

(Comments)PART III ASEAN Countries and APEC :  
6.Problems and Prospects of APEC:A View from  
Thailand

journal or publication title	APEC:Cooperation from Diversity
page range	104-106
year	1996
URL	<a href="http://hdl.handle.net/2344/00010010">http://hdl.handle.net/2344/00010010</a>

# Comments

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## *Comments on Krongkaew and Tecson*

It is well perceived that the ASEAN countries share a lot in common regarding their attitude toward APEC. The two excellent papers by Tecson and Krongkaew clearly confirm this point, although there are minor differences depending on the economic situation which each country faces. The common principles in their attitude have their origin in the Kuching Consensus. Both papers regard APEC as the "forum for consultation" and maintain the position that any agreement in APEC should be based on the unanimous and voluntary commitment of the member nations and areas. Such cautious attitude against the mandatory directives has its basis on the recognition of the differences in the stages of economic development among member nations. In this regard, Krongkaew emphasized Thai's preference for liberalization of trade "at reasonable pace." Also, both papers clearly state that the ASEAN sticks to the principle of "open regionalism," "open" in the sense of unilateral application of the APEC's liberalization scheme in trade and investment to non-member countries. The adherence to the unilateral liberalization is of vital need for the ASEAN countries which follow the export oriented industrialization strategy with their market widely spread around the world. Another common principle of the ASEAN countries, although not much discussed in the both papers, is to place more value on the ASEAN's unity and identity than on the activities in APEC. Such effort was strengthened in the recent development at the ASEAN economic ministers meeting held in Burnei. AFTA's trade liberalization will be accelerated, and the cooperation in setting the frameworks for liberalization of service trade and enforcement of the intellectual property right will further be promoted. The acceleration of liberalization itself is welcome as an enhancing factor of the APEC's goal. However, there is no guarantee that ASEAN's interest always coincide with that of the APEC. Therefore, it will become more important in future to keep an eye on the consistency between the APEC's development and developments of the

subregional trading arrangements (STRA) within the APEC area as expressed in the third EPG report.

Now I would like to focus my discussion to the following three points among not a few important issues raised by Tecson and Krongkaew.

The first issue is about the potential problem mined in the trade liberalization of the manufacturing products. Both papers have shown with evidence that Thailand and the Philippines found benefit in pursuing the trade liberalization because it brought about the efficiency improvement in production. Such benefit is significantly large in general when an economy is at the stage of the structural adjustment a la world bank as observed in the cases of the Philippines and Indonesia. However, with the transition of an industrial structure to semi-industrialized economy, the need to protect and foster a domestic industry sometimes comes to a forefront. As noted in the Krongkaew's paper, the liberalization program of Thailand which reduces its tariff rate to no more than 30% by 1997 treats automobile as an exception. It is not surprising that each ASEAN country has at least few such industries for delayed liberalization. Emerging ASEAN economies will gradually face such problem of up-grading the industrial structure. If we theoretically assume a relatively large domestic market as well as the increasing returns to scale in the production technology of an industry, it is shown that there is a case that protection of the industry is beneficial to the economy in the long run. We academics need to examine this result of a country analysis from a wider viewpoint of APEC region's interest, before the future plan of the detailed liberalization program in APEC stumbles by the exceptions of few but important industries. This issue is serious especially if a country has a perception, as Krongkaew pointed out, that "a 'Do-Nothing' scenario would still bring in beneficial effects of trade."

The second issue is the importance of the trade and investment facilitation. Tecson has correctly stressed this point. Although facilitation programs do not sound so epoch making as the liberalization programs, their impacts on the production efficiency and the promotion in trade and investment are quite sizable especially in developing countries. The attitude to evaluate each country's effort according to the progress in both liberalization and facilitation will bring the practical and fruitful results in APEC.

The third and final issue is the linkage with the social close. Tecson on behalf of the Philippines has given a strong warning to the linkage of labor standard with trade discussion and also has shown a little concern on the linkage with environmental standard. Such a concern is understandable, but this problem can not be avoided if the APEC is to have a dispute mediation service as proposed in the third EPG report. Although the problem of the labor standard is sensitive, it is at least desirable to begin an academic study on this matter. Environmental matter can be solved in a positive way by utilizing the APEC framework. The environmental deterioration in the East Asia will no doubt become more serious

with economic development of the area. Moreover, many of the environmental deteriorations are irreversible in a short time. In this respect, a great effort should be made to prevent this problem. Fortunately APEC is in the appropriate position for the collective discussion among related countries and for solution of the problem through its scheme of economic and technical cooperation.