ASEAN's future will be linked to the evolution of the environmental factors mentioned above and to the development of more complementarity in the economies of the member states, as well as to the political motivation to confront globalisation issues in a co-ordinated way. It remains strongly advisable that ASEAN plays out its role fully on a number of levels in order to preserve a certain level of independence for its members.

¹² RICHER P., *Crises en Asie du Sud Est*, Paris, Presses de SciencesPo, 1999, 307p

¹³ DE SACY A., *L'Asie du Sud Est*, Paris, Vuibert, 1999, 263p

REFERENCES

- ASEAN, (2002), *Statistical Yearbook*, Jakarta
- ASEAN - BANK OF THAILAND - BANGKOK POST
- BANGKOK POST, (2003), *Statistical Year End Economic Review*, Bangkok
- BANK OF THAILAND, (2002), *Economic and Financial Statistics*, Bangkok
- BESSON D. et LANTERI M., (1994), *ANSEA: la décennie prodigieuse. Essai sur le Développement en Asie du Sud-Est*, Paris, Etudes de la documentation française
- BOARD OF INVESTMENT, (2002), *Business Guide to Thailand*, Bangkok, BOI
- BOISSEAU DU ROCHER S., (1998), *L'ASEAN et la construction régionale en Asie du Sud-Est*, Paris, L'Harmattan,
- BOUGON Y. et al., (1999), *Asie, les nouvelles règles du jeu*, Paris, Picquier
- BOUTEILLER E. et FOUQUIN M., (2001) *Le développement économique de l'Asie orientale*, Paris, Repres, LaD couverte
- Collectif, (2002) *Asie: quilibres incertains*, Revue internationale et stratégique, PUF, Paris, 179p
- Collectif, (2001) *Thaïlande Contemporaine*, Paris, L'Harmattan – IRASEC,
- DE SACY Alain, (1999) *L'Asie du Sud-Est*, Paris, Vuibert, , 263p
- DUBUS A. et REVISE N., (2002), *Armée du peuple, Armée du Roi*, Paris, L'Harmattan-IRASEC,
- DUFOUR Jean-François, (1998), *Les NPI asiatiques*, Paris, Dunod, 122p
- FLOUZAT D., (1999), *La nouvelle émergence de l'Asie. L'évolution économique des pays asiatiques depuis la crise de 1997*, Paris, PUF,
- FRECON Eric, (2002), *Pavillon noir sur l'Asie du Sud-Est*, L'harmattan – IRASEC, Paris, 278p
- FUKUSAKU K., (1995), *Coopération et intégration régionales en Asie*, Paris, OCDE
- GODEMENT F., (1999), *Chine, ASEAN, Japon, compétition stratégique ou coopération ?*, Paris, Doc.Française.-IFRI,
- GRAVEREAU J., (2001), *L'Asie majeure. L'évolution silencieuse de l'Asie orientale*, Paris, Grasset
- HOLRAICH D., (1999), *L'Asie, du miracle à la crise*, Bruxelles, Complexe
- Notes of French Economic Office (PEE) Bangkok (Fiches de synthèse et articles) (2001-02-03)
- RICHER Philippe, (1999), *Crises en Asie du Sud-Est*, Paris, Presses de SciencesPo, 307p
- RIES P., (1998), *Cette crise qui vient d'Asie*, Paris, Grasset
- PICAUVET M., BREDIN S., (1995), *Implantation et gestion d'une société mixte en Thaïlande*, Paris, Cahiers de Péninsule, 231p
- PICAUVET M., (2001), *Les mutations des entreprises thaïlandaises après la crise de 1997*, Paris, Cahiers de Péninsule n 42, p163-186
- TERTRAIS Hugues, (2002), *Asie du Sud-Est: enjeu régional ou enjeu mondial*, Paris, Folio Actuel, , 278p
- TERTRAIS H., (1996), *Asie du Sud Est, le décollage*, Paris, Marabout/LeMonde,

ANNEXE 1 INDICATEURS ECONOMIQUES - THAILANDE

	1996	1997	1998	1999	2000	2001
PIB(croissance réelle en %)	5.5	(-1,2)	(-10,8)	4.3	4.8	1.8
PIB par tête (USD courant)	3027	2483	1822	1974	1952	1821
Consommation privée (crois. Réelle en %)	6.3	(-1,5)	(-15,5)	4.1	4.6	3.2
Investissement privé (croissance en %)	2	(-14,5)	(-35)	(-3,2)	5.5	0.8
Flux nets d'investissements directs						
étrangers en milliards de bahts	57.5	117.7	209.9	134.6	115.3	166.9
Dépenses publiques (croissance en %)	16.2	25.9	(-11,5)	(-1,7)	3.5	3
Dette publique en MdB en % du PIB	15.7	29.3	39.6	53.5	57.3	56.9
Inflation en %	5.8	5.6	8.1	0.3	1.5	1.6
Exportations (en MdUSD)	56	58.4	54.5	58.5	69.9	65.4
Importations (en MdUSD)	72.2	63.3	42.4	49.9	61.5	61.8
Balance des paiements	2.2	(-10,6)	1.7	4.6	(-1,6)	1.3
Dette extérieure totale (en MdUSD)	90.5	93.4	86.2	84	82	67.1
Dette extérieure en % du PIB	50	61	77	65	56	58
Dette extérieure court terme (% dette totale)	41.5	37.3	27.3	20.2	18.3	19.6
Service de la dette (% des exportations)	12.3	15.6	20.8	25	26	20.4
Réserves de change (en MdUSD)	38.7	27	29.5	34.8	32.7	33.8
Taux de change USD/THB moyen	25.3	31.3	41.3	38	40.2	44.5

Source Indicateurs économiques Thaïlande - PEE Bangkok (Avril 2002)

ANNEXE 2 NET FLOWS OF INVESTMENT by country in % (non bank sector)

1996 1997 1998 1999 2000

Net Flows of Foreign Direct Investment by country in % - Table 62 - (1)(2)

USA	18.9	22	24.7	17.9	22.2
E.U.	7.4	9.1	17.9	38.6	18.2
ASEAN(SINGAPOUR 95%)	13.6	9.1	11.5	15.9	14.2
JAPON	23.1	36	28.8	13.8	30.8
CHINE-HKONG - COREE	10.7	13.1	9.3	6.7	11.7
ASEAN+3	47.4	58.2	49.6	36.4	56.7

Net Flows of portfolio investment (equity securities) by country in % - Table 64 - (2)(3)

USA	1204	(-19848)	(-21057)	(-23547)	(-4074)
E.U.	3799	34417	2472	2207	10196
ASEAN (SINGAPOUR)	26270	65923	30095	16448	14501
JAPON	562	1317	(-78)	197	24
CHINE-HKONG - COREE	(-4441)	38160	1257	40930	4844
ASEAN+3	22391	105400	31274	57575	19369

Net Flows of Thai equity investment abroad by country in % - Table 58 - (2)

USA	1932	1768	602	-349	-2479
E.U.	855	-1090	910	994	-174
ASEAN	3040	3983	-1385	8459	848
JAPON	-6	21	-11	75	52
CHINE-HKG					
et COREE	6478	1143	2667	1566	1268
ASEAN+3	9512	4147	1271	10100	2168

Source : Economic and Financial Statistics (december 2001) Bank of Thailand

Notes : (1) direct Investment = Equity Investment plus loans from related companies

(1) From november 2000 onward, data on direct investment through non resident baht account are more complete

(2) Prior to 1999 ASEAN does not include Cambodia, Laos, Myanmar, Vietnam

(3) From november 2000 onward, data on portfolio investment through non resident baht account are more complete due to the change in the foreign transaction reporting form

ANNEXE 3 THAILAND'S EXPORT by country in %

	1996	1997	1998	1999	2000	2001
ASEAN	21.7	23.4	16.8	17.6	21.8	22
JAPAN	16.9	15.3	13.8	11.1	20.6	15.3
CHINA(1)	1	2.2	2.9	5.7	7.3	4.4
KOREA	0.4	0.5	0.5	1.1	1.9	1.9
ASEAN+3	40	41.4	34	35.5	51.6	43.6
USA	17.9	19.5	22.6	22.8	19.3	20.3
EU	15.6	15.7	14.1	17.6	12.6	16.1
THAILAND'S IMPORT by country in %						
	1996	1997	1998	1999	2000	2001
ASEAN	13.5	12.9	14	16.5	16.9	16.2
JAPAN	28.3	25.9	23.9	25.6	24.7	22.4
CHINA(1)	1.8	5.2	6.6	6.5	6.8	6
KOREA	2.9	5.6	2	2.9	3.9	3.4
ASEAN+3	46.5	49.6	46.5	51.5	52.3	48
USA	12.6	13.9	14.2	11	11.8	11.6
EU	14.3	14.2	11.1	10	10	12.2

Source : Thailand Trade by Product Section in US dollar - ASEAN Statistics - www.asean.or.id
 (1) China including HongKong (1999-2001)

ANNEXE 4 ASEAN TRADE OF THAILAND by product section (1996-2001)

	1996	1997	1998	1999	2000	2001	
Live Animals	Export in %						
	ASEAN	7.3	8	7.7	8.7	10.8	11.1
	JAPAN	40.7	38.2	33.9	29.4	31.7	34
	CHINA(1)			2.5	3.5	4.9	2.1
	KOREA					1.3	3.1
	ASEAN+3	48	46.2	54.1	50.6	48.7	50.3
	Import in %						
	ASEAN	12.7	16.9	18.8	19.2	17.5	16.5
	JAPAN	4.6	8.2	9.3	5.9	4.3	4.3
	CHINA(1)	0.7	5.9	2	0.7	3.6	2.2
	KOREA				6.5	6.3	1.6
ASEAN+3	18	31	30.1	32.3	31.7	24.6	
Vegetable products, fats, oils	Export in %						
	ASEAN	21.2	23.8	27.7	22.4	23.5	23.8
	JAPAN	7.2	6.6	5.6	4.8	7.1	7.6
	CHINA(1)	8.2	9.4	3.5	2.4	18	9.8
	KOREA	2.3				1.5	1.2
	ASEAN+3	38.9	39.8	36.8	29.6	50.1	42.4
	Import in %						
	ASEAN	9.4	11	8.8	7.2	6.5	8.4
	JAPAN	2	1.9	2.4	2.5	2	1.8
	CHINA(1)	2.9	8.5	4.6	3.5	12.7	6.1
	KOREA						
ASEAN+3	11.5	21.4	15.8	13.2	21.2	16.3	
Prepared foodstuffs	Export in %						
	ASEAN	17.7	26.9	14.6	11.8	13.6	14.2
	JAPAN	22.4	22.4	22.9	17.3	20.4	23.9
	CHINA(1)			2	2	3	2.4
	KOREA				1.1		2.1
	ASEAN+3	40.1	49.3	39.5	32.2	37.3	42.6
	Import in %						
	ASEAN	5.4	7.8	7.8	9.2	12.6	13.1
	JAPAN	2.7	2.5	3	3	3	2.7
	CHINA(1)	1	4.2	1.6	3.4	5	6
	KOREA	2.7	2.2	1.2		1.1	1.6
ASEAN+3	11.8	16.7	13.6	15.6	21.7	23.4	
Mineral products	Export in %						
	ASEAN	66.4	68.3	56.8	52.5	53.1	55.7
	JAPAN	6.5	5.5	3.1	3.2	5.3	3.4
	CHINA(1)			8	5.3	10	13.3
	KOREA	2.7	2.5	5.5	1.5	1.6	3.4
	ASEAN+3	75.6	76.3	73.4	62.5	70	75.8
	Import in %						
	ASEAN	33.4	18.4	13.6	15.9	20.1	24.3
	JAPAN	1	0.9	0.5	0.6	0.6	0.4
	KOREA	18.7	31.2		1.1	1.3	
	CHINA(1)	2	3.6	17.4	1.1	3.1	1
ASEAN+3	55.1	54.1	31.5	18.7	25.1	25.7	
Chemicals	Export in %						
	ASEAN	35.7	40	29.8	36.6	45.4	46.9
	JAPAN	17.6	17	15	10.6	15.7	12.1
	CHINA(1)			9.4	10.4	7.1	7.6
	KOREA				2.5	1.1	2.4
	ASEAN+3	53.3	57	54.2	60.1	69.3	68.2
	Import in %						
	ASEAN	9.3	10	12.8	14.5	15.9	16.5
	JAPAN	21.7	19.1	20.2	20.3	19.6	18.1
	CHINA(1)	2	7.5	5.5	6	6.7	6.8
	KOREA	1.4	3.8	5.2	3.6	4.8	3.5
ASEAN+3	34.4	40.4	43.7	45	47	44.9	

Plastics	Export in %						
	ASEAN	12.9	15	9.6	16.7	30.3	24.9
	JAPAN	20.5	18.8	16.2	12.7	13.4	14.5
	CHINA(1)	2	4.4	9.7	10.3	13.8	10.1
	KOREA		1.4		2	1.5	2.7
	ASEAN+3	35.4	40.1	35.5	41.7	59	52.2
	Import in %						
	ASEAN	12.5	14.2	14.5	16.5	16.7	16.3
	JAPAN	39.5	38	36.9	38.6	37.4	35.1
	CHINA(1)	0.8	1.6	3	2.8	5.6	4.3
	KOREA	1.8	4.8	5	3.7	5.2	6.5
ASEAN+3	54.2	58.6	59.4	61.6	64.9	62.2	
Wood, Wood articles Pulp and Paper	Export in %						
	ASEAN	13.6	23.2	13.3	14.6	21.2	18.7
	JAPAN	16.6	13.1	7.7	6	11.5	9.9
	CHINA(1)		2.7	8.6	12.6	15.8	12
	KOREA					3.1	3.7
	ASEAN+3	30.2	39	30.6	27.8	51.6	44.3
	Import in %						
	ASEAN	38.8	37.4	29	28	30.2	33.8
	JAPAN	6.5	6.7	9.6	11.2	10.3	12.4
	CHINA(1)	2	4.2	3.1	3.5	3.6	2.2
	KOREA		0.7	0.6	2.1	1.7	1.2
ASEAN+3	47.3	49	42.3	44.8	45.8	49.6	
Textiles and apparel	Export in %						
	ASEAN	7.7	7.9	5	7.2	8.2	9
	JAPAN	10.9	9.5	6.9	5.3	7.2	6.4
	CHINA(1)		2.1	3.4	3.8	10.4	1.8
	KOREA		1.2				
	ASEAN+3	18.6	20.7	15.3	16.3	25.8	17.2
	Import in %						
	ASEAN	5.3	6	5.9	5.5	5.9	5.7
	JAPAN	11	11.3	11.2	11.6	9.7	8.8
	CHINA(1)	3.1	9.7	25	18.9	25.7	20.4
	KOREA	0.8	3.3		1.6	1.7	2.9
ASEAN+3	20.2	30.3	42.1	37.6	43	37.8	
Footwear	Export in %						
	ASEAN	6.3	1.9	1.4	1.4	2.4	2.3
	JAPAN	5.5	5.5	5.2	5.1	7.3	7.7
	CHINA(1)					3.4	
	KOREA						
	ASEAN+3	11.8	7.4	6.6	6.5	13.1	10
	Import in %						
	ASEAN	7.2	8.3	9.5	11.7	11	15.7
	JAPAN	4.5	3.3	3.1	5.2	3.6	3.4
	CHINA(1)	6.7	18.2	51.7	28	31.8	35.3
	KOREA					2.1	10
ASEAN+3	18.4	29.8	64.3	44.9	48.5	64.4	
Stone, Cement, Ceramics	Export in %						
	ASEAN	26.5	29.2	18.8	15.9	19.9	19.3
	JAPAN	9	9.4	8.1	8.5	27.6	24.2
	CHINA(1)				2.4	4.9	1.5
	KOREA				3.4		2.6
	ASEAN+3	35.5	38.6	26.9	30.4	52.4	47.6
	Import in %						
	ASEAN	9.8	12.1	11.4	13.7	10.5	13.7
	JAPAN	43	38.4	41.1	47.2	50.4	46.1
	CHINA(1)	2.7	3.8	7.8	6.4	7.2	6.3
	KOREA	0.8	0.5	2.7	5.9	1.7	4.3
ASEAN+3	56.3	54.8	63	73.2	69.8	70.4	

Base metal and metal articles	Export in %						
	ASEAN	26.1	30	21.1	20.2	21	22.8
	JAPAN	22.5	21.5	18.5	16.5	23.4	20.1
	CHINA(1)			4	6.5	9.1	4.2
	KOREA						
	ASEAN+3	48.6	51.5	43.6	43.2	53.5	47.1
	Import in %						
	ASEAN	5.3	6.2	14.8	18	9.6	8.3
	JAPAN	35.9	36.4	40.9	39.2	42.2	39.5
	CHINA(1)	2.7	6.7	3.7	3.1	6.3	4
	KOREA						
	ASEAN+3	43.9	49.3	59.4	60.3	58.1	51.8
	Machinery and electrical appliances	Export in %					
ASEAN		34.2	31.1	21.8	23	24.7	26.9
JAPAN		15.6	14.4	13.3	10	28	16.2
CHINA(1)			1.5	1.2	7.6	5.5	4
KOREA					1.7	2.5	2.1
ASEAN+3		49.8	47	36.3	42.3	60.7	49.2
Import in %							
ASEAN		14.6	16.1	16.6	21	21.6	18.9
JAPAN		34.1	31.8	29.7	32.4	30.2	27.9
CHINA(1)		1.8	4.9	4.1	8.3	6.7	8
KOREA				0.6	2	2.7	2.2
ASEAN+3		50.5	52.8	51	63.7	61.2	57
Vehicles		Export in %					
	ASEAN	16.4	19.1	21.5	16.1	26.1	18.4
	JAPAN	2	4.5	6.8	5.2	18.5	9.9
	ASEAN+3	16.6	23.6	28.3	21.3	44.6	28.3
	Import in %						
	ASEAN	6	2.3	3.2	5	6.2	5.3
	JAPAN	57.4	46.4	20	39.4	48.2	36
	CHINA(1)		5		3.9		
	ASEAN+3	63.4	53.7	23.2	48.3	54.4	41.3
Optical, precision and musical instruments	Export in %						
	ASEAN	8.7	9.4	8.3	7.6	5.8	6.4
	JAPAN	23.5	23.2	20.7	18.4	40	24.8
	CHINA(1)		5.2	7	9.1	8	3.3
	ASEAN+3	32.2	37.8	29.7	35.1	53.8	34.5
	Import in %						
	ASEAN	4.4	4.6	7.1	6.8	6.9	5.9
	JAPAN	37.8	37.6	34.7	38.4	39.8	39.2
	CHINA(1)	2	6.9	4.2	10.3	10.3	5.8
ASEAN+3	44.2	49.1	46	55.5	57	50.9	

Source : Trade of Thailand by product section (1996-2001) (value in US dollar in %)
 Tables B27-28-69-70-83-84-111-112-153-154-181-182
 ASEAN Statistics 2001 - www.asean.or.id

Notes : China including Hong-Kong 1999-2001 - not including the % less than 0,5%

ANNEXE 5 COVER RATE EXPORT/IMPORT OF INTRA-ASEAN TRADE OF THAILAND

	1996	1998	2000	2001
Live animals	1.53	0.95	1.71	1.43
Vegetal products, oil,fats	9.12	15.16	12.21	8.6
Prepared Foodstuffs	13.78	10.25	4.98	4.57
Mineral products	0.37	1.29	0.92	0.7
Chemicals	0.73	0.67	0.99	0.93
Plastics	1.66	1.21	3.26	2.81
Leather and hides	2.08	1.41	0.93	0.88
Wood, Wood articles,paper	0.11	0.51	0.68	0.58
Textiles and apparel	3.42	2.52	3.31	3.66
Footwear	18.51	2.35	3.31	2.7
Stones Cement Ceramics	2.97	2.82	3.34	2.35
Gems	0.31	0.68	0.19	0.07
Base metal, Metal articles	0.9	0.49	0.85	0.95
Machinery-Electrical appl.	1.62	1.56	1.25	1.43
Vehicles	0.62	4.96	3.8	2.71
Optical Precision and	1.56	1.45	0.85	1.13
Musical instruments				

Source : ASEAN Trade of Thailand by product section (1993-2001) in US dollar
ASEAN Statistics 2001 - www.asean.or.id

ANNEXE 6 GROSS DOMESTIC PRODUCT per capita in US dollar table2.2

Country	1996	1997	1998	1999	2000	2001
Brunei	17.096	16.227	11.961	12.67	12.751	12.245
Cambodia	292	315	262	284	274	270
Indonesia	1.155	1.122	489	698	750	711
Lao, PDR	393	336	244	278	328	329
Malaysia	4.766	4.671	3.257	3.485	3.87	3.696
Philippines	1.184	1.157	896	1.018	981	914
Singapore	24.784	24.906	20.974	20.924	23.071	20.847
Thailand	3.035	2.574	1.834	1.988	1.963	1.822
Viet Nam	337	361	361	374	403	420
ASEAN	1.489	1.419	941	1.077	1.129	1.164

Source: Asean Surveillance Coordinating Unit (ASCU) database

ASEAN Statistical Yearbook 2001
Excluding Myanmar

ASEAN Trade Import by country in % (1993-2001)

	1993(1)	1994(1)	1995(1)	1996(1)	1997(1)	1997(1993/2)	1998(1)	1998(1997/2)	1999(1)	1999(1998/2)	2000	2000(1999/2)	2000(1997/2)	2001(2000/2)
Intra-ASEAN														
BRUNEI		49.2	47.5	64.2	42.3	(+10,2)	46.3	(-39,5)	52.1	(+51,5)	50	(-40,3)	(-43,3)	(+2)
CAMBODIA											39			(+98,8)
INDONESIA	9.4	9.4	10.4	11.9	13	(+103,6)	16.7	(-15,8)	19.9	(+4,9)	20.2	(+41,8)	(+25,3)	(-15,5)
MALAYSIA	20	19.2	17.5	19.5	19.3	(+66,7)	21.4	(-12,8)	19.5	(-4,1)	20	(+28,4)	(+7,4)	(-4,3)
MALINMAR									55.2		50.2	(+7)		(+18,5)
PHILIPPINES	10.7	11.6	11.5	14.5	13.6	(+158,8)	14.9	(-9,1)	14.5	(+0,7)	15.8	(+11,1)	(+1,7)	(-5,9)
SINGAPORE	22	22.7	22.3	22.2	22.4	(+62)	23.3	(-22,2)	23.6	(+11)	24.7	(+26,9)	(+9,5)	(-12,9)
THAILAND	12.1	13	12.2	13.5	12.9	(+43,2)	14	(-33)	16.5	(+16,9)	16.9	(+31,2)	(+29)	(-4,1)
Total Intra-Asian	17.4	17.6	16.2	18.3	18.2	(+66,7)	19.9	(-20,1)	20.6	(+12)	21.3	(+27,4)	(+13,9)	(-8,1)
JAPAN	24.9	25.2	24.7	20.9	20.1		18		18.3		19			
CHINA	2	2.2	2.2	2.6	3.8		4.3		6.9		7.7			
KOREA	3.2	3.4	3.6	3.8	4.2		3.6		4.4		4.5			
ASEAN+3	47.5	48.4	46.7	45.6	46.3		45.8		50.2		52.5			
USA	15.1	14.7	14.6	15.1	17.3		19.6		16.3		14			
E.U.	14.2	14.5	14.6	16.4	14.3		12.8		12.3		11.3			

Source : www.asean.or.id (ASEAN Statistical Yearbook 2001)

ASEAN trade Table A3-4-5-B57-58-B71-72-B99-100-B141-142-B169-170

(1) in % in value US dollar - (2) % of growth export in value US dollar

ANNEXE 8 ASEAN Trade Import by country in % (1993-2001)

	1993(1)	1994(1)	1995(1)	1996(1)	1997(1)	1997(1997/2)	1998(1)	1998(1997/2)	1999(1)	1999(1998/2)	2000	2000(1999/2)	2000(1997/2)	2001	2001(2000/2)
IntraASEAN															
BRUNEI		49.2	47.5	64.2	42.3	(+10,2)	46.3	(-39,5)	52.1	(+51,5)	50	(-40,3)	(-43,3)	41.6	(+2)
CAMBODIA											39			72.7	(+98,8)
INDONESIA	9.4	9.4	10.4	11.9	13	(+103,6)	16.7	(-15,8)	19.9	(+4,9)	20.2	(+41,8)	(+25,3)	18.5	(-15,5)
MALAYSIA	20	19.2	17.5	19.5	19.3	(+66,7)	21.4	(-12,8)	19.5	(-4,1)	20	(+28,4)	(+7,4)	20.9	(-4,3)
MALINMAR									55.2		50.2	(+7)		46.9	(+18,5)
PHILIPPINES	10.7	11.6	11.5	14.5	13.6	(+156,8)	14.9	(-9,1)	14.5	(+0,7)	15.8	(+11,1)	(+1,7)	15.8	(-5,9)
SINGAPORE	22	22.7	22.3	22.2	22.4	(+62)	23.3	(-22,2)	23.6	(+11)	24.7	(+26,9)	(+9,5)	25	(-12,9)
THAILAND	12.1	13	12.2	13.5	12.9	(+43,2)	14	(-33)	16.5	(+16,9)	16.9	(+31,2)	(+29)	16.2	(-4,1)
Total Intra-Asean	17.4	17.6	16.2	18.3	18.2	(+66,7)	19.9	(-20,1)	20.6	(+12)	21.3	(+27,4)	(+13,9)	21.3	(-8,1)
JAPAN	24.9	25.2	24.7	20.9	20.1		18		18.3		19			16.8	
CHINA	2	2.2	2.2	2.6	3.8		4.3		6.9		7.7			7.5	
KOREA	3.2	3.4	3.6	3.8	4.2		3.6		4.4		4.5			4.2	
ASEAN+3	47.5	48.4	46.7	45.6	46.3		45.8		50.2		52.5			49.8	
USA	15.1	14.7	14.6	15.1	17.3		19.6		16.3		14			14.4	
E.U.	14.2	14.5	14.6	16.4	14.3		12.8		12.3		11.3			12.5	

Source : www.asean.or.id (ASEAN Statistical Yearbook 2001)

ASEAN trade Table A3-4-5-B57-58-B71-72-B99-100-B141-142-B169-170

(1) in % in value US dollar - (2) % of growth export in value US dollar

ANNEXE 9 MONEY OF PAYMENT OF EXPORTS AND IMPORTS OF THAILAND

	2000					2001				
	USD	YEN	ASEAN	EUROS(1)	OTHERS	USD	YEN	ASEAN	EUROS(1)	OTHERS
EXPORTS										
ASEAN	88.6	3.8	6.9		0.7	89.5	2.6	7		0.9
JAPAN	51.1	42.9	2.8		3.2	51.8	38.5	5.9		3.8
NAFTA	98.8	0.1	0.7		0.4	98.7	0.1	0.6		0.3
E.U.	69		3.9	20.6	6.5	57.4		4.1	34.4	4.1
IMPORTS										
ASEAN	90.5	1.9	6.4		1.2	89.3	1.7	7.1		1.9
JAPAN	70.3	21.6	7.9		0.2	71.8	20.5	7.3		0.4
NAFTA	96.8	0.2	2.9		0.1	97	0.3	2.5		0.1
E.U.	80.8		1.5	15.5	2.2	75.7		1.4	21.3	1.6

(1) EUROS + DEM + GB pound
 Source : Economic and Financial Statistics (december 2001) Bank of Thailand
 FT1 et FT2 form (include only transactions with value exceeding US dollars 20000)