

*Chapter 13***Integrating East Asia's Low-Income Countries  
into the Regional and Global Markets***Siow Yue Chia***Abstract**

For decades the CLMV countries (Cambodia, Laos, Myanmar, Viet Nam) experienced the negative impacts of wrong economic ideologies and policies. Since the mid-1980s, they have engaged in economic transition from centrally planned to market-oriented economies, from inward-looking to outward-looking development strategies, and from close economic relations with the Soviet bloc to closer economic relations with the global and regional market economies. Despite considerable political obstacles along the way, these transition economies have achieved remarkable results in reforming their policies and institutions and in restructuring. The economic benefits are manifest in the buoyant economic growth rates of the 1990s and in recent years. After the outbreak of the Asian financial crisis, growth rates in the sub-region outpaced those in ASEAN-6. The CLMV economies have become increasingly integrated with ASEAN and the rest of East Asia and with the global economy, as witnessed by rising trade and investment flows.

The CLMV countries have experienced and continue to experience instances of political isolation, economic policy discrimination and policy incoherence on the part of OECD countries, which have impacted on their economic performance, particularly in trade and investment. While the OECD countries have advocated and pressured them for economic policy and institutional reforms, particularly more openness in trade and investment regimes, they have not always followed up with non-discriminatory or preferential market access.

Countries have the primary responsibility for their own economic and social development. As low-income and least-developed economies, the CLMV economies still face several development challenges and have to achieve greater policy coherence themselves. They need to pursue economic growth with social equity and environmental sustainability. They must develop human resources for economic efficiency and poverty alleviation. They should continue to liberalise and deregulate their economies to improve economic efficiency and competitiveness and to meet the commitments of WTO accession and ASEAN membership. Yet they also require enabling regional and global environments that provide open and preferential access to markets, access to investments, technology and know how and access to development and technical assistance.

## Introduction

Cambodia, Laos, Myanmar and Viet Nam (CLMV) are low-income economies in East Asia and (except for Viet Nam) are designated as least-developed countries by the United Nations. With the end of the Cold War and the break-up of the Soviet bloc, Cambodia, Laos and Viet Nam sought integration into the global economy and applied for accession to the World Trade Organization (WTO). Cambodia became a member of the WTO on 13 October 2004, while Laos and Viet Nam are still negotiating their accessions. Myanmar became a member in 1995<sup>1</sup>. The CLMV economies have also sought regional integration through the Association of Southeast Asian Nations (ASEAN), with Viet Nam acceding in 1995, Laos and Myanmar in 1997, and Cambodia in 1999. Viet Nam joined the Asia Pacific Economic Co-operation (APEC) forum in November 1998, and the other three countries have applied for membership.

Since the mid-1980s, the CLMV countries have undergone economic transition – from centrally planned to market-based economies, from inward looking to outward-looking economic strategies and from economic relations with the Soviet bloc to economic relations with market economies. Initially they undertook policy and institutional reforms unilaterally, but as they seek membership in the WTO and ASEAN, they face pressures from these organisations to sustain and undertake further economic reforms.

In its economic transition, the CLMV sub-region benefits from a good geographical location. As noted in the Overview chapter of this volume, East Asia was, until the outbreak of the Asian financial crisis in 1997-98, an “economic miracle”, with a string of success stories in economic performance. The East Asian pattern of economic development has often been characterised as the “flying geese” model. Japan was the first country to become developed, followed by the Asian newly industrialised economies (NIEs) of Hong Kong, China; Korea; Chinese Taipei and Singapore, followed in turn by the ASEAN economies of Indonesia, Malaysia, Philippines and Thailand and most recently by China. Two transmission mechanisms have been at work. The first is the transfer of development experiences and lessons from one tier to the next. Japan showed the way. The Asian NIEs adapted the Japanese model, focusing on high savings and investment, human-resource development, foreign direct investment and promotion of export manufacturing. The ASEAN economies made further adaptations to the “East Asian development model” with greater emphasis on natural-resource development and the role of foreign direct investment and less emphasis on industrial policy and industrial targeting

by the state. The second transmission mechanism is the flow of investment resources from Japan to the Asian NIEs and ASEAN and from Asian NIEs to ASEAN, resulting in the integration of national economies into regional production networks and supply chains. There have been reverse investments between the NIEs and ASEAN, but limited reverse flows to Japan.

The CLMV countries follow the ASEAN model of natural-resource development plus export-led and FDI-led manufacturing, although they are at the early stage of developing capabilities in exporting manufactures and produce mainly labour-intensive products such as clothing and footwear. East Asia also provides a large share of the investment resources for the CLMV countries, and Japan is the leading donor of bilateral development assistance.

Domestic economic reforms need an enabling international and regional environment to provide market access, investment, technological resources and development assistance. At the international level, the WTO is committed to improving market access for developing and least developed countries, but to take advantage of market-access opportunities, countries must be able to supply products that satisfy the price, quality and delivery-time requirements of the global market.

This chapter focuses on how domestic policies as well as external policies, particularly those of OECD countries, impact on the economic performance and economic prospects of Cambodia, Laos, Myanmar and Viet Nam, the low-income and least-developed economies of East Asia. It analyses how policy coherence, or rather the lack of it, adversely impacts on their economic performance. The chapter is divided into six sections. The next four discuss in turn the economic transition in the CLMV countries, their integration into ASEAN, global integration through trade and investment and WTO membership and the development and technical assistance provided under the Greater Mekong Sub-regional programme. The last section concludes.

## Economic Transition

### *Background*

In the mid-1980s the CLMV economies decided to abandon their Marxist socialist model of central planning and state ownership in favour of a market-orientation. ESCAP (1995) noted that they faced greater transition difficulties than the countries of Eastern Europe and the former Soviet Union. The CLMV

countries had lower per capita income levels, had undergone war and insurgency with the resulting destruction of physical infrastructure and human resources and faced international discrimination and isolation.

Viet Nam embarked in 1986 on an economic reform known as “doi moi” (renovation), a transition from a centrally planned to a market-oriented economy with government continuing to play a leading role. Policy and institutional reforms included liberalisation and deregulation of trade and foreign direct investment and promotion of private enterprise. The reform suffered from the country’s political and economic isolation when Vietnamese troops occupied Cambodia (until September 1989). Laos and Cambodia also initiated economic reforms around the same time as Viet Nam but theirs were less extensive, as civil war erupted in Cambodia while Laos was handicapped by being landlocked. Myanmar was also a command economy until the military coup in 1988, when the State Law and Order Restoration Council (SLORC) adopted a quasi-market economy as well as moving towards closer economic relations with China.

A number of developments in the CLMV sub-region in the 1990s affected the economic transition (ESCAP, 1995). First, political tensions in the sub-region eased following the withdrawal of Vietnamese troops from Cambodia in 1989 and the Paris peace accord on Cambodia in October 1991. Second, trade relations with members of the Council for Mutual Economic Assistance (CMEA) collapsed rapidly and unexpectedly in 1989-91, involving also the loss of substantial aid from the former Soviet Union and Eastern Europe. Third, the 1993 elections in Cambodia paved the way for further economic reforms<sup>2</sup>. Fourth, economic sanctions imposed by major trading nations against Viet Nam were gradually relaxed, culminating in removal of the US trade embargo in February 1994. Two other developments in the 1990s kept up the pressure and momentum for economic reform, namely when the CLMV countries acceded to ASEAN and when Cambodia, Laos and Viet Nam applied to join the WTO.

### *Reform of the Foreign Trade and Investment Regimes*

The CLMV countries took crucial steps toward trade and investment liberalisation and deregulation, unilaterally as well as to meet the requirements of WTO accession (excluding Myanmar) and ASEAN membership. Viet Nam’s trade regime before “doi moi” was characterised by complex, high import tariffs and non-tariff barriers and export restrictions. Trade-policy reform, the cornerstone of “doi moi”, had two main objectives. The first was to liberalise domestic prices. The second was to promote export-oriented industrialisation, redressing the anti-export bias embodied in the earlier protectionist regime. Measures adopted included relaxing restrictions on the

number of trading entities and progressive elimination of quotas and targets. The number of trading entities rose from about 30 in 1988 to 16 200 by 2001. All import quotas were abolished by 2003 except for sugar (to be kept until 2005) and petroleum products. Import tariffs were introduced in 1988, rationalised in 1992 and simplified in 1999 following Viet Nam's accession to the ASEAN Free Trade Area (AFTA) and in preparation for WTO accession. Duty exemptions and drawbacks for imports used in export production were introduced. Viet Nam's complex system of export restrictions has been substantially dismantled. To promote export development, several export-processing zones were established. In 1989 a unified exchange rate was achieved. The US-Viet Nam Bilateral Trade Agreement also gave impetus to reforms, particularly pertaining to services and intellectual property protection.

A World Bank study (Auffret, 2003) found the pace of implementation of trade reform impressive, but cautioned that fast trade liberalisation may conflict with the slow implementation of other reforms, including restructuring of state-owned enterprises and commercial banks. Problems with the banking system are reflected in the continuing high level of non-performing loans. Viet Nam has to undertake further policy, institutional and legislative reforms to meet WTO accession requirements. The WTO Working Party on Viet Nam's accession has held several meetings. The meeting in June 2004 found that Viet Nam had considerably improved its market-access offers for goods and services and its programme for applying WTO agreements, but concluded that "a lot of work still remains", which dashed Viet Nam's hope of joining WTO by 1 January 2005<sup>3</sup>.

Cambodia has also undertaken substantial trade reforms since the mid-1980s and in recent years to meet the requirements of WTO accession. Until 1989, Cambodia maintained a government monopoly over external trade, and all imports and exports required licences. Since then, private-sector participation has been allowed, and in September 1993 the general obligation to obtain import and export licences was rescinded, with licences required only on some items. Tariff rates were rationalised and tariff levels brought down. In 1994 several export-promotion measures were introduced, including the establishment of special economic zones. Cambodia applied for WTO accession in October 1994 and embarked on fundamental economic reforms. In an August 2003 statement, the Cambodian government reported that implementation of WTO requirements was a "lengthy and difficult process" and asked for flexibility in negotiations on WTO commitments and for special and differential treatment as a least developed country<sup>4</sup>. In a subsequent September 2003 statement, the government said, "We managed to secure a package of commitments and concessions we feel was the most affordable

and possible deal for Cambodia's accession, bearing in mind Cambodia's little political and economic weight and its current reliance on external assistance from the major donor countries who are also WTO members<sup>5</sup>." WTO accession approval was granted in September 2003 and the Cambodian national legislature ratified the accession agreement in September 2004.

The trade regime in Laos up to the mid-1980s was also characterised by complex and high import tariffs and export restrictions, but it was in practice less centralised and less transparent than that of Viet Nam. ESCAP (1995) reported on various reform measures underway, but noted that the incomplete nature of import liberalisation was manifest in the continuing large amount of regulated trade. Laos applied to join the WTO in July 1997 and has also to undertake further liberalisation and reforms, although it will be accorded special and differential treatment as a least-developed country. Negotiations on the terms of accession are ongoing<sup>6</sup>.

The CLMV countries have also liberalised their foreign investment regimes to attract FDI inflows as part of their economic transition. FDI has played a very important role in the economic development of ASEAN-6. FDI is packaged, providing the host economy with financial resources as well as technology, management expertise and integration into global production and distribution networks. For FDI in export manufacturing, ease and availability of transport and logistics are an important consideration, in addition to abundant low-wage labour for labour-intensive industries and a skilled labour force, technological capability and available local suppliers for parts and components for high tech industries. FDI in natural-resource development and in manufacturing for the host market is more location-specific, with major determinants being the existence of abundant and marketable resources and the size and growth-potential of the national market or integrated regional market.

Many ASEAN countries have made extensive use of tax incentives to improve the overall investment climate and to induce FDI into desired sectors and projects. Critics of industrial policy and industrial targeting point to their negative effects on resource allocation, while critics of the tax incentives instrument also question their efficacy in determining investment decisions as well as the tax revenue foregone by host governments. In the past decade global and regional competition for FDI inflows has intensified. As prospective host countries liberalise their FDI regimes by removing investment restrictions and performance requirements, additional measures are used to attract FDI. The TRIMs Agreement did not include discipline on the use of investment incentives, and discussion of the investment issue in the ongoing Doha Round has stalled.



The CLMV countries enacted foreign investment laws around 1987-88 to attract FDI, followed by amendments in later years. They adopted the ASEAN-6 FDI strategy of investment liberalisation, with the removal or relaxation of foreign ownership restrictions and performance requirements. They use an array of investment incentives including tax holidays, duty drawbacks and tax exemptions on inputs for export production and establishment of export-processing and special economic zones. Lower labour costs and abundant natural resources are the main attractions. Viet Nam also has a sizeable domestic market of 80 million consumers. Yet investors remain discouraged by a host of disincentives. The CLMV countries have to pay greater attention to improving the legal framework, the implementation of policy and regulatory commitments, improving administrative efficiency and probity, attending to infrastructure and human-resource bottlenecks and providing adequate protection of intellectual property and a transparent and impartial dispute-settlement mechanism.

### *GDP Growth, Structural Change and Poverty Alleviation*

Chapter 1 of this volume shows that over a span of 50 years the average per capita GDP of East Asia has risen sevenfold, with wide variations in performance across countries and time periods. The NIEs led this growth (Hong Kong, China; Singapore; Korea and Chinese Taipei with a 17-fold increase), followed by Japan (11-fold), China (eightfold) and the ASEAN-4 (Indonesia, Malaysia, Philippines and Thailand, fourfold). The CLMV countries trailed with a threefold increase, ranging from a doubling in Cambodia and Laos, a tripling in Viet Nam and a quadrupling in Myanmar. By 2001 estimated per capita GDP (in 1990 dollars) stood at \$1 124 for Cambodia, \$1 204 for Laos, \$1 408 for Myanmar and \$1 850 for Viet Nam. The development gap as measured by per capita GDP between the NIEs and CLMV widened from a ratio of 1.8 in 1950 to 9.8 in 2001, and between ASEAN-4 and CLMV it widened from 1.7 to 2.4.

Table 13.1 shows that over 1990-2003, annual aggregate GDP growth averaged 6.6 per cent in Cambodia, 6.3 per cent in Laos and 7.5 per cent in Viet Nam (no data are available for Myanmar). The fruits of economic transition since the mid-1980s were becoming evident. Average annual GDP growth rates for the sub-region in 1992-96 ranged from 6.6 per cent to 8.4 per cent. The 1997-98 Asian financial crisis that afflicted much of East Asia did not directly undermine growth in the CLMV economies as they did not have fully open capital accounts and had minimal exposure to international short-term capital movements. Since 1997, GDP growth in the CLMV sub-region has outperformed the ASEAN-6.

Table 13.1. ASEAN: Economic Indicators, 2003

	Population	Land Area	GNI		GNI-PPP adjusted		GDP Growth 1990-2003	Merchandise Trade		
			Total	Per Capita	Total	Per Capita		Exports	Imports	Total
Brunei	0.4	6	5	15 000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	214.5	1 905	173	810	689	3 210	3.5	60 650	32 390	93 040
Malaysia	24.8	330	94	3 780	222	8 940	5.9	100 726	81 067	181 793
Philippines	81.5	300	88	1 080	379	4 640	3.5	37 065	39 301	76 366
Singapore	4.3	1	90	21 230	103	24 180	6.3	144 134	127 898	272 032
Thailand	62.0	513	136	2 190	462	7 450	3.7	80 253	75 679	155 932
Cambodia	13.4	181	4	310	28	2 060	6.6	1 623	1 724	3 347
Laos	5.7	237	2	320	10	1 730	6.3	371	508	879
Myanmar	49.4	677	n.a.	n.a.	n.a.	n.a.	n.a.	2 802	2 515	5 317
Viet Nam	81.3	332	39	480	202	2 490	7.5	19 660	24 020	43 680
ASEAN-6	387.5		586	1 383				422 828	356 335	779 163
ASEAN-10	537.3		631	1 074				447 284	385 102	832 386

Notes: Population figures in millions; Land Area in thousands of square kilometres; GNI and GNI-PPP adjusted: totals in billions of US dollars and per capita figures in US dollars; GDP Growth in per cent per annum; Merchandise trade in millions of US dollars. n.a = not available.

Source: World Bank, *World Development Report*, 2005.



Agriculture still dominates the economies of Cambodia, Laos and Myanmar, accounting for 40 per cent to 50 per cent of their GDP and providing employment for 70 to 80 per cent of their populations. In Cambodia and Viet Nam, the disruptions of war and agricultural collectivisation led to serious deterioration of the irrigation and drainage infrastructure. The sub-region has substantial inland and marine fishery resources, with good export potential. It also has substantial energy resources in the form of oil and gas and hydropower. Forestry resources have been over-exploited and continuing levels of recorded and unrecorded exports of timber are unsustainable. A challenge for the sub-region is to expand and improve processing facilities to add value to their natural resource exports. Tourism is a rapidly growing sector and has good potential.

The CLMV countries have been industrialising for economic growth, employment and poverty alleviation. By 2001, the share of manufacturing in GDP ranged from less than 20 per cent in Myanmar to a high of 37 per cent in Viet Nam. These economies have a comparative advantage in labour-intensive manufacturing and are increasingly dependent on the production and export of clothing. Viet Nam has the best prospects for industrialisation, as it has a large and well-educated labour force, low labour costs and a rapidly growing and sizeable domestic market.

Both trade and investment flows in the sub-region have increased markedly over the last decade. Their growing global integration is evident in sharply rising trade/GDP ratios since 1990, which reached over 90 per cent in Cambodia and Viet Nam and over 50 per cent in Laos in 2001. FDI/GDP ratios also have risen — to 4 per cent in Viet Nam, 3.3 per cent in Cambodia and 1.4 per cent in Laos (there are no figures available for Myanmar).

Notwithstanding its growth performance, the sub-region still has widespread poverty. Table 13.2 shows proportions of populations below national poverty lines at 39 per cent in Laos, 36 per cent in Cambodia, 29 per cent in Viet Nam and 23 per cent in Myanmar. The proportions below the international poverty line of \$1.00 per day (ppp adjusted) were 39 per cent in Laos (1997), 34 per cent in Cambodia (1997) and 7 per cent for Viet Nam (no data on Myanmar). Poverty incidence thus measured in the CLMV is much higher than in the ASEAN-5, except for the Philippines. Cambodia, Laos and Viet Nam registered some improvement in their human development indices (HDI) in the 1990s, but the HDI rankings are worse than for ASEAN-5, except that Indonesia's is worse than Viet Nam's.

Table 13.2. ASEAN: Poverty and Human Development

	Year	Per Cent of Population Below National Poverty Line			Per Cent of Population below \$1 Per Day		Human Development Index		2001 HDI Rank among 175 Countries
		Total	Urban	Rural	Year	%	1990	2001	
Cambodia	1999	35.9	18.2	40.1	1997	34.1	0.512	0.556	130
Laos	1997	38.6	26.9	41.0	1997	39.0	0.449	0.525	135
Myanmar	1997	22.9	23.9	22.4		n.a.	n.a.	0.549	131
Viet Nam	2002	28.9	6.6	35.6	2002	13.1	0.603	0.688	109
Indonesia	2002	18.2	14.5	21.1	2002	7.5	0.619	0.682	112
Malaysia	1999	7.5	3.4	12.4		n.a.	0.721	0.790	58
Philippines	2000	34	20.4	47.4	2000	15.5	0.713	0.751	85
Singapore		n.a.	n.a.	n.a.	n.a.	n.a.	0.819	0.884	28
Thailand	2002	9.8	4	12.6	2000	1.9	0.705	0.768	74

Source: ADB Key Indicators 2004.

Table 13.3 shows the performance of CLMV in relation to the Millennium Development Goals (MDG). There have been improvements in poverty eradication, universal primary education and gender equality and empowerment. Infant, child and maternal mortality rates remain high, however. The prevalence of HIV/AIDS is also disturbing, though the proportions are very low compared with sub-Saharan Africa. There was continuing deforestation in 1990-2000, except in Viet Nam. All the CLMV countries have adopted national poverty-reduction strategies in recent years. The poverty-reduction targets require sustained economic growth as well as specific pro-poor policies. As these low-income countries face severe resource constraints, strategic policy choices have to be made to balance growth and poverty-reduction. UNCTAD's *The Least Developed Countries Report 2004* highlights the difficulties in ensuring that the benefits of trade liberalisation and export growth trickle down to the poor<sup>7</sup>.

Table 13.3. CLMV Countries: Millennium Development Goals

	Cambodia	Laos	Myanmar	Viet Nam
<i>Goal 1: Eradicate extreme poverty and hunger:</i>				
Per cent of population below \$1per day at 1993 ppp				
1990	48.3	53.0	n.a.	50.8
2000	35.5	34.6	n.a.	9.6
Per cent of poorest quintile in national consumption				
early 1990s	n.a.	9.6	n.a.	7.8
late 1990s	6.9	7.6	n.a.	8.0

Table 13.3. (contd.)

	Cambodia	Laos	Myanmar	Viet Nam
<i>Goal 2: Achieve universal primary education:</i>				
Net enrolment ratio in primary education, per cent				
early 1990s	n.a.	61.4	n.a.	n.a.
late 1990s	102.6	76.2	n.a.	97.4
Literacy rate of 15-24 year olds, per cent				
1990	73.5	55.2	88.2	95.0
2002	80.1	73.3	91.4	97.3
<i>Goal 3: Promote gender equality and empower women:</i>				
Literate female/male ratio, 15-24 year olds, per cent				
1990	0.82	0.52	0.96	0.99
2000	0.93	0.74	1.00	1.01
<i>Goal 4: Reduce child mortality:</i>				
Under-5 mortality rate per 1000 live births				
1990	115	163	130	50
2001	138	100	109	38
Infant mortality rate per 1000 live births				
1990	80	120	91	36
2001	97	87	77	30
<i>Goal 5: Improve maternal health:</i>				
Maternal mortality rate per 100 000 live births, 1995				
	590	650	170	95
<i>Goal 6: Combat HIV/AIDS, malaria, other diseases:</i>				
Prevalence rate of HIV in 15-24 year olds, per cent, end-2001				
Female:				
low estimate, from	1.99	0.02	0.18	0.13
high estimate, from	2.98	0.03	0.38	0.20
Male:				
low estimate, from	0.77	0.03	0.17	0.25
high estimate, from	1.16	0.06	0.36	0.38
Prevalence rate of malaria per 100 000 population, 2000				
	476	759	224	95
Prevalence of tuberculosis per 100 000 population, 2000				
	474	148	132	101
<i>Goal 7: Ensure environmental sustainability:</i>				
% of land area covered by forest				
1990	56.1	56.7	60.2	28.6
2000	52.9	54.4	52.3	30.2
Urban water supply coverage, 2000, per cent				
	54	61	89	95
Rural water supply coverage, 2000, per cent				
	26	29	66	72
Urban sanitation coverage, 2000, per cent				
	58	84	65	86
<i>Goal 8: Develop a global partnership for development:</i>				
Debt service as per cent of exports of goods and services				
1990	4.1	8.9	19.1	n.a.
1999	3.0	7.9	5.4	n.a.

Note n.a. = not available.

Source: ESCAP (2003).

## **Regional Integration into ASEAN**

ASEAN was formed in 1967 with Indonesia, Malaysia, the Philippines, Singapore and Thailand as founding members. They were joined by Brunei in 1984 (collectively the ASEAN-6) and Cambodia, Laos, Myanmar and Viet Nam in 1995-99. With the end of the Cold War and the break-up of the Soviet bloc, the CLMV countries were motivated to join ASEAN by both the political need to reorient their foreign policies and the economic need to restructure and reorient their economies. The newer members are at very much lower levels of economic development than the ASEAN-6, as Table 13.1 showed. While membership extension to CLMV increased the population of ASEAN by 39 per cent from 380 million to 530 million, it raised both the regional GNP and the volume of merchandise trade by only 7 per cent.

Regional economic co-operation and integration should help the CLMV economies modernise, diversify, specialise and respond more effectively to the challenges of globalisation, the technological revolution and the rise of China. CLMV membership has nevertheless slowed the pace of ASEAN economic integration, because the transitional economies need extra time to fulfil their trade and investment liberalisation commitments. The challenge of integration would lessen for the CLMV members if there were targeted technical assistance from the ASEAN-6. Such assistance did not materialise immediately after their ASEAN accession because the ASEAN-6 economies were still pulling themselves out of the Asian financial crisis.

### ***Trade and Investment Integration***

ASEAN agreed in 1992 to establish the ASEAN Free Trade Area (AFTA), with the objective of removing tariff and non-tariff barriers on intra-ASEAN trade in goods. It was the first regional trading arrangement (RTA) in East Asia and was motivated by the need to become more internationally competitive in the face of pressures from globalisation and the formation of RTAs in the Americas and Europe. (For further discussion of East Asian integration, see Chapter 8 in this volume.) AFTA originally had a time-frame of 15 years to reduce tariffs to the 0-5 per cent target, but the deadline was subsequently brought forward to 2002 for the ASEAN-6, 2006 for Viet Nam, 2008 for Laos and Myanmar, and 2010 for Cambodia. (Each of the CLMV countries was given a ten-year transitional period after AFTA accession). AFTA also agreed to achieve zero tariffs by 2010 for ASEAN-6 and 2015 for CLMV.

Services-trade liberalisation comes under the 1995 ASEAN Framework Agreement on Services (AFAS) and investment liberalisation under the 1998 ASEAN Investment Area (AIA). Implementation of AFAS has been slow, as ASEAN members have been reluctant to liberalise their services sectors, although efficient services are essential for competitiveness in goods production and trade. The “impasse” led to two features of flexibility introduced in 2003. The first is the faster liberalisation for mode 1 (cross-border supply) and mode 2 (consumption abroad) and slower liberalisation for mode 3 (commercial presence) and mode 4 (presence of natural persons). Second, two or more ASEAN countries could go ahead to liberalise services trade between themselves under an “ASEAN minus X” formula, with other members choosing to join at a later date. The AIA aims at opening up economic sectors and granting national treatment to investment from ASEAN members and external sources. For intra-ASEAN investment, the ASEAN-6 as well as Myanmar (by self-election) phased out their temporary exclusion lists by 2003, while Cambodia, Laos and Viet Nam have until 2010 to do likewise.

Table 13.4 shows intra-ASEAN trade since the formation of AFTA. Singapore accounts for over 40 per cent of it, reflecting its regional trading-hub status<sup>8</sup>. Regional trade as a proportion of each country’s total trade measures the extent of trade integration. For ASEAN-6, Brunei and Singapore record the highest ratios of over 25 per cent and the Philippines records the lowest (16 per cent). Data on the CLMV are available only for Cambodia and Myanmar<sup>9</sup>. Myanmar has the highest ratio of intra-ASEAN/total trade among the ASEAN countries (over 50 per cent in 2002)<sup>10</sup>. Its exports to ASEAN comprise largely mineral fuels (mostly crude oil), forestry products and vegetables, while its imports are mostly mineral fuels (refined petroleum), textiles and clothing, machinery and electrical appliances and plastics.

Table 13.4. Intra-ASEAN Trade, 1993 and 2001-2002

	Value in \$ million			Per Cent of Intra-ASEAN trade			Per Cent of Country's Trade	
	1993	2001	2002	1993	2001	2002	2001	2002
<b>Intra-ASEAN Exports by:</b>								
Brunei	487	775	684	1.1	0.9	0.8	21.9	25.4
Indonesia	4 997	9 507	9 934	11.4	11.3	11.5	16.9	17.4
Malaysia	12 987	21 024	22 127	29.7	24.9	25.6	23.9	23.7
Philippines	795	4 986	5 530	1.8	5.9	6.4	15.5	15.7
Singapore	18 406	32 815	33 963	42.1	38.8	39.3	27.0	27.2
Thailand	6 008	14 357	12 840	13.8	17.0	14.9	22.0	19.4
ASEAN-6	43 681	83 464	85 077	99.9	98.8	98.5	22.5	22.2
Cambodia	n.a.	73	92	n.a.	0.1	0.1	4.9	4.8
Laos	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Myanmar	n.a.	951	1 221	n.a.	1.1	1.4	42.9	49.8
Viet Nam	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total intra-ASEAN	43 681	84 488	86 391	100.0	100.0	100.0	22.8	22.5
As % of ASEAN total	21.1	22.8	22.5					
<b>Intra-ASEAN Imports by:</b>								
Brunei	886	545	599	2.3	0.8	0.8	41.6	37.4
Indonesia	2 659	5 727	6 932	6.9	8.5	9.6	18.5	22.2
Malaysia	8 904	15 254	17 245	23.0	22.6	23.9	20.9	21.9
Philippines	1 883	4 665	5 542	4.9	6.9	7.7	15.8	16.5
Singapore	18 761	28 991	30 441	48.4	42.9	42.1	25.0	26.2
Thailand	5 671	10 047	9 683	14.6	14.9	13.4	16.2	15.4
ASEAN-6	38 763	65 229	70 442	100.0	96.4	97.5	20.6	21.5
Cambodia	n.a.	1 092	598	n.a.	1.6	0.8	72.7	35.9
Laos	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Myanmar	n.a.	1 319	1 191	n.a.	2.0	1.6	46.9	56.2
Viet Nam	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total intra-ASEAN	38 763	67 640	72 231	100.0	100.0	100.0	21.3	22.0
As % of ASEAN total	17.4	21.3	22.0					

Table 13.4 (contd.)

	Value in \$ million			Per Cent of Intra-ASEAN trade			Per Cent of Country's Trade	
	1993	2001	2002	1993	2001	2002	2001	2002
<b>Intra-ASEAN Exports and Imports:</b>								
Brunei Darussalam	1 374	1 320	1 283	1.7	0.9	0.8	27.3	29.9
Indonesia	7 656	15 234	16 865	9.3	10.0	10.6	17.5	19.1
Malaysia	21 891	36 279	39 372	26.6	23.8	24.8	22.5	22.9
Philippines	2 678	9 651	11 072	3.2	6.3	7.0	15.6	16.1
Singapore	37 167	61 806	64 404	45.1	40.6	40.6	26.0	26.7
Thailand	11 680	24 404	22 524	14.2	16.0	14.2	19.2	17.5
ASEAN-6	82 444	148 693	155 520	100.0	97.7	98.0	21.9	22.1
Cambodia	n.a.	1 164	690	n.a.	0.8	0.4	23.0	19.3
Laos	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Myanmar	n.a.	2 271	2 412	n.a.	1.5	1.5	45.1	52.8
Viet Nam	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total intra-ASEAN	82 444	152 127	158 622	100.0	100.0	100.0	22.1	22.3
As % of ASEAN total	19.2	22.1	22.3					

*Notes:* Singapore's import and export figures include imports from ASEAN for re-export to ASEAN and exports to ASEAN of goods of ASEAN origin, so there is a large element of double-counting of intra-ASEAN trade. However, Singapore's trade figures exclude trade with Indonesia, which has not been reported by Singapore, so there is a significant element of under-reporting by Singapore of trade with ASEAN. Singapore-Indonesia trade has not been reported by Singapore since 1963. n.a. = not available.

*Source :* ASEAN Secretariat trade statistics.



Table 13.5 shows that investment from ASEAN accounted for 22.6 per cent of total CLMV FDI inflows in 1998-2001, ranging from highs of 49.4 per cent for Laos and 36.1 per cent for Cambodia to near 20 per cent for Viet Nam. Singapore is the leading investor in the CLMV sub-region, accounting for 57.8 per cent of ASEAN investments. Its investment concentrates in Viet Nam, followed by Myanmar and Cambodia. Thailand is the leading investor in Laos. FDI from the ASEAN-6 fell sharply after the Asian financial crisis erupted in mid-1997. Among the CLMV countries, Viet Nam is the largest recipient of FDI from ASEAN, overwhelmingly from Singapore, with Thailand and Malaysia ranking second and third.

ASEAN membership is expected to bring several economic benefits for the CLMV countries. First and foremost, they have preferential access to a larger regional market, enabling them to have greater market security, specialise according to comparative advantage, exploit scale economies and improve the prospects for attracting FDI into downstream and upstream industries. Joint development of tourist infrastructure and common marketing of ASEAN as a tourist destination have benefited CLMV tourism.

With their abundance of agricultural, marine and mineral resources as well as low-wage labour, the CLMV economies have comparative advantage in activities based on primary resources and in labour-intensive manufacturing. Their food exports compete with those from some ASEAN countries, but there is a ready demand from Singapore, which also helps CLMV suppliers with technical and sanitary and phytosanitary standards. The producing countries can move up the value chain from exporting unprocessed agriculture and aquaculture products to exporting processed food. They need technical assistance to raise sanitary and phytosanitary standards to meet regional and global market demand.

Relocation of labour-intensive manufacturing from the more advanced ASEAN economies experiencing higher and rising labour costs would enable the CLMV countries to become integrated into the regional value chains and industry clusters. ASEAN-5 has enjoyed rapid growth in the electronics industry and is part of the global and regional electronics supply chains and industry clusters. The CLMV countries, particularly the larger labour-abundant economies of Myanmar and Viet Nam, should have good prospects for the more labour-intensive end of the electronics value chain. The electronics industry in Viet Nam is already growing rapidly, in part from relocations from the more costly production centres in ASEAN and Asian NIEs. An integrated ASEAN electronics industry should provide a competitive response to the challenge of China. The low-wage advantage of CLMV could be negated,

Table 13.5. **CLMV: FDI Inflows from ASEAN Sources**  
(\$ million; percentages as indicated)

	1995	1996	1997	1998	1999	2000	2001	1998-01
Cambodia:	150.7	293.7	168.1	271.9	232.0	148.8	148.3	801.0
ASEAN				96.9	84.2	71.1	37.2	289.4
Malaysia				24.2	32.3	45.9	10.9	113.3
Singapore				43.8	18.1	19.3	21.6	102.8
Thailand				27.6	32.3	12.0	3.3	75.2
ASEAN/World, %				35.6	36.3	47.8	25.1	36.1
Laos:	88.4	128.0	86.3	45.3	51.6	34.0	23.9	154.8
ASEAN	6.5	102.6	64.4	28.3	31.4	13.7	3.1	76.5
Malaysia	0.8	22.5	56.1	1.2	9.1	3.2	0.9	14.4
Singapore	0.0	1.3	1.7	0.2	1.7	0.5	0.1	2.5
Thailand	5.6	78.8	6.3	26.3	19.6	8.6	1.5	56.0
ASEAN/World, %	7.4	80.2	74.6	62.5	60.9	40.3	13.0	49.4
Myanmar:	317.6	580.7	878.8	683.6	304.2	208.0	192.0	1 387.8
ASEAN	96.7	228.6	323.3	153.9	41.2	74.0	67.4	336.5
Malaysia	5.7	10.6	5.1	12.0	15.5	5.9	2.2	35.6
Singapore	55.5	175.0	279.1	79.1	14.9	57.6	55.7	207.3
Thailand	32.4	42.6	32.0	58.0	9.6	3.0	6.0	76.6
ASEAN/World, %	30.4	39.4	36.8	22.5	13.5	35.6	35.1	24.2
Viet Nam:	1 780.4	1 803.0	2 587.3	1 700.0	1 483.9	1 289.0	1 300.3	5 773.2
ASEAN	387.3	328.7	547.2	398.7	289.3	202.4	241.5	1 131.9
Malaysia	83.2	36.8	53.4	19.0	96.5	84.0	27.2	226.7
Singapore	239.2	233.0	347.0	319.0	177.3	91.0	160.6	747.9
Thailand	55.0	37.0	105.4	51.0	10.6	13.2	45.2	120.0
ASEAN/World, %	21.8	18.2	21.1	23.5	19.5	15.7	18.6	19.6
CLMV:				2 700.8	2 071.7	1 679.8	1 664.5	8 116.8
ASEAN				677.8	446.1	361.2	349.2	1 834.3
Malaysia				56.4	153.4	139.0	41.2	390.0
Singapore				442.1	212.0	168.4	238.0	1 060.5
Thailand				162.9	72.1	36.8	56.0	327.8
ASEAN/World, %				25.1	21.5	21.5	21.0	22.6

Source : ASEAN Statistical Yearbook 2003.

however, by low productivity and poor transport infrastructure and logistics that raise transaction costs and impede “just-in-time” and “time-sensitive” manufacturing. For landlocked Laos, co-operation with Thailand is essential to minimise its transit costs for exports.

ASEAN membership will enable the CLMV countries to access more technical assistance, including customs harmonisation and procedures, technical, sanitary and phytosanitary standards and capacity-building measures such as training of bureaucrats, particularly trade and investment officials. The CLMV countries also learn from the economic development experience and economic management practices of ASEAN-5, as these countries have successfully gone through the development stages and processes that the CLMV countries undergo currently. In the transition from command to market economies and from economic isolation to economic opening, CLMV policy makers need to draw on the expertise and experience of the more advanced ASEAN countries and not rely primarily on the international and regional development and financial institutions.

### *Initiatives to Narrow the Development Gap*

In recent years ASEAN has made special efforts to promote the development of CLMV, particularly under the ASEAN Integrated System of Preferences (AISP) implemented in January 2002 and the Initiative for ASEAN Integration (IAI) implemented in November 2002. The AISP provides preferential market access for exports from CLMV as they have been unable to benefit fully from the AFTA trade liberalisation of the ASEAN-6 because of their own delayed schedule of trade liberalisation. AISP is implemented on a voluntary and bilateral basis, with CLMV countries requesting that products be accorded preferential access<sup>11</sup>.

IAI aims at enhancing productive capacity in CLMV countries through four component programmes and projects, namely infrastructure, information and communications technology (ICT), human resource development (HRD) and capacity building for regional economic integration. In most instances, the measures and projects in the IAI Work Plan, covering July 2002-June 2008, are part of region-wide programmes of ASEAN but specially focused on CLMV. Most of the proposals on infrastructure are segments of the Singapore-Kunming Rail Link, the ASEAN highway network, the ASEAN Power Grid and the Trans-ASEAN Gas Pipeline Network. The ICT component

derives largely from the e-ASEAN programme and recommendations in the ASEAN e-readiness assessment. The HRD component runs through all the other components of IAI. Capacity building for regional economic integration is intended to help the CLMV countries take part in and benefit from all the economic integration schemes, particularly AFTA, AFAS and AIA. The Work Plan's 54 projects and programmes are at various stages of implementation and resource mobilisation.

The CLMV countries played the leading role in putting together the Work Plan and have committed themselves to take the necessary policy measures to make it work. The ASEAN-6 countries have taken the lead by making pledges and commitments to assist, and their contributions take various forms, including training, provision of technical experts and supply of equipment. ASEAN also seeks funding support from its dialogue and development partners. IAI activities are also carried out through various channels including the Mekong Basin Development Co-operation and bilateral technical assistance by ASEAN-6 countries and Dialogue Partners. For example, Japan has given active support, with several Japan-funded technical assistance projects, including capacity-building training for government officials. The role of the Asian Development Bank (ADB) in the Greater Mekong Sub-region (GMS) is discussed separately in a later section.

## Global Integration through Trade and Investment

### *Trade Dependence and Integration*

Official trade statistics do not fully reflect the extent of external trade of the CLMV economies. A large amount of unrecorded trade and smuggling occurs across the long and poorly patrolled borders of Cambodia, Laos, Myanmar and Viet Nam<sup>12</sup>. With this caveat, Table 13.6 shows the rapidly growing trade integration of CLMV countries. Viet Nam has the largest volume of trade, followed by Myanmar and Cambodia, while Laos has much less external trade. CLMV trade dependence, as measured by the trade/GDP ratio, is very high and rising. During 1990-2002, this ratio rose from 18 per cent to 101 per cent for Cambodia, from 6 per cent to 98 per cent for Myanmar, from 80 per cent to 98 per cent for Viet Nam and from 30 per cent to 46 per cent for Laos.

Table 13.6. **ASEAN External Trade**  
(trade flows in \$ million; shares and ratios in per cent)

	1990	1996	1997	1998	1999	2000	2001	2002
<b>Merchandise imports:</b>								
Cambodia	56	1 072	1 092	1 166	1 591	1 939	2 094	2 314
Laos	185	690	648	553	554	535	523	447
Myanmar	668	1 869	2 107	2 451	2 188	2 169	2 450	2 009
Viet Nam	2842	10 030	10 432	10 350	10 568	15 387	14 546	17 760
CLMV-4	3 751	13 661	14 279	14 520	14 901	20 030	19 613	22 530
Brunei	na	2 345	2 015	1 314	1 250	1 047	1 125	1 480
Indonesia	21 837	44 240	46 223	31 942	30 598	40 366	34 669	35 652
Malaysia	29 170	73 132	74 131	54 169	61 452	77 602	69 598	75 365
Philippines	13 042	31 885	36 355	29 524	29 252	33 481	31 986	33 975
Singapore	60 954	123 900	125 092	95 925	104 642	127 457	109 752	117 526
Thailand	33 408	70 815	61 349	40 643	47 529	62 423	60 576	63 353
ASEAN-6	158 411	346 317	345 165	253 517	274 723	342 376	307 706	327 351
ASEAN-10	162 162	359 977	359 444	268 037	289 625	362 407	327 319	349 880
CLMV/ASEAN share	2.31	3.79	3.97	5.42	5.14	5.53	5.99	6.44
<b>Merchandise exports:</b>								
Cambodia	42	644	862	800	1 129	1 401	1 571	1 750
Laos	79	317	313	337	302	330	310	301
Myanmar	409	938	975	1 065	1 140	1 644	2 529	2 404
Viet Nam	2 525	7 255	9 185	9 361	11 540	14 448	15 027	16 706
CLMV-4	3 055	9 154	11 335	11 563	14 111	17 823	19 437	21 161
Brunei	na	2 593	2 662	1 891	2 539	3 904	3 643	3 708
Indonesia	25 675	50 188	56 297	50 370	51 242	65 406	57 364	57 159
Malaysia	29 420	77 169	77 561	71 850	84 097	98 429	87 981	94 343
Philippines	8 180	20 543	25 228	29 496	34 210	37 295	31 243	34 376
Singapore	52 753	129 552	129 757	110 271	116 629	139 747	124 505	137 429
Thailand	23 572	54 667	56 725	52 878	56 801	67 889	63 070	66 092
ASEAN-6	139 600	334 712	348 230	316 756	345 518	412 670	367 806	393 107
ASEAN-10	142 655	343 866	359 565	328 319	359 629	430 493	387 243	414 268
CLMV/ASEAN share	2.14	2.66	3.15	3.52	3.92	4.14	5.02	5.11

Table 13.6. (contd.)

	1990	1996	1997	1998	1999	2000	2001	2002
<b>Imports + exports:</b>								
Cambodia	98	1 716	1 954	1 966	2 720	3 340	3 665	4 064
Laos	264	1 007	961	890	856	865	833	748
Myanmar	1 077	2 807	3 082	3 516	3 328	3 813	4 979	4 413
Viet Nam	5 367	17 285	19 617	19 711	22 108	29 835	29 573	34 466
CLMV-4	6 806	22 815	25 614	26 083	29 012	37 853	39 050	43 691
Brunei	na	4 938	4 677	3 205	3 789	4 951	4 768	5 188
Indonesia	47 512	94 428	102 520	82 312	81 840	105 772	92 033	92 811
Malaysia	58 590	150 301	151 692	126 019	145 549	176 031	157 579	169 708
Philippines	21 222	52 428	61 583	59 020	63 462	70 776	63 229	68 351
Singapore	113 707	253 452	254 849	206 196	221 271	267 204	234 257	254 955
Thailand	56 980	125 482	118 074	93 521	104 330	130 312	123 646	129 445
ASEAN-6	298 011	681 029	693 395	570 273	620 241	755 046	675 512	720 458
ASEAN-10	304 817	703 843	719 009	596 356	649 254	792 900	714 562	764 148
CLMV/ASEAN share	2.23	3.24	3.56	4.37	4.47	4.77	5.46	5.72
<b>Trade/GDP ratio:</b>								
Cambodia	17.8	51.4	58.9	65.1	73.0	93.3	96.6	101.1
Laos	30.5	54.1	59.1	73.3	60.5	49.8	47.8	46.2
Myanmar	5.6	56.6	66.2	50.7	36.0	41.4	77.6	98.0
Viet Nam	79.7	70.1	73.1	72.4	77.1	95.3	89.9	98.2
CLMV	na	65.5	70.3	68.0	67.3	82.6	87.1	96.4
ASEAN-10	na	97.0	102.8	126.2	118.6	136.2	129.1	122.7

Source : 1990 data from ADB Key Indicators 2004; 1996-2002 data from ASEAN Secretariat website.

### *MFN, Trade Preferences, and Trade in Textiles and Clothing*

WTO accession is expected to bring substantial benefits to Cambodia, Laos and Viet Nam. The first is MFN market access. Non-membership has subjected these countries to discriminatory treatment of their exports in various markets. Second, accession means that they can turn to the WTO dispute settlement mechanism to defend their trade interests. With falling tariffs and quantitative restrictions among WTO members, importing countries increasingly resort to the use of technical barriers to trade (particularly SPS) and antidumping measures to protect domestic interests. For example, Vietnamese exporters increasingly face these new trade barriers in their exports of shrimp and gas lighters to the EU, frozen fish fillets to the United States and garlic and waterproof footwear to Canada. Because Viet Nam is not yet a member of WTO and has no access to its dispute-settlement mechanism, it must use separate bilateral legal measures to resolve such disputes, which can be very costly. Third, WTO membership forces the CLMV countries to improve their legal frameworks and the transparency of rules, regulations and practices governing administration, trade and investment and state-owned enterprises. This should serve to lower business transaction costs and improve productivity in these economies.

As low-income developing countries and least-developed countries, the CLMV countries are beneficiaries and potential beneficiaries of the WTO's special and differential treatment (S&D) accorded to developing countries, particularly the least developed. These special provisions include imposition of fewer obligations on them; longer adjustment and transitional time frames for implementing WTO agreements and commitments; and technical assistance to help build their infrastructures for WTO work, handle disputes and implement technical standards. The WTO High Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development in October 1997 adopted initiatives to improve market access for the least developed countries<sup>13</sup>. In practice, S&D provisions have been considered inadequate by developing countries and there are various implementation problems. Various S&D issues are on the Doha Round agenda.

The Generalised System of Preferences (GSP) has been the main trade preference scheme for developing countries under the GATT/WTO. Developed countries offer unilateral and non-reciprocal preferential treatment (such as zero tariffs or tariff rates lower than MFN rates on imports) to products originating in developing countries. Over the years, some advanced developing countries have graduated from various GSP schemes, and



currently there are 16 national GSP schemes. Among the OECD countries, Japan's GSP scheme grants duty-free entry for most industrial products and reduced-tariff rates for selected industrial, agricultural and fishery products. In April 2000 it added a new list of products enjoying duty-free and quota-free treatment for least-developed beneficiary countries. The EU GSP scheme covers most processed and semi-processed industrial goods and many agricultural products. In January 1998 the EU decided to extend the special treatment it has granted to the Lomé countries to all developing countries. Rules of origin were simplified by allowing derogations and by promoting cumulation. For example, the EU granted derogation from normal rules of origin to Cambodia and Laos (among others) to allow them to use neighbouring countries' raw materials to produce clothing for export to the EU duty-free under the GSP scheme. Further, the EU "Everything but Arms" (EBA) amendment grants unrestricted duty-free access to all products originating in least developed countries, except arms.

The US GSP scheme offers duty-free market access on nearly half of the products listed in the US HTS (Harmonised Tariff Schedule). In 1997, the US added 1 743 tariff lines for least-developed beneficiary countries, but lack of "normal trade relations" (NTR) penalises CLMV exports to the US market<sup>14</sup>. Instead of enjoying the US GSP as a developing country, Viet Nam saw its exports to the United States severely penalised until the lifting of the US trade embargo in 1994 and the implementation of the US-Viet Nam Bilateral Trade Agreement (BTA) in December 2001. Tariffs on Vietnamese goods fell from an average of 40 per cent to only 3 per cent, which boosted Vietnamese exports of textiles, shoes and seafood. Yet Vietnamese exports to the United States continue to face a huge disadvantage, because the United States still regards Viet Nam as a non-market economy. Under the BTA Viet Nam has to open its energy, financial services and telecommunications markets to US companies, and import-competing sectors face intensified competition.

Growth prospects for developing-country exports of textiles and clothing, a major export of developing countries, were constrained for two decades (1974-94) by the Multi-Fibre Arrangement (MFA). Under this, importing developed countries imposed country-specific export quotas on them through bilateral agreements. In 1995, the WTO Agreement on Textiles and Clothing (ATC) replaced the MFA. It provided for a ten-year transition period to phase out all bilateral quotas by 1 January 2005, which in fact occurred. The ATC also contained a safeguard mechanism permitting countries to establish transition-period quotas on articles not yet integrated into the GATT, if necessary to protect their domestic markets from import

surges. It also required members to reduce trade barriers to textiles and clothing in their home markets and allowed countries to take action against quota circumvention. All WTO countries were subject to ATC disciplines, and only member countries were eligible for ATC benefits, with serious implications for non-member developing and least-developed countries, including Laos and Viet Nam.

Although the lifting of MFA quotas on 1 January 2005 finally enabled developing countries to benefit from participation in international trade in textiles and clothing, three concerns remain in the post-ATC world. First, developed countries could increasingly apply contingent protective measures on imports of textiles and clothing, which would nullify the liberalising effects of the quota removal. Second, the dismantling of quotas would level the playing field among developing countries and “penalise” preferred suppliers and high-cost suppliers protected by the former quota allocations. Third, many developing countries (including CLMV) have concerns over the rapid growth of exports from China. In 2001, China had already become the world’s leading ATC supplier with exports of \$53 billion<sup>15</sup>. Although China became eligible for quota-free market access under the ATC following its WTO accession in December 2001, exports to the United States will continue to be quota-restricted until December 2008 as part of China’s WTO accession package. This has significance for other developing-country exporters of textiles and clothing to the United States; China overtook Mexico as the leading supplier to the US market in 2002. India, too, could follow the Chinese example and become a major textile and clothing exporter.

US imports of textiles and clothing from Viet Nam and Cambodia have grown rapidly in recent years following normalisation of trade relations. US clothing imports from Viet Nam jumped from \$49 million in 2001 to \$952 million in 2002, following implementation of the BTA, enabling Viet Nam’s textile and clothing exports to the US market to enjoy much lower rates of duty than previously<sup>16</sup>. US imports from Cambodia rose from less than \$1 million in 1995 (the year before the country received NTR status) to \$1.1 billion in 2002. A US-Cambodia bilateral agreement that entered into force in January 1999 provides for quotas on imports of clothing from Cambodia and commits Cambodia to improve labour conditions in its textiles and clothing sector<sup>17</sup>.

## CLMV Export Composition and Major Markets

Export growth in recent years has been very rapid for Cambodia, Myanmar and Viet Nam, but Laos has experienced slow and negative export growth, in part because of its heavy dependence on the Thai economy, which was adversely affected by the Asian financial crisis. Table 13.7 on the following page shows the major exports of CLMV countries in 2002. These data are culled by ITC from the import statistics of trade partners and could be incomplete in coverage. They show the transformation of Cambodia and Laos from exporters of primary commodities to exporters of clothing (HS61, HS62). Clothing accounted for 85.5 per cent of total Cambodian exports and 77.5 per cent of total Laotian exports, 39.5 per cent of Myanmar's and 15.1 per cent of Viet Nam's. As noted earlier, rapid growth of the clothing industry is due to preferential access to the US and European markets. With improved market access following the Bilateral Trade Agreement, Viet Nam's clothing shipments to the United States surged by 120 per cent in 2002 to over \$2 billion, triggering the imposition of US quotas in 2003. There is concern that the exclusion of Laos and Viet Nam (as non-WTO members) from the quota-free, post-ATC world will penalise textiles and clothing exports from these countries as well as their ability to attract FDI<sup>18</sup>.

Export performance and prospects for primary products are mixed. Up to the early 1990s, the CLMV countries depended heavily on such exports. Products of tropical agriculture are not seriously affected by the agricultural subsidies imposed by OECD countries, except for rice and sugar. Marine products have become key exports of Cambodia, Myanmar and Viet Nam. Improved market access being negotiated under the Doha Round should improve agricultural export prospects for the sub-region. Timber is a major export of Cambodia, Laos and Myanmar but such exports are unsustainable from the environmental perspective. Oil production and exports have grown rapidly for Viet Nam, and oil is also a key product of Myanmar. Hydroelectric power is a leading Laotian export with good potential for transmission to neighbouring countries, but sustained and increased exports depend crucially on investment in further hydroelectric projects. Tourism is growing rapidly, and the tourism potential in the sub-region will be better realised with improved transportation networks, particularly with direct flights to the tourist attraction of Angkor Wat in Siem Reap, and with greater and more effective regional co-operation in transportation development and tourism promotion. Much remains to be done in travel facilitation such as transportation, visa requirements and hotel facilities.

Table 13.7. **CLMV Countries: Major Exports in 2002**  
(values in \$ thousands; shares and growth rates in per cent)

HS	Product	Exports to World			Exports to OECD		
		Exports	Share in Country's Exports	Average Annual Growth 1998-2002	World Export Ranking	Exports	Share in Country's Exports
<b>Cambodia:</b>							
61	Articles of apparel, accessories, knit or crochet	820 702	43.4	24	27	776 077	94.6
62	Articles of apparel, accessories, not knit or crochet	796 300	42.1	32	31	764 432	96.0
64	Footwear, gaiters and the like, parts thereof	142 996	7.6	59	35	141 813	99.2
40	Rubber and articles thereof	23 226	1.2	-15	71	4 541	19.6
44	Wood and articles of wood, wood charcoal	19 835	1.0	-23	86	3 425	17.3
65	Headgear and parts thereof	17 552	0.9	136	27	17 538	99.9
63	Other made textile articles, sets, worn clothing etc.	12 936	0.7	70	73	12 516	96.8
71	Pearls, precious stones, metals, coins etc.	11 627	0.6	142	102	0	0.0
03	Fish, crustaceans, molluscs, aquatic invertebrates	7 792	0.4	-14	114	1 526	19.6
10	Cereals	4 550	0.2		76	1 474	32.4
	Total exports, top ten products above	1 857 516	98.3			1 723 342	92.8
	Total exports, all products	1 890 167	100.0		99	1 745 358	92.3
<b>Laos:</b>							
62	Articles of apparel, accessories, not knit or crochet	73 807	45.1	5	82	73 438	99.5
61	Articles of apparel, accessories, knit or crochet	52 946	32.4	1	78	52 408	99.0
44	Wood and articles of wood, wood charcoal	12 801	7.8	-19	94	6 097	47.6
09	Coffee, tea, mate & spices	11 920	7.3	-16	73	11 343	95.2
64	Footwear, gaiters and the like, parts thereof	4 341	2.7	38	84	4 341	100.0
12	Oilseed, oleagic fruits, grain, seed, fruit etc	1 581	1.0	5	114	141	8.9
71	Pearls, precious stones, metals, coins etc	1 502	0.9		135	1 454	96.8
40	Rubber and articles thereof	1 496	0.9		94	51	3.4
13	Lac, gums, resins, vegetable saps, extracts n.e.s.	650	0.4	23	72	549	84.5
94	Furniture, lighting, signs, prefab buildings	374	0.2	-16	136	165	44.1
	Total exports, top ten products above	161 418	98.7			149 987	92.9
	Total exports, all products	163 509	100.0		166	151 483	92.6

Table 13.7 (contd.)

HS	Product	Exports to World			Exports to OECD		
		Exports	Share in Country's Exports	Average Annual Growth 1998-2002	World Export Ranking	Exports	Share in Country's Exports
<b>Myanmar:</b>							
61	Articles of apparel, accessories, knit or crochet	399 923	23.1	33	41	323 860	81.0
44	Wood and articles of wood, wood charcoal	309 000	17.9	11	39	75 766	24.5
07	Edible vegetables and certain roots, tubers	288 721	16.7	33	14	13 701	4.7
62	Articles of apparel, accessories, not knit or crochet	283 140	16.4	27	50	272 054	96.1
03	Fish, crustaceans, molluscs, aquatic invertebrates	158 802	9.2	3	46	114 879	72.3
10	Cereals	46 578	2.7	40	42	5 625	12.1
27	Mineral fuels, oils, distillation products etc.	28 901	1.7		118	28 883	99.9
71	Pearls, precious stones, metals, coins etc.	23 015	1.3	-18	91	10 465	45.5
64	Footwear, gaiters and the like, parts thereof	21 926	1.3	31	64	3 284	15.0
40	Rubber and articles thereof	15 237	0.9	-6	76	281	1.8
	Total exports, top ten products above	1 575 243	91.1			848 798	53.9
	Total exports, all products	1 729 308	100.0		107	986 230	57.0
<b>Viet Nam:</b>							
27	Mineral fuels, oils, distillation products etc.	3 243 958	20.8	26	39	1 554 835	47.9
64	Footwear, gaiters and the like, parts thereof	2 843 958	18.3	14	4	2 729 984	96.0
62	Articles of apparel, accessories, not knit or crochet	1 606 495	10.3	11	19	1 151 580	71.7
03	Fish, crustaceans, molluscs, aquatic invertebrates	1 294 846	8.3	20	11	1 186 929	91.7
85	Electrical, electronic equipment	783 824	5.0	29	50	388 020	49.5
61	Articles of apparel, accessories, knit or crochet	749 464	4.8	23	32	466 740	62.3
94	Furniture, lighting, signs, prefabricated buildings	597 676	3.8	28	26	156 550	26.2
09	Coffee, tea, mate & spices	520 357	3.3	-12	8	410 329	78.9
42	Articles of leather, gut, harness, travel goods	360 291	2.3	8	13	300 413	83.4
16	Meat, fish and seafood preparations n.e.s.	305 988	2.0	46	15	298 238	97.5
	Total exports, top ten products above	12 306 857	79.1			8 643 618	70.2
	Total exports, all products	15 559 984	100.0		53	12 027 080	77.3

Source: Extracted from ITC Trade Map Data based on COMTRADE statistics. The export data for CLMV countries are based on imports of partner countries.

The CLMV countries have yet to become plugged into the East Asian production networks for electronic products and components that have encompassed Japan, the Asian NIEs and the ASEAN-5. The larger economies of Myanmar and Viet Nam have begun to see FDI in this sector. Good prospects exist for relocating investment from the more advanced countries in the East Asian region, because Myanmar and Viet Nam have abundant low-wage labour, and investors seek to diversify dependence on China as a production centre. The electronics industry is extremely time-sensitive, however, with short product cycles and a need for reliable and quick supply responses to demands for products, parts and components. Myanmar and Viet Nam will need to improve their political climates and labour market flexibility to reduce risks of supply disruptions and to improve their transport and logistics infrastructures in order to become production and export nodes.

Before the 1990s, the CLMV sub-region traded largely with the CMEA (Council for Mutual Economic Assistance) group of the COMECON socialist countries. Table 13.8 shows the very sizeable changes in the direction of CLMV trade that occurred between 1990 and 2002 towards the US, EU and Japanese markets. The US share of Cambodia's exports leaped from zero to 60 per cent, while the EU's jumped from 5 to 24 per cent. The two markets combined accounted for 84 per cent of Cambodia's exports in 2002, with the exports dominated by clothing and footwear. For Viet Nam, the share of exports to the US surged from zero to 15 per cent and the EU's share climbed from 7 to 24 per cent. The US lifted its trade embargo on Viet Nam in February 1994. US imports from Viet Nam rose to \$210 million in 1995 and reached \$1.1 billion by 2001. After the BTA, they surged to \$2.6 billion in 2002. For Laos, the US share remained low, but the EU's leaped from 9 to 29 per cent. Big gains also occurred in Myanmar's export shares to the United States and the EU. Japan remains a minor market for CLMV exports, and shares of exports to Japan declined, reflecting the diversion to the US and EU markets as trade-policy coherence improved. The experience of CLMV countries in the US and EU markets contrasts sharply with that of the ASEAN-5, where US and EU export shares have shrunk considerably.

Table 13.8. ASEAN: Direction of Trade, 1990 and 2002  
(per cent of total exports)

	Japan	United States	EU	Sum: Japan, USA and EU	Others
Cambodia					
1990	7.6	0.0	5.0	12.6	87.4
2002	3.9	59.9	23.9	87.7	12.3
Laos					
1990	7.1	0.1	9.4	16.6	83.4
2002	1.5	0.7	28.5	30.7	69.3
Myanmar					
1990	6.9	2.3	6.9	16.1	83.9
2002	3.8	13.2	13.8	30.8	69.2
Viet Nam					
1990	13.5	0.0	6.8	20.3	79.7
2002	14.6	14.9	24.2	53.7	46.3
Indonesia					
1990	42.5	13.1	12.0	67.6	32.4
2002	21.1	13.2	13.9	48.2	51.8
Malaysia					
1990	15.3	16.9	15.4	47.6	52.4
2002	11.3	20.2	12.4	43.9	56.1
Philippines					
1990	19.8	37.9	18.5	76.2	23.8
2002	15.0	24.7	18.1	57.8	42.2
Singapore					
1990	8.8	21.3	15.0	45.1	54.9
2002	7.1	15.3	12.5	34.9	65.1
Thailand					
1990	17.2	22.7	22.7	62.6	37.4
2002	14.5	19.6	14.8	48.9	51.1
ASEAN					
1990	18.3	19.6	15.8	53.7	46.3
2001	12.3	17.9	14.1	44.3	55.7

Source : Asian Development Outlook 2004.

There is much concern over the implications of China's rise and WTO accession for CLMV exports. Both the CLMV and China have comparative and competitive advantages in labour-intensive manufactures such as textiles and clothing, footwear and the labour-intensive segments of the electronics industry. While CLMV wage levels are competitive *vis-à-vis* China, these smaller economies cannot enjoy economies of scale unless ASEAN economic



integration can quickly result in a unified ASEAN market. Partly in recognition of this concern, China has offered an economic co-operation and free trade agreement with ASEAN to provide preferential access to its large and dynamic market. The ASEAN-China FTA will be realised within ten years, with tariffs reduced or eliminated by 2010 for China and ASEAN-6 and by 2015 for the CLMV countries. Further, in recognition of ASEAN's interest in agricultural exports, China also offered an "early harvest" of liberalised two-way trade in a range of agricultural products with the phasing out of tariffs in 2003-06<sup>19</sup>.

### *FDI Dependence and Integration*

Table 13.9 shows inward FDI flows and stocks for all ASEAN countries since 1985. The ASEAN-6 group has attracted FDI to promote economic development, industrialisation and employment since the 1960s but more particularly since the mid-1980s. FDI inflows peaked at \$30.4 billion in 1997 and since have fallen far below that level, to \$13 billion in 2002 before some rebound in 2003. The downtrend reflects the fall-out from the Asian financial crisis, the global and regional economic slowdown, FDI competition from elsewhere (Latin America, Central and Eastern Europe and China), sizeable repayments of intra-company loans and the deteriorating economic and political environment in some ASEAN countries.

The CLMV sub-region has received considerably less FDI than the ASEAN-6. The sub-region opened to FDI only in the late 1980s and inflows reached \$3.7 billion by 1997, accounting for 10.9 per cent of ASEAN's total FDI inflows. Apart from an investment climate less favourable than in the ASEAN-6, FDI inflows into Viet Nam and Myanmar were also dampened by political restrictions imposed by the United States and the EU. The sharp downtrend in FDI inflows reflected the after-effects of the Asian financial crisis. FDI dependence as measured by the FDI flow/gross investment ratio shows high dependence in Cambodia and Viet Nam and low dependence in Laos (no data are available for Myanmar). FDI dependence as measured by the FDI stock/GDP ratio, however, shows a rising trend, with the highest ratio in Viet Nam, followed by Cambodia and Laos. These stock ratios are higher than in some of the ASEAN-6 countries despite the more recent history of FDI in the sub-region.

Table 13.9. ASEAN Countries: FDI Flows, Stocks and Ratios, 1985-2003  
(flows in \$ million; ratios in per cent)

	1985-90 Average	1991-96 Average	1997	1998	1999	2000	2001	2002	2003
<b>FDI inflows</b>									
Cambodia	n.a.	120	168	243	230	149	149	145	87
Laos	2	53	86	45	52	34	24	25	19
Myanmar	28	256	879	684	304	208	192	191	128
Viet Nam	30	1 217	2 587	1 700	1 484	1 289	1 300	1 200	1 450
CLMV	60	1 646	3 720	2 672	2 070	1 680	1 665	1 561	1 684
Brunei	n.a.	210	702	573	748	549	526	1 035	2 009
Indonesia	551	2 985	4 678	-241	-1 866	-4 550	-2 977	145	-597
Malaysia	1 054	5 436	6 323	2 714	3 895	3 788	554	3 203	2 474
Philippines	413	1 226	1 261	2 212	1 725	1 345	982	1 792	319
Singapore	2 952	6 856	13 533	7 690	16 067	17 217	15 038	5 730	11 409
Thailand	1 017	1 964	3 882	7 491	6 091	3 350	3 813	1 068	1 802
ASEAN-6	5 987	18 677	30 379	20 439	26 660	21 699	17 936	12 973	17 416
ASEAN-10	6 047	20 323	34 099	23 111	28 730	23 379	19 601	14 534	19 100
CLMV/ASEAN-10 (%)	0.99	8.10	10.91	11.56	7.21	7.19	8.49	10.74	8.82
<b>FDI inflows/GFCF</b>									
Cambodia	n.a.	22.2	28.6	65.7	48.3	29.1	21.0	16.0	12.3
Laos	n.a.	21.4	18.2	14.4	15.7	9.1	6.2	6.9	5.2
Myanmar	n.a.	2.8	3.7	2.1	0.8	0.7	0.6	n.a.	n.a.
Viet Nam	n.a.	34.9	37.3	23.1	20.1	15.0	13.6	11.4	15.2
Brunei	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Indonesia	7.6	5.8	7.7	-1.0	-6.6	-13.9	-9.7	0.4	-1.8
Malaysia	43.7	19.3	14.7	14.0	22.5	16.4	2.5	14.5	10.8
Philippines	13.6	8.5	6.3	16.0	11.9	8.4	6.9	11.9	2.2
Singapore	59.3	28.8	37.0	25.0	57.8	62.8	60.1	25.6	45.7
Thailand	10.2	3.7	7.6	29.9	23.8	12.4	14.4	3.7	5.2

Table 13.9 (contd.)

	1985-90 Average	1991-96 Average	1997	1998	1999	2000	2001	2002	2003
		1980	1985	1990	1995	2000	2002	2003	
<b>FDI stock</b>									
Cambodia	n.a.	38	38	38	356	1 549	1 843	1 930	n.a.
Laos	n.a.	2	1	13	205	550	599	618	n.a.
Myanmar	n.a.	n.a.	n.a.	n.a.	649	3 865	4 248	4 376	n.a.
Viet Nam	n.a.	9	64	260	5 760	14 624	17 124	18 574	n.a.
CLMV	n.a.	49	103	311	6 970	20 588	23 814	25 498	n.a.
Brunei	n.a.	19	28	23	631	3 856	5 418	7 427	n.a.
Indonesia	n.a.	10 274	24 971	38 883	50 601	60 638	57 806	57 209	n.a.
Malaysia	n.a.	5 169	7 388	10 318	28 731	52 747	56 505	58 979	n.a.
Philippines	n.a.	1 281	2 601	3 268	6 086	12 810	11 148	11 467	n.a.
Singapore	n.a.	6 203	13 016	30 468	65 644	112 571	135 890	147 299	n.a.
Thailand	n.a.	981	1 999	8 209	17 452	30 106	35 108	36 910	n.a.
ASEAN-6	n.a.	23 927	50 003	91 169	169 145	272 728	301 875	319 291	n.a.
ASEAN-10	n.a.	23 976	50 106	91 480	176 115	293 316	325 689	344 789	n.a.
CLMV/ASEAN-10 (%)	n.a.	0.20	0.21	0.34	3.96	7.02	7.31	7.40	n.a.
<b>FDI stock/GDP</b>	n.a.								n.a.
Cambodia	n.a.	2.4	2.0	3.4	10.8	43.3	46.2	46.4	n.a.
Laos	n.a.	0.3		1.5	11.4	31.6	32.9	30.1	n.a.
Myanmar	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Viet Nam	n.a.	0.2	1.1	4.0	27.8	48.2	50.2	50.6	n.a.
Brunei	n.a.	0.4	0.8	0.7	12.1	89.4	126.6	156.0	n.a.
Indonesia	n.a.	13.2	28.2	34.0	25.0	40.4	33.3	27.5	n.a.
Malaysia	n.a.	20.7	23.3	23.4	32.3	58.5	59.5	57.2	n.a.
Philippines	n.a.	3.9	8.5	7.4	8.1	17.1	14.5	14.5	n.a.
Singapore	n.a.	52.9	73.6	83.1	78.2	121.5	153.9	161.3	n.a.
Thailand	n.a.	3.0	5.1	9.7	10.5	24.5	27.7	25.8	n.a.

Note: GFCF = Gross Fixed Capital Formation.

Source :UNCTAD, *World Investment Report*, 1997 and 2004.

Table 13.10 (on the following page) shows the sectoral composition of FDI inflows into Laos, Myanmar and Viet Nam for 1999-2001 (no sectoral data are available for Cambodia). The sub-region has attracted FDI into the natural-resource sector, particularly oil and gas in Viet Nam and forestry and precious gems in Cambodia, Laos and Myanmar, as well as into aquaculture. No sizeable FDI in agriculture has occurred, largely because of host-government restrictions on foreign ownership of agricultural land. While such restrictions have protected rural farm households, they also have discouraged the introduction of agricultural technology and exploitation of scale economies. Laos attracted sizeable investments in the energy sector to harness the country's very substantial hydropower potential. Reflecting the sub-region's tourism attractions and potential, considerable FDI has gone into tourist infrastructure and services. In manufacturing, CLMV countries want FDI in export manufacturing and links with global and regional production networks and supply chains. While these countries have abundant low-wage labour, however, (especially Myanmar and Viet Nam), they remain handicapped by shortages of skills, lack of local suppliers of parts and components and transportation and logistics inefficiencies.

During 1998-2001, the bulk of FDI flows to CLMV (63 per cent) came from East Asia, including 26.8 per cent from the NIE-3 (Hong Kong, China; Korea and Chinese Taipei), 22.6 per cent from ASEAN and 13.6 per cent from Japan. The NIEs have invested heavily in the clothing and footwear industries. Cambodia, Laos and Viet Nam depend much more on East Asian investors than does Myanmar. The OECD countries (including Japan but excluding Korea) accounted for 45 per cent of FDI inflows into the sub-region, ranging from 19.3 per cent in Cambodia to 69.5 per cent in Myanmar (including substantial European investments in the oil sector). The main OECD investors in CLMV are the EU-15 (\$1.58 billion in 1998-2001), followed by Japan (\$1.1 billion) and the United States (\$460.4 million). Viet Nam is the main recipient of OECD-country investment, which concentrates in agriculture, mining, manufacturing and services.

Viet Nam also accounts for most of the FDI flows to the sub-region, with investment flowing into natural resources and production for both the domestic and export markets. It has an abundance of resources including oil and gas, a sizeable domestic market of 80 million people with purchasing power growing at around 7 per cent annually and a large labour supply characterised by low wages, high levels of education and a strong work ethic. Earlier investments were in resource extraction and production serving the domestic market, but over time more FDI went into export production, particularly when bilateral restrictions on market access for Viet Nam's exports

Table 13.10. CLMV Countries (Excluding Cambodia): FDI Inflows by Sector and Country Source, 1999-2001

	Total	Japan	US	EU-15	J+US+EU	NIE-3	China	ASEAN	ROW	Total	J+US+EU	ASEAN
	Inflows in \$ millions									Distribution (%)		
<b>Laos:</b>												
Agriculture, fisheries, forestry	12.48		0.0		0.0	0.0	0.0	1.0	11.5	11.4	0.0	32.3
Mining, quarrying	23.38				0.0	0.1		0.2	23.1	21.3	0.0	6.5
Manufacturing	31.29	0.4		1.1	1.5	0.4	11.3	0.7	17.4	28.6	53.6	22.6
Construction	4.16			0.4	0.4	0.1		0.1	3.6	3.8	14.3	3.2
Trade, commerce	2.23			0.0	0.0	0.2		0.2	1.8	2.0	0.0	6.5
Financial services	0			0.1	0.1	0.0		0.0	-0.1	0.0	3.6	0.0
Real estate	0	0.2			0.2	0.0		0.0	-0.5	0.0	7.1	0.0
Services	31.77		0.0	0.5	0.5	3.4			27.3	29.0	17.9	12.9
Others	4.2				0.0	0.0			3.6	3.8	0.0	19.4
Total	109.51	0.6	0.1	2.1	2.8	4.2	11.8		87.6	100.0	100.0	100.0
<b>Myanmar:</b>												
Agriculture, fisheries, forestry	14.23				0.0	0.0		0.5	13.7	2.0	0.0	0.3
Mining, quarrying	438.56		44.7	78.6	123.3	0.0	0.0	10.7	304.6	62.3	26.4	5.9
Manufacturing	104.68	32.5		15.0	47.5	25.7	0.5	27.6	3.4	14.9	10.2	15.1
Construction	0.04				0.0	0.0		0.0	0.0	0.0	0.0	0.0
Trade, commerce	35.59				0.0	0.0			35.6	5.1	0.0	0.0
Financial services	0				0.0	0.0			0.0	0.0	0.0	0.0
Real estate	60.85				0.0	4.1		60.9	-4.2	8.6	0.0	33.3
Services	39.35	7.6		3.6	11.2	1.2		62.5	-35.6	5.6	2.4	34.2
Others	10.55	2.6	37.2	245.0	284.8	12.5		20.4	-307.2	1.5	61.0	11.2
Total	704.21	42.8	81.9	342.1	466.8	43.5	0.5	182.7	10.7	100.0	100.0	100.0

Table 13.10. (contd.)

	Total	Japan	US	EU-15	J+US+EU	NIE-3	China	ASEAN	ROW	Total	J+US+EU	ASEAN
	Inflows in \$ millions									Distribution (%)		
<b>Viet Nam</b>												
Agriculture, fisheries, forestry	326.08	10.5	23.2	111.2	144.9	109.9	8.5	62.7	0.1	8.0	9.7	8.6
Mining, quarrying	874.37	85.1	78.5	207.5	371.1	22.1	0.0	120.4	360.8	21.5	24.8	16.4
Manufacturing	1 549.79	332.9	33.6	115.4	481.9	597.9	33.3	249.7	187.0	38.0	32.2	34.1
Construction	313.03	106.2	15.2	21.1	142.5	37.1	0.9	98.5	34.0	7.7	9.5	13.4
Trade, commerce	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial services	45.81	2.2	1.5	31.4	35.1	10.8	0.0	0.0	-0.1	1.1	2.3	0.0
Real estate	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Services	964.74	90.3	30.8	198.8	319.9	377.6	9.4	201.9	55.9	23.7	21.4	27.5
Others	0.00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>4 073.82</b>	<b>627.1</b>	<b>182.8</b>	<b>685.4</b>	<b>1 495.3</b>	<b>1 155.3</b>	<b>52.1</b>	<b>733.1</b>	<b>638.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source : ASEAN (2002).

were progressively lifted and as the country nears WTO accession. By the end of the 1990s, foreign-invested-enterprises (FIEs), although they employed less than 1 per cent of the workforce, accounted for 35 per cent of industrial output, almost 13 per cent of GDP, 25 per cent of tax revenue and 27 per cent of non-oil exports (Freeman, 2002). That the top investors were East Asian in recent years explains why FDI inflows fell in the post-crisis years. ASEAN investments in Viet Nam come mainly from Singapore, Malaysia and Thailand. During 1995-2000, Singapore invested \$1.4 billion, followed by Malaysia with \$373 million and Thailand with \$372 million.

Two factors impact on CLMV FDI prospects. First, facing competition for FDI from China, the CLMV countries will have to continue to improve their investment environments, removing policy barriers to FDI and improving project-approval procedures and transparency, property rights, physical infrastructure and skilled human resources. They must also hasten ASEAN economic integration towards a unified market and production network. Second, in the post-ATC world the CLMV countries may lose their competitiveness in attracting FDI into the textiles and clothing sector. Laos and Viet Nam need to hasten their WTO accession.

## **ODA and the Greater Mekong Sub-Region**

### *Aid Dependence*

For low-income countries, aid is critical to facilitate economic and social development and poverty alleviation, as it provides financial and technical resources, including development, managerial and skills training and introduces international best practices. Chapter 6 in this volume examines the aid issue in the broader context of OECD policy coherence.

Bilateral official development assistance (ODA) to the CLMV countries has responded to their low per capita incomes as well as political and economic relations. ODA is crucial to the economies of Cambodia and Laos, accounting in 2001-02 for over 12 per cent of national income, the bulk of gross capital formation and a large percentage of imports. Table 13.11 shows the net ODA receipts of CLMV countries for recent years. Members of the Development Assistance Committee (DAC) are the major sources, with Japan the largest bilateral donor. The Asian Development Bank is the major source of multilateral aid. Aid dependence as measured by net ODA received shows that Viet Nam has received the most, \$1 billion per year, while Myanmar has received only something over \$100 million a year. Aid dependence in per capita terms shows that Cambodia and Laos have received the most and Myanmar the least.

Table 13.11. CLMV Countries - Net ODA Receipts

	Time Period	Cambodia	Laos	Myanmar	Vietnam
Net ODA receipts, \$ million	1995	556	309	151	837
	1996	422	332	43	939
	2000	398	282	107	1 682
	2001	420	245	127	1 453
	2002	487	278	121	1 277
Net ODA from DAC, \$ million	2001	265	150	89	822
	Japan	120	76	70	460
	US	22	5	3	9
France	21	11	1	62	
Net ODA from multilaterals, \$ million	2001	121	82	33	514
	IFIs	95	74	0	492
	United Nations	26	8	32	23
Bilateral share of gross ODA, %	2000	62	66	65	74
	2001	62	57	70	59
	2002	60	60	74	58
ODA per capita, \$	1995	52	66	3	11
	1996	38	69	1	13
	2000	33	53	2	22
	2001	33	45	3	18
ODA/GNI, %	1995	19.1	17.6	na	4.2
	1996	13.6	17.8	na	3.9
	2000	12.6	16.8	na	5.5
	2001	12.8	14.7	na	4.4
	2002	13.8	17.3	na	3.6
ODA/GCF, %	1995	86.8	67.3	na	15.3
	1996	51.8	61.2	na	13.6
	2000	83.5	80.6	na	19.8
	2001	67.1	62.5	na	14.2
ODA/Imports, %	1995	38.6	40.5	7.0	8.4
	1996	30.5	42.5	1.8	7.3
	2000	21.5	41.5	3.7	9.4
	2001	20.1	40.6	4.1	7.7
ODA/Central government expenditure, %	1995	n.a.	n.a.	1.3	16.9
	1996	n.a.	n.a.	0.3	16.5
	2000	n.a.	n.a.	0.3	26.1
	2001	n.a.	n.a.	n.a.	18.0

Notes: GNI = Gross National Income. GCF = Gross Capital Formation.

Sources: *World Development Indicators, 2002 and 2003*; OECD, *The DAC Journal Development Cooperation 2003 Report*, Vol.5, No.2 (2004).



## *Greater Mekong Sub-Region Programme*

The Greater Mekong Sub-Region (GMS) Programme exemplifies development and technical assistance to the CLMV countries. GMS comprises all the areas bordering both the upper and lower reaches of the Mekong River, namely the CLMV countries, Thailand and Yunnan province in China<sup>20</sup>. The end of the Viet Nam War, withdrawal of Vietnamese troops from Cambodia and resolution of the Viet Nam-China conflict led to improved economic relations among GMS countries and the launching of the GMS Programme in 1992 with ADB assistance. It seeks to realise and enhance development opportunities, encourage trade and investment among GMS countries, resolve and mitigate cross-border problems, and meet common resource and policy needs.

The Programme covers co-operation in almost 100 projects in eight sectors – transportation, telecommunications, energy, environment and natural resource management, tourism, human resource development, investment and trade. It focused initially on infrastructure, with projects in transport and to a lesser extent energy and telecommunications. Transportation is necessary to facilitate flows of goods, investment, people (including labour and tourism) and ideas and knowledge. In energy, ADB completed the 210mw *Theun Hinboun* Hydropower Project, the first public-private joint venture in Laos, which has enabled Laos to increase revenues by selling hydropower to neighbouring countries, especially through a long-term agreement with Thailand. ADB also started a regional co-operation initiative in telecommunications in partnership with the private sector. Technical assistance projects are helping to create a reliable, high quality, low cost telecommunications service linking the GMS countries. The ASEAN Information Infrastructure (AII) which forges agreements among member countries on design, standardisation, interconnection and interoperability of information have yet to focus on the CLMV countries, and each country has been left to decide for itself on the priority and development of this sector.

ADB also has financed or co-financed several technical agreements in tourism, including promotion of GMS as a tourist destination; training the trainers in basic skills of tourism; training resource managers in conservation and tourism; a Mekong/Lancan River tourism planning study; village-based tourism projects; and a North-South tourism corridor project. GMS countries have also established the Agency for Co-ordinating Mekong Tourism Activities.

An evaluation of the first decade of the GMS Programme (ADB, 2003) provided several lessons. First, infrastructure projects have long gestation periods and require long-term commitment, with time-consuming pre-feasibility and feasibility studies. The complexity of sub-regional projects and limited institutional capacity of GMS countries to co-ordinate, negotiate and implement such projects have slowed progress. Second, project initiatives should reflect the views of all stakeholders from project formulation to implementation and ensure equitable sharing of costs and benefits. Third, information, monitoring and co-ordination are critical for implementation and effective allocation of scarce resources. Fourth, the private sector should become more actively involved in the GMS programme. Finally, because the CLMV countries joined ASEAN during 1995-99, close co-ordination between the GMS Programme and ASEAN programmes is essential to avoid overlapping mandates and waste of scarce resources. With these lessons learned from the first decade of the GMS Programme and with changing priorities, the second decade (begun in 2002) has adopted a more multi-sectoral and holistic approach with five strategic thrusts:

- *Strengthen infrastructure linkages*: integration of the GMS Programme with national development plans; building physical infrastructure linkages; co-operation in the agriculture sector, recognising the role of infrastructure in reducing the cost of selling agricultural products in sub-regional markets.
- *Facilitate cross-border trade and investment*: cross-border trade facilitation initially focusing on simplifying customs procedures at selected border crossings and extending to transparency of customs procedures and adherence to the Kyoto Convention; harmonising banking regulations to remove the major impediment of a lack of a reliable payments system among commercial banks in GMS; establishment of economic corridors and other co-operation initiatives to exploit economies of scale in production and distribution and improve export performance; making technical, marketing, credit and management support more accessible; promoting joint tourism initiatives in the sub-region as a single tourist destination through simplifying visa issuance processes, improvement of tourist infrastructure and other activities in partnership with the private sector.
- *Enhance private-sector participation and improve competitiveness*: lowering production and distribution costs through efficient utilities and infrastructure services; improving skill competencies of the labour forces; training entrepreneurs for small and medium enterprise management, production and marketing; extending credit lines for provision of working capital; harmonising policy environments for private enterprise.

- *Develop human resources and skill competencies:* human-resource development (HRD) issues where sub-regional co-operation is logical include capacity building to address cross-border HRD and labour market issues; addressing health and social problems associated with mobile populations; and networking higher education and training institutions. Soft development, such as knowledge transfer and education are more difficult to implement because of different levels of human-capital absorption within GMS, but these are important measures for CLMV countries as they learn to cope with the development challenges existing within their own territories. Many of these programmes require FDI or ODA from multilateral agencies such as ADB.
- *Protect the environment and promote sustainable use of shared natural resources:* sub-regional monitoring of the cumulative environmental impacts of development; sound practices for sustainable use of shared resources.

Since the inception of the GMS Programme, the ADB has been a core partner, playing an active role in administering technical assistance and in soliciting potential investors to invest in GMS. The ADB and its partners have financed ten major infrastructure projects, representing investments of about \$2 billion, with ADB providing \$772 million in loans. ADB has also provided \$56 million in technical assistance to support initiatives for human-resource development, tourism, environment, trade and investment. Such assistance has addressed social issues such as HIV/AIDS and drug trafficking. For the second decade, ADB has provided loan finance amounting to \$887 million and mobilised about \$303 million in co-financing for 15 priority GMS projects. ADB, co-financiers and the GMS governments have extended over \$66 million in technical-assistance grants for project preparation as well as studies on various areas of GMS co-operation. Lack of financial resources and complications in financing have slowed down key projects. A more concerted approach with other development partners is needed to generate additional financing<sup>21</sup>.

## Concluding Remarks

For decades, the CLMV countries experienced the negative impacts of wrong economic ideologies and policies. Since the mid-1980s, they have engaged in economic transition from centrally planned to market-oriented economies, from inward-looking to outward-looking economic development strategies and policies, and from close economic relations with the Soviet

bloc to closer economic relations with the global and regional market economies. They have encountered various political obstacles along the way, such as civil war in Viet Nam and Cambodia, Vietnamese occupation of Cambodia, and the military regime in Myanmar.

Still, these transition economies have achieved remarkable results in reforming their policies and institutions and in restructuring their economies. The economic benefits are manifest in the buoyant economic growth rates of the 1990s and in recent years. After the outbreak of the Asian financial crisis, growth rates in the sub-region outpaced those in ASEAN-6. The CLMV economies have become increasingly integrated with ASEAN and the rest of East Asia and with the global economy, as witnessed by rising trade and investment flows.

The CLMV countries have experienced and continue to experience instances of political isolation, economic policy discrimination and policy incoherence on the part of OECD countries, which have impacted on their economic performance, particularly in trade and investment. While the OECD countries have advocated and pressured them for economic policy and institutional reforms, particularly more openness in trade and investment regimes, they have not always followed up with non-discriminatory and preferential market access. The lifting of trade restrictions by the United States and the EU and S&D in the WTO as well as various GSP schemes have helped to boost their exports, particularly of textiles and clothing, and have served to attract FDI into their economies to produce for export. Development and technical assistance from the multilateral institutions (largely the ADB) as well as from DAC members (especially Japan) have helped improve supply capabilities with the development of transportation and telecommunication infrastructure, energy resources, tourism facilities and human-resource development.

As low-income and least-developed economies, the CLMV economies still face several development challenges and have to achieve greater policy coherence themselves. There are three main challenges:

- First, to pursue economic growth with social equity and environmental sustainability. While growth in the past decade has been satisfactorily high, widespread poverty remains a serious problem. The poverty reduction strategies as well as meeting the other Millennium Development Goals require access to more resources, more effective use of scarce resources through re-prioritisation, and improved efficiency and public-

sector governance. Environmental sustainability is a serious issue given the overexploitation of forestry and aquatic resources, and it requires concerted efforts to conserve and renew resources.

- Second, to develop human resources for economic efficiency and poverty alleviation. In Cambodia, Laos, Myanmar and to a lesser extent Viet Nam, labour productivity is hindered by low literacy and schooling and in some cases by malnutrition and poor health. Economic development should be embedded in the continual development and upgrading of human resources.
- Third, continue to liberalise and deregulate the sub-region's economies to improve economic efficiency and competitiveness and to meet the commitments of WTO accession and ASEAN membership. WTO accession will entail heavy obligations to abide by WTO disciplines and rules and to open the markets of the sub-region to international competition.

Countries themselves have the primary responsibility for economic and social development. The CLMV countries must ensure the political will for development and coherence in policy implementation. As low-income and least-developed economies, however, they require enabling regional and global environments to provide open and preferential access to markets, access to investments, technology and know-how and access to development and technical assistance. OECD and East Asian countries' policies on trade and investment and their provision of development and technical assistance to the CLMV countries are critical for these economies to move forward. Their policy coherence for development is essential to ensure that the objectives are met.

## Notes

1. Myanmar's WTO membership has been under suspension.
2. Implementation of reform was interrupted by political uncertainty following withdrawal of Vietnamese troops in 1989, which continued up to the 1993 general election and beyond. With the formation of the new coalition government in October 1993 and adoption of the new Constitution, Cambodia reasserted its commitment to a market-oriented economy, pressed ahead with major trade and investment policy reforms and declared its intention to join GATT. Continuing political instability delayed Cambodia's admission into ASEAN until 1999. The two decades of armed conflict and genocide led to huge destruction of human resources and infrastructure.
3. Information on WTO web site, under "Accessions". The May 2003 meeting noted that a quantum jump in effort was needed if Viet Nam was to meet its goal of accession in 2005. The subsequent December 2003 meeting maintained that Viet Nam had started its "quantum jump" but still had some way to go. Viet Nam's latest offers included commitments to cut tariffs to an average of about 18 per cent and to provide some access to services in ten sectors with 92 sub-sectors. The June 2004 meeting noted that a lot of work remains in continuing to negotiate market access and other terms, further clarification of Viet Nam's regulations and policies, and putting into place the necessary laws and regulations.
4. WTO (2003).
5. WTO News, press release, 11 September 2003. Cambodia's terms of accession cover state ownership and privatisation; application of price controls; trading rights, customs duties and charges; tariff rate quotas and tariff exemptions; service fees and charges; application of internal taxes; quantitative import restrictions; customs valuation; rules of origin; pre-shipment inspection; antidumping, countervailing duties and safeguard regimes; export restrictions; export subsidies; industrial policy and subsidies; standards and certification; sanitary and phytosanitary measures; TRIMs; state trading; free zones and special economic areas; transit trade; agricultural policies; textiles regimes; TRIPS; transparency; and regional trading arrangements.

6. According to the WTO web site, the Working party was established in February 1998, followed by the memorandum on the foreign trade regime in March 2001 and replies to questions from members in October 2003, but the Working Party has not yet met.
7. Most least-developed countries undertook deep trade liberalisation in the 1990s, received some preferential market access from developed and developing countries and enjoy higher rates of export growth than in the 1980s, but trade performance has not been reflected in poverty reduction in many of them. The Report argues for a more effective link between trade and poverty reduction through action on three fronts – a two-way mainstreaming of international financial and technical assistance for developing domestic production and trade capacities; an enabling international trade regime which includes phasing out of OECD agricultural support measures affecting least-developed countries, policies to reduce vulnerability to commodity price shocks, more effective market access preferences for the least developed countries, and enhanced South-South cooperation in trade and investment.
8. There is some double counting of intra-ASEAN trade because of Singapore's *entrepot* role. Nearly 50 per cent of its total exports comprise re-exports. In earlier days, Singapore imported western manufactures for re-export to Southeast Asia and imported Southeast Asian produce for re-export to Japan and the west. Increasingly, Singapore performs the *entrepot* function for Southeast Asian manufactures, particularly of electronic goods, parts and components that form part of the East Asian production network and supply chain. However, as Singapore's trade with Indonesia has not been published since the 1963-65 Indonesian economic confrontation against the formation of Malaysia, Singapore's intra-ASEAN trade is under-reported.
9. The ASEAN Secretariat web site maintains an ASEAN trade database, showing intra-ASEAN trade as well as ASEAN's trade with its major trading partners. Unfortunately the database has trade data for Cambodia and Myanmar only from the year 2000 onwards and has no data on the trade of Laos and Viet Nam. The incomplete database makes it difficult to draw meaningful conclusions on the trend and pattern of intra-ASEAN trade.
10. This high level of trade integration with ASEAN in part reflects its isolation by some OECD countries because of its human rights record. Myanmar has intensified efforts to integrate into ASEAN by accelerating its AFTA tariff-reduction schedule and removing constraints on intra-ASEAN investments under the AIA.
11. As of 2002, Malaysia had granted AISP treatment on 12 products for Laos, 345 products for Myanmar and 172 products for Viet Nam. The Philippines had granted it on 67 products for Myanmar, ten products for Viet Nam and two products for all CLMV countries. Thailand had granted it on 19 products for Viet Nam and is considering the list for Cambodia. Singapore



imposes no tariffs on imports from all ASEAN countries except for alcoholic beverages, so there is no AISP list. At the meeting of the AFTA Council on 2 September 2004, it was noted that AISP suffered from low use, and CLMV countries were urged to request products highly traded in ASEAN, while the ASEAN-6 were urged to be more forthcoming in considering these requests.

12. For land-locked Laos, cross-border trade is often easier than internal trade among towns and provinces within the country because of geographical distance and a weak domestic transport system. With the existence of import and export restrictions and foreign exchange controls, smuggling is known to be sizeable.
13. Under this initiative, developed countries should, as soon as possible, provide tariff-free and quota-free market access on industrial products (including textiles and clothing) and should consider further market access measures on agricultural products. Developing countries should also provide preferential tariffs for the least-developed countries. The initiative also gives products from least-developed countries flexibility with regard to origin criteria. Developed countries could consider exemptions from origin requirements on a case-by-case basis, or introduce full cumulation of origin for least-developed country products.
14. The US has denied NTR or MFN tariff treatment to countries under Jackson-Vanik amendment to the US Trade Act of 1974. NTR tariff treatment is denied to any non-market economy in the 1974 Act and denies or seriously restricts or burdens its citizens' rights to emigrate. Since 1998, the United States has granted the Jackson-Vanik waiver annually for Viet Nam. Normal trade relations were finally achieved with the signing of the US-Viet Nam BTA in July 2000 after a four-year negotiation. With the BTA, NTR tariff treatment for Viet Nam became effective in December 2001, but also committed Viet Nam to sweeping economic reforms. The US granted NTR status to Cambodia in 1997. In 2004, the United States and Laos signed a bilateral trade agreement which will pave the way for NTR status for Laos.
15. Major ATC suppliers, in terms of the value of textiles and clothing exports and shares of countries' merchandise exports in 2001 were China (\$53.3 billion, 20 per cent), followed by Korea (\$15.2 billion, 10 per cent), Chinese Taipei (\$12.3 billion, 10 per cent), India (\$11.7 billion, 26 per cent), Turkey (\$10.6 billion, 34 per cent), Hong Kong, China (\$ 10.3 billion, 52 per cent), Mexico (\$ 10.1 billion, 6 per cent), Indonesia (\$ 7.8 billion, 14 per cent), Pakistan (\$ 6.7 billion, 73 per cent), Bangladesh (\$ 5.5 billion, 86 per cent), Thailand (\$ 5.4 billion, 8 per cent), Malaysia (\$ 3.1 billion, 4 per cent), and the Philippines (\$2.7 billion, 8 per cent).
16. For example, the 2003 NTR duty rate on cotton shirts and blouses, a key clothing import from Viet Nam, was 19.8 per cent *ad valorem*, compared with a non-NTR rate of 45 per cent *ad valorem*. Exports to the United States rose



sharply in 2003, as firms tried to maximise shipments ahead of the imposition of US quotas in September 2003. Exports to the US market in 2004 were capped by the quota at \$1.7 billion.

17. Under the US-Cambodia Bilateral Textile Agreement, Cambodian factories are subject to annual US inspection to ensure that the labour-standard requirement is enforced. In December 2001, the Agreement was extended for another three years to December 2004. In the renewed agreement, the quota for most textile exports from Cambodia was raised. Cambodia was eligible for additional quota increases if working conditions in its garment industry complied with internationally recognised core labour standards.
18. There were cases of Thai firms shifting production to Laos in order to benefit from special privileges for least-developed countries, such as Japan's GSP scheme. Countries like Laos are not subject to the global ceilings that restrict exports under the GSP from other more developed countries.
19. The less developed members of ASEAN have yet to factor in the implications of a "rising India" as it continues with economic reforms and achieves high economic growth performance. Like China, India has offered ASEAN an economic partnership agreement with an FTA and an early-harvest arrangement.
20. The GMS covers an area of 2.3 million sq. km. with a wealth and variety of natural resources, including agriculture, fisheries, minerals, and energy (hydropower, coal, petroleum), which can be developed for economic growth and improved living standards. Presently the GMS has a population of about 250 million people with the majority living in rural areas and engaged in subsistence and semi-subsistence agriculture.
21. Member governments have tended to conserve concessional financing for national projects in the expectation that incremental funds would be available for sub-regional projects. Mechanisms are needed for better reconciling project financing with country-specific benefits. There is also a need to provide for maintenance, to ensure the realisation of expected returns from infrastructure projects. Some GMS countries also have limited absorptive capacities for ODA, while private-sector financiers think that projects in GMS require a high-risk premium.

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## Abbreviations and Acronyms

ADB	Asian Development Bank
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
APEC	Asia-Pacific Economic Co-operation
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
BIS	Bank for International Settlements
CEPT	Common Effective Preferential Tariff
CER	Australia-New Zealand Closer Economic Relations Trade Agreement
CLMV	Cambodia, Laos, Myanmar and Viet Nam
DAC	Development Assistance Committee
EBRD	European Bank for Reconstruction and Development
EFTA	European Free Trade Association
EPZs	Export-Processing Zones
EU	European Union
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FTA	Free Trade Area (or Agreement)
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GMS	Greater Mekong Sub-region
GSP	General System of Preferences
HRD	Human Resource Development
HS	Harmonised System
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFIs	International Financial Institutions



IMF	International Monetary Fund
ISIC	International Standard Industry Classification
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organization
MCA	Millennium Challenge Account
MDGs	Millennium Development Goals
MENA	Middle East and North Africa
MERCOSUR	Southern Common Market
MFA	Multifibre Arrangement (formerly Arrangement regarding International Trade in Textiles)
MFN	Most Favoured Nation
MNEs	Multinational Enterprises
NEPAD	New Partnership for Africa's Development
NIEs	Newly Industrialising Economies
NTMs	Non-Tariff Measures
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturing
OOB	Other Official Flows
PPP	Purchasing Power Parity
R&D	Research and Development
RTA	Regional Trade Arrangement
S&D	Special and Differential Treatment
SAARC	South Asian Association for Regional Cooperation
SACU	Southern African Customs Union
SITC	Standard International Trade Classification
SMEs	Small and Medium-Sized Enterprises
SPS	Sanitary and Phytosanitary Measures
SOEs	State-Owned Enterprises
TBT	Technical Barriers to Trade
TRIMs	Trade-Related Investment Measures
TRIPS	Trade-Related Intellectual Property Rights
UNCTAD	United Nations Conference on Trade and Development
WDI	World Development Indicators
WTO	World Trade Organization



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