

# ASSESSING REGIONAL INTEGRATION: THE PROGRESS OF ASEAN REGIONAL GROUPING\*

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## Abstract

The Association of Southeast Asian Nations (ASEAN) is now entering a new phase in its integration process. Beyond AFTA, it is now preparing a roadmap towards deeper economic integration, namely the creation of an ASEAN Economic Community by 2015. Economic integration is to be encouraged if it can contribute positively towards the achievement of this goal and the overall developmental goals of the ASEAN countries. In view of the importance of enhancing economic integration in the era of globalisation, this paper evaluates the progress of ASEAN regional integration for the past decade to see to what extent ASEAN economic integration efforts have been successful. In this paper, the progress and developments of ASEAN countries are evaluated using performance indicators of regional integration based on ASEAN economic integration index. The scope of analysis of economic integration focuses on the three most important sectors of the thrusts of ASEAN economic cooperation, that is, trade; Investment; and human resources and labour mobility.

**Keywords:** Regional intergration, ASEAN.

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## **1. Introduction**

### **Concepts of Regional Integration**

Regional integration in a broader perspective refers to the multidimensional processes of forming more closely link relations among the member countries not only in economics aspect but also tends to include the dimensions of culture, social, politics and security. It is therefore seen as a more diverse form of integration and also is considered to have a strategic goal of region-building, of establishing regional coherence and identity. However, for the purpose of this study, the focus is on the narrower concept of integration that covers only the notion of economic integration. Economic integration is seen as a means of securing access to wider markets and to promote economic growth and thus to improve the welfare of the people in the region. The key elements that are associated with economic integration relate to the widening and deepening of intra economic interdependence through intraregional trade, foreign direct investment, harmonization of commercial regulations and movements of labours.

In general there are six types of integration. Basically, one can consider the following broad sets of dimensions for monitoring the progress that countries make in regional integration.

1. Political-legal dimension:
  - Diplomatic connectedness of states
  - Growth of foreign ministries
  - Development of customary international law recognised by states
  - Membership of formal international treaties
  - International transactions of domestic political agencies
2. Economic dimension:
  - International trade
  - Foreign direct investment
3. Mobility dimension:
  - Transport
  - Migration
  - Refugees
4. Cultural dimension:
  - Regional identity
  - Regional civil society
5. Security dimension:
  - Peace
  - Natural disaster

6. Cooperation dimension:

- Environment
- Criminality

With respect to the economic dimension, there are various forms or types of economic arrangements that promote economic integration between member countries. The essence of integration arrangement is the discriminatory removal of all trade obstacles between at least two participating nations and the promotion of some form of cooperation and coordination between the participating countries. The main types of integration schemes are preferential trade arrangements; Free trade areas; Customs unions; Common markets; Economic unions and total political unions. Briefly, in preferential trade arrangements the participating countries maintain lower barriers on trade among the participating countries compared to trade with non-members. While in free trade areas, the member countries remove all trade impediments amongst themselves but each country retains the right to determine their policies in relation to non-participating countries. Similarly, in customs unions member countries remove all trade impediments amongst the participating countries, but in addition they also harmonize their trade policies and in particular they have common external tariffs on imports from non-participating countries.

A deeper form of economic integration is the common markets. They are in fact are customs unions where there is also the presence of free mobility of factors of production. That is, the presence of free mobility in labour, capital, enterprises and technology across the participating countries. The more advanced form of economic integration than this is the economic unions. Economic unions are common markets where there is unification of monetary and fiscal policies. Monetary policy is managed by a central bank. The union will have a single currency and there is a central authority to exercise control over these matters. One step further in the regional integration is the total political unions, where the participating countries become one nation. The central economic authority is supplemented by a common parliament and other institutions.

### **ASEAN Regional Grouping**

An important regional economic grouping in the Pacific region is the Association of Southeast Asian Nations (ASEAN). ASEAN was established on 8 August 1967 in Bangkok, Thailand, with the signing of the Bangkok Declaration by the five original member countries namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined the Association on 8 January 1984. Vietnam became the seventh member of ASEAN on 28 July 1995. Laos and Myanmar joined the ASEAN on 23 July 1997 and Cambodia on 30 April 1999. ASEAN was formed primarily as a regional instrument of economic, social and cultural cooperation to enhance cohesion, self-reliance, and "resilience".

ASEAN economic cooperation was first stressed in the Bangkok Declaration of 1967 that laid the foundation for economic cooperation. The Declaration emphasized among other things, the following aims and purposes:

- to accelerate economic growth, social progress and cultural development in the region;
- to promote active collaboration and mutual assistance of matters of common interest in the economic, social, cultural, technical, scientific and administrative fields; and
- to collaborate more effectively for the greater utilisation of the region's agriculture and industries, the expansion of trade, including the study of the problems of international commodity trade, the improvement of its transportation and communications facilities and the raising of the living standards of its people.

As shown in Table 1, the ASEAN region has a total area of 4.5 million square kilometres and a population of about 550 million. The region now constitutes one of the fastest growing regions in the world. The ASEAN countries have prospered in recent years by the judicious exploitation of their rich natural resources and by driving their economies with export-led growth strategies, market orientation, and a minimum of government intervention. In 2004, the ASEAN economy has grown to a combined gross domestic product (GDP) of about US\$800 billion, a total trade of US\$1,048 billion and a per capita of US\$910.

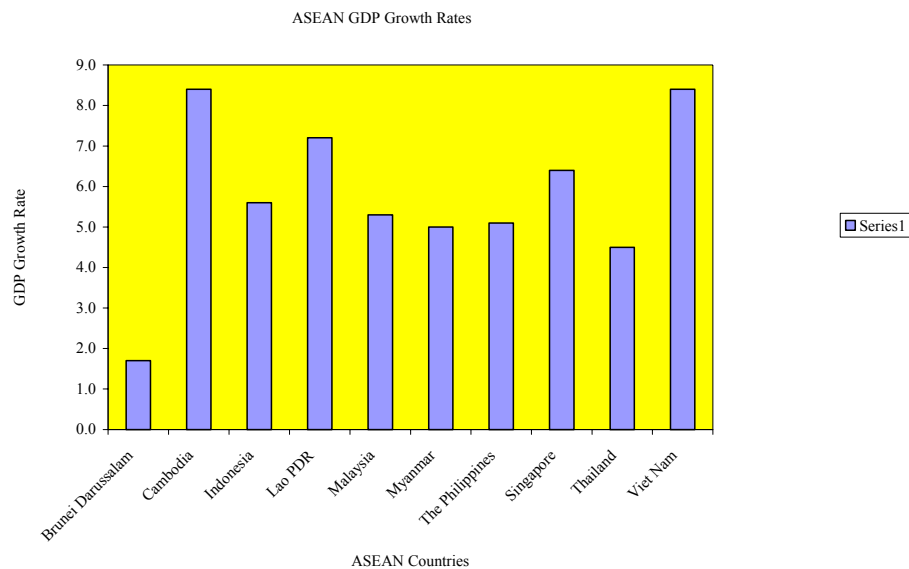
**Table 1: ASEAN Statistics on Total Area, Population, GDP and Merchandise Trade**

| <b>Member Countries</b> | <b>Total Area (Sq. Km)</b> | <b>Population 2004 (Thousand)</b> | <b>GDP 2004 (Million US\$)</b> | <b>Merchandise Trade 2004 (Million US\$)</b> |
|-------------------------|----------------------------|-----------------------------------|--------------------------------|--|
| Brunei Darussalam       | 5,765                      | 373                               | 5,181                          | 6,585  |
| Cambodia                | 181,035                    | 13,589                            | 45,171                         | 5,414  |
| Indonesia               | 1,890,754                  | 216,410                           | 258,266                        | 122,339                                      |
| Lao PDR                 | 236,800                    | 5,760                             | 24,391                         | 10,042                                       |
| Malaysia                | 330,257                    | 25,580                            | 117,776                        | 2,214,712                                    |
| Myanmar                 | 676,577                    | 54,745                            | 104,631                        | 50,342                                       |
| Philippines             | 300,000                    | 82,664                            | 86,407                         | 769,402                                      |
| Singapore               | 697                        | 4,240                             | 106,884                        | 363,431                                      |
| Thailand                | 513,254                    | 64,469                            | 163,525                        | 190,446                                      |
| Viet Nam                | 330,363                    | 82,022                            | 45,277                         | 55,261                                       |
| <b>ASEAN</b>            | <b>4,465,502</b>           | <b>549,852</b>                    | <b>800,735</b>                 | <b>1,047,927</b>                             |

In 2005, with the exception of Brunei Darussalam, all the ASEAN countries have experienced moderate to high economic growth rates. As shown in Figure 1, Cambodia and Vietnam recorded the highest GDP growth rates with 8.4 per cent. Laos and Singapore recorded a high growth rate of 7.2 per cent

and 6.4 per cent, respectively. Where as, Indonesia, Malaysia, Philippines and Thailand recorded slightly lower growth rates of 5.6 per cent, 5.3 per cent, 5.1 per cent and 4.5 per cent, respectively.

**Figure 1**



ASEAN's main purpose is to provide Southeast Asian nations with a framework for economic and political cooperation. Starting with a degree of cooperation which was initially limited to only a few economic activities in the 1960s, ASEAN economic cooperation has not only deepened but also widened in the last five years. This is evidence of the ASEAN member countries' strong commitment to making the region a strong and dynamic economic force.

Economic cooperation in ASEAN does not entail only trade liberalisation measures but also trade facilitation, non-border measures and investment promotion activities. New areas of cooperation such as in services sector and intellectual property rights are being implemented. Bold decisions have also been made to elevate and strengthen ASEAN industrial cooperation through a new scheme which will take into account present industrial needs and economic situation in ASEAN. Cooperation in private sector development, small and medium size enterprises, infra-structural development and regional investment promotion measures have also made considerable progress.

### **The Objectives of the Study**

One of the more important developments in the field of ASEAN regionalism is the recent commitment of the ASEAN members to deepen and broaden

economic integration. Beyond AFTA, ASEAN is now preparing a roadmap towards deeper economic integration, namely the creation of an ASEAN Economic Community. The ten members of the ASEAN countries have been deliberating on the possibility of advancing, from 2020 to 2015, the end date for realizing the ASEAN Economic Community. In view of the importance of enhancing economic integration in the era of globalisation, the objective of this paper is to evaluate the progress of ASEAN regional integration for the past decade to see to what extent ASEAN economic integration efforts have been successful. In this paper, the progress and developments of ASEAN countries are evaluated using performance indicators of regional integration based on ASEAN economic integration index. The scope of analysis of economic integration focuses on the three most important sectors of the thrusts of ASEAN economic cooperation, that is, trade; Investment; and human resources and labour mobility.

The rest of the paper is organized as follows. Section 2 describes the data used and the methodology of assessing the progress of ASEAN regional integration. The progress and developments of ASEAN regional grouping evaluated using key integration indicators are reported in Section 3. Section 4 concludes.

## **2. Methodology**

In assessing the state of ASEAN countries' regional integration efforts, the conceptual approach is based on the success strategies of the ASEAN countries' regional development experience. The main source of data utilised in this study is secondary data. Secondary data are collected from various governments' publications; ASEAN documents and reports; and data from ASEAN Secretariat website.

Economic integration arrangements in ASEAN range from a free trade area (AFTA), to liberalizing investment flows through the ASEAN Investment Area (AIA), to sectoral integration in services and in various cooperation programs. Thus, the choices of integration indicators have to reflect the effectiveness of ASEAN integration efforts. In this study, the progress and developments of ASEAN regional integration are evaluated using performance indicators of regional integration based on indicators of ASEAN integration developed by Dennis and Yusof (2003). The indicators that have been proposed capture the key points or features of economic integration either from a macro or sectoral perspective. They have presented indicators and indices that measure integration process for several sectors, the most important being trade, investment and financial services.

For the purpose of this study, the following list of key integration indicators are utilised for assessing the trends in ASEAN integration in the area of trade, foreign direct investment and overall ASEAN integration.

- Intra-ASEAN export index

- Intra-ASEAN import index
- Intra-ASEAN trade index
- ASEAN foreign direct investment index
- Intra-ASEAN foreign direct investment index
- ASEAN economic integration index

These indicators and indexes have been selected as they provide insight into important aspects of economic integration on which policy formulations can be based. Besides, these indicators provide a better understanding to the trends and progress in ASEAN integration.

### **3. The progress of ASEAN regional grouping**

This section reports the calculated values of ASEAN Integration Indicators for the three sectors of ASEAN economic cooperation, that is, trade, investment, and human resources and labour mobility. The key integration indicators are presented in Table 2-23 to show progress towards ASEAN economic integration. The discussion in this section is divided into three parts: The first part focused on trade, the second part focused on investment and the third part reports the indicators on ASEAN employment and labour mobility.

#### **Trade**

##### **Intra-ASEAN 6 Exports**

The value of intra-ASEAN exports as a percentage of total exports of a country is a useful indicator to show the relative importance of intra-ASEAN exports within the total export market of each ASEAN country. Table 2 showed that for the period of 2002-2004, the results were mixed with Indonesia, Malaysia and Thailand showed increasing trend in their intra-ASEAN exports as a percentage of all exports, while for Brunei Darussalam and Singapore these percentages declined. For ASEAN as a whole the percentage increased marginally. As shown in Table 2, the share of intra-ASEAN exports to the total exports is relatively small. Thus, this indicated that integration is not increasing.

**Table 2: Value of Intra-ASEAN 6 Exports as a Percentage of Total Exports, by ASEAN Countries, 1996-2004, US\$ Million**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand | ASEAN 6 |
|------|-------------------|-----------|----------|-------------|-----------|----------|---------|
| 1996 | 17.9              | 15.4      | 30.6     | 15.2        | 29.3      | 21.7     | 25.0    |
| 1997 | 18.3              | 17.3      | 30.0     | 13.6        | 27.9      | 23.4     | 24.9    |
| 1998 | 11.5              | 19.1      | 28.0     | 13.0        | 23.7      | 16.8     | 21.9    |
| 1999 | 16.0              | 17.0      | 26.0     | 14.2        | 25.5      | 17.6     | 21.9    |
| 2000 | 29.5              | 17.5      | 24.9     | 15.7        | 27.3      | 19.2     | 22.8    |
| 2001 | 21.9              | 16.9      | 23.9     | 15.5        | 27.0      | 19.3     | 22.3    |
| 2002 | 25.4              | 17.4      | 23.7     | 15.7        | 27.2      | 19.9     | 22.5    |
| 2003 | 19.7              | 17.6      | 26.8     | 18.2        | 25.0      | 20.6     | 22.9    |
| 2004 | 17.1              | 18.2      | 25.1     | 17.2        | 24.3      | 21.7     | 22.6    |

In terms of the importance of exports to an economy, the indicator that is often used is the value of intra-ASEAN exports as a percentage of gross domestic products (GDP). These data for ASEAN countries for the year 1996-2004 are presented in Table 3. The Table shows that for the year 2004, the intra-ASEAN exports as a percentage of GDP ranged from a high of 40.7 per cent in Singapore to a low of 5.0 per cent in Indonesia. Over time it can be observed that the Malaysia intra-ASEAN exports as a percentage of GDP increased from 22.5 per cent in 1996 to 26.8 per cent in 2004. This shows that intra-ASEAN exports had become relatively more important to Malaysia economy. This also means that Malaysian economy's international competitiveness has improved. With respect to the importance of intra-ASEAN exports as a contributor to ASEAN GDP, over time the movements of intra-ASEAN exports to GDP for the whole of ASEAN showed increasing trend. In 1996, the percentage was 11.7 per cent and this has increased to 15.9 per cent in 2004. Thus, this indicates that there is a relative progress in ASEAN economic integration.

Table 4 presents the intra-ASEAN exports index for the period of 1996-2004, and the rankings for each country and for each year are presented in Table 5. As indicated in Table 4 and Table 5, intra-ASEAN exports are most important to the economies of Singapore, Malaysia and Brunei Darussalam, and of least importance to Indonesia and Philippines. In 2004, Singapore was in the first ranking in intra-ASEAN exports, followed by Malaysia and Brunei Darussalam. The intra-ASEAN exports indexes recorded for these countries were 2.57, 1.69 and 1.05, respectively.



**Table 3: Value of Intra-ASEAN 6 Exports as a Percentage of Gross Domestic Product, by ASEAN Countries, 1996-2004, US\$ Million**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand | ASEAN 6 |
|------|-------------------|-----------|----------|-------------|-----------|----------|---------|
| 1996 | 8.6               | 3.7       | 22.5     | 3.6         | 37.4      | 6.7      | 11.7    |
| 1997 | 9.7               | 4.0       | 23.0     | 4.2         | 37.5      | 8.7      | 12.9    |
| 1998 | 5.7               | 9.4       | 29.9     | 5.8         | 31.7      | 7.4      | 15.9    |
| 1999 | 9.0               | 5.8       | 27.7     | 6.6         | 35.4      | 8.1      | 14.8    |
| 2000 | 14.8              | 6.6       | 27.0     | 8.0         | 40.8      | 10.7     | 16.9    |
| 2001 | 18.6              | 5.8       | 23.9     | 6.9         | 38.2      | 10.9     | 15.4    |
| 2002 | 16.0              | 4.9       | 23.2     | 7.2         | 38.4      | 10.4     | 14.3    |
| 2003 | 13.4              | 4.4       | 25.6     | 8.3         | 39.0      | 11.6     | 14.6    |
| 2004 | 16.7              | 5.0       | 26.8     | 7.9         | 40.7      | 12.9     | 15.9    |

**Table 4: Intra-ASEAN 6 Export Index, 1996-2004**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand |
|------|-------------------|-----------|----------|-------------|-----------|----------|
| 1996 | 0.73              | 0.31      | 1.92     | 0.31        | 3.18      | 0.57     |
| 1997 | 0.75              | 0.31      | 1.77     | 0.32        | 2.90      | 0.67     |
| 1998 | 0.36              | 0.59      | 1.88     | 0.37        | 1.99      | 0.46     |
| 1999 | 0.61              | 0.40      | 1.87     | 0.44        | 2.40      | 0.55     |
| 2000 | 0.88              | 0.39      | 1.60     | 0.47        | 2.42      | 0.64     |
| 2001 | 1.21              | 0.37      | 1.55     | 0.45        | 2.48      | 0.71     |
| 2002 | 1.12              | 0.34      | 1.62     | 0.50        | 2.68      | 0.72     |
| 2003 | 0.92              | 0.30      | 1.76     | 0.57        | 2.67      | 0.80     |
| 2004 | 1.05              | 0.32      | 1.69     | 0.50        | 2.57      | 0.82     |

**Table 5: Intra-ASEAN 6 Export Index, Ranking 1996-2004**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand |
|------|-------------------|-----------|----------|-------------|-----------|----------|
| 1996 | 3                 | 5         | 2        | 5           | 1         | 4        |
| 1997 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 1998 | 6                 | 3         | 2        | 5           | 1         | 4        |
| 1999 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2000 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2001 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2002 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2003 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2004 | 3                 | 6         | 2        | 5           | 1         | 4        |

### Intra-ASEAN 6 Imports

The value of intra-ASEAN imports as a percentage of total value of all goods imported of a country is a useful indicator to show the relative importance of intra-ASEAN imports within the total import market of each ASEAN country. Table 6 showed that for the period of 2001-2004, Indonesia and Philippines showed increasing trend in their intra-ASEAN imports as a percentage of all imports, while for Singapore this percentage declined. In 2004, Brunei Darussalam imported over 40 per cent of the value of the country's import from other ASEAN countries, while for Thailand only 16.6 per cent of the country imports sourced from other ASEAN countries. For ASEAN as a whole, 22 per cent of all goods imported were sourced from ASEAN member countries.

**Table 6: Value of Intra-ASEAN 6 Imports as a Percentage of Total Imports, by ASEAN Countries, 1996-2004, US\$ Million**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand | ASEAN 6 |
|------|-------------------|-----------|----------|-------------|-----------|----------|---------|
| 1996 | 64.2              | 11.9      | 19.5     | 14.1        | 22.2      | 13.5     | 18.3    |
| 1997 | 42.3              | 13.0      | 19.3     | 13.6        | 22.4      | 12.9     | 18.2    |
| 1998 | 46.3              | 16.7      | 21.2     | 14.9        | 23.3      | 14.0     | 19.9    |
| 1999 | 52.1              | 19.9      | 19.5     | 14.5        | 23.6      | 16.5     | 20.3    |
| 2000 | 50.1              | 20.2      | 20.0     | 15.8        | 24.7      | 16.6     | 21.0    |
| 2001 | 41.6              | 18.5      | 20.9     | 15.8        | 25.0      | 16.2     | 20.9    |
| 2002 | 39.2              | 22.4      | 21.9     | 16.5        | 26.2      | 16.8     | 22.0    |
| 2003 | 45.6              | 24.7      | 17.9     | 17.1        | 24.4      | 16.7     | 20.6    |
| 2004 | 42.6              | 25.1      | 24.9     | 19.0        | 22.9      | 16.6     | 22.0    |

Table 7 presents the value of intra-ASEAN imports as a percentage of gross domestic products for the year 1996-2004. For the period of 2003-2004, with the exception of Brunei Darussalam, all countries showed increasing trend in their intra-ASEAN imports as a percentage of GDP. With respect to the

movements of intra-ASEAN imports to GDP for the whole of ASEAN, it also showed increasing trend. In 2003, the percentage was 11.0 per cent and this has increased to 13.6 per cent in 2004. Thus, this indicates that there is a relative progress in ASEAN economic integration.

**Table 7: Value of Intra-ASEAN 6 Imports as a Percentage of Gross Domestic Product, by ASEAN Countries, 1996-2004, US\$ Million**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand | ASEAN 6 |
|------|-------------------|-----------|----------|-------------|-----------|----------|---------|
| 1996 | 54.6              | 2.4       | 14.6     | 4.8         | 29.7      | 5.4      | 9.3     |
| 1997 | 19.1              | 2.5       | 14.7     | 5.9         | 31.9      | 5.2      | 9.8     |
| 1998 | 15.3              | 4.6       | 17.9     | 6.8         | 28.8      | 4.8      | 11.8    |
| 1999 | 21.4              | 3.4       | 15.7     | 5.9         | 31.8      | 6.5      | 11.2    |
| 2000 | 12.4              | 4.1       | 17.6     | 6.6         | 36.0      | 8.4      | 13.0    |
| 2001 | 13.0              | 3.5       | 17.3     | 6.5         | 33.8      | 8.7      | 12.3    |
| 2002 | 14.7              | 3.4       | 18.1     | 7.2         | 34.4      | 8.3      | 12.0    |
| 2003 | 13.1              | 3.3       | 13.8     | 8.1         | 33.8      | 8.8      | 11.0    |
| 2004 | 12.4              | 4.5       | 22.1     | 9.7         | 35.0      | 9.7      | 13.6    |

Table 8 presents the intra-ASEAN imports index for the period of 1996-2004, and the rankings for each country and for each year are presented in Table 9. As indicated in Table 8 and Table 9, intra-ASEAN imports are most important within the import markets of Singapore, Malaysia and Brunei Darussalam, and of least importance to Indonesia and Philippines. In 2004, Singapore was in the first ranking in intra-ASEAN imports, followed by Malaysia and Brunei Darussalam. The intra-ASEAN imports indexes recorded for these countries were 2.58, 1.63 and 0.92, respectively.

**Table 8: Intra-ASEAN 6 Import Index, 1996-2004**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand |
|------|-------------------|-----------|----------|-------------|-----------|----------|
| 1996 | 5.87              | 0.26      | 1.56     | 0.52        | 3.19      | 0.58     |
| 1997 | 1.95              | 0.25      | 1.50     | 0.60        | 3.25      | 0.53     |
| 1998 | 1.29              | 0.39      | 1.51     | 0.57        | 2.43      | 0.41     |
| 1999 | 1.91              | 0.30      | 1.40     | 0.52        | 2.83      | 0.58     |
| 2000 | 0.95              | 0.31      | 1.35     | 0.51        | 2.76      | 0.64     |
| 2001 | 1.06              | 0.28      | 1.41     | 0.53        | 2.75      | 0.71     |
| 2002 | 1.23              | 0.29      | 1.51     | 0.60        | 2.87      | 0.70     |
| 2003 | 1.19              | 0.30      | 1.26     | 0.74        | 3.08      | 0.80     |
| 2004 | 0.92              | 0.33      | 1.63     | 0.72        | 2.58      | 0.71     |

**Table 9: Intra-ASEAN 6 Import Index, Ranking 1996-2004**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand |
|------|-------------------|-----------|----------|-------------|-----------|----------|
| 1996 | 1                 | 6         | 3        | 5           | 2         | 4        |
| 1997 | 2                 | 6         | 3        | 4           | 1         | 5        |
| 1998 | 3                 | 6         | 2        | 4           | 1         | 5        |
| 1999 | 2                 | 6         | 3        | 5           | 1         | 4        |
| 2000 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2001 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2002 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2003 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2004 | 3                 | 6         | 2        | 4           | 1         | 5        |

#### Intra-ASEAN 6 Trade

The value of intra-ASEAN trade (exports plus imports) as a percentage of total value of all goods traded by a country is an indicator to show the relative importance of intra-ASEAN trade within the total trade markets of each ASEAN country. Table 10 showed that for the period of 2002-2004, the results were mixed with Indonesia, Malaysia, Thailand and Philippines showed increasing trend in their intra-ASEAN trade as a percentage of total trade, while for Brunei Darussalam and Singapore these percentages declined. For ASEAN as a whole the share of intra-ASEAN trade to the total trade has increased from 21.9 per cent in 2003 to 22.3 per cent in 2004.

**Table 10: Value of Intra-ASEAN 6 Trade as a Percentage of Total Trade, by ASEAN Countries, 1996-2004, US\$ Million**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand | ASEAN 6 |
|------|-------------------|-----------|----------|-------------|-----------|----------|---------|
| 1996 | 47.6              | 13.8      | 25.0     | 14.6        | 25.7      | 17.0     | 21.5    |
| 1997 | 29.3              | 15.3      | 24.7     | 13.6        | 25.1      | 17.9     | 21.5    |
| 1998 | 25.4              | 18.3      | 25.0     | 13.9        | 23.5      | 15.6     | 21.0    |
| 1999 | 31.3              | 18.0      | 23.2     | 14.4        | 24.6      | 17.1     | 21.2    |
| 2000 | 36.3              | 18.5      | 22.7     | 15.7        | 26.0      | 18.0     | 22.0    |
| 2001 | 27.3              | 17.5      | 22.5     | 15.6        | 26.0      | 17.8     | 21.6    |
| 2002 | 30.6              | 19.1      | 22.9     | 16.1        | 26.7      | 18.4     | 22.3    |
| 2003 | 27.4              | 20.0      | 22.8     | 17.6        | 24.7      | 18.7     | 21.9    |
| 2004 | 23.0              | 20.9      | 25.0     | 18.1        | 23.6      | 19.2     | 22.3    |

The value of intra-ASEAN trade as a percentage of gross domestic products is an important indicator to measure relative progress of ASEAN economic integration and openness of an economy. Table 11 showed that for the period

of 2001-2003, with the exception of Brunei Darussalam and Indonesia, all countries showed increasing trend in their intra-ASEAN trade as percentages of GDP. For the year 2004, all countries recorded an increased in these percentages. With respect to the movements of intra-ASEAN trade to GDP for the whole of ASEAN, it also showed increasing trend. As shown in Table 12, there are increases in the trade/GDP percentage over time for ASEAN as a whole. In 1996, the percentage was 21 per cent and this has increased to 29.4 per cent in 2004. Thus, these indicators showed that there is some success in ASEAN economic integration with regards to trade in goods.

**Table 11: Value of Intra-ASEAN 6 Trade as a Percentage of Gross Domestic Product, by ASEAN Countries, 1996-2004, US\$ Million**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand | ASEAN 6 |
|------|-------------------|-----------|----------|-------------|-----------|----------|---------|
| 1996 | 63.2              | 6.1       | 37.0     | 8.4         | 67.1      | 12.0     | 21.0    |
| 1997 | 28.9              | 6.5       | 37.6     | 10.0        | 69.4      | 13.9     | 22.7    |
| 1998 | 21.0              | 14.0      | 47.8     | 12.6        | 60.5      | 12.2     | 27.7    |
| 1999 | 30.3              | 9.2       | 43.3     | 12.4        | 67.2      | 14.6     | 26.0    |
| 2000 | 27.2              | 10.7      | 44.7     | 14.6        | 76.8      | 19.1     | 29.9    |
| 2001 | 31.6              | 9.2       | 41.2     | 13.4        | 72.0      | 19.5     | 27.7    |
| 2002 | 30.7              | 8.3       | 41.3     | 14.4        | 72.8      | 18.7     | 26.3    |
| 2003 | 26.5              | 7.7       | 39.4     | 16.4        | 72.8      | 20.4     | 25.6    |
| 2004 | 29.1              | 9.6       | 49.0     | 17.6        | 75.7      | 22.6     | 29.4    |

**Table 12: Intra ASEAN 6 Trade (All ASEAN, time based) Index, 1996-2004**

| Year | Trade (US\$ Million) | GDP (US\$ Million) | Percentage | Index (1996 = 100) |
|------|----------------------|--------------------|------------|--------------------|
| 1996 | 145,184.8            | 690,019.0          | 21.04      | 100.0              |
| 1997 | 149,972.9            | 659,499.4          | 22.74      | 108.1              |
| 1998 | 120,917.7            | 436,139.6          | 27.72      | 121.9              |
| 1999 | 131,480.2            | 506,323.6          | 25.97      | 93.7               |
| 2000 | 164,714.1            | 550,450.4          | 29.92      | 115.2              |
| 2001 | 146,885.6            | 530,429.4          | 27.69      | 92.5               |
| 2002 | 156,806.8            | 595,947.3          | 26.31      | 95.0               |
| 2003 | 170,374.7            | 666,882.3          | 25.55      | 97.1               |
| 2004 | 217,262.2            | 738,303.2          | 29.43      | 115.2              |

Table 13 presents the intra-ASEAN trade index for the period of 1996-2004, and the rankings for each country and for each year are presented in Table 14. As indicated in Table 13 and Table 14, intra-ASEAN trade is most important

to the economies of Singapore, Malaysia and Brunei Darussalam, and of least importance to Indonesia and Philippines. In 2004, Singapore was in the first ranking in intra-ASEAN trade, followed by Malaysia and Brunei Darussalam. The intra-ASEAN trade indexes recorded for these countries were 2.57, 1.66 and 0.99, respectively.

**Table 13: Intra-ASEAN 6 Trade Index, 1996-2004**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand |
|------|-------------------|-----------|----------|-------------|-----------|----------|
| 1996 | 3.00              | 0.29      | 1.76     | 0.40        | 3.19      | 0.57     |
| 1997 | 1.27              | 0.29      | 1.65     | 0.44        | 3.05      | 0.61     |
| 1998 | 0.76              | 0.50      | 1.73     | 0.45        | 2.18      | 0.44     |
| 1999 | 1.17              | 0.36      | 1.67     | 0.48        | 2.59      | 0.56     |
| 2000 | 0.91              | 0.36      | 1.49     | 0.49        | 2.57      | 0.64     |
| 2001 | 1.14              | 0.33      | 1.49     | 0.48        | 2.60      | 0.71     |
| 2002 | 1.17              | 0.31      | 1.57     | 0.55        | 2.77      | 0.71     |
| 2003 | 1.04              | 0.30      | 1.54     | 0.64        | 2.85      | 0.80     |
| 2004 | 0.99              | 0.32      | 1.66     | 0.60        | 2.57      | 0.77     |

**Table 14: Intra-ASEAN 6 Trade Index, Ranking 1996-2004**

| Year | Brunei Darussalam | Indonesia | Malaysia | Philippines | Singapore | Thailand |
|------|-------------------|-----------|----------|-------------|-----------|----------|
| 1996 | 2                 | 6         | 3        | 5           | 1         | 4        |
| 1997 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 1998 | 3                 | 4         | 2        | 5           | 1         | 6        |
| 1999 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2000 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2001 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2002 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2003 | 3                 | 6         | 2        | 5           | 1         | 4        |
| 2004 | 3                 | 6         | 2        | 5           | 1         | 4        |

## Investment

Investment or capital formation is an important input for economic growth of a country. There are two types of capital flows: (i) foreign direct investment (FDI) for long term capital flows and (ii) portfolio capital or short term capital flows. Portfolio investment flows have become an important channel for financial integration. For the purpose of assessment of the progress towards economic integration in this study, the focus of investment integration is on intra-ASEAN investment.

Foreign direct investment to ASEAN index is an indicator to show the changes in total FDI in ASEAN. Table 15 shows foreign direct investment to ASEAN Index for the period of 1995-2004. The base year chosen is 1995. As shown in Table 15, before 1998 FDI to ASEAN index show increasing trend. After 1998 there was a decline in total FDI flows into ASEAN.

**Table 15: Foreign Direct Investment to ASEAN Index, 1995-2004**

| <b>Year</b> | <b>FDI<br/>(US\$ Million)</b> | <b>Index<br/>(1995 = 100)</b> |
|-------------|-------------------------------|-------------------------------|
| 1995        | 28,230.6                      | 100.0                         |
| 1996        | 30,208.6                      | 107.0                         |
| 1997        | 34,098.6                      | 120.8                         |
| 1998        | 22,406.3                      | 79.4                          |
| 1999        | 27,852.8                      | 98.7                          |
| 2000        | 22,646.7                      | 80.2                          |
| 2001        | 18,457.1                      | 65.4                          |
| 2002        | 13,824.7                      | 49.0                          |
| 2003        | 18,447.0                      | 65.3                          |
| 2004        | 25,654.2                      | 90.9                          |

Table 16 shows the share of FDI of each ASEAN country by host country for the period of 1995-2004. As shown in Table 16, Singapore (49.5%), Malaysia (16.8%) and Thailand (13.8%) had managed to attract a sizeable share of foreign direct investment flows into ASEAN. However, the share of FDI flows into Lao PDR and Cambodia were considerably small.

The total value of intra-ASEAN investment is an indicator to show the extent of economic integration through long term capital flows. As shown in Table 17, over time the share of intra-ASEAN FDI as a percentage of total FDI ranges from 3.4 per cent to 26.3 per cent. It recorded the highest share of intra-ASEAN investment in 2002. The intra-ASEAN FDI as a percentage of total FDI by host country for the period of 1995-2004 is presented in Table 18. As indicated in Table 18, during the period of 1995-2004, the countries that have a larger share of intra-ASEAN FDI were Malaysia (26.4%), Singapore (23.6%), and Thailand (20.4%). During the same period, the intra-ASEAN FDI as a percentage of total FDI for Cambodia and Lao PDR accounted a small portion of the percentages with 0.3 per cent and 0.9 per cent, respectively.

**Table 16: FDI (Percentage Share of Total ASEAN) in ASEAN by Host Country, 1995-2004**

| Host Country      | 1995  | 1996  | 1997  | 1998  | 1999  | 2000   | 2001   | 2002  | 2003  | 2004  | 1995-2004 |
|-------------------|-------|-------|-------|-------|-------|--------|--------|-------|-------|-------|-----------|
| Brunei Darussalam | 2.1   | 2.2   | 2.1   | 2.6   | 2.7   | 2.4    | 2.9    | 7.5   | 16.9  | 0.6   | 3.6       |
| Cambodia          | 0.5   | 1.0   | 0.5   | 1.1   | 0.8   | 0.7    | 0.8    | 1.0   | 0.5   | 0.5   | 0.7       |
| Indonesia         | 15.4  | 20.5  | 13.7  | (1.6) | (9.9) | (20.1) | (17.8) | 1.0   | (3.2) | 4.0   | 2.0       |
| Lao PDR           | 0.3   | 0.4   | 0.3   | 0.2   | 0.2   | 0.2    | 0.1    | 0.2   | 0.1   | 0.1   | 0.2       |
| Malaysia          | 20.6  | 24.2  | 18.5  | 12.1  | 14.0  | 16.7   | 3.0    | 23.2  | 13.4  | 18.0  | 16.8      |
| Myanmar           | 1.1   | 1.9   | 2.6   | 3.1   | 1.1   | 0.9    | 1.0    | 1.4   | 1.6   | 0.6   | 1.6       |
| Philippines       | 5.6   | 5.4   | 3.7   | 7.7   | 6.2   | 5.9    | 5.3    | 8.0   | 1.7   | 1.8   | 5.0       |
| Singapore         | 40.7  | 30.8  | 39.7  | 33.9  | 57.7  | 72.8   | 76.5   | 42.1  | 50.6  | 62.6  | 49.5      |
| Thailand          | 7.3   | 7.7   | 11.4  | 33.4  | 21.9  | 14.8   | 21.1   | 6.9   | 10.6  | 5.5   | 13.8      |
| Vietnam           | 6.3   | 6.0   | 7.6   | 7.6   | 5.3   | 5.7    | 7.0    | 8.7   | 7.9   | 6.3   | 6.7       |
| ASEAN             | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0  | 100.0  | 100.0 | 100.0 | 100.0 | 100.0     |
| ASEAN 5           | 89.7  | 88.5  | 87.0  | 85.5  | 89.9  | 90.2   | 88.1   | 81.2  | 73.1  | 92.0  | 87.2      |
| BCLMV             | 10.3  | 11.5  | 13.0  | 14.5  | 10.1  | 9.8    | 11.9   | 18.8  | 26.9  | 8.0   | 12.8      |

Source: ASEAN Statistical Yearbook, 2005

**Table 17: Intra-ASEAN FDI as a Percentage of total FDI into ASEAN, 1995-2004**

| Year | Total Value of Intra-ASEAN FDI<br>(US\$ Million) | Total FDI into ASEAN<br>(US\$ Million) | Percentage |
|------|--|--|------------|
| 1995 | 4,654.4  | 28,230.6                               | 16.5       |
| 1996 | 4,271.8  | 30,208.6                               | 14.1       |
| 1997 | 5,235.7  | 34,098.6                               | 15.4       |
| 1998 | 2,730.8  | 22,406.3                               | 12.2       |
| 1999 | 1,789.3  | 27,852.8                               | 6.4        |
| 2000 | 763.1  | 22,646.7                               | 3.4        |
| 2001 | 2,495.4  | 18,457.1                               | 13.5       |
| 2002 | 3,634.4  | 13,824.7                               | 26.3       |
| 2003 | 2,301.8  | 18,447.0                               | 12.5       |
| 2004 | 2,432.7  | 25,654.2                               | 9.5        |



**Table 18: Intra-ASEAN FDI as a Percentage of total FDI by Host Country, 1995-2004**

| Host Country      | 1995 | 1996 | 1997 | 1998  | 1999   | 2000   | 2001  | 2002 | 2003 | 2004 | 1995-2004 |
|-------------------|------|------|------|-------|--------|--------|-------|------|------|------|-----------|
| Brunei Darussalam | 6.7  | 8.3  | 7.4  | 9.1   | 0.2    | 1.4    | 0.4   | 0.6  | 1.6  | 1.0  | 4.6       |
| Cambodia          | 0.0  | 0.0  | 0.0  | 0.0   | 0.0    | 0.0    | 1.5   | 0.2  | 0.9  | 1.3  | 0.3       |
| Indonesia         | 13.1 | 4.5  | 5.2  | (1.4) | (23.9) | (30.5) | (9.6) | 36.8 | 16.7 | 1.3  | 6.2       |
| Lao PDR           | 0.1  | 2.4  | 1.2  | 1.0   | 1.8    | 1.8    | 0.1   | 0.2  | 0.1  | 0.3  | 0.9       |
| Malaysia          | 36.0 | 34.5 | 43.2 | 17.2  | 30.0   | 33.8   | 3.2   | 0.0  | 10.9 | 40.3 | 26.4      |
| Myanmar           | 2.1  | 5.4  | 6.2  | 5.6   | 2.3    | 9.7    | 2.7   | 0.7  | 1.1  | 0.5  | 3.5       |
| Philippines       | 5.2  | 1.8  | 2.7  | 3.9   | 6.2    | 16.6   | 8.9   | 1.0  | 7.6  | 4.8  | 4.5       |
| Singapore         | 25.0 | 28.2 | 18.0 | 29.1  | 35.3   | (10.3) | 17.0  | 21.3 | 27.7 | 26.7 | 23.6      |
| Thailand          | 3.4  | 7.2  | 5.7  | 20.9  | 32.0   | 51.0   | 66.1  | 33.7 | 29.1 | 13.8 | 20.4      |
| Vietnam           | 8.3  | 7.7  | 10.5 | 14.6  | 16.2   | 26.5   | 9.7   | 5.5  | 4.4  | 10.0 | 9.7       |

Source: ASEAN Statistical Yearbook, 2005

**Table 19: Intra-ASEAN FDI as a Percentage of total FDI by Source Country, 1995-2004**

| Source Country    | 1995 | 1996 | 1997 | 1998 | 1999 | 2000  | 2001 | 2002 | 2003 | 2004 | 1995-2004 |
|-------------------|------|------|------|------|------|-------|------|------|------|------|-----------|
| Brunei Darussalam | 1.8  | 3.4  | 0.7  | 2.5  | 1.0  | 4.3   | 1.5  | 0.5  | -0.4 | 0.3  | 1.4       |
| Cambodia          | 0.0  | 0.1  | 0.1  | 0.0  | 0.1  | 0.3   | 0.0  | 0.0  | 0.2  | 0.1  | 0.1       |
| Indonesia         | 11.6 | 14.5 | 9.6  | 12.2 | 24.4 | 14.4  | 14.5 | 13.0 | 10.3 | 11.1 | 12.8      |
| Lao PDR           | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 1.3   | 0.0  | 0.0  | 0.0  | 0.0  | 0.0       |
| Malaysia          | 16.5 | 16.7 | 11.9 | 21.2 | 18.3 | 11.4  | 8.2  | 11.7 | 25.5 | 24.7 | 16.2      |
| Myanmar           | 0.1  | 0.1  | 0.1  | 0.0  | 0.1  | 0.7   | 0.1  | 0.4  | 0.3  | 0.2  | 0.2       |
| Philippines       | 1.9  | 1.7  | 0.3  | -1.0 | -1.3 | 12.1  | 1.1  | -0.7 | -0.2 | 7.8  | 1.3       |
| Singapore         | 64.1 | 56.1 | 68.2 | 59.3 | 50.1 | 84.1  | 77.7 | 66.4 | 57.4 | 50.1 | 62.7      |
| Thailand          | 3.9  | 7.5  | 9.0  | 5.7  | 6.9  | -29.5 | -3.3 | 7.1  | 6.8  | 5.4  | 4.9       |
| Vietnam           | 0.0  | 0.0  | 0.0  | 0.1  | 0.2  | 0.8   | 0.1  | 1.8  | 0.2  | 0.2  | 0.3       |

Source: ASEAN Statistical Yearbook, 2005

Table 19 presents the intra-ASEAN FDI as a percentage of total FDI by source country for the period of 1995-2004. As shown in Table 19, during the period of 1995-2004 Singapore contributed the most to the investment flows within ASEAN with 62.7 per cent, followed by Malaysia (16.2%) and Indonesia (12.8%).

The intra-ASEAN foreign direct investment index for the period of 1996-2004 is presented in Table 20. The Table shows that the highest intra-ASEAN FDI index was recorded in 1997. Then, for three consecutive years after 1997, the index shows a declining trend. For the years 2001-2002, the index increased from 73.4 in 2001 to 95.5 in 2002 reflecting a rise in the amounts of intra-ASEAN FDI.

**Table 20: Intra-ASEAN Foreign Direct Investment Index, 1996-2004**

| Year | Total Value of<br>Intra-ASEAN FDI<br>(US\$ Million) | GDP<br>(US\$ Million) | Percentage | Index<br>(1996 = 100) |
|------|---|-----------------------|------------|-----------------------|
| 1996 | 4,271.8   | 724,899.2             | 0.59       | 100                   |
| 1997 | 5,235.7   | 696,066.2             | 0.75       | 127.6                 |
| 1998 | 2,730.8   | 474,614.1             | 0.58       | 97.6                  |
| 1999 | 1,789.3   | 549,153.7             | 0.33       | 55.3                  |
| 2000 | 763.1   | 597,597.5             | 0.13       | 21.7                  |
| 2001 | 2,495.4   | 576,884.7             | 0.43       | 73.4                  |
| 2002 | 3,634.4   | 645,981.7             | 0.56       | 95.5                  |
| 2003 | 2,301.8   | 722,396.0             | 0.32       | 54.1                  |
| 2004 | 2,432.7   | 800,087.3             | 0.30       | 51.6                  |

### **ASEAN Employment and Labour Mobility**

Table 21 summarizes the labour force participation rate in ASEAN countries for the period of 1996-2004. In 2004, the labour force participation rate in Cambodia, Thailand and Brunei Darussalam were quite high with 74.6 per cent, 73.2 per cent and 69.8 per cent, respectively. The labour force participation rates for Philippines, Malaysia and Singapore were 66.5 per cent, 64.4 per cent and 64.2 per cent, respectively.

**Table 21: Labour Force Participation Rate in ASEAN Countries (%), 1996-2004**

| Country           | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|-------------------|------|------|------|------|------|------|------|------|------|
| Brunei Darussalam | 61.4 | 61.1 | 60.6 | 67.9 | 69.2 | 69.3 | 69.8 | 69.8 | 69.8 |
| Cambodia          | 65.4 | 65.8 | 55.5 | 66.1 | 65.2 | 71.7 | –    | –    | 74.6 |
| Indonesia         | 66.9 | 66.3 | 66.9 | 67.2 | 67.8 | 68.6 | 67.8 | 67.8 | 67.6 |
| Lao PDR           | 70.3 | –    | –    | –    | –    | –    | –    | –    | –    |
| Malaysia          | 66.3 | 65.6 | 64.3 | 64.2 | 65.5 | 65.3 | 64.4 | 65.2 | 64.4 |
| Myanmar           | 62.7 | 63.2 | 62.4 | 62.8 | 63.2 | 63.6 | –    | –    | –    |
| Philippines       | 65.8 | 65.5 | 66.0 | 65.8 | 64.3 | 67.5 | 66.2 | 67.1 | 66.5 |
| Singapore         | 64.6 | 64.2 | 63.9 | 64.7 | 68.6 | 65.4 | 64.7 | 64.2 | 64.2 |
| Thailand          | 74.7 | 74.8 | 72.0 | 70.8 | 71.0 | 72.0 | 72.2 | 73.1 | 73.2 |
| Vietnam           | 85.7 | –    | 86.4 | –    | 49.6 | 50.2 | 50.7 | 51.1 | 51.8 |

Source: ASEAN Statistical Yearbook, 2005

In terms of human resources as shown in Table 22, the three ASEAN countries, namely Thailand, Malaysia and Singapore have a total of 46,838.1 thousand being employed in 2003. Indonesia has a total of 88,816.9 thousand number of employment in 1999 and the number of employed person for Philippines for the year 2004 was 31,733.0 thousand.

**Table 22: Number of Employment in ASEAN Countries by Occupation  
(In Thousand)**

| Occupation  | Indonesia<br>(1999) | Malaysia<br>(2003) | Philippines<br>(2004) | Singapore<br>(2003) | Thailand<br>(2003) |
|---|---------------------|--------------------|-----------------------|---------------------|--------------------|
| Professionals, technical and related workers                                | 3,423.1             | 1,822.8            | 2,252.0               | 587.3               | 2,515.1            |
| Administrative, executive and managerial workers                            | 252.9               | 818.4              | 3,553.0               | 271.4               | 2,412.3            |
| Clerical and related workers  | 4,353.9             | 971.8              | 1,361.0               | 270.1               | 1,193.9            |
| Sales workers and services workers  | 20,928.6            | 2,731.0            | 5,686.0               | 218.0               | 8,429.8            |
| Agricultural, animal husbandry and forestry workers; fisherman and hunters  | 38,203.4            | 1,299.1            | 6,134.0               | 1.6                 | 12,734.9           |
| Production and related workers, transport equipment operators and labourers | 21,353.2            | 2,598.4            | 12,613.0              | 606.0               | 2,685.9            |
| Others  | 301.7               | –                  | 135.0                 | 79.3                | 4,593.0            |
| <b>Total</b>  | <b>88,816.9</b>     | <b>10,239.6</b>    | <b>31,733.0</b>       | <b>2,033.7</b>      | <b>34,564.8</b>    |

Source: ASEAN Statistical Yearbook, 2005

Table 23 summarizes the characteristic of employed persons in ASEAN countries. As shown in Table 23, compared to other ASEAN countries, Singapore has the highest percentage of workers in the professional and technical groups in 2003 accounted for 28.9 per cent. The majority of Indonesia and Thailand workers engaged in agricultural, forestry, hunting and fishing sector with 43.0 per cent and 36.8 per cent, respectively. In 2003, the percentage of workers in the professional and technical groups accounted for 17.8 per cent for Malaysia. Production workers and labourers accounted for 25.4 per cent

of total employed persons in Malaysia for the same year. Table 23 also shows that for Malaysia, 12.7 per cent of workers were employed in the agricultural, forestry, hunting and fishing and 26.7 per cent in sales and services.

**Table 23: Percentage Distribution of Employed Persons in ASEAN Countries by Occupational Groups**

| Occupation  | Indonesia<br>(1999) | Malaysia<br>(2003) | Philippines<br>(2004) | Singapore<br>(2003) | Thailand<br>(2003) |
|---|---------------------|--------------------|-----------------------|---------------------|--------------------|
| Professionals, technical and related workers                                | 3.9                 | 17.8               | 7.1                   | 28.9                | 7.3                |
| Administrative, executive and managerial workers                            | 0.3                 | 8.0                | 11.2                  | 13.3                | 7.0                |
| Clerical and related workers  | 4.9                 | 9.5                | 4.3                   | 13.3                | 3.5                |
| Sales workers and services workers  | 23.6                | 26.7               | 17.9                  | 10.7                | 24.4               |
| Agricultural, animal husbandry and forestry workers; fishermen and hunters  | 43.0                | 12.7               | 19.3                  | 0.1                 | 36.8               |
| Production and related workers, transport equipment operators and labourers | 24.0                | 25.4               | 39.7                  | 29.8                | 7.8                |
| Others  | 0.3                 | –                  | 0.4                   | 3.9                 | 13.3               |
| <b>Total</b>  | <b>100.0</b>        | <b>100.0</b>       | <b>100.0</b>          | <b>100.0</b>        | <b>100.0</b>       |

Source: ASEAN Statistical Yearbook, 2005

#### Labour Market Integration

Intra-ASEAN labour market integration would be enhanced when more ASEAN nationals are employed in the labour markets of other ASEAN member countries. Dennis and Yusof (2003) suggested two indicators that can be used as a basis for assessing the degree of labour market integration. The indicators are (i) wage rates of ASEAN labour in individual ASEAN member countries and (ii) the number of ASEAN workers employed in individual ASEAN member countries as a percentage of total labour employed. With respect to the first indicator, the labour market for that category of labour would be integrated if the same wage rate is paid irrespective of the country of employment.

The present trends in labour movements within ASEAN indicate that the faster growing economies like Singapore and Malaysia tend to attract greater numbers of immigrant labour from ASEAN. In order to enhance intra-ASEAN labour market integration, the barriers to the mobility of ASEAN labour should be removed. Some of the factors that may limit the movement of labour are physical barriers, distance and restrictive immigration policies. Restrictive immigration policies, such as the imposition of quotas, limited rights of resident, employment restriction, will limit the mobility of labour from other countries.

#### 4. Conclusion

This paper reviews the progress of ASEAN economic integration in three main areas: (i) Trade integration (ii) Investment integration and (iii) ASEAN labour market integration. In addition, it highlights the key challenges and opportunities prevailing in ASEAN regional grouping. This paper also provides a perspective on way forward for ASEAN economic integration.

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