

# How Does the AEC Matter?

Dialogue on Trade and Investment Coherence:

Enabling Thai SMEs for AEC 2015

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“ ASEAN’s cooperation in political development aims to strengthen democracy, enhance good governance and the rule of law, and to promote and protect human rights and fundamental freedoms, with due regard to the rights and responsibilities of the Member States of ASEAN. ”

ASEAN Political-Security Community Blueprint

“ The AEC Blueprint will transform ASEAN into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. ”

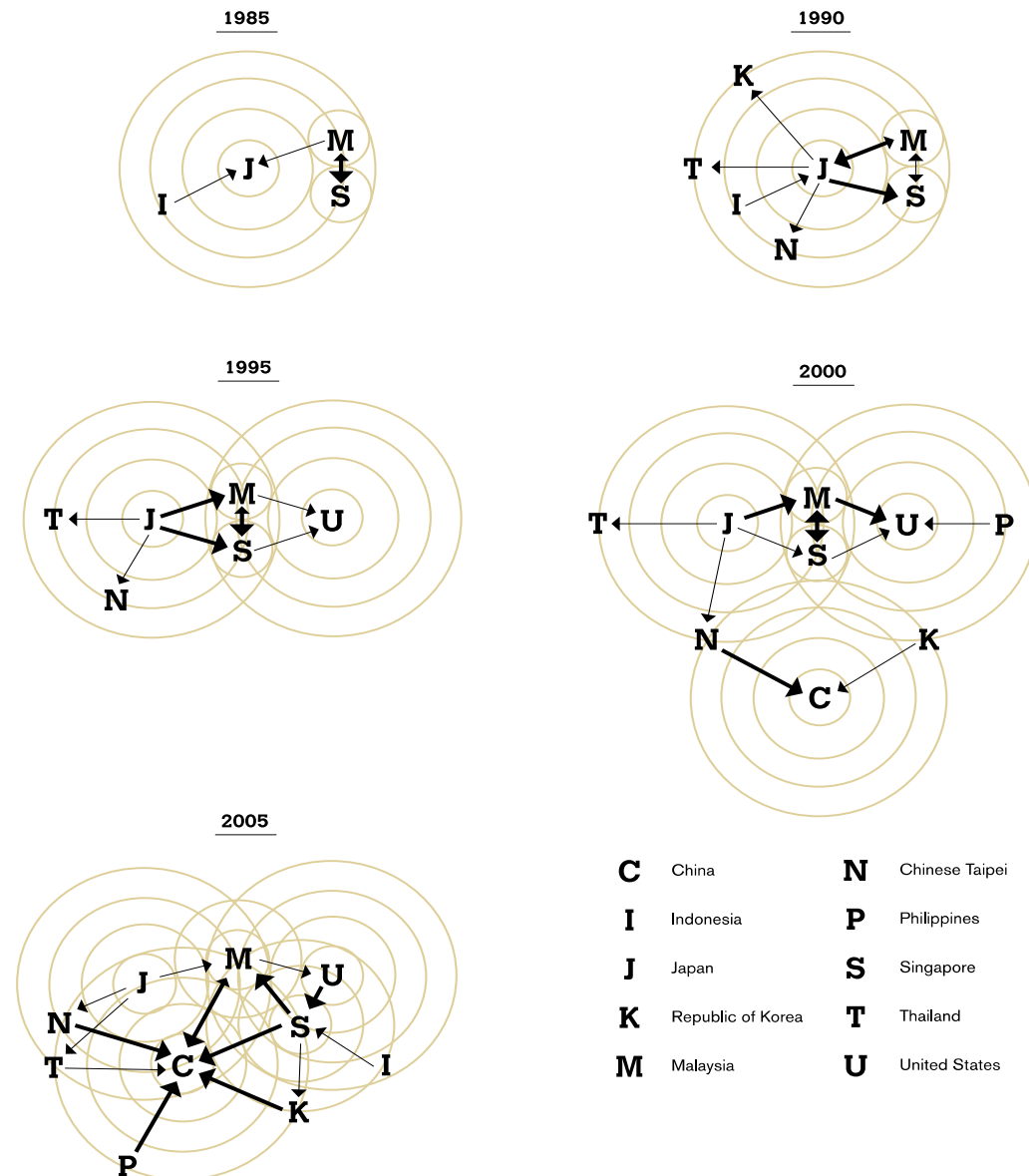
ASEAN Economic Community Blueprint

“ ASEAN is committed to enhancing the well-being and the livelihood of the peoples of ASEAN through alleviating poverty, ensuring social welfare and protection, building a safe, secure and drug free environment, enhancing disaster resilience and addressing health development concerns. ”

ASEAN Socio-Cultural Community Blueprint

# Asian not just ASEAN

- Regional Production Networks have since the 1980s been centered around a **hub-spoke model**.
- In the 1980s it was Japan that was the hub because of its vast MNC network.
- By 2000s, the gravity had shifted to China as the final assembly operation.



# But if “Factory Asia” already exists, why bother with ASEAN Integration?

- Theory 1:
- The bicycle theory of trade:
- Activity just to keep things going to avoid falling back to protectionism



Life is like a bicycle, to keep your balance you must keep moving – Albert Einstein

# Theory 2: Legalization

- Dieter: “without the creation of a single regulatory sphere [in the EC], the integration processes could not have taken place.”
- Baldwin: East Asian regionalism is “a mess” in that while there is a high level of regional division of labour in the production process, there has been limited legalisation of the process.
- This has resulted in a business environment which is less transparent and less certain than that of Europe but one which is no less productive.
- However, Dieter suggests that the production of automobiles and electronics in East Asia is relatively integrated in practice but is faces protectionism and inconsistent governmental policies.

# Elements of Legalization

Goldstein, Kahler, Keohane, and Slaughter:

**1.Obligation** refers to international actors being legally bound by legal rules and procedures, whether international or domestic.

**2.Precision** means that these rules and procedures define rights and obligations in unambiguous ways.

**3.Delegation** relates to the grant of authority to third parties, such as courts, arbitrators, and administrative bodies, to interpret and apply rules during dispute settlement.

# Transparency International's Corruption Perception Index (CPI)

Ranking in ASEAN	Country	Country Ranking		CPI Score	
		2010 (178 countries)	2011 (183 countries)	2010	2011
1	Singapore	1	5	9.3	9.2
2	Brunei Darussalam	38	44	5.5	5.2
<b>3</b>	<b>Malaysia</b>	<b>56</b>	<b>60</b>	<b>4.4</b>	<b>4.3</b>
4	Thailand	78	80	3.5	3.4
5	Indonesia	110	100	2.8	3.0
6	Vietnam	116	112	2.7	2.9
7	Philippines	134	129	2.4	2.6
8	Laos	154	154	2.1	2.2
8	Cambodia	154	164	2.1	2.1
9	Myanmar	176	180	1.4	1.5

[https://www.yunbaogao.cn/report/index/report?reportId=5\\_7169](https://www.yunbaogao.cn/report/index/report?reportId=5_7169)

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# Domestic Legal Institutions

ides:

state dispute settlement (difficult  
of need to get states to espouse  
; concern).

io State claims (much easier).