PROSPECTUS AND CHALLENGES FOR ASEAN+3 INTEGRATION: POLICY IMPLICATIONS FOR THAILAND
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ABSTRACT

An enlarged ASEAN economic integration with East Asian economies has been proposed strongly proposed by China in recent time. Moreover, China has also implements intensive both trade liberalisation, openness policy economic reform because of the commitments of WTO membership. Japan and Korea are also other important economic players in the region as well as important trade partners of ASEAN particularly Thailand. As a result, the ASEAN+3 integration has been proposed by ASEAN. However, this initiative encounters long way to complete implementation due to the commitment of MFN and non-discriminatory trade liberalisation especially for each of ASEAN country. This paper is qualitative study to describe the current progress of ASEAN, trade and investment linkage between ASEAN and East Asia economies. The regionalism and ASEAN+3 proposal are included. Furthermore, the prospectus and challenging of ASEAN+3 particularly in terms of rules of origin (ROO), trade and investment facilitation schemes are explained. The paper also proposes policy implications to strengthen the competitiveness and growth for ASEAN and especially for Thailand. It is strongly suggested that the Thailand-China FTA and ASEAN+1 are very essential step to bring the success of ASEAN+3 FTA and mutual benefits of an enlarged ASEAN integration.

Keywords: economic integration, FTA, trade liberalisation, regionalism and openness
JEL Classification: F02, F10, F13, F15
1. INTRODUCTION

There has been a proliferation of bilateral and regional FTA in Asian. One example of this regional economic integration is the ASEAN Free Trade Agreement (AFTA). Recently, the bilateral and sub-regional preferential trading agreements have been proposed in the East Asia region. It can be stated that the global major economies of China, Japan and Korea have not been in any regional trade agreement until the ASEAN+China FTA and ASEAN+3 proposal emerged. More importantly, the ASEAN enlargement issue is currently debated for benefits and costs for ASEAN.

This paper aims to review the current progress of ASEAN, trade and investment linkage between ASEAN and East Asia economies including the regionalism and ASEAN+3 proposal. It also analyses the prospectus and challenging of ASEAN+3 and proposes policy implications to enhance the competitiveness and long run growth for ASEAN and especially for Thailand.

2. CURRENT PROGRESS OF ASEAN

The progress of ASEAN economic cooperation can be divided into five episodes from the beginning to present (Akrasanee, 1998). Episode one covered August 1967 when ASEAN was set up until 1975. It was any economic cooperation during that time because of the internal conflicts in some members. As a result, the co-exist peacefully and political cooperation is the main objective to implement. Episode two is regarded as period of unity was from 1976 to 1984. The objective during this time was the maintaining unity among the member’s economies that attributed to the conflict in Indochina sub-region and the end of Vietnam War. Episode three is called consolidated period covering 1984 to 1992. The working groups, committees and schemes were set up to enhance regional economic cooperation more efficiently. Episode four is the current and most interesting that commenced in 1992. The establishment of AFTA in Singapore Summit by January 1992 led to an obvious liberalisation and more deeply integration in ASEAN. Last episode is toward the year 2000 until 2020 that the ASEAN Vision 2020 had been set up.

The basic objectives of AFTA are to enhance trade liberalisation, economic cooperation, strengthen competitiveness including attract foreign direct investment (FDI). The Comprehensive Effective Preferential Tariff Agreement (CEPT) is an essential scheme to implement tariff elimination. The ASEAN Investment Area (AIA) is key of ASEAN Vision 2020. Many following considerations are critical to achieve the success of this vision (Sopiee, 1998). The comprehensive, multidimensional and achievable scope is an
important element. The full consensus and effective strategic plan are another essential keys. The success of ASEAN Vision 2020 is still on the long way journey.

ASEAN has achieved significant contributions to success during three episodes (Sopiee, 1998). First is the creation of an incipient of community sense in the region. Second is prosperous regional growth and development contributes to an intensive tariff elimination implementation under the CEPT leads to an expanding intra-regional trade during the last twenty years. However, the ASEAN members have to continue effectively accelerate the tariff elimination schedule target of the CEPT within 2010. Last is the increased negotiation power of the region in global trading arena. The most important challenge encounter although ASEAN has experienced several achievements is the economic front pushes up free market policies and intensive competition. In addition, the Asian financial crisis of 1997 began in Thailand affected the high economic performance of the region. Therefore, it is necessary for ASEAN to enhance wider and deeper economic integration not only trade and investment ensuring the long term regional growth.

3. TRADE AND INVESTMENT LINKAGE BETWEEN ASEAN AND EAST ASIA

This section explains the trade and investment linkage between ASEAN and East Asia economies to be background of the ASEAN+3 FTA proposal in the next section. The total trade share between these partners has increased during the past twenty years because of the economy boom, high purchasing power as well as the economic reform and trade liberalisation policy attributes to the WTO membership particularly of China. Furthermore, most of ASEAN countries recently have implemented the diversified outward-oriented policy to increase their export market shares.

In regards to the trade structure in the North East Asian, the intra-regional trade share measuring by each country’s aggregate imports and exports has increased considerably during last two decades (Nam, 2004). Two commodities of petroleum and fuel oil, and mineral and wood are intra-industry trade between China and Japan. Inter-industry trade from China to Japan is primary products and industrial intermediate goods. Four commodities of petroleum and fuel oil, steel and steel products, mineral and wood, and textiles are intra-industry between China and Korea. Inter-industry trade between China and Korea covers agricultural and other primary products and some industrial goods. Inter-industry trade between Japan and Korea covers many industrial products;
telecommunication equipment including agricultural products while only a few sectors belongs to inter-industry trade between these countries.

**TABLE 1 ASEAN TRADE VALUE WITH SELECTED PARTNERS IN 2006**
(US$ million and share in percent)

<table>
<thead>
<tr>
<th>Partners</th>
<th>Exports</th>
<th>Imports</th>
<th>Total Trade</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>81,284.9</td>
<td>80,495.6</td>
<td>161,780.5</td>
<td>11.5</td>
</tr>
<tr>
<td>USA</td>
<td>96,943.5</td>
<td>64,252.5</td>
<td>161,196.0</td>
<td>11.5</td>
</tr>
<tr>
<td>EU</td>
<td>94,471.8</td>
<td>66,118.1</td>
<td>160,589.9</td>
<td>11.4</td>
</tr>
<tr>
<td>China</td>
<td>65,010.3</td>
<td>74,950.9</td>
<td>139,961.2</td>
<td>10.0</td>
</tr>
<tr>
<td>Korea</td>
<td>25,670.0</td>
<td>26,849.7</td>
<td>52,519.6</td>
<td>3.7</td>
</tr>
<tr>
<td>Australia</td>
<td>23,148.5</td>
<td>13,262.8</td>
<td>36,411.4</td>
<td>2.6</td>
</tr>
<tr>
<td>India</td>
<td>18,928.1</td>
<td>9,774.6</td>
<td>28,702.7</td>
<td>2.0</td>
</tr>
<tr>
<td>Canada</td>
<td>3,916.4</td>
<td>2,970.3</td>
<td>6,886.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Russia</td>
<td>1,583.0</td>
<td>2,841.1</td>
<td>4,424.1</td>
<td>0.3</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3,018.6</td>
<td>1,531.2</td>
<td>4,549.8</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Source: ASEAN Statistics ([www.asean.org](http://www.asean.org)), 2009

**TABLE 2 NET FDI INFLOWS TO ASEAN FROM SELECTED COUNTRIES, 2004-2006**
(US$ million and share in percent)

<table>
<thead>
<tr>
<th>Countries</th>
<th>Year</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>5,232.4</td>
<td>3,010.6</td>
</tr>
<tr>
<td>Japan</td>
<td>5,732.1</td>
<td>7,234.8</td>
</tr>
<tr>
<td>EU</td>
<td>10,046.1</td>
<td>11,139.6</td>
</tr>
<tr>
<td>China</td>
<td>731.5</td>
<td>502.1</td>
</tr>
<tr>
<td>Korea</td>
<td>806.4</td>
<td>577.7</td>
</tr>
<tr>
<td>Australia</td>
<td>566.7</td>
<td>195.9</td>
</tr>
<tr>
<td>India</td>
<td>118.7</td>
<td>351.1</td>
</tr>
<tr>
<td>Canada</td>
<td>301.2</td>
<td>161.3</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3.5</td>
<td>480.7</td>
</tr>
</tbody>
</table>

Source: ASEAN Statistics ([www.asean.org](http://www.asean.org)), 2009
From the Table 1, it can be seen that all East Asia countries are an increasing important trade partners in 2000s. The total trade shares between ASEAN and these partners are more than 10 percent in 2006 particularly Japan as 11.5 percent. In regarding to the net inflow of FDI, it can be seen from the Table 2 that there are same trends of an increasing net inflow of FDI from these East Asia countries to ASEAN during 2004 to 2006. More specifically, Japan is the highest compare to the other two and most important source of FDI to Thai economy as the continuing increase share to 20.6 percent in 2006. The import of capital goods by FDI from these partners to produce manufactured export products is remaining essential engine for accelerate growth and development of Thai economy. It can be noted that the ASEAN+3 FTA is possible to establish and extended the deep trade, investment and other economic cooperation coverage based on this trade and FDI linkage trend and data.

4. REGIONALISM AND ASEAN+3 FTA PROPOSAL

Globalisation and the expanding membership of the World Trade Organisation (WTO) have impacted all economies both developed and developing countries particularly in Asia region (Tran Van Hoa, 2003a). Major countries in Asia including ASEAN economies had experienced miracle growth during the early 1960s until mid of 1990s. The Asian financial crisis of 1997 beginning in Thailand is an essential cause for this economic downturn. The current emergence of Asian regionalism is the new economic integration between East and South East Asia to enhance growth and improve trade and investment linkage in the Asian region more effectively.

The rapid growth of East Asian economies in the last two decades has mainly driven by the international trade and foreign direct investment (FDI) expansion and moved to integration via bilateral and plurilateral FTAs. ASEAN has more important as hub for FTAs in the region. Many factors can be explained as economic integration initiatives for this issue by followings (Kawai and Wignaraja, 2008). Firstly, is the consequence of trade and investment liberalisation as requirement for outward-oriented policy under the multilateral framework agreements and open regionalism. Secondly, multinational and local firms have created efficiency production network and supply chains in the region through FDI and the rapid growth of largest emerging market economy of China. Finally, is the depending market-driven integration and the Asian financial crisis attack.

The ASEAN+3 proposal was first emerged and discussed in the mid of 1990s. Many factors can be explained about this emergence (Tran Van Hoa, 2003b). Firstly, it is the
consequence of fast growth including economic and financial reform in North East Asia. Secondly, it is the result of the Asian financial crisis damaging and contagion effects in the region. Thirdly, it is the outcome of lack of interest and inefficiency of international organisation and economic power bloc crisis solving such as the IMF and EU. Finally, it is the response to intense global competitive trading area and increases the negotiation power of the region. There are recently proliferation numbers of new Asian regionalisms (NARs) and FTAs in the Asian region during the early 2000s. The examples of these NARs and FTAs are ASEAN+3, ASEAN+5, ASEAN+5+Taiwan and Japan-Singapore. These NARs and FTAs aim to promote trade and investment liberalisation including other related issues and stimulate growth and development later both among the Asian economies and outside the region. The ASEAN+China FTA proposal was set up in the ASEAN Summit in November 2001 and negotiated deeply in Beijing in May 2002.

The key criterions to support this enlarged ASEAN FTA can be justified from the following factors (Tran Van Hoa, 2003b). These factors are the size expansion of ASEAN considerable diversities, factor endowment, economic structure, trade orientation and level of economic development. In the context of these factors, it is important to enhance strong trade and foreign direct investment (FDI) linkage between ASEAN and the other Asian 3 (China, Japan and Korea) to assurance the success and benefits. The enlarged ASEAN integration with East Asian economies in term of financial cooperation can also be regarded as the way of insulate the new round of financial crisis e.g. the current global financial turmoil and economy recession of 2008.

5. LITERATURE REVIEW

This part explains the literature review context of the impact of regionalism. There has been proliferation number of regional trade agreements (RTAs) from the early 1990s. East Asian is latecomer as the first RTA in this region is Japan-Singapore Economic Partnership Agreement in 2002. The features of recent regionalism can be explained as follows (Lloyd, 2003). The more liberalised in terms of both commodity coverage and deeper elimination of regional tariff preferences particularly MFN are main features in each individual RTA.

The different between shallow and deeper integration can be describes by follows (Lawrence, 1996). Shallow integration is the elimination of the traditional border measures, tariff and non-tariff measures for trade of goods including other border barriers subjected to trade in services. Deeper integration refers to another beyond border. The harmonisation of
economic policy instrument coverage is different in each RTA. The deeper integration contributes to higher gains.

In addition, it can be noted that the recent RTA proliferation causes more discrimination in the world trading system (Lloyd, 2003). The explanation of this claim can be attributed to the systemic effects of RTA. The effect of regionalism that whether is building block or stumbling block to multilateral liberalisation is currently debated. The consideration of relationship between regional or discriminatory trade liberalisation and the combination impacts of MFN tariff rates and other trade barriers of unilateral and multilateral trade agreements is analysed to answer this question. If tariffs and other import barriers are lowered on MFN basis simultaneously as these are lowered for RTA preferentially, the trade discrimination is decreased.

Moreover, regional liberalisation is possible be an incentive to lower barriers both multilaterally and unilaterally. It is also possible to enhance unilateral reform because of the regional trade diversion decreasing. The other new patterns of RTAs are named spaghetti bowl and hubs and spokes. Spaghetti bowl refers to the pattern that currently many countries are members of more than one RTA in different regions e.g. ASEAN countries as member of AFTA, APEC and bilateral FTA. The definition of hubs and spokes can be described by following (Wonnacott, 1996). Hub is the establishment of an outside country forms a bilateral agreement with one member of a multi-member pre-existing RTA and the inside country is called the hub. Spoke arises when one country is a member of bilateral or plurilateral RTA forms a new bilateral RTA with another RTA. In the Asia-Pacific region, most of the hubs have multiple spoke including ASEAN+3 FTA.

Furthermore, the analysis of unequal access to world market discriminate to developing countries from the spread of RTAs is another important issue. This issue arises upon the fact that the plurilateral RTAs with large amount of member involve developed economies and bilateral FTAs between them. Therefore, the crucial implication can be proposed as follow. In general, developing and less developed countries form RTAs slower than developed as well as among themselves or with developed countries. Besides, the commodity and instruments coverage is less comprehensive. As a consequence, based on this trend, gains from trade liberalisation under RTAs mostly benefit to developed countries.

6. PROSPECTUS OF ASEAN+3 FTA
This section describes the prospectus of ASEAN+3 FTA including the factors motivating for this regional economic integration. Both security and economic matter can be regarded as the basic motives of East Asian economies cooperation with ASEAN (Brockman and Drysdale, 2002). Regarding to an economic perspective, the high complementary economies between partners contributes to more gains and lower trade diversion; however, the sensitive sectors must not be threatened. The ASEAN+3 regional integration is the consequence of the globalisation force. Closer economic integration between these economies is an essential step to expand the market access for trade and investment. Not only the greater efficiency via productivity and competitiveness but also decreasing costs and risks is another gain.

The appropriate simultaneous implementation of trade policy under the multilateral, regional and bilateral perspectives is another crucial issue. More comprehensive RTA contributes to more linkage with other regional and bilateral agreement. It is strongly believed that the higher economic benefits emerge in coordination with the external openness with regional integration simultaneously lowering external barriers. Brockman and Drysdale (2002) suggest that the essential concern principles associate with the new bilateral and sub-regional in East Asia integration to decrease costs and accelerate benefits are as follows.

- Transparent
- Comprehensive
- Minimum trade and investment diversion
- Trade and investment facilitation including industrial cooperation and joint ventures
- Beyond WTO content but no undermining of WTO rights and obligations
- Mulilateralisable

According to Soesastro (2005), many implications for the evolution of ASEAN+X FTA by followings. The process of ASEAN+X FTA was initially proposed and mainly driven by China and followed by Japan. The Framework Agreement on Comprehensive Economic Cooperation (CEC) between ASEAN and China includes three core elements of liberalisation, facilitation and economic cooperation. Liberalisation element covers trade in goods, services and investment. The special treatment and flexibility access to sensitive areas also provides for newer ASEAN members. The Early Harvest Program is divided to normal and sensitive track tariff elimination. The rules of origin (ROO) are applied to the
products under the Early Harvest Program. Japan desires to develop FTAs with individual country prior to the whole ASEAN. Japan has established FTA with Singapore first and the Closer Economic Partnership (CEP) with Thailand later.

In October 2003, the CEP Agreement between ASEAN and Japan was signed. The key principles are as follows.

- Board range of sectors on liberalisation, facilitation and cooperation
- Consistency with the rules and disciplines of WTO agreements (WTO plus)
- Special and differential treatment providing to the newer ASEAN members
- Flexibility to sensitive sectors in each ASEAN member and Japan
- Technical cooperation and capacity building schemes

Nevertheless, Japan has established bilateral FTA with Singapore that has less liberal ROO adopted than AFTA and ASEAN-China FTA. Japan has currently negotiated similar agreements with each other ASEAN member resulting in the different of ROO adoption in each bilateral FTA with Japan. This can be regarded as an obstacle of ASEAN+Japan CEP and ASEAN+3 FTA in the future. The propose establishment of an ASEAN-Korea FTA emerged in 2004 to extend the existing relations and accelerate to higher and more comprehensive level. The scope and provision of flexibility are similar to above ASEAN FTAs except for an exclusion of agricultural products in the Early Harvest Program. Furthermore, the manufactured products are included in sensitive products that neither to the ASEAN-China and ASEAN-Japan FTA. It can be stated that the ASEAN-Japan FTA and ASEAN-China FTA is different from the others as ASEAN is a hub to China and becomes spokes to Japan (Soesastro, 2005).

In November 2004, the ASEAN+3 leaders agreed to establish an East Asian Community to be the long-term objectives and affirmation for future enlarged ASEAN integration by including the following principles.

- Set up the East Asia Free Trade Area (EAFTA) and implementation trade and investment ahead of the APEC Bogor Goal
- ASEAN Investment Area (AIA) expansion to all East Asia
- Regional technological cooperation and development promotion

From the above, it can be concluded that all member of ASEAN+3 should ensure the consistency with the above rules and the agreement content should be WTO plus in common characteristic. The effective implementation efforts should be undertaken within the ASEAN+1 (with China) framework first to ensure as a building block to ASEAN+3 or
ASEAN+5 (including Australia and New Zealand). This scheme criterion is the linkage to extend potential agreements in the future and enhance the success. It can be said that based on the above prospectus, ASEAN is high potential to be hub of East Asian FTA upon ASEAN+1 FTA as a building block (Kawai and Wignaraja, 2008).

7. CHALLENGES FOR ASEAN+3 FTA

This section discusses about the challenging of ASEAN+3 FTA. The ASEAN+3 FTA gains supportive from economic academic and policy makers in the Asian region. Nevertheless, the ASEAN+3 as well as other NARs and Asian FTAs are confronted with many basic and specific challenging for achieve success (Tran Van Hoa, 2003b). The diversified and different economic growth and development, international trade pattern including other non-economic factors are considered as basic obstacles.

The specific challenging can be described as follows. First, the ASEAN+3 is the combination of the world’s second accumulation of reserves and three different religions. The important question regarding to this claim is can ASEAN+3 be a single trading bloc with homogeneity due to the different in economic policy management. Second, it can be said that international trade between the East Asia economies and other partners does not tend to support the long run positive linkage effect of ASEAN+3 FTA. The current accounts of these East Asia economies especially Korea had been decreasing after the Asia financial crisis in 1997. Moreover, the high growth of Korea economy before the crisis is contributed to huge external debts and current account deficit. Third, it is obviously seen that the bilateral trade of both ASEAN and East Asia are comparative closely related with the USA and EU. Consequently, the expanding trade share and volume of intra ASEAN+3 regional is essential for the success and enhancing development and growth. Fourth, when considering the growth dependency on trade perspective, it can be stated that the new technology transfer and import of hi-technology and capital goods are still necessary to stimulate development and growth for ASEAN+3. Last, the current US dollar weakness and global economy recession resulting in the declining export market is also regarded as another challenging for ASEAN+3 FTA support and its success.

Nevertheless, the regional agreements is considered as second best option compare to the multilateral agreement as first best option (Brockman and Drysdale, 2002). As a result, the regional agreements require the properly design and no external discipline conflicts to be stepping stone to multilateral FTAs. Kawai and Wignaraja (2008) also propose additional challenges for ASEAN+3 FTA as follows. The different of economic
development gap between partners especially for the newer ASEAN members is crucial consideration. The sufficient coverage, WTO consistency in terms of breadth and depth including the multiple rules of origin implementation to maximize the benefits and minimise costs are another necessary issues to be considered.

Traditional FTAs are designed to reduce border barriers affecting trade in goods that is less relevant to recent trade environment. Closer economic partnership necessary requires to cover other issues relate to trade such as custom procedure, standard harmonisation, dispute settlement, factor mobility and competition policy, capacity building, labour and environment. This regional integration model that included the sensitive sectors is considered to suit the ASEAN+3 FTA in the long run to create and link regional free trade wide to global free trade. However, the enhancement of an efficient trade and investment facilitation is necessary for mutually beneficial of ASEAN+3 FTA.

8. POLICY IMPLICATIONS FOR THAILAND

This section proposes the policy implication for Thailand after the relevant backgrounds are described in the previous sections. The formation and success of an ambitious enlarge ASEAN e.g. ASEAN+1 and ASEAN+3 integration need to be supported by individual ASEAN domestic industrial policy reforms. The examples of these policy reforms are setting up favourable and transparency competition climate, enhancing dynamic efficiency benefits and promotion of knowledge-based economy particularly Thailand and Malaysia.

The initial ASEAN-China FTA has motivated Japan, Korea and India to follow this suit. The ASEAN-India and ASEAN-Japan FTA are proposed to establish in 2011 and 2012 respectively. As China has currently become the high potential and emerging market in global economy, therefore, the negotiated FTA with China by each individual ASEAN member contributes to the strong impact of ASEAN growth (www.asensec.org). The commodity tariffs had been already reduced under AFTA with China. It can be implied that China is more important trade partner. On the other hand, ASEAN becomes a trade competitor of that specific member instead of previous mutual trade partner.

ASEAN and China has established and implemented the Early Harvest Program in 2004 aiming to be the foundation scheme of free trade and investment enhancement. Thailand is enthusiastic in negotiating FTA with China compare to other ASEAN members because of the highly expected gain from substantially trade expansion (Puntasen et al., 2008). However, the local government sets up the different of non-tariff barriers in
different state of China is crucial barrage in the context of an ASEAN-China FTA. Moreover, China does not desire to implement any particular FTA with specific member to avoid trade diversion within ASEAN member. The rules of origin and standards are essential barriers need to be in dept negotiation regarding to the FTA with Japan perspective. The tariff elimination program under AFTA has influenced on Thai economy. Besides, the ASEAN Investment Area Agreement (AIA) was set up to enhance cross-border investment. Thailand should implement positive and transparency investment climate and regulations to attract foreign investors not only from other ASEAN member but also from China, Japan, and Korea including future enlarge ASEAN FTA (Australia, New Zealand and India).

According to the Thailand Investor Service Centre (TISC), the higher gains from expanded trade and investment arise from the efficiency enlarged ASEAN region-operating network apart from tariff elimination. The Thai government has currently focused on five high potential sectors for promote more FDI under an enlarge ASEAN FTA. These five sectors are automotive, electronics and information communication technology (ICT), fashion, food and value-added services such as entertainment, healthcare and tourism. Both the significant growth and emerging industries and services as well as high proportion in aggregate production of the country are the supporting reasons for this suggestion (TISC, 2005).

Each of these sectors implications and recommendations can be briefly explained by followings.

**Automotive Industry**

Thailand has developed advance automotive industry and become an outsourcing production centre for auto parts because of the massive Japanese FDI. The government has highly supported and promote this industry to enhance Thailand as the hub of ASEAN or the ‘Detroit of Asia’ by 2010 due to the location advantage (Limsavarn, 2005). The technological innovation and capacity strengthen schemes are necessary to back up the competitiveness and expansion of industry.

**Information and Communications Technology (ICT)**

ICT has become more important as catalyst to enhance economic growth and development. The greater cooperation among ASEAN in this area accelerate improvements and decrease gap including attract more FDI from future enlarge ASEAN FTA partners. Regarding to Thailand’s perspective, the ICT has developed by following strategies. The
enhancement of ICT utilisation and research and development (R&D) has been intensive implemented. Moreover, the basic foundation to increase competitiveness in the future is also improved. The potential small and medium enterprises (SMEs) are encouraged to access and expand into international markets as well as increase the ICT utilisation in the public sector.

**Textile and Fashion**

Thailand has advantage in this sector obviously compare to other ASEAN members. There are three important aspects of production, rules of origin and trade negotiation should be focused as follows. More creative products can increase the value-added. The effective supply chain network and production enhances sustainable comparative advantage. The local content and mutual transparency rules of origin are also essential negotiation issue in an enlarged ASEAN FTA.

**Food and Agricultural Products**

The negotiations of these products are remaining sensitive issue both under the AFTA and enlarge ASEAN FTA. Currently, the ASEAN neighbour e.g. Vietnam has more comparative advantage in these products like Thailand. Therefore, the efficient strategic plan of food and agricultural products for Thailand has been implemented via following key aspects. First, improve an efficiency and productivity through increase value-added. Second, enhance the competitiveness of Thai food and agricultural products in the international market. Japan is an obvious outstanding market for this scheme promotion. An example of this scheme is current campaign of ‘Thai Kitchen to World Kitchen’.

**Tourism**

Thailand is popular tourist destination of all three East Asian of China, Japan and Korea. Particularly, Japan tourists are the highest revenue generating source compare to other China and Korea tourists. The open skies scheme benefits tourism industry in ASEAN. The prominent more liberalised environment has been implemented in ASEAN member. As a result, this scheme contributes to more competitiveness and encourages intra-ASEAN travel of more tourists from the above East Asia markets (Forsyth et al., 2004). Furthermore, the Tourism Authority of Thailand (TAT) has implemented the promotion plan to activate Thailand becomes an Asia Pacific Tourist Hub. Sriyaporn (2005) also suggests that Thai major tourism products should be categorised into four clusters for efficient promotion scheme by followings.

**Cluster I: Beach and Seaside**
Cluster II: Park, Nature, Forest and Mountain

Cluster III: History and Culture

Cluster IV: Special Interest

Healthcare Services

This service sector has become more important and generated high income for Thai economy and strong reputation internationally. Consequently, the strengthen cooperation between Thai government and private sector needs to be implemented to promote Thailand as the Health Hub of Asia. The medical skills, spas and childcare should be more quality upgrade and competitiveness enhanced.

From the above, it can be concluded that an enlarged ASEAN integration is highly expected to motivate massive trade and investment expansion between ASEAN and East Asian economies of China, Japan and Korea. This claim seems to contribute the economic gains to ASEAN. More specifically, it is possible to highly benefit to Thailand because of the comparative advantage and competitiveness of many industrial sectors and services such as automotive, ICT, textile, food and agricultural products, tourism and healthcare. However, the sustainable development is necessary to accelerate higher benefits and reduce costs emerge from an enlarged ASEAN integration. The examples of sustainable development are improve an overall and rural poverty to decrease development gap and effective fairly income distribution especially in the newer ASEAN members (Laos, Myanmar and Cambodia).

9. CONCLUSIONS

In summary, it can be strongly documented that the process of regionalism economic integration has currently undertaken in the Asian region in early 2000s. East Asia and South Asia economies have closer and integrated through trade and FDI. Simultaneously, the sub-region FTAs are become proliferating. The enlarge ASEAN FTA proposal such as ASEAN+3 (China, Japan and Korea) and ASEAN+5 (China, Japan, Korea, Australia and New Zealand) are examples. However, the consolidation of multiple including an overlapping FTAs into a single enlarged ASEAN FTA need to be consider about the different rules of origin and standard harmonisation to avoid the negative and noodle bowl effects. The building or stumbling block to global trade liberalisation from this regional integration has been under current widely debated.

The distribution of mutual benefits to low-income members particularly the newer ASEAN members (Laos, Myanmar and Cambodia) is another necessary consideration issue.
The paper suggests that the WTO plus element needs to be extended to promote intense trade and investment via freer trade and investment trade related costs reduction and technical capacity building schemes. Moreover, ASEAN has to play dominant role as regional hub for expanding and deepening enlarge ASEAN integration of ASEAN+3 FTA. The closer collaborative and facilitation schemes as well as structural reforms are required to reach this objective. In addition, the mutual efforts to strengthen the supply-side capacity of ASEAN countries e.g. trade and investment support infrastructure is also essential to enhance the benefits of integrated potential regional market and decrease the development gap with an enlarged ASEAN FTA members. It is also strongly believed that the success ASEAN+3 depends on the success of ASEAN+1 (China) as crucial catalyst.

10. SUGGESTIONS FOR FURTHER RESEARCH

This paper is qualitative research on prospectus and challenging of ASEAN+3 FTA including the proposed policy implication for Thailand. The relevance background of trade and investment linkage between East Asia and ASEAN is described. Therefore, it is interesting to extend this study to examine quantitative impact of trade liberalisation on each country by using an appropriate models e.g. CGE and GTAP models including estimation techniques. Furthermore, the sectoral impact from trade liberalisation can also be examined by using simulation model analysis. Furthermore, the availability and cover time period of all necessary macroeconomic data especially for trade can be regarded as the limitation of study.
REFERENCES


