THE EEC BEYOND 1992 AND THE IMPLICATIONS ON THE SEACEN COUNTRIES

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FOREWORD

One of the more interesting aspects of the 1990s will be the transformation of the European Community's national markets into a single market. No doubt, this is expected not only to improve European specialization and efficiency but also intensify competition leading to increased trade and economic welfare. The effect of the integration of the European markets will naturally spill over to the rest of the world through international trade linkages and this development constitutes a serious area of concern to the SEACEN economies. The SEACEN economies, being relatively small and open, will be highly vulnerable to the emerging economic configuration in Europe.

In this regard, this research study which looks into the implications of the integration of the European market on the SEACEN economies is both timely and appropriate as it casts a new perspective on the kind of challenges the SEACEN region may expect from the European integration.

The main focus of the research study is directed at analysing the implications of the single EEC market's trade-diverting and trade-creating effects on the SEACEN economies beyond 1992. A review of the plans of the European Community in the integration of their respective national markets into a single market is also presented in terms of bringing down physical, technical and fiscal frontiers. Lastly, it examines the strategies that could be taken by the SEACEN countries in response to this important development. It must be mentioned, however, that the task of estimating and quantifying the potential impact of the EEC market on the SEACEN economies is a complex one. The study, thus, does not attempt to quantify the potential effects of complete realization of the singularity of the EEC market on the SEACEN countries. It analyses more qualitatively the expected results of the programme after 1992.

This in-house research project was carried out by Dr. Bambang S. Wahyudi, Assistant Director (Research), The SEACEN Centre. He was

assisted by Miss Seow Yun Yee, Senior Research Associate, who provided the necessary research support. The SEACEN Centre also takes this opportunity to thank the departments of economic research of the member central banks and monetary authorities for their very useful comments and suggestions at various stages in the preparation of this research project. The views expressed in this volume, however, are those of the author and should not in any manner be ascribed to the institutions or individuals whose assistance is duly acknowledged herein.

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Dr. Vicente B. Valdepeñas, Jr.
Director
The SEACEN Centre

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SEACEN countries to prosper through greater participation in international trade. On the other hand, it is expected that the creation of a unified market would expand world trade and boost economic growth. This may translate into imports for more consumer goods, steel products, transport equipment and tropical products, which would benefit the SEACEN countries.

2. Study Approach

Numerous studies have been done by the European Economic Community in measuring the likely impacts of the creation of the single market on its member countries' economy, both in terms of micro and macro aspects. The effects on developing countries so far, however, have not been taken into consideration in the study, although they have increasingly become a topic of discussion.

The main purpose of this study is to analyze the implication of the EEC beyond 1992 on the SEACEN countries and to focus on the strategies of action that should be formulated to respond to this development. Needless to say, the task of analyzing and estimating the likely effects is a complex one. The potential impact is still difficult to assess at the present stage, as reforms within the EEC have not taken final shape while multilateral negotiations on trade are still going on under the Uruguay Round. The 1992 programme also happens to coincide with other changes, such as the possible enlargement of the Community to include the members of EFTA, unification of Germany and the establishment of the Commonwealth Independent States (CIS). Accordingly, judgment about its impact is difficult to quantify and must be tentative. The study, thus, does not attempt to quantify the potential effects of a complete realization of the singularity of the European Community market on the SEACEN countries, but intends to analyze more qualitatively the expected consequences of the programme after 1992. However, a limited empirical study to simulate the impact of "trade diversion" and "trade creation" of the integrated market on the economies of the SEACEN countries using the Vector Auto Regression (VAR) Technique is explored. Because each SEACEN country pursues its own industrialization and trade policy independently of the other member countries, and because this state of affairs is likely to remain for a very long time, it would appear more realistic if the study on the impact of the EEC integration is done on individual country rather on

SEACEN as a group and the findings are compared across countries in this region. The analyses, however, do not come up with a straightforward solution. It is, rather, an exercise which could serve as an input in strategic planning, in anticipation of what might happen and in the discernment of trends and problems which might arise in the future. This research study only covers nine SEACEN member countries, i.e., Indonesia, Korea, Malaysia, Myanmar, Nepal, the Philippines, Singapore, Sri Lanka and Thailand. The other SEACEN member country, i.e., Taiwan is not included in the analyses because the project was well underway by the time Taiwan was admitted as member of the SEACEN grouping.

In order to have a better understanding and a good picture about what is happening in the European Community after 1992, a survey of the EEC and its programme is presented in Chapter II. The economic relations on trade and capital flows between the SEACEN region and the European Communities and between the countries within the two regions is illustratively discussed in Chapter III, although a detailed analysis is beyond the scope of the study. However, the statistical data given in this chapter are not intended to provide a comprehensive coverage of all the comparative information needed for a proper understanding of each nation's economic situation, but rather to give some notion of the general economic structure of the individual country. The shape of the eventual outcome of the creation of the single market is reasonably clear, but its consequences for the world economy, particularly the economy of the SEACEN countries, still remain uncertain. The long-range goal of the study is to examine the strategies of action by the SEACEN member countries in responding to this development, and the analysis is reported in Chapter IV. Chapter V contains the conclusions of the study.

applied throughout the Member States. Judgments of the Court are final and are not subject to appeal. The most important functions of the Court under EC Treaty are:

- To decide, upon application by the Commission, whether a Member State has failed to fulfill a Treaty obligation (Article 169).
- To review the legality of acts of the Council or Commission (Article 173).
- To review any failure by the Council or Commission to act where the Treaty obliges them to do so (Article 175).
- To give rulings on questions of interpretation of EC law upon request by a national court of Member States (article 177).

Besides those four fundamental institutions, there are also several specialized committees contributing to the work of the Community, the most important are the Economic and Social Committee, the Coal and Steel Consultative Committee, and the Monetary Committee. The Court of Auditors which is based in Luxembourg monitors The management of the Community's finances.

In January 1972 three new countries -- Denmark, Ireland and the United Kingdom -- joined the original Six, in a treaty which came into force on 1 January 1973. Greece became the tenth member in 1981. With the accession of Portugal and Spain in 1986, the Community has grown to 12 Member States. In addition, Turkey also participates as an associate member of the Community.

The enlarged Community of the Twelve is now the largest trading block in the world, with some 329 million inhabitants (see Table 1). This population exceeds that of the erstwhile USSR (about 281 million) and of the United States (about 242 millions) and is more than two and half times that of Japan. Out of the 12 members, the most populated countries is West Germany which represented 19.48 per cent of the total EC population in 1991, followed by Italy, UK and France which accounted for 17.55 per cent, 17.47 per cent and 17.17 per cent respectively. Table 1 also provides some basic economic indicators of the member states. One of the salient features of this table is the wide disparity between the EC member states in terms of per capita GDP in 1991, i.e. that of Portugal (US$ 6,080), Greece (US$ 6,959), Spain (US$ 13,395) and Ireland (US$ 12,698) which lag far behind the rest. The

Table 1. European Community Economies - Some Basic Indicators, 1991.

	Belgium	Denmark	France	Greece	Luxemb.	Netherld.	Portugal	Spain	Irish	Italy	U.k.	W.Germ.	EEC
AREA													
(1000 sq.km.)	31	43	544	132	3	41	92	505	69	301	244	249	2253
(% of EC total)	1.38	1.91	24.15	5.86	0.13	1.82	4.08	22.41	3.06				
POPULATION													
(million)	9.931	5.156	56.536	10.106	0.375	15.013	9.835	39.350	3.528	57.797	57.533	64.169	329.330
(% of EC total)	3.02	1.57	17.17	3.07	0.11	4.56	2.99	11.95	1.07	17.55	17.47	19.48	100.00
GDP (at market prices)													
(US$ billion)	201.4	105.4	1194.2	70.3	8.7 +	290.7	59.8 +	527.1 +	44.8	1150.5	1018.0	1574.3	6245.2
(% of EC total)	3.22	1.69	19.12	1.13	0.14	4.65	0.96	8.44	0.72	18.42	16.30	25.21	100.00
(GDP/capita, US$)	20280	20442	21123	6956	23212	19363	6080	13395	12698	19906	17694	24534	18963
Rate of growth (%), const.prices	2.0	1.2	0.7	1.8	3.0	2.2	2.2	2.3	2.2	1.3	-2.2	3.7	1.4
Avg.growth 1987-1991, const.price	3.7	1.1	2.9	1.7	4.3	2.9	4.2	4.3	5.9	2.7	2.0	3.5	2.9
SHARE OF GDP (mkt.prcs.1988, %)													
Agric., forestry & fishing	2.1	4.6	3.6	17.0	2.1	4.7	6.3	4.9	10.0	3.6	1.1	1.6	3.0
Industry (incl.construction)	30.3	27.1	30.3	27.2	35.9	32.4	37.7	35.3	36.7	34.2	34.2	39.4	34.4
Services	65.5	68.3	66.2	55.9	62.1	62.8	56.0	59.7	53.3	62.2	64.8	59.1	62.5
IMPORTS													
Total (US$ million)	120663 •	31905	232902	21564		125482	26078	94003	21097	182697	209333	390114	1455838
% of EC total	8.29	2.19	16.00	1.48		8.62	1.79	6.46	1.45	12.55	14.38	26.80	100.00
% of GDP	59.91	30.27	19.50	30.67		43.17	43.61	17.83	47.0	15.88	20.56	24.78	23.31
EXPORTS													
Total (US$ million)	117680 •	35091	216512	8671		133076	16245	58991	24052	169594	184960	403208	1368080
% of EC total	8.60	2.56	15.83	0.63		9.73	1.19	4.31	1.76	12.40	13.52	29.47	100.00
% of GDP	58.43	33.29	18.13	12.33		45.78	27.17	11.19	53.69	14.75	18.17	25.61	21.91
UNEMPLOYMENT RATES													
% of totl.working population	9.3	10.4	9.5	7.6	1.3	7.0	4.1	16.3	15.8	11.0	8.3	6.7	9.2
CONSUMER PRICES													
% change	3.2	2.4	3.2	19.5	3.1	3.9	11.4	5.9	3.2	6.5	5.9	3.5	5.1

• Belgium and Luxemburg.
+ 1990 figures.
Source: Quoted and calculated from OECD Economic Outlook, 53, 1993 ; IMF, Direction of Trade Statistics Yearbook 1992; IMF, International Financial Statistics, June 1993; and Eurostat, Basic Statistics of the Community, 29th edition, 1992.

acted as the most important disincentive for a greater degree of labour mobility.

In June 1960, the Common Agricultural Policy (CAP) was submitted by the Commission. The objectives and the main features of the CAP were stated in Article 39 and 40 of the Treaty of Rome. Five objectives were adopted: raising productivity, ensuring a fair standard of living for the agricultural community, stabilizing markets, food security, and reasonable prices for consumers. Depending on the product concerned, the CAP would entail common rules on competition, compulsory co-ordination of the various national market organizations, or a European market organization. The measures to which the common organization thus established would be, in particular, regulation of prices, aids for the production and marketing of the various products, storage, and carryover arrangements, and common arrangements for exports and imports to underpin the price regime. Three prices are used as the main instruments for agricultural support. The EC "target price" limits the upper end of the range within which producer prices may fluctuate. The "threshold price" sets the lowest internal price for imports, and a variable levy is imposed to raise import price to this level. Similarly, a variable subsidy lowers export prices to world market levels. In order to ensure full protection of domestic producers from competing imports, the "intervention price" is kept below the threshold price.

The gradual establishment of a common market, custom union, and the common agricultural policy gave rise to the EC's first attempt at monetary integration by the end of 1970s as presented in the "Werner Report"-- a plan for the attainment of economics and monetary union -- prepared in 1970. Several important moves followed, such as the creation of the "snake" in 1972, the European Monetary Cooperation Fund (EMCF) in 1973, the Council Decision on the attainment of a high degree of convergence in the Community and Directive on stability, growth and full employment in 1974, and finally the European Monetary System (EMS) and the European Currency Unit (ECU) in 1979.

The EMS has served as the focal point for improved monetary policy coordination and has provided a basis for multilateral surveillance within the Community. Within the framework of the EMS the participants in the exchange rate mechanism have succeeded in creating a zone of increasing monetary stability at the same time as gradually relaxing capital controls. The exchange rate constraint has greatly helped those

participating countries with relatively high rates of inflation in gearing their monetary policies to the objective of price stability, thereby laying the foundations for both a downward convergence of inflation rates and the attainment of a high degree of exchange rate stability. This, in turn, has helped moderate cost increases in many countries, and has led to an improvement in overall economic performance through its protection on intra-European trade from excessive exchange rate volatility.

In launching the EMS, the European Council declared in 1978 that a European Currency Unit (ECU) will be at the centre of the EMS. The ECU serves primarily as a reserve asset and a means of settlement for EMS central bank. Further, ECU is also used as the numeraire of the exchange rate mechanism and to denominate operations in both the intervention and credit mechanisms. Although it is an integral part of the EMS, the ECU has for a number of reasons played only a limited role in the operating mechanisms of the EMS. By contrast, the ECU has gained considerable popularity in the marketplace, where its use as a denominator for financial transactions has spread significantly.

The Treaties of Rome also called for the elimination of restrictions that might prevent self-employed individuals and firms from setting up facilities and providing services in other countries. However, the progress made on the freedom to supply services across national boundaries thus far has been considerably slower than that achieved for the free movement of goods.

Notwithstanding the fact that the common policies and common approaches have been progressively introduced, certain common policies are incomplete; in some fields a common policy does not even exist. An important step toward the creation of a unified internal market was taken in 1985 when the heads of state of the member countries endorsed the recommendations put forward by the European Commission for the completion of internal market by 1992.

In more recent times, on 1 July 1989, a new form of business organisation became available in the Community. The European Economic Interest Grouping (EEIG) is a new instrument that facilitates cross-frontier cooperation among firms within the Community engaging in certain joint activities such as research and development, purchasing, production, sales, computerized data processing and the formation of

whether the trade policy stance of the EEC with the developing countries will evolve in more liberal or non-liberal direction.

The European Community recognized the significance of the formation of the South East Asian Nations (ASEAN) in 1967, which has been its firm political partner ever since. A joint Study Group (JSG) has been operating between the Commission and the ASEAN. The arrangement aims at stimulating wide-ranging cooperation between the Community and the partner ASEAN countries. A legal framework for a more extensive commercial and economic relationship between the EC and the ASEAN has been provided by the signing of cooperation agreement in March 1980. Recently, the cooperation has been extended across the entire field of economic endeavor, to include social development and science and technology as well. On the area of trade promotion, until 1987 the EC has conducted over 30 bilateral trade promotion projects designed to accelerate ASEAN exports to markets all over the world. The list of the projects includes most of the promising export sectors such as processed food, furniture, leather goods, ceramics , jewelry, and other service sectors such as tourism. Since the year of the conclusion of the EEC - ASEAN cooperation agreement, total trade between both regional grouping increased from 12,737 million ECU in 1980 to 37,229 million ECU in 1991, or an increase of 192 per cent. EEC exports to this region rose by 218 per cent during this period from 5,439 million ECU to 17,282 million ECU and imports increased by 173 per cent from 7,298 million ECU to 19,947 million ECU. In 1987, the EC and the ASEAN set up Joint Investment Committees (JICs) in each of the ASEAN capitals. The JIC which are composed of public and private sector representative from both sides, have proved to be productive and useful forum in which to discuss and implement ways of increasing European investment in the region. On the area of human resource development, the Commission has agreed to establish an ASEAN-EC Management Centre in Brunei Darussalam which could act as a regional focal point for promoting research and training in the fields of public and business management in ASEAN countries and which would facilitate links between institutions of the two regions through the creation of a network of national institutions. Overall, the relations between the ASEAN and the Community are a model of a mutually beneficial partnership between two major regional groupings.

Alongside its action on international level, the European Community is trying to encourage stronger contractual relations with

specific countries or group of countries. The agreements combine all type of financial, technical and commercial action to bring about change `in the structure of their economies. The Lome Convention -- signed in Lome, Togo, in 1975 and renewed in 1984 -- sets up special relations between the European Community and the African, Caribbean and Pacific (ACP) countries, largely comprising former European colonial territories but not including those located on the Asian continent. The Lome Convention affords the developing-country signatories preferential duty-free access to the Community market for virtually all their exports with no reciprocal concessions required on their part. The convention guarantees the ACP countries stable export earning from their agricultural product (STABEX) and also for certain mining product (SYSMIN), thus shielding them against fluctuation in world market prices. The technical and financial aid given by the Community to the ACP countries amounted to 8500 million ECU for the period 1985-1990, in the form of grant, loans under special condition, long-term EIB loans with interest rate subsidies and risk capital transactions. A small number of countries in a similar position have been or will be included, so the ACP countries form a homogeneous group. In practice, treatment of the ACP countries has been a lot better than that for the rest of developed world. To date, the number of ACP countries has enlarged to 68 (under Lome IV), and the newest members are Haiti and Dominican Republic.

The Community has also concluded regional agreements with 12 developing countries bordering the Mediterranean (Algeria, Morocco, Tunisia, Egypt, Jordan, Syria, Lebanon, Yugoslavia, Turkey, Malta, Cyprus, and Israel). Its objective is to assist the economic development of these countries and to encourage a harmonious evolution of trade relations with them. These agreements were recently adapted to take into account the new situation resulting from the enlargement of the Community to include Spain and Portugal. For the southern Mediterranean, these agreements provided, among other things, for free access for the countries' industrial exports to the Community market, specific concessions for some of their agricultural produce and financial aid (grants, EIB loans) totaling 1618 million ECU for the period 1986- 1991. For the northern Mediterranean, a cooperation agreement was concluded with former Yugoslavia in 1980, under which that country has duty-free access to the Community for most of its industrial products and receives loans of 550 million ECU over five years from the European Investment Banks (EIB). Other agreements have also been signed with Turkey (1963),

Malta (1971) and Cyprus (1973). These agreements are intended to lead gradually the membership in Turkey's case and to a customs union for the other two countries. The custom union with Cyprus should be established within 15 years. Under existing agreements, industrial exports from Turkey, Malta and Cyprus enter the Community free of custom duty or quantitative restrictions; there are also concessions for many agricultural products, while custom duty on Community exports to the three countries is reduced. The Community has extended its cooperation efforts into many fields and has given financial aid as well as loans from the EIB totaling 44 million ECU over five years for Cyprus and 29.5 million for Malta.

Further, the Community also cooperates with the third world in such fields as energy, trade promotion, training, refugee aid, and narcotics prevention programme. More recently, as part of its policy of industrial cooperation with developing countries, the Commission launched in 1988 a scheme "EC International Investment Partners", providing financial support to promote joint ventures between local and Community firms.

4.   Structure of the European Community Trade

International trade is one of the most important basis of the European Community's external relations. In 1991, total imports and exports of the European Community of Twelve (including trade between Member States) represented on average 22.6 per cent of its gross domestic product (Table 1). This compares with only 8.2 per cent for the United States and 8.3 per cent for Japan. Accordingly, the European Community represents the largest trading block in the world. In 1991, its share of world trade accounted for 40.2 per cent, as against 13.2 per cent for the United States and 7.9 per cent for Japan (Table 2). However, excluding its intra-area trade, in 1991 the European Community exports to the world accounted for only approximately one sixth of the total world exports (17.3 per cent), slightly higher than the share of its imports (15.1 per cent), somewhat less than that of the United States and Japan taken together, which are 20.8 per cent and 21.3 per cent respectively.

Much of the European Community trade is internal, it represented 24.0 per cent of the total world trade in 1991, which is also larger than that of USA or Japan. Imports and exports of the European Community

Table 2. Share in World Trade of the Selected Countries and Regions.

	1970	1975	1980	1985	1990	1991
	(in percent of world imports)					
I M P O R T S						
Europe	45.2	42.6	43.6	38.2	47.8	46.7
EC(12)	38.0	36.1	37.4	32.8	41.2	40.7
Intra EC	19.0	17.8	18.6	17.7	23.8	23.4
Other Countries	19.0	18.3	18.8	15.1	17.4	17.3
EFTA(6)*)	7.2	6.5	6.2	5.4	6.6	6.0
America	17.3	15.5	15.3	21.5	18.6	17.7
Canada	4.1	3.8	2.9	3.8	3.6	3.4
USA	12.2	11.5	12.5	17.8	15.1	14.2
Japan	5.8	6.4	6.8	6.4	6.9	6.6
SEACEN(9)	3.1	3.5	4.3	4.8	6.7	7.4
	(in percent of world exports)					
E X P O R T S						
Europe	43.2	41.1	39.9	39.2	47.7	45.8
EC(12)	37.0	35.3	34.3	33.5	41.0	39.6
Intra EC	19.7	18.5	19.3	18.5	24.9	24.5
Other Countries	17.3	16.8	15.0	15.0	16.2	15.1
EFTA(6)	6.3	5.8	5.6	5.7	6.7	6.2
America	18.9	15.9	14.2	15.3	15.6	15.9
Canada	5.1	3.7	3.3	4.5	3.8	3.7
USA	13.7	12.3	11.0	11.0	11.8	12.2
Japan	6.1	6.4	6.5	9.1	8.6	9.1
SEACEN(9)	2.4	3.1	4.4	5.2	6.0	6.7

*) Comprises Austria, Iceland, Norway, Sweden, Switzerland and Finland.

Source: Calculated from UN, UNCTAD Commodity Yearbook, 1990; Eurostat, External Trade and Balance of Payments Statistical Yearbook, 1991, and IMF, Direction of Trade Statistics Yearbook 1992.

Table 3. Value and Direction of Imports of the European Community (12)

	1960	1970	1975	1980	1985	1990	1991
				(in million US $)			
TOTAL IMPORTS	**46711**	**124371**	**326607**	**776566**	**667456**	**1437773**	**1486475**
Intra-EC(12)	**17712**	**62549**	**161625**	**382275**	**356166**	**845299**	**871035**
From Other Countries	**28999**	**61822**	**164981**	**394291**	**311290**	**592473**	**612133**
of which:							
EFTA(6)	4350	10784	25649	66942	62582	138291	137232
USA	5920	13425	29023	66463	52609	108473	113930
Japan	397	2090	6947	19448	21814	58863	64211
OPEC(13)	4186	10081	45984	107045	55097	57281	58053
ACP(68)	2896	5515	12243	28882	23281	25628	23710
ASEAN(6)	865	1066	2880	10026	7949	21327	24718
SEACEN(9)	**1073**	**1290**	**3848**	**13309**	**10866**	**30120**	**34949**
Indonesia	168	254	553	1779	1479	3646	4432
South Korea	3	61	788	2895	2558	8350	9719
Malaysia	440	429	2981	2655	2147	4592	5431
Myanmar	49	30	36	70	69	50	37
Nepal	0	6	5	17	27	117	150
Philippines	126	107	448	1203	938	1601	1825
Singapore	77	123	471	2626	1612	5977	6468
Sri Lanka	155	128	140	306	295	560	673
Thailand	55	152	424	1759	1743	5227	6213
				(in % of total imports)			
TOTAL IMPORTS	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Intra-EC(12)	**37.9**	**50.3**	**49.5**	**49.2**	**53.4**	**58.8**	**58.6**
From Other Countries	**62.1**	**49.7**	**50.5**	**50.8**	**46.6**	**41.2**	**41.2**
of which:							
EFTA(6)	9.3	8.7	7.9	8.6	9.4	9.6	9.2
USA	12.7	10.8	8.9	8.6	7.9	7.5	7.7
Japan	0.8	1.7	2.1	2.5	3.3	4.1	4.3
OPEC(13)	9.0	8.1	14.1	13.8	8.3	4.0	3.9
ACP(68)	6.2	4.4	3.7	3.7	3.5	1.8	1.6
ASEAN(6)	1.9	0.9	0.9	1.3	1.2	1.5	1.7
SEACEN(9)	**2.3**	**1.0**	**1.2**	**1.7**	**1.6**	**2.1**	**2.4**
Indonesia	0.4	0.2	0.2	0.2	0.2	0.3	0.3
South Korea	0.0	0.0	0.2	0.4	0.4	0.6	0.7
Malaysia	0.9	0.3	0.3	0.3	0.3	0.3	0.4
Myanmar	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Nepal	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Philippines	0.3	0.1	0.1	0.2	0.1	0.1	0:1
Singapore	0.2	0.1	0.1	0.3	0.2	0.4	0.4
Sri Lanka	0.3	0.1	0.0	0.0	0.0	0.0	0.0
Thailand	0.1	0.1	0.1	0.2	0.3	0.4	0.4

Source: Eurostat, External Trade and Balance of Payment Statistical Yearbook 1992, Luxembourg 1992 (all values are converted from ECU to US$).

Table 4. Value and Direction of Exports of the European Community (12)

	1960	1970	1975	1980	1985	1990	1991
	(in million US $)						
TOTAL EXPORTS	43233	116157	309180	692179	648578	1377123	1383461
Intra-EC(12)	17660	61979	162071	385526	356054	836482	852759
To Other Countries	25573	54178	147109	306652	292524	540641	524781
of which:							
EFTA(6)	5496	13589	32925	76942	64688	141822	134937
USA	3480	9773	17443	38651	65262	97495	88227
Japan	313	1426	2910	6697	7993	28934	27454
OPEC(13)	2833	4075	24050	54668	37085	45129	48718
ACP(68)	2421	4142	11009	23736	14985	21201	19748
ASEAN(6)	699	1264	3279	7638	7690	20481	21415
SEACEN(9)	**950**	**1555**	**4071**	**9482**	**10148**	**28343**	**30196**
Indonesia	192	216	968	1793	1733	3618	3968
South Korea	66	155	604	1346	2108	7718	8782
Malaysia	183	269	567	1463	1193	3180	3643
Myanmar	62	43	51	159	147	120	81
Nepal	1	6	15	24	37	66	45
Philippines	79	213	422	831	482	1588	1388
Singapore	145	320	857	2445	2909	7245	7043
Sri Lanka	122	87	151	387	288	442	518
Thailand	100	246	436	1033	1249	4367	4729
	(in % of total exports)						
TOTAL EXPORTS	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Intra-EC(12)	40.8	53.4	52.4	55.7	54.9	60.7	61.6
To Other Countries	59.2	46.6	47.6	44.3	45.1	39.3	37.9
of which:							
EFTA(6)	12.7	11.7	10.6	11.1	10.0	10.3	9.8
USA	8.0	8.4	5.6	5.6	10.1	7.1	6.4
Japan	0.7	1.2	0.9	1.0	1.2	2.1	2.0
OPEC(13)	6.6	3.5	7.8	7.9	5.7	3.3	3.5
ACP(68)	5.6	3.6	3.6	3.4	2.3	1.5	1.4
ASEAN(6)	1.6	1.1	1.1	1.1	1.2	1.5	1.5
SEACEN(9)	**2.2**	**1.3**	**1.3**	**1.4**	**1.6**	**2.1**	**2.2**
Indonesia	0.4	0.2	0.3	0.3	0.3	0.3	0.3
South Korea	0.2	0.1	0.2	0.2	0.3	0.6	0.6
Malaysia	0.4	0.2	0.2	0.2	0.2	0.2	0.3
Myanmar	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Nepal	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Philippines	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Singapore	0.3	0.3	0.3	0.4	0.4	0.5	0.5
Sri Lanka	0.3	0.1	0.0	0.1	0.0	0.0	0.0
Thailand	0.2	0.2	0.1	0.1	0.2	0.3	0.3

Source: Eurostat, External Trade and Balance of Payments Statistical Yearbook 1992, Luxembourg 1992 (all values are converted from ECU to US $).

to and from its member in 1991 accounted for 58.6 per cent and 61.6 per cent of its total imports and exports respectively (Table 3 and 4). The EEC Treaty that took effect on 1 January 1958 -- provided for the elimination of trade barriers within the Community and the establishment of a common external tariff against the rest of the world -- contributed to a significant increase in intra-area trade from only 39.4 per cent of the total EC trade in 1960 to become 60.1 per cent in 1991, where most of which occurred between 1960 and 1970.

The largest trading partner of the European Community is the group countries of EFTA (European Free Trade Association), which comprises of six European countries: Austria, Iceland, Norway, Sweden, Switzerland, and Finland. Free trade relations with the EFTA countries has been formed since 1972, when the free trade agreements between the EC and each of the EFTA countries covering trade in industrial and processed agricultural products were signed. Custom duties and restrictions on trade in manufactured goods were abolished, to benefit 354 million consumers, and some reciprocal concessions were made for agricultural products. In 1991, trade between the Twelve and the EFTA represented 9.5 per cent of all Community trade, where this level has been steadily maintained since 1960 (Table 3 and 4).

The second largest trading partner of the European Community is the United States. The level of trade with this country has always been maintained at above 7 per cent of the total Community's trade since 1960 to 1991. However, the trend is somewhat declining, from as high as 10.4 per cent in 1960 to only 7.1 per cent in 1991.

Under successive Lome Conventions, 68 African, Caribbean and Pacific (ACP) countries have been accorded duty-free for their exports of manufacturers and for most agricultural products not covered by the Common Agricultural Policy (CAP). However, despite their preferential status, the share of EEC imports from and exports to ACP countries has been declining from time to time, i.e., from 6.2 per cent and 5.6 per cent respectively in 1960 to only 1.6 per cent and 1.4 per cent respectively in 1991. The lost market shares of ACP countries in the EEC were not only due to limited supply capabilities, but also as a result of a fall in commodity prices and financial stringencies caused by debt problems.[2]

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2. United Nations, *Trade and Development Report 1990*, New York, 1990, p.82.

To a very large economy like the EEC, trade with SEACEN countries appears insignificant. The European Community's exports to and imports from the SEACEN countries have always been only around two per cent of its total exports and imports, respectively. Between 1970 to 1991, the EC trade to the SEACEN countries was very small as compared to their total trade, on the average only 1.7 per cent (Table 3 and 4). The share of its exports to the SEACEN countries in 1991 accounted for only 2.2 per cent of its total exports, however, showed an increase of 69.2 per cent from the share in 1970 (1.3 per cent). Meanwhile, the share of the European Community imports from the SEACEN countries in 1991 accounted for only 2.4 per cent, or more than double than its level in 1970 (1.0 per cent).

Table 5 and 6 show the commodity composition of exports and imports of the European Community, which was steadily maintained, in 1980, 1989 and 1990. In terms of commodity composition, the exports of the European Community in 1990 was dominated by chemicals (12.04 per cent), followed by automotive products (11.72 per cent), other non-electrical machinery (10.82 per cent) and food (10.35 per cent); whereas on the import side, the largest proportion in 1990 was food (10.72 per cent), followed by chemicals (10.00 per cent), automotive products (9.24 per cent) and other consumer goods (9.11 per cent). Import of fuel was very dominant in 1980, which recorded 22.72 per cent of its total imports in that year.

As can be seen in Table.7, the share of the European Community exports of manufactures to the world exports of manufactures has been the largest for long time, far above that of Japan or the United States In 1990, for example, it accounted for 44.0 per cent of the world exports of manufactures as compared to only 11.3 per cent and 11.9 per cent of the share of Japan and the United States, respectively. However, more than half, or 26.1 per cent, was exported to its own community.

Eleven out of the twelve members of the European Community are considered as the leading exporters of manufactures in the world since the 1980s. They are West Germany, France, United Kingdom, Italy, Belgium-Luxembourg, Netherlands, Spain, Denmark, Ireland and Portugal. In 1990, for example, West Germany was ranked as the first largest exporters of manufactures in the world, followed by France, Italy, United Kingdom, Belgium & Luxembourg and the Netherlands at the fourth, fifth, sixth and seventh rank. At the same time, these countries have

Fig.1. DIRECTION OF IMPORTS AND EXPORTS
OF THE EUROPEAN COMMUNITY, 1991
(in million US $)

■ Imports from   ▨ Exports to

Thousands
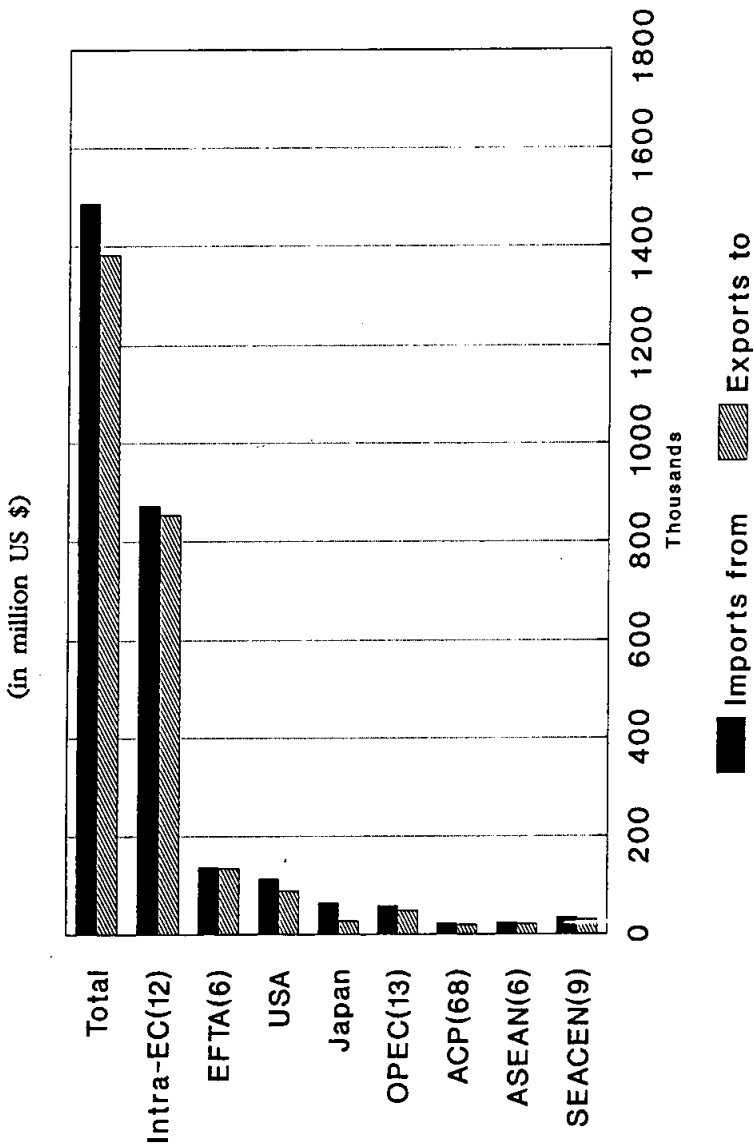
Source: Tables 3 and 4.

Table 5. EC (12) Trade By Commodity Groups (US $ billion).

	1980	1989	1990
TOTAL EXPORTS (f.o.b.)	**689.59**	**1130.38**	**1351.43**
Food	76.01	119.44	139.86
Raw Materials	13.00	21.23	22.95
Ores & Other Minerals	8.10	11.51	11.34
Fuels	55.25	37.78	49.64
Non Ferrous Metals	18.68	23.64	24.66
Iron & Steel	36.14	48.45	52.04
Chemicals	78.73	139.82	162.71
Other Semi Manufactures	68.80	104.95	124.66
Power Generating Machinery	9.26	16.34	20.92
Other Non-electrical Machinery	73.19	118.97	146.26
Office & Telecommunication eqpts.	27.78	69.65	82.98
Electrical Machinery & Apparatus	23.59	43.75	54.36
Automotive Products	65.12	128.70	158.38
Other Transport equipments	24.62	44.01	53.25
Textiles	25.46	39.00	47.15
Clothing	15.44	29.63	37.89
Other Consumer Goods	55.55	109.16	133.83
TOTAL IMPORTS (c.i.f.)	**774.02**	**1167.18**	**1411.93**
Food	94.39	128.78	151.34
Raw Materials	32.31	42.28	44.92
Ores & Other Minerals	20.66	23.79	23.64
Fuels	175.82	95.03	124.60
Non Ferrous Metals	24.94	32.67	33.71
Iron & Steel	26.75	40.98	45.56
Chemicals	60.78	118.94	141.19
Other Semi Manufactures	62.70	102.88	125.99
Power Generating Machinery	6.20	14.07	17.28
Other Non-electrical Machinery	43.46	83.75	104.81
Office & Telecommunication eqpts.	32.34	96.90	115.91
Electrical Machinery & Apparatus	17.55	39.44	49.33
Automotive Products	44.71	105.26	130.43
Other Transport equipments	20.34	36.69	47.17
Textiles	23.72	37.35	46.00
Clothing	20.93	38.39	50.68
Other Consumer Goods	50.51	103.36	128.68

Source : GATT International Trade 1990-91, Geneve 1992.

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Table 6. EC (12) Trade By Commodity Groups, in
(Percentage of total exports and imports)

	1980	1989	1990
TOTAL EXPORTS (f.o.b.)	100.00	100.00	100.00
Food	11.02	10.57	10.35
Raw Materials	1.89	1.88	1.70
Ores & Other Minerals	1.17	1.02	0.84
Fuels	8.01	3.34	3.67
Non Ferrous Metals	2.71	2.09	1.82
Iron & Steel	5.24	4.29	3.85
Chemicals	11.42	12.37	12.04
Other Semi Manufactures	9.98	9.28	9.22
Power Generating Machinery	1.34	1.45	1.55
Other Non-electrical Machinery	10.61	10.52	10.82
Office & Telecommunication eqpts.	4.03	6.16	6.14
Electrical Machinery & Apparatus	3.42	3.87	4.02
Automotive Products	9.44	11.39	11.72
Other Transport equipments	3.57	3.89	3.94
Textiles	3.69	3.45	3.49
Clothing	2.24	2.62	2.80
Other Consumer Goods	8.06	9.66	9.90
TOTAL IMPORTS (c.i.f.)	100.00	100.00	100.00
Food	12.19	11.03	10.72
Raw Materials	4.17	3.62	3.18
Ores & Other Minerals	2.67	2.04	1.67
Fuels	22.72	8.14	8.82
Non Ferrous Metals	3.22	2.80	2.39
Iron & Steel	3.46	3.51	3.23
Chemicals	7.85	10.19	10.00
Other Semi Manufactures	8.10	8.81	8.92
Power Generating Machinery	0.80	1.21	1.22
Other Non-electrical Machinery	5.61	7.18	7.42
Office & Telecommunication eqpts.	4.18	8.30	8.21
Electrical Machinery & Apparatus	2.27	3.38	3.49
Automotive Products	5.78	9.02	9.24
Other Transport equipments	2.63	3.14	3.34
Textiles	3.06	3.20	3.26
Clothing	2.70	3.29	3.59
Other Consumer Goods	6.53	8.86	9.11

Source : GATT International Trade 1990-91, Geneve 1992.

Fig.2. EC Trade by Commodity Groups 1990

(in US $ billion)

Food
Raw materials
Fuels
Ores & oth.minerals
Non ferrous metals
Iron & Steel
Chemicals
Other semi manufact.
Power genert.machin.
Oth.non-elect.machn.
Offc.& telecom.eqpt.
Electrical machinrs.
Automotive products
Oth.transp.equipt.
Textiles
Clothing
Oth.consumer goods

0   50   100   150   200
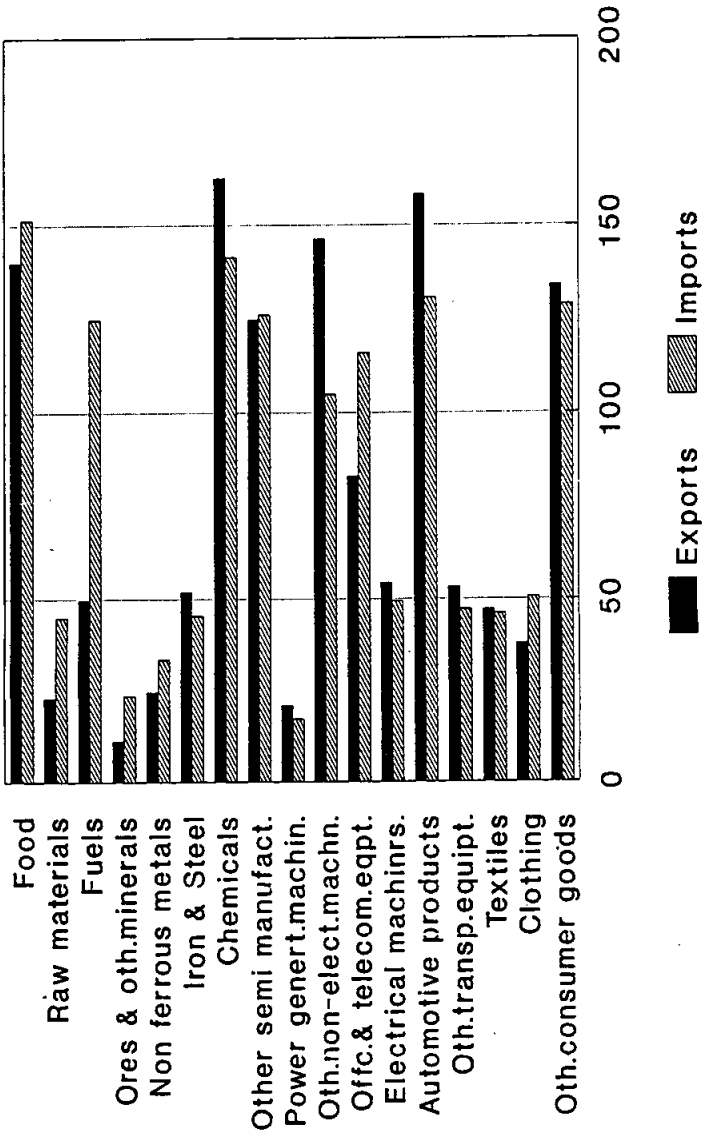
■ Exports   ▨ Imports

Source: Table 5.

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also been performing as the leading importers of manufactures in the world. The share of their exports and imports of manufactures are presented in Table 8 and 9.

5.   What is the 1992 Programme ?

The European Community is now going through a major period of change to establish the single internal market. This idea is not an entirely new concept, the EC Treaty had as its aim the establishment of a "common market" (see p.6). The single internal market extends the common market concept. The rationale for transforming national markets into a single market is that it tends to improve European specialization and efficiency as well as intensify competition, and, thereby, increase trade and foster economic welfare. This entails removing all hindrances to the free circulation of goods, factors of production and services within and between member countries.

In spite of this early vision a true common market does not yet exist. The process of integration had slowed and many obstacles to the creation of a common market remained. They comprise, for example: obstacles to the free movement of people, varying national technical standards, national administrative requirements, health and safety standards, environmental regulations, quality controls, differing rates of indirect taxation, capital market restrictions, higher transport costs due to border formalities, and so on.

Due to the lack of integration of its national economies, industrial growth in the European Community had fallen behind that of major international competitors. The additional cost of doing business in twelve Member States was an obstacle to competitiveness on the world market. In short, Europe simply has not made effective use of its collective resources. This has led to all manner of costs being imposed on all forms of economic activity and the costs ultimately borne by the consumer and the tax-payer.

The European Community had thus failed to achieve the objective of the EC Treaty. For all the progress that had been made, the EC was very far from an integrated market. In the early 1980s, however, the mood began to change. The European Community citizens were reminded of the lack of integration by the continued existence of

Table 7. Shares in World Exports of Manufactures. a/

	1977	1981	1985	1986	1990
		(In percent)			
Developed countries	82.6 q	80.8	79.0	79.6	79.0
EC(10) b/	45.0	40.1	39.9	42.6	44.0
Intra-EC	20.9	18.9	20.3	23.0	26.1
Japan	11.9	13.3	14.2	14.1	11.3
United States	12.0	13.9	12.0	10.3	11.9
Others	13.8	13.4	12.8	12.6	11.8
Developing countries	8.0	10.7	12.2	11.8	12.2
Four Asian NIEs c/	4.2	6.2	7.9	7.9	9.6
Others	3.8	4.5	4.2	3.9	2.6

Source: IMF, "Issues and Developments in International Trade Policy," Occassional Paper no 63, Dec. 1988. Figures for 1990 are own calculation from GATT, "International Trade 90-91," Geneva 1992.

a/ Manufactures of SITC categories 5 through 8 minus 68.

b/ Includes the original six EC members plus Denmark, Greece, Ireland and the UK. The same group of countries is maintained throughout the period to avoid distortion arising from EC enlargement.

c/ Hongkong, Korea, Singapore and Taiwan.

Table 8. Leading Exporters of Manufactures, 1980, 1985 and 1990.

Country	1980		1985		1990		Avg. annual change 80-90
	$ Bill.	% of world total	$ Bill.	% of world total	$ Bill.	% of world total	
Germany, Fed. Rep.	162.1	14.8	157.9	13.2	354.4	14.5	6
Japan	122.7	11.2	169.4	14.2	275.1	11.3	8
United States	142.2	13.0	153.9	12.9	290.5	11.9	6
France	81.1	7.4	71.7	6.0	161.3	6.6	5
United Kingdom	81.9	7.5	66.1	5.5	147.3	6.0	4
Italy	65.0	5.9	67.0	5.6	148.6	6.1	7
Belgium-Luxemburg	44.4	4.0	37.7	3.2	91.2	3.7	6
Canada	30.8	2.8	50.8	4.3	73.3	3.0	9
Netherlands	36.8	3.4	34.5	2.9	77.8	3.2	6
Taiwan	17.4	1.6	27.6	2.3	62.2	2.5	13
Hongkong	18.0	1.6	27.3	2.3	75.6	3.1	14
of which re-exports	4.9	0.4	11.5	1.0	48.2	2.0	23
Korea, Rep.	15.7	1.4	27.6	2.3	60.4	2.5	14
Switzerland	26.6	2.4	25.2	2.1	59.3	2.4	6
Sweden	23.9	2.2	24.2	2.0	47.5	1.9	6
USSR	19.5	1.8	21.5	1.8	34.5	1.4	5
Spain	14.9	1.4	17.0	1.4	41.7	1.7	8
Singapore	8.3	0.8	11.7	1.0	37.5	1.5	14
of which re-exports	3.5	0.3	4.8	0.4	13.8	0.6	13
Austria	14.5	1.3	14.7	1.2	36.8	1.5	7
China a/	8.6	0.8	11.4	1.0	44.3	1.8	16
Germany Dem.Rep.a/	13.6	1.2	12.1	1.0	20.4	0.8	3
Brazil	7.5	0.7	11.2	0.9	16.3	0.7	9
Mexico a/	4.5	0.4	9.3	0.8	26.0	1.1	18
Finland	9.9	0.9	10.4	0.9	22.1	0.9	7
Denmark	9.1	0.8	9.5	0.8	20.9	0.9	6
Malaysia	2.4	0.2	4.2	0.4	15.8	0.6	18
Thailand	1.6	0.1	2.7	0.2	14.6	0.6	20
Ireland	4.6	0.4	6.6	0.6	16.4	0.7	12
India	4.4	0.4	5.2	0.4	14.0	0.6	11
Norway	5.9	0.5	6.0	0.5	11.1	0.5	4
Portugal	3.3	0.3	4.3	0.4	13.1	0.5	12
World total	1097.0	100.0	1192.0	100.0	2445.0	100.0	7

a/ Includes exports from processing zones.

Source: GATT, "International Trade 90-91," Geneva 1992.

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Table 9. Leading Importers of Manufactures, 1980, 1985 and 1990.

Country	1980		1985		1990		Avg. annual change 80-90
	$ Bill.	% of world total	$ Bill.	% of world total	$ Bill.	% of world total	
United States	124.2	11.0	250.9	20.4	374.8	14.7	11
Germany, Feb. Rep.	96.6	8.6	89.7	7.3	245.0	9.6	7
United Kingdom	71.2	6.3	72.7	5.9	169.7	6.7	8
France	72.5	6.4	63.9	5.2	172.1	6.7	7
Italy	44.3	3.9	55.0	4.5	113.1	4.4	8
Canada a/	41.2	3.6	61.4	5.0	92.9	3.6	8
Japan	25.0	2.2	39.5	3.2	100.0	3.9	13
USSR a/	41.0	3.6	51.0	4.1	89.0	3.5	6
Netherlands	40.6	3.6	36.7	3.0	89.0	3.5	6
Belgium-Luxemburg	41.0	3.6	32.9	2.7	81.7	3.2	5
Hongkong b/	16.6	1.5	23.2	1.9	70.5	2.8	14
Switerland	25.6	2.3	23.1	1.9	57.8	2.3	7
Spain	12.8	1.1	12.8	1.0	61.7	2.4	15
China a/	12.7	1.1	33.1	2.7	42.5	1.7	14
Sweden	20.5	1.8	19.3	1.6	42.8	1.7	6
Korea, Rep.	9.6	0.8	17.8	1.4	49.1	1.9	15
Singapore b/	12.9	1.1	14.6	1.2	44.4	1.7	11
Taiwan	10.0	0.9	10.4	0.8	35.8	1.4	13
Thailand	4.8	0.4	5.5	0.4	28.0	1.1	16
Australia a/	14.8	1.3	18.6	1.5	31.6	1.2	8
Mexico c/	16.7	1.5	14.2	1.2	34.4	1.3	5
Denmark	11.1	1.0	11.6	0.9	23.1	0.9	6
Norway	11.0	12.0	11.9	1.0	21.4	0.8	6
Saudi Arabia	24.7	2.2	19.8	1.6	18.2	0.7	-4
Finland	8.8	0.8	8.2	0.7	20.6	0.8	8
Portugal	4.8	0.4	3.6	0.3	18.1	0.7	11
Malaysia	7.1	0.6	8.9	0.7	22.9	0.9	9
Ireland	7.4	0.7	6.8	0.6	15.7	0.6	6
Indonesia	7.0	0.6	7.4	0.6	16.6	0.7	5
World total	**1130.0**	**100.0**	**1230.0**	**100.0**	**2550.0**	**100.0**	**7**

a/ Imports f.o.b.
b/ Includes imports for re-exports
c/ Includes imports into processing ones

Source: GATT, "International Trade 90-91," Geneva 1992.

customs posts and border formalities, and there emerged a growing realization that a new concerted attempt was required to complete the internal market.

In 1982, the Member States asked the European Commission to produce detailed proposals for the completion of the internal market. The idea was then set out in 1985 by the European Commission in a White Paper entitled "Completing the Internal Market". The White Paper consists of some 300 detailed measures[3] (regulations, directives, etc.) intended to eliminate the obstacles to an integrated market. The necessary measures are group by the Commission in three categories:

A. *Elimination of Physical Frontiers*

At present, goods and persons are systematically stopped and checked at national frontiers between Member States. Such controls are necessitated by certain differences in laws and regulations between Member States. However, border controls are not merely a physical constraint but also a significant economic constraint. They impose significant delays and thus adding to costs and reducing competitiveness on industry flowing from the formalities, transport and handling charges that goods are subjected to whenever they are taken across a border. Border controls presently exist for the following principal purposes: to operate aspects of the EC's common agricultural policy; to collect VAT and excise duties; to ensure custom control; to collect statistics on trade; to enforce national trade measures and quota; to police immigration control and security.

The service industries (e.g. transportation, telecommunication, banking and insurance) have been subjected to regulations that differ from one Member State to another raising the cost of services provided. With free movement of services, companies will be able to offer their services throughout the Community, while consumers will be free to choose the best offer at the best price. The airlines will operate numerous flights to a wide variety of destinations with fares at the lowest possible. Road transport will be organized so as to allow a more

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3. The measures have since been reduced to 282. By April 1990, the Council has adopted almost 60 per cent of the proposals. Nevertheless, the EC is unlikely to enact and implement fully all 282 measures by December 31, 1992. Some aspects of the Commision's project may not be adopted within the next five years.

rational use of the Community's fleet of trucks. The range of telecommunication products and services on offer will be highly diversified. European television without frontier will offer a larger number of channels, programmes and services. In the field of financial services, it will soon be possible to exercise a wide choice between loans, investments and different kinds of insurances cover on the terms offered in any Member State.

B. *Elimination of Technical Frontiers*

This will provide the single market with its true economic and industrial dimension, by permitting the economies of scale which make businesses more competitive. The most typical problems are differing technical, health and consumer standards and regulations, differing certification and testing procedures, the non-recognition in one member states standards and testing procedures that apply in other member states. The removal of these technical barriers is necessary to ensure that a product lawfully manufactured and marketed in one Member State may be sold freely throughout the European Community.

The lack of a genuinely open public procurement policy will also be eliminated. The public sector so far has been a haven for national purchasing regardless of the potential price, quality and service advantages which foreign suppliers may offer. As a result, more efficient producers in the Community have suffered through not being able to compete for this large sector of the market and public authorities have suffered from potentially higher costs and lower quality supplies and services. By end-1992, the major part of the public procurement sector will be covered by common rules providing for open and fair conditions of competition.

People too are inhibited by technical barriers. A major set of problems arises from differences in educational approach. By the removal of this barrier, academic degrees and professional qualifications acquired in one EC member country will be recognized in other member countries. All of them will be able to work in the Member State of their choice, on the same terms and same chances of success as nationals of the country in question. The present limitations are maintained to combat terrorism, drug trafficking, and illegal immigration by non-EC residents. However, the increased cooperation between the government departments responsible for dealing with drug trafficking and terrorism could make the removal of the barrier possible.

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With regard to controls on movement of capital to or from other Member States, the Community's citizens will be able to travel throughout the Community with the currency of their choice, without restrictions. Individuals as well as companies will be able to transfer funds freely in all the Member States. Everyone will be free to save or invest wherever he likes within the Community. The liberalization of capital movements will make possible the freedom to choose in a large number of fields, including banking, savings and investments, mortgages, leasing and insurance throughout the entire Community. This objective is clearly linked to the liberalization of financial services and ensuring fair conditions of competition and adequate saver and investor protection Community-wide.

The elimination of technical frontier will also include the differing national laws and regulations applied to business enterprises in the EC, which have resulted in complications over cross-border business activity involving mergers, joint ventures, patents, copyrights and so forth.

C. *Elimination of Fiscal Frontiers*

The elimination of differing tax rates and systems at the border is one reason for minimizing competitive distortions. The European Commission has proposed that the same excise tax rates should be adopted by all Member States and that value-added tax rates should diverge by no more than 5 to 6 percentage points between countries. Goods are exported tax free and indirect taxes are collected from the importer in the country in which the goods are used. For this purpose, the Commission has proposed that a clearing house system be set up.

In 1986, the European Community Council promptly committed the European Community to carry out the White Paper's program by 31 December 1992 -- hence the origin of the expression "1992" -- by signing the Single European Act ("SEA"), which amended and reinforced the EC Treaty in a number of important respects. The EC Treaty (as amended) now states that one of its principal aims is to create within Europe:

"an area without internal frontiers in which the freedom of movement of goods, persons, services and capital is ensured in accordance with the provisions of this Treaty".

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The SEA amended the decision making process laid down in the Treaty and has accelerated the legislative process. Above all, the adoption of the SEA reflects the renewed political will of the Community to halt the economic fragmentation of the Community and to complete, within a given timeframe, the aims of the original Treaties.[4]

For the European Commission, the completion of the internal market is the key, both to the prosperity of Europe and to its future. The quantitative estimates of the economic benefits that could flow from completing the internal market has been carried out under a research programme launched in 1986 by the European Commission and reported in 1988 in the widely known "Cecchini Report." The study involved 200 people, took two years to complete, and cost about US $5 million.

In the study, the potential gains to the EC from market integration are evaluated using both microeconomic analysis, which focuses on the effects on producers and consumers, and macroeconomic analysis, which focuses on the effect on major components of the gross domestic product (GDP). The starting point of both approaches is the removal of non-tariff barriers targeted in the White Paper. The release of these constraints will trigger market integration, lowering the cost of doing business, and causes prices to fall. The downward pressure on prices will in turn stimulate demand and, therefore, output. The increase in output will lead to further reductions in costs as economies of larger-scale production are realized for European, and global, competition.[5]

From microeconomic point of view, four major consequences are expected from the combined impact of the elimination of barriers and the subsequent boost to competition: (i) the reduction in costs, and therefore in prices and in the purchasing power of income, (ii) improvement in efficiency within companies, (iii) changes in the competitive position between entire industries and reallocation of resources, (iv) increased innovation, new business processes and products

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4. For more specific analysis on this subject, see Roy Pryce, "The Single European Act: Institutional Reform and the Future of European Community," in *Experiences in Regional Cooperation,* ed. by Rita Beuter and Panos Tsakaloyanis, European Institute of Public Administration, the Netherlands, 1987.

5. For further detailed analysis, see Paolo Cecchini, et.al., *The European Challenge 1992. The Benefits of a Single Market,* Wildwood House Ltd., England, 1989.

Fig. 3. Flow-chart of Micro-economic Effect Triggered by the Single Market
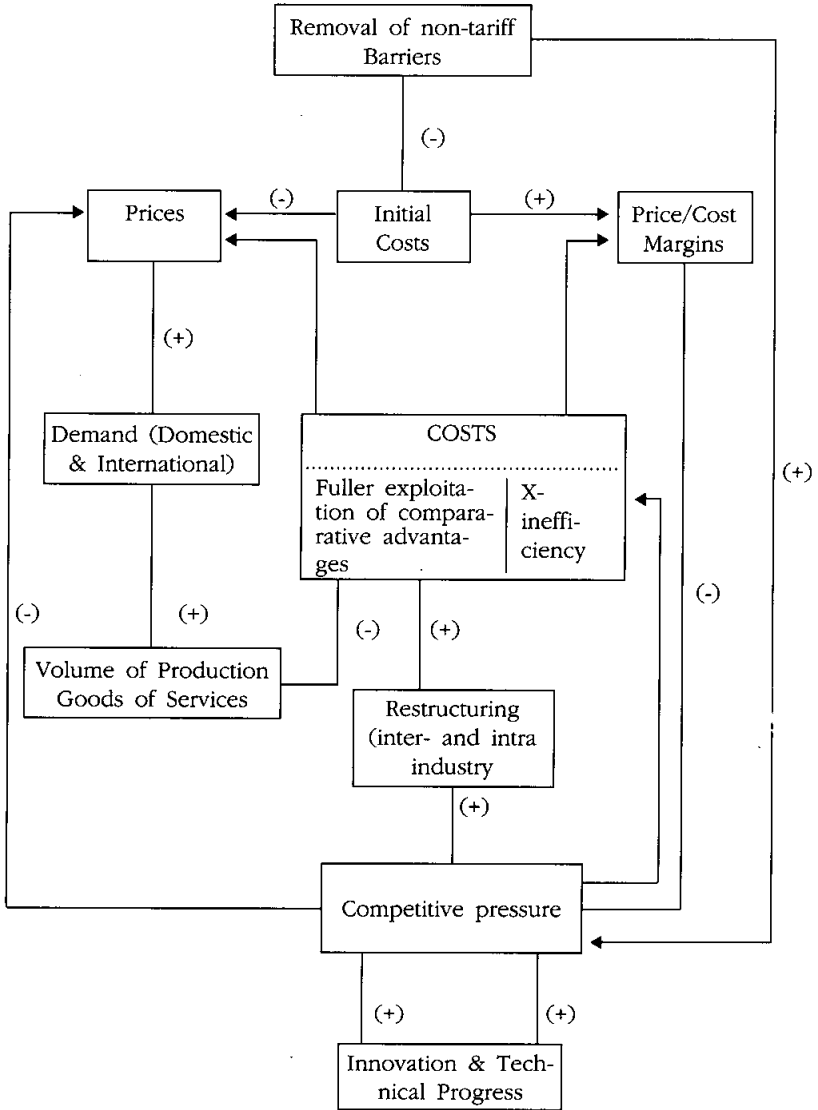
Note: (+) indicates an increase
      (-) indicates a reduction

Source: Comission of the European Communities, "The Economies of 1992,"
European Economy, No. 35, March 1988

Table 10. Potential Gains in Economic Welfare for the EC Resulting from Completion of the Internal Market

	Billions Ecu	% of GDP
Stage I:		
Gains from removal of barriers affecting trade	8-9	0.2-0.3
Stage II:		
Gains from removal of barriers affecting all production	57-71	2.0-2.4
Total gains from removing barriers	65-80	2.2-2.7
Stage 3:		
Gains from economies of scale	61	2.1
Stage 4:		
Gains from competition effects on X-inefficiency and monopoly rents	46	1.6
Total gains from market integration	62-107	2.1-3.7
TOTAL FOR 12 MEMBER STATES (at 1988 prices)	174-258	4.3-6.4
(mid points)	(216)	(5.3)

Source : Cecchini, Paolo, et.al., The European Challenge 1992, The Benefit of a Single Market, Wildwood House Ltd., England, 1989.

Table 11. Macroeconomic Consequences of EC Market Integration for the Community in the Medium Term.

	Customs formal- ities	Public procure- ment	Finan- cial service	Supply- side effects	Total Average value	Spread
Relative changes (%)						
GDP	0.4	0.5	1.5	2.1	4.5	(3.2-5.7)
Consumer prices	-1.0	-1.4	-1.4	-2.3	-6.1	(-4.5- -7.7)
Absolute changes						
Employment (millions)	200	350	400	850	180	(1300-2300)
Budgetary balance (% of GDP)	0.2	0.3	1.1	0.6	2.2	(1.5-3.0)
External balance (% of GDP)	0.2	0.1	0.3	0.4	1.0	(0.7-1.3)

Source : Cecchini, Paolo, et.al., The European Challenge 1992, The Benefit of a Single Market, Wildwood House Ltd., England, 1989.

generated by the dynamics of the internal market. As mentioned also in the study, these four effects will not occur simultaneously, but will be spread over differing time-spans. Their overall impact will increase the competitiveness of business and the general economic welfare of the consumer. The total estimate of economic gain to the Community is situated in a spread around mid-point of over ECU 200 billion (for the twelve EC member states, expressed in 1988 prices). The range represents between 4.3 per cent and 6.4 per cent of the Community's gross domestic product in 1988. Figure 3 traces the micro-economic effects triggered by the removal of non-tariff barriers, where Table 10 outlines the aggregate potential welfare gains for consumers and producers from reduction in costs and prices.

Macroeconomic assessment of the large internal market is based on simulations made or scenarios worked out with the help of macroeconometric models. Figure 4 depicts the principal macroeconomic mechanisms activated in the course of completing the internal market. The macroeconomic effect of removal of custom barriers, opening up public procurement, liberalization of financial services and the supply-side effects appear consistently favourable for the Community in the medium-term, as can be seen in Table 11. The integration will in the medium-term trigger the economic activity, adding on average 4.5 per cent to the Community's GDP; consumer prices will be deflated by an average of 6.1 per cent; improving the balance of public finances by an average equivalent to 2.2 per cent of GDP; boosting the EC's external position by around 1 per cent of GDP; and boosting employment by creating 1.8 million new jobs. However, all these gains would be achieved in a situation where macro-economic policy remained unchanged. The prospect of relaxing the major economic constraints - inflation, unemployment, public and trade deficits - in turn opens up a further and durable potential for growth in the medium and longer term. The macro-economic consequences of the Single market accompanied by three distinct policy measures are presented in Table 12. Each of them, to a greater or lesser extent, uses the budgetary surplus generated by the 1992 programme. The full conversion of the budgetary gain into economic growth leads to a medium-term rise in GDP of 7.5 per cent and in employment of almost 6 million, and to a significant deterioration of the external balance by an amount equal to 0.5 per cent of GDP. In the second policy scenario, the external constraint is fully removed and using only part of the budgetary gains, there still results an increase in GDP of almost 6.5 percent and job creation of

Fig. 4. Macroeconomic Mechanisms Activated by the Single Market

MARKET INTEGRATION

Opening of Public procurement

Elimination frontier control

Liberalization of Financial services

Supply-side effects

Lowering costs

Stimulation of investment

Competition

Lowering of prices

Gain in national income and purchasing power

Gains in competitiveness

Improvement of trade balances

(attenuation: import growth)

Increase in GDP

(attenuation: demand-pull inflation)

Improvement in public balanced budget

Job creation

(attenuation: customs-related job loss, gains in labour productivity)

Source: Comission of the European Communities, "The Economies of 1992," *European Economy,* No. 35, March 1988

Table 12. Macroeconomic Consequences of EC Market Integration for the Community in Medium Term, Accompanied by Economic Policy Measures

Nature of economic policies	Room for manoeuvre used	Economic consequences				
		GDP (%)	CPI (%)	Employment (millions)	Public deficit (% of GDP)	External balance (% of GDP)
Without accompanying measures (from table 11)		4.5	-6.1	1.8	2.2	1.0
With accompanying measures,	- Public budget balance	7.5	-4.3	5.7	0	-0.5
	- External balance	6.5	-4.9	4.4	0.7	0
	- Price reductions	7.0	-4.5	5.0	0.4	-0.2
Margin of accuracy		+/- 30%				

Source : Cecchini, Paolo, et.al., The European Challenge 1992, The Benefit of a Single Market, Wildwood House Ltd., England, 1989.

over 4 million. The third scenario, situated half way between the first two would result in a medium-term GDP of 7 per cent, unaccompanied by inflation, and the creation of 5 million new jobs.

Apart from and in addition to the impact of the single market, the EC economic growth may be boosted further by the recent opening up of countries in Central and Eastern Europe. The restructuring of the economies in these two regions will surely enhance business opportunities for the Western European countries.

CHAPTER III

ECONOMIC RELATIONS BETWEEN THE EEC
AND THE SEACEN COUNTRIES

Economic relations between the countries of the South East Asian Central Banks (SEACEN) and the countries of the European Economic Community (EEC) have a very long history. Over the last two centuries, colonialists, traders, and foreign investors from Europe have brought to this region a continuous trade of goods and services as well as investment in physical infrastructure, commerce and finance. The relations were originally initiated by the European traders to satisfy their demand for spices and primary commodities. The economies of both member countries of SEACEN and the EC are basically open in the sense that foreign trade and direct investment are important economic activities which are vigorously promoted. SEACEN countries are relatively more open as a group than the EEC as shown by the amount of SEACEN trade in 1992 which accounted for about one-half of its aggregate GDP, whereas in the case of the EEC its total trade in 1991 was accounted for around one-fifth of its aggregate GDP. However, openness also implies some degree of vulnerability of the economy to external fluctuations, therefore, the economic performance of the SEACEN countries is very much influenced by international market forces. Among the SEACEN group, Singapore is the most open where the share of its trade to GDP in 1992 accounted to 171.0 per cent; whereas in the case of EEC, Belgium is the most open where the share of its trade to GDP in 1991 recorded to 59.2 per cent.

The wide disparities between SEACEN region and the European Community as economic blocs are highlighted in Table 1 and Table 13. The geographical size of the SEACEN region (4 million square km.) is about double that of the EEC (2.2 million square km.), whereas in terms of population, the SEACEN's population is much greater (443.7 million) than that of the EEC (329.3 million). However, the stark contrasts between the two regions lie in the size of their GDP and the level of per capita GDP. In 1992, the SEACEN had an aggregate GDP (US$ 709.7 billion) only about one-ninth that of the EEC in 1991 (US$ 6245.2 billion); in fact SEACEN's GDP in 1992 was even far less than that of United Kingdom in 1991 only (US$ 1018.0 billion), a small country (0.2 million square km.) with only 57.5 million people. Likewise, the per capita GDP of SEACEN in 1992 (US$ 2923) is only a small fraction of

Table 13. SEACEN Countries Economies - Some Basic Indicators, 1992

	Indonesia	Korea	Malaysia	Myanmar	Nepal	Philip.	Singapore	Sri Lanka	Thailand	SEACEN
AREA										
(1000 sq.km.)	1919.0	99.3	329.8	676.6	147.2	300.0	0.6	65.5	514.0	4052.0
(% of SEACEN total)	47.4	2.5	8.1	16.7	3.6	7.4	0.0	1.6	12.7	100.0
POPULATION										
(million)	179.3	43.7	18.6	41.6	18.5	64.3	2.8	17.1	57.8	443.7
(% of SEACEN total)	40.4	9.8	4.2	9.4	4.2	14.5	0.6	3.9	13.0	100.0
GDP										
(current prices,US$ billion)	124.2	296.8	50.4	38.0	3.0	48.8	38.9	4.4	105.2	709.7
(% of SEACEN total)	17.5	41.8	7.1	5.4	0.4	6.9	5.5	0.6	14.8	100.0
(GDP/capita, US$)	671.2	6674.7	2157.6	810.7	297.3	579.4	11357.1	236.2	3526.9	2923.5
Avg.annual rate of growth 1988-1992 (const. prices, %)	6.6	8.0	8.9	0.9	6.1	3.4	8.2	4.0	10.2	6.3
SHARE OF GDP (current prices,%) a/										
Agriculture	18.4	7.6	16.3	59.8	48.7	21.2	0.2	23.6	13.1	23.2
Industry	35.1	27.6	37.4	8.0	7.5	26.8	29.2	18.9	28.5	24.3
Services	40.7	51.4	44.1	30.4	29.1	47.0	52.2	50.3	35.4	42.3
IMPORTS										
Total (US$ million)	27807.0	77316.0	39433.0	1015.4	772.8	14520.0	66468.6	3477.2	40007.0	270817.0
(% of SEACEN total)	10.3	28.5	14.6	0.4	0.3	5.4	24.5	1.3	14.8	100.0
% of GDP	22.4	26.0	78.2	2.7	25.8	29.8	170.9	79.0	38.0	52.5
EXPORTS										
Total (US$ million)	34629.0	75169.0	40005.0	610.6	326.9	9824.0	66568.4	2510.9	32116.0	261759.8
(% of SEACEN total)	13.2	28.7	15.3	0.2	0.1	3.8	25.4	1.0	12.3	100.0
% of GDP	27.9	25.3	79.4	1.6	10.9	20.1	171.1	57.1	30.5	47.1
UNEMPLOYMENT RATES										
% of total of labour force	2.3	2.4	5.4	n.a	n.a	10.2	2.7	n.a	3.1	-
CONSUMER PRICES										
% change	7.5	6.2	3.5	27.8	10.2	9.0	2.2	11.4	5.7	8.1

a/ Share of GDP at constant prices were used for Malaysia and Sri Lanka.
b/ Figure is for the first quarter of 1992.
Source: The SEACEN Centre, SEACEN Financial Statistics, July 1992.

that of the EEC in 1991 (US$ 18963); only Singapore (US$ 11357) had per capita GDP in 1992 which was higher than that of the poorest EEC countries in 1991, i.e., Greece (US$ 6956) and Portugal (US$ 6080). This wide gap in economic resources inevitably resulted in unequal bargaining strengths. However, SEACEN region have been growing much faster than the EEC, its average annual growth of GDP during the last five years from 1988 to 1992 recorded almost double (6.3 per cent) than that of the EEC from 1987 to 1991 (2.9 per cent). This trend is expected to continue to do so in the 1990s. To that extent, the economic gap is gradually narrowing.

The basic issues in economic relations between SEACEN countries and the EEC, like those in their relations with Japan and the United States, centre on trade and investment. While the EEC views SEACEN countries as a source of raw materials, SEACEN countries regard the EEC as a market and a source of finance and technology. The EEC is the largest trading bloc in the world even if intra-community trade is excluded; SEACEN countries, on the other hand, are major world producers of several industrial raw materials including oil, timber, rubber and tin.

1. Trade Relations Between the EEC and the SEACEN Countries

Table 2 shows that exports and imports of the SEACEN countries as a group have been continuously increasing since 1970. In 1991, its share accounted for 7.4 percent of world imports and 6.7 per cent of world exports, which represented about double than the level in 1970. However, this level is far below that of the EEC, which both its imports and exports in 1991 recorded at around 40.0 per cent of total world imports and exports. In another word, the EEC's total trade in 1991 is about six and half times the size of total trade of SEACEN as a group. It may be noted that the total trade of the SEACEN combined in 1992 (US$ 488 billion) is about equivalent in size to the trade of France in 1991 alone (US$ 449 billion), a small country with only 57 million people.

It is no accident that all SEACEN countries followed the familiar path of imports substitution before adopting export orientation in their manufacturing. This became evident when import substitution policies could not generate sustained manufacturing and employment growth. Singapore made the switch in mid 1960s, followed by Malaysia, the

Philippines, Thailand. Indonesia began to reorientate its policy in early 1980s. Table 14 and 15 show the imports and exports by SITC section of the SEACEN countries, while that of the EEC are presented in Table 16 and 17. The SEACEN countries as a group in 1991 were net importer of machinery and transport equipment, chemicals and related products, crude material (excluding fuel), mineral fuels, basic manufactures and unclassified products; and was net exporter of food and live animals, miscellaneous manufactured goods and animal and vegetable oils and fats (see Fig.6). On the other hand, in 1991 the EEC countries as a group were net importer of food and live animals, crude material (excluding fuel), mineral fuels, animal and vegetable oils and fats, basic manufactures, and miscellaneous manufactured goods; and was net exporter of chemicals and related products and machinery and transport equipment (see Fig.7).

Eight of nine SEACEN countries' import structure in 1991 were heavily concentrated in machinery and transport equipment (40.4 per cent), where the highest proportion were for the imports of Malaysia (50.2 per cent) followed by Singapore (46.8 per cent), Indonesia (45.4 per cent) and Thailand (40.8 per cent). Except for Myanmar, Philippines and Singapore where the second largest import category were chemicals (11.0 per cent), mineral fuels (14.9 per cent), and mineral fuels (14.9 per cent), respectively, the second largest import category for the other six SEACEN countries were concentrated in basic manufactures - 16.1 per cent for Indonesia, 16.3 per cent for Korea, 15.8 per cent for Malaysia, 18.9 per cent for Sri Lanka,and 24.8 per cent for Thailand. Except for Indonesia and Malaysia which were net exporters of mineral fuels, the seven other SEACEN countries have been burdened by oil import bill in 1989, majority accounting for around 10 per cent of their total imports.

Of SEACEN exports in 1991, machinery and transport equipment formed the largest category (34.9 per cent), followed by miscellaneous manufactured goods (16.7 per cent), basic manufactures (15.3 per cent), and mineral fuels (12.3 per cent). For Indonesia, mineral fuels dominated its exports, accounting for 39.0 per cent of its total exports in 1991, followed by basic manufactures (21.9 per cent), miscellaneous manufactured goods (14.3 per cent), food and live animals (8.8 per cent) and crude materials excluding fuels (7.9 per cent). For Korea, the largest exports were machinery and transportation equipment with a 41.6 per cent share of its total exports in 1991, followed by

Table 14. SEACEN Countries' Exports by SITC Section, 1991.

	Indonesia	Korea	Malaysia*	Myanmar**	Nepal***	Phil'nes	Singapore	Sri Lanka	Thailand	SEACEN
	(in million US$)									
Food & live animals	2320	2094	1277	82	22	1231	1756	566	7526	16873
Beverage & tobacco	144	116	35	0	1	86	1066	13	133	1594
Crude materials excl.fuels	2078	970	4244	158	8	482	1460	101	1449	10950
Mineral fuels, etc.	10329	1508	5396	7	0	211	10055	8	283	27797
Animal, vegetable oil & fats	488	2	2100	0	1	311	418	2	6	3328
Chemicals	776	3177	482	6		304	3867	50	549	9210
Basic manufactures	5791	15816	2340	20	93	705	4237	835	4736	34573
Machine, transport equipment	607	29915	10511	0	0	1229	29924	65	6889	79139
Misc.manufactured goods	3787	17600	2941	2	54	1440	5342	292	6435	37894
Unclassified goods	134	672	120	135	0	2840	848	56	344	5149
Total	26454	71870	29445	410	178	8839	58972	1987	28351	226507
	(in % of country's total exports)									
Food & live animals	8.8	2.9	4.3	20.0	12.4	13.9	3.0	28.5	26.5	7.4
Beverage & tobacco	0.5	0.2	0.1	0.0	0.4	1.0	1.8	0.7	0.5	0.7
Crude materials excl.fuels	7.9	1.3	14.4	38.5	4.3	5.5	2.5	5.1	5.1	4.8
Mineral fuels, etc.	39.0	2.1	18.3	1.7	0.0	2.4	17.1	0.4	1.0	12.3
Animal, vegetable oil & fats	1.8	0.0	7.1	0.0	0.3	3.5	0.7	0.1	0.0	1.5
Chemicals	2.9	4.4	1.6	1.3	0.4	3.4	6.6	2.5	1.9	4.1
Basic manufactures	21.9	22.0	7.9	4.9	52.0	8.0	7.2	42.0	16.7	15.3
Machine, transport equipment	2.3	41.6	35.7	0.0	0.0	13.9	50.7	3.2	24.3	34.9
Misc.manufactured goods	14.3	24.5	10.0	0.5	30.2	16.3	9.1	14.7	22.7	16.7
Unclassified goods	0.5	0.9	0.4	33.0	0.0	32.1	1.4	2.8	1.2	2.3

* 1990 figure

** Fiscal year, beginning 1 April 1989

*** Fiscal year, ending 15 July 1990

Source: ADB, Key Indicators of Developing Asian and Pacific Countries, 1992 (some values are converted into US dollar).

Table 15. SEACEN Countries' Imports by SITC Section, 1991.

	Indonesia	Korea	Malaysia*	Myanmar**	Nepal***	Phil'nes	Singapore	Sri Lanka	Thailand	SEACEN
					(in million US$)					
Food & live animals	948	3801	1694	4	53	892	2689	495	1635	12211
Beverage & tobacco	67	227	108	0	9	109	901	28	223	1672
Crude materials excl.fuels	1970	8855	943	3	50	666	1211	314	2312	16323
Mineral fuels, etc.	1916	12748	1487	17	52	1921	9290	339	3432	31202
Animal, vegetable oil & fats	29	244	81	11	16	24	491	18	27	942
Chemicals	3103	8161	2483	56	97	1440	4808	300	3473	23922
Basic manufactures	3749	13305	4621	55	176	1836	8681	585	9413	42421
Machine, transport equipment	10566	27136	14692	180	130	3235	30929	646	15465	102979
Misc.manufactured goods	895	5070	1663	21	44	369	6247	358	1086	15752
Unclassified goods	16	1978	1479	160	0	2365	853	7	839	7696
Total	23259	81525	29251	506	627	12857	66101	3090	37904	255119
					(in % of country's total imports)					
Food & live animals	4.1	4.7	5.8	0.8	8.4	6.9	4.1	16.0	4.3	4.8
Beverage & tobacco	0.3	0.3	0.4	0.1	1.4	0.8	1.4	0.9	0.6	0.7
Crude materials excl.fuels	8.5	10.9	3.2	0.5	8.0	5.2	1.8	10.2	6.1	6.4
Mineral fuels, etc.	8.2	15.6	5.1	3.4	8.3	14.9	14.1	11.0	9.1	12.2
Animal, vegetable oil & fats	0.1	0.3	0.3	2.2	2.6	0.2	0.7	0.6	0.1	0.4
Chemicals	13.3	10.0	8.5	11.0	15.5	11.2	7.3	9.7	9.2	9.4
Basic manufactures	16.1	16.3	15.8	10.9	28.0	14.3	13.1	18.9	24.8	16.6
Machine, transport equipment	45.4	33.3	50.2	35.6	20.7	25.2	46.8	20.9	40.8	40.4
Misc.manufactured goods	3.8	6.2	5.7	4.1	7.0	2.9	9.5	11.6	2.9	6.2
Unclassified goods	0.1	2.4	5.1	31.5	0.0	18.4	1.3	0.2	2.2	3.0

* 1990 figure
** Fiscal year, beginning 1 April 1989
*** Fiscal year, ending 15 July 1990

Source: ADB, Key Indicators of Developing Asian and Pacific Countries, 1992 (some values are converted into US dollar).

Fig.5. SEACEN Trade by SITC Section
(1991, in US $ million)

Food & live animals
Beverage & tobacco
Crude.matl.excl.fuel
Mineral fuels, etc.
Animal,veg.oil& fats
Chemicals
Basic manufactures
Mach.,transp.equipt.
Misc.manufact.goods
Unclassified goods

Thousands

■ Exports   ▨ Imports
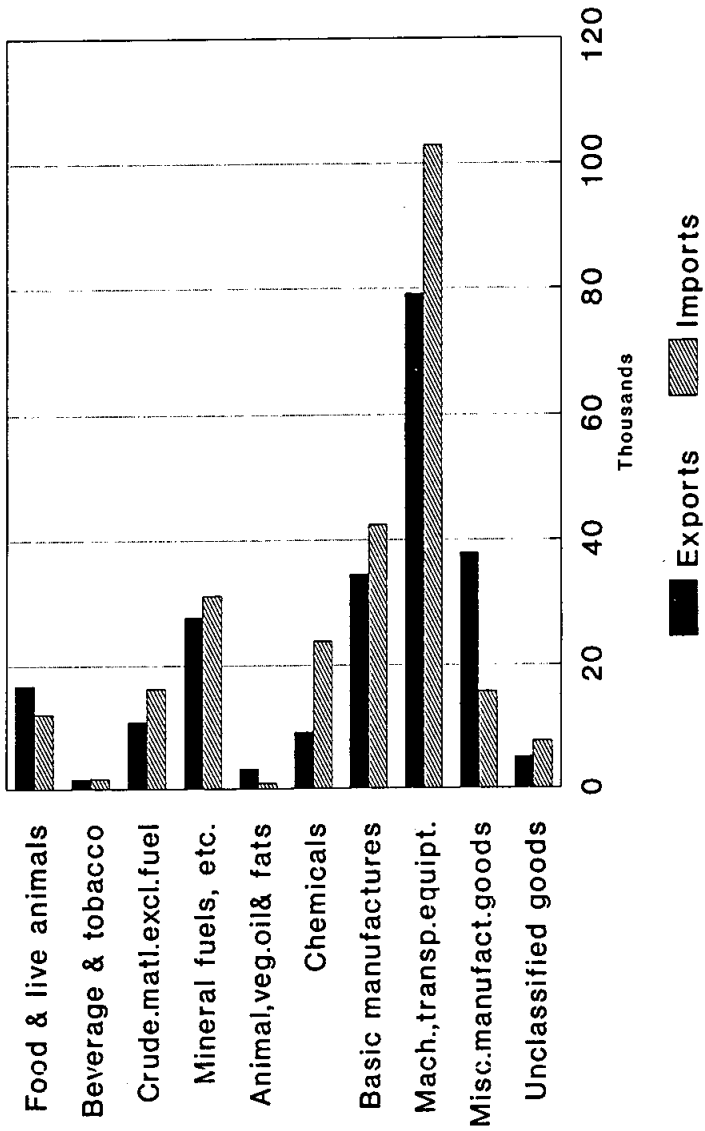
Source: Tables 14 and 15.

Table 16. European Community's Exports by SITC Section, 1991.

SITC Section	Belg-Lux.	Denmark	W.Germany	Greece	Spain	France	Ireland	Italia	Netlands	Portugal	U.K.	EEC
						(in million US $)						
Food & live animals	10830	9098	17496	1929	7568	24067	4896	8879	23089	709	8327	116887
Beverage & tobacco	819	392	2616	494	1063	7178	571	2092	3171	485	5320	24202
Crude materials excl.fuels	2662	1553	7353	457	1766	6131	758	1735	7519	1211	3393	34537
Fuel products	4608	1291	4967	776	2549	5392	144	3812	13235	447	12486	49708
Oil, fats and waxes	489	143	919	223	1177	478	20	673	912	78	170	5283
Chemicals	16648	3007	51010	340	5342	28628	4265	11354	19520	762	24319	165196
Manufact.goods clssfd. by material	34885	3895	68275	1957	12125	35472	1944	36418	17674	3784	27364	243795
Machine, transport equipment	31896	9292	196912	374	25392	97785	7090	63731	31259	3188	74523	541444
Misc.manufactured goods	10058	5579	44560	1948	6338	22829	3626	38911	12636	5613	23461	175560
Total exports	118119	35133	402843	8666	59363	217015	24224	169478	133513	16280	184962	1370600
						(in % of country's total exports)						
Food & live animals	9.2	25.9	4.3	22.3	12.7	11.1	20.2	5.2	17.3	4.4	4.5	8.5
Beverage & tobacco	0.7	1.1	0.6	5.7	1.8	3.3	2.4	1.2	2.4	3.0	2.9	1.8
Crude materials excl.fuels	2.3	4.4	1.8	5.3	3.0	2.8	3.1	1.0	5.6	7.4	1.8	2.5
Fuel products	3.9	3.7	1.2	9.0	4.3	2.5	0.6	2.2	9.9	2.7	6.8	3.6
Oil, fats and waxes	0.4	0.4	0.2	2.6	2.0	0.2	0.1	0.4	0.7	0.5	0.1	0.4
Chemicals	14.1	8.6	12.7	3.9	9.0	13.2	17.6	6.7	14.6	4.7	13.1	12.1
Manufact.goods clssfd. by material	29.5	11.1	16.9	22.6	20.4	16.3	8.0	21.5	13.2	23.2	14.8	17.8
Machine, transport equipment	27.0	26.4	48.9	4.3	42.8	45.1	29.3	37.6	23.4	19.6	40.3	39.5
Misc.manufactured goods	8.5	15.9	11.1	22.5	10.7	10.5	15.0	23.0	9.5	34.5	12.7	12.8
Total exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat, External Trade and Balance of Payments Statistical Yearbook 1992, Luxembourg 1992 (All values are converted from ECU to US $).

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Table 17. European Community's Imports by SITC Section, 1991.

(in million US $)

SITC Section	Belg-Lux.	Denmark	W.Germany	Greece	Spain	France	Ireland	Italia	Net'lands	Portugal	U.K.	EEC
Food & live animals	10781	3476	32407	2372	8309	20613	1984	19756	13657	2746	18351	134450
Beverage & tobacco	1418	388	3967	364	1352	2406	281	1912	1762	180	3351	17382
Crude materials excl.fuels	6423	1136	17305	967	4877	8294	519	12713	6893	1352	8234	68714
Fuel products	10204	1699	32363	2076	9494	22321	1190	17078	14611	2380	13174	126591
Oil, fats and waxes	449	150	972	190	348	739	67	1582	657	82	665	5900
Chemicals	15166	3589	32729	2239	9180	24454	2753	20109	13962	2392	19331	145905
Manufact.goods clssfd. by material	27564	6204	64465	4228	12698	38347	3161	27425	22461	4945	36004	247504
Machine, transport equipment	34047	10446	136677	7095	34140	96172	7294	56573	43817	9461	74579	510300
Misc.manufactured goods	13809	4581	62053	1995	9387	33927	3024	15952	19060	2499	31280	197565
Total imports	120182	32348	389908	21580	93867	231799	20771	182695	125873	26113	209946	1456600

(in % of country's total exports)

SITC Section	Belg-Lux.	Denmark	W.Germany	Greece	Spain	France	Ireland	Italia	Net'lands	Portugal	U.K.	EEC
Food & live animals	9.0	10.7	8.3	11.0	8.9	8.9	9.6	10.8	10.8	10.5	8.7	9.2
Beverage & tobacco	1.2	1.2	1.0	1.7	1.4	1.0	1.4	1.0	1.4	0.7	1.6	1.2
Crude materials excl.fuels	5.3	3.5	4.4	4.5	5.2	3.6	2.5	7.0	5.5	5.2	3.9	4.7
Fuel products	8.5	5.3	8.3	9.6	10.1	9.6	5.7	9.3	11.6	9.1	6.3	8.7
Oil, fats and waxes	0.4	0.5	0.2	0.9	0.4	0.3	0.3	0.9	0.5	0.3	0.3	0.4
Chemicals	12.6	11.1	8.4	10.4	9.8	10.5	13.3	11.0	11.1	9.2	9.2	10.0
Manufact.goods clssfd. by material	22.9	19.2	16.5	19.6	13.5	16.5	15.2	15.0	17.8	18.9	17.1	17.0
Machine, transport equipment	28.3	32.3	35.1	32.9	36.4	41.5	35.1	31.0	34.8	36.2	35.5	35.0
Misc.manufactured goods	11.5	14.2	15.9	9.2	10.0	14.6	14.6	8.7	15.1	9.6	14.9	13.6
Total imports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Eurostat, External Trade and Balance of Payments Statistical Yearbook 1992, Luxembourg 1992 (All values are converted from ECU to US $).

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Fig.6. EEC Trade by SITC Section. (1991, in US $ million)

Food & live animals
Beverage & tobacco
Crude.matl.excl.fuel
Mineral fuels, etc.
Animal,veg.oil& fats
Chemicals
Basic manufactures
Mach.,transp.equipt.
Misc.manufact.goods
Unclassified goods

0   100   200   300   400   500   600   700
Thousands

■ Exports   ▨ Imports
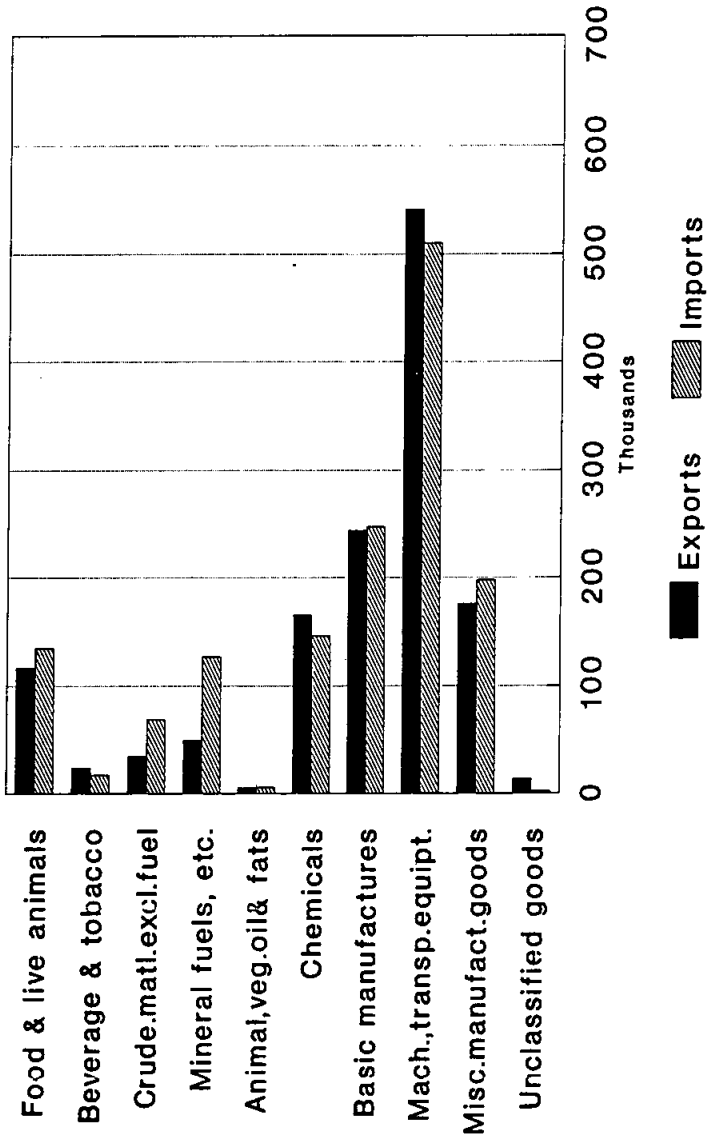
Source: Tables 16 and 17.

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miscellaneous manufactured goods (24.5 per cent) and basic manufactures (22.0 per cent). Malaysia's exports showed a dominance of machinery & transport equipment (35.7 per cent), followed by mineral fuels (18.3 per cent), and crude material excluding fuels (14.4 per cent). Myanmar has the highest proportion in crude material excluding fuels. In 1991 such exports accounted for 38.5 per cent of its total exports, followed by unclassified goods (33.0 per cent). Nepal's exports in 1991 were dominated by basic manufactures (52.0 per cent), followed by miscellaneous manufactured goods (30.2 per cent) and food and live animals (12.4 per cent). Unclassified goods comprised the most dominant exports of the Philippine's in 1991, accounting for 32.1 per cent of its total exports, followed by miscellaneous manufactured goods (16.3 per cent), food and live animals and machinery and transport equipment which both were 13.0 per cent of the total exports. Singapore has the highest proportion of machinery and transport equipment exports of the SEACEN countries. In 1991 such exports accounted for one half (50.7 per cent) of its total exports. Singapore's second largest export category is mineral fuels, which accounted for 17.1 per cent of its total exports in 1991. For Sri Lanka, basic manufactures was its largest exports category in 1991, which accounted for 42.0 percent of its total exports, followed by food and live animals with an export share of 28.5 per cent. Unlike that of other SEACEN member countries, the dominance export category of Thailand is food and live animals, which accounted for 26.5 per cent of its total exports in 1991. Thailand's second largest exports was machinery and transport equipments (24.3 per cent), followed by basic manufactured goods (22.7 per cent), and basic manufactures (16.7 per cent).

The trade structure of the European Economic Community is complementary to that of the SEACEN countries, being net importers of food and live animals, animal and vegetable oil and fats, and miscellaneous manufactured goods; and net exporter of chemicals and related products, machinery and transport equipment, and unclassified products. Among the EEC twelve, however, Belgium/Luxembourg, Denmark, Spain, France, Ireland and the Netherlands are net exporters of food and live animals; while Belgium/Luxembourg, West Germany, Greece, Spain, and the Netherlands are net exporters of animal and vegetable oil and fats. The import structure of the EEC in 1991 showed that machine and transport equipment was the largest import category accounting for 35.0 per cent of its total imports, followed by manufactured goods (17.0 per cent), miscellaneous manufactured goods

Table 18. Rank of EC Trade With Its Selected Main Extra-EC Trading Partners*

Partner Countries	1980	1987	1988	1989	1990	1991
IMPORTS:						
U.S.A.	1	1	1	1	1	1
Japan	4	2	2	2	2	2
Soviet Union	6	6	6	7	6	6
China	30	19	14	12	8	8
Hong Kong	19	14	15	17	20	19
Australia	22	20	19	22	23	27
Taiwan	25	11	12	11	12	10
South Korea	27	12	13	15	17	16
Singapore	32	32	25	24	24	23
Thailand	45	30	26	29	27	24
Malaysia	31	33	30	26	28	28
Indonesia	44	40	38	38	34	32
Philippines	52	49	48	49	50	44
EXPORTS:						
U.S.A.	1	1	1	1	1	1
Japan	11	5	5	5	5	4
Soviet Union	6	7	7	6	6	6
China	29	14	14	16	18	21
Hong Kong	25	17	11	14	14	14
Australia	19	12	12	11	13	17
Taiwan	45	22	19	20	23	22
South Korea	43	21	20	19	15	15
Singapore	32	24	21	18	17	20
Thailand	51	38	36	33	30	30
Malaysia	42	44	42	37	37	35
Indonesia	39	37	38	38	34	33
Philippines	56	53	51	47	45	48

*Ranked by value of trade in 1991.

Source: Eurostat, External Trade and Balance of Payment Statistical Yearbook 1992.

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(13.6 per cent) and chemicals (10.0 per cent). All the twelve EEC countries were recorded as net importers of fuels and related products in 1991. The share of imports of mineral fuels of the EEC in 1991 accounted for 8.7 per cent of its aggregate imports. Among the members, the share of imports of fuel products of the Netherlands in 1991 was the highest accounting for 11.6 per cent of its total imports, which then followed by that Spain amounting to 10.1 per cent of its total imports. The structure of exports of the European Community showed the dominance of machinery & transport equipments, which accounted for 39.5 per cent of its total exports, followed by basic manufactures (17.88 per cent), miscellaneous manufactured goods (12.8 per cent) and chemicals (12.1 per cent). The share of machinery and transport equipments in the member country's total exports in 1991 ranged from a high of 48.9 per cent for West Germany to a low of 4.3 per cent for Greece. Whereas for basic manufactures, the highest was that of Belgium/Luxembourg which accounted for 29.5 per cent, followed by that of Portugal which contributed to 23.2 per cent of its total exports. The share of food and live animals exports to total exports in 1991 was high for four EC member countries, i.e. accounted for 25.9 per cent for Denmark, 20.2 per cent for Ireland, 22.3 per cent for Greece, and 17.3 per cent for the Netherlands. As for fuels and related products, they accounted for 9.9 per cent of the Netherlands' total exports -- the highest among that of EC member countries -- reflecting the role of the Netherlands as the oil refining centre of the Community.

As has been mentioned in section II.4, to a very large economy like the European Community, trade with SEACEN countries as viewed from the EEC side- appear very insignificant. The EEC's exports to and imports from the SEACEN region has never exceeded two and half per cent of its total exports and imports respectively. During 1970 to 1991, the EEC trade to the SEACEN countries on the average was only 1.7 per cent (Table 3 and 4). However, in terms of the rank of EEC's major trade partners, table 18 reveals that of the nine SEACEN countries, six members i.e., Korea, Singapore, Thailand, Malaysia, Indonesia and the Philippines are included as the main 50 extra-EC trading partners in 1991. From extra-EC imports side in 1991, Korea, Singapore, Thailand, Malaysia, Indonesia and the Philippines were ranked 16th, 23th, 24th, 28th, 32th, and 44th, respectively; meanwhile on the direction of extra-EC exports front in 1991, Korea, Singapore, Thailand, Indonesia, Malaysia, and the Philippines were ranked 20th, 15th, 30th, 33th, 35th and 48th, respectively. Historically, the United States has always been ranked the first in terms of both extra-EC imports and exports.

Tables 19 and 20 show the time trend and the share of the indi-
vidual SEACEN countries trade with the EEC, both from 1987 to 1991.
The data shows that total trade of SEACEN countries as a group with
the EEC rose from US$34,238 million in 1987 to more than double in
1991, i.e., to US$ 72,398 million, showing an average annual growth
rate of 20.1 per cent. SEACEN exports to the EEC during this period
grew at lower rates at 17.8 per cent per annum as compared to that
of imports from the EEC which grew by 23.5 per cent per annum. Of
the nine SEACEN countries, Korea was the largest trading partner of the
Community in 1987 to 1991, in average, accounted for 30.2 per cent
of total SEACEN-EEC trade, followed then in descending order by
Singapore (23.5 per cent), Thailand (14.8 per cent), Malaysia (13.3 per
cent), Indonesia (11.1 per cent), and the Philippines (4.9 per cent). For
trade by the rest of the member countries, i.e. Myanmar, Nepal and Sri
Lanka, their share during the same period recorded very small, in average,
accounted for only 0.2 per cent, 0.3 per cent and 1.6 per cent of the
total SEACEN-EEC trade, respectively.

Looking at trade balances, the SEACEN as a group has posted
surpluses with the Community from 1987 to 1989, but deficit in 1990
and 1991. The highest surplus was in 1988 when it reached to US $
2.9 billion, which was mainly contributed by Korea and Malaysia.

By looking from the EEC side, Table 21 and 22 show that West
Germany is by far the largest trading partner of SEACEN as a group.
During 1987 to 1991, the share of West Germany to the total SEACEN-
EEC trade accounted an average for 30.2 per cent. The second largest
trading partner of SEACEN countries in the same period is United
Kingdom (22.0 per cent), followed by France (12.8 per cent) and the
Netherlands (12.5 per cent). In contrast, the share of Portugal ac-
counted for only 0.5 per cent, Ireland 0.8 per cent and Greece 0.8 per
cent of the total SEACEN-EEC trade. In terms of SEACEN countries'
imports, West Germany's status as the leading industrial nation in the
Community is reflected in the largest imports share by the SEACEN
group from this country, which during the same period, in average
accounted for 33.5 per cent of the total SEACEN countries' imports from
the Community. At the same time, the share of SEACEN countries'
exports to West Germany during the same period was also the largest,
accounting for 27.0 per cent of the total SEACEN countries's exports to
the EEC. The United Kingdom and the Netherlands have had long
historical-colonial ties with some of the SEACEN member countries and

Table 19. SEACEN Member Countries Trade with the European Community (in million US $)

	1987	1988	1989	1990	1991
EXPORTS BY:					
SEACEN	18252	23434	25040	30952	35188
Indonesia	1548	2152	2321	3029	3743
Korea	6600	8134	7164	8869	9858
Malaysia	2560	3047	3858	4398	5082
Myanmar	19	13	19	28	31
Nepal	57	86	90	117	142
Philippines	1086	1245	1320	1453	1645
Singapore	3498	5101	6036	7601	8278
Sri Lanka	296	341	393	483	675
Thailand	2588	3315	3839	4974	5734
IMPORTS BY:					
SEACEN	15986	20580	23709	31513	37210
Indonesia	2353	2598	2594	4138	4704
Korea	4614	6046	6485	8395	12298
Malaysia	1699	2207	3137	4285	5001
Myanmar	61	55	44	98	87
Nepal	71	95	69	72	50
Philippines	830	977	1251	1450	1318
Singapore	3993	5080	6218	7816	7978
Sri Lanka	350	383	348	388	574
Thailand	2017	3140	3564	4871	5200
TRADE BALANCE:					
SEACEN	2265	2854	1331	-561	-2022
Indonesia	-805	-446	-273	-1109	-961
Korea	1986	2088	679	474	-2440
Malaysia	861	840	721	113	81
Myanmar	-41	-42	-25	-70	-56
Nepal	-14	-8	22	45	92
Philippines	256	267	69	3	327
Singapore	-495	21	-182	-215	300
Sri Lanka	-54	-41	45	95	101
Thailand	571	176	276	103	534
TOTAL TRADE:					
SEACEN	34238	44014	48749	62465	72398
Indonesia	3901	4750	4915	7167	8447
Korea	11214	14180	13649	17264	22156
Malaysia	4259	5254	6995	8683	10083
Myanmar	80	68	63	126	118
Nepal	128	181	159	189	192
Philippines	1916	2222	2570	2903	2963
Singapore	7491	10181	12254	15417	16256
Sri Lanka	645	724	740	871	1249
Thailand	4605	6455	7403	9845	10934

Source: IMF, Direction of Trade Statistics, 1992.

Table 20. SEACEN Member Countries Trade with the European Community, (in per cent distribution by SEACEN Countries)

	1987	1988	1989	1990	1991
EXPORTS BY:					
SEACEN	100.0	100.0	100.0	100.0	100.0
Indonesia	8.5	9.2	9.3	9.8	10.6
Korea	36.2	34.7	28.6	28.7	28.0
Malaysia	14.0	13.0	15.4	14.2	14.4
Myanmar	0.1	0.1	0.1	0.1	0.1
Nepal	0.3	0.4	0.4	0.4	0.4
Philippines	6.0	5.3	5.3	4.7	4.7
Singapore	19.2	21.8	24.1	24.6	23.5
Sri Lanka	1.6	1.5	1.6	1.6	1.9
Thailand	14.2	14.1	15.3	16.1	16.3
IMPORTS BY:					
SEACEN	100.0	100.0	100.0	100.0	100.0
Indonesia	14.7	12.6	10.9	13.1	12.6
Korea	28.9	29.4	27.4	26.6	33.1
Malaysia	10.6	10.7	13.2	13.6	13.4
Myanmar	0.4	0.3	0.2	0.3	0.2
Nepal	0.4	0.5	0.3	0.2	0.1
Philippines	5.2	4.7	5.3	4.6	3.5
Singapore	25.0	24.7	26.2	24.8	21.4
Sri Lanka	2.2	1.9	1.5	1.2	1.5
Thailand	12.6	15.3	15.0	15.5	14.0
TOTAL TRADE:					
SEACEN	100.0	100.0	100.0	100.0	100.0
Indonesia	11.4	10.8	10.1	11.5	11.7
Korea	32.8	32.2	28.0	27.6	30.6
Malaysia	12.4	11.9	14.3	13.9	13.9
Myanmar	0.2	0.2	0.1	0.2	0.2
Nepal	0.4	0.4	0.3	0.3	0.3
Philippines	5.6	5.0	5.3	4.6	4.1
Singapore	21.9	23.1	25.1	24.7	22.5
Sri Lanka	1.9	1.6	1.5	1.4	1.7
Thailand	13.4	14.7	15.2	15.8	15.1

Source: Calculated from Table 19.

Table 21. SEACEN Trade with the Members of the EEC.
(in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**18253**	**23438**	**25045**	**30956**	**35177**
Belgium/Luxembourg	895	1261	1449	1945	1953
Denmark	349	509	427	634	688
France	2100	2770	2796	3444	3808
West Germany	4917	6121	6412	8676	10023
Greece	213	271	257	364	441
Ireland	74	138	150	248	338
Italy	1504	2098	2124	2521	2831
Netherlands	3540	4020	4353	5123	5589
Portugal	128	160	187	212	271
Spain	653	894	995	1266	1242
United Kingdom	3879	5195	5895	6522	8000
IMPORTS FROM:					
EEC	**15859**	**20715**	**23530**	**31345**	**37066**
Belgium/Luxembourg	896	1289	1591	1925	2058
Denmark	432	474	599	612	679
France	2392	3232	3150	4705	4855
West Germany	5472	6856	7972	10579	11962
Greece	36	72	97	176	59
Ireland	115	168	197	319	293
Italy	1569	2082	2719	3484	4146
Netherlands	1211	1633	1846	2272	2426
Portugal	47	69	57	82	104
Spain	324	553	513	700	733
United Kingdom	3365	4285	4789	6491	9749
TRADE BALANCE:					
EEC	**2394**	**2724**	**1515**	**-389**	**-1888**
Belgium/Luxembourg	-1	-28	-142	20	-105
Denmark	-83	35	-172	22	9
France	-291	-462	-354	-1260	-1047
West Germany	-555	-735	-1560	-1903	-1939
Greece	177	199	159	188	382
Ireland	-41	-29	-48	-71	45
Italy	-65	16	-595	-963	-1315
Netherlands	2330	2387	2508	2851	3162
Portugal	81	91	130	130	167
Spain	330	341	482	566	510
United Kingdom	514	909	1106	31	-1750
TOTAL TRADE:					
EEC	**34113**	**44153**	**48575**	**62301**	**72243**
Belgium/Luxembourg	1791	2551	3040	3871	4012
Denmark	781	984	1026	1246	1368
France	4492	6003	5946	8149	8663
West Germany	10389	12978	14384	19256	21986
Greece	249	343	354	540	500
Ireland	190	307	347	567	631
Italy	3073	4180	4843	6005	6977
Netherlands	4751	5653	6199	7395	8015
Portugal	176	229	244	294	375
Spain	977	1448	1508	1966	1975
United Kingdom	7244	9480	10684	13013	17749

Source: Calculated from IMF, Direction of Trade Statistics, 1992.

Table 22. SEACEN Trade with the Members of the EEC, in Per cent Distribution by EEC Countries

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	4.9	5.4	5.8	6.3	5.6
Denmark	1.9	2.2	1.7	2.0	2.0
France	11.5	11.8	11.2	11.1	10.8
West Germany	26.9	26.1	25.6	28.0	28.5
Greece	1.2	1.2	1.0	1.2	1.3
Ireland	0.4	0.6	0.6	0.8	1.0
Italy	8.2	8.9	8.5	8.1	8.0
Netherlands	19.4	17.2	17.4	16.5	15.9
Portugal	0.7	0.7	0.7	0.7	0.8
Spain	3.6	3.8	4.0	4.1	3.5
United Kingdom	21.3	22.2	23.5	21.1	22.7
IMPORTS FROM:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	5.7	6.2	6.8	6.1	5.6
Denmark	2.7	2.3	2.5	2.0	1.8
France	15.1	15.6	13.4	15.0	13.1
West Germany	34.5	33.1	33.9	33.8	32.3
Greece	0.2	0.3	0.4	0.6	0.2
Ireland	0.7	0.8	0.8	1.0	0.8
Italy	9.9	10.1	11.6	11.1	11.2
Netherlands	7.6	7.9	7.8	7.2	6.5
Portugal	0.3	0.3	0.2	0.3	0.3
Spain	2.0	2.7	2.2	2.2	2.0
United Kingdom	21.2	20.7	20.4	20.7	26.3
TOTAL TRADE:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	5.3	5.8	6.3	6.2	5.6
Denmark	2.3	2.2	2.1	2.0	1.9
France	13.2	13.6	12.2	13.1	12.0
West Germany	30.5	29.4	29.6	30.9	30.4
Greece	0.7	0.8	0.7	0.9	0.7
Ireland	0.6	0.7	0.7	0.9	0.9
Italy	9.0	9.5	10.0	9.6	9.7
Netherlands	13.9	12.8	12.8	11.9	11.1
Portugal	0.5	0.5	0.5	0.5	0.5
Spain	2.9	3.3	3.1	3.2	2.7
United Kingdom	21.2	21.5	22.0	20.9	24.6

Source: Calculated from IMF, Direction of Trade Statistics, 1992.

the relationship continues to be reflected in the extent of trade between the two groups. The United Kingdom ranked second both in SEACEN countries' imports from and exports to the Community, from 1987 to 1991. In the same period, the Netherlands ranked third in SEACEN countries' exports to the Community and fourth in terms of SEACEN countries' imports from the Community.

Tables 23 to 28 show the commodity composition by Harmonized System of Classification of EEC exports and imports to and from the SEACEN countries in 1986, 1987 and 1988.[6] In fact, for the period 1986 to 1988, the commodity imports of SEACEN countries as a group from the EEC have clustered mostly around section XVI (machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles), section VI (products of the chemical or allied industries), section XVII (vehicles, aircraft, vessels and associated transport equipment) and section XV (base metals and articles of base metal). Section XVI accounted for 33.7 per cent, 35.1 per cent and 37.5 per cent of the total SEACEN countries' imports from the Community in 1986, 1987 and 1988 respectively, meanwhile, during the same period section VI accounted for 13.0 per cent, 12.5 per cent and 13.5 per cent respectively. Section XVII and XV, which also represented important category SEACEN's imports, recorded relatively lower. These products are basically capital-intensive production processes with high technological content in which EEC member countries generally have a comparative advantage. By way of looking at the pattern of individual SEACEN member countries' imports from the Community in 1986 to 1988, in fact the general pattern of SEACEN's, as a group, imports is basically followed across countries, in which Section XVI always accounted for the largest share in their import structure, followed then by Section VI.

Looking in more detail at their Commodity Codes,[7] Indonesia's imports from the EEC have been dominated by organic chemicals, tanning or dyeing extracts, pigments and other coloring materials, inks; machinery and mechanical appliances and parts thereof; vehicles and parts

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6. In this analysis Harmonized System is used due to unavailability of recent SITC data.

7. To conserve space, exports and imports of the EEC to and from the SEACEN countries based on Commodity Code according to Harmonized System of classification are not reported in this study.

Table 23. EEC's Export to SEACEN Countries in 1986, by Harmonized System Classification *

Section	Indonesia	S.Korea	Malaysia	Myanmar	Nepal	Philip-pines	Sri Lanka	Singapore	Thailand	SEACEN
					(In thousand US dollars)					
I	13065	9986	21151	4345	2112	40087	4069	34258	30527	159600
II	6428	30608	7098	0	962	5581	10229	12572	6587	80066
III	3387	7069	2631	450	1603	2936	285	3691	2921	24972
IV	17619	39003	53093	1041	1034	22586	12745	132563	48120	327804
V	12381	26687	9289	691	0	4153	1642	28489	6182	89514
VI	260368	441767	145149	10499	2249	103407	34025	292592	208498	1498554
VII	74535	97298	34236	1356	2371	21736	10658	112804	47540	402534
VIII	692	135159	1478	0	0	7088	332	18982	1180	164912
IX	1030	6915	893	0	0	355	419	4800	1245	15658
X	38126	26783	24157	3390	186	12141	7444	50309	22508	185045
XI	10111	94528	18485	949	197	18187	20274	72074	16356	251162
XII	638	3340	1822	0	1962	459	788	17558	621	27188
XIII	30427	61482	28951	922	268	5091	3937	91167	14522	236766
XIV	30427	73557	43035	922	268	8283	33912	204998	74242	469641
XV	106938	202462	297537	11387	1765	20677	21500	242377	64060	968702
XVI	788628	1084157	225779	39998	17335	247946	81327	1053403	356866	3895439
XVII	189021	187946	66302	36243	1180	36385	17587	180317	372294	1087275
XVIII	67428	155538	50295	5271	2097	23371	10866	141744	47741	504351
IXX	552	3938	3051	331	0	0	1286	2244	1805	13206
XX	7586	4134	3260	0	0	1446	2641	40931	5074	65072
XXI	2231	1755	1496	0	0	899	0	6056	2363	14800
Others	54636	111413	48045	1719	289	20174	5569	66980	48775	357601
Total:	**1839135**	**3011328**	**1296017**	**124528**	**39515**	**639992**	**304251**	**2835440**	**1469407**	**11559612**
					(In % of total)					
I	0.71	0.33	1.63	3.49	5.34	6.26	1.34	1.21	2.08	1.38
II	0.35	1.02	0.55	0.00	2.43	0.87	3.36	0.44	0.45	0.69
III	0.18	0.23	0.20	0.36	4.06	0.46	0.09	0.13	0.20	0.22
IV	0.96	1.30	4.10	0.84	2.62	3.53	4.19	4.68	3.27	2.84
V	0.67	0.89	0.72	0.55	0.00	0.65	0.54	1.00	0.42	0.77
VI	14.16	14.67	11.20	8.43	5.69	16.16	11.18	10.32	14.19	12.96
VII	4.05	3.23	2.64	1.09	6.00	3.40	3.50	3.98	3.24	3.48
VIII	0.04	4.49	0.11	0.00	0.00	1.11	0.11	0.67	0.08	1.43
IX	0.06	0.23	0.07	0.00	0.00	0.06	0.14	0.17	0.08	0.14
X	2.07	0.89	1.86	2.72	0.47	1.90	2.45	1.77	1.53	1.60
XI	0.55	3.14	1.43	0.76	0.50	2.84	6.66	2.54	1.11	2.17
XII	0.03	0.11	0.14	0.00	4.97	0.07	0.26	0.62	0.04	0.24
XIII	1.65	2.04	2.23	0.74	0.68	0.80	1.29	3.22	0.99	2.05
XIV	1.65	2.44	3.32	0.74	0.68	1.29	11.15	7.23	5.05	4.06
XV	5.81	6.72	22.96	9.14	4.47	3.23	7.07	8.55	4.36	8.38
XVI	42.88	36.00	17.42	32.12	43.87	38.74	26.73	37.15	24.29	33.70
XVII	10.28	6.24	5.12	29.10	2.99	5.69	5.78	6.36	25.34	9.41
XVIII	3.67	5.17	3.88	4.23	5.31	3.65	3.57	5.00	3.25	4.36
IXX	0.03	0.13	0.24	0.27	0.00	0.00	0.42	0.08	0.12	0.11
XX	0.41	0.14	0.25	0.00	0.00	0.23	0.87	1.44	0.35	0.56
XXI	0.12	0.06	0.12	0.00	0.00	0.14	0.00	0.21	0.16	0.13
Others	2.97	3.70	3.71	1.38	0.73	3.15	1.83	2.36	3.32	3.09
Total:	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source : Eurostat (data are converted into US dollar).
Notes : * Explanation on the classification can be seen in Appendix 20.

Table 24. EEC's Imports from SEACEN Countries in 1986, by Harmonized System Classification *

Section	Indonesia	S.Korea	Malaysia	Myanmar	Nepal	Philip-pines	Sri Lanka	Singapore	Thailand	SEACEN
					(In thousand US dollars)					
I	40580	22864	4293	206	182	7015	1499	34725	88677	200040
II	352324	17171	38752	308	1363	32867	98339	15349	844953	1401427
III	170020	0	228237	1101	0	156355	13952	2096	1253	573015
IV	264322	102204	203068	7502	0	189388	14323	15999	270980	1067788
V	13166	8771	5829	5325	0	5517	6464	18316	9228	72616
VI	19034	57952	23916	0	0	2566	1394	54696	1942	161500
VII	116266	122399	459201	0	0	3876	30999	39105	84955	856800
VIII	40987	428478	5694	0	6679	9012	5611	7044	66859	570364
IX	342372	20572	380756	27509	0	144108	4854	98836	25935	1044944
X	257	28823	1444	1927	420	4720	0	20831	1171	59592
XI	122554	1103477	92401	1920	27470	141706	108190	70843	391364	2059925
XII	7369	245997	6837	0	0	18267	3284	5045	24894	311694
XIII	468	29361	3875	0	0	1279	2115	857	10722	48676
XIV	1577	33112	14475	3761	111	78219	33960	120880	102467	388562
XV	87330	186998	98561	155	136	17520	1892	58872	38325	489788
XVI	9088	1058948	476378	1259	1050	159605	1595	1062007	60582	2830512
XVII	3464	243975	1149	3528	0	431	207	69716	652	323121
XVIII	4167	312361	39373	0	203	13656	486	72654	12468	455367
IXX	0	0	0	0	0	0	0	0	0	0
XX	3512	3150	1698	0	0	25439	1381	4777	29248	69204
XXI	273	132160	14181	0	0	16879	1045	55772	8355	228665
Others	5796	25632	16727	125	303	6274	2009	95030	11074	162971
Total:	**1608692**	**4241485**	**2133957**	**54920**	**38373**	**1096536**	**335669**	**1985406**	**2134063**	**13629102**
					(In % of total)					
I	2.52	0.54	0.20	0.37	0.47	0.64	0.45	1.75	4.16	1.47
II	21.90	0.40	1.82	0.56	3.55	3.00	29.30	0.77	39.59	10.28
III	10.57	0.00	10.70	2.00	0.00	14.26	4.16	0.11	0.06	4.20
IV	16.43	2.41	9.52	13.66	0.00	17.27	4.27	0.81	12.70	7.83
V	0.82	0.21	0.27	9.70	0.00	0.50	1.93	0.92	0.43	0.53
VI	1.18	1.37	1.12	0.00	0.00	0.23	0.42	2.75	0.09	1.18
VII	7.23	2.89	21.52	0.00	0.00	0.35	9.24	1.97	3.98	6.29
VIII	2.55	10.10	0.27	0.00	17.41	0.82	1.67	0.35	3.13	4.18
IX	21.28	0.49	17.84	50.09	0.00	13.14	1.45	4.98	1.22	7.67
X	0.02	0.68	0.07	3.51	1.09	0.43	0.00	1.05	0.05	0.44
XI	7.62	26.02	4.33	3.50	71.59	12.92	32.23	3.57	18.34	15.11
XII	0.46	5.80	0.32	0.00	0.00	1.67	0.98	0.25	1.17	2.29
XIII	0.03	0.69	0.18	0.00	0.00	0.12	0.63	0.04	0.50	0.36
XIV	0.10	0.78	0.68	6.85	0.29	7.13	10.12	6.09	4.80	2.85
XV	5.43	4.41	4.62	0.28	0.35	1.60	0.56	2.97	1.80	3.59
XVI	0.56	24.97	22.32	2.29	2.74	14.56	0.48	53.49	2.84	20.77
XVII	0.22	5.75	0.05	6.42	0.00	0.04	0.06	3.51	0.03	2.37
XVIII	0.26	7.36	1.85	0.00	0.53	1.25	0.14	3.66	0.58	3.34
IXX	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
XX	0.22	0.07	0.08	0.00	0.00	2.32	0.41	0.24	1.37	0.51
XXI	0.02	3.12	0.66	0.00	0.00	1.54	0.31	2.81	0.39	1.68
Others	0.36	0.60	0.78	0.23	0.79	0.57	0.60	4.79	0.52	1.20
Total:	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source: Eurostat (data are converted into US dollar).
Notes : * Explanation on the classification can be seen in Appendix 20.

Table 25. EEC's Exports to SEACEN Countries in 1987, by Harmonized System Classification *

Section	Indonesia	S.Korea	Malaysia	Myanmar	Nepal	Philip-pines	Sri Lanka	Singapore	Thailand	SEACEN
					(In thousand US dollars)					
I	15323	10324	23264	3137	3247	66108	12433	30706	61728	226270
II	10326	45552	6403	0	2678	15838	9307	10937	7701	108742
III	5017	7215	2622	0	1287	1335	264	17515	3693	38948
IV	13772	48903	64209	121	1830	31762	16909	159942	69565	407014
V	11392	34667	11027	367	247	4536	2461	32975	9196	106869
VI	283496	530862	170570	6616	3434	145481	36084	384851	268553	1829948
VII	78665	151305	46141	3500	2222	31088	11289	109062	57933	491206
VIII	551	247615	2856	0	0	10574	421	30105	1853	293975
IX	1257	8826	574	0	0	712	667	3972	1639	17648
X	51419	40341	28018	7234	404	12387	8330	63122	31389	242645
XI	20517	148983	19718	675	0	23614	18119	83119	20876	335620
XII	1180	4498	1195	0	693	508	255	21351	1405	31084
XIII	34871	86544	25547	891	0	9025	3776	104900	19840	285395
XIV	850	36298	24194	0	0	4094	32259	81366	107321	286381
XV	137480	408821	119068	6760	5886	32915	18173	282074	143187	1154365
XVI	722712	1440555	540269	57095	29391	382623	91867	1314369	553318	5132198
XVII	200419	267035	71899	37412	2477	18715	20977	424615	201513	1245061
XVIII	79026	175670	59621	3301	2172	35090	14009	176740	56635	602263
IXX	0	877	2525	0	0	162	1299	3603	1933	10398
XX	4274	4113	2623	0	133	2891	966	35528	6961	57489
XXI	1463	6900	2353	0	0	354	649	6720	1822	20260
XXII	53444	147333	48712	9374	3212	31121	9425	77603	82734	462957
Total:	**1971773**	**4228558**	**1352105**	**141168**	**62926**	**944673**	**340238**	**3687353**	**1886365**	**14615161**
					(In % of total)					
I	0.78	0.24	1.72	2.22	5.16	7.00	3.65	0.83	3.27	1.55
II	0.52	1.08	0.47	0.00	4.26	1.68	2.74	0.30	0.41	0.74
III	0.25	0.17	0.19	0.00	2.05	0.14	0.08	0.48	0.20	0.27
IV	0.70	1.16	4.75	0.09	2.91	3.36	4.97	4.34	3.69	2.78
V	0.58	0.82	0.82	0.26	0.39	0.48	0.72	0.89	0.49	0.73
VI	14.38	12.55	12.62	4.69	5.46	15.40	10.61	10.44	14.24	12.52
VII	3.99	3.58	3.41	2.48	3.53	3.29	3.32	2.96	3.07	3.36
VIII	0.03	5.86	0.21	0.00	0.00	1.12	0.12	0.82	0.10	2.01
IX	0.06	0.21	0.04	0.00	0.00	0.08	0.20	0.11	0.09	0.12
X	2.61	0.95	2.07	5.12	0.64	1.31	2.45	1.71	1.66	1.66
XI	1.04	3.52	1.46	0.48	0.00	2.50	5.33	2.25	1.11	2.30
XII	0.06	0.11	0.09	0.00	1.10	0.05	0.07	0.58	0.07	0.21
XIII	1.77	2.05	1.89	0.63	0.00	0.96	1.11	2.84	1.05	1.95
XIV	0.04	0.86	1.79	0.00	0.00	0.43	9.48	2.21	5.69	1.96
XV	6.97	9.67	8.81	4.79	9.35	3.48	5.34	7.65	7.59	7.90
XVI	36.65	34.07	39.96	40.44	46.71	40.50	27.00	35.65	29.33	35.12
XVII	10.16	6.32	5.32	26.50	3.94	1.98	6.17	11.52	10.68	8.52
XVIII	4.01	4.15	4.41	2.34	3.45	3.71	4.12	4.79	3.00	4.12
IXX	0.00	0.02	0.19	0.00	0.00	0.02	0.38	0.10	0.10	0.07
XX	0.22	0.10	0.19	0.00	0.21	0.31	0.28	0.96	0.37	0.39
XXI	0.07	0.16	0.17	0.00	0.00	0.04	0.19	0.18	0.10	0.14
XXII	2.71	3.48	3.60	6.64	5.10	3.29	2.77	2.10	4.39	3.17
Total:	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source : Eurostat (data are converted into US dollar).
Notes : * Explanation on the classification can be seen in Appendix 20.

Table 26. EEC's Import from SEACEN Countries in 1987, by Harmonized System Classification *

Section	Indonesia	S.Korea	Malaysia	Myanmar	Nepal	Philippines	Sri Lanka	Singapore	Thailand	SEACEN
				(In thousand US dollars)						
I	45675	32648	7346	454	0	6310	4035	42496	127837	266800
II	427383	20324	32560	2251	561	45959	97442	23018	992781	1642280
III	148491	239	234290	121	0	161299	1265	1338	3589	550633
IV	254276	423727	197198	5358	0	205262	5750	14494	322155	1428219
V	11795	8619	6706	3354	0	3901	5663	20453	16343	76834
VI	26294	87023	37392	0	0	5110	2032	68111	3237	229198
VII	143028	193671	569046	120	0	5918	33242	49065	125376	1119466
VIII	44776	740921	7848	158	4824	12813	6475	11181	102035	931031
IX	437521	34752	549239	16839	0	183536	5030	142370	36508	1405795
X	296	45847	1011	1489	212	5056	0	31061	1459	86433
XI	252027	1455691	173362	465	46726	247235	157034	171246	583366	3087152
XII	19668	442488	12282	0	0	23319	2174	7837	67609	575376
XIII	3428	40986	4005	0	0	3071	2229	821	16476	71015
XIV	2442	63659	32316	2460	244	19072	31379	63372	37667	252611
XV	25922	293281	92690	214	249	4605	3153	64233	47355	531701
XVI	12669	1913538	583020	182	2138	145967	2228	1672196	95544	4427482
XVII	50787	355049	980	0	0	240	1018	31192	6842	446109
XVIII	3903	648771	53147	121	0	18427	304	121469	20030	866172
IXX	0	402	0	0	0	0	0	0	0	402
XX	6968	34361	4580	0	0	42810	1652	10941	47920	149231
XXI	677	237205	27275	0	0	18274	1280	78520	24590	387820
Others	8082	51278	21926	229	514	4428	1562	53848	18301	160168
Total:	1939398	6878984	2680479	34392	56357	1313684	370043	2733404	2861749	18868490
				(In % of total)						
I	2.36	0.47	0.27	1.32	0.00	0.48	1.09	1.55	4.47	1.41
II	22.04	0.30	1.21	6.55	1.00	3.50	26.33	0.84	34.69	8.70
III	7.66	0.00	8.74	0.35	0.00	12.28	0.34	0.05	0.13	2.92
IV	13.11	6.16	7.36	15.58	0.00	15.62	1.55	0.53	11.26	7.57
V	0.61	0.13	0.25	9.75	0.00	0.30	1.53	0.75	0.57	0.41
VI	1.36	1.27	1.39	0.00	0.00	0.39	0.55	2.49	0.11	1.21
VII	7.37	2.82	21.23	0.35	0.00	0.45	8.98	1.80	4.38	5.93
VIII	2.31	10.77	0.29	0.46	8.56	0.98	1.75	0.41	3.57	4.93
IX	22.56	0.51	20.49	48.96	0.00	13.97	1.36	5.21	1.28	7.45
X	0.02	0.67	0.04	4.33	0.38	0.38	0.00	1.14	0.05	0.46
XI	13.00	21.16	6.47	1.35	82.91	18.82	42.44	6.26	20.38	16.36
XII	1.01	6.43	0.46	0.00	0.00	1.78	0.59	0.29	2.36	3.05
XIII	0.18	0.60	0.15	0.00	0.00	0.23	0.60	0.03	0.58	0.38
XIV	0.13	0.93	1.21	7.15	0.43	1.45	8.48	2.32	1.32	1.34
XV	1.34	4.26	3.46	0.62	0.44	0.35	0.85	2.35	1.65	2.82
XVI	0.65	27.82	21.75	0.53	3.79	11.11	0.60	61.18	3.34	23.46
XVII	2.62	5.16	0.04	0.00	0.00	0.02	0.28	1.14	0.24	2.36
XVIII	0.20	9.43	1.98	0.35	0.00	1.40	0.08	4.44	0.70	4.59
IXX	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
XX	0.36	0.50	0.17	0.00	0.00	3.26	0.45	0.40	1.67	0.79
XXI	0.03	3.45	1.02	0.00	0.00	1.39	0.35	2.87	0.86	2.06
Others	0.42	0.75	0.82	0.66	0.91	0.34	0.42	1.97	0.64	0.85
Total:	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source : Eurostat (data are converted into US dollar)
Notes : * Explanation on the classification can be seen in Appendix 20.

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thereof; ships, boats and floating structures. For Korea, organic chemicals; machinery and mechanical appliances and parts thereof. For Malaysia, organic chemicals; electrical machinery and equipments and parts thereof; and miscellaneous base metals. For Myanmar, pharmaceutical products; machinery and mechanical appliances and parts thereof; aircraft and parts thereof and more recently paper and paper-board and articles of paper pulp, of paper and of paper-board. For Nepal, machinery and mechanical appliances; and electrical machinery equipment and parts thereof, sound recorders and reproducers, television image, and parts & accessories of such articles. For the Philippines, organic chemicals; electrical machinery and equipments and parts thereof, sound recorders and reproducers, television image and parts and accessories of such articles. For Singapore, tanning or dyeing extracts, dyes, pigments and other coloring matter, paints and varnishes; miscellaneous chemical products; and vehicles and parts and accessories thereof. For Sri Lanka, pharmaceutical products, precious or semi-precious stones, precious metals, jewelry; and electrical machinery and equipments and parts thereof. For Thailand, organic chemicals and miscellaneous chemical products, electrical machinery and equipments and parts thereof; ; aircraft and parts thereof; and vehicles and parts and accessories thereof.

With regard to SEACEN countries' exports to the EEC, the data indicate that its commodity composition is similar to that of total exports to the world, for example, manufactured exports constitute the largest proportion, and have been increasing since 1986 to 1988. It is shown in Table 24, 26 and 28 that the bulk of SEACEN exports to the Community in 1986, 1987 and 1988 was in Section XVI, which accounted for 20.8 per cent, 23.5 per cent and 30.4 per cent, respectively, from their total exports to the Community. Textiles and textile articles (Section XI), for which the SEACEN countries have clearly demonstrated a comparative advantage, ranked the second most important export commodity of SEACEN countries, with a share of 15.1 per cent, 16.4 per cent and 16.4 per cent in its total exports to the EEC in 1986, 1987 and 1988, respectively. Vegetable products (Section II) and prepared foodstuffs, beverages, spirits and vinegar, tobacco and manufactured tobacco substitutes (Section IV) exports remained important even though their share in 1986 to 1988 were relatively small.

Looking at a more disaggregated data, during 1986 to 1988 Indonesia's exports to the EEC market have been dominated by coffee,

Table 27. EEC's Exports to SEACEN Countries in 1988, by Harmonized System Classification *

Section	Indonesia	S.Korea	Malaysia	Myanmar	Nepal	Philip- pines	Sri Lanka	Singapore	Thailand	SEACEN
	(In thousand US dollars)									
I	17211	13392	29136	4878	1298	55670	33490	60291	66901	282268
II	10282	130465	6906	85	804	21211	9486	16493	19630	215363
III	29028	8697	7756	95	41	1531	749	4331	4431	56659
IV	18806	79953	88331	241	2065	40208	41388	191259	111571	573822
V	9806	38606	22592	717	266	5477	2313	44643	15087	139508
VI	314712	721752	215412	9759	3999	161652	45648	488111	335285	2296332
VII	97888	172650	59174	2413	2255	36891	11572	209187	78519	670549
VIII	1145	243310	3527	57	84	9232	112	50430	3799	311696
IX	2205	7628	947	1	57	614	946	4776	1998	19173
X	51097	39871	37262	4245	223	14163	9035	78785	36718	271401
XI	21027	205668	21937	2922	575	27903	24946	99857	28893	433727
XII	545	5849	2428	1	394	676	544	22145	1838	34420
XIII	33659	83515	27180	942	245	14723	4225	138082	20371	322942
XIV	1164	52923	36695	0	48	3864	48516	207499	174029	524739
XV	194287	437149	163830	4852	5062	48867	36326	361423	176509	1428305
XVI	737229	1841965	609491	4288	59269	426821	94874	1873991	737695	6385623
XVII	353369	341678	93495	598	2015	59378	23126	394991	299344	1567994
XVIII	71002	220892	58785	37	3098	45026	10195	219438	77002	705475
IXX	752	683	4000	44	6	472	752	1890	7970	16569
XX	11366	27990	12889	125	407	8746	5862	72406	19108	158898
XXI	123	3021	166	0	0	234	7	5487	115	9152
Others.	33690	121241	49004	639	2862	26035	6480	59092	57528	356570
Total:	**2287064**	**5192714**	**1637992**	**35497**	**86502**	**985459**	**443618**	**4808588**	**2449484**	**17926918**
	(In % of total)									
I	0.75	0.26	1.78	13.74	1.50	5.65	7.55	1.25	2.73	1.57
II	0.45	2.51	0.42	0.24	0.93	2.15	2.14	0.34	0.80	1.20
III	1.27	0.17	0.47	0.27	0.05	0.16	0.17	0.09	0.18	0.32
IV	0.82	1.54	5.39	0.68	2.39	4.08	9.33	3.98	4.55	3.20
V	0.43	0.74	1.38	2.02	0.31	0.56	0.52	0.93	0.62	0.78
VI	13.76	13.90	13.15	27.49	4.62	16.40	10.29	10.15	13.69	12.81
VII	4.28	3.32	3.61	6.80	2.61	3.74	2.61	4.35	3.21	3.74
VIII	0.05	4.69	0.22	0.16	0.10	0.94	0.03	1.05	0.16	1.74
IX	0.10	0.15	0.06	0.00	0.07	0.06	0.21	0.10	0.08	0.11
X	2.23	0.77	2.27	11.96	0.26	1.44	2.04	1.64	1.50	1.51
XI	0.92	3.96	1.34	8.23	0.66	2.83	5.62	2.08	1.18	2.42
XII	0.02	0.11	0.15	0.00	0.46	0.07	0.12	0.46	0.08	0.19
XIII	1.47	1.61	1.66	2.65	0.28	1.49	0.95	2.87	0.83	1.80
XIV	0.05	1.02	2.24	0.00	0.06	0.39	10.94	4.32	7.10	2.93
XV	8.50	8.42	10.00	13.67	5.85	4.96	8.19	7.52	7.21	7.97
XVI	32.23	35.47	37.21	12.08	68.52	43.31	21.39	38.97	30.12	35.62
XVII	15.45	6.58	5.71	1.69	2.33	6.03	5.21	8.21	12.22	8.75
XVIII	3.10	4.25	3.59	0.10	3.58	4.57	2.30	4.56	3.14	3.94
IXX	0.03	0.01	0.24	0.12	0.01	0.05	0.17	0.04	0.33	0.09
XX	0.50	0.54	0.79	0.35	0.47	0.89	1.32	1.51	0.78	0.89
XXI	0.01	0.06	0.01	0.00	0.00	0.02	0.00	0.11	0.00	0.05
Others	1.47	2.33	2.99	1.80	3.31	2.64	1.46	1.23	2.35	1.99
Total:	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source : Eurostat (data are converted into US dollar).
Notes : * Explanation on the classification can be seen in Appendix 20.

Table 28. EEC's Imports from SEACEN Countries in 1988, by Harmonized System Classification *

Section	Indonesia	S.Korea	Malaysia	Myanmar	Nepal	Philip-pines	Sri Lanka	Singapore	Thailand	SEACEN
					(In thousand US dollars)					
I	70300	35108	7182	1129	66	8204	1827	46162	23800	193778
II	386005	19322	38761	1387	1168	65814	85291	21490	941629	1560868
III	301372	231	0	0	0	178048	1745	2081	933	484410
IV	266692	120442	295405	3344	0	189846	5086	16350	396684	1293849
V	38504	1046	19490	5123	0	3838	9520	8075	22166	107762
VI	23909	99331	34236	56	30	6591	2518	60709	3433	230811
VII	205214	271930	726495	103	0	8185	36463	84184	186718	1519292
VIII	53442	772363	6782	102	3550	11024	7710	3856	110082	968910
IX	567326	20988	484699	14306	119	216006	5007	134858	45053	1488361
X	869	41286	1292	1	134	6507	184	36720	2977	89971
XI	407058	1645050	219311	102	78433	292593	184295	215906	750590	3793338
XII	51016	646684	22734	4	9	28188	5610	12410	110270	876925
XIII	7664	44108	6408	7	1	3576	3170	2753	27470	95157
XIV	2983	83081	37787	1400	271	37273	43499	32426	206029	444750
XV	62901	337080	95404	666	361	6537	8167	85626	49646	646388
XVI	20069	3335405	726062	2396	325	196751	1698	2486435	289555	7058695
XVII	14895	340320	7796	131	1143	3774	108	45479	9852	423499
XVIII	7531	230189	64066	8	248	22570	529	76478	42490	444109
IXX	74	803	85	0	0	154	9	19	67	1212
XX	23562	455837	50030	4	27	76456	4322	118440	109913	838589
XXI	916	1972	715	18	345	260	56	4951	2957	12191
Others	4363	17302	9783	⁻484	255	4321	1424	31158	11539	80629
Total:	**2523802**	**8553320**	**3177399**	**30775**	**86704**	**1429895**	**409977**	**3539183**	**3506797**	**23257853**
					(In % of total)					
I	2.79	0.41	0.23	3.67	0.08	0.57	0.45	1.30	0.68	0.83
II	15.29	0.23	1.22	4.51	1.35	4.60	20.80	0.61	26.85	6.71
III	11.94	0.00	0.00	0.00	0.00	12.45	0.43	0.06	0.03	2.08
IV	10.57	1.41	9.30	10.87	0.00	13.28	1.24	0.46	11.31	5.56
V	1.53	0.01	0.61	16.64	0.00	0.27	2.32	0.23	0.63	0.46
VI	0.95	1.16	1.08	0.18	0.03	0.46	0.61	1.72	0.10	0.99
VII	8.13	3.18	22.86	0.33	0.00	0.57	8.89	2.38	5.32	6.53
VIII	2.12	9.03	0.21	0.33	4.09	0.77	1.88	0.11	3.14	4.17
IX	22.48	0.25	15.25	46.48	0.14	15.11	1.22	3.81	1.28	6.40
X	0.03	0.48	0.04	0.00	0.15	0.46	0.04	1.04	0.08	0.39
XI	16.13	19.23	6.90	0.33	90.46	20.46	44.95	6.10	21.40	16.31
XII	2.02	7.56	0.72	0.01	0.01	1.97	1.37	0.35	3.14	3.77
XIII	0.30	0.52	0.20	0.02	0.00	0.25	0.77	0.08	0.78	0.41
XIV	0.12	0.97	1.19	4.55	0.31	2.61	10.61	0.92	5.88	1.91
XV	2.49	3.94	3.00	2.16	0.42	0.46	1.99	2.42	1.42	2.78
XVI	0.80	39.00	22.85	7.78	0.38	13.76	0.41	70.25	8.26	30.35
XVII	0.59	3.98	0.25	0.43	1.32	0.26	0.03	1.29	0.28	1.82
XVIII	0.30	2.69	2.02	0.03	0.29	1.58	0.13	2.16	1.21	1.91
IXX	0.00	0.01	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.01
XX	0.93	5.33	1.57	0.01	0.03	5.35	1.05	3.35	3.13	3.61
XXI	0.04	0.02	0.02	0.06	0.40	0.02	0.01	0.14	0.08	0.05
Others	0.17	0.20	0.31	1.57	0.29	0.30	0.35	0.88	0.33	0.35
Total:	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Source : Eurostat (data are converted into US dollar).
Notes : * Explanation on the classification can be seen in Appendix 20.

tea, mate and spices; wood and articles of wood; and more recently made-up textile articles, sets, worn clothing and worn textile articles, and rags. For Korea, articles of apparel and clothing accessories; and electrical machinery and equipment. For Malaysia, rubber and articles thereof, wood and articles of wood; and electrical and machinery equipments. For Myanmar, wood and articles of wood, prepared animal fodder; precious stones; and more recently ores. For Nepal, its most important export commodities to the EEC are carpets and other textile floor coverings. As for the Philippines, they are animal fodder, wood and articles of wood; articles of apparel and clothing accessories; and electrical machinery and equipments. For Sri Lanka, its exports are dominated by tea and spices; and followed by articles of apparel and clothing accessories. For Singapore, electrical machinery and equipments. For Thailand, electrical machinery and equipments; and articles of apparel and clothing accessories.

The development of trade by each individual SEACEN member countries and SEACEN countries as a group with the members of the European Community are presented in Appendix 1 to 19 and can be seen also through Figures 7 to 16. Appendix 19 and Figure 16 show that for SEACEN countries as a whole, EEC represented only 15.2 per cent of its market in 1991, or, regionally, ranked the third. By far, industrial countries are the biggest market for SEACEN's exports. Among the developing countries, Asia is the SEACEN's biggest market, accounting for 31.8 per cent its of total exports in 1991. Among the industrial countries, The USA ranked the first (21.33 per cent), followed by Japan (17.5 per cent) and the EEC (15.19 per cent). Similar picture emerges with regard to SEACEN's imports in 1991, EEC's share was on the third (14.03 per cent) after Japan (24.59 per cent) and the USA (17.15 per cent). These patterns are generally followed by majority of the SEACEN member countries.

For Indonesia, the share of EEC market in 1991 ranked the second (12.84 per cent), far behind Japan (36.95 per cent). With regard to its imports, the EEC also ranked the second (18.8 per cent) after Japan (24.46 per cent). Among the EEC member countries, West Germany, the Netherlands, Ur.:ted Kingdom, and France are the major Indonesia's trading partners (Appendix 1 and 2). From 1987 to 1991 Indonesia had consistently run deficits in its trade with the EEC, which mainly contributed by large trade deficits with West Germany, France and Italy. However, it had always posted a trade surplus as regard to the trade with the Netherlands and Portugal.

For Korea, the importance of the EEC in terms of its trade to industrial countries in 1991 is the third, in which its market share accounted for only 14.9 per cent of Korea's total exports and 15.16 per cent of Korea's total imports. The share of the USA and Japan ranked the first (26.35 per cent) and the second (17.55 per cent), respectively, in terms of market for Korea's exports; the second (23.65 per cent) and the first (26.30 per cent), respectively, in terms of source of imports. Out of the twelve EEC member countries, West Germany, France, Italy and the United Kingdom are the most important trading partners of Korea. From 1987 to 1990 Korea's trade with the EEC had been in surplus, largely contributed by its trade surpluses with the Netherlands and United Kingdom, however, in 1991 trade with the EEC posted a deficit (Appendixes 3 and 4).

For Malaysia, the EEC also ranked the third in terms of both direction of Malaysia's exports and supplier of its imports, contributing to 14.77 per cent and 13.67 per cent, respectively, in 1991. In fact, the most important trading partners in 1991 for Malaysia's exports are Singapore (23.3 per cent) and the USA (16.88 per cent); and for its imports are Japan (26.07 per cent) and the USA (15.31 per cent), as can be seen in Appendix 19. Among the EEC member countries, United Kingdom, West Germany, the Netherlands, France and Italy are the most important trading partners for Malaysia. From 1987 to 1991 trade of Malaysia had always been in surplus, which mainly contributed by its trade with Netherlands and Belgium/Luxembourg.

In the case of Myanmar, the EEC in 1991 ranked as its second important trading partner in terms of direction of its exports (5.27 per cent of total), and as its third important trading partner in terms of source of imports (8.11 per cent of total). In 1991, Singapore was Myanmar's first trading partner for exports (13.8 per cent) and imports (27.7 per cent). The bulk of Myanmar's trade with the EEC member countries is particularly to West Germany, United Kingdom, the Netherlands and France. For Myanmar, its trade with all EEC member countries since 1987 to 1991 had been in deficits, which were largely contributed by its trade deficits with West Germany and United Kingdom (Appendix 7 and 8).

For Nepal, being land-locked country and has no alternative but trade with its neighbors, historically, India has been its first important trading partner. However, in terms of Nepal's export market in 1991,

EEC ranked the first (55.47 per cent of total) and the USA ranked the second (23.83 per cent of total). The slower trade growths with India in last few years actually were the result of difficulties associated with problems of transportations when the trade and transit treaty between Nepal and India was terminated. Nevertheless, in the case of Nepal's imports in 1991 India still represented as its important supplier (10.8 per cent of total), while the EEC ranked only the third (10.99 per cent), which was far behind Japan (23.74 per cent). Out of the twelve members of the European Economic Community only West Germany, United Kingdom and France are by far considered as Nepal's most important trading partners in the Community. Trade of Nepal with the EEC in 1987 to 1988 had posted deficits, but turned to surplus in 1989 to 1991. Except its trade with West Germany which always posted surpluses, its trade with all other EEC members had been fluctuating.

The Philippines has been trading very closely with the United States even prior to the 1970s. In 1991, this pattern had not changed, the share of the EEC in terms of direction of the Philippines' exports ranked the third (18.60 per cent) behind the USA (35.64 per cent) and Japan (20.03 per cent). Similarly, as for imports side the EEC also ranked the third most important partner (10.18 per cent of total), after the USA (20.16 per cent) and Japan (19.44 per cent). Within the Community, West Germany, the Netherlands and the United Kingdom are the most important trading partners of the Philippines. During the period 1987 to 1991, the Philippines enjoyed favourable balance of trade with the EEC, which was largely contributed by its trade surpluses with West Germany, the Netherlands and United Kingdom (Appendixes 11 and 12).

For Singapore, the EEC was its second important trading partner in 1991 in terms of exports (13.99 per cent of total). It ranked behind the USA (19.72 per cent of total) and Malaysia (14.90 per cent of total). As for imports side, the EEC is even considered as Singapore's fourth important partner in 1991 (12.04 per cent of total), as compared to the shares of Japan (21.30 per cent), the USA (15.85 per cent) and Malaysia (15.30 per cent). Among the EEC member countries, West Germany, United Kingdom, France, Italy and the Netherlands are the most impor-tant trading partners of Singapore. Trade balance of Singapore with the European Community had always been in deficits, which were largely contributed by large trade deficits with France, West Germany, United Kingdom and Italy (Appendix 13 and 14).

In the case of Sri Lanka, the EEC was its first important trading partner for its exports in 1991 (31.84 per cent of total). Similarly, as for its imports the EEC ranked the first (18.15 per cent), followed by Japan (10.15 per cent) and the USA (4.20 per cent). United Kingdom, West Germany, Belgium/Luxembourg, France and the Netherlands are by far its most important trade partners with the members of the Community. In 1989 to 1991, its trade balance with the EEC turned into a surplus after experiencing deficits in the earlier years (Appendixes 15 and 16).

For Thailand, EEC ranked the second both in terms of its direction of exports (20.80 per cent of total) and source of its imports (13.86 per cent of total) in 1991. The USA ranked the first (21.85 per cent) and Japan the third (18.28 per cent) as regards to its exports in 1991; the third (10.65 per cent) and the first (28.79 per cent), respectively, as regards to its imports in 1991 (Appendix 19). Within the members of the Community, West Germany, United Kingdom , the Netherlands, and France are the major trading partners of Thailand. Since 1987 to 1991, Thailand's trade balance had been experiencing surpluses, which were largely contributed by its trade with West Germany (Appendixes 17 and 18).

2.   Policy Issues in Trade Relations

The trade policy of the EEC has been more regionally oriented, which is very much in contrast with that of the SEACEN countries majority of whom follow export-oriented strategies but without a regional orientation. As has been discussed in the preceding section, the European Community tries to keep a balance between its relations with industrialized countries and with developing countries, which was pursued through various programs, negotiations and agreements. In the area of trade, the EEC has tried to meet developing countries demand for "special and differential treatment" such as the privileges given to the African, Caribbean and Pacific (ACP) countries and the privileges via the Generalized System of Preferences (GSP). According to Mishalani, Robert, Stevens and Weston,[8] the commercial agreements linking the EEC with the Third World is patterned to conform to the long-term political interest

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8. Mishalani, P., Annette Robert, Christopher Stevens and Ann Weston "The Pyramid of Privelege," in *EEC and the Third World: A Survey,"* edited by C. Stevens, London: Hodder and Stoughton, 1980, pp.61-82.

Fig.7. Direction of Exports and Imports of Indonesia, 1991

EXPORTS

Pie chart (Exports):
- Japan 36.9%
- Australia 2.2%
- Middle East 3.7%
- Africa 0.8%
- EEC 12.6%
- USA 12.0%
- Others 2.4%
- Asia 29.2%

Bar chart (Exports EEC breakdown):
- U.K. 17.5%
- Portugal 0.4%
- Netherl. 22.4%
- Spain 4.5%
- Italy 10.2%
- Ireland 1.1%
- W.Germany 24.2
- Greece 0.5%
- France 10.3%
- Denmark 2.0%
- Belg/Lux. 6.9%

IMPORTS

Pie chart (Imports):
- Japan 24.5%
- USA 13.1%
- Africa 0.7%
- Others 8.0%
- Australia 5.3%
- EEC 18.2%
- Middle East 4.1%
- Asia 26.0%

Bar chart (Imports EEC breakdown):
- Spain 2.8%
- U.K. 12.8%
- Portugal 0.1%
- Netherl. 10.7%
- Ireland 0.3%
- Italy 11.4%
- Greece 0.1%
- W.Germany 43.8
- Denmark 1.0%
- France 11.6%
- Belg/Lux. 5.4%

Fig.8. Direction of Exports and Imports of Korea, 1991
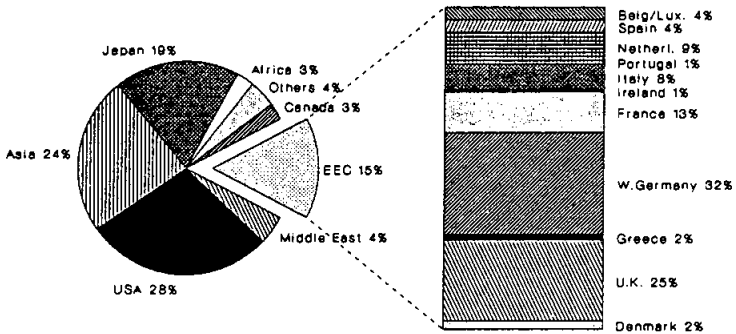
EXPORTS
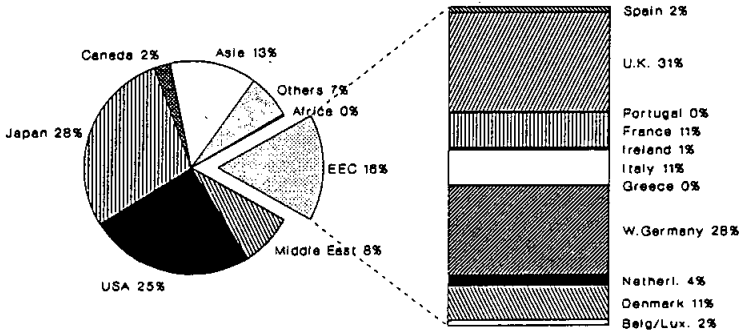
IMPORTS

Fig.9. Direction of Exports and Imports of Malaysia, 1991

EXPORTS

Japan 16%
USA 17%
Africa 0%
Others 4%
Australia 2%
EEC 15%
Middle East 2%
Asia 44%

Greece 1%
France 9%
Portugal 1%
Netherl. 16%
Italy 9%
Ireland 1%
U.K. 30%
Spain 3%
W.Germany 22%
Denmark 2%
Belg/Lux. 8%

Others 7%
USA 15%
Japan 27%
EEC 13%
Australia 3%
Africa 0%
Middle East 1%
Asia 33%

U.K. 34%
Spain 1%
Italy 11%
Portugal 0%
Netherl. 7%
Ireland 2%
France 9%
Greece 0%
W.Germany 29%
Denmark 1%
Belg/Lux. 5%
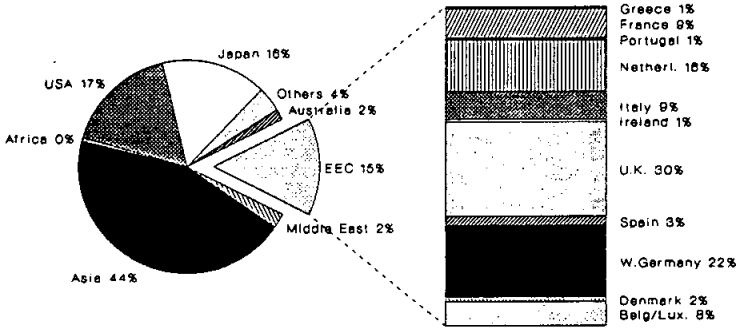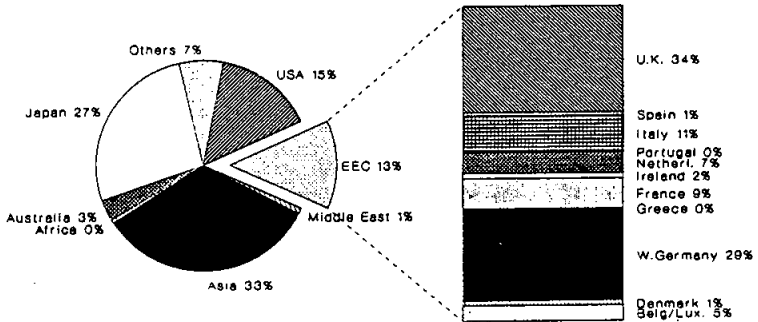
I M P O R T S

Fig.10. Direction of Exports and Imports of Myanmar, 1991

EXPORTS

Pie chart labels: Australia 1%, Africa 10%, Others 13%, USA 5%, EEC 5%, Middle East 3%, Asia 64%

Bar chart (EEC breakdown): Italy 31%, Netherl. 7%, Spain 3%, W.Germany 26%, France 11%, U.K. 16%, Belg/Lux. 6%

IMPORTS

Pie chart labels: Others 8%, Japan 9%, EEC 8%, USA 2%, Asia 73%

Bar chart (EEC breakdown): Ireland 0%, Netherl. 14%, Italy 2%, U.K. 18%, Greece 0%, W.Germany 43%, Denmark 7%, France 11%, Belg/Lux. 3%
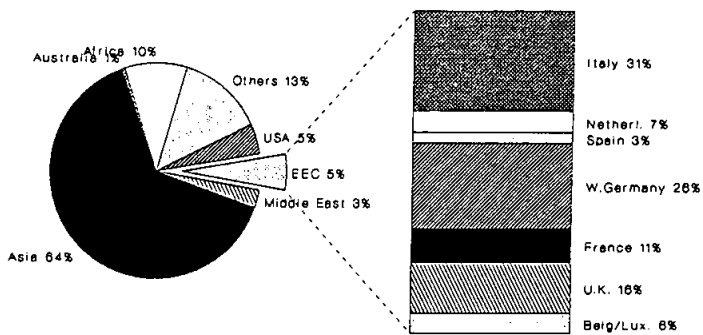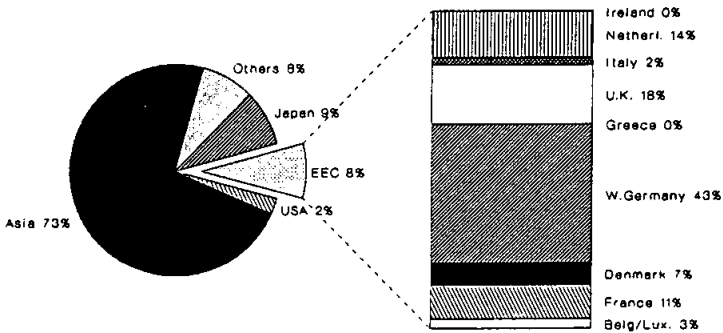
Source: Appendixes 7 and 19

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Fig.11. Direction of Exports and Imports of Nepal, 1991
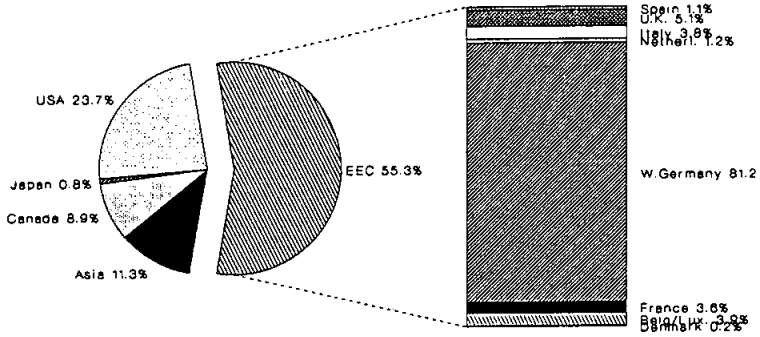
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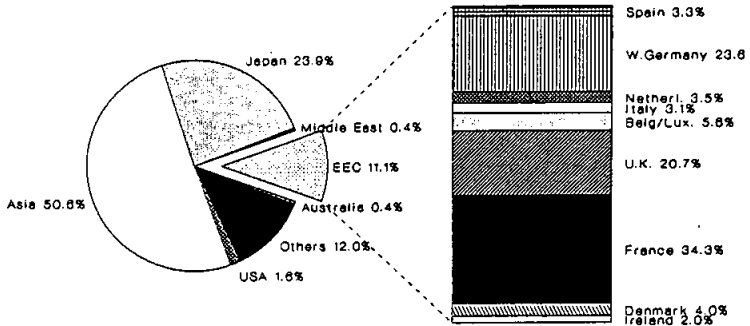
IMPORTS

Fig.12. Direction of Exports and Imports of the Philippines, 1991

Japan 20.0%
Middle East 1.7%
Others 3.5%
Asia 18.7%
Africa 0.2%
EEC 18.6%
Canada 1.7%
United States 35.6%

Belg/Lux. 5.3%
Spain 3.3%
Italy 4.9%
Netherl. 20.9%
Portugal 0.6%
W.Germany 31.0
U.K. 23.0%
Greece 0.4%
France 10.2%
Ireland 0.4%

E X P O R T S

USA 21.4%
Middle East 10.9%
Australia 3.4%
Others 0.6%
Japan 20.7%
EEC 10.8%
Africa 0.6%
Asia 31.5%

Denmark 2.7%
Belg/Lux. 8.9%
Portugal 0.2%
Italy 8.9%
Ireland 1.6%
U.K. 18.9%
France 1.9%
Netherl. 12.9%
Spain 2.8%
W.Germany 41.1%
Greece 0.3%
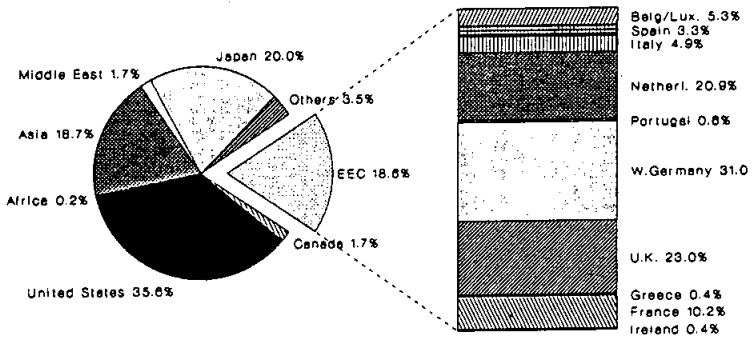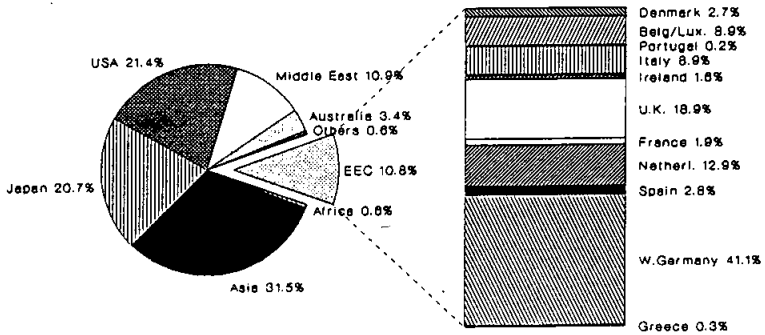
Source: Appendixes 11 and 19   I M P O R T S

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Fig.13. Direction of Exports and Imports of Singapore, 1991

Africa 2.0%
Japan 8.7%
Others 6.1%
USA 19.7%
Australia 2.5%
EEC 14.0%
Middle East 3.1%
Asia 44.0%

Spain 3.6%
U.K. 21.7%
Portugal 0.5%
Netherl. 18.7%
Belg/Lux. 4.4%
Italy 6.8%
Greece 2.0%
W.Germany 30.3
Denmark 1.7%
France 8.4%
Ireland 1.9%

EXPORTS

Others 5.0%
USA 15.6%
Africa 0.6%
Asia 34.2%
EEC 12.0%
Australia 1.9%
Middle East 9.2%
Japan 21.3%

Portugal 0.3%
U.K. 23.9%
Netherl. 7.2%
Denmark 1.5%
Italy 11.4%
Ireland 1.1%
W.Germany 26.5
Greece 0.2%
France 21.3%
Spain 2.4%
Belg/Lux. 4.2%
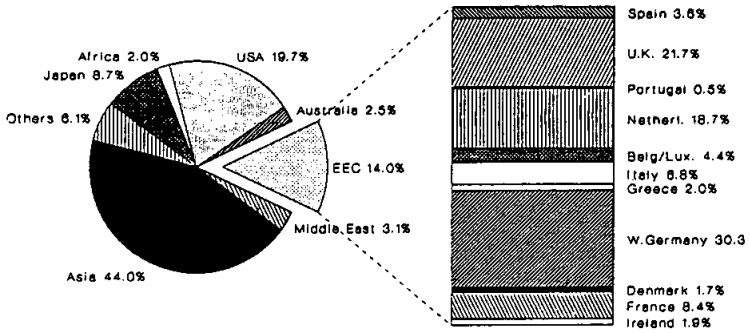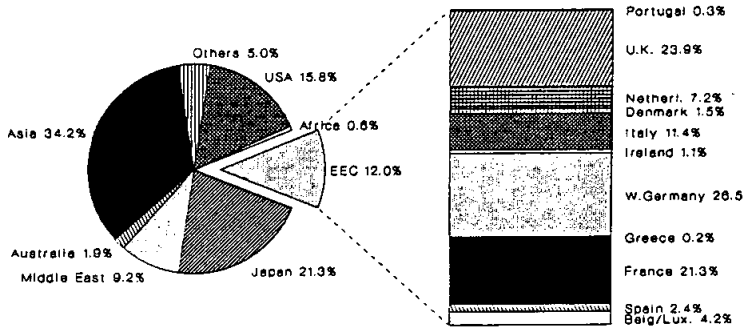
IMPORTS

Fig.14. Direction of Exports and Imports of Sri Lanka, 1991

Spain 2%
U.K. 18%
Portugal 0%
Netherl. 11%
Italy 7%
Ireland 1%
W.Germany 31%
Greece 0%
France 13%
Denmark 2%
Belg/Lux. 14%

Asia 10%
Africa 1%
Others 11%
Canada 1%
USA 28%
Japan 6%
EEC 32%
Middle East 12%

EXPORTS

Portugal 0%
Netherl. 10%
Spain 0%
U.K. 44%
Italy 3%
Denmark 2%
W.Germany 18%
Greece 0%
France 8%
Ireland 1%
Belg/Lux. 15%

Africa 4%
Others 6%
Japan 10%
EEC 18%
Asia 48%
Canada 1%
USA 4%
Middle East 9%
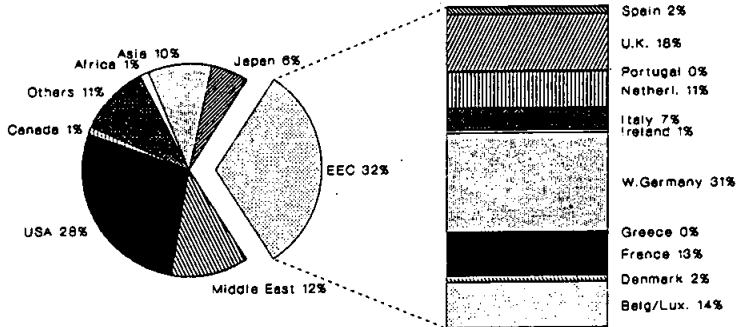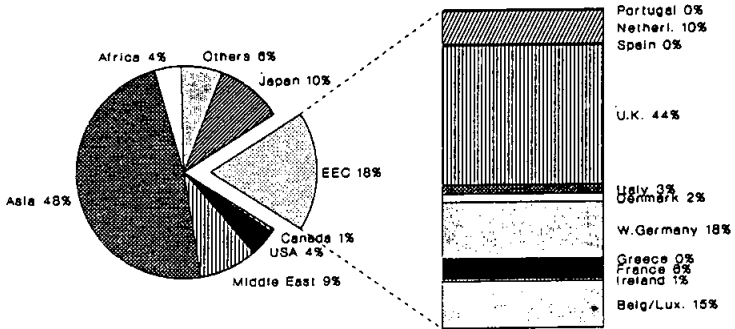
IMPORTS

Fig.15. Direction of Exports and Imports of Thailand, 1991

Asia 22.2%
Others 8.4%
Africa 2.0%
EEC 20.8%
USA 21.8%
Australia 1.7%
Middle East 4.8%
Japan 18.3%

Spain 3.3%
U.K. 18.8%
Portugal 1.4%
Netherl. 18.9%
Italy 8.9%
Ireland 0.4%
W.Germany 26.1
Greece 0.8%
France 13.0%
Denmark 2.1%
Belg/Lux. 6.5%

E X P O R T S

Japan 28.8%
Others 9.8%
Middle East 3.4%
EEC 13.9%
USA 10.7%
Australia 1.5%
Africa 1.1%
Asia 30.9%

Denmark 2.9%
Netherl. 6.1%
U.K. 17.3%
Portugal 0.3%
Italy 10.5%
Ireland 0.0%
W.Germany 38.6
Greece 0.3%
France 11.6%
Spain 1.8%
Belg/Lux. 10.7%

I M P O R T S

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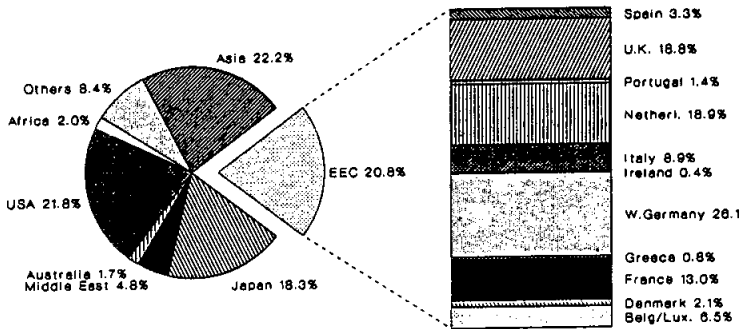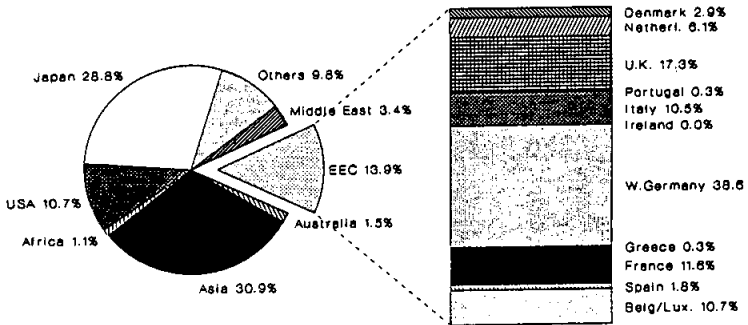
Fig.16. Direction of Aggregate Exports and Imports of SEACEN, 1991

Spain 3.5%
U.K. 22.7%
Portugal 0.8%
Netherl. 15.9%
Italy 8.0%
Ireland 1.0%
W.Germany 28.5
Greece 1.3%
France 10.8%
Denmark 2.0%
Belg/Lux. 5.6%

Asia 31.8%
Others 7.0%
Africa 1.7%
EEC 15.2%
USA 21.2%
Middle East 3.5%
Australia 1.8%
Japan 17.5%

EXPORTS

Spain 16.8%
Portugal 0.2%
U.K. 22.3%
Netherl. 5.6%
Italy 9.5%
Ireland 0.7%
W.Germany 27.4
Greece 0.1%
France 11.1%
Denmark 1.6%
Belg/Lux. 4.7%

USA 17.2%
Australia 2.9%
Others 8.3%
Middle East 6.2%
Africa 0.6%
EEC 14.0%
Asia 26.3%
Japan 24.6%
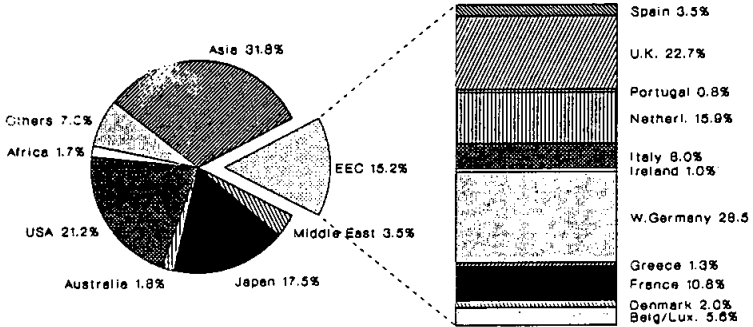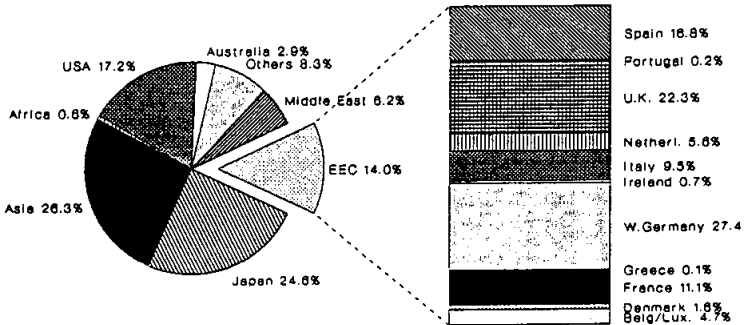
IMPORTS

of the EEC according to "A Pyramid of Privilege." At the base are those less developed countries (LDCs) which benefit only from the GSP, such as the developing countries in Asia and Latin America. In between come a set of bilateral and regional agreements some of which provide trade concessions, while others also include an aid provision. The ACP countries are the "super privileged groups" which are at the top of the pyramid, which have trade preferences not only over developed countries, but also over other members of the pyramid. They enjoy duty-free access to the European Community market for their exports of manufactures and most agricultural products not covered by the Common Agricultural Policy (CAP).

The GSP which was implemented by the EEC on 1 July 1971, and renewed in 1981 for another ten-year period, is an autonomous and non-binding agreement with LDCs. In other words the EEC is under no legal obligation to offer GSP to LDCs exports. It is the largest scheme of all members of the Organization for Economic Cooperation and Development (OECD). The GSP was negotiated and implemented under the auspices of UNCTAD providing for temporary and non-reciprocal duty preferences accorded by the developed to the developing countries. Under the system, 21 developed market economy countries, including the state members of the European Communities, grant preferential tariff treatment to imports mainly of manufactures and semi-manufactures, originating from developing countries. According to UNCTAD resolution 21 (II), the objectives of the GSP in favor of the developing countries are to increase their export earnings; to promote their industrialization and to accelerate their rates of economic growth.

The GATT Framework Agreement for the conduct of international trade further specifies that such preferential treatment must be designed and, if necessary, modified, to respond positively to the development, financial and trade needs of developing countries. In principle, the EEC's GSP grants all LDCs custom concessions for a number of agricultural products involving about 400 items on which the taxes or duties are reduced or waived without any restriction on quantity. However, major tropical products (raw coffee, cocoa beans and bananas) are excluded from the preference system, as are all products which are the subject of CAP. Preferential imports of certain tobaccos, preserved pineapple and soluble coffee are restricted by quotas, which are divided between the Member States. For a number of products, the LDCs are totally exempt from custom duties. On the whole, the GSP for agricultural

Table 29. GSP Imports into the EEC* 1981-86

GSP Imports	Year	GSP Countries				
		Total	ACP	Maghreb Mashrek	Lat.America excl. ACP, DOM, TOM	Asia
		(in million US $)				
TOTAL	1981	9467	78	290	2641	5269
	1982	9220	105	385	2543	5300
	1983	8753	40	312	2096	5409
	1984	10182	33	244	2410	6309
	1985	11636	310	305	2701	7363
	1986	11399	49	175	2388	7699
AGRICULTURE	1981	1698	6	51	557	1042
	1982	1657	4	52	598	972
	1983	1678	4	74	583	995
	1984	1724	14	5	623	1055
	1985	1805	9	5	649	1111
	1986	2103	11	3	848	1214
of which :						
- Sensitive	1981	315	1	0	179	134
	1982	292	0	1	164	126
	1983	266	1	1	158	106
	1984	295	1	0	178	115
	1985	286	1	0	177	108
	1986	368	1	0	224	143
- Non sensitive	1981	1383	6	50	378	909
	1982	1365	4	52	435	845
	1983	1412	4	74	426	889
	1984	1429	13	5	445	940
	1985	1519	8	5	472	1003
	1986	1735	10	3	623	1072

* EC 10. In 1986 Portugal and Spain had no GSP imports
Source: European Community
    (The values are converted from ECU to US $)

Table 30. EEC GSP Imports from Beneficiary Countries, 1986 and 1987.
(in thousand US $)

Category	Year	Special Trade Covered by the GSP	Having Benefited Under the GSP	Utilization Rate (%)
Sensitive industrial products.	1986	12124606	4696379	38.1
	1987	16314817	6514635	46.0
Non-sensitive indust.products	1986	11401195	3129473	27.0
	1987	15063805	5060928	38.8
MFA textile products	1986	7173693	1056574	14.5
	1987	10120936	1499856	17.1
Non-MFA textile products	1986	449743	94384	20.6
	1987	609795	185305	35.1
Textile products from jute and coconuts	1986	146682	105373	70.7
	1987	150743	126349	96.7
Sensitive agricul. products	1986	1039521	326758	30.9
	1987	1030984	556133	62.2
Non-sensitive agricult.products	1986	4106573	1677594	40.2
	1987	9512802	3796641	46.0
Agricult.products from LDCs	1986	1427603	48398	3.3
	1987	334108	9199	3.2
Sensitive ECSC products	1986	400020	105978	26.1
	1987	328119	96302	33.8
Non-sensitive ECSC products	1986	775	36	4.6
	1987	2504	51	2.3
Total:	**1986**	**38270413**	**11345821**	**29.1**
	1987	**53468613**	**17981692**	**38.8**

Note: Total imports from non-EEC countries amounted to 334563 million ECU in 1986 and 340057 million ECU in 1987. The proportion of GSP imports in total was therefore 11.6 per cent in 1986 and 13.6 per cent in 1987.

Source: European Community
    (The values are converted from ECU to US $)

**Table 31. EEC-GSP Utilization Rates 1988 for SEACEN Countries
(US $ thousand).**

Country	GSP Covered (a)	GSP Applied (b)	Utilization Rates (%) (b)/(a)
Indonesia	1537076	781179	50.82
Korea	S u s p e n d e d		
Malaysia	1706328	713341	41.81
Myanmar	4103	883	21.53
Nepal	81660	66101	80.95
Philippines	1039591	448251	43.12
Singapore	3179321	715464	22.50
Sri Lanka	261094	78273	29.98
Thailand	2162353	1155777	53.45
S E A C E N	**9971526**	**3959269**	**39.71**

*Source: GSP Newsletter, Issue no.5, UNCTAD/UNDP-Kuala Lumpur, Sept/Oct. 1990.
(All values are converted from ECU to US dollar)*

products is more limited than that for industrial products. The EEC's GSP concessions for tropical products became significant only in 1974/75 when the EEC was confronted with the compensation demands of those developing countries which did not belong to the privileged ACP group. This preference has been eroded over the years by reductions in MFN rates through consecutive rounds of GATT negotiations and by increasing limits placed on access to preferential rates. For industrial products, quantitative limits on duty free access are imposed on "sensitive" items that compete with the EEC products. A more restrictive scheme is in effect for textiles and clothing. Textile imports are classified among the sensitive products and are subject to limits on duty-free access. Only countries that have concluded bilateral agreements with the Community in the context of the MFA are entitled to benefits for product covered by the MFA. Starting 1986, countries with per capita income exceeding US $2,000 and whose share of EC industrial imports from third countries on the product concerned exceeds 20 per cent are graduated from the scheme for industrial products. In the case of textile, starting in 1988, countries with per capita income exceeding US $2,000 and whose share of EC imports of textile product concerned exceeds 10 per cent are also graduated from the textile scheme.

As can be seen in Table 29, preferential imports into the EEC have increased from the level of only US $ 9.5 billion in 1981 to US $ 11.4 billion in 1986, a significant increase of some 20 per cent. Though the GSP is available to all developing countries, in practice the scheme mainly benefits Asian and Latin American countries. As has been mentioned earlier, developing countries in the African, Caribbean and Pacific regions (ACP countries) while legally beneficiaries of the GSP, enjoy more from generous tariff under the Lome Convention. Similarly, most countries bordering on the Mediterranean have more favourable access to the EC market under their EC agreements than under the GSP. During this period, the Asian developing countries had the highest percentage of GSP exports into the EEC as compared to that of other regions. In 1986, the share of GSP imports into the EEC from Asian countries accounted for 67.5 per cent of the total GSP imports into the EEC, which was much higher than those of Latin American developing countries which, in the same year, its share recorded to only 20.9 per cent of the total. On the GSP imports of agricultural products, the share of Asian countries in 1986 accounted for 57.7 per cent, which was also higher than those of Latin American developing counties which amounted to only 40.3 per cent of the total. For both Asian and Latin

American developing countries, the utilization rate of preference on non-sensitive agricultural products increased during the 1980s, in which most of all for the Latin American countries. This is due to, among other things, the extension of the system during this period to cover new tariff items which included products particularly exported by Latin America. Table 30 presents that the rate of utilization of the scheme by the beneficiary countries also increased from 29.1 per cent in 1986 to 38.8 per cent in 1987. The preferential category for textile products from jute and coconuts is the most utilized by the beneficiaries, whose rates recorded 70.7 per cent in 1986 and 96.7 per cent. The least utilized preferential was non-sensitive ECSC products, whose rates recorded only 4.6 per cent in 1986 and 2.3 per cent in 1987.

A study by Brown (1989) on the trade and welfare effect of the European (EEC and EFTA) scheme of Generalized System of Preferences shows that the scheme has contributed positive net trade creation effects which benefit the beneficiaries through a significant increase in exports to Europe. The study was based on calculations using a general equilibrium computational model of world production and trade which however included only fifteen major beneficiaries of the European countries. Among the developing countries included in this study, Singapore is considered as one of three countries which gained the largest welfare out of the scheme. The other two countries are Hong Kong and Yugoslavia.[9]

For the SEACEN countries as a whole the GSP are of greatest importance. The major beneficiary suppliers from the SEACEN countries are South Korea, Singapore, Malaysia, Thailand, the Philippines and Indonesia.[10] Ranked by order of the relative importance of their trade covered by the scheme, the major beneficiary suppliers were: Hong Kong, Republic of Korea, Brazil, China, India, Rumania, Singapore, Yugoslavia, Malaysia, Kuwait, Venezuela, Thailand, the Philippines, Saudi

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9. For further details of the study, see Brown, Drusilla K., "Trade and Welfare Effects of the European Schemes of the Generalized System of Preferences," *Economic Development and Cultural Change*," The University of Chicago, Vol. 38, 1989, PP.757-776.

10. The coverage of the study is up to 1989. Following the decision made by the GATT meeting on 20 December 1991 in Geneva, the EEC will no longer apply any benefit from preferential GATT clauses for developing countries under the Uruguay Round to South Korea and Singapore, due to their current status which are considered as industrialized countries.

Arabia, Indonesia, Argentina, Pakistan, Mexico and Macao.[11] The most important agricultural and industrial products imported into the EEC covered by the scheme in 1982 can be seen in Table 31. Some of the products are very important for the SEACEN countries' exports. For the agricultural products, for example, are prawn, palm oil crude, coconut oil, natural honey, pineapples not containing added spirit; whereas in the case of industrial products, among others, are gas oil for other purposes, precious and semi precious stones, petroleum gases and other gaseous hydrocarbons, skirts of cotton, fabrics for the manufacture of bandage, dressing and medical gauzes, t-shirt of cotton, articles of apparel of leather, travel goods of leather, jet fuels, plywood, carpets, garments, articles of jewelry of silver, basketwork of plaiting materials.

In 1988, SEACEN countries' exports under the GSP scheme to the European Community amounted to US$ 3.9 billion, a decrease by 6.8 per cent if compared to its level in 1987, which was US$ 4.2 billion (Table 32). The largest beneficiary supplier among the SEACEN members in 1987 was South Korea, which recorded US $ 1.3 billion or contributed to 30.5 per cent of GSP exports from the SEACEN region to the European Community in that year, however its preference was suspended since 1988. In 1988, the first benefeciary was Thailand (29.2 per cent), Indonesia (19.7 per cent), Singapore (18.1 per cent), Malaysia (18.0 per cent) and the Philippines (11.3 per cent). The contributions by the rest of the SEACEN countries, i.e., Myanmar, Nepal and Sri Lanka was somewhat small, which were below 1.9 per cent. For Indonesia, GSP became very relevant only recently. Indonesia benefited relatively little from the GSP due to the commodity composition of its exports which has little GSP relevance.

The overall gains from the GSP are likely to be negligible as compared to the potential gain from a non-discriminatory treatment. According to Mangkusuwondo et.al. (1988), the future of GSP to Indonesia is largely dependent on the donor countries which can withdraw the facility unilaterally. In the up-dated GSP scheme for 1986 to 1990, the quota for Korean exports of ten sensitive products has been cut by 50 per cent, and a number of new products have been added to the "sensitive lists". This is because Korea has been considered as one of

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11. United Nations, *Operation and Effect of the Generalized System of Preferences*, Ninth and Tenth Reviews, New York, 1989.

a group of highly competitive countries which also includes Brazil, Hong Kong and China and whose exports of particularly sensitive products are subject to tariff quotas. As far as Malaysia is concerned, it is a beneficiary under all GSP schemes except Bulgaria's. To a certain extent, Malaysia has benefited largely from the scheme. For Malaysia, the EEC has been the most important preference-giving countries, followed by Japan and the US. Collectively, the preferences given from these three countries account for more than 90 per cent of Malaysia's preferential exports. However, over the year, the EEC's role as preference-giving countries has somewhat declined while that of the United States has significantly increased. Nepal and Sri Lanka are treated even more generously than other beneficiary countries, especially as regards agricultural products, both in raw and processed state. Particularly Nepal, exports on these products are treated almost on par with those of the other developing countries linked to the EEC through the Lome Convention. However these countries are far from exploiting GSP benefits to the full. Nepal did much better as regards hand-knitted carpets and rugs; and Sri Lanka did much better as regards textile products.

Looking at the direction of the exports covered by GSP scheme from the SEACEN region to the EEC member countries, the largest portion of the exports under the scheme was directed to West Germany, followed by the United Kingdom and the Benelux. Altogether, they accounted for 67.7 per cent of the total EEC's preferential imports from the SEACEN countries in 1987. For the individual SEACEN countries, this composition applies to Indonesia, Malaysia, Nepal, the Philippines and Sri Lanka. As for Korea, the large portion of its GSP exports to the Community is directed to West Germany, United Kingdom and Italy. For Myanmar, its largest preference-giving countries are only West Germany and Italy; whereas for both Singapore and Thailand, they include West Germany, United Kingdom and France.

The importance of GSP granted to the SEACEN countries by the EEC can be seen from its ratio to the total SEACEN's exports to the EEC, which is presented in Table 32. For the SEACEN region as a whole, the ratio of exports to the EEC covered by GSP to the total exports in 1988 recorded 16.9 per cent. The ratio ranges from 0.0 per cent to 76.7 per cent. The highest was for Nepal, even though the nominal value of exports under this scheme is relatively small (US$ 66 million) as compared to those of other members, especially that of Thailand (US$ 1.2 billion). The rank was then followed by Indonesia (36.3 per

Table 32. GSP Imports into the EEC from SEACEN Countries, 1985, 1987 and 1988. (in thousand US $)

GSP Imports from:	Year	EUR 12	Benelux	Denm.	W.Germ.	Greece	Spain	France	Irel.	Italia	Port.	U.K.
INDONESIA	1985	296372	66973	3509	91823	148	0	41405	1063	30738	0	60712
	1987	424892	99623	8768	111775	434	4390	42961	1097	73225	3531	79087
	1988	781179	...	...	...	...	...	...	...	...	...	...
S.KOREA	1985	673010	71352	14909	217826	2274	0	109175	2801	63446	0	191227
	1987	1288884	161505	31193	369207	9802	31089	165677	4251	204690	2956	308515
	1988	suspended										
MALAYSIA	1985	489241	76395	6353	184340	1014	0	28780	4658	39762	0	147939
	1987	551516	100088	16126	169835	4507	11476	47193	3591	49249	3652	145798
	1988	713341	...	...	...	...	...	...	...	...	...	...
MYANMAR	1985	1132	2	5	1055	0	0	0	0	70	0	0
	1987	2865	3	0	2525	0	0	13	0	279	0	45
	1988	883	...	...	...	...	...	...	...	...	...	...
NEPAL	1985	14381	186	14	9189	0	0	167	0	769	0	4056
	1987	44044	2812	24	28105	0	61	570	24	2074	1	10373
	1988	66101	...	...	...	...	...	...	...	...	...	...
PHILIPPINES	1985	275424	49642	5255	109113	446	0	33179	1564	9847	0	66380
	1987	418948	62097	8513	167574	743	10451	43549	2854	22170	36	100961
	1988	448251	...	...	...	...	...	...	...	...	...	...
SINGAPORE	1985	384728	31809	5902	133994	2165	0	60552	11128	50986	0	88192
	1987	523571	55162	8807	171359	4244	13521	94087	2701	51473	3876	118341
	1988	715464	...	...	...	...	...	...	...	...	...	...
SRI LANKA	1985	71631	13878	2644	20823	874	0	6095	536	4469	0	22359
	1987	70588	14056	2716	20598	618	2596	7231	166	5948	419	16238
	1988	78273	...	...	...	...	...	...	...	...	...	...
THAILAND	1985	405150	56245	21685	123803	1010	0	64984	850	50398	0	86175
	1987	905077	121662	35022	242032	2435	18118	160771	2534	136330	325	185848
	1988	1155777	...	...	...	...	...	...	...	...	...	...
SEACEN	**1985**	**2611070**	**366482**	**60276**	**891966**	**7931**	**0**	**344337**	**22600**	**250486**	**0**	**667038**
	1987	**4230386**	**617008**	**111171**	**1283010**	**22783**	**91703**	**562052**	**17218**	**545438**	**14796**	**965208**
	1988	**3959269**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**	**...**

Note: GSP imports do not include those products referred to in the GSP regulation which enjoy exemption from the common customs tariff duty under the ordinary arrangements.

These products are, however, included in the line for special trade.

Source: Data for 1985 and 1987 are from European Community. Figures for 1988 are taken from Table 31.

cent), the Philippines (36.0 per cent), Thailand (34.9 per cent), Malaysia (23.4 per cent), Sri Lanka (22.9 per cent), Singapore (14.0 per cent), Myanmar (7.7 per cent), and lastly Korea (0.0 per cent). South Korea and Singapore appear to be caught in the preoccupation of industrial countries with labeling certain developing countries such as NICs[12], and thus enjoy less GSP benefits. However, for these countries, GSP has not been a major factor in stimulating their exports.

3. EC Investments in the SEACEN Countries

Aside from trade, EC direct investments in SEACEN countries also represent important economic linkages between the Community and the SEACEN countries. Such investments are not independent of trade and, in most instances, are conducive to rapidly growing trade between the two regions. For this reason, the EC 1992 programme has also raised concerns over diversion of investment flows from SEACEN countries to the member countries of the Community following the opening of numerous new investment opportunities in the integrated market.

Looking at the pattern of EC direct investments to the world during the 1980s, the European Community has always been a net exporter of direct investment capital. Direct investments abroad between 1985 and 1989 have increased remarkably, virtually more than tripling, from only US$ 11.5 billion to US$ 36.5 billion, respectively; while investments received by the Community amounted to only US$ 4.3 billion in 1985 and US$ 30.8 billion in 1989. Although in 1984 the European Community was the largest net investor in the world, by 1989 the Community ranked only second after Japan.[13].

As can be seen in Table 34, the vast majority of EC direct investments (outflows) are with its own Community. Its average from 1985 to 1989 accounted for 54.7 per cent of total EC direct investments in the world. With regard to extra-Community investments in 1985-1989, majority went to western industrialized countries accounting for 39.9

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12. NICs comprise Argentina, Brazil, Mexico, Uruguay, Israel, Yugoslavia, Hong Kong, Korea, Singapore and Taiwan, using per capita income and share of industry in national income as the yardstick. See Balassa (1985), p.463.

13. Eurostat, *European Community Direct Investment 1984-89*, Luxembourg, 1992.

Table 33. Ratio of Exports under GSP to Total Exports to EEC from SEACEN Countries.

Exporting Country:	Year	Exports under GSP to EEC (US $ million) (a)	Total Exports to EEC (b)	Ratio of (a):(b)
INDONESIA	1985	296.37	1159	25.6
	1987	424.89	1548	27.4
	1988	781.00	2152	36.3
S.KOREA	1985	673.01	3255	20.7
	1987	1289.88	6600	19.5
	1988	0.00	8134	0.0
MALAYSIA	1985	489.24	2221	22.0
	1987	551.52	2560	21.5
	1988	713.00	3047	23.4
MYANMAR	1985	1.13	27	4.2
	1987	2.87	19	14.8
	1988	1.00	13	7.7
NEPAL	1985	14.38	28	52.2
	1987	44.04	57	77.3
	1988	66.00	86	76.7
PHILIPPINES	1985	275.42	647	42.6
	1987	418.95	1086	38.6
	1988	448.00	1245	36.0
SINGAPORE	1985	384.73	2416	15.9
	1987	523.57	3498	15.0
	1988	715.00	5101	14.0
SRI LANKA	1985	71.63	245	29.2
	1987	70.59	296	23.9
	1988	78 .00	341	22.9
THAILAND	1985	405.15	1357	29.9
	1987	905.08	2588	35.0
	1988	1156.00	3315	34.9
SEACEN	1985	2611.07	47138	5.5
	1987	4230.39	48566	8.7
	1988	3959.00	23434	16.9

Source: Table 19 and Table 32.

Table 34. Geographical Distribution of EC Outward Direct Investments. (in million US dollars)

Partner Country	1985	1986	1987	1988	1989	Avg. 85-89	% of total
Intra-Community 1/	**4345**	**9427**	**13808**	**28126**	**35087**	**18159**	**54.67**
Western Industrialised Countries 2/	**3232**	**6175**	**11840**	**16963**	**28108**	**13264**	**39.93**
of which: - USA	1366	2622	2129	1566	9819	3500	10.54
- Japan	549	458	1734	2614	4652	2001	6.03
- EFTA	1406	3206	4215	9926	9417	5634	16.96
- Others	-89	-111	3763	2858	4221	2128	6.41
Developing Countries 3/	**1222**	**358**	**2408**	**1771**	**735**	**1299**	**3.91**
of which: - OPEC	321	-534	-137	1078	97	165	0.50
- ACP not OPEC	46	38	119	-17	55	48	0.15
- Others	855	854	2427	709	583	1086	3.27
State-trading Countries 4/	**29**	**15**	**21**	**22**	**106**	**39**	**0.12**
of which: - COMECON	14	15	18	20	89	31	0.09
- Others	16	1	2	2	17	8	0.02
Not Allocated	-125	459	-172	283	1833	455	1.37
WORLD TOTAL	**8703**	**16434**	**27905**	**47166**	**65869**	**33215**	**100.00**

Table 35. Share of Member State in EC Outward Direct Investments.
            (in million US dollars)

Country	1985	1986	1987	1988	1989	Avg. 85-89	% of total
Belgium/Luxembourg	39	-595	-629	-2175	-1262	-924	3.24
Denmark	-111	-384	-252	-352	-437	-307	1.08
W.Germany	-3068	-5279	-6076	-7038	-4601	-5212	18.30
Greece	-145	-62	-10	-9	1	-45	0.16
Spain	-167	-237	-262	-653	-456	-355	1.25
France	-1815	-3475	-4019	-4679	-6836	-4165	14.62
Ireland	-82	-39	-98	-707	-919	-369	1.30
Italy	-456	-851	-571	-1353	267	-593	2.08
Netherlands	-1811	-1014	-4163	-3096	-5562	-3129	10.98
Portugal	-13	-5	-7	-1	-17	-9	0.03
United Kingdom	-3906	-9654	-19330	-17317	-16703	-13382	46.97
TOTAL EC(12)	**-11537**	**-21594**	**-35417**	**-37381**	**-36525**	**-28491**	**100.00**

(All values are converted from ECU to US dollar)

per cent of total EC direct investments in the world. Among the western industrialized countries, most of the Community's direct investments are undertaken in EFTA countries and the United States, in which its average share between 1985 and 1989 was 16.7 per cent and 10.5 per cent, respectively. By contrast, Japan is not a major Community partner as far as direct investments are concerned, where its average share between 1985 to 1989 accounted for only 6.0 per cent of the total.

Looking at the share of each member state in extra-Community direct investments (Table 35), the United Kingdom alone accounted for almost a half (47.0 per cent) of the Community's outward direct investments from 1985 to 1989, followed by West Germany (18.3 per cent), France (14.6 per cent) and the Netherlands (11.0 per cent). These disparities in shares can be explained partly by the relative size of the countries and other effects such as (i) the availability of foreign currencies due to a long standing surplus on the current account balance (e.g. Germany, Netherlands, Belgium and Luxembourg), (ii) the degree of freedom of international capital movements and the length of time this freedom has existed (e.g. United Kingdom, Luxembourg), (iii) the historical inheritance of numerous and important trade partners (Commonwealth, past colonies) and (iv) the existence of world-famous financial market (London). Furthermore, localization of large petroleum companies in a country also constitutes a supplementary factor inducing outward investments.[14]

With regard to sectoral structure of the European Community investments in foreign countries from 1985 to 1989, there are four sectors that are by far the most prominent sectors for the Community, i.e. energy, chemical industry, agriculture and food products, and finance and banking. Their share to total outward direct investments during the period were 16.3 per cent, 12.3 per cent, 10.7 per cent and 8.0 per cent, respectively (Table 36).

The pattern of the European Community direct investment in SEACEN countries varies considerably according to the respective home country. In this context, a salient feature of the EC investment in SEACEN countries is worth reviewing. However, there is a lack of comprehensive data on

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14. Eurostat, *European Community Direct Investment 1984-88,* Brussels, Luxembourg, 1991, p.35

EEC investments in SEACEN countries and the data which were collected from individual countries may not be directly comparable. In some SEACEN member countries, information on stock of foreign direct investment is based on approved or registered investment, whereas it is actual data for some other SEACEN member countries. It is, therefore, impossible to add up individual country data in order to obtain overall SEACEN figure, so the analysis is better to be done on individual countries. Nevertheless, altogether they will at least give a rough indication on the volume and pattern of EEC investment in SEACEN region.

The EEC investments are playing an important role in the industrialization of Indonesia. From 1988 to 1992 the EEC had invested slightly below that of Japan but more than that of the USA (Table 37). The most important EEC investors in Indonesia during this period were United Kingdom, the Netherlands, and West Germany, sharing 4.7 per cent, 3.8 per cent, and 2.9 per cent, respectively, of the total foreign direct investments in Indonesia. It is not surprising that the Netherlands emerges as one of the big investors, given the strong historical tie between Indonesia and the Netherlands, being its former colony. Foreign direct investments from the EEC countries in Indonesia are mostly concentrated on resource based such as chemical and pharmacy, metal products, paper, non-metallic minerals and hotels.

As can be seen in Table 38, in contrast, EEC investments in Korea ranked third during 1986-1990, accounting for only 16.0 per cent of total foreign direct investment in Korea, far below that of Japan (44.2 per cent) and the USA (28.5 per cent). Among the EEC member countries, West Germany, United Kingdom, the Netherlands and France, which invested about equally during the period, are the most important investors. Unlike that of any other SEACEN member countries, Korea also invests quite a significant amount in the EEC. Korean FDI in the EEC amounted to US$ 15 million in 1988 and US$ 69 million in 1991, accounting for 9.5 per cent and 6.7 per cent, respectively, of the total Korean FDI abroad.[15]

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15. Ahn, Se-Il, a country paper presented in SEACEN Seminar on "Implication of European Integration in 1992 on Exports and Foreign Capital Flows in the SEACEN Countries," hosted by The Bank of Thailand, Bangkok, Thailand, 9-11 November 1992.

Table 36. Sectoral Distribution of EC Outward Direct Investments. (Extra EC Investments, in million US dollars)

Sector	1985	1986	1987	1988	1989	Avg 85-89	% of total
Energy	**-1289**	**-1513**	**-6196**	**-5872**	**-8404**	**-4655**	**16.34**
Total Industries:	**-4157**	**-10200**	**-13598**	**-21211**	**-13621**	**-12558**	**44.08**
- Agriculture & Food Products	307	-828	-2660	-4979	-7023	-3037	10.66
- Metallics	2	-304	-587	-1049	-1940	-776	2.72
- Machinery	-451	-274	-993	-1400	-668	-757	2.66
- Transport Equipment	-249	-337	-489	-581	-372	-406	1.42
- Electric and Electronic Goods	-223	-1489	-3178	-3990	-1650	-2106	7.39
- Chemical Industry	-3635	-4981	-3504	-4103	-2228	-3690	12.95
- Other Industries	91	-1985	-2190	-5108	261	-1786	6.27
- Not Allocated Industries	0	-3	3	-1	-1	-0	0.00
Building & Construction	**-98**	**-425**	**-777**	**-427**	**-1187**	**-583**	**2.05**
Total Services	**-5975**	**-8619**	**-14720**	**-9619**	**-13135**	**-10414**	**36.55**
- Finance & Banking	-2312	-2633	-1323	-2205	-2959	-2287	8.03
- Insurance	-1155	-1617	-1393	-1860	-2141	-1633	5.73
- Trade, Lodging & Catering	-1631	-1714	-5685	-272	-1171	-2095	7.35
- Transport & Communication	-98	-412	112	-881	-3282	-912	3.20
- Real Estate	-519	342	-637	-221	-788	-364	1.28
- Other Services	-259	-2585	-5795	-4180	-2793	-3122	10.96
- Not Allocated Services	0	0	0	0	0	0	0.00
Not Allocated	**-20**	**-839**	**-126**	**-251**	**-180**	**-283**	**0.99**
TOTAL	**-11537**	**-21594**	**-35417**	**-37381**	**-36525**	**-28491**	**100.00**

Notes : A positive figure indicates a net investment, a negative figure indicates a net disinvestment.

For Malaysia, EEC direct investment in new projects is also less significant as compared to that of Japan (Table 39). Its share accounted only for 3.1 per cent of overall foreign direct investment during the period 1987-1991, which ranked the lowest among all foreign investors. Nevertheless, the EEC investment recorded a buoyant rate of growth of 47.4 per cent annually, from only US$ 25 million in 1987 to become US$ 118 million in 1991. The surge was mainly attributable to investments in several large projects in the petroleum and manufacturing sectors, such as in food products, wood and wood products, rubber products, chemical and chemical products, and electrical and electronic products. It is in line with the economic development policy in Malaysia which is shifting from plantation and mining sectors to the promotion of manufacturing. Out of the twelve EEC member countries, Germany, France, the Netherlands and United Kingdom are the leading investors in Malaysia.

In Nepal, despite a lot of facilities provided to the foreign investors through Industrial Enterprise Act and Foreign Investment Act 1982, so far only a few joint ventures industrial enterprises have emerged. Following a meeting on the Foreign Investment Promotion organized by UNIDO in Kathmandu in 1984, which was attended by 75 investors from 18 countries including EEC member countries, 41 industrial projects out of 53 projects submitted for discussion were considered viable for joint venture investment. Based on the available data, by mid-July 1989 total foreign direct investment in Nepal amounted approximately Rs 2.1 billion, which covered 58 projects, 6 projects out of which are from EEC member countries, i.e., 1 from France, 2 from United Kingdom and 3 from West Germany. To attract more foreign direct investments in Nepal, recently the government has introduced a more liberal, transparent and open policy and provided various facilities and concessions to foreign investors.

For the Philippines, the registered data of the Central Bank of the Philippines on the FDI by country for the period 1986 to 1990 (Table 40) show that the United States has been maintaining its leading position in foreign direct investments in the country, which on the average accounted for 55.9 per cent of the total. The EEC ranked third after Japan with its share of only 11.4 per cent, mainly contributed by investments of the Netherlands and United Kingdom accounting for 4.6 per cent and 3.5 per cent, respectively, of the total FDIs.

Table 37. FDI (Approval) by Country of Origin in Indonesia (In Million US $)

	1988	1989	1990	1991	1992	Avg. 88-92	% of total
TOTAL	**4435**	**4719**	**8750**	**8778**	**10292**	**7395**	**100.00**
Europe:	1433	605	1070	1189	1363	1132	15.31
EEC	**1390**	**406**	**1051**	**843**	**1151**	**968**	**13.09**
Belgium	0	43	87	23	22	35	0.47
Germany	956	7	13	60	37	215	2.90
France	42	19	69	26	20	35	0.48
Netherlands	271	283	567	184	94	280	3.78
U.K.	121	44	58	536	978	347	4.70
Others	43	199	19	346	212	164	2.22
Japan	247	769	2241	929	1503	1138	15.39
U.S.A.	672	348	154	276	923	475	6.42
Hong Kong	231	407	993	278	1018	586	7.92
Korea	209	466	723	301	617	463	6.26
Taiwan	910	158	618	1057	563	661	8.94

Source: Bank Indonesia, Monthly Statistical Bulletin, Vol XXVI no.03, March 1993.

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Table 38. FDI (Approval) by Country of Origin in Korea
(In Million US Dollars)

	1986	1987	1988	1989	1990	Avg. 86-90	% of total
TOTAL	354	1063	1283	1090	803	919	100.00
Int'l Organization 1/	3	9	31	26	29	19	2.12
European Region	63	210	243	212	207	187	20.35
-EEC	30	150	217	160	176	147	15.96
Germany	6	41	74	44	62	45	4.94
U.K.	15	48	22	46	46	35	3.86
France	0	11	50	39	21	24	2.65
Netherlands	4	46	49	20	36	31	3.37
-Switzerland	32	56	24	47	19	36	3.87
-Others	33	60	26	52	31	40	4.40
Asian Region	159	570	712	518	257	443	48.24
-Japan	138	497	696	462	236	406	44.17
-Singapore	3	24	0	15	14	11	1.23
-Hong Kong	13	46	14	32	3	22	2.34
American Region	129	273	289	330	335	271	29.52
-U.S.A.	125	255	284	329	317	262	28.53
Middle East	0	1	0	0	0	0	0.01
Others	0	0	8	4	0	2	0.27

Source: Keun-Man Yook, The Bank of Korea's Country Paper for The SEACEN Centre's project on "Foreign Direct Investment in SEACEN Countries,"
Notes : 1/ ADB and IFC are included.

Table 39. FDI (approval) by Country of Origin in Malaysia
(In Million US $)

	1987	1988	1989	1990	1991	Avg. 87-91	% of total
TOTAL	818	1863	3194	6517	5802	3639	100.00
Total EEC	**25**	**108**	**150**	**156**	**118**	**111**	**3.06**
Belgium	2	2	5	7	7	4	0.12
Denmark	1	2	0	3	21	6	0.15
Germany	4	10	40	21	13	18	0.48
France	6	50	9	2	6	15	0.40
Greece	-	0	-	-	0	0	0.00
Ireland	-	-	-	-	-	0	0.00
Italy	2	6	5	2	2	3	0.09
Luxembourg	-	-	-	-	2	0	0.01
Netherlands	-	1	6	6	-	2	0.07
Portugal	-	-	-	-	-	0	0.00
Spain	-	-	-	-	-	0	0.00
U.K.	10	36	94	117	-	51	1.41
Japan	284	467	993	1557	1148	890	24.45
U.S.A.	65	204	118	210	627	245	6.73
Hong Kong	35	114	130	139	218	127	3.50
Taiwan	96	317	797	2340	1312	972	26.72
Indonesia	1	9	40	400	449	180	4.94

Sources: The EEC figures are from Cheng Yoke Chang, et.al., Country Paper for SEACEN Seminar on "Implications of European Integration in 1992 on Exports and Foreign Capital Flows in the SEACEN Countries," 9-11 November 1992, hosted by The Bank of Thailand, Bangkok, Thailand. Other figures are from Ministry of Finance Malaysia, "Economic Report 1991/92 (all values are converted to US dollars).

In Singapore, over two-thirds of the foreign direct investment have come from the USA, EEC, and Japan (Table 41). The USA had traditionally been the largest foreign investor. During the period 1988-1992, the share of investment commitments from the European Community ranked third after that of the USA, and Japan, contributed to 22.3 per cent of the total. Foreign direct investment has played a vital role in the economic development of Singapore as its contribution in terms of employment, output, exports and its value added was more significant than the local counterparts. Policy on FDI has been an integral part of the outward-looking, export-oriented industrialization strategy adopted by the government since the mid-1960s for achieving the rapid take-off for Singapore. Among the EEC member countries, United Kingdom is the leading investor.

In Sri Lanka, total direct investments from the European Community had not changed significantly during the past three years, partly a reflection of the adverse condition and political instability in the country. Investment in the Free Trade Zone under the Greater Colombo Economic Commission (GCEC) from the EEC amounted to US$ 26.9 million in 1987, significantly increasing to US$ 35.1 million in 1991 after declining to US$ 25.2 million and US$25.8 million in 1988 and 1989, respectively (Table 42). On the average it accounted for 29.2 per cent of the total investments, or ranked first as compared to those from Japan, the USA and Korea. Within the GCEC enterprises, the largest share of foreign investment is in the textile and garment industry. The rest of the enterprises are engaged in chemical, petroleum, coal, rubber, plastic products , other manufacturing items, and non metallic mineral products such as diamond cutting and gem polishing.

In Thailand, historically foreign direct investment has been dominated by Japan. From 1988 to 1992, EEC investment ranked only fourth after Japan, the USA and Hong Kong, accounted for only 8.7 per cent of the total (Table 43). During this period, Japanese investment contributed one-third of the total. Despite lower share of EEC investment than that of Japan, however, the EEC investment in Thailand had been growing more rapidly at 32.1 per cent annually than that of Japan which grew by only 21.9 per cent annually from 1988 to 1991, then declined by 5.5 per cent in 1992. Within the EEC, West Germany, the Netherlands, France and United Kingdom were the leading investors during this period. However, investment from Belgium had also been

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Table 40. Foreign Direct Equity Investment by Country of Origin in the Philippines. * (In Million US Dollars)

	1986	1987	1988	1989	1990	Avg. 89-90	% of total
TOTAL	**2732**	**2830**	**2902**	**3105**	**3303**	**2974**	**100.00**
Total EEC	**327**	**332**	**337**	**359**	**376**	**346**	**11.64**
Germany	29	29	31	31	33	31	1.03
Netherlands	126	130	131	148	152	137	4.62
U.K.	101	102	103	106	115	105	3.54
France	42	42	42	42	43	42	1.42
Denmark	15.2	15.2	16.7	18	19	17	0.57
Japan	**372**	**377**	**396**	**448**	**502**	**419**	**14.09**
U.S.A.	**1552**	**1620**	**1649**	**1718**	**1771**	**1662**	**55.88**
Hong Kong	**163**	**176**	**190**	**206**	**223**	**192**	**6.44**
Taiwan	4	4	5	20	28	12	0.41
Korea	7	7	7	8	16	9	0.30
Singapore	15	15	16	20	28	19	0.63
Others	293	298	302	327	359	316	10.61

Table 41. FDI (Commitments) by Country of Origin in Singapore (In Million US Dollars)

	1988	1989	1990	1991	1992	Avg. 88-92	% of total
TOTAL	**824**	**833**	**1224**	**1425**	**1711**	**1203**	**100.00**
Total EEC	**171**	**269**	**218**	**357**	**326**	**268**	**22.30**
Germany	23	14	91	35	64	45	3.78
Netherlands	41	89	40	125	26	64	5.35
U.K.	28	90	50	108	186	92	7.66
Others	43	54	33	44	21	39	3.24
Italy	34	17	0	41	16	22	1.79
Others	2	6	4	4	13	6	0.49
Japan	**344**	**277**	**391**	**413**	**518**	**388**	**32.28**
U.S.A.	291	267	582	561	737	488	40.52
Others	11	10	11	55	80	33	2.76

Source: Wong Fot Chyi and Lam San Ling, Country Paper on SEACEN-IMF Seminar on "Issues Related to Recent Surge in Capital Inflows to the SEACEN Countries," Seoul, 14-16 May 1993. All data are converted into US dollars.

Table 42. Sri Lanka's Stock of Investment in GCEC Enterprises *
(In Million US $)

	1987	1988	1989	1990	1991	Avg. 87-91	% of total
TOTAL	**217.32**	**230.83**	**224.76**	**229.76**	**285.51**	**237.64**	**100.00**
EEC	26.90	32.98	25.23	25.81	35.05	29.19	12.29
Japan	7.83	9.35	6.73	6.96	13.16	8.81	3.71
U.S.A.	10.21	12.75	9.57	9.79	4.43	9.35	3.93
Hong Kong	. . .	. . .	. . .	. . .	28.61	5.72	2.41
Korea	4.08	9.34	4.65	4.75	50.78	14.72	6.19
Australia	. . .	. . .	. . .	. . .	75.67	15.13	6.37
Others	168.30	166.40	178.58	182.46	77.82	154.71	65.10

Source: Jayatisa, R.A., "Implications of European Integration on Sri Lanka's Exports and Capital Flows," a country paper for The SEACEN Centre's Seminar on "Implications of European Integration in 1992 on Exports and Capital Flows in the SEACEN Countries," hosted by The Bank of Thailand, Bangkok, Thailand, 9-11 November 1992. Data are converted into US dollars.

* GCEC is Greater Colombo Economic Commission.

Table 43. Net Inflows of FDI by Country of Origin in Thailand (In Million US $)

	1988	1989	1990	1991	1992	Avg. 88-92	% of total
TOTAL	**1106.6**	**1779.7**	**2531.0**	**2016.0**	**2116.7**	**1910.0**	**100.00**
Total EEC	**89.0**	**148.7**	**164.8**	**155.5**	**271.1**	**165.8**	**8.68**
Belgium	4.0	4.4	18.5	28.0	4.6	11.9	0.62
Denmark	0.5	21.4	2.8	2.4	. . .	6.8 *	0.35 *
Germany	24.6	31.8	45.0	33.1	24.3	31.8	1.66
France	11.1	15.3	26.7	48.9	64.8	33.4	1.75
Italy	1.1	3.0	1.8	2.8	. . .	2.2 *	0.11 *
Luxemburg	1.2	0.6	0.3	0.0	. . .	0.5 *	0.03 *
Netherlands	11.4	63.5	25.4	29.3	27.1	31.3	1.64
U.K.	35.0	8.7	44.2	10.1	126.7	44.9	2.35
Japan	578.1	730.7	1092.7	611.7	337.5	670.1	35.09
U.S.A.	126.0	203.3	240.8	232.2	464.1	253.3	13.26
Switzerland	22.1	47.8	28.8	48.0	30.6	35.5	1.86
Canada	2.4	6.6	3.8	6.0	3.4	4.4	0.23
Australia	1.6	4.4	4.7	71.6	6.7	17.8	0.93
S.Korea	12.1	9.9	19.1	11.6	10.3	12.6	0.66
Taiwan	124.1	197.2	280.1	108.0	87.4	159.4	8.34
Hong Kong	110.6	222.6	274.9	453.7	572.8	326.9	17.12
Singapore	62.2	107.0	240.0	253.8	264.6	185.5	9.71
Others	-20.5	101.6	181.4	64.9	68.1	79.1	4.14

* 1988 to 1991

increasing significantly since 1988. As revealed in Table 44, during the period 1988 to 1992 most of the EEC investments in manufacturing sector in Thailand are engaged in chemical products (17.1 per cent of the total), food (5.8 per cent of the total), petroleum products (4.2 per cent of the total) and in metal and non-metallic metals (5.3 per cent of the total). EEC investments in other sectors are also significant, such as in trade (26.4 per cent of the total), and housing and real estates (6.4 per cent of the total).

4. Official Development Assistance (ODA)[16] from the European Community to the SEACEN Countries

Aside from being an important partner of SEACEN countries as a source for private financial flows such as direct investments, portfolio investments and export credits, the EEC has also been SEACEN's second largest provider of official development assistance after Japan. The importance of the Community aid during the period 1987-1989 is indicated in the significant increase of the total net ODA flows from the Community to the SEACEN region as a whole, i.e., from US$ 678.5 million in 1987 to US$ 113.8 million in 1990, respectively (Table 45). The share of Community aid to the total ODA flows to the SEACEN region as a whole also increased from 16.4 per cent in 1987 to 19.9 per cent by 1990, respectively. ODA flows from the EEC are thus an important component of SEACEN-EEC economic relations.

Indonesia by far is the largest recipient country of ODA from the European Community. In 1990 net ODA flows from the European Community to Indonesia was noticeably the highest, amounting to US$ 460.9 million or representing almost a half of the total net ODA flows to all SEACEN countries in that year, even though the amount accounted for only 26.7 per cent of the overall ODA flows to Indonesia. Besides Indonesia, aid from the EEC in 1990 also went largely to Thailand, the

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16. According to OECD definition, Official Development Assistance is defined as those flows to developing countries and multilateral institutions provided by official agencies, including state and local government, or by their executive agencies, each transaction of which meets the following tests:
   a) It is administered with the promotion of the economic development and welfare of developing countries as its main objective, and
   b) It is consessional in character and conveys a grant element of at least 25 per cent.

Table 44. Net Inflows of FDI from EEC in Thailand, Classified by Business (In Million US $)

	1987	1988	1989	1990	1991	Avg. 87-91	% of total
1. Financial Institutions	8.4	23.2	1.5	1.7	-24.1	2.1	1.80
2. Trade	6.6	15.7	43.9	34.1	56.4	31.3	26.35
3. Construction	-0.9	1.3	9.9	13.7	20.5	8.9	7.48
4. Mining & Quarrying	-0.2	2.4	1.4	5.8	33.7	8.6	7.25
4.1 Oil Exploration	0.9	2.1	1.2	5.8	33.8	8.8	7.37
4.2 Others	-1.0	0.3	0.2	0.0	-0.1	-0.1	-0.10
5. Agriculture	1.1	0.3	0.1	0.7	0.4	0.5	0.44
6. Industry	13.9	37.2	69.0	77.0	59.4	51.3	43.14
6.1 Food	0.8	8.5	14.2	10.4	0.7	6.9	5.82
6.2 Textiles	0.8	0.3	0.7	8.7	0.5	2.2	1.85
6.3 Metal based & Non-metallic	4.4	0.3	8.7	14.9	3.4	6.3	5.33
6.4 Electrical Appliances	0.3	1.7	6.5	11.0	3.9	4.7	3.94
6.5 Machinery & transport Equip.	0.0	0.0	0.2	0.4	4.5	1.0	0.86
6.6 Chemicals	6.8	24.8	13.9	26.5	29.9	20.4	17.14
6.7 Petroleum Products	0.0	0.0	20.2	0.0	5.0	5.0	4.24
6.8 Construction Materials	0.0	0.0	0.0	0.0	1.1	0.2	0.18
6.9 Others	0.8	1.6	4.7	5.1	10.4	4.5	3.80
7. Services	7.6	8.8	22.2	26.5	5.0	14.0	11.79
7.1 Transportation & Travel	2.1	2.3	4.6	3.3	1.0	2.7	2.24
7.2 Housing & Real Estate	1.3	4.0	12.7	13.9	5.9	7.6	6.36
7.3 Hotel & Restaurant	-1.4	0.5	2.4	0.7	-4.2	0.2	0.13
7.4 Others	2.8	2.0	2.5	8.6	2.3	3.6	3.06
8. Others	0.0	0.0	0.7	5.2	4.2	2.0	1.70
Total	36.6	89.0	148.7	164.8	155.5	118.9	100.00

Source: Angsurat, Bual-Anong, et.al "Implications of European Integration in 1992 on Exports and Foreign Capital Flows in Thailand," Country Paper for the SEACEN Centre's Seminar on "Implications of European Integration in 1992 on Exports and Foreign Capital Flows in the SEACEN Countries," Bangkok, Thailand, 9-11 November 1992.

Table 45. Net ODA Flows From Selected Countries to SEACEN Countries.
(in million US dollars)

Recipient Country	1987 EEC	1987 USA	1987 Japan	1987 Total ODA	1988 EEC	1988 USA	1988 Japan	1988 Total ODA	1989 EEC	1989 USA	1989 Japan	1989 Total ODA	1990 EEC	1990 USA	1990 Japan	1990 Total ODA
Indonesia	281.9	36.0	707.3	1245.9	344.6	22.0	984.9	1631.8	390.5	31.0	1145.3	1839.2	460.9	31.0	867.8	1724.4
Korea	14.1	-22.0	6.6	11.2	19.4	-26.0	12.6	9.7	39.0	-34.0	41.0	51.5	31.2	-31.0	50.4	52.2
Malaysia	28.5	0.0	276.4	363.4	29.1	-1.0	24.8	103.7	24.9	-1.0	79.6	140.2	45.0	—	372.6	469.6
Myanmar	45.4	11.0	172.0	367.7	49.5	10.0	259.6	450.9	7.7	2.0	71.4	183.9	14.3	1.0	61.3	170.5
Nepal	63.4	20.0	76.8	346.8	112.1	15.0	62.4	399.0	100.8	14.0	77.4	493.6	111.2	17.0	55.2	428.8
Philippines	55.3	230.0	379.4	770.2	72.0	121.0	534.7	854.3	114.0	192.0	403.8	844.5	137.6	248.0	647.5	1276.0
Singapore	5.8	1.0	11.2	23.3	4.5	1.0	11.2	21.9	79.5	1.0	10.7	94.8	1.6	2.0	-10.4	-3.0
Sri Lanka	107.3	35.0	118.3	501.7	128.8	41.0	199.8	598.3	109.7	43.0	185.2	546.8	97.2	75.0	176.1	664.9
Thailand	76.8	23.0	302.4	503.6	85.3	22.0	360.6	563.2	80.2	31.0	488.9	739.2	214.8	30.0	418.6	805.4
SEACEN	678.5	334.0	2050.4	4133.8	845.3	205.0	2450.6	4632.8	946.3	279.0	2503.3	4933.7	1113.8	373.0	2639.1	5588.8

Source: OECD, Geographical Distribution of Financial Flows to Developing Countries, 1987/1990, Paris, 1992.

Fig.17. Net ODA Flows from Selected Countries to SEACEN Countries

(in million US dollars)

Thousands

```
6 ┤
  │
5 ┤
  │              Others
4 ┤
  │
3 ┤
  │              Japan
2 ┤
  │
1 ┤   USA
  │              EEC
0 ┴────────────┬────────────┬────────────┬
1987         1988         1989         1990
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Year
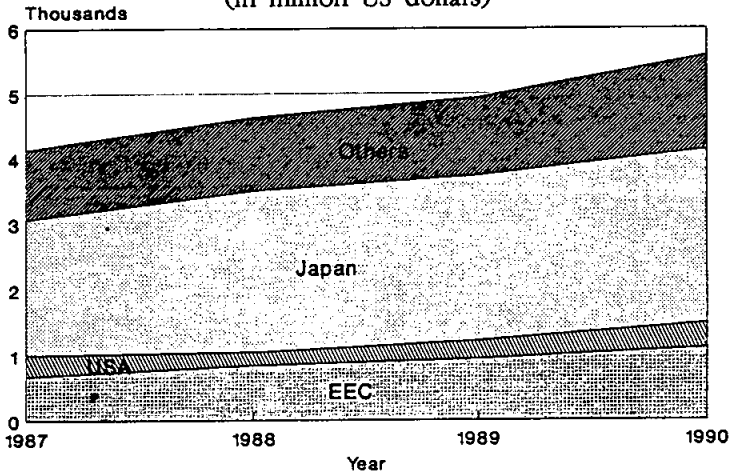
Fig.18. Net ODA Flows from EEC to SEACEN Countries

Million US $

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500 ┤
    │
400 ┤  █
    │  █
300 ┤  █
    │  █
200 ┤  █                                    █
    │  █                                    █
100 ┤  █          █    █   █   █      █   █ █
    │  █                                    █
  0 ┴──┬────┬────┬────┬────┬────┬────┬────┬──
    Ind. Kor. Mal. Mya. Nep. Phi. Sin. Sri. Tha.
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	90
	89
	88
	87
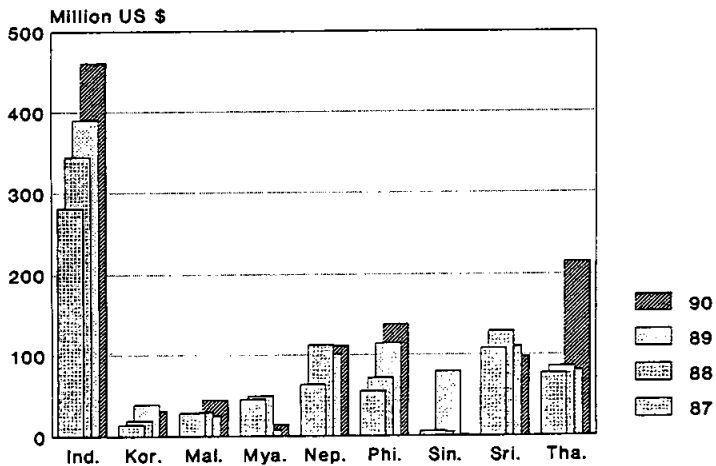
Philippines, and Nepal accounting for 19.3 per cent, 12.4 per cent and 10.0 per cent, respectively, of the total ODA flows from the Community to the SEACEN region. Viewed from the individual SEACEN member countries, assistance from the Community in 1990 was very important for Nepal, ranking first as compared to that of Japan and the USA. For Indonesia, Korea, Malaysia, Myanmar, and Thailand, assistance from the EEC in 1990 ranked second after that of Japan, while for Singapore it ranked second after that of the USA. Only in the Philippines did the Community aid rank third behind those from Japan and the USA. The details of the Community aid in various fields to selected SEACEN countries can be seen in the Appendixes 21 to 23.

5. EC Participation in Banking and Financial Services in the SEACEN Countries, and Vice Versa

Since 1980s, nearly all SEACEN member countries liberalized their financial system, in order to adapt their respective financial systems to the changing environment toward a more market-oriented and internationalization of financial markets. In many countries, this was accompanied by easing restrictions on new entry and the establishment of more branches and operations of foreign banks. As a result, many foreign banks including banks from the European Community have opened their new branches, representative offices or set up joint ventures with local banks in SEACEN member countries during the past decade, adding to the number of EC banks currently in existence since the colonial era. Among the SEACEN member countries, Singapore - being the fastest growing financial centre in the region - has been considered as the most important location for the European Community banks as reflected by the highest number of the European Community bank branches established in this country. On the other side, some SEACEN member countries also set up their bank branches, subsidiaries and representative offices in the European Community countries. Many of the SEACEN bank branches are located in London and Paris as these cities are major financial centres in Europe. However, these bank branches in general operate only as funding offices rather than engaged in bank branches business. These bank branches only help traders in financing export and import trade originating from their home country. Some other bank branches serve as intermediaries to raise foreign capital needed by investors in their home country. The list of foreign banks from the European Community in SEACEN countries is presented in

Table 46, while the list of SEACEN bank branches, subsidiaries and representative offices in the European Community is reported in Table 47.

In Indonesia, there are 10 foreign banks and 19 joint-venture banks participating in banking activities. Three out of the ten foreign banks are from the European Community member countries, i.e., from the Netherlands (ABN-Amro Bank), West Germany (Deutsche Bank A.G.) and the United Kingdom (Standard Chartered Bank). As for the joint-venture banks, there are also three joint-venture banks with members of the European Community, i.e., two joint-venture banks with France (PT. Bank Credit Lyonnais Indonesia and PT.Bank Societe G. Summa) and one with the Netherlands (PT.Internationale Nederlanden Indonesia Bank). On the other side, at present one Indonesian commercial bank (Bank Ekspor Impor Indonesia) maintains operation through its branches in Paris and London, and another commercial bank (bank BNI) also operates its branch in London; in addition, two other Indonesian banks set up their subsidiaries in the European Community countries, i.e., Indonesia Overzeese Bank in Amsterdam, the Netherlands, and Summa Handelsbank in Dusseldorf, West Germany.

In Korea, at present there are 12 bank branches and 6 representative offices of banks from the European Community countries. More than half of the bank branches are from France (i.e., Banque Indosuez, Banque Nationale de Paris, Banque Paribas, Credit Lyonnais, Union de Banque Arabes et Francaise and Societe Generale) and United Kingdom (Standard Chartered Bank, Barclays Bank Plc and Bank Credit and Commerce International). The rest are establishments by the Netherlands (ABN-Amro Bank) and West Germany (Deutsche Bank A.G.). On the other side, unlike any other SEACEN member countries, Korea is the only SEACEN country that maintains quite a number of bank branches and subsidiaries in the European Community countries, which are scattered in various big cities such as Frankfurt, London, Paris, Luxembourg and Amsterdam. The total number of Korean banks in the European Community was 26, consisting of 8 branches, 13 subsidiaries for business and 5 representative offices for collecting information on financial movements in Europe. The bank branches are those of Bank of Seoul, Korea Exchange Bank, Cho Hung Bank, Commercial Bank of Korea and Hanil Bank. The Korean banks that operate as subsidiaries are mainly located in Luxembourg and London, whereas the representative offices are all located in London.

Out of 16 foreign banks in Malaysia, there are by far only three banks which are owned or controlled by the members of the European Community. They are ABN-Amro Bank (the Netherlands), Deutsche Bank A.G. (West Germany) and Standard Chartered Bank (United Kingdom). In addition, there are also six representative offices, out of 29 representative offices of foreign banks in Malaysia, originating from the EC countries, i.e., from France (Credit Commercial de France), the Netherlands (Nederlandsche Middenstandsbank NV), Belgium (Bank Brussels Lambert), West Germany (Commerzbank A.G. and Dresdner Bank A.G.) and the United Kingdom (National Westminster Bank Plc.). Among the 41 finance companies currently in operation in Malaysia, one finance company is a 100 per cent owned by subsidiary of an EC bank. This EC finance company accounted for 20 per cent of total assets, 21 per cent of total deposits and loans and 27 per cent of pre-tax profits of all finance companies at end of 1991.[17] Until now, only two Malaysian commercial banks established their branches in London, i.e. Bank Bumiputra Malaysia and Malaysian Banking Berhad. There are also two representative offices in London which are owned by Bank Negara Malaysia and United Malayan Banking Corporation.

In Nepal, there is only one bank from the EC member country, i.e. Banque Indosuez of France, participating in banking activities. By far, there is no Nepal commercial bank branch participating in the European Community.

As for the Philippines, there are three foreign bank branches from the European Community taking part in the banking industry. They are from Belgium (Copenhagen, Handelsbank A.S), from France (Banque de Paris et Des Pays Bas) and from the United Kingdom (Standard Chartered Bank). There is also one representative office originating from EC countries, i.e., Banco Espanol de Credito from Spain. In addition, at present there are six financial institutions from the EC countries with Offshore Banking Units (OBUs), i.e., Barclays Banks PLC (United Kingdom), Banque Indosuez (France), Banque Nationale de Paris (France), Credit Lyonnais (France), Deutsche Bank A.G. (West Germany),

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17. Cheng Yoke Cheng, Sa Wai @ Boon Chock and M. Manokaran, Country Paper on Malaysia for SEACEN Seminar on "Implications of European Integration in 1992 on Exports and Foreign Capital Flows in SEACEN Countries," hosted by the Bank of Thailand, Bangkok, Thailand 9-11 November 1992.

and International Nederlanden Bank N.V. (the Netherlands). On the other side, there are four commercial banks of the Philippines operating as branches in London, i.e. Allied Banking Corporation, Philippines Commercial International, Metropolitan Bank & Trust Co. and the Philippine National Bank. In addition, there is one subsidiary of Allied Bank Philippines, also is located in London.

In Singapore, there are three banks from the member of the European Community operating as full bank business, i.e from the United Kingdom (Standard Chartered Bank), France (Banque Indosuez), and from the Netherlands (ABN-Amro Bank). In addition there are six foreign restricted banks and twenty one foreign offshore banks originating from the member of the European Community. Three of the foreign restricted banks come from West Germany, while the rest are from Italy, France and the United Kingdom. On the other side, there are only four establishments of Singaporean bank branches in the European Community, which are all located in London. They are The Development Bank of Singapore, Overseas Chinese Banking Corporation, Overseas Union Banking Corporation and United Overseas Bank Limited.

Of a total of 21 foreign banks currently in operation in Sri Lanka, five are from the European Community member countries. They are ANZ Grindlays Bank PLC and Standard Chartered Bank (both are from the United Kingdom), Banque Indosuez (France), Deutsche Bank A.G. (West Germany), and ABN-Amro Bank (the Netherlands). On the other side, up to now only Bank of Ceylon operates a branch in London.

In Thailand, so far there are only three EC bank branches out of the total of 14 foreign bank branches. The three banks are: Standard Chartered Bank (from the United Kingdom), Deutsche Bank A.G. (from West Germany) and Banque Indosuez (from France). According to one study, however, these medium-sized branches have not been as active as their American and Japanese counterparts. Their total credit outstanding as at June 30, 1992 accounted for only 1.38 per cent of that of the total banking system.[18] On the other side, at present Thai commercial

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18. Angsurat, Nual-Anong, et al., country paper on Thailand for SEACEN Seminar on "Implication of European Integration in 1992 on Exports and Foreign Capital Flows in SEACEN Countries," hosted by The Bank of Thailand, Bangkok, Thailand, 9-11 November 1992.

Table 46. Foreign Bank Branches, Joint Ventures and Representative Offices from EC Countries in SEACEN Countries.

INDONESIA *

Foreign Bank Branches:
1. ABN-Amro Bank
2. Deutsche Bank A.G.
3. Standard Chartered Bank

Joint Ventures Banks:
1. PT.Bank Credit Lyonnais Indonesia
2. PT.Bank Societe G.Summa
3. PT.International Nederlanden Indonesia Bank (ING Bank)

K O R E A **

Foreign Bank Branches:
1. Standard Chartered Bank
2. Banque Indosuez
3. Banque Nationale de Paris
4. Lloyd Bank Plc
5. Barclays Bank Plc
6. Bank Credit and Commerce International
7. Banque Paribas
8. Credit Lyonnais
9. Deutsche Bank A.G.
10. ABN-Amro Bank
11. Union de Banque Arabes et Francaise
12. Societe Generale

Representative Offices

1. Dresdner Bank A.G.
2. Credit Commercial de France
3. Nederlandsche Middenstandsbank N.V.
4. Commerzbank A.G.
5. Bank Brussels Lambert
6. National Westminster Bank Plc

MALAYSIA *

Foreign Bank Branches:
1. ABN-Amro Bank
2. Deutsche Bank A.G.
3. Standard Chartered Bank

Representative Offices
1. Banque Indosuez
2. Banque Nationale de Paris
3. Banque Paribas
4. Barclays Bank plc.
5. Credit Commercial de France
6. Societe Generale

N E P A L ***

Foreign Bank Branches:
1. Banque Indosuez

Table 46. Foreign Bank Branches, Joint Ventures and Representative Offices from EC Countries in SEACEN Countries (continued).

THE PHILIPPINES**

Foreign Bank Branches:
1. Copenhagen, Handelsbank, A.S.
2. Banque de Paris et Des Pays Bas
3. Standard Chartered Bank

Representative Offices
1. Banco Espanol de Credito

Foreign Offshore Banks:
1. Banque Indosuez
2. Banque Nationale de Paris
3. Credit Lyonnais
4. Societe Generale
5. Deutsche Bank Asia
6. Bank Credit and Commerce International
7. Barclays Bank Plc

SINGAPORE*

Foreign Full Banks:
1. Standard Chartered Bank
2. Banque Indosuez
3. ABN-Amro Bank

Foreign Restricted Banks:
1. Moscow Narodny Bank Limited
2. Banque Nationale de Paris
3. Bayerische Landesbank Girozentrale
4. Dresdner Bank Aktiengesellschaft
5. Deutsche Bank A.G.
6. Banca Commerciale Italiana

Foreign Offshore Banks:
1. Bank Brussels Lambert
2. Generale Bank
3. Copenhagen Handelsbank A/S
4. Privat Banken A/S
5. Sparekassen SDS
6. Banque Francaise du Commerce Exterieur
7. Banque Paribas
8. Banque Worms
9. CIC - Union Europenne, International et Cie
10. Berliner Handels - UND Frankfurter Bank (BHF-Bank)
11. Deutcshe Genossenschaftsbank (DG Bank)
12. Blanca Nazionale Del Lavoro
13. Instituto Bancario San Paolo di Torino
14. Monte Dei Paschi di Siena (MPS Bank)
15. ABN-Amro Bank
16. Rabobank Nederland

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17. Nederlandsche Middenstandbank N.V.
18. Barclays Bank Plc
19. Llyod Bank Plc
20. National Westminster Bank Plc
21. Allied Irish Bank Plc

SRI LANKA***** **Foreign Bank Branches:**
1. Standard Chartered Bank
2. Banque Indosuez
3. ABN-Amro Bank
4. Deutsche Bank A.G.

THAILAND*** **Foreign Bank Branches:**
1. Standard Chartered Bank
2. Banque Indosuez
3. Deutsche Bank A.G.

Representative Offices:
1. Bank Credit and Commerce International, SA.
2. Midland Bank Plc
3. Banque Francaise du Commerce Exterieur
4. Banque Nationale de Paris
5. Societe Generale
6. Credit Lyonnais

Notes:
  * Data as at end-December 1992
 ** Data as at end-September 1992
*** Data as at end-October 1992
**** Data as at end-December 1989

Table 47. SEACEN Bank Branches, Subsidiaries and Representative Offices in the European Community

INDONESIA

Bank Branches:
1. Bank Ekspor Impor Indonesia - London, Paris
2. Bank BNI - London

Subsidiaries:
1 Indonesia Overzeese Bank - Amsterdam
2. Summa Handelbank - Dusseldorf

Representative Offices:
1. Bank Indonesia - London
2. Bank Bumi Daya - London
3. Bank Central Asia - London

K O R E A

Bank Branches:
1. Bank of Seoul - Frankfurt, London
2. Korea Exchange Bank - Paris, Frankfurt, Amsterdam
3. Cho Hung Bank - London
4. Commercial Bank of Korea - London
5. Hanil Bank - London

Subsidiaries:
1. Cho Hung Bank - Luxemburg
2. Citizens National Bank - Luxemburg
3. Hanil Bank (Deutchland) - Frankfurt
4. Industrial Bank of Korea (Luxemburg) - Luxemburg
5. KDB - Frankfurt, London
6. KEB - Luxemburg, London
7. Korea First Bank - Frankfurt, London
8. Seoul Bank of Luxemburg - Luxemburg
9. KEXIM Bank - London
10.Shinhan Bank - London

Representative Offices:
1. The Bank of Korea - London
2. Citizens National Bank - London
3. Industrial Bank of Korea - London
4. KorAm Bank - London
5. Korea Long Term Credit Bank - London

MALAYSIA

Bank Branches:
1. Bank Bumiputra Malaysia - London
2. Malaysian Banking - London

Representative Offices:
1. Bank Negara Malaysia - London
2. United Malayan Banking Corporation - London

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Table 47. SEACEN Bank Branches, Subsidiaries and Representative Offices in the European Community (continued)

THE PHILIPPINES

Bank Branches:
1. Allied Banking Corporation - London
2. Philippine Commercial International - London
3. Metropolitan Bank & Trust Co. - London
4. Philippine National Bank - London

Subsidiaries:
1. Allied Bank Philippines - London

SINGAPORE

Bank Branches:
1. The Development Bank of Singapore - London
2. Overseas Chinese Banking Corporation (OCBC) - London
3. Overseas Union Bank Corporation (OUB) - London
4. United Overseas Bank Limited - London

SRI LANKA

Bank Branches:
1. Bank of Ceylon - London

THAILAND

Bank Branches:
1. Bangkok Bank Limited - London, Hamburg
2. Thai Farmers Bank Limited - London, Hamburg
3. Siam Commercial Bank Limited - London

Sources: The Banker, November and December 1992.

Table 48. Top 20 EC Banks and SEACEN Banks

Ranking	Bank	Country	Tier One Capital (US$m)	Assets (US$m)
EUROPEAN COMMUNITY BANKS				
1	Credit Agricole	France	14,633	307,203
2	Barclays Bank	United Kingdom	11,637	258,339
3	Deutsche Bank	Germany	11,258	296,226
4	Compagnie Financiere de Paris	France	11,067	199,728
5	Credit Lyonnais	France	10,459	306,335
6	National Westminster Bank	United Kingdom	10,453	229,272
7	Banque Nationale de Paris	France	10,231	275,876
8	ABN-AMRO Bank	Netherlands	9,344	242,686
9	Internationale Nederland Group	Netherlands	8,103	174,132
10	Rabobank Nederland	Netherlands	7,613	126,901
11	Groupe des Caisses d'Epargne	France	7,239	172,973
12	Societe Generale	France	7,077	234,748
13	Banco Central Hispanoamericano	Spain	6,487	95,817
14	Dresdner Bank	Germany	6,473	194,488
15	Banco Bilbao Vizcaya	Spain	6,165	92,309
16	Cariplo (C.di R.delle P.Lombarde)	Italy	5,973	108,076
17	Istituto Bancario San Paolo di Torino	Italy	5,966	178,243
18	Abbey National	United Kingdom	5,557	107,379
19	BNL-Banca Nazionale del Lavoro	Italy	5,544	124,954
20	Commerzbank	Germany	5,536	149,506
SEACEN BANKS				
1	DBS Bank	Singapore	2,277	20,881
2	Hanil Bank	Korea	1,943	22,286
3	Korea Development Bank	Korea	1,822	28,162
4	Shinhan Bank	Korea	1,789	10,021
5	Korea First Bank	Korea	1,726	27,445
6	Commercial Bank of Korea	Korea	1,693	29,548
7	Cho Hung Bank	Korea	1,645	23,172
8	Bank of Seoul	Korea	1,506	23,414
9	Bangkok Bank	Thailand	1,491	23,568
10	Oversea-Chinese Banking Corporation	Singapore	1,450	14,462
11	United Overseas Bank	Singapore	1,427	15,468
12	Korea Exchange Bank	Korea	1,422	26,237
13	Export-Import Bank of Korea	Korea	1,067	4,769
14	Malayan Banking	Malaysia	1,034	14,540
15	Korea Long-Term Credit Bank	Korea	804	13,470
16	Siam Commercial Bank	Thailand	671	9,125
17	Donghwa Bank	Korea	670	3,798
18	Krung Thai Bank	Thailand	581	13,320
19	Overseas Union Bank	Singapore	568	7,577
20	Boram Bank	Korea	548	3,113

Note: If Taiwan is included in this study, then Bank of Taiwan will rank 3; Land Bank of Taiwan, 16; Hua Nan Commercial Bank, 18; and the original ranking will change accordingly.

Sources: *The Banker,* September and October 1992.

banks maintain five branches in the European Community market, three are in London (i.e. Bangkok Bank Limited, Thai Farmers Bank Limited, and Siam Commercial Bank Limited) and two are in Hamburg (i.e. Bangkok Bank Limited and Thai Farmers Bank Limited).

Table 48 depicts the list of the top 20 European Community and SEACEN banks, ranked according to their Tier One Capital. Looking at the nationalities of the top 20 European Community banks, France clearly leads the way with 6 banks, followed by United Kingdom, Netherlands, Germany and Italy with 3 banks each, and lastly Spain with 2 banks. The largest bank in the European Community is Credit Agricole of France with Tier One Capital of US$ 14,633 million and size of assets at US$ 307,203 million. On the SEACEN side, Korea with 12 banks has the highest number in the top 20 SEACEN banks, followed by Singapore with 4 banks, Thailand with 3 banks and Malaysia with one bank. No banks from Indonesia, Myanmar, the Philippines, Nepal and Sri Lanka are included in the list. The largest SEACEN bank is DBS Bank of Singapore, with Tier One Capital of US $2,277 million and size of assets at US$ 20,881 million. However, its Tier One Capital is only about one-sixth of that of Credit Agricole of France, whereas its assets is about one-fifteenth.

CHAPTER IV

THE IMPLICATION OF THE EEC PROGRAMME
ON THE SEACEN COUNTRIES
AFTER 1992

The main purpose of this chapter is to investigate the implication of the EEC beyond 1992 on the SEACEN countries and try to formulate the strategies of action for responding to this development. However, the task in analyzing and estimating the impact is a complex one and difficult to asses as reforms within the European Community have not taken final shape and multilateral negotiations on trade are continuing under the Uruguay Round. The 1992 programme also happens to coincide with other changes, such as the future enlargement of the Community to include the member of the European Free Trade Association (EFTA), unification of Germany and the establishment of the Commonwealth Independent States (CIS). Therefore, the analysis does not come up with a straight forward solution. It is rather an exercise which could serve as an input in strategic planning, in anticipation of what might happen and in the discernment of trends and problems which might arise in the future.

Section 1 discusses the macroeconomic simulation of the impact of the Single Market on economies of the SEACEN member countries, focusing on the movement of their income growth and exports to the Community after 1992 by using Vector Auto Regression (VAR) technique. Section 2 tries to assess the possible opportunities for SEACEN trade in the Community after 1992. The prospect of EC investments in the SEACEN countries after 1992 is discussed in section 3, whereas Section 4 discusses the possible prospect for SEACEN participation in banking industries in the European Community countries. Strategies of action for responding to this development are drawn in Section 5.

1. Simulation of the Impact of the Single Market on the Economy of the SEACEN Countries

A. Theoretical Background

Economic integration occurs whenever a group of nations in the same region, preferably of relatively equal size and at equal stages of

development, join together to form an economic union by raising a common tariff wall against the products of non-members while freeing internal trade among members.

Theories of economic integration suggest that, in static situation, the removal of the trade barriers between partner countries that renders freer circulation of goods and services increases the efficiency of resource allocation within the region. In a more dynamic setting, economies of scale, product specialization and innovation effects enhance productivity even more.

On a world level, production efficiency may or may not increase. "Trade diversion" is said to occur when common external barriers and internal free trade makes production and consumption of one or more member states to shift from lower-cost non-member sources of supply to higher-cost member producers. World production efficiency deteriorates in proportion to the amount by which the less efficient producers of partner countries increase their export production to other countries. In contrast, "trade creation" is said to occur when the economic integration causes a shift in production from high- to low-cost member countries. World producers' efficiency increases by the amount the lower-cost partner country producers increase their production for exports to the other partner countries.

Viewed from this angle only and neglecting the indirect impact resulting from higher growth in the rest of the world, therefore, the total impact of the EC integration on the economy of the SEACEN countries will result from the combination of these two opposing effects, positive effect arising from higher EC income and negative effects arising from lower EC prices. Higher EC income growth associated with the completion of the Single Market will raise demand for SEACEN countries' exports; and, at the same time, lower EC producers' prices associated with higher EC productivity will tend to reduce the competitiveness of SEACEN countries' exports in the EC market. The impact, however, depends on the values of the corresponding income elasticities and price elasticities in bilateral export functions.

B. Methodology

Unlike other studies in this field, this study tries to employ the Vector Auto Regression (VAR) technique in analyzing the "trade diver-

sion" and "trade creation" effects of the Single Market on the SEACEN countries' economy. Since the early 1980s, VARs have been proposed as good forecasting models for macroeconomic variables. McNees (1986) compares traditional macroeconometric models and VAR models on theoretical criteria, and evaluates the forecasting records of Litterman's Bayesian Vector Auto Regressive (BVAR) model against the records of a number of prominent forecasting models in the United States. He concludes that BVAR-generated forecast "can present a strong challenge to conventional practice and serve a powerful standard of comparison for other forecasts." Trevor and Thorp (1988) in their study in forecasting the Australian economy using VAR models also find that, in general, the VAR forecasts perform at least as well or better than comparable private sector forecasts.

The quantitative estimates of the economic benefits that could flow from completing the internal market to the Community have been reported in the widely known "Cecchini Report," which was completed in 1988. According to this report, the integration of the EC into a single market will bring enormous benefits to the Community. It stated that the potential medium-term (6 years) gain from the Single Market (without accompanying economic policy measures) will include an increase in gross domestic product (GDP) by an additional 4.5 per cent which is equivalent to US 219 billion, and a lowering of the general price level by 6.1 per cent, as can be seen in Table 49 below:

**Table 49. Macroeconomic Simulation Results of the Completion
of the EC Single Market on the European Community.**
(Percentage Changes from Baseline)

	Year1	Year2	Year3	Year4	Year5	Year6
GDP	1.1	2.3	3.2	3.6	4.1	4.5
GDP Deflator	-1.7	-2.9	-4.0	-5.0	-5.9	-6.5

Source: Catinet, et.al (1988)

Using the above information, four-variables VAR models for each of the individual SEACEN member countries under study are developed for analyzing the impact of EC integration on their respective economies. Each of the models includes variables of EC(12) real GDP growth

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and EC(12) inflation rate; whereas the variables of the respective SEACEN countries are real GDP growth and real exports to the Community.

As mentioned before, the framework for analyzing this study is based upon the VAR technique developed by Hsiao (1979a, 1979b, 1981) which was then extended by Caines, Keng and Sethi (1981). Unlike the unconstrained VAR estimated by Sims (1980a,b), this technique allows each variable to enter the equation with a different lag length. The lag length is selected by using Akaike's final prediction error (FPE) criterion as suggested by Hsiao (1981).[19] FPE criterion is selected as it has been proven empirically by Thornton and Batten (1985) that this technique is superior to, among others, Bayesian Estimation Criterion (BEC) suggested by Geweke and Meese (1981), the technique suggested by Pagano and Hartley (P-H) (1981) and the Akaiki Information Criterion (AIC) as used by Webb (1985). As Hsiao mentioned, by using appropriate lag lengths the risk of bias when a lower order is selected and the risk due to the increase of the variance when a higher order is selected are balanced. Furthermore, Doan (1992) pointed out that a forecast made by using unrestricted VAR often suffers from the overparameterization of the models. The number of observations typically available is inadequate for estimating with precision the coefficients in VAR which then causes large out-of-sample forecast errors. Besides, there is no reason to believe that the same lag length is appropriate for all variables in each equation.

When the four equations of each country's model are tentatively specified, they are combined to form a system of equations. In total, we thus have nine systems of equation for the nine SEACEN countries. Each system of equation is estimated further by using Zellner's Seemingly Unrelated Regression Technique (SUR). As Doan (1992) mentioned, there is some gain to using SUR to estimate the system instead of using OLS, which is due to different regressors in each equation. The specification of the model in each of the system is then tested by over and underfitting each equation, also by imposing and relaxing zero restrictions and estimating it by SUR again. From the specified models, it is also possible to test for causality on bivariate relationships

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19. The detailed procedure to determine the maximum of the lag can be read in Sihotang, K.,Bambang S. Wahyudi, and Widharto (1988). In this study, however, the procedure to find the minimum lag is not performed, since it has been anticipated that the maximum lag length using annual data will not be very long.

conditional on other relationships in the system. The Variance Decompositions (VDCs) and Impulse Response Functions (IRFs) of the models are also examined. The VDCs will examine the degree to which a set of variables is considered exogenous with respect to another set of variables by computing the percentage of the expected k-step-ahead squared prediction error of the variable produced by an innovation in another variable. The IRFs measure the impulse response of one variable to one standard deviation shock in one of the system variables.

Based upon the final country models, two simulated forecasts - conditional and unconditional - for each country model are performed. Unconditional forecast of the variables from 1993 onward is readily calculated from the estimated country model, and the results are used as the baseline. For the conditional forecasts, it is assumed that the objectives of the European economic integration will be fully implemented by the end of 1992 and the impacts will manifest themselves from 1993 onwards. Macroeconomic simulation results of the completion of the EC Single Market from the Cecchini study as reported in Table 49 are used as inputs for the conditional forecast. The estimated impacts of the EC Single Market on the SEACEN member country's income and exports to the Community are defined as differences between the baseline estimates and the hypothetical estimates. However, as suggested by Hakkio and Morris (1984), a conditional forecast using VAR will be accurate only in the short run, therefore, estimating the impact of the Single Market on each country will only be performed from 1993 to 1996.

C. Empirical Results

Four annual time series data for each of the system of equation of the nine SEACEN countries under study are used as variables. The four data are the rate of growth of the EC(12) real GDP (RGDPEC), rate of growth of the EC(12) GDP deflator (GDEFEC), the rate of growth of the SEACEN country's real GDP (RGDPXX, where XX is the initial of the country concerned, i.e., IN for Indonesia, KO for Korea, MA for Malaysia, MY for Myanmar, NE for Nepal, PH for the Philippines, SI for Singapore, SR for Sri Lanka and TH for Thailand), and the country's exports to the community deflated by EC(12) import price index (EXECXX). The data series for Indonesia, Malaysia, Philippines, Sri Lanka and Thailand are from 1964 to 1991, for Myanmar are from 1963 to 1991, for Nepal are from 1966 to 1991, for Singapore are from 1961 to 1991, whereas for Korea are from 1961 to 1990.

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Prior to specification of the model, unit root tests[20] were carried out to test the stationarity of the series. The simple Dickey-Fuller (DF) test with a constant term was employed on each of the series. The tests were done initially on their level, if the results are not satisfactory then the tests were repeated on their first differences. The results of the tests are presented in Appendix 24. The tests show that most of the countries' GDP rate of growths (RGDPXX) are stationary at their levels, except that of the Philippines which is stationary at its first difference (RGDPPHD). As for the countries' exports to the Community, the tests reveal that they are stationary at their first differences (EXECXXD). With regard to the EC variables, the real GDP growth rate (RDGPEC) is stationary at its level whereas the rate of growth of its GDP deflator is stationary at its first difference (GDEFECD).

Based upon the FPE test results using the procedures described in the previous section, the model for each SEACEN member country was specified. The selected FPE test results of the country models are attached in Appendix 25 and the preliminary specification of the country models based on the FPE tests are presented in Appendix 26.

Each of the country models as presented in Appendix 26, as a system of equation, was then estimated by using Zellner's Seemingly Unrelated Regression (SUR) Estimation. The adequacy of this specification was further checked by applying over/underfitting tests, also by imposing and relaxing zero restrictions in the system and estimating it again by using SUR. The overfitting tests examine whether the lags in the existing model may be extended, and the underfitting tests check whether underfitting the model is possible. The zero and non-zero tests also investigate whether easing and imposing zero restrictions will improve the specification of the model. The likelihood ratio tests were then computed as -2log(Lr/Lu), where Lr is the maximum likelihood of the restricted system, and Lu is the maximum likelihood of the unrestricted system. The causality implications in each model can also be checked, as Granger (1969) proved that a zero element in the matrix of lag polynomials for a purely autoregressive system indicates the absence of Granger causality from one variable to another. The summary statistics from the tests including tests for causality of the country models are presented in Appendix 27.

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20. For further detailed discussion on this test, see Campbell, John Y. and Pierre Peron (1991).

From the hypothesis test results as presented in Appendix 27, several adjustments have to be made. For Indonesia, the tests suggest that dropping the Indonesian income variable from the second equation, overfitting its third equation and underfitting its second equation will significantly improve the specification of the model. For Korea, overfitting the second and fourth equations are strongly recommended following the significant result of tests number B.2 and B.5. As for Malaysia, the specification of the model as generated by the FPE tests is almost perfect as only A413(L) should be dropped from the fourth equation for the improvement of the model, which is reflected in the test result number A.2. In the case of Myanmar, following tests number A.5 and A.7, inclusion of Myanmar's income in the second equation and EC inflation rate in the third equation will give better performance to the model. As revealed by test A.8 of the Nepal's model, A424(L) should be included in the fourth equation. For the Philippines, dropping A434(L) from the system will give a significant improvement, as suggested in the statistical result of test A.2. With regard to Singapore's model, the preliminary specifications of the equations resulting from the FPE tests have been so perfect as all of the statistical results from the hypothesis tests significantly support them. As for Sri Lanka, test B.2 strongly suggests to overfit the first equation of the system for a better performance. Lastly, for Thailand, the coefficients of A432(L) and A441(L) should be overfitted as to follow the test results of B.5.

From the similar test results, several causality implications among the variables in each country model are discovered. The selected causality implications reflecting the purpose of the study are reported in Table 50. However, the causality test results only tell the causality relationship between variables but cannot give an indication about the direction and the movement of the impact, as whether it is positive, negative, stable or fluctuating. For these reasons, further tests on decomposition of variances and impulse response function are performed and the test results are presented in Appendixes 29 and 30.

For Indonesia, the economic implications of the model upon the causal implication implicit in Table 50 show that Indonesian exports to the Community are both directly caused by EC income growth rate and EC GDP deflator. There are no direct influences on its income growth, but are rather channeled through its exports to the Community. For Korea, the test reveals that price level in the European Community has direct influence on Korea's income growth and on its exports to

Table 50. Selected Direct Causality Implications Between Variables

Country	EC Income to SEACEN Member's Income	EC Income to SEACEN Member's Exports to EC	EC GDP Deflator to SEACEN Member's Income	EC GDP Deflator to SEACEN Member's Exports to EC
1. Indonesia	no	yes	no	yes
2. Korea	yes	no	yes	yes
3. Malaysia	no	no (opposite direction)	no	no
4. Myanmar	no	no	no (opposite direction)	yes (feedback exists)
5. Nepal	no	no (opposite direction)	yes (feedback exists)	no
6. The Philippines	no	no	no	no
7. Singapore	yes	no	no	yes
8. Sri Lanka	no (opposite direction)	no (opposite direction)	no	no
9. Thailand	no (opposite direction)	no	no	no (opposite direction)

the Community. As for the influence from EC income, it directly impacts the Korean income but not on the Korean exports to the Community. For Malaysia, there are no direct nor indirect influences from all EC variables on both its income and exports to the Community. Interestingly, the model shows that there is direct causality running in the opposite direction, from Malaysia's exports to the Community to the Community's income. As for Myanmar, a feedback exists between EC GDP deflator and Myanmar's exports to the Community. For Nepal, there are direct influences running to both ways between EC GDP deflator and Nepal's income growth rate. Similar to the Malaysian case, there is also a causation running in the opposite direction, from Nepal's exports to the Community to the Community's income. For the Philippines, there are completely no direct causation between its variables and the EC variables. With regard to Singapore, Community's income growth rate directly impacts Singapore's income and Community's GDP deflator directly impacts Singapore's exports to the Community. Similar to the Malaysian and the Philippines' case, there are no direct causation from EC variables to Sri Lankan variables, but there is opposite direct causation running from both Sri Lankan income growth rate and exports to the Community to Community's income. Lastly, there are also no direct influences from EC variables to Thailand's variables, but there is opposite causation from Thailand's income to the EEC's income and from Thailand's exports to the Community to Community's GDP deflator.

Further insight about the relationship among the variables is obtained by decomposing the variance of the forecast error into the proportions attributable to innovations in each variable in the system. The number tells more precisely what part of the variation in each variable in the vector autoregressive system is accommodated by itself and the remaining variables. A series is exogenous if 100 per cent of the k-step-ahead forecast error variance is due to innovation in the series itself. The variance decompositions (VDCs) are generated in the manner described by Sims (1980b) which recognizes that, in general, the contemporaneous correlation of residuals across equations is not zero and some normalization must be made before the forecast variance can be partitioned. The method is to orthogonalize the errors according to a given ordering of the variables.[21] Since in calculating the

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21. For detailed discussion, see Doan (1992).

VDCs different ordering will lead to different decompositions, which ordering should be examined depends upon the structure of the covariance matrix of residuals. In this study, for each SEACEN member country several VDCs based on different orderings were examined and computed up to six-year ahead, but to conserve space only the best results are reported. The results are presented in Appendix 29 and the ordering reported here reflects the primary focus of the study on the effect of the EC variables (RGDPEC and GDEFECD) on SEACEN variables (RGDPXX and EXECXXD), i.e., by placing all EC variables preceding all SEACEN variables.

From Appendix 29, focusing the analysis only on the influence of the EC variables on the SEACEN variables, several findings are noteworthy. For Indonesia, at step 1 ahead forecast the variance of the Indonesia's exports to the Community (EXECIND) is dominantly explained by its own innovation, and in a smaller magnitude is also accounted for by the variance of RGDPEC, supporting the causality test results that there is direct influence from RGDPEC to EXECIND. The influence of RGDPEC, however, gets smaller and smaller as it moves toward a farther step ahead of the forecast whereas the influence of RGDPIN gets bigger. As for the Indonesian income, the results show that there are influences from RGDPEC and GDEFECD, but as revealed by the causality tests these influences are channeled through EXECIND, which are somewhat strong at steps 3 ahead forecast and after. For Korea, the variance of the Korean exports to the Community (EXECKOD) for all forecast intervals is strongly accounted for by its own innovation, and in much smaller magnitude by the innovations of RGDPEC and GDEFECD. This finding supports the hypothesis test results that there is direct causality from GDEFECD to EXECKOD and indirect causality from RGDPEC to EXECKOD through GDEFECD. The tests also show that RGDPKO is not exogenous in the system, but rather largely influenced by innovations of RGDPEC and EXECKOD. The magnitude of the influence support the hypothesis test results of the existence of direct causalities running from EXECKOD and RGDPEC to RGDPKO. As shown in the causality test results for Malaysia, there are no direct influences from EC variables to Malaysian variables. However, since all of the equations are treated as a system, the VDC test results reveal that there are significant indirect influences from European Community's income on both Malaysian income and exports to the Community. Variations of EXECMAD and RGDPMA are explained by almost 30 per cent and 50 per cent, respectively, of RGDPEC's innovation. These

evidences explain that even though RGDPEC will not have effects in the simulated forecast of EXECMAD and RGDPMA, it nevertheless has effects on the estimated coefficients in the EXECMAD and RGDPMA equations.

In the case of Myanmar, the variance of EXECMYD is partially explained by the innovation of GDEFECD, in which the influences are slightly significant in steps 2 and 3. This evidence supports the causality test results that there is direct causality from GDEFECD to EXECMYD, as shown in Table 50. Small influences from RGDPEC are also revealed, however the causality tests explain that such influence is indirect through GDEFECD. For Nepal, the VDC test results indicate that there is direct influence from EC GDP deflator to Nepal's income, whose magnitude is significant throughout all steps ahead forecasts. For the Philippines, the causality test shows that the Philippines' variables are exogenous with respect to the Community's variables. The VDC tests support the findings as variances of the Philippines' variables are largely explained by their own innovations. As for Singapore, the VDC test results are also consistent with the hypothesis test results as the variance of Singapore's exports to the Community is largely explained by its own innovation and Community's income indicating that there is direct causality coming from the Community's income. Regarding Singapore's income, it is exogenous at step 1 ahead forecast, but EC income starts to influence at step 2 ahead forecast and after, and its influence is significantly bigger than that which comes from Singapore's exports to the Community. Similar to the Malaysian case, there are no direct links between Sri Lankan variables and the Community's variables, also between Thailand's variables and the Community's variables. However the VDC tests show that innovations of the Community's variables also give significant influence to variation of Sri Lankan and Thailand's variables since we treat them as systems of equations. A related way of assessing the dynamics is to compute the Impulse Response Functions (IRFs) which can be thought of as a type of dynamic multiplier showing the response of each variable in the system to a shock in one of the system variables. In this study IRFs are examined for the system after its innovations are orthogonalized. This method requires the selection of an ordering of the variables and the considerations used are similar to those used in the selection of the ordering in VDCs. Summary of the responses of EXECXXD and RGDPXX to one standard deviation shock in RGDPEC and GDEFECD are presented in Appendix 30.

Table 51 summarizes the simulation results of completion of the Single Market on the real GDP and real exports of SEACEN member countries. As mentioned earlier in this chapter, however, only the direct trade impact resulting from either "trade diversion" or "trade creation" effects are examined. The indirect trade impact from higher growth in the rest of the world and increased demand for SEACEN member countries' exports are not taken into consideration. The trade and GDP gains, however, are not spectacular and the effects only take place in 1993 onwards. It is understandable since "EEC 1992" does not mean a sudden and complete change in the EC internal market by the end of 1992 and the impact on other countries will also involve some lags. With regard to the GDP gains, the results show that Korea and Singapore benefit most. These countries are in fact the first and second largest trading partners of the Community as compared to the other SEACEN member countries (see Tables 19 and 20), so large impacts on these countries are anticipated. There are no GDP gains for Malaysia, Myanmar, the Philippines, Sri Lanka and Thailand. The effect on Indonesia, even very small, will only take place in 1995 and 1996. As for the volume of real exports to the Community, Indonesia, Korea, Myanmar, Nepal and Singapore will benefit with the completion of the Single Market. Myanmar benefits most, however, since its exports to the Community only represents 8.8 per cent of its total exports to the world in 1989 (see Appendix 19), the effect on its GDP is somewhat marginal. For Singapore, the export gain is not that big as compared to the GDP gain, which is quite significant. The large impact on its GDP probably does not all come from merchandise trade but rather from other sectors such as trade in services, which is not included in this study. It should be noted, however, that the results are only indicative since it is assumed that EC income and price elasticities of import demand for SEACEN members' goods are sustained during the period of estimation. In fact, these elasticities could also change following EC integration.

2. Opportunities for SEACEN Trade in the EEC After 1992

The issues involved in analyzing the impact of the completion of the Single Market on the economies of the SEACEN member countries are, however, more complex than the "trade diversion" and "trade creation" effects computed alone as presented in the previous section. It should also be noted that a priori evaluation of such regional economic integration is subject to a high degree of speculation. It is quite

Table 51. Simulated Impact of the EC Integration on the SEACEN Economies.
(Percentage Deviation From Baseline Simulation)

Country	1993	1994	1995	1996
I. Volume of Real GDP (%)				
1. Indonesia	0.00	0.00	0.16	0.41
2. Korea	0.00	0.07	0.23	0.41
3. Malaysia	0.00	0.00	0.00	0.00
4. Myanmar	0.00	0.00	0.00	0.00
5. Nepal	0.00	0.03	0.04	0.07
6. The Philippines	0.00	0.00	0.00	0.00
7. Singapore	0.00	1.17	2.98	4.34
8. Sri Lanka	0.00	0.00	0.00	0.00
9. Thailand	0.00	0.00	0.00	0.00
II. Volume of Real Exports to EC (%)				
1. Indonesia	0.00	1.38	2.98	4.47
2. Korea	0.00	0.09	0.15	0.12
3. Malaysia	0.00	0.00	0.00	0.00
4. Myanmar	0.00	2.23	4.89	10.07
5. Nepal	0.00	0.00	0.04	0.04
6. The Philippines	0.00	0.00	0.00	0.00
7. Singapore	0.00	0.08	0.16	0.17
8. Sri Lanka	0.00	0.00	0.00	0.00
9. Thailand	0.00	0.00	0.00	0.00

clear, however, that a regional economic integration if loaded with protectionist sentiments can serve as a "fortress" for multilateral trade liberalization, and eventually fragment the world trading system into smaller regional blocks. The reasons as described by Han (1992) is that regional free trade arrangements may help create regional champions and recognizing that protectionism has always been generated by the least competitive sectors or industries, pressures to maintain protective barrier against third world suppliers may well be sustained,i.e., protective levels may be set at maximum common denominators which are enough to protect less competitive industries. Han also mentioned that regional economic integration may well weaken the free trade coalitions because multilateral liberalization will eventually erode member countries' preferential treatment. In recent years, there have been growing concerns about protectionist tendencies arising from the integration of European market against exports from developing countries including SEACEN member countries. This is because common rules for all EC and third countries on such restrictions have not so far been established due to divergent views among member states on the desirable level of restrictiveness of the Community's external regime. It is, therefore, worthwhile to examine in greater detail the issues involved and try to make some tentative assessment on the opportunities for SEACEN trade in the European Community market after 1992.

Looking at the composition of SEACEN countries' exports, the impact of the Single Market will show significant divergences. For SEACEN's primary export commodities (mainly tropical products), trade diversion is most unlikely to occur since many of the exports do not compete with EC production. Trade creation, however could be expected to be substantial as faster EC growth would simulate import demand for these commodities. Cable (1987) in his study found that market penetration of these commodities in the Community market by LDCs is substantial. Therefore, some SEACEN member countries which are exporters of these products are still expected to benefit, or even more, with the completion of the Single Market. The SEACEN exporters of these products are Indonesia, Malaysia, Myanmar and the Philippines. A study by Matthews and McAleese (1989) further showed that the main beneficiaries of trade creation in this sector could be exporters of fuel, who are expected to capture some 80 per cent of the potential gains, due to the high income elasticity of demand for fuel compared to most other primary products. While it appears that many existing national import quota will disappear after 1992, for some key sensitive products

such as footwear, textiles, electronics, cars and steel, it is almost certain that new non-tariff protection in the forms of national import licensing systems, standards, and certification procedures for these product will be maintained. At this moment, some 140 sensitive products are subject to either GSP ceilings - where the most-favored-nations tariff can be reintroduced at request by the domestic industry once the ceilings are reached - or by GSP tariff quotas - where the most-favored-nations tariff is automatically reintroduced when the quota level is reached.

The textile and clothing sectors, the products of which represent 17 per cent of all industrial tariff lines, account for about half of industrial products excluded from all GSP schemes taken together.[22] By implication, the scope for trade creation in these sectors is very limited. As has been mentioned also by Hoffman (1989), both trade-creating and trade-reducing effects are likely to be marginal for commodities and manufactured products with relatively low income elasticities of demand and for industries which have already reached a more advanced stage of integration within the European Community. In fact, manufacturing and textile products ranked the first and second most important exports of the SEACEN countries to the Community (see Table 27 and 28). The SEACEN member countries whose textile exports might be affected are Indonesia, Korea, Sri Lanka and with respect to manufacturing exports, Korea, Malaysia, Singapore and Thailand.

In his study, Brown (1989) showed that the trade and welfare effects of the EEC's GSP contributed positive net trade creation effect which benefits the beneficiaries through significant increase in their export to the Community market. As has been mentioned also in the previous chapter, in fact, for the SEACEN countries the EEC's GSP is of greatest importance especially for Korea, Singapore, Malaysia, the Philippines and Indonesia. For some other SEACEN countries, however, the GSP benefits have not been exploited to the full. It is therefore necessary for SEACEN countries to further exploit the privileges given through this scheme in order to promote more demand for their products in the European market after 1992, even though for some SEACEN countries (e.g. Korea and Singapore) the GSP has not been a major factor in stimulating their exports. A restrictive GSP scheme is better than no GSP scheme at all - a valuable opportunity that deserves more attention.

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22. Anjaria, Kirmari and Petersen (1985).

Under the threat of an increasingly inward-oriented industrial policy in the EC and to sustain their exports expansion to EC market, SEACEN countries also have options through product differentiation. However, access by SEACEN countries to the benefits of the Single Market will also depend to some extent on reciprocal market-opening measures by SEACEN countries - as declared by the EC Commission that "its trading partners would not be given the benefit of a wider market without themselves making similar concessions." Therefore, the more open SEACEN markets are to EC exports the more benefit SEACEN exports to the European market will have. However, since there is a wide gap between the economies of the SEACEN member countries and the EC member states, the SEACEN countries are obviously placed in an un-favorable position. Nevertheless, the outcome of global trade nego-tiations (e.g. GATT Uruguay Round, MFA and GSP negotiations) and the emergence of new trading blocks (NAFTA, and possibly later EAEC) might be more important in shaping the future of EC external trade policy - which is hard to predict - and therefore will also be more important in determining the future of SEACEN trade with the European Communities after 1992 than the completion of the Single market itself.

3. Prospect of the European Community Investments in the SEACEN Countries after 1992

It is very difficult and highly speculative to assess the likely impact of the completion of the Single Market on FDI flows to SEACEN countries, on whether an increase in FDI flows to the European Com-munity is at the expense of or in addition to FDI flows into the SEACEN countries.

It is no doubt that increased competition among companies from national level to regional level due to the abolition of both physical and technical barriers will raise investment activity. Furthermore, the enlargement of the market as well as the advantages of scale econo-mies will certainly be very attractive for investors. The EC companies are themselves going to invest in each other's economies. Assuming that the increase in investment will be financed not only from the EC savings but also from extra EC-countries, the total effect might be a decline of FDI flows to other regions, especially to developing countries including SEACEN countries. Furthermore, because Spain, Portugal, Greece and Ireland offer relatively lower-cost economic

environments and therefore are very attractive as an investment location for companies of the other EC member states, it will add to the competition for SEACEN member countries in attracting FDI from the European Communities. The 1992 program also happens to coincide with structural changes in Eastern European countries and the unification of Germany - the former communist economies - so SEACEN member countries could be even more adversely affected since substantial FDI flows could be expected to also get diverted to Eastern Europe and East Germany, countries with greater promise.

However, the creation of the internal market may as well contribute in boosting EC direct investments abroad, including in the SEACEN countries. At a given propensity to import, a higher EC GDP resulting from the completion of the Single Market implies also higher imports from outside the Community. EC direct investments in other countries to produce these imports could, therefore, become more attractive. However, as mentioned in the previous chapter, the SEACEN countries so far played only a marginal role as destinations for EC foreign direct investment, more than half of which are invested in western industrialized countries such as USA, Japan and EFTA countries (see Table 34). Except for Indonesia and Sri Lanka, the EC investors were under represented in SEACEN countries as compared to those of USA and Japan. Therefore, it is uncertain as regards EC foreign direct investment in this region whether the SEACEN countries will gain from the stimulating effect of the creation of the Single Market. Overall, the net effect of the influential factors of the completion of the European economic integration on the future EC investments in SEACEN countries after 1992 is uncertain. Moreover, politics rather than economics has often determined the flows.

4. Prospect for SEACEN Countries' Participation in Banking and Financial Services in the Community after 1992

The EC Second Banking Directive adopted in end-1989 sets out conditions on credit institutions of one member state or third country to establish a branch or provide banking services in another member state of the Community. The directive harmonizes essential banking standards across the European Community (e.g. the initial capital should not be less than ECU 5 million, the solvency ratio should not be less than 8 per cent), and introduces a single authorization so that an EC

bank authorized to operate in its own country can operate anywhere in the European Community without requiring authorization from host country. One important problem for third-countries' banks as well as SEACEN countries' banks is the issue of *"reciprocity"*. The ground rules pertaining reciprocity, as laid down in Article 7 of the second directive on co-ordination, are in principle very strict and assign a central role to the EC Commission. Upon receiving a request for authorization from a third-country bank to set up a banking unit, the Commission "shall examine whether all credit institutions of the Community enjoy reciprocal treatment, in particular regarding the establishment of subsidiaries or the acquisition of credit institution in the third country in question. If the Commission finds that reciprocity is not ensured it may extend suspension of the decision." In principle, the establishment of a third-country bank in member state A may be blocked on the grounds that the third country does not offer full reciprocity to banks from member state B, of the European Community.

A number of SEACEN member countries like Indonesia, Korea, Malaysia, the Philippines, Singapore and Thailand have some bank branches, subsidiaries and representative offices in the European Community. The changes in regulations governing foreign banks contained in the Second Directives will give great pressures on SEACEN bank branches and subsidiaries in the European Community. Liberalization in financial services implies reduction in costs for customers and clients as result of increased competition between banks. SEACEN banks in the EC, therefore, must improve their operational efficiency especially through adoption of the latest automation technology and information networks. However, the role of SEACEN financial institutions in the European Community is almost insignificant due more to their own capital[23] and human resource limitations rather than to protective rules and regulations on the part of EC countries. Thus, SEACEN banks' benefit from the liberalization of financial services in the European Economic Community after 1992 is likely to be very small. Moreover, many of the SEACEN bank branches in the EC operate as funding offices rather than engage in bank branch business operations. These bank branches

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23. For illustration, the DBS Bank of Singapore which ranked first in SEACEN countries with capital strength of US$2,277 million and the size of assets of US$ 20,881 million will fall to rank 60 within the European Community's banks. The first rank of the European banks is Credit Agricole of Paris with the strength of capital of US$ 14,663 million and the size of assets of US$ 307,203 million.

(Source: *The Banker,* September and October 1992. See also Table 48.)

only help traders in financing export and import trade originating from their home countries. Some other branches only serve as intermediaries to raise foreign capital needed by their home countries. Therefore, these bank branches are motivated to set up branches only in selective EC cities rather than having a blanket network in all EC countries, thus the opportunities offered through the Second Banking Directive cannot be fully utilized by SEACEN banks. Another problem is that many of the SEACEN countries at present strongly regulate operations of foreign banks, including EC banks, to prevent "unfair" competition to local banks. In such a context, depending upon the extent to which EC banks seek to wrest such reciprocal concession, it may also be difficult for SEACEN countries banks to increase their operations in the European Community after 1992. Nevertheless, SEACEN banks will still benefit, even indirectly, from the liberalization of EC financial services: harmonization of laws, rules and regulations on banking practices in the EC will allow SEACEN bank branches to conduct their businesses more conveniently and probably with lower costs.

5. Strategies of Action by SEACEN Countries to Respond

Looking from a limited macroeconomic view only, the simulation exercises show that only Korea and Singapore will benefit from the EC Single Market 1992, in terms of the GDP gains - even though these are not very spectacular. The impact to other SEACEN countries, while positive, is somewhat marginal, and for some countries there is no impact at all. However, as has been mentioned before, the study is restricted by very limited assumptions. The EC income and price elasticities of import demand for SEACEN member's goods are assumed constant, although in a real situation these may change following the integration. Furthermore, the study does not also take into consideration the indirect impact resulting from higher growth in the rest of the world, also the probable influences coming from the recent development in Eastern Europe and the unification of Germany. The net effect coming from these sources is in fact more complex than the "trade diversion" and "trade creation" effects computed from the European economic integration alone. Moreover, the outcome of the global trade negotiations (GATT Uruguay Round, MFA, and GSP negotiations) might be more important in shaping the future of EC external trade policy, and therefore will also be important in determining the future SEACEN

trade with the European Community after 1992 than the completion of the Single Market itself.

In sum, the future impact of the EC Single Market 1992 on the SEACEN countries' economies is full of uncertainties. In this context, the Single Market offers both an opportunity and a challenge for SEACEN exporters, which will be further enhanced in the future by the establishment of the European Economic Area. Even though the European Commission often proclaims that it will not be protectionist, possible negative impacts resulting from the integration cannot be simply ignored. The concerns and fears of a fortress Europe are not without foundation and will not be dispelled by mere assurances. The EC Single Market program may result in the EC being more self-reliant and self-centered after 1992. Therefore, a further increase in the performance of intra-EC trade is expected after 1992 and this could be at the expense of the Community's trade with the rest of the world. It is quite possible also that protectionist pressures in the Community will increase after 1992 as the Single Market will undoubtedly increase the competitive position of European manufacturers and demands for increased protection arise from those who are not able to cope with the competition. With a fear that adverse effects may eventually come, SEACEN countries need to have some strategies of action for responding to this development. If appropriate policy responses are not properly designed and implemented, their market shares in the EC are likely to be seriously eroded.

Some of the strategies are listed below, some of which may overlap with one another:

A. *Efforts for Market Penetration to the EC Market*

(i) *Improvement of Standard of Quality*

The EC's wide standards and procedures for testing and certification, packaging, labeling and processing requirements and veterinary and sanitary controls will allow free circulation to all products that comply with EC standards within the Community. This is the real advantage to SEACEN business people who are interested in the large market for their goods, as SEACEN producers may face only one single market with one common standard instead of separate markets with many national standards, norms and regulations. The SEACEN manufacturers

are therefore required to apply strict quality control on their products in compliance with the EC standards in order to be able to penetrate the EC market. Without these standards, manufacturers will be required to use technical construction files containing certificates of performance from independent test houses (or competent bodies) which are potentially expensive.

(ii) Cost Competitiveness and Technology Induction

SEACEN countries would still have comparative advantage in many types of industries particularly resource-based industries where more aggressive investment promotion strategies could result in huge investments to cater for the need of a large Single Market. However, SEACEN producers should be able also to export products that have cost competitiveness through technology development, productivity improvement or specialization of production. It is therefore technology development in the form of technology upgradings or establishment of new units which selected sectors require. Such technological development could be facilitated through, among others, introducing appropriate changes in trade policy to enable the import of capital goods and technology; and by liberalizing conditions for foreign direct investments.

(iii) Setting up Channels in EC market

In order for SEACEN companies to be able to penetrate to the EC market and overcome severe competition, it is advisable that SEACEN companies set up channels in various forms in the European Community. New technologies and new production techniques may be developed in the course of intra-EC restructuring. Third countries including SEACEN countries should take advantage of these new developments by setting up joint ventures, subsidiaries or industrial co-operation. Apart from the guaranteed quality of products that meet the European standards, these efforts will further facilitate the marketing reach of the SEACEN companies and compressing the delivery period which is also one of the prerequisites for meeting competition in the European market. Setting up channels in the form of representative offices of SEACEN companies in the European Community is also important for gathering information on market situations and following implementation of new directives of the European Commission. The changing business environment and the foreign market which are becoming fiercely competitive require not only a highly skilled and well trained manager, but also staff who understand the business practices in the target countries.

(iv) Improved Marketing Strategy

Besides adjustment in the production lines in order to be more competitive, SEACEN manufacturers must also adjust to new situations: in the marketing strategy and in services to the customer. New marketing strategy includes market studies, appropriate selling strategies and new sales promotion techniques such as effective participation in trade fairs, increased distribution of product brochures to the relevant authorities, aggressive advertising in professional journals published in the European Community, etc. Services such as reliable time deliveries of products and after sale service facilities are also part of the effectiveness of the market penetration. In this connection, a more professional logistics management - which is often a weak point for SEACEN exporters - certainly deserve attention.

(v) Level of Government Support and Incentives

In some cases financial incentives may be needed for a specific product group or for a certain export product which is of vital importance to the country; otherwise these products would not be competitive in the exports markets. In this case, support and incentives from the Government may be needed, such as abolition of bureaucratic hindrances, tax relief on export earnings, subsidized trade fair participation, and so on.

B. Promotion of Trade with other Countries/Region

To counteract a possible decline in trade with European Community countries after the formation of the Single Market, trade with other countries/region should also be promoted through bilateral or multilateral co-operations. Newly industrialized economies within the SEACEN Countries such as Korea, Singapore and Taiwan are now becoming increasingly important. Furthermore, the new emerging economic forces like China and Vietnam certainly cannot be neglected as SEACEN's future markets. The establishment of ASEAN Free Trade Area (AFTA) which was set to start on 1 January 1993 will benefit not only some of the SEACEN member countries belonging to ASEAN, but indirectly will also benefit the other SEACEN members in boosting their economy and the region to counteract possible adverse effects from the completion of the Single Market. Furthermore, the Malaysian proposal for East Asia Economic Caucus (EAEC) which was formally adopted by the ASEAN

members in January 1992 reflects a manifestation of concerns at the emergence of regional trade blocks in the world including the EC Single Market. Although the membership of EAEC is currently limited to ASEAN member countries, it remains open to all economies in East Asian region including the member SEACEN countries.

C. Joint Ventures and Cooperations Among SEACEN Countries

Vast diversity in income levels, wages, industrial development and technological capabilities among the SEACEN countries make it very profitable to set up intra-SEACEN joint ventures for exports to the European market, which at the same time would also reduce competition for exports to the European market among the SEACEN countries. To further promote exports to the European market, SEACEN countries should also enhance co-operation among themselves such as sharing of information, analysis and expertise pertaining exports to the European Community.

D. More Incentives for Foreign Direct Investment

The EC 1992 program will bring faster economic growth and will force its companies to become more competitive on the world markets. EC companies will create a higher demand for imports of goods, services and know-how. They will enter into more joint-ventures and partnerships because they will need to build up strength. They will need new alliances, within and outside the EC. Industrial development in some of the EC countries may have reached a stage where it would be feasible for some companies to relocate their manufacturing operations or part of it to SEACEN countries to supply their traditional markets. A study by Yeats (1989) shows that relative labor intensity is a good indicator of the sectors where developing countries have potential to increase their exports, in which many of EC industries are reducing their production because of declining competitiveness. SEACEN countries, therefore, must be able to exercise this opportunity.

Increased EC investment in SEACEN countries is a key element in the long-term strategy to promote mutually-beneficial trade, the transfer of technology and in strengthening economic links between SEACEN

and EC. The EC, renowned for its technological skills and product developments in certain areas like engineering products, precision tools and equipment, machineries, automotive parts and components, glass products, has much to offer to SEACEN. The benefits to be derived by both regions through closer industrial co-operation are many. Such co-operation is also likely to be advantageous for SEACEN countries since it provides opportunities for increased exports to the European Community utilizing vehicles for EC collaboration who are more familiar with the technological and marketing aspects of access for SEACEN exports to the European market. To date, investments from EC into the SEACEN region have increased at very slow pace and at considerably low level as compared with those from Japan and the US. To avoid further losing investors to the European Community especially because EC countries may be attracted towards expanding trade and investment relations with Eastern Europe, SEACEN countries should further pursue policies designed to attract more foreign direct investments. At this stage, there still remain a number of restrictions, both in terms of regulations and procedures, which have acted as disincentives to more foreign direct investment. Therefore, SEACEN countries must further improve several policies which could attract more foreign investments, such as (a) provision of skilled labor, (b) infrastructural facilities, (c) attractive fiscal incentives, (d) ease of entry, (e) stable policies, (f) efficiently implementation (g) liberalization of capital movements, and so on.

E.   More Liberal Banking Services in SEACEN Countries

The EC reciprocity principle through the concept of national treatment, means that if a country gives EC banks the same effective access to their financial market, its banks will enjoy the same treatment as EC banks in the Community. SEACEN countries therefore must further liberalize their already open financial sectors if access to the EC financial market were to be better enjoyed. However, the openness must depend on the individual country's readiness and in accordance with its financial policy reforms.

F.   More Sophistication in SEACEN Bank's Operation in the EC Financial Market

In the EC financial market, SEACEN banks must increase their capital in their banking network in the European Community in order to take

advantage of the opportunities of a vastly expanded financial market. SEACEN banks in the Community must also upgrade their sophistication and level of expertise to the extent that they are able to compete efficiently in EC financial market, even though it is clear that there is still a long way to go before SEACEN banks are in a position to challenge EC banks' or other foreign banks' (Japanese or American for example) shares on EC financial market. Moreover, at this stage some European and foreign banks have already taken initiatives in increasing their size by takeover or mergers. Becoming more sophisticated by combining traditional banking operations, securities and insurance business is also in fashion now in the Community. For more access in EC financial markets, it seems easier for SEACEN banks to establish subsidiaries rather than bank branches to avoid the unfavorable restrictions imposed on the activities of foreign bank branches in the EC.

CHAPTER V

CONCLUSION

The Single Market program enables the European industry to reap the benefits from the removal of barriers affecting trade and production as well as exploiting economies of scale consequent to market integration. The integration of the market at the same time will also affect the rest of the world -- both positively and negatively -- through international economic linkages such as international trade and capital flows. SEACEN countries' economies, being relatively small and open implying a high degree of vulnerability to external fluctuations, will not be free from such impacts. Therefore, the Single Market program has raised concerns over its effect on the economies of the SEACEN countries.

However, the impact of the completion of the Single Market on SEACEN countries remains full of uncertainties and the issues involved in analyzing it are very complex. From one side, the completion of the Single Market is disadvantageous to SEACEN countries. EC firms will become more internationally competitive vis-a-vis companies in third countries including SEACEN countries as they emerge more productive and efficient. A further increase in the performance of intra-EC trade is expected after 1992, and this could be at the expense of the Community's trade with the rest of the world. At the same time, there is also a growing concern that the European Community countries may become more protectionist, as demands for protection will come from European manufacturers who are not able to cope with the competition. Up to now, common rules for all EC and third countries have not been established because of divergent views among member states on the desirable level of restrictiveness for the Community's external regime. Thus, EC countries generally maintain national quantitative restrictions on imports from third countries enforced through national import licensing systems, standards, and certification procedures. In this sense, therefore, the Single Market program would be disadvantageous for SEACEN countries as it limits the opportunities of SEACEN countries to prosper through greater participation in international market.

Furthermore, SEACEN countries could also face formidable competition in attracting investments from the European Communities, since some EC member countries like Greece, Spain, Ireland and Portugal

happen to be similar to some SEACEN member countries in offering lower cost economic environments. As the 1992 program also happens to coincide with structural changes in Eastern Europe and the unification of East Germany, there are also possibilities that SEACEN countries could be more adversely affected as substantial EC investments could be diverted to these countries. On the area of banking services, the issue of "reciprocity" will likely give problems for SEACEN countries, as at present many of SEACEN countries strongly regulate the operations of foreign banks in their respective countries. With regard to SEACEN banks operating in the EC financial market, their role is somewhat limited by their capital as compared to those of European and other foreign banks; therefore, their benefit from the completion of the Single Market program is expected to be very little.

Despite these negative images of the implication of the Single Market on SEACEN countries' economies, there are some positive aspects too. For SEACEN countries, the European Community ranks high in its importance. With a combined population of 325 million people, the Community is the world's largest trading entity, and therefore a major actor in the world's trading stage. The creation of the internal market may as well expand world trade and boost economic growth. An envisaged significant jump in EC GDP growth following the integration will raise its demand for imports and enhance its investment capability, at home and abroad. A limited macroeconomic simulation focusing on the direct trade impacts resulting from combination of two opposing effects -- "trade creation" and "trade diversion" effects -- shows that there are some trade and GDP gains for some member countries though not very spectacular and the effects will take place only in 1993 onwards. In terms of GDP gains, only Korea and Singapore would benefit most, and no GDP gains are shown for Malaysia, Myanmar, the Philippines, Sri Lanka and Thailand. As for real exports to the Community, Indonesia, Korea, Myanmar, Nepal and Singapore will benefit though only marginally. However these results are only indicative since the study is limited with various rigid assumptions, and the real situation is more complex than the calculation of "trade creation" and "trade diversion" effects alone. The SEACEN countries will only gain from trade creation if liberal tendencies dominate in the trade policy stance of the EEC after 1992, though some redistribution of gains among the developing economies may occur in view of the highly differentiated trade policy of the Community towards different groups of countries.

In sum, the future impact of the EC Single Market beyond 1992 on the SEACEN countries' economies is still full of uncertainties. Apart from institutional barriers to market access, future perspectives for SEACEN exports to the EC also hinge on the attitude of EC firms toward SEACEN countries. Moreover, the outcome of global trade negotiations, such as the GATT Uruguay Round, MFA and GSP negotiations, might be more important in shaping the future EC external policy, and therefore will be more important in determining the future SEACEN trade with the European Community after 1992 than the completion of the Single Market itself. Whatever the final outcome is, the SEACEN countries need to have strategies of action for responding to this development. If appropriate policy responses are not properly designed and implemented, then the market shares of SEACEN countries in the European Community market are likely to be seriously eroded.

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Appendix 1. Trade of Indonesia with the Members of the EEC.
(in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**1548**	**2154**	**2322**	**3029**	**3742**
Belgium/Luxembourg	109	177	172	210	258
Denmark	13	21	36	54	74
France	102	165	203	286	386
West Germany	361	456	487	750	907
Greece	3	2	3	9	18
Ireland	7	17	22	35	43
Italy	175	221	243	276	381
Netherlands	493	646	679	723	838
Portugal	11	22	24	17	14
Spain	61	78	82	152	169
United Kingdom	213	349	371	517	654
IMPORTS FROM:					
EEC	**2354**	**2600**	**2593**	**4138**	**4705**
Belgium/Luxembourg	142	159	168	248	254
Denmark	26	22	31	60	49
France	392	479	411	662	544
West Germany	836	908	918	1522	2061
Greece	2	3	3	6	5
Ireland	6	6	8	74	13
Italy	237	251	351	410	536
Netherlands	316	266	260	572	505
Portugal	6	3	2	6	4
Spain	66	161	82	137	131
United Kingdom	325	342	359	441	603
TRADE BALANCE:					
EEC	**-806**	**-446**	**-271**	**-1109**	**-963**
Belgium/Luxembourg	-33	18	4	-38	4
Denmark	-13	-1	5	-6	25
France	-290	-314	-208	-376	-158
West Germany	-475	-452	-431	-772	-1154
Greece	1	-1	0	3	13
Ireland	1	11	14	-39	30
Italy	-62	-30	-108	-134	-155
Netherlands	177	380	419	151	333
Portugal	5	19	22	11	10
Spain	-5	-83	0	15	38
United Kingdom	-112	7	12	76	51
TOTAL TRADE:					
EEC	**3902**	**4754**	**4915**	**7167**	**8447**
Belgium/Luxembourg	251	336	340	458	512
Denmark	39	43	67	114	123
France	494	644	614	948	930
West Germany	1197	1364	1405	2272	2968
Greece	5	5	6	15	23
Ireland	13	23	30	109	56
Italy	412	472	594	686	917
Netherlands	809	912	939	1295	1343
Portugal	17	25	26	23	18
Spain	127	239	164	289	300
United Kingdom	538	691	730	958	1257

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 2. Trade of Indonesia with the Members of the EEC, in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	7.0	8.2	7.4	6.9	6.9
Denmark	0.8	1.0	1.6	1.8	2.0
France	6.6	7.7	8.7	9.4	10.3
West Germany	23.3	21.2	21.0	24.8	24.2
Greece	0.2	0.1	0.1	0.3	0.5
Ireland	0.5	0.8	0.9	1.2	1.1
Italy	11.3	10.3	10.5	9.1	10.2
Netherlands	31.8	30.0	29.2	23.9	22.4
Portugal	0.7	1.0	1.0	0.6	0.4
Spain	3.9	3.6	3.5	5.0	4.5
United Kingdom	13.8	16.2	16.0	17.1	17.5
IMPORTS FROM:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	6.0	6.1	6.5	6.0	5.4
Denmark	1.1	0.8	1.2	1.4	1.0
France	16.7	18.4	15.9	16.0	11.6
West Germany	35.5	34.9	35.4	36.8	43.8
Greece	0.1	0.1	0.1	0.1	0.1
Ireland	0.3	0.2	0.3	1.8	0.3
Italy	10.1	9.7	13.5	9.9	11.4
Netherlands	13.4	10.2	10.0	13.8	10.7
Portugal	0.3	0.1	0.1	0.1	0.1
Spain	2.8	6.2	3.2	3.3	2.8
United Kingdom	13.8	13.2	13.8	10.7	12.8
TOTAL TRADE:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	6.4	7.1	6.9	6.4	6.1
Denmark	1.0	0.9	1.4	1.6	1.5
France	12.7	13.5	˙12.5	13.2	11.0
West Germany	30.7	28.7	28.6	31.7	35.1
Greece	0.1	0.1	0.1	0.2	0.3
Ireland	0.3	0.5	0.6	1.5	0.7
Italy	10.6	9.9	12.1	9.6	10.9
Netherlands	20.7	19.2	19.1	18.1	15.9
Portugal	0.4	0.5	0.5	0.3	0.2
Spain	3.3	5.0	3.3	4.0	3.6
United Kingdom	13.8	14.5	14.9	13.4	14.9

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 3. Trade of Korea with the Members of the EEC.
(in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**6601**	**8135**	**7166**	**8869**	**9859**
Belgium/Luxembourg	253	341	292	428	389
Denmark	145	253	123	262	238
France	881	1071	873	1121	1246
West Germany	2002	2368	2067	2849	3139
Greece	97	104	102	160	179
Ireland	26	38	31	43	59
Italy	552	733	658	750	807
Netherlands	770	825	709	965	867
Portugal	55	55	57	74	96
Spain	295	396	403	467	371
United Kingdom	1525	1951	1851	1750	2468
IMPORTS FROM:					
EEC	**4614**	**6047**	**6484**	**8396**	**12298**
Belgium/Luxembourg	227	363	437	432	477
Denmark	120	139	303	199	229
France	784	1132	854	1224	1460
West Germany	1799	2072	2554	3284	3678
Greece	12	19	29	77	14
Ireland	55	65	73	89	91
Italy	537	637	839	1170	1458
Netherlands	266	507	395	479	480
Portugal	18	35	29	30	43
Spain	74	150	142	186	225
United Kingdom	722	928	829	1226	4143
TRADE BALANCE:					
EEC	**1987**	**2088**	**682**	**473**	**-2439**
Belgium/Luxembourg	26	-22	-145	-4	-88
Denmark	25	114	-180	63	9
France	97	-61	19	-103	-214
West Germany	203	296	-487	-435	-539
Greece	85	85	73	83	165
Ireland	-29	-27	-42	-46	-32
Italy	15	96	-181	-420	-651
Netherlands	504	318	314	486	387
Portugal	37	20	28	44	53
Spain	221	246	261	281	146
United Kingdom	803	1023	1022	524	-1675
TOTAL TRADE:					
EEC	**11215**	**14182**	**13650**	**17265**	**22157**
Belgium/Luxembourg	480	704	729	860	866
Denmark	265	392	426	461	467
France	1665	2203	1727	2345	2706
West Germany	3801	4440	4621	6133	6817
Greece	109	123	131	237	193
Ireland	81	103	104	132	150
Italy	1089	1370	1497	1920	2265
Netherlands	1036	1332	1104	1444	1347
Portugal	73	90	86	104	139
Spain	369	546	545	653	596
United Kingdom	2247	2879	2680	2976	6611

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 4. Trade of Korea with the Members of the EEC, in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	3.8	4.2	4.1	4.8	3.9
Denmark	2.2	3.1	1.7	3.0	2.4
France	13.3	13.2	12.2	12.6	12.6
West Germany	30.3	29.1	28.8	32.1	31.8
Greece	1.5	1.3	1.4	1.8	1.8
Ireland	0.4	0.5	0.4	0.5	0.6
Italy	8.4	9.0	9.2	8.5	8.2
Netherlands	11.7	10.1	9.9	10.9	8.8
Portugal	0.8	0.7	0.8	0.8	1.0
Spain	4.5	4.9	5.6	5.3	3.8
United Kingdom	23.1	24.0	25.8	19.7	25.0
IMPORTS FROM:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	4.9	6.0	6.7	5.1	3.9
Denmark	2.6	2.3	4.7	2.4	1.9
France	17.0	18.7	13.2	14.6	11.9
West Germany	39.0	34.3	39.4	39.1	29.9
Greece	0.3	0.3	0.4	0.9	0.1
Ireland	1.2	1.1	1.1	1.1	0.7
Italy	11.6	10.5	12.9	13.9	11.9
Netherlands	5.8	8.4	6.1	5.7	3.9
Portugal	0.4	0.6	0.4	0.4	0.3
Spain	1.6	2.5	2.2	2.2	1.8
United Kingdom	15.6	15.3	12.8	14.6	33.7
TOTAL TRADE:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	4.3	5.0	5.3	5.0	3.9
Denmark	2.4	2.8	3.1	2.7	2.1
France	14.8	15.5	12.7	13.6	12.2
West Germany	33.9	31.3	33.9	35.5	30.8
Greece	1.0	0.9	1.0	1.4	0.9
Ireland	0.7	0.7	0.8	0.8	0.7
Italy	9.7	9.7	11.0	11.1	10.2
Netherlands	9.2	9.4	8.1	8.4	6.1
Portugal	0.7	0.6	0.6	0.6	0.6
Spain	3.3	3.8	4.0	3.8	2.7
United Kingdom	20.0	20.3	19.6	17.2	29.8

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 5. Trade of Malaysia with the Members of the EEC.
(in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**2560**	**3047**	**3859**	**4399**	**5082**
Belgium/Luxembourg	189	206	272	378	382
Denmark	29	46	48	60	77
France	238	306	378	414	476
West Germany	616	723	893	1147	1141
Greece	13	19	20	22	27
Ireland	10	16	21	27	41
Italy	177	226	254	269	435
Netherlands	619	639	895	775	828
Portugal	14	18	18	24	27
Spain	81	110	117	123	145
United Kingdom	574	738	943	1160	1503
IMPORTS FROM:					
EEC	**1698**	**2206**	**3138**	4284	5001
Belgium/Luxembourg	116	128	177	211	243
Denmark	39	43	58	66	74
France	204	256	276	438	467
West Germany	538	647	857	1254	1468
Greece	1	2	3	3	3
Ireland	10	13	35	38	79
Italy	125	155	242	402	569
Netherlands	103	122	248	222	328
Portugal	3	3	3	6	15
Spain	13	25	24	44	57
United Kingdom	546	812	1215	1600	1698
TRADE BALANCE:					
EEC	**862**	**841**	**721**	**115**	**81**
Belgium/Luxembourg	73	78	95	167	139
Denmark	-10	3	-10	-6	3
France	34	50	102	-24	9
West Germany	78	76	36	-107	-327
Greece	12	17	17	19	24
Ireland	0	3	-14	-11	-38
Italy	52	71	12	-133	-134
Netherlands	516	517	647	553	500
Portugal	11	15	15	18	12
Spain	68	85	93	79	88
United Kingdom	28	-74	-272	-440	-195
TOTAL TRADE:					
EEC	**4258**	**5253**	**6997**	**8683**	**10083**
Belgium/Luxembourg	305	334	449	589	625
Denmark	68	89	106	126	151
France	442	562	654	852	943
West Germany	1154	1370	1750	2401	2609
Greece	14	21	23	25	30
Ireland	20	29	56	65	120
Italy	302	381	496	671	1004
Netherlands	722	761	1143	997	1156
Portugal	17	21	21	30	42
Spain	94	135	141	167	202
United Kingdom	1120	1550	2158	2760	3201

Source: IMF, Direction of Trade Statistics, 1992.

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Appendix 6. Trade of Malaysia with the Members of the EEC in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	7.4	6.8	7.0	8.6	7.5
Denmark	1.1	1.5	1.2	1.4	1.5
France	9.3	10.0	9.8	9.4	9.4
West Germany	24.1	23.7	23.1	26.1	22.5
Greece	0.5	0.6	0.5	0.5	0.5
Ireland	0.4	0.5	0.5	0.6	0.8
Italy	6.9	7.4	6.6	6.1	8.6
Netherlands	24.2	21.0	23.2	17.6	16.3
Portugal	0.5	0.6	0.5	0.5	0.5
Spain	3.2	3.6	3.0	2.8	2.9
United Kingdom	22.4	24.2	24.4	26.4	29.6
IMPORTS FROM:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	6.8	5.8	5.6	4.9	4.9
Denmark	2.3	1.9	1.8	1.5	1.5
France	12.0	11.6	8.8	10.2	9.3
West Germany	31.7	29.3	27.3	29.3	29.4
Greece	0.1	0.1	0.1	0.1	0.1
Ireland	0.6	0.6	1.1	0.9	1.6
Italy	7.4	7.0	7.7	9.4	11.4
Netherlands	6.1	5.5	7.9	5.2	6.6
Portugal	0.2	0.1	0.1	0.1	0.3
Spain	0.8	1.1	0.8	1.0	1.1
United Kingdom	32.2	36.8	38.7	37.3	34.0
TOTAL TRADE:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	7.2	6.4	6.4	6.8	6.2
Denmark	1.6	1.7	1.5	1.5	1.5
France	10.4	10.7	9.3	9.8	9.4
West Germany	27.1	26.1	25.0	27.7	25.9
Greece	0.3	0.4	0.3	0.3	0.3
Ireland	0.5	0.6	0.8	0.7	1.2
Italy	7.1	7.3	7.1	7.7	10.0
Netherlands	17.0	14.5	16.3	11.5	11.5
Portugal	0.4	0.4	0.3	0.3	0.4
Spain	2.2	2.6	2.0	1.9	2.0
United Kingdom	26.3	29.5	30.8	31.8	31.7

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 7. Trade of Myanmar with the Members of the EEC. (in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**19.36**	**13.05**	**18.96**	**25.73**	**27.67**
Belgium/Luxembourg	1.09	0.73	1.07	1.00	1.73
Denmark					
France	2.39	1.61	2.30	3.29	2.95
West Germany	8.11	5.47	7.96	8.67	7.25
Greece					
Ireland					
Italy	0.58	0.39	0.57	4.12	8.57
Netherlands	3.35	2.26	3.29	3.06	1.84
Portugal					
Spain	0.03	0.02	0.03	0.93	0.89
United Kingdom	3.81	2.57	3.74	4.66	4.44
IMPORTS FROM:					
EEC	**60.60**	**55.08**	**43.86**	**97.53**	**86.98**
Belgium/Luxembourg	2.18	1.99	1.58	2.99	2.60
Denmark	0.88	0.80	0.64	1.65	6.37
France	6.62	6.02	4.79	15.18	9.21
West Germany	17.98	16.34	13.01	31.85	37.77
Greece	0.01	0.01	0.01	0.03	0.20
Ireland	0.03	0.03	0.02	0.02	0.14
Italy	3.04	2.76	2.20	3.46	2.07
Netherlands	5.46	4.96	3.95	16.59	12.61
Portugal					
Spain	0.09	0.08	0.06	0.05	
United Kingdom	24.31	22.09	17.60	25.71	16.01
TRADE BALANCE:					
EEC	**-41.24**	**-42.03**	**-24.90**	**-71.80**	**-59.31**
Belgium/Luxembourg	-1.09	-1.26	-0.51	-1.99	-0.87
Denmark	-0.88	-0.80	-0.64	-1.65	-6.37
France	-4.23	-4.41	-2.49	-11.89	-6.26
West Germany	-9.87	-10.87	-5.05	-23.18	-30.52
Greece	-0.01	-0.01	-0.01	-0.03	-0.20
Ireland	-0.03	-0.03	-0.02	-0.02	-0.14
Italy	-2.46	-2.37	-1.63	0.66	6.50
Netherlands	-2.11	-2.70	-0.66	-13.53	-10.77
Portugal	0.00	0.00	0.00	0.00	0.00
Spain	-0.06	-0.06	-0.03	0.88	0.89
United Kingdom	-20.50	-19.52	-13.86	-21.05	-11.57
TOTAL TRADE:					
EEC	**79.96**	**68.13**	**62.82**	**123.26**	**114.65**
Belgium/Luxembourg	3.27	2.72	2.65	3.99	4.33
Denmark	0.88	0.80	0.64	1.65	6.37
France	9.01	7.63	7.09	18.47	12.16
West Germany	26.09	21.81	20.97	40.52	45.02
Greece	0.01	0.01	0.01	0.03	0.20
Ireland	0.03	0.03	0.02	0.02	0.14
Italy	3.62	3.15	2.77	7.58	10.64
Netherlands	8.81	7.22	7.24	19.65	14.45
Portugal	0.00	0.00	0.00	0.00	0.00
Spain	0.12	0.10	0.09	0.98	0.89
United Kingdom	28.12	24.66	21.34	30.37	20.45

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 8. Trade of Myanmar with the Members of the EEC in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	5.6	5.6	5.6	3.9	6.3
Denmark	0.0	0.0	0.0	0.0	0.0
France	12.3	12.3	12.1	12.8	10.7
West Germany	41.9	41.9	42.0	33.7	26.2
Greece	0.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	0.0	0.0
Italy	3.0	3.0	3.0	16.0	31.0
Netherlands	17.3	17.3	17.4	11.9	6.6
Portugal	0.0	0.0	0.0	0.0	0.0
Spain	0.2	0.2	0.2	3.6	3.2
United Kingdom	19.7	19.7	19.7	18.1	16.0
IMPORTS FROM:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	3.6	3.6	3.6	3.1	3.0
Denmark	1.5	1.5	1.5	1.7	7.3
France	10.9	10.9	10.9	15.6	10.6
West Germany	29.7	29.7	29.7	32.7	43.4
Greece	0.0	0.0	0.0	0.0	0.2
Ireland	0.0	0.1	0.0	0.0	0.2
Italy	5.0	5.0	5.0	3.5	2.4
Netherlands	9.0	9.0	9.0	17.0	14.5
Portugal	0.0	0.0	0.0	0.0	0.0
Spain	0.1	0.1	0.1	0.1	0.0
United Kingdom	40.1	40.1	40.1	26.4	18.4
TOTAL TRADE:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	4.1	4.0	4.2	3.2	3.8
Denmark	1.1	1.2	1.0	1.3	5.6
France	11.3	11.2	11.3	15.0	10.6
West Germany	32.6	32.0	33.4	32.9	39.3
Greece	0.0	0.0	0.0	0.0	0.2
Ireland	0.0	0.0	0.0	0.0	0.1
Italy	4.5	4.6	4.4	6.1	9.3
Netherlands	11.0	10.6	11.5	15.9	12.6
Portugal	0.0	0.0	0.0	0.0	0.0
Spain	0.2	0.1	0.1	0.8	0.8
United Kingdom	35.2	36.2	34.0	24.6	17.8

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 9. Trade of Nepal with the Members of the EEC.
(in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**56.99**	**86.16**	**90.47**	**116.90**	**134.54**
Belgium/Luxembourg	2.18	1.18	2.89	9.30	5.50
Denmark	0.23	0.33	0.32	0.33	0.27
France	3.09	3.91	4.38	6.05	5.10
West Germany	38.36	63.82	65.30	80.57	115.07
Greece	0.02				
Ireland		0.01		0.01	0.02
Italy			2.62	4.65	5.40
Netherlands	0.36	1.09	1.67	3.58	1.67
Portugal					
Spain	0.30	0.46	0.99	0.91	1.51
United Kingdom	12.45	15.36	12.30	11.50	7.21
IMPORTS FROM:					
EEC	**70.65**	**94.65**	**68.81**	**71.50**	**49.54**
Belgium/Luxembourg	11.22	5.72	3.47	3.45	2.78
Denmark	8.72	4.93	6.29	1.23	1.96
France	7.04	14.19	20.25	32.46	16.98
West Germany	16.17	53.35	14.82	18.58	11.69
Greece					
Ireland	1.34	0.73	0.80	0.71	0.98
Italy	3.08	1.65	4.49	2.58	1.55
Netherlands	5.06	3.08	3.44	3.35	1.72
Portugal					
Spain	1.85	0.88	0.99	1.10	1.64
United Kingdom	16.17	10.12	14.26	8.04	10.24
TRADE BALANCE:					
EEC	**-13.66**	**-8.49**	**21.66**	**45.40**	**85.00**
Belgium/Luxembourg	-9.04	-4.54	-0.58	5.85	2.72
Denmark	-8.49	-4.60	-5.97	-0.90	-1.69
France	-3.95	-10.28	-15.87	-26.41	-11.88
West Germany	22.19	10.47	50.48	61.99	103.38
Greece	0.02	0.00	0.00	0.00	0.00
Ireland	-1.34	-0.72	-0.80	-0.70	-0.96
Italy	-3.08	-1.65	-1.87	2.07	3.85
Netherlands	-4.70	-1.99	-1.77	0.23	-0.05
Portugal	0.00	0.00	0.00	0.00	0.00
Spain	-1.55	-0.42	0.00	-0.19	-0.13
United Kingdom	-3.72	5.24	-1.96	3.46	-3.03
TOTAL TRADE:					
EEC	**127.64**	**180.81**	**159.28**	**188.40**	**184.08**
Belgium/Luxembourg	13.40	6.90	6.36	12.75	8.28
Denmark	8.95	5.26	6.61	1.56	2.23
France	10.13	18.10	24.63	38.51	22.08
West Germany	54.53	117.17	80.12	99.15	126.76
Greece	0.02	0.00	0.00	0.00	0.00
Ireland	1.34	0.74	0.80	0.72	1.00
Italy	3.08	1.65	7.11	7.23	6.95
Netherlands	5.42	4.17	5.11	6.93	3.39
Portugal	0.00	0.00	0.00	0.00	0.00
Spain	2.15	1.34	1.98	2.01	3.15
United Kingdom	28.62	25.48	26.56	19.54	17.45

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 10. Trade of Nepal with the Members of the EEC in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Belgium/Luxembourg	3.83	1.37	3.19	7.96	4.09
Denmark	0.40	0.38	0.35	0.28	0.20
France	5.42	4.54	4.84	5.18	3.79
West Germany	67.31	74.07	72.18	68.92	85.53
Greece	0.04	0.00	0.00	0.00	0.00
Ireland	0.00	0.01	0.00	0.01	0.01
Italy	0.00	0.00	2.90	3.98	4.01
Netherlands	0.63	1.27	1.85	3.06	1.24
Portugal	0.00	0.00	0.00	0.00	0.00
Spain	0.53	0.53	1.09	0.78	1.12
United Kingdom	21.85	17.83	13.60	9.84	5.36
IMPORTS FROM:					
EEC	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Belgium/Luxembourg	15.88	6.04	5.04	4.83	5.61
Denmark	12.34	5.21	9.14	1.72	3.96
France	9.96	14.99	29.43	45.40	34.28
West Germany	22.89	56.37	21.54	25.99	23.60
Greece	0.00	0.00	0.00	0.00	0.00
Ireland	1.90	0.77	1.16	0.99	1.98
Italy	4.36	1.74	6.53	3.61	3.13
Netherlands	7.16	3.25	5.00	4.69	3.47
Portugal	0.00	0.00	0.00	0.00	0.00
Spain	2.62	0.93	1.44	1.54	3.31
United Kingdom	22.89	10.69	20.72	11.24	20.67
TOTAL TRADE:					
EEC	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Belgium/Luxembourg	10.50	3.82	3.99	6.77	4.50
Denmark	7.01	2.91	4.15	0.83	1.21
France	7.94	10.01	15.46	20.44	11.99
West Germany	42.72	64.80	50.30	52.63	68.86
Greece	0.02	0.00	0.00	0.00	0.00
Ireland	1.05	0.41	0.50	0.38	0.54
Italy	2.41	0.91	4.46	3.84	3.78
Netherlands	4.25	2.31	3.21	3.68	1.84
Portugal	0.00	0.00	0.00	0.00	0.00
Spain	1.68	0.74	1.24	1.07	1.71
United Kingdom	22.42	14.09	16.68	10.37	9.48

Source: IMF, Direction of Trade Statistics, 1992

Appendix 11. Trade of the Philippines with the Members of the EEC. (in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**1086**	**1245**	**1319**	**1453**	**1646**
Belgium/Luxembourg	20	35	54	65	85
Denmark	17	24	24	22	29
France	125	164	151	144	165
West Germany	291	297	333	390	502
Greece	4	5	4	4	7
Ireland	5	7	5	6	7
Italy	36	40	48	61	79
Netherlands	310	314	327	357	338
Portugal	1	3	7	9	9
Spain	31	31	42	44	53
United Kingdom	245	326	326	351	372
IMPORTS FROM:					
EEC	**717**	**934**	**1091**	**1305**	**1193**
Belgium/Luxembourg	49	72	97	109	106
Denmark	24	21	20	26	32
France	16	14	25	15	23
West Germany	282	342	426	557	490
Greece	1	0	4	2	3
Ireland	9	19	18	24	19
Italy	36	118	72	94	106
Netherlands	92	136	215	181	154
Portugal	2	3	2	3	2
Spain	58	40	30	27	33
United Kingdom	148	170	181	267	225
TRADE BALANCE:					
EEC	**369**	**311**	**229**	**148**	**453**
Belgium/Luxembourg	-29	-37	-43	-44	-21
Denmark	-7	3	3	-4	-3
France	110	151	126	129	142
West Germany	9	-45	-93	-167	12
Greece	3	4	0	2	4
Ireland	-3	-13	-13	-18	-12
Italy	-1	-78	-24	-33	-27
Netherlands	218	179	112	176	184
Portugal	-1	0	4	6	7
Spain	-27	-9	12	17	20
United Kingdom	98	155	144	84	147
TOTAL TRADE:					
EEC	**1803**	**2179**	**2410**	**2758**	**2839**
Belgium/Luxembourg	69	107	151	174	191
Denmark	41	44	44	48	61
France	141	178	177	159	188
West Germany	573	639	760	947	992
Greece	5	5	8	6	10
Ireland	14	26	23	30	26
Italy	72	158	119	155	185
Netherlands	403	450	542	538	492
Portugal	3	5	9	12	11
Spain	89	71	71	71	86
United Kingdom	393	496	507	618	597

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 12. Trade of the Philippines with the Members of the EEC in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	1.9	2.8	4.1	4.5	5.2
Denmark	1.6	1.9	1.8	1.5	1.8
France	11.5	13.2	11.5	9.9	10.0
West Germany	26.8	23.9	25.3	26.8	30.5
Greece	0.4	0.4	0.3	0.3	0.4
Ireland	0.5	0.5	0.4	0.4	0.4
Italy	3.3	3.2	3.6	4.2	4.8
Netherlands	28.6	25.3	24.8	24.6	20.5
Portugal	0.1	0.2	0.5	0.6	0.5
Spain	2.9	2.5	3.1	3.0	3.2
United Kingdom	22.6	26.2	24.7	24.2	22.6
IMPORTS FROM:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	6.8	7.7	8.3	8.4	8.9
Denmark	3.3	2.2	1.9	2.0	2.7
France	2.2	1.5	2.3	1.1	1.9
West Germany	39.3	36.6	39.3	42.7	41.1
Greece	0.2	0.0	0.3	0.2	0.3
Ireland	1.2	2.1	1.6	1.8	1.6
Italy	5.0	12.6	6.6	7.2	8.9
Netherlands	12.9	14.5	19.8	13.9	12.9
Portugal	0.2	0.3	0.2	0.2	0.2
Spain	8.1	4.3	2.7	2.1	2.8
United Kingdom	20.6	18.2	16.7	20.5	18.9
TOTAL TRADE:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	3.8	4.9	6.0	6.3	6.7
Denmark	2.3	2.0	1.8	1.7	2.1
France	7.8	8.2	7.4	5.8	6.6
West Germany	31.8	29.3	31.6	34.3	34.9
Greece	0.3	0.2	0.3	0.2	0.4
Ireland	0.8	1.2	0.9	1.1	0.9
Italy	4.0	7.2	5.0	5.6	6.5
Netherlands	22.3	20.6	22.5	19.5	17.3
Portugal	0.1	0.2	0.4	0.4	0.4
Spain	5.0	3.3	3.0	2.6	3.0
United Kingdom	21.8	22.8	21.1	22.4	21.0

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 13. Trade of Singapore with the Members of the EEC. (in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**3498**	**5102**	**6037**	**7602**	**8278**
Belgium/Luxembourg	160	236	314	409	367
Denmark	72	78	106	124	138
France	439	654	703	863	692
West Germany	927	1367	1645	2130	2509
Greece	88	125	97	135	162
Ireland	18	51	57	122	160
Italy	332	569	602	698	561
Netherlands	530	675	719	1132	1551
Portugal	15	24	29	35	43
Spain	102	178	211	271	299
United Kingdom	815	1145	1554	1683	1796
IMPORTS FROM:					
EEC	**3993**	**5279**	**6220**	**7817**	**7978**
Belgium/Luxembourg	133	200	296	339	334
Denmark	150	172	110	127	123
France	750	789	1113	1468	1698
West Germany	1122	1625	1807	2172	2115
Greece	14	41	48	67	19
Ireland	31	60	56	86	84
Italy	438	655	808	957	912
Netherlands	244	342	471	536	571
Portugal	10	14	13	24	25
Spain	67	107	102	171	192
United Kingdom	1034	1274	1396	1870	1905
TRADE BALANCE:					
EEC	**-495**	**-177**	**-183**	**-215**	**300**
Belgium/Luxembourg	27	36	18	70	33
Denmark	-78	-94	-4	-3	15
France	-311	-135	-410	-605	-1006
West Germany	-195	-258	-162	-42	394
Greece	74	84	49	68	143
Ireland	-13	-9	1	36	76
Italy	-106	-86	-206	-259	-351
Netherlands	286	333	248	596	980
Portugal	5	10	16	11	18
Spain	35	71	109	100	107
United Kingdom	-219	-129	158	-187	-109
TOTAL TRADE:					
EEC	**7491**	**10381**	**12257**	**15419**	**16256**
Belgium/Luxembourg	293	436	610	748	701
Denmark	222	250	216	251	261
France	1189	1443	1816	2331	2390
West Germany	2049	2992	3452	4302	4624
Greece	102	166	145	202	181
Ireland	49	111	113	208	244
Italy	770	1224	1410	1655	1473
Netherlands	774	1017	1190	1668	2122
Portugal	25	38	42	59	68
Spain	169	285	313	442	491
United Kingdom	1849	2419	2950	3553	3701

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 14. Trade of Singapore with the Members of the EEC in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	4.6	4.6	5.2	5.4	4.4
Denmark	2.1	1.5	1.8	1.6	1.7
France	12.6	12.8	11.6	11.4	8.4
West Germany	26.5	26.8	27.2	28.0	30.3
Greece	2.5	2.5	1.6	1.8	2.0
Ireland	0.5	1.0	0.9	1.6	1.9
Italy	9.5	11.2	10.0	9.2	6.8
Netherlands	15.2	13.2	11.9	14.9	18.7
Portugal	0.4	0.5	0.5	0.5	0.5
Spain	2.9	3.5	3.5	3.6	3.6
United Kingdom	23.3	22.4	25.7	22.1	21.7
IMPORTS FROM:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	3.3	3.8	4.8	4.3	4.2
Denmark	3.8	3.3	1.8	1.6	1.5
France	18.8	14.9	17.9	18.8	21.3
West Germany	28.1	30.8	29.1	27.8	26.5
Greece	0.4	0.8	0.8	0.9	0.2
Ireland	0.8	1.1	0.9	1.1	1.1
Italy	11.0	12.4	13.0	12.2	11.4
Netherlands	6.1	6.5	7.6	6.9	7.2
Portugal	0.3	0.3	0.2	0.3	0.3
Spain	1.7	2.0	1.6	2.2	2.4
United Kingdom	25.9	24.1	22.4	23.9	23.9
TOTAL TRADE:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	3.9	4.2	5.0	4.9	4.3
Denmark	3.0	2.4	1.8	1.6	1.6
France	15.9	13.9	14.8	15.1	14.7
West Germany	27.4	28.8	.28.2	27.9	28.4
Greece	1.4	1.6	1.2	1.3	1.1
Ireland	0.7	1.1	0.9	1.3	1.5
Italy	10.3	11.8	11.5	10.7	9.1
Netherlands	10.3	9.8	9.7	10.8	13.1
Portugal	0.3	0.4	0.3	0.4	0.4
Spain	2.3	2.7	2.6	2.9	3.0
United Kingdom	24.7	23.3	24.1	23.0	22.8

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 15. Trade of Sri Lanka with the Members of the EEC. (in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**296**	**341**	**393**	**486**	**674**
Belgium/Luxembourg	27	52	83	97	94
Denmark	4	5	8	7	14
France	25	25	39	44	90
West Germany	100	104	95	127	208
Greece	1	2	1	2	2
Ireland	4	2	3	3	6
Italy	14	15	21	37	46
Netherlands	38	47	45	49	77
Portugal	2	2	2	2	2
Spain	7	6	7	10	16
United Kingdom	73	80	88	108	119
IMPORTS FROM:					
EEC	**350**	**383**	**348**	**388**	**574**
Belgium/Luxembourg	17	28	43	57	85
Denmark	9	8	7	8	14
France	35	52	36	41	36
West Germany	90	103	71	87	101
Greece	1	1	0	1	2
Ireland	4	4	3	6	4
Italy	22	21	29	19	17
Netherlands	25	37	30	20	60
Portugal	4	0	1	0	2
Spain	3	3	3	3	2
United Kingdom	140	127	126	146	251
TRADE BALANCE:					
EEC	**-54**	**-42**	**45**	**98**	**100**
Belgium/Luxembourg	10	25	41	40	9
Denmark	-5	-3	1	-1	0
France	-9	-27	3	3	54
West Germany	10	1	25	40	107
Greece	1	0	1	1	0
Ireland	0	-2	0	-3	2
Italy	-8	-6	-8	18	29
Netherlands	13	11	15	29	17
Portugal	-2	2	1	2	0
Spain	3	3	3	7	14
United Kingdom	-67	-47	-38	-38	-132
TOTAL TRADE:					
EEC	**646**	**724**	**740**	**874**	**1248**
Belgium/Luxembourg	44	80	126	154	179
Denmark	13	13	14	15	28
France	60	77	75	85	126
West Germany	190	207	166	214	309
Greece	2	3	2	3	4
Ireland	7	6	5	9	10
Italy	36	37	51	56	63
Netherlands	63	84	75	69	137
Portugal	7	3	2	2	4
Spain	10	9	10	13	18
United Kingdom	214	206	215	254	370

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 16. Trade of Sri Lanka with the Members of the EEC in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	9.2	15.3	21.2	20.0	13.9
Denmark	1.4	1.5	2.0	1.4	2.1
France	8.6	7.4	10.0	9.1	13.4
West Germany	33.8	30.4	24.3	26.1	30.9
Greece	0.5	0.5	0.4	0.4	0.3
Ireland	1.3	0.6	0.7	0.6	0.9
Italy	4.7	4.5	5.4	7.6	6.8
Netherlands	12.9	13.8	11.4	10.1	11.4
Portugal	0.7	0.7	0.5	0.4	0.3
Spain	2.2	1.8	1.7	2.1	2.4
United Kingdom	24.8	23.4	22.5	22.2	17.7
IMPORTS FROM:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	4.9	7.2	12.2	14.7	14.8
Denmark	2.5	2.0	1.9	2.1	2.4
France	9.9	13.5	10.3	10.6	6.3
West Germany	25.7	26.8	20.4	22.4	17.6
Greece	0.1	0.3	0.1	0.3	0.3
Ireland	1.0	1.1	0.7	1.5	0.7
Italy	6.2	5.5	8.5	4.9	3.0
Netherlands	7.2	9.5	8.5	5.2	10.5
Portugal	1.2	0.1	0.1	0.0	0.3
Spain	0.9	0.8	1.0	0.8	0.3
United Kingdom	40.2	33.1	36.3	37.6	43.7
TOTAL TRADE:					
EEC	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Belgium/Luxembourg	6.9	11.0	17.0	17.6	14.3
Denmark	2.0	1.8	1.9	1.7	2.2
France	9.3	10.6	10.1	9.7	10.1
West Germany	29.5	28.5	22.4	24.5	24.8
Greece	0.3	0.4	0.2	0.3	0.3
Ireland	1.1	0.9	0.7	1.0	0.8
Italy	5.5	5.0	6.8	6.4	5.0
Netherlands	9.8	11.6	10.1	7.9	11.0
Portugal	1.0	0.4	0.3	0.2	0.3
Spain	1.5	1.3	1.4	1.5	1.4
United Kingdom	33.1	28.5	29.0	29.1	29.6

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 17. Trade of Thailand with the Members of the EEC. (in million US $)

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	**2588**	**3315**	**3839**	**4975**	**5734**
Belgium/Luxembourg	133	213	257	348	371
Denmark	68	82	82	105	118
France	284	380	442	563	745
West Germany	573	737	818	1194	1495
Greece	6	14	30	32	46
Ireland	4	8	11	12	22
Italy	218	293	296	421	508
Netherlands	776	870	975	1115	1086
Portugal	30	36	51	51	80
Spain	76	95	133	197	187
United Kingdom	417	588	746	937	1076
IMPORTS FROM:					
EEC	**2003**	**3116**	**3551**	**4848**	**5180**
Belgium/Luxembourg	199	332	375	523	554
Denmark	55	64	63	123	150
France	198	491	410	809	601
West Germany	771	1090	1311	1653	2000
Greece	5	·5	10	20	13
Ireland	0	0	4	1	2
Italy	168	241	371	426	544
Netherlands	154	216	220	242	314
Portugal	4	11	7	13	13
Spain	40	66	129	131	91
United Kingdom	409	600	651	907	898
TRADE BALANCE:					
EEC	**585**	**199**	**289**	**127**	**554**
Belgium/Luxembourg	-65	-119	-118	-175	-183
Denmark	13	18	19	-18	-32
France	87	-111	32	-246	144
West Germany	-198	-353	-493	-459	-505
Greece	2	9	19	12	33
Ireland	4	7	7	11	20
Italy	50	52	-76	-5	-36
Netherlands	623	655	755	873	772
Portugal	26	25	43	38	67
Spain	36	29	4	66	96
United Kingdom	8	-12	95	30	178
TOTAL TRADE					
EEC	**4591**	**6431**	**7390**	**9823**	**10914**
Belgium/Luxembourg	332	544	632	871	925
Denmark	123	147	145	228	268
France	482	870	851	1372	1346
West Germany	1344	1827	2129	2847	3495
Greece	11	20	40	52	59
Ireland	4	8	15	13	24
Italy	386	534	667	847	1052
Netherlands	930	1086	1194	1357	1400
Portugal	34	47	58	64	93
Spain	117	161	261	328	278
United Kingdom	826	1188	1397	1844	1974

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 18. Trade of Thailand with the Members of the EEC in Per Cent Distribution by EEC Countries.

	1987	1988	1989	1990	1991
EXPORTS TO:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	5.2	6.4	6.7	7.0	6.5
Denmark	2.6	2.5	2.1	2.1	2.1
France	11.0	11.4	11.5	11.3	13.0
West Germany	22.2	22.2	21.3	24.0	26.1
Greece	0.2	0.4	0.8	0.6	0.8
Ireland	0.2	0.2	0.3	0.2	0.4
Italy	8.4	8.8	7.7	8.5	8.9
Netherlands	30.0	26.3	25.4	22.4	18.9
Portugal	1.2	1.1	1.3	1.0	1.4
Spain	3.0	2.9	3.5	4.0	3.3
United Kingdom	16.1	17.7	19.4	18.8	18.8
IMPORTS FROM:					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	9.9	10.7	10.6	10.8	10.7
Denmark	2.7	2.1	1.8	2.5	2.9
France	9.9	15.8	11.5	16.7	11.6
West Germany	38.5	35.0	36.9	34.1	38.6
Greece	0.2	0.2	0.3	0.4	0.3
Ireland	0.0	0.0	0.1	0.0	0.0
Italy	8.4	7.7	10.5	8.8	10.5
Netherlands	7.7	6.9	6.2	5.0	6.1
Portugal	0.2	0.3	0.2	0.3	0.3
Spain	2.0	2.1	3.6	2.7	1.8
United Kingdom	20.4	19.3	18.3	18.7	17.3
TOTAL TRADE					
EEC	100.0	100.0	100.0	100.0	100.0
Belgium/Luxembourg	7.2	8.5	8.6	8.9	8.5
Denmark	2.7	2.3	2.0	2.3	2.5
France	10.5	13.5	11.5	14.0	12.3
West Germany	29.3	28.4	28.8	29.0	32.0
Greece	0.2	0.3	0.5	0.5	0.5
Ireland	0.1	0.1	0.2	0.1	0.2
Italy	8.4	8.3	9.0	8.6	9.6
Netherlands	20.3	16.9	16.2	13.8	12.8
Portugal	0.7	0.7	0.8	0.7	0.9
Spain	2.5	2.5	3.5	3.3	2.5
United Kingdom	18.0	18.5	18.9	18.8	18.1

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 19. Values and Directions of SEACEN Countries' Trade, 1991. (in million US $)

Export to/ Import from	Indonesia Value	Indonesia % of total	Korea Value	Korea % of total	Malaysia Value	Malaysia % of total	Myanmar Value	Myanmar % of total	Nepal Value	Nepal % of total
EXPORTS:										
Total	29142	100.00	69489	100.00	34405	100.00	588	100.00	256	100.00
Industrial Countries	18978	65.12	44604	64.19	17516	50.91	114	19.39	227	88.67
United States	3509	12.04	18311	26.35	5808	16.88	27	4.59	61	23.83
Canada	172	0.59	1718	2.47	267	0.78	1	0.17	2	0.78
Australia	628	2.15	1006	1.45	587	1.71	3	0.51	0	0.00
Japan	10767	36.95	12195	17.55	5458	15.86	45	7.65	2	0.78
EEC	3743	12.84	9858	14.19	5082	14.77	31	5.27	142	55.47
Others	159	0.55	1516	2.18	314	0.91	7	1.19	20	7.81
Developing Countries	10084	34.60	23198	33.38	16759	48.71	457	77.72	29	11.33
Africa	234	0.80	1686	2.43	159	0.46	56	9.52	0	0.00
Asia	8500	29.17	15362	22.11	15258	44.35	377	64.12	29	11.33
Europe	99	0.34	982	1.41	193	0.56	1	0.17	0	0.00
Middle East	1068	3.66	2790	4.02	776	2.26	7	1.19	0	0.00
Western Hemisphere	184	0.63	2378	3.42	373	1.08	16	2.72	0	0.00
Others	80	0.27	1687	2.43	130	0.38	17	2.89	0	0.00
IMPORTS:										
Total	25869	100.00	81114	100.00	36749	100.00	1073	100.00	455	100.00
Industrial Countries	17036	65.85	59528	73.39	23036	62.68	237	22.09	220	48.35
United States	3397	13.13	19183	23.65	5626	15.31	26	2.42	7	1.54
Canada	354	1.37	1873	2.31	303	0.82	1	0.09	2	0.44
Australia	1378	5.33	2742	3.38	1175	3.20	3	0.28	2	0.44
Japan	6327	24.46	21334	26.30	9582	26.07	91	8.48	108	23.74
EEC	4704	18.18	12298	15.16	5001	13.61	87	8.11	50	10.99
Others	876	3.39	2098	2.59	1349	3.67	29	2.70	51	11.21
Developing Countries	8751	33.83	18994	23.42	13485	36.69	824	76.79	235	51.65
Africa	189	0.73	245	0.30	183	0.50	3	0.28	0	0.00
Asia	6729	26.01	10035	12.37	12380	33.69	766	71.39	228	50.11
Europe	167	0.65	516	0.64	94	0.26	54	5.03	2	0.44
Middle East	1069	4.13	6021	7.42	318	0.87	0	0.00	2	0.44
Western Hemisphere	597	2.31	2178	2.69	510	1.39	1	0.09	3	0.66
Others	82	0.32	2592	3.20	228	0.62	12	1.12	0	0.00

Source: IMF, Direction of Trade Statistics, 1992.

Appendix 19. Values and Directions of SEACEN Countries' Trade, 1991. (continued) (in million US $)

Export to/ Import from	Philippines Value	% of total	Singapore Value	% of total	Sri Lanka Value	% of total	Thailand Value	% of total	SEACEN Value	% of total
E X P O R T S :										
Total	8840	100.00	59188	100.00	2120	100.00	27562	100.00	231590	100.00
Industrial Countries	6896	78.01	28200	47.64	1526	71.98	18354	66.59	136415	58.90
United States	3151	35.64	11674	19.72	595	28.07	6021	21.85	49157	21.23
Canada	146	1.65	453	0.77	37	1.75	413	1.50	3209	1.39
Australia	104	1.18	1458	2.46	28	1.32	463	1.68	4277	1.85
Japan	1771	20.03	5133	8.67	120	5.66	5038	18.28	40529	17.50
EEC	1645	18.61	8278	13.99	675	31.84	5734	20.80	35188	15.19
Others	79	0.89	1204	2.03	71	3.35	685	2.49	4055	1.75
Developing Countries	1928	21.81	30603	51.70	544	25.66	8769	31.82	92371	39.89
Africa	16	0.18	1182	2.00	28	1.32	541	1.96	3902	1.68
Asia	1649	18.65	26039	43.99	204	9.62	6127	22.23	73545	31.76
Europe	17	0.19	598	1.01	31	1.46	487	1.77	2408	1.04
Middle East	150	1.70	1818	3.07	247	11.65	1329	4.82	8185	3.53
Western Hemisphere	95	1.07	965	1.63	35	1.65	283	1.03	4329	1.87
Others	16	0.18	385	0.65	50	2.36	439	1.59	2804	1.21
I M P O R T S :										
Total	12945	100.00	66257	100.00	3136	100.00	37518	100.00	265143	100.00
Industrial Countries	7281	56.25	35818	54.06	1162	36.74	22434	59.80	166752	62.89
United States	2610	20.16	10501	15.85	133	4.20	3997	10.65	45480	17.15
Canada	174	1.34	402	0.61	16	0.51	385	1.03	3510	1.32
Australia	420	3.24	1247	1.88	37	1.17	577	1.54	7581	2.86
Japan	2517	19.44	14115	21.30	321	10.15	10802	28.79	65197	24.59
EEC	1318	10.18	7978	12.04	574	18.15	5200	13.86	37210	14.03
Others	242	1.87	1575	2.38	81	2.56	1473	3.93	7774	2.93
Developing Countries	5613	43.36	30227	45.62	1995	63.07	14415	38.42	94539	35.66
Africa	68	0.53	404	0.61	128	4.05	402	1.07	1622	0.61
Asia	3844	29.69	22665	34.21	1522	48.12	11578	30.86	69747	26.31
Europe	76	0.59	297	0.45	31	098	374	1.00	1611	0.61
Middle East	1332	10.29	6066	9.16	273	8.63	1282	3.42	16363	6.17
Western Hemisphere	293	2.26	796	1.20	41	1.30	778	2.07	5197	1.96
Others	51	0.39	212	0.32	6	0.19	669	1.78	3852	1.45

Source: IMF, Direction of Trade Statistics, 1992.

APPENDIX 20

Interpretation of the Harmonized
System Classifications.

Section	Interpretation
I	Live animals; animal products.
II	Vegetable products.
III	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes.
IV	Prepared foodstuffs; beverages; spirits and vinegar; tobacco and manufactured tobacco substitutes.
V	Mineral products.
VI	Products of the chemical or allied industries.
VII	Plastics and articles thereof; rubber and articles thereof.
VIII	Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar container; articles of animal gut (other than silkworm gut)
IX	Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork.
X	Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard and articles thereof.
XI	Textiles and textile articles.
XII	Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair.

XIII	Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware.
XIV	Natural or cultured pearls, precious or semiprecious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewelry; coin.
XV	Base metals and articles of base metals.
XVI	Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.
XVII	Vehicles, aircraft, vessels and associated transport equipment.
XVIII	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches, musical instruments; parts and accessories thereof.
XIX	Arms and ammunition; parts and accessories thereof.
XX	Miscellaneous manufactured articles.
XXI	Works of art, collectors' pieces and antiques.

Appendix 21. EEC Financial Aid (Commitments) to Malaysia, 1985-1989. (in thousand US dollars)

	1985	1986	1987	1988	1989
Industrial promotion	-	-	-	-	275
Training	61	275	81	-	0
Research	-	-	81	261	264
Trade promotion	229	3	341	455	0
NGO projects	-	21	210	-	4
Industrial cooperation	-	-	-	-	55
Refugees (training prog.)	-	-	-	-	562
Drug abuse prevention	-	-	323	-	0
TOTAL	**290**	**368**	**955**	**717**	**1161**

Source: EEC, data are converted into US dollar.

Appendix 22. EEC Development Cooperation with the Philippines, 1985-1989. (in million US dollars)

	1985	1986	1987	1988	1989
1. Financial & Tech. Assistance	8.2	18.2	-	12.3	18.2
- Aurora integrated area	-	-	-	-	-
development project.	8.2	-	-	-	-
- Mindano integrated rural	-	-	-	-	-
development project	-	-	-	12.3	-
- Central Cordeillera devel.	-	-	-	-	-
program	-	18.2	-	-	-
- Southern Mindanao Agricult.	-	-	-	-	-
program	-	-	-	-	18.2
2. Food Aid	1.7	1.6	1.9	0.6	-
- Direct & indirect	1.7	0.9	1.3	-	-
- Emergency	-	0.7	0.6	0.6	-
3. NGO Projects	0.6	1.5	1.8	2.2	2.3
4. Trade Promotion	0.4	-	0.8	0.4	4.4
5. Training	0.1	0.3	0.1	0.7	-
6. Economic & Comercial Coop.	-	-	-	0.1	0.1
7. Industrial Promotion	-	-	-	-	-
T O T A L	**11.1**	**24.8**	**5.2**	**16.3**	**24.9**

Source: EEC, data are converted into US dollar.

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Appendix 23. EEC Development Cooperation with Thailand, 1985-1989. (in million US dollars)

Field of Activity	1985	1986	1987	1988	1989
1. Financial & Technical	26.7	5.5	3.2	13.4	50.9
- Agricultural credit & project					
for heve plantations	26.7	-	-	-	-
- Huai Mong (2nd phase)	-	5.5	-	-	-
- Mackock Irrigation	-	-	3.2	-	-
- J.S.O.(Joint Secret Office)	-	-	-	2.1	-
- Fruit tree & Forest	-	-	-	11.2	-
- Amelior.gest.de.l'irrigat.N-E	-	-	-	-	32.0
- Devlpt.sole dans le N-E	-	-	-	-	13.3
- Devlpt cult.arbre cacutchouc	-	-	-	-	5.6
2. Food Aid	2.6	5.7	6.5	10.6	11.2
3. Emergency Aid	0.2	-	-	0.1	-
4. Trade Promotion	0.2	0.4	1.2	0.0	0.4
5. NGO Projects	0.6	0.4	0.7	0.3	0.6
6. Scientific & Technology	-	-	-	1.1	3.0
7. Training	0.1	0.7	0.1	0.4	-
8. Aid to Refugees	-	1.9	-	1.0	4.8
9. Energy	-	0.3	-	-	-
10. Ecology	-	-	-	-	0.3
11. Drugs	-	-	-	1.3	0.6
12. Aids	-	-	-	-	0.4
13. Industrial Promotion	-	-	-	-	0.6
T O T A L	**30.8**	**14.9**	**11.8**	**28.4**	**72.8**

Source: EEC, data are converted into US dollar.

Appendix 24. DF Statistics of Unit Root Tests of the Country Variables. (With constant term and no trend)

Variables	Dickey-Fuller t-statistic
At Level:	
RGDPEC	-3.1763 **
GDEFEC	-1.2960
RGDPIN	-4.0881 *
EXECIN	-1.3031
RGDPKO	-5.733 *
EXECKO	-0.2375
RGDPMA	-4.5343 *
EXECMA	-1.3705
RGDPMY	-4.4672 *
EXECMY	0.1791
RGDPNE	-5.7990 *
EXECNE	2.4231
RGDPPH	-2.1567
EXECPH	-0.9142
RGDPSI	-5.9168 *
EXECSI	1.7430
RGDPSR	-5.6064 *
EXECSR	-1.4021
RGDPTH	-2.9356 ***
EXECTH	-1.9585
1st Difference:	
GDEFECD	-3.8050 *
EXECIND	-3.3657 **
EXECKOD	-4.9788 *
EXECMAD	-5.0425 *
EXECMYD	-3.3164 **
EXECNED	-3.8938 *
RGDPPHD	-4.8003 *
EXECPHD	-4.1849 *
EXECSID	-3.2312 *
EXECSRD	-5.5977 *
EXECTHD	-3.3688 *

*   Significant at 1 per cent
** Significant at 5 per cent
*** Significant at 10 per cent

Appendix 25. Selected FPE Test Results for Lag Length Selection

Country	Dependent Variable	Independent Variables	FPE
Indonesia	RGDPEC	C RGDPEC (1) GDEFECD (1) EXECIND (1) RGDPIN (1)	3.291
		C RGDPEC (1) GDEFECD (1) EXECIND (1)	3.007
		C RGDPEC (1) GDEFECD (1)	2.755
		C RGDPEC (1)	2.747*
	GDEFECD	C GDEFECD (1) RGDPEC (4) RGDPIN (2) EXECIND (1)	1.189
		C GDEFECD (1) RGDPEC (4) RGDPIN (2)	1.106*
		C GDEFECD (1) RGDPEC (4)	1.255
		C GDEFECD (1)	3.055
	EXECIND	C EXECIND (1) GDEFECD (2) RGDPEC (3) RGDPIN (2)	0.448
		C EXECIND (1) GDEFECD (2) RGDPEC (3)	0.435
		C EXECIND (1) GDEFECD (2)	0.372*
		C EXECIND (1)	0.387

Appendix 25. Selected FPE Test Results for Lag Length Selection (continued)

Country	Dependent Variable	Independent Variables	FPE
	RGDPIN	C RGDPIN (1) EXECIND (1) RGDPEC (3) GDEFECD (4)	4.478
		C RGDPIN (1) EXECIND (1) RGDPEC (3)	4.348
		C RGDPIN (1) EXECIND (1)	4.171*
		C RGDPIN (1)	4.719
Korea	RGDPEC	C RGDPEC (3) GDEFECD (1) EXECKOD (1) RGDPKO (1)	2.683
		C RGDPEC (3) GDEFECD (1) EXECKOD (1)	2.466
		C RGDPEC (3) GDEFECD (1)	2.465*
		C RGDPEC (3)	2.690
	GDEFECD	C GDEFECD (1) RGDPEC (1) EXECKOD (1) RGDPKO (1)	1.452
		C GDEFECD (1) RGDPEC (1) EXECKOD (1)	1.361*
		C GDEFECD (1) RGDPEC (1)	1.363
		C GDEFECD (1)	2.820

Country	Dependent Variable	Independent Variables	FPE
	RGDPKO	C RGDPKO (1) EXECKOD (3) GDEFECD (1) RGDPEC (2)	15.272
		C RGDPKO (1) EXECKOD (3) GDEFECD (1)	14.024
		C RGDPKO (1) EXECKOD (3)	13.264*
		C RGDPKO (1)	13.410
	EXECKOD	C EXECKOD (1) GDEFECD (2) RGDPEC (3) RGDPKO (2)	39353
		C EXECKOD (1) GDEFECD (2) RGDPEC (3)	33948
		C EXECKOD (1) GDEFECD (2)	30678*
		C EXECKOD (1)	35097
Malaysia	RGDPEC	C RGDPEC (1) EXECMAD (4) RGDPMA (1) GDEFECD (1)	2.831
		C RGDPEC (1) EXECMAD (4) RGDPMA (1)	2.600
		C RGDPEC (1) EXECMAD (4)	2.503*
		C RGDPEC (1)	2.747

Country	Dependent Variable	Independent Variables	FPE
	GDEFECD	C GDEFECD (1) RGDPEC (1) EXECMAD (1) RGDPMA (1)	1.369
		C GDEFECD (1) RGDPEC (1) EXECMAD (1)	1.315
		C GDEFECD (1) RGDPEC (1)	1.255*
		C GDEFECD (1)	3.055
	EXECMAD	C EXECMAD (3) GDEFECD (1) RGDPEC (2) RGDPMA (2)	6515
		C EXECMAD (3) GDEFECD (1) RGDPEC (2)	6109
		C EXECMAD (3) GDEFECD (1)	6136
		C EXECMAD (3)	5813*
	RGDPMA	C RGDPMA (1) RGDPEC (3) EXECMAD (1) GDEFECD (1)	13.450
		C RGDPMA (1) RGDPEC (3) EXECMAD (1)	12.547*
		C RGDPMA (1) RGDPEC (3)	12.708
		C RGDPMA (1)	13.403

Appendix 25. Selected FPE Test Results for Lag Length Selection (continued)

Country	Dependent Variable	Independent Variables	FPE
Myanmar	RGDPEC	C RGDPEC (1) GDEFECD (1) RGDPMY (1) EXECMYD (1)	3.219
		C RGDPEC (1) GDEFECD (1) RGDPMY (1)	2.961
		C RGDPEC (1) GDEFECD (1)	2.805*
		C RGDPEC (1)	2.849
	GDEFECD	C GDEFECD (1) RGDPEC (1) EXECMYD (3) RGDPMY (3)	1.029
		C GDEFECD (1) RGDPEC (1) EXECMYD (3)	0.970*
		C GDEFECD (1) RGDPEC (1)	1.190
		C GDEFECD (1)	2.913
	EXECMYD	C EXECMYD (3) GDEFECD (1) RGDPEC (1) RGDPMY (1)	66.969
		C EXECMYD (3) GDEFECD (1) RGDPEC (1)	61.271
		C EXECMYD (3) GDEFECD (1)	59.998
		C EXECMYD (3)	39.184*

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Appendix 25. Selected FPE Test Results for Lag Length Selection (continued)

Country	Dependent Variable	Independent Variables	FPE
	RGDPMY	C RGDPMY (1) EXECMYD (1) RGDPEC (1) GDEFECD (2)	39.184
		C RGDPMY (1) EXECMYD (1) RGDPEC (1)	32.861
		C RGDPMY (1) EXECMYD (1)	27.840
		C RGDPMY (1)	26.577*
Nepal	RGDPEC	C RGDPEC (1) EXECNED (4) GDEFECD (2) RGDPNE (4)	2.036
		C RGDPEC (1) EXECNED (4) GDEFECD (2)	1.738*
		C RGDPEC (1) EXECNED (4)	1.785
		C RGDPEC (1)	2.640
	GDEFECD	C GDEFECD (1) RGDPEC (1) RGDPNE (2) EXECNED (1)	1.285
		C GDEFECD (1) RGDPEC (1) RGDPNE (2)	1.212*
		C GDEFECD (1) RGDPEC (1)	1.337
		C GDEFECD (1)	3.135

Appendix 25. Selected FPE Test Results for Lag Length Selection (continued)

Country	Dependent Variable	Independent Variables	FPE
	EXECNED	C EXECNED (2) RGDPNE (4) RGDPEC (1) GDEFECD (1)	2.635
		C EXECNED (2) RGDPNE (4) RGDPEC (1)	2.399
		C EXECNED (2) RGDPNE (4)	2.153*
		C EXECNED (2)	4.866
	RGDPNE	C RGDPNE (4) EXECNED (1) RGDPEC (1) GDEFECD (1)	10.980
		C RGDPNE (4) EXECNED (1) RGDPEC (1)	9.202
		C RGDPNE (4) EXECNED (1)	8.921*
		C RGDPNE (4)	9.396
The Philippines	RGDPEC	C RGDPEC (1) GDEFECD (1) RGDPPHD (1) EXECPHD (1)	3.229
		C RGDPEC (1) GDEFECD (1) RGDPPHD (1)	2.957
		C RGDPEC (1) GDEFECD (1)	2.755
		C RGDPEC (1)	2.747*

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Appendix 25. Selected FPE Test Results for Lag Length Selection (continued)

Country	Dependent Variable	Independent Variables	FPE
	GDEFECD	C GDEFECD (1) RGDPEC (1) RGDPPHD (1) EXECPHD (1)	1.483
		C GDEFECD (1) RGDPEC (1) RGDPPHD (1)	1.358
		C GDEFECD (1) RGDPEC (1)	1.255*
		C GDEFECD (1)	3.055
	EXECPHD	C EXECPHD (1) RGDPEC (1) GDEFECD (1) RGDPPHD (1)	1609
		C EXECPHD (1) RGDPEC (1) GDEFECD (1)	1495
		C EXECPHD (1) RGDPEC (1)	1368
		C EXECPHD (1)	1329*
	RGDPPHD	C RGDPPHD (1) EXECPHD (4) RGDPEC (1) GDEFECD (1)	15.423
		C RGDPPHD (1) EXECPHD (4) RGDPEC (1)	14.044
		C RGDPPHD (1) EXECPHD (4)	12.780*
		C RGDPPHD (1)	13.080

Appendix 25. Selected FPE Test Results for Lag Length Selection (continued)

Country	Dependent Variable	Independent Variables	FPE
Singapore	RGDPEC	C RGDPEC (3) GDEFECD (1) RGDPSI (1) EXECSID (1)	2.680
		C RGDPEC (3) GDEFECD (1) RGDPSI (1)	2.471
		C RGDPEC (3) GDEFECD (1)	2.359*
		C RGDPEC (3)	2.598
	GDEFECD	C GDEFECD (1) RGDPEC (1) EXECSID (1) RGDPSI (3)	1.452
		C GDEFECD (1) RGDPEC (1) EXECSID (1)	1.379
		C GDEFECD (1) RGDPEC (1)	1.300*
		C GDEFECD (1)	2.702
	EXECSID	C EXECSID (1) GDEFECD (1) RGDPEC (2) RGDPSI (2) C	12125
		EXECSID (1) GDEFECD (1) RGDPEC (2)	10809
		C EXECSID (1) GDEFECD (1)	9687*
		C EXECSID (1)	9832
	RGDPSI	C RGDPSI (1)	37.121

Country	Dependent Variable	Independent Variables	FPE
		RGDPEC (2)	
		GDEFECD (1)	
		EXECSID (3)	
		C	34.477
		RGDPSI (1)	
		RGDPEC (2)	
		GDEFECD (1)	
		C	32.855*
		RGDPSI (1)	
		RGDPEC (2)	
		C	36.801
		RGDPSI (1)	
Sri Lanka	RGDPEC	C	2.386
		RGDPEC (1)	
		EXECSRD (1)	
		RGDPSR (2)	
		GDEFECD (3)	
		C	2.008
		RGDPEC (1)	
		EXECSRD (1)	
		RGDPSR (2)	
		C	1.950*
		RGDPEC (1)	
		EXECSRD (1)	
		C	2.747
		RGDPEC (1)	
	GDEFECD	C	1.408
		GDEFECD (1)	
		RGDPEC (1)	
		RGDPSR (1)	
		EXECSRD (2)	
		C	1.360
		GDEFECD (1)	
		RGDPEC (1)	
		RGDPSR (1)	
		C	1.259*
		GDEFECD (1)	
		RGDPEC (1)	
		C	3.055
		GDEFECD (1)	
	EXECSRD	C	265.922
		EXECSRD (1)	
		RGDPSR (4)	
		RGDPEC (4)	
		GDEFECD (4)	

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Appendix 25. Selected FPE Test Results for Lag Length Selection (continued)

Country	Dependent Variable	Independent Variables	FPE
		C EXECSRD (1) RGDPSR (4) RGDPEC (4)	187.841
		C EXECSRD (1) RGDPSR (4)	139.679*
		C EXECSRD (1)	242.217
	RGDPSR	C RGDPSR (1) EXECSRD (4) RGDPEC (2) GDEFECD (1)	8.108
		C RGDPSR (1) EXECSRD (4) RGDPEC (2)	7.356
		C RGDPSR (1) EXECSRD (4)	6.701*
		C RGDPSR (1)	10.199
Thailand	RGDPEC	C RGDPEC (1) RGDPTHD (3) GDEFECD (1) EXECTHD (1)	2.218
		C RGDPTHD (3) GDEFECD (1) EXECTHD (1)	2.648
		C RGDPTHD (3) GDEFECD (1)	2.599*
		C RGDPTHD (3)	2.747
	GDEFECD	C GDEFECD (1) RGDPEC (1) EXECTHD (2) RGDPTH (1)	1.339
		C GDEFECD (1)	1.221*

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Appendix 25. Selected FPE Test Results for Lag Length Selection (continued)

Country	Dependent Variable	Independent Variables	FPE
		RGDPEC (1)	
		EXECTHD (2)	
		C	1.255
		GDEFECD (1)	
		RGDPEC (1)	
		C	3.055
		GDEFECD (1)	
	EXECTHD	C	5511
		EXECTHD (2)	
		GDEFECD (1)	
		RGDPTH (1)	
		RGDPEC (1)	
		C	5027
		EXECTHD (2)	
		GDEFECD (1)	
		RGDPTH (1)	
		C	4722
		EXECTHD (2)	
		GDEFECD (1)	
		C	4651*
		EXECTHD (2)	
	RGDPTH	C	4.771
		RGDPTH (1)	
		EXECTHD (2)	
		RGDPEC (1)	
		GDEFECD (1)	
		C	
		RGDPTH (1)	4.392
		EXECTHD (2)	
		RGDPEC (1)	
		C	4.131*
		RGDPTH (1)	
		EXECTHD (2)	
		C	5.315
		RGDPTH (1)	

Notes: FPE is Final Prediction Error
Number in parentheses represents maximum lag length.
* The equation is selected

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Appendix 26. The Specified VAR Models for SEACEN Member Countries.

1. Indonesia.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECIND \\ RGDPIN \end{bmatrix} =
\begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} +
\begin{bmatrix}
A11^1(L) & 0 & 0 & 0 \\
A21^4(L) & A22^1(L) & 0 & A24^2(L) \\
0 & A32^2(L) & A33^1(L) & 0 \\
0 & 0 & A43^1(L) & A44^1(L)
\end{bmatrix}
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECIND \\ RGDPIN \end{bmatrix} +
\begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

2. Korea.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECKOD \\ RGDPKO \end{bmatrix} =
\begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} +
\begin{bmatrix}
A11^3(L) & A12^1(L) & 0 & 0 \\
A21^1(L) & A22^1(L) & A23^4(L) & 0 \\
0 & A32^2(L) & A33^1(L) & 0 \\
0 & 0 & A43^3(L) & A44^1(L)
\end{bmatrix}
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECKOD \\ RGDPKO \end{bmatrix} +
\begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

3. Malaysia.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECMAD \\ RGDPMA \end{bmatrix} =
\begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} +
\begin{bmatrix}
A11^1(L) & 0 & A13^4(L) & 0 \\
A21^1(L) & A22^1(L) & 0 & 0 \\
0 & 0 & A33^3(L) & 0 \\
A41^3(L) & 0 & A43^1(L) & A44^1(L)
\end{bmatrix}
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECMAD \\ RGDPMA \end{bmatrix} +
\begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

4. Myanmar.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECMYD \\ RGDPMY \end{bmatrix} =
\begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} +
\begin{bmatrix}
A11^1(L) & A12^1(L) & 0 & 0 \\
A21^1(L) & A22^1(L) & A23^2(L) & 0 \\
0 & 0 & A33^3(L) & 0 \\
0 & 0 & 0 & A44^1(L)
\end{bmatrix}
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECMYD \\ RGDPMY \end{bmatrix} +
\begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

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Appendix 26. The Specified VAR Models for SEACEN Member Countries (continued).

5. Nepal

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECNED \\ RGDPNE \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} + \begin{bmatrix} A11^1(L) & A12^2(L) & A13^4(L) & 0 \\ A21^1(L) & A22^1(L) & 0 & A24^2(L) \\ 0 & 0 & A33^1(L) & A34^4(L) \\ 0 & 0 & A43^1(L) & A44^4(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECNED \\ RGDPNE \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

6. The Philippines.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECPHD \\ RGDPPHD \end{bmatrix} \approx \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} + \begin{bmatrix} A11^1(L) & 0 & 0 & 0 \\ A21^1(L) & A22^1(L) & 0 & 0 \\ 0 & 0 & A33^1(L) & 0 \\ 0 & 0 & A43^4(L) & A44^1(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECPHD \\ RGDPPHD \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

7. Singapore.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECSID \\ RGDPSI \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} + \begin{bmatrix} A11^3(L) & A12^1(L) & 0 & 0 \\ A21^1(L) & A22^1(L) & 0 & 0 \\ 0 & A32^1(L) & A33^1(L) & 0 \\ A41^2(L) & 0 & 0 & A44^1(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECSID \\ RGDPSI \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

8. Sri Lanka.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECSRD \\ RGDPSR \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} + \begin{bmatrix} A11^1(L) & 0 & A13^1(L) & 0 \\ A21^1(L) & A22^1(L) & 0 & 0 \\ 0 & 0 & A33^1(L) & A34^4(L) \\ 0 & 0 & A43^4(L) & A44^1(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECSRD \\ RGDPSR \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_5 \\ e_4 \end{bmatrix}
$$

Appendix 26. The Specified VAR Models for SEACEN Member Countries (continued).

9. Thailand.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECTHD \\ RGDPTH \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} \begin{bmatrix} A11^1(L) & 0 & 0 & A14^3(L) \\ A21^1(L) & A22^1(L) & A23^2(L) & 0 \\ 0 & 0 & A33^2(L) & 0 \\ 0 & 0 & A43^2(L) & A44^1(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECTHD \\ RGDPTH \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

Notes :

$Aij^n(L) = Aij^1(L) + Aij^2(L) + \ldots\ldots Aij^n(L)$, for $i, j = 1, 2, 3, 4$.

c_i, $i = 1, 2, 3, 4$ are the constants.

e_i, $i = 1, 2, 3, 4$ are the white noise residuals.

L is the lag operator.

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Appendix 27. Specification and Causality Tests of the Specified Model.

Hypothesis	Degree of Freedom	Chi-Square Statistics
Indonesia:		
A. Zero/Non-Zero Restrictions.		
1. $A32^2(L) = 0$	2	3.495+
2. $A24^2(L) = 0$	2	4.129+
3. $A13^2(L) \neq 0$	2	1.474+
4. $A14^2(L) \neq 0$	2	3.222+
5. $A24^2(L) \neq 0$	2	4.129+
6. $A31^2(L) \neq 0$	2	1.949+
7. $A41^2(L) \neq 0$	2	1.390+
B. Overfitting tests.		
1. $A11^1(L),A12^1(L),A13^1(L),A14^1(L)$	3	3.275+
2. $A21^4(L),A22^2(L),A23^1(L),A24^3(L)$	3	1.324+
3. $A31^1(L),A32^3(L),A33^2(L),A34^1(L)$	4	8.348***
4. $A41^4(L),A42^1(L),A43^2(L),A44^2(L)$	4	3.071+
C. Underfitting tests.		
1. $A21^3(L),A22^1(L),A24^1(L)$	2	3.767+
2. $A21^3(L),A22^1(L),A24^0(L)$	3	5.435+
3. $A32^1(L),A33^1(L)$	1	2.122+
Korea:		
A. Zero/Non-Zero Restrictions.		
1. $A23^4(L) = 0$	4	8.234***
2. $A32^2(L) = 0$	2	5.403***
3. $A13^1(L) \neq 0$	1	2.080+
4. $A14^1(L) \neq 0$	1	0.004+
5. $A24^1(L) \neq 0$	1	1.603+
6. $A31^1(L) \neq 0$	1	0.536+
7. $A34^1(L) \neq 0$	1	1.396+
8. $A41^4(L) \neq 0$	1	0.022+
9. $A42^1(L) \neq 0$	1	0.859+
B. Overfitting tests.		
1. $A11^4(L),A12^2(L),A13^1(L),A14^1(L)$	4	5.196+
2. $A21^2(L),A22^2(L),A23^4(L),A24^1(L)$	3	9.203**
3. $A21^2(L),A22^2(L),A23^4(L),A24^0(L)$	2	2.829+
4. $A31^1(L),A32^3(L),A33^2(L),A34^1(L)$	4	3.439+
5. $A41^1(L),A42^1(L),A43^4(L),A44^2(L)$	4	9.217***
6. $A41^0(L),A42^0(L),A43^4(L),A44^2(L)$	2	8.459**

Appendix 27. Specification and Causality Tests of the Specified Model. (continued)

Hypothesis	Degree of Freedom	Chi-Square Statistics
C. Underfitting tests.		
1. $A11^2(L),A12^1(L),A13^0(L),A14^0(L)$	1	10.158*
2. $A21^1(L),A22^1(L),A23^3(L),A24^0(L)$	1	3.808***
3. $A31^0(L),A32^1(L),A33^1(L),A34^0(L)$	1	3.927**
4. $A41^0(L),A42^0(L),A43^2(L),A44^1(L)$	1	8.804*
Malaysia:		
A. Zero/Non-Zero Restrictions.		
1. $A13^4(L) = 0$	4	19.783**
2. $A41^3(L) = 0$	3	2.049+
3. $A43^1(L) = 0$	1	2.557****
4. $A12^1(L) \neq 0$	1	0.016+
5. $A14^1(L) \neq 0$	1	0.088+
6. $A23^1(L) \neq 0$	1	0.927+
7. $A24^1(L) \neq 0$	1	0.397+
8. $A31^2(L) \neq 0$	2	1.265+
9. $A32^1(L) \neq 0$	1	0.812+
10. $A34^2(L) \neq 0$	2	0.449+
11. $A42^1(L) \neq 0$	1	1.182+
B. Overfitting tests.		
1. $A11^2(L),A12^0(L),A13^4(L),A14^0(L)$	1	1.112+
2. $A21^2(L),A22^2(L),A13^4(L),A14^0(L)$	2	3.722+
3. $A31^0(L),A32^0(L),A33^4(L),A34^0(L)$	1	1.870+
4. $A41^4(L),A42^0(L),A43^2(L),A44^2(L)$	3	2.848+
C. Underfitting tests.		
1. $A11^1(L),A12^0(L),A13^3(L),A14^0(L)$	1	13.157*
2. $A31^0(L),A32^0(L),A33^2(L),A34^0(L)$	1	2.187****
3. $A41^2(L),A42^0(L),A43^1(L),A44^1(L)$	1	1.931+
Myanmar:		
A. Zero/Non-Zero Restrictions.		
1. $A23^3(L) = 0$	3	12.758*
2. $A13^1(L) \neq 0$	1	0.186+
3. $A14^1(L) \neq 0$	2	0.065+
4. $A24^3(L) \neq 0$	3	5.690+
5. $A24^4(L) \neq 0$	4	10.262**
6. $A31^1(L) \neq 0$	1	0.977+
7. $A32^1(L) \neq 0$	1	2.103****
8. $A32^2(L) \neq 0$	2	2.100+

Hypothesis	Degree of Feedom	Chi-Square Statistics
9. $A34^1(L) \neq 0$	1	0.007+
10.$A41^2(L) \neq 0$	2	0.479+
11.$A41^1(L) \neq 0$	1	0.302+
12.$A42^2(L) \neq 0$	2	0.080+
13.$A42^1(L) \neq 0$	1	0.078+
14.$A43^2(L) \neq 0$	2	1.131+
15.$A43^1(L) \neq 0$	1	0.918+
B. Overfitting tests.		
1. $A11^2(L),A12^2(L),A13^0(L),A14^0(L)$	2	2.078+
2. $A21^2(L),A22^2(L),A23^4(L),A24^0(L)$	3	1.520+
3. $A31^0(L),A32^0(L),A33^4(L),A34^0(L)$	1	0.032+
4. $A31^1(L),A32^1(L),A33^4(L),A34^1(L)$	4	3.836+
5. $A41^0(L),A42^0(L),A43^0(L),A44^2(L)$	1	0.299+
6. $A41^1(L),A42^1(L),A43^1(L),A44^2(L)$	4	1.389+
C. Underfitting tests.		
1. $A21^1(L),A22^1(L),A23^2(L),A24^0(L)$	1	7.751*
2. $A31^0(L),A32^0(L),A33^2(L),A34^0(L)$	1	7.751*
Nepal:		
A. Zero/Non-Zero Restrictions.		
1. $A13^4(L) = 0$	4	18.785*
2. $A24^2(L) = 0$	2	6.309**
3. $A14^1(L) \neq 0$	1	0.001+
4. $A23^1(L) \neq 0$	1	0.989+
5. $A31^1(L) \neq 0$	1	0.211+
6. $A32^1(L) \neq 0$	1	0.720+
7. $A41^1(L) \neq 0$	1	1.676+
8. $A42^4(L) \neq 0$	4	16.334*
B. Overfitting tests.		
1. $A11^2(L),A12^3(L),A13^4(L),A14^1(L)$	3	2.966+
2. $A21^2(L),A22^2(L),A23^1(L),A24^3(L)$	4	2.318+
3. $A31^1(L),A32^1(L),A33^3(L),A34^4(L)$	3	0.897+
4. $A41^1(L),A42^1(L),A43^2(L),A44^4(L)$	3	2.845+
C. Underfitting tests.		
1. $A11^1(L),A12^1(L),A13^3(L),A14^0(L)$	2	7.549*
2. $A21^1(L),A22^1(L),A23^0(L),A24^1(L)$	1	3.423*
3. $A31^0(L),A32^0(L),A33^1(L),A34^3(L)$	2	9.697*
4. $A41^0(L),A42^0(L),A43^1(L),A44^3(L)$	1	7.234*

Appendix 27. Specification and Causality Tests of the Specified Model. (continued)

Hypothesis	Degree of Freedom	Chi-Square Statistics
The Philippines:		
A. Zero/Non-Zero Restrictions.		
1. $A21^0(L) = 0$	1	23.399*
2. $A43^4(L) = 0$	4	6.139+
3. $A12^1(L) \neq 0$	1	2.144****
4. $A12^2(L) \neq 0$	2	4.445****
5. $A12^3(L) \neq 0$	3	4.558+
6. $A13^1(L) \neq 0$	1	0.019+
7. $A14^1(L) \neq 0$	1	0.303+
8. $A23^1(L) \neq 0$	1	0.000+
9. $A24^1(L) \neq 0$	1	0.081+
10. $A31^1(L) \neq 0$	1	1.687+
11. $A32^1(L) \neq 0$	1	0.178+
12. $A34^1(L) \neq 0$	1	0.165+
13. $A41^1(L) \neq 0$	1	0.293+
14. $A42^1(L) \neq 0$	1	0.036+
B. Overfitting tests.		
1. $A11^2(L),A12^1(L),A13^1(L),A14^1(L)$	4	2.936+
2. $A21^2(L),A22^2(L),A23^1(L),A24^1(L)$	4	1.647+
3. $A31^1(L),A32^1(L),A33^2(L),A34^1(L)$	4	2.063+
4. $A41^2(L),A42^1(L),A43^4(L),A44^2(L)$	3	1.067+
C. Underfitting tests.		
1. $A41^0(L),A42^0(L),A43^3(L),A44^1(L)$	1	5.531*
Singapore:		
A. Zero/Non-Zero Restrictions.		
1. $A32^1(L) = 0$	1	2.323****
2. $A41^2(L) = 0$	2	6.579**
3. $A13^1(L) \neq 0$	1	0.050+
4. $A14^1(L) \neq 0$	1	0.689+
5. $A23^1(L) \neq 0$	1	0.420+
6. $A24^1(L) \neq 0$	1	0.535
7. $A31^1(L) \neq 0$	1	0.117+
8. $A34^1(L) \neq 0$	1	0.006+
9. $A42^1(L) \neq 0$	1	0.500+
10. $A43^1(L) \neq 0$	1	0.236+
B. Overfitting tests.		
1. $A11^4(L),A12^2(L),A13^1(L),A14^1(L)$	4	2.798+
2. $A21^2(L),A22^2(L),A23^1(L),A24^1(L)$	4	2.125+

Appendix 27. Specification and Causality Tests of the Specified Model. (continued)

Hypothesis	Degree of Freedom	Chi-Square Statistics
3. $A31^1(L), A32^2(L), A33^2(L), A34^1(L)$	4	4.358+
4. $A41^3(L), A42^1(L), A43^1(L), A44^2(L)$	4	6.649+
C. Underfitting tests.		
1. $A11^2(L), A12^1(L), A13^0(L), A14^0(L)$	1	4.750**
2. $A41^1(L), A42^0(L), A43^0(L), A44^1(L)$	1	1.973****
Sri Lanka:		
A. Zero/Non-Zero Restrictions.		
1. $A13^1(L) = 0$	1	9.258*
2. $A12^1(L) \neq 0$	1	2.380****
3. $A12^2(L) \neq 0$	2	2.983+
4. $A14^1(L) \neq 0$	1	0.000+
5. $A23^1(L) \neq 0$	1	0.853+
6. $A24^1(L) \neq 0$	1	0.076+
7. $A31^1(L) \neq 0$	1	0.035+
8. $A32^1(L) \neq 0$	1	1.548+
9. $A32^2(L) \neq 0$	2	2.022+
10. $A41^1(L) \neq 0$	1	1.454+
11. $A41^2(L) \neq 0$	2	1.838+
12. $A42^1(L) \neq 0$	1	0.839+
B. Overfitting tests.		
1. $A11^2(L), A12^1(L), A13^2(L), A14^1(L)$	4	7.484****
2. $A11^3(L), A12^2(L), A13^3(L), A14^2(L)$	8	28.131*
3. $A21^2(L), A22^2(L), A23^1(L), A24^1(L)$	4	4.702+
4. $A33^1(L), A32^1(L), A33^2(L), A34^4(L)$	3	1.500+
5. $A41^1(L), A42^1(L), A43^4(L), A44^2(L)$	3	2.401+
C. Underfitting tests.		
1. $A31^0(L), A32^0(L), A33^1(L), A34^2(L)$	2	16.340*
2. $A41^0(L), A42^0(L), A43^2(L), A44^1(L)$	2	11.698*
Thailand:		
A. Zero/Non-Zero Restrictions.		
1. $A14^3(L) = 0$	3	8.683**
2. $A23^2(L) = 0$	2	5.898**
3. $A43^2(L) = 0$	2	15.518*
4. $A12^1(L) \neq 0$	1	1.790+
5. $A13^1(L) \neq 0$	1	1.193+
6. $A24^1(L) \neq 0$	1	0.015+

Hypothesis	Degree of Freedom	Chi-Square Statistics
7. $A31^1(L) \neq 0$	1	0.055+
8. $A32^1(L) \neq 0$	1	0.351+
B. Overfitting tests.		
1. $A11^2(L), A12^1(L), A13^1(L), A14^4(L)$	4	5.251+
2. $A21^2(L), A22^2(L), A23^3(L), A24^1(L)$	4	2.364+
3. $A31^1(L), A32^1(L), A33^3(L), A34^1(L)$	4	2.001+
4. $A41^1(L), A42^1(L), A43^3(L), A44^2(L)$	4	7.997***
5. $A41^0(L), A42^0(L), A43^3(L), A44^2(L)$	2	5.184***
6. $A41^0(L), A42^0(L), A43^4(L), A44^3(L)$	4	5.489+
C. Underfitting tests.		
1. $A11^1(L), A12^0(L), A13^0(L), A14^2(L)$	1	7.354*
2. $A21^1(L), A22^1(L), A23^2(L), A24^0(L)$	1	4.368**
3. $A31^0(L), A32^0(L), A33^2(L), A34^0(L)$	1	6.921*
4. $A41^0(L), A42^0(L), A43^1(L), A44^1(L)$	1	9.345*

Notes:
*   Reject at 1-per cent level.
**   Reject at 5-per cent level.
***   Reject at 10-per cent level.
**** Reject at 15-per cent level.
+   Accept at 10-per cent level.

Appendix 28. The Final VAR Models for SEACEN Member Countries, After the Specification Tests.

1. Indonesia.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECIND \\ RGDPIN \end{bmatrix}
=
\begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix}
+
\begin{bmatrix}
A11^1(L) & 0 & 0 & 0 \\
A21^3(L) & A22^1(L) & 0 & A24^2(L) \\
A31^1(L) & A32^3(L) & A33^2(L) & A34^1(L) \\
0 & 0 & A43^1(L) & A44^1(L)
\end{bmatrix}
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECIND \\ RGDPIN \end{bmatrix}
+
\begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

2. Korea.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECKOD \\ RGDPKO \end{bmatrix}
=
\begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix}
+
\begin{bmatrix}
A11^3(L) & A12^1(L) & 0 & 0 \\
A21^2(L) & A22^2(L) & A23^4(L) & A24^3(L) \\
0 & A32^2(L) & A33^1(L) & 0 \\
A41^1(L) & A42^1(L) & A43^4(L) & A44^2(L)
\end{bmatrix}
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECKOD \\ RGDPKO \end{bmatrix}
+
\begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

3. Malaysia.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECMAD \\ RGDPMA \end{bmatrix}
=
\begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix}
+
\begin{bmatrix}
A11^1(L) & 0 & A13^4(L) & 0 \\
A21^1(L) & A22^1(L) & 0 & 0 \\
0 & 0 & A33^3(L) & 0 \\
0 & 0 & A43^1(L) & A44^1(L)
\end{bmatrix}
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECMAD \\ RGDPMA \end{bmatrix}
+
\begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

4. Myanmar.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECMYD \\ RGDPMY \end{bmatrix}
=
\begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix}
+
\begin{bmatrix}
A11^1(L) & A12^1(L) & 0 & 0 \\
A21^1(L) & A22^1(L) & A23^2(L) & A24^4(L) \\
0 & A32^1(L) & A33^3(L) & 0 \\
0 & 0 & 0 & A44^1(L)
\end{bmatrix}
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECMYD \\ RGDPMY \end{bmatrix}
+
\begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

Appendix 28. The Final VAR Models for SEACEN Member Countries, After the Specification Tests (continued).

5. Nepal

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECNED \\ RGDPNE \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} + \begin{bmatrix} A11^1(L) & A12^2(L) & A13^4(L) & 0 \\ A21^1(L) & A22^1(L) & 0 & A24^2(L) \\ 0 & 0 & A33^2(L) & A34^4(L) \\ 0 & A42^4(L) & A43^1(L) & A44^4(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECNED \\ RGDPNE \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

6. The Philippines.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECPHD \\ RGDPPHD \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} + \begin{bmatrix} A11^1(L) & 0 & 0 & 0 \\ A21^1(L) & A22^1(L) & 0 & 0 \\ 0 & 0 & A33^1(L) & 0 \\ 0 & 0 & 0 & A44^1(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECPHD \\ RGDPPHD \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

7. Singapore.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECSID \\ RGDPSI \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} + \begin{bmatrix} A11^3(L) & A12^1(L) & 0 & 0 \\ A21^1(L) & A22^1(L) & 0 & 0 \\ 0 & A32^1(L) & A33^1(L) & 0 \\ A41^2(L) & 0 & 0 & A44^1(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECSID \\ RGDPSI \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

8. Sri Lanka.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECSRD \\ RGDPSR \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} + \begin{bmatrix} A11^3(L) & A12^2(L) & A13^3(L) & A14^2(L) \\ A21^1(L) & A22^1(L) & 0 & 0 \\ 0 & 0 & A33^1(L) & A34^4(L) \\ 0 & 0 & A43^4(L) & A44^1(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECSRD \\ RGDPSR \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

Appendix 28. The Final VAR Models for SEACEN Member Countries, After the Specification Tests (continued).

9. Thailand.

$$
\begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECTHD \\ RGDPTH \end{bmatrix} = \begin{bmatrix} c_1 \\ c_2 \\ c_3 \\ c_4 \end{bmatrix} \begin{bmatrix} A11^1(L) & 0 & 0 & A14^3(L) \\ A21^1(L) & A22^1(L) & A23^2(L) & 0 \\ 0 & 0 & A33^2(L) & 0 \\ 0 & 0 & A43^2(L) & A44^2(L) \end{bmatrix} \begin{bmatrix} RGDPEC \\ GDEFECD \\ EXECTHD \\ RGDPTH \end{bmatrix} + \begin{bmatrix} e_1 \\ e_2 \\ e_3 \\ e_4 \end{bmatrix}
$$

Notes :

$Aij^n(L) = Aij^1(L) + Aij^2(L) + \ldots\ldots Aij^n(L)$, for i, j = 1, 2, 3, 4.

c_i, i = 1, 2, 3, 4 are the constants.

e_i, i = 1, 2, 3, 4 are the white noise residuals.

L is the lag operator.

Appendix 29. Variance Decomposition of the Model with Order of Decomposition: RGDPEC-GDEFECD-EXECXXD-RGDPXX

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
1. Indonesia						
RGDPEC	1	1.521	100.00	0.00	0.00	0.00
	2	1.599	100.00	0.00	0.00	0.00
	3	1.608	100.00	0.00	0.00	0.00
	4	1.609	100.00	0.00	0.00	0.00
	5	1.609	100.00	0.00	0.00	0.00
	6	1.609	100.00	0.00	0.00	0.00
GDEFECD	1	0.976	24.02	75.98	0.00	0.00
	2	1.499	67.63	32.37	0.00	0.00
	3	1.560	70.28	29.72	0.00	0.00
	4	1.638	72.90	27.10	0.00	0.00
	5	1.644	73.09	26.91	0.00	0.00
	6	1.644	73.11	26.89	0.00	0.00
EXECIND	1	0.462	19.02	10.96	70.03	0.00
	2	0.560	20.42	7.64	51.05	20.89
	3	0.598	18.58	10.80	47.32	23.31
	4	0.613	19.78	10.50	45.08	24.64
	5	0.616	19.96	10.60	44.66	24.78
	6	0.622	21.20	10.43	43.93	24.44
RGDPIN	1	1.790	10.69	0.09	0.00	89.22
	2	2.000	13.79	1.25	8.47	76.19
	3	2.069	15.69	1.18	10.08	73.05
	4	2.108	15.13	1.93	10.84	72.10
	5	2.127	15.28	2.09	10.82	71.81
	6	2.134	15.38	2.17	10.78	71.66
2. Korea						
RGDPEC	1	1.286	100.00	0.00	0.00	0.00
	2	1.479	93.48	6.52	0.00	0.00
	3	1.542	85.96	12.28	0.75	1.01
	4	1.593	85.47	12.43	0.71	1.40
	5	1.667	83.56	12.25	2.92	1.37
	6	1.685	81.87	12.48	4.36	1.29
GDEFECD	1	0.756	18.41	81.59	0.00	0.00
	2	1.191	42.34	47.97	4.13	5.56
	3	1.299	50.39	40.47	3.94	5.21
	4	1.402	43.25	36.57	15.13	5.04
	5	1.536	42.63	32.58	20.29	4.49
	6	1.627	42.05	29.14	24.79	4.01
EXECKOD	1	149.487	0.55	2.47	96.98	0.00
	2	153.183	1.17	5.21	93.62	0.00
	3	159.679	7.80	4.92	86.74	0.54
	4	161.733	7.64	6.56	85.12	0.68
	5	164.521	8.97	6.62	83.45	0.96
	6	164.521	9.20	6.31	83.59	0.91

Appendix 29. Variance Decomposition of the Model with Order of Decomposition: RGDPEC-GDEFECD-EXECXXD-RGDPXX (continued)

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
RGDPKO	1	3.042	45.43	0.00	28.17	26.10
	2	3.141	43.36	0.08	29.20	27.36
	3	3.246	41.11	0.08	33.16	25.65
	4	3.482	36.04	1.45	40.04	22.47
	5	3.675	32.57	1.45	45.80	20.19
	6	3.712	32.57	2.12	45.30	20.00
3. Malaysia						
RGDPEC	1	1.242	100.00	0.00	0.00	0.00
	2	1.434	96.98	0.03	2.99	0.00
	3	1.498	88.92	0.12	10.96	0.00
	4	1.503	88.42	0.13	11.45	0.00
	5	1.525	86.37	0.15	13.48	0.00
	6	1.596	81.16	0.21	18.63	0.00
GDEFECD	1	0.983	20.28	79.72	0.00	0.00
	2	1.309	53.70	46.30	0.00	0.00
	3	1.473	61.78	36.64	1.58	0.00
	4	1.503	59.56	35.23	5.21	0.00
	5	1.509	59.10	34.95	6.00	0.00
	6	1.525	58.20	34.28	7.52	0.00
EXECMAD	1	64.013	28.38	0.80	70.83	0.00
	2	73.034	28.38	0.80	70.83	0.00
	3	73.371	28.38	0.80	70.83	0.00
	4	73.410	28.38	0.80	70.83	0.00
	5	75.044	28.38	0.80	70.83	0.00
	6	75.231	28.38	0.80	70.83	0.00
RGDPMA	1	3.211	50.40	7.44	8.89	33.27
	2	3.336	49.61	7.02	12.47	30.90
	3	3.377	49.13	6.87	13.83	30.17
	4	3.377	49.12	6.87	13.85	30.16
	5	3.377	49.12	6.87	13.86	30.15
	6	3.384	49.04	6.85	14.08	30.13
4. Myanmar						
RGDPEC	1	1.482	100.00	0.00	0.00	0.00
	2	1.597	98.61	1.39	0.00	0.00
	3	1.604	98.46	1.52	0.02	0.00
	4	1.622	97.84	1.72	0.44	0.00
	5	1.636	96.48	2.29	0.95	0.28
	6	1.638	96.28	2.35	1.06	0.31
GDEFECD	1	0.686	8.16	91.84	0.00	0.00
	2	1.339	75.44	24.15	0.41	0.00
	3	1.539	69.80	23.29	6.86	0.04
	4	1.632	62.32	25.31	9.18	3.18
	5	1.658	61.81	24.55	8.99	4.66
	6	1.686	61.49	24.33	9.34	4.83

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
EXECMYD	1	6.294	19.34	17.32	63.33	0.00
	2	6.354	19.07	18.73	62.20	0.00
	3	6.610	19.29	18.29	62.42	0.00
	4	7.119	20.71	17.68	61.61	0.00
	5	7.157	20.72	17.99	60.97	0.32
	6	7.245	20.25	17.87	61.41	0.47
RGDPMY	1	4.740	0.00	7.57	1.40	91.03
	2	4.950	0.00	7.57	1.40	91.03
	3	4.960	0.00	7.57	1.40	91.03
	4	4.960	0.00	7.57	1.40	91.03
	5	4.960	0.00	7.57	1.40	91.03
	6	4.960	0.00	7.57	1.40	91.03

5. Nepal

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
RGDPEC	1	0.893	100.00	0.00	0.00	0.00
	2	1.139	86.68	2.68	10.64	0.00
	3	1.154	84.46	3.65	10.63	1.26
	4	1.379	64.54	6.64	20.76	8.06
	5	1.479	57.29	6.01	29.54	7.16
	6	1.539	53.81	8.45	27.87	9.37
GDEFECD	1	0.864	8.32	91.68	0.00	0.00
	2	1.037	32.17	65.55	0.40	1.88
	3	1.266	51.70	43.97	1.53	2.80
	4	1.286	51.24	42.60	3.08	3.08
	5	1.464	40.77	39.56	11.59	8.07
	6	1.498	38.97	37.92	15.22	7.88
EXECNED	1	1.040	2.90	0.46	96.64	0.00
	2	1.427	9.37	7.77	72.64	10.22
	3	1.736	9.40	14.97	55.01	20.63
	4	1.760	10.37	15.06	53.55	21.13
	5	1.766	10.34	15.24	53.25	21.17
	6	1.806	10.20	16.68	51.64	21.47
RGDPNE	1	1.990	14.59	25.93	10.38	49.10
	2	2.160	12.54	22.36	22.24	42.47
	3	2.332	11.46	24.27	27.47	36.82
	4	2.553	10.03	33.40	23.67	32.90
	5	2.726	16.73	29.33	21.48	32.46
	6	2.745	16.54	29.81	21.52	32.14

6. The Philippines

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
RGDPEC	1	1.522	100.00	0.00	0.00	0.00
	2	1.599	100.00	0.00	0.00	0.00
	3	1.607	100.00	0.00	0.00	0.00
	4	1.608	100.00	0.00	0.00	0.00
	5	1.608	100.00	0.00	0.00	0.00
	6	1.608	100.00	0.00	0.00	0.00

Appendix 29. Variance Decomposition of the Model with Order of Decomposition: RGDPEC-GDEFECD-EXECXXD-RGDPXX (continued)

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
GDEFECD	1	0.987	9.85	90.15	0.00	0.00
	2	1.507	60.57	39.43	0.00	0.00
	3	1.602	65.10	34.90	0.00	0.00
	4	1.615	65.64	34.36	0.00	0.00
	5	1.617	65.71	34.29	0.00	0.00
	6	1.617	65.71	34.29	0.00	0.00
EXECPHD	1	33.410	13.82	0.47	85.71	0.00
	2	33.730	13.82	0.47	85.71	0.00
	3	33.740	13.82	0.47	85.71	0.00
	4	33.740	13.82	0.47	85.71	0.00
	5	33.740	13.82	0.47	85.71	0.00
	6	33.740	13.82	0.47	85.71	0.00
RGDPPHD	1	3.325	11.12	0.56	18.04	70.28
	2	3.343	11.12	0.56	18.04	70.28
	3	3.343	11.12	0.56	18.04	70.28
	4	3.343	11.12	0.56	18.04	70.28
	5	3.343	11.12	0.56	18.04	70.28
	6	3.343	11.12	0.56	18.04	70.28

7. Singapore

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
RGDPEC	1	1.282	100.00	0.00	0.00	0.00
	2	1.497	94.31	5.58	0.00	0.00
	3	1.516	92.36	7.64	0.00	0.00
	4	1.520	92.40	7.60	0.00	0.00
	5	1.540	92.56	7.44	0.00	0.00
	6	1.540	92.36	7.64	0.00	0.00
GDEFECD	1	1.016	11.40	88.60	0.00	0.00
	2	1.318	45.34	54.66	0.00	0.00
	3	1.480	54.61	45.39	0.00	0.00
	4	1.490	53.77	46.23	0.00	0.00
	5	1.512	53.90	45.37	0.00	0.00
	6	1.512	54.63	45.35	0.00	0.00
EXECSID	1	87.656	20.49	2.40	77.11	0.00
	2	96.804	22.27	3.13	74.61	0.00
	3	98.179	21.83	3.64	74.52	0.00
	4	99.158	23.02	3.57	73.41	0.00
	5	99.467	23.31	3.67	73.02	0.00
	6	99.590	23.44	3.71	72.85	0.00
RGDPSI	1	4.912	7.43	2.22	0.06	90.29
	2	5.258	9.92	2.17	0.06	87.86
	3	5.538	17.13	2.69	0.05	80.13
	4	5.556	17.02	3.20	0.05	79.72
	5	5.557	17.37	3.22	0.05	79.71
	6	5.569	17.37	3.20	0.05	79.37

8. Sri Lanka

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
RGDPEC	1	0.838	100.00	0.00	0.00	0.00
	2	1.467	81.91	3.57	14.37	0.15
	3	1.672	69.71	16.65	11.07	2.57
	4	1.712	67.12	18.08	11.72	3.08
	5	1.772	66.37	16.95	12.90	3.78
	6	1.868	63.72	16.12	12.71	7.45

Appendix 29. Variance Decomposition of the Model with Order of Decomposition: RGDPEC-GDEFECD-EXECXXD-RGDPXX (continued)

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
GDEFECD	1	0.986	23.13	76.87	0.00	0.00
	2	1.130	40.75	59.25	0.00	0.00
	3	1.480	55.79	36.51	7.62	0.08
	4	1.630	53.18	38.97	6.48	1.37
	5	1.660	51.96	39.75	6.78	1.51
	6	1.696	52.39	38.10	7.44	2.07
EXECSRD	1	9.153	8.65	22.44	68.90	0.00
	2	9.652	9.07	20.18	63.08	7.66
	3	11.171	8.74	15.88	47.17	28.20
	4	11.710	8.37	15.14	43.06	33.43
	5	12.104	8.43	14.28	40.41	36.88
	6	12.885	9.11	14.05	42.54	34.30
RGDPSR	1	1.991	10.85	0.64	4.79	83.72
	2	2.158	11.01	3.15	13.96	71.88
	3	2.276	11.27	4.24	18.74	65.74
	4	2.945	11.22	4.22	18.45	66.11
	5	2.398	10.84	5.93	22.60	60.62
	6	2.519	10.82	5.45	20.87	62.86

9. Thailand

DV	SA	SE	RGDPEC	GDEFECD	EXECXXD	RGDPXX
RGDPEC	1	1.301	100.00	0.00	0.00	0.00
	2	1.536	97.86	0.10	0.01	2.02
	3	1.583	92.47	0.34	0.70	6.48
	4	1.596	92.43	0.34	0.72	6.51
	5	1.624	89.70	0.43	1.90	7.98
	6	1.635	89.19	0.42	2.50	7.90
GDEFECD	1	0.889	11.48	88.52	0.00	0.00
	2	1.218	47.34	47.92	4.74	0.00
	3	1.532	63.01	30.30	5.50	1.20
	4	1.561	61.68	29.32	5.54	3.46
	5	1.587	62.05	28.37	6.23	3.36
	6	1.604	61.27	27.82	6.58	4.33
EXECTHD	1	60.173	30.47	0.02	69.51	0.00
	2	62.546	30.47	0.02	69.51	0.00
	3	71.489	30.47	0.02	69.51	0.00
	4	73.785	30.47	0.02	69.51	0.00
	5	77.086	30.47	0.02	69.51	0.00
	6	78.603	30.47	0.02	69.51	0.00
RGDPTH	1	1.585	40.21	2.84	0.35	56.60
	2	1.916	38.34	1.94	20.87	38.85
	3	2.550	27.55	1.35	45.88	25.23
	4	2.695	27.46	1.21	48.70	22.63
	5	2.779	28.48	1.15	48.68	21.63
	6	2.851	28.73	1.10	49.55	20.62

Appendix 30. Impulse Response Functions of the Model

SA	Indonesia	Korea	Malaysia	Myanmar	Nepal	Philippines	Singapore	Sri Lanka	Thailand

Response of EXECXXD to 1 Standard Deviation Shock in RGDPEC

1	0.2014	-11.1018	34.0985	2.7683	0.1771	12.4194	36.6754	-2.6925	33.2175
2	0.1532	12.3084	18.7300	0.1894	-0.3995	1.7270	22.6359	1.0970	9.4214
3	-0.0490	-41.3998	-3.7387	-0.8539	-0.3038	0.2402	-4.2523	1.5684	19.1118
4	0.0895	3.1336	1.2745	-1.4367	-0.1863	0.0334	-12.5935	0.7516	10.0834
5	0.0376	20.7308	8.2983	-0.3459	-0.0689	0.0046	-6.5774	-0.9302	12.3186
6	0.0777	-13.9764	2.8242	0.1278	-0.1007	0.0006	-4.3302	1.6682	8.4843

Response of EXECXXD to 1 Standard Deviation Shock in GDEFECD

1	0.1528	23.4939	5.7077	-2.6199	0.0704	-2.2992	13.5851	-4.3361	0.7898
2	-0.0243	-25.8935	3.1352	-0.8350	-0.3915	-3.1972	-10.4164	-0.0165	0.2240
3	0.1210	5.6566	-0.6258	-0.6564	-0.5413	-0.0444	-7.6249	-0.1009	0.4544
4	0.0303	21.4951	0.2133	0.9840	-0.1227	-0.0062	0.2705	-0.9680	0.2398
5	0.0277	8.7168	1.3890	0.5060	-0.0953	-0.0009	3.4395	0.4109	0.2929
6	0.0054	2.5550	0.4727	0.4062	-0.2623	-0.0000	2.1295	1.5465	0.2017

Response of RGDPXX to 1 Standard Deviation Shock in RGDPEC

1	0.5858	2.0504	2.2802	0.0054	-0.7600	1.1090	1.3391	-0.6556	1.0048
2	0.4551	-0.2743	0.5687	0.0016	0.0862	-0.1147	0.9748	0.2879	0.6306
3	0.3486	-0.2283	0.2806	0.0005	-0.1949	0.0119	1.5843	-0.2669	0.6198
4	0.0156	0.1977	-0.0377	0.0001	0.1754	-0.0012	-0.7127	-0.8263	0.4498
5	0.1393	-0.1658	0.0155	0.0000	-0.7675	0.0001	0.5659	-0.1816	0.4542
6	0.0927	0.2238	0.0113	0.0000	0.0543	0.0000	0.3599	0.2502	0.3675

Response of RGDPXX to 1 Standard Deviation Shock in GDEFECD

1	-0.5276	-0.0147	0.8761	1.3044	-1.0132	0.2484	-0.7313	0.1599	-0.2669
2	0.2175	-0.0889	0.1182	0.3867	-0.1282	-0.0257	0.2479	0.3485	-0.1807
3	0.0192	-0.0002	0.0480	0.1146	0.5245	0.0027	-0.4782	-0.2693	0.1277
4	0.0188	-0.4094	-0.0062	0.0340	-0.9264	-0.0003	-0.4053	0.5048	0.2381
5	0.0942	0.1419	0.0026	0.0101	-0.4934	0.0000	-0.6507	-0.3451	-0.3274
6	0.0662	0.3111	0.0189	0.0030	0.2577	0.0000	-0.1296	-0.6990	0.1082