

## Progress on the ASEAN Intra-Regional Trade — Diverse players and further expansion

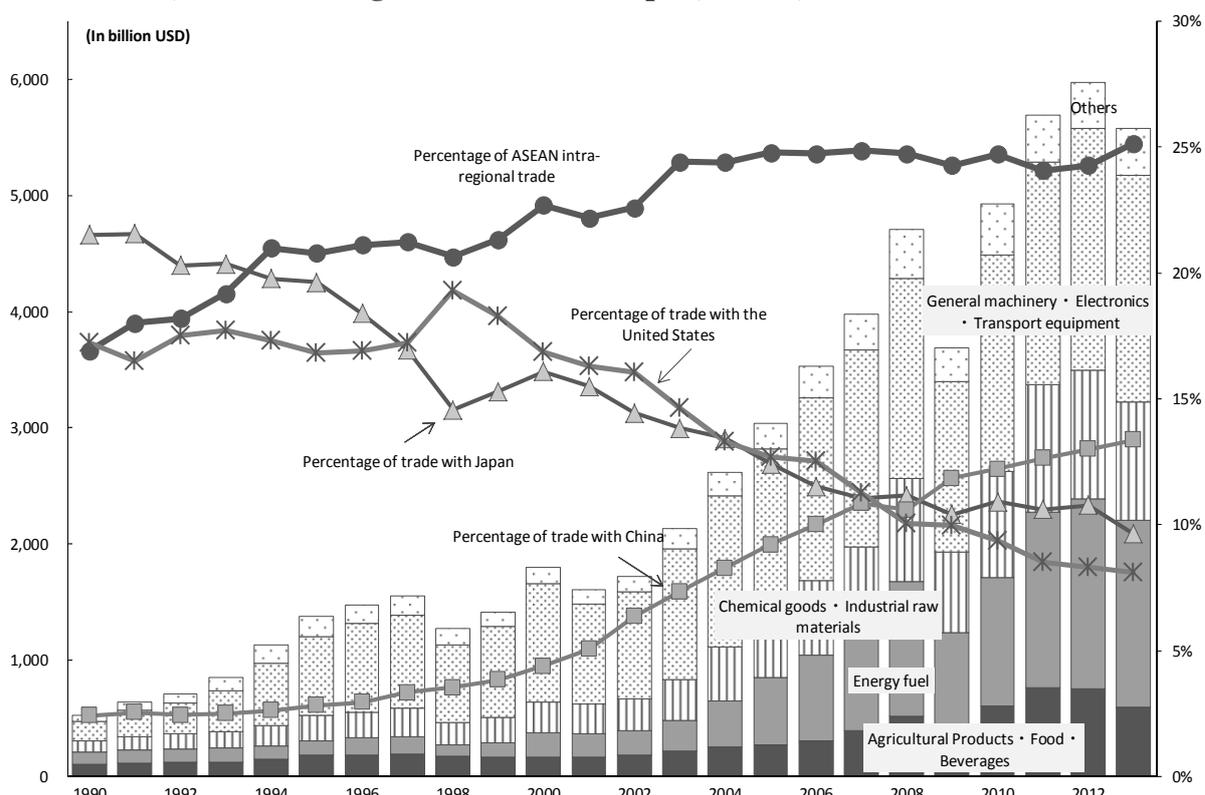
Misa Okabe

Associate Professor, Faculty of Economics, Wakayama University

### 【Key Points】

- ASEAN's intra-regional trade has expanded due to an increase in the trade of intermediate goods and the parts of: general machinery, electronic devices, and transportation equipment. Until recently, the majority of the intra-regional trade was carried out between Singapore and Malaysia; however, Thailand, Indonesia, and Vietnam are increasing their trade share as the production network expands and the market grows.
- Intra-regional trade share of the ASEAN Member States has increased to 25%. This is an adequate level considering ASEAN's economic scale. However, it can be expected to grow further with the elimination of non-tariff barriers and sustainable economic growth.
- The market size within the ASEAN region has expanded. In particular, the demand for durable consumer goods has sharply increased in Thailand, Indonesia, and Vietnam. The market expansion of these ASEAN Member States with a relatively low final consumption expenditure per capita in relation to the size of the population is driving ASEAN's consumption.

## ASEAN's Intra-Regional Trade Value, ASEAN's Percentage of Intra-Regional Trade, and Percentages of Trade with Japan, China, and the United States



Note: No data is available for Laos. For Myanmar, data is only available for 2010. For Vietnam, the data for 2013 is missing.

Source: Created based on the United Nations Commodity Trade Statistics Database (Comtrade). Used SITC, rev. 1.

### 1. Foreword

The ASEAN Economic Community (AEC) is built on reaching four targets: the first of which is the establishment of “a single market and production base.” The ASEAN Member States have been implementing various measures to achieve the free flow of goods, services, and investment within the ASEAN region. In particular, the measure that has resulted in most success is the reduction and elimination of tariffs carried out under the ASEAN Free Trade Area (AFTA), which was entered into force in 1993. ASEAN has built an efficient production system based on the international division of labor (with a focus on the electronics and the automotive industries), which has resulted in a complex production network that crosses multiple borders. In order to maximize the benefits of the division of labor within the ASEAN region, it was necessary to liberalize and facilitate intra-regional trade. The reduction and elimination of tariffs under the AFTA facilitated and deepened the development of the production network for manufacturing in the region. ASEAN as a production base was realized through the combination of two factors: increased production

activities between the ASEAN companies and the multinational companies operating in the ASEAN region, which attempted to establish an efficient production system; and the increased interaction resulting from the AFTA, the intra-regional cooperation policy.

Additionally, in recent years, ASEAN has been attracting attention not just as a production base, but also as a consumer market. Indonesia (with its large population) and Vietnam (with its rapidly developing economy) have seen sharp increases in the sale and import of durable consumer goods. In order to create a single market, it is important to link the intra-regional trade to a consumer market that is growing and expanding.

This chapter will study how ASEAN's intra-regional trade has developed by observing the current situation of trade in goods within the ASEAN region and by understanding the trade structure, using data mainly on trade in goods. First, this chapter will review the current situation of trade in goods between the ASEAN Member States that has developed under the AFTA and outline the level of progress. Additionally, the structure of ASEAN's intra-regional trade will be examined. When doing so, the production and sales networks of the ASEAN region, which have supported the development of ASEAN's intra-regional trade, will be looked at carefully. The formation of the production and sales networks of electronics, transportation equipment, and agricultural products will be studied using detailed trade data on each good. In particular, the current growth level as a consumer market for major countries will be studied by focusing on the current situation of consumer goods market of these ASEAN Member States that have experienced recent growth. If intra-regional trade is growing along with the expansion of domestic consumer market, this could lead to ASEAN's goal of a single market. Therefore, intra-regional trade and the rise in consumption will be observed by linking the two. Lastly, through these analyses, the outlook for ASEAN's economic integration will be examined from the viewpoint of trade in goods.

## **2. The development of ASEAN's intra-regional trade and its structure**

### **2.1 The expansion of the production network and intra-regional trade shares**

ASEAN's intra-regional trade has developed due to the intra-regional production network that produces goods more efficiently by dividing the production process within the region. ASEAN's intra-regional trade, particularly in parts and intermediate goods has been growing under the international division of labor in line with the production network formed by direct investment by non-ASEAN Member States, including Japan. In 2013, the total direct investment inflow to ASEAN exceeded that of China. It is expected that

ASEAN's production network will further expand and deepen.<sup>1</sup> A factor that has been supporting ASEAN's growth as a production base is the liberalization of intra-regional trade implemented under the ASEAN Free Trade Area (AFTA), which entered into effect in 1993. The ASEAN Member States have been implementing measures under the AFTA to reduce and eliminate tariffs, and are currently ahead of schedule. With regard to the Inclusion List (IL), which refers to products targeted for tariff reduction or elimination, the original six countries of ASEAN (Brunei, Malaysia, Indonesia, the Philippines, Singapore, and Thailand) eliminated tariffs on almost all items by 2010. The four new members (Cambodia, Laos, Myanmar, and Vietnam) are scheduled to eliminate tariffs by 2015. Additionally, since 2008, the Rules of Origin of the AFTA has changed to a method that can be chosen between a Regional Value Content (RVC) method and a Change in Tariff Classification (CTC) method. Furthermore, measures to facilitate intra-regional trade have been implemented, including ASEAN's introduction of a self-certification system for the Certificate of Origin.<sup>2</sup>

In the 20 years since the AFTA was established, ASEAN's intra-regional trade increased except on two occasions: the year after the Asian Financial Crisis of 1997, and in 2009 after the eruption of the Global Financial Crisis (figure 1). Electronics and transportation equipment (such as automobiles) have been the driving forces of the intra-regional trade. The total trade of general machinery, electronic devices, and transportation equipment accounted for 50% of the overall intra-regional trade at the highest period at the beginning of 2000. This proves that ASEAN has developed as a production base based on the regional division of labor in these industries.

Meanwhile, the fuel industries such as oil and natural gas have been expanding their share in intra-regional trade since the late 2000s. In 2013, fuel accounted for 40% of ASEAN's intra-regional trade. While fuel demand for transportation and industry has been growing in this region, oil refining capacity differs among countries. The reason for expanding of trade in fuels is increase in export from Singapore and Thailand with relatively high oil refining capacity to Indonesia, Malaysia and Vietnam in which oil domestic demand exceeds the refining capacity.

Within ASEAN, the ratio of intra-regional trade as compared to ASEAN's global trade (the intra-regional trade share) increased from 17% in 1990 to 25% in 2013, which is about 8 percentage point increase in 24 years. From the 1990s to the beginning of the 2000s,

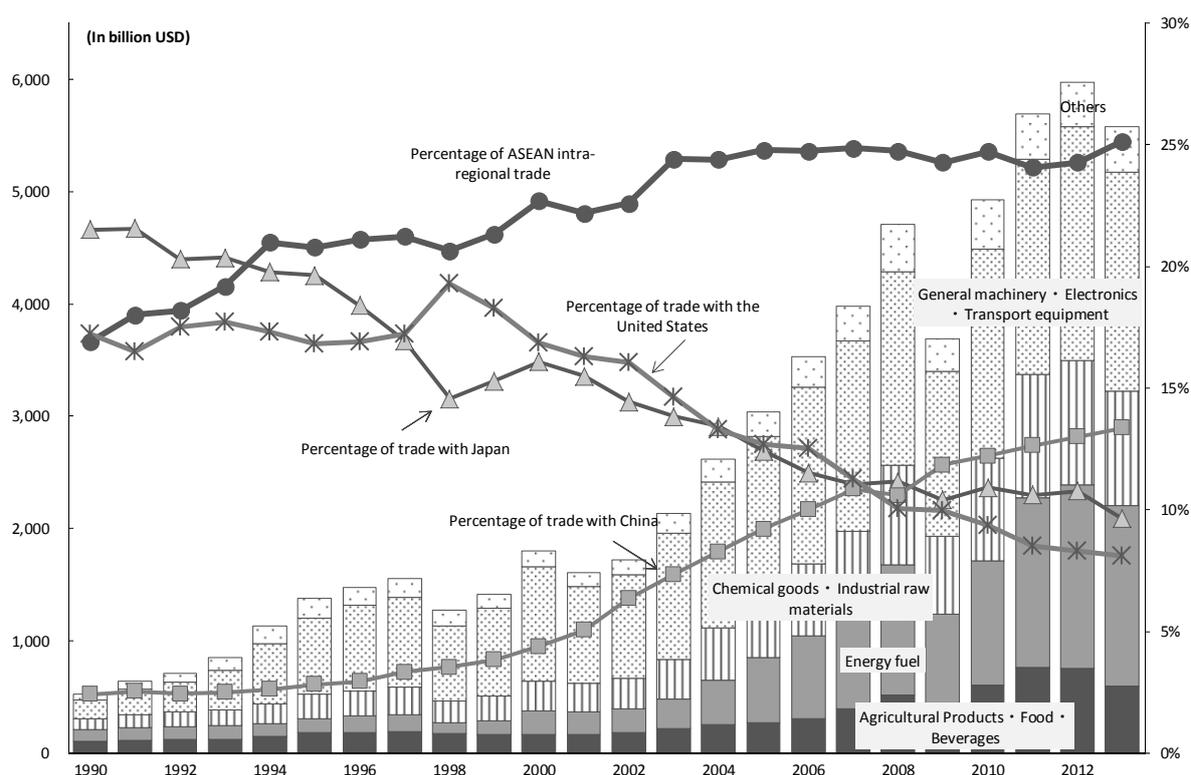
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<sup>1</sup> According to the statistics by the United Nations Conference on Trade and Development (UNCTADstat), the total inflow of FDI into the ten ASEAN countries was \$125.4 billion and the total inflow of FDI into China (excluding Hong Kong and Macau) was \$123.9 billion in 2013.

<sup>2</sup> See Sukekawa (2013) for a detailed explanation on liberalization and facilitation measures of ASEAN's intra-regional trade.

the trend was slowly moving upward; however, since the mid-2000s, growth has been sluggish. This can be due to the rapid increase of ASEAN's trade with China, which has replaced some potential intra-regional trade. A rapid expansion of ASEAN's trade with China shows the expanding and of production networks in ASEAN involving China.

**Figure 1: ASEAN's Intra-Regional Trade Value, ASEAN's Percentage of Intra-Regional Trade, and Percentages of Trade with Japan, China, and the United States**



Note: No data is available for Laos. For Myanmar, data is only available for 2010. For Vietnam, the data for 2013 is missing.  
 Source: Created based on the United Nations Commodity Trade Statistics Database (Comtrade). Used SITC. rev. 1.

## 2.2 Diversification of bilateral trade structure

Another characteristic of ASEAN's intra-regional trade is that until now, trade has been dominated by two pairs of countries: Singapore and Malaysia and Singapore and Thailand. In 1990, 70% of ASEAN's intra-regional trade was between these two pairs; in 2000, it still was 57%. However, in recent years, the pairs' shares have slowly decreased. By 2012, it had dropped to 33%. Meanwhile, the combinations of the top two countries have diversified as intra-regional trade between Malaysia and Thailand and Malaysia and Indonesia are growing. Particularly in recent years, trade between Thailand and Indonesia

and Thailand and Vietnam are also notably increasing. In the past, the scope of intra-regional trade was limited; however, it is clear that the scope has gradually expanded. This indicates that more Member States are participating in intra-regional trade as the production network within the ASEAN region expands and the regional division of labor develops further.

### **2.3 ASEAN's intra-regional trade share**

As stated in the previous section, ASEAN's intra-regional trade share has increased to 25%, but could it further expand? Intra-regional shares of major regional economic integration such as the European Union (EU) and the North American Free Trade Agreement (NAFTA) were approximately 56% and 40%, respectively, in 2012. Compared to these two, ASEAN's intra-regional trade share is small. However, it is not appropriate to simply compare it with EU and NAFTA when the economic sizes are different. If trade intensity of major regions are compared using the trade intensity index,<sup>3</sup> which compares the sizes of intra-regional trade taking various economic sizes into account, ASEAN greatly outpaces APEC, EU, and NAFTA. In other words, ASEAN's intra-regional trade is extremely large in trade scale compared to the rest of the world. Furthermore, if a theoretical ASEAN intra-regional trade value were to be calculated taking into account factors that could influence intra-regional trade value (e.g. GDP sizes and income levels of the ASEAN Member States, and geographical distance of the Member States), the estimated share would be approximately 26%.<sup>4</sup> Considering this estimate, given the size of the economy, ASEAN's current intra-regional trade share of 25% is an appropriate level.

## **3. Expanding and deepening intra-regional production and sales network**

### **3.1 The electronics industry**

The electronics industry, which served as a driving force for the development of the production network within the ASEAN region, has been able to efficiently produce goods due to process specialization, which compartmentalizes the production process in the region. The intra-regional bilateral trade flow indicates that the production network has expanded and deepened because of international process specialization. Figures 2 and 3

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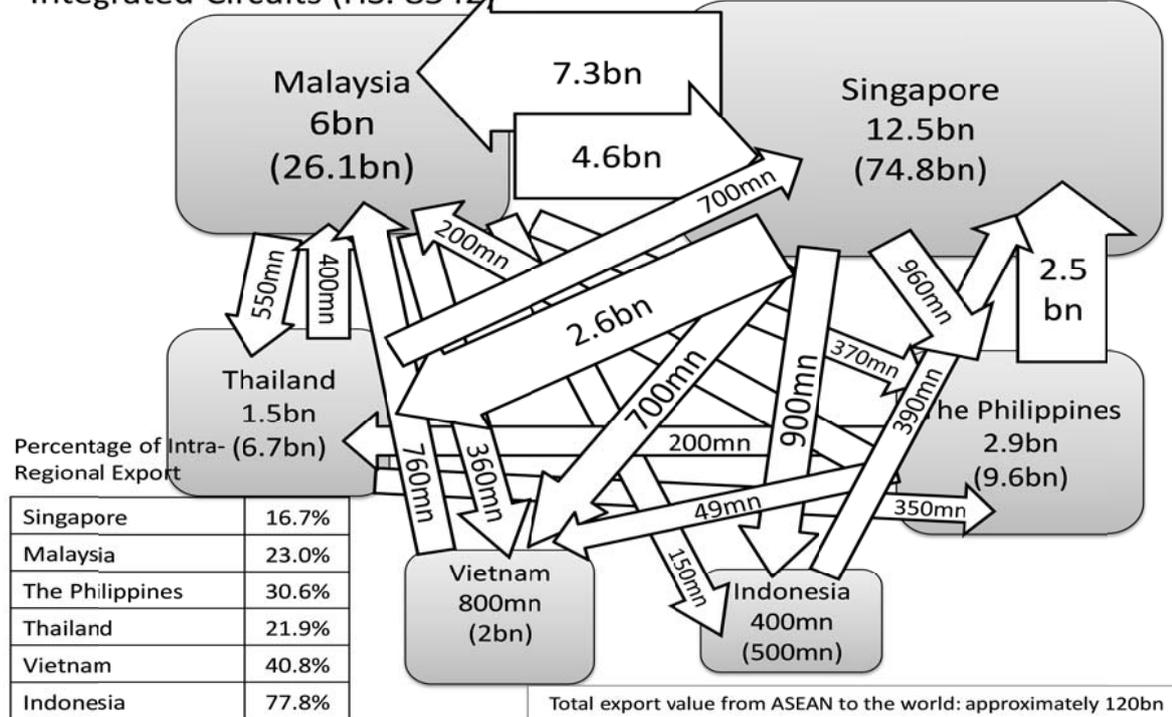
<sup>3</sup> The trade intensity index indicates the size of an intra-regional trade share taken into account relative trade sizes of the region. It is calculated by dividing the intra-regional trade share by the region's share of world trade. If the trade intensity index is greater than 1, it indicates that the intra-regional trade share is large.

<sup>4</sup> The intra-regional trade share was calculated by using the gravity model of trade and estimating the theoretical trade value from data such as a country's GDP and geographical distances between the two units. The estimated intra-regional trade shares for EU and NAFTA were approximately 72% and 73%, respectively.

show the intra-regional export structures for integrated circuits and finished personal computers. In particular, a large and a complex network exists for the bilateral trade between the ASEAN Member States of integrated circuits. Since the production of integrated circuits has been fragmented into multiple processes an active bi-directional trade between major producers has emerged. Trade between Singapore and Malaysia, both with particularly large domestic production sizes among the Member States, are the largest within the ASEAN region. Following Singapore and Malaysia, the production sizes of Thailand and the Philippines have been increasing (figure 2). With this, four countries (combining Malaysia and Singapore) are the main producers in the production network for integrated circuits.

For Singapore, Malaysia, and Thailand – the key players in the intra-regional production network – the intra-regional export rate for integrated circuits remains below 23%. However, the extra-regional export rate is relatively high. The total value of extra-regional exports of integrated circuits of the ASEAN region in 2012 was \$95.6 billion, which accounted for 25% of the world’s total exports of integrated circuits. ASEAN as a global production base is supported by the expanding and evolving intra-regional production network.

**Figure 2: ASEAN’s Intra-Regional Export Structure for Integrated Circuits**  
 Integrated Circuits (HS: 8542) (In USD)

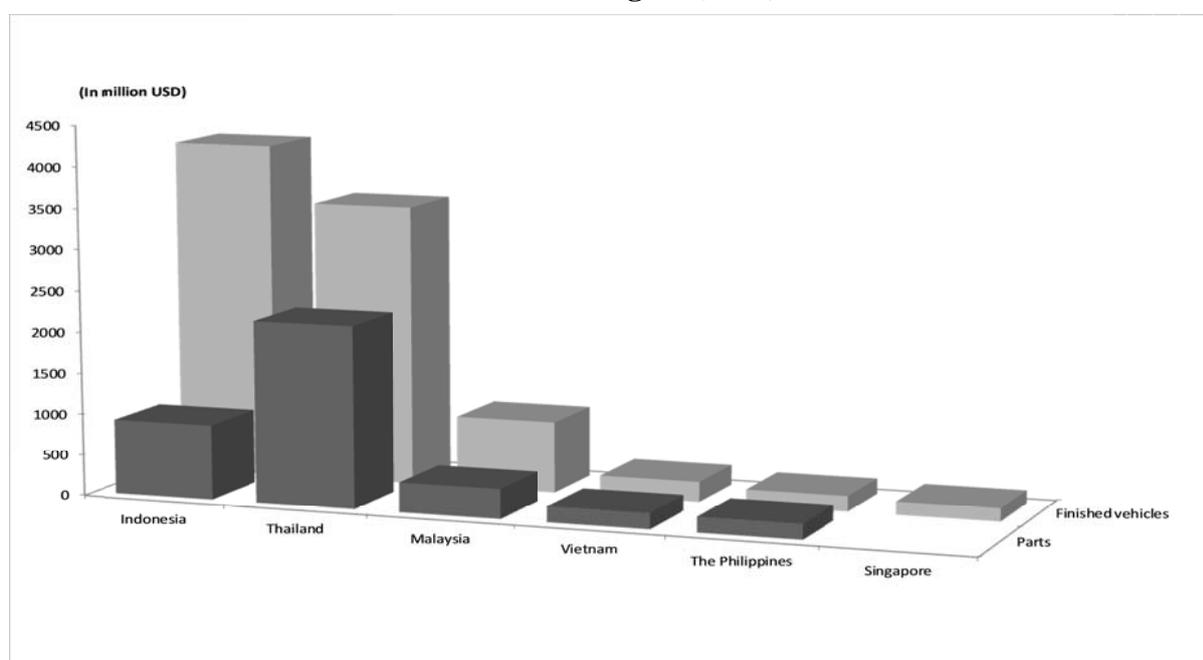


Note: The number under the country name refers to the item’s total export value within ASEAN. The number inside the parentheses refers to the total export value to the world.

Source: Created based on the United Nations Commodity Trade Statistics Database (Comtrade).

Singapore, Malaysia, and Thailand are major intra-regional exporters of personal computers. In particular, the export of personal computers from Singapore to Indonesia is the highest among the ASEAN nations at \$600 million. Unlike the trade of integrated circuits, the intra-regional export rate of personal computers in these three countries is relatively high and shipments of personal computers from these three countries are increasing, mostly to the large domestic markets of Indonesia, Vietnam, and the Philippines. These trends indicate that the ASEAN countries are developing not only as production bases but also as consumer markets.

**Figure 3: Value-Added Output Value of Semiconductors and Personal Computers in the ASEAN Region (2006)**



Note: The latest data on Thailand was from 2006; therefore, data from 2006 is used here to compare. Each country's most recent value-added output value of semiconductors are the following: \$10.2 billion for Singapore in 2010, \$5.6 billion for Malaysia in 2010, \$2.0 billion for the Philippines in 2008, \$1.3 billion for Indonesia in 2009, \$460 million for Vietnam in 2010. The most recent value-added output value of personal computers are the following: \$4.0 billion for Singapore in 2008, \$1.7 billion for Malaysia in 2010, \$750 million for the Philippines in 2008, and \$30 million for Indonesia in 2009.

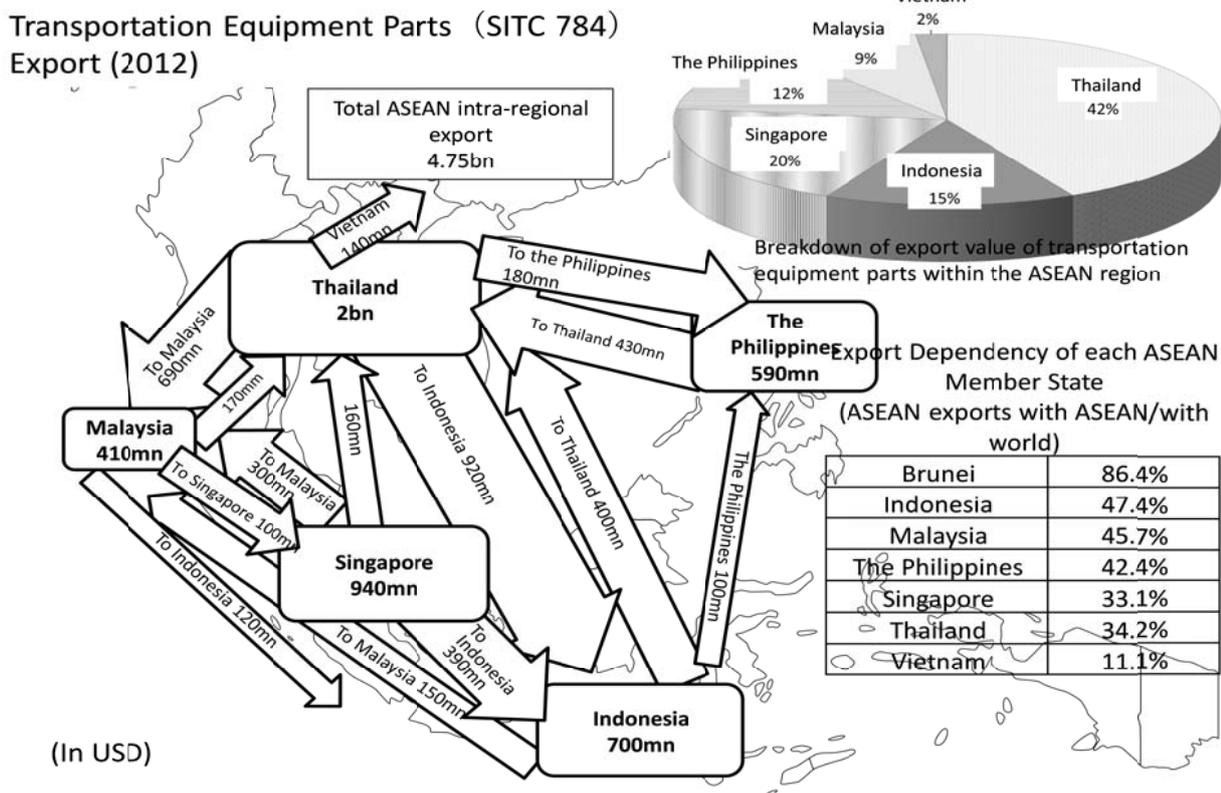
Source: Created based on United Nations Industrial Statistics Database (INDSTAT) 2013.

### 3.2 The transportation equipment industry

The development of ASEAN's transportation equipment industry has also been contributing to the development of the intra-regional production network and is serving as a driving force for the expansion of intra-regional trade. As shown in figures 4 and 5, Thailand has the largest intra-regional production of transportation equipment (including both parts and finished vehicles) and is the central force in the intra-regional production network. The exports of transportation equipment parts from Thailand to Indonesia (the

second largest producer in ASEAN) is the largest with \$920 million. At the same time, exports of transportation equipment parts from Indonesia to Thailand are at \$400 million (figure 4). Furthermore, the Philippines and Malaysia, which are both transportation equipment parts producers also trade with each other. These four countries divide the production of transportation equipment parts. Meanwhile, Singapore has a large export value for transportation equipment parts and accounts for 20% of the intra-regional exports of transportation equipment parts; however, it has an extremely small domestic production size. While Singapore exports transportation equipment parts to Thailand, Indonesia, and Malaysia, there is little export of transportation equipment parts from these countries to Singapore. This is because Singapore serves as a supply hub for transportation equipment parts in the ASEAN region.

**Figure 4: ASEAN’s Intra-Regional Export Structure of Transport Equipment Parts**

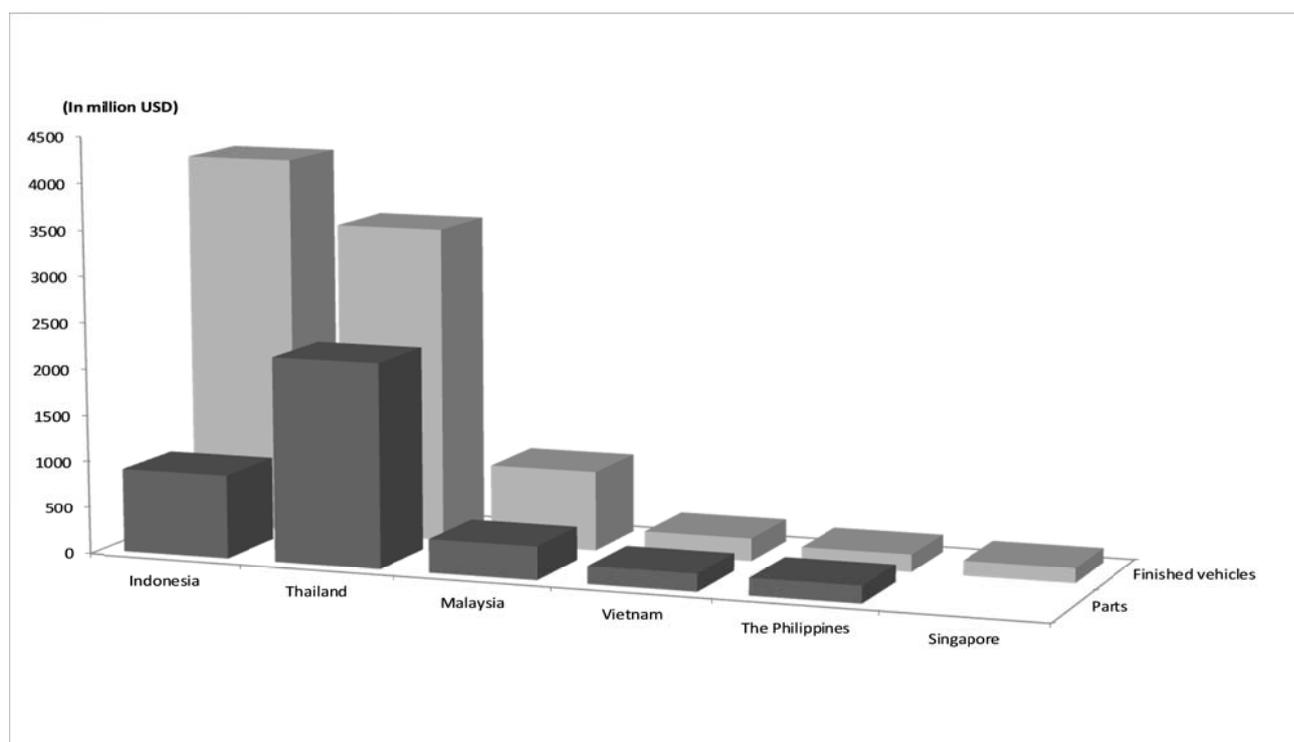


Note: The number beneath each country’s name refers to the item’s total export value to ASEAN.  
Source: Created based on the United Nations Commodity Trade Statistics Database (Comtrade).

With regard to the intra-regional export structure for finished vehicles, Thailand and Indonesia, combined, account for 88% of the total exports of finished vehicles in the ASEAN region. In particular, exports of finished vehicles from Thailand to Indonesia are

exceptionally high at \$1.53 billion. This shows that the size of Indonesia’s domestic market has been rapidly growing in recent years.<sup>5</sup> At the same time, Indonesia’s output of finished vehicles is also rapidly rising and the number of finished vehicles produced domestically reached 1.21 million in 2013. Along with this, Indonesia’s export to other ASEAN markets has been expanding. For instance, in 2012, Indonesia exported a total of \$400 million of transportation equipment parts to Thailand, \$150 million to Malaysia, and \$100 million to the Philippines. Even in the transportation equipment industry, automobiles are produced through an international division of labor using the intra-regional production network, and the production size is expanding. Furthermore, the intra-regional trade of finished vehicles has been rapidly increasing in recent years due to the growing domestic markets of the ASEAN region.

**Figure 5: Value-Added Output Value of Finished Vehicles and Parts in the ASEAN Region (2006)**



Note: The latest data for Thailand is from 2006; therefore, the data shown here is also from 2006 for comparison purposes. Each country’s most recent value-added output value of parts were the following: \$2.5 billion for Indonesia in 2009, \$850 million for Malaysia in 2010, \$530 million for the Philippines in 2008, \$420 million for Vietnam in 2010, and \$110 million for Singapore in 2010. The most recent output value of finished vehicles were the following: \$2.8 billion for Indonesia in 2009, \$1.1 billion for Malaysia in 2010,

<sup>5</sup> According to data from the Indonesian Automotive Industry Association (GAIKINDO), domestic car sales in 2013 was 1.23 million vehicles and has been increasing consecutively since 2009 ([http://gaikindo.or.id/index.php?option=com\\_content&task=blogcategory&id=0&Itemid=110](http://gaikindo.or.id/index.php?option=com_content&task=blogcategory&id=0&Itemid=110)).

\$420 million for the Philippines in 2008, \$660 million for Vietnam in 2010, and \$210 million for Singapore in 2008.

Source: Created based on United Nations Industrial Statistics Database (INDSTAT) 2013.

### **3.3 Intra-regional trade network for agricultural products**

ASEAN's intra-regional trade has grown with the development of intra-regional specialization within manufacturing sectors such as electronics and transportation equipment. The agricultural sector still remains to be an important industry for many of the ASEAN Member States. For instance, Indonesia and Malaysia's palm oil, Vietnam and Thailand's rice, Thailand and the Philippines' sugar, and Indonesia's marine products have high export values both within and outside the ASEAN region. Reducing the inequality gap in economic development among the ASEAN Member States is the most pressing issue. Meanwhile, promoting trade of agricultural and processed products in the region is seen as the key for the economic development of new member states. Therefore, the ASEAN Economic Community included the promotion of trade and distribution of agricultural products within the region as one of the targets.

As to the trade value of the agricultural products in the region, trade in vegetable oil such as palm oil and coconut oil mainly from Indonesia and Malaysia accounts for the biggest share. Palm oil, which is produced and processed in Indonesia and Malaysia, is exported for food and industry use in large quantities not only to Singapore (which is the transit point for extra-regional trade), but also to Vietnam, the Philippines, and Myanmar. This shows that palm oil is supplied not only to non-ASEAN countries, but also to domestic markets within the region. Additionally, Thailand and Vietnam were the second and third largest rice exporters (following India) in 2012 and their combined total rice export value accounts for 36% of the world's rice export value. Vietnam has the greatest intra-regional export value for rice and it exports a high amount to countries with a large domestic market, such as the Philippines and Indonesia. When the value-added output value of the agricultural sectors in each country is compared, Indonesia has the largest value, then Thailand, the Philippines, Malaysia, and Vietnam. Countries with a large agricultural production size lead the trade in agricultural products within the region.

### **3.4 Integrating new member states into the production network**

In order to reduce the inequality gap within the region, which is one of the pillars for establishing the AEC, new member states would grow their economies by integrating into the intra-regional production network. Among the new member states, Vietnam is starting to follow the ASEAN 5 in domestic production and intra-regional export value of electronics. Furthermore, Vietnam is exporting 40% of its total output of integrated circuits

to Malaysia, Singapore, Thailand, the Philippines, and Indonesia, which indicates that Vietnam is now playing a role in intra-regional specialization.

Looking at the trade value and trade item components to other countries and to the ASEAN Member States, light industry such as primary commodities and textiles account for a large share in Cambodia and Myanmar. The manufacturing industries of both countries are not at a level where they are taking part in the intra-regional production network for electronics and transportation equipment in the ASEAN region.<sup>6</sup> More than half (55%) of Cambodia's exports to non-ASEAN countries is apparel and 36% of imports are raw materials for apparel (textiles and cloths). Cambodia's main manufacturing industry is the garment industry, which is labor intensive as Cambodia imports raw materials, then domestically sews and processes the raw materials and exports apparel.

Most of Myanmar's exports to non-ASEAN countries and to ASEAN Member States are primary products such as natural gas, non-iron materials, and vegetables and fruits. Oil is the largest import from both the non-ASEAN countries and the ASEAN countries. Trade in manufacturing products such as electronics and transportation equipment does not account for a large share in Myanmar, which shows that the foundation for producing manufacturing goods is insufficient domestically.

At the moment, neither Myanmar nor Cambodia appear as if they are at the stage where they can participate in the ASEAN's production network. However, direct investment into both countries' manufacturing sector, with the garment industry at the center, is steadily increasing. The key in catching up to other countries will be whether they can further upgrade their industrial structures from the garment industry. It will be necessary to develop not only infrastructure, but also institutions for investment and business operations. In order for the manufacturing industry to grow and develop, Myanmar and Cambodia need to catch up to the advanced ASEAN Member States by improving the receiving environment for direct investment and further growing and developing the manufacturing industry.

#### **4. ASEAN as a consumer market**

##### **4.1 ASEAN's market size**

Intra-regional trade has been developing with a focus on the intra-regional production and sales network. Recently, the consumer market has rapidly grown due to an increase in income level as a result of rapid economic growth. In particular, Indonesia,

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<sup>6</sup> There are no detailed statistical data available on trade items and by partner for Laos. Therefore, here, the situation of only Cambodia and Myanmar are discussed.

which accounts for 40% of the population within the ASEAN region, has notably expanded the durable consumer goods market such as passenger vehicles. The breakdown of export and sales of Japanese-affiliated companies in four ASEAN countries (Indonesia, Malaysia, the Philippines, and Thailand) by industry shows that in the manufacturing industry, about 60% of sales was for the local market. This indicates that the ASEAN region is no longer just a production base but also a consumption base. In particular, raw materials and capital goods such as oil, coal, steel, and general-purpose equipment that are used for production within the ASEAN region have high sales in the local markets. Additionally, non-durable and durable consumer goods such as food items and transportation equipment are also increasing in sales in the local market. The local sales of electric machinery have also been consistently increasing, and over the last five years or so, the local sales have been the highest, exceeding sales in Japan or a third country. It can be concluded that ASEAN not only has been expanding the market of intermediate and capital goods along with the manufacturing industry, but also has developed as a consumer market for durable and non-durable consumer goods with a rise in income level as a result of economic growth.

This section will examine ASEAN as a consumer market for final goods.

Comparing the population of each country and final consumption expenditure per capita shows that Indonesia, the Philippines, and Vietnam have large populations, but their final consumption expenditure per capita is low. The domestic markets of these countries still have room for growth.

Table 6 shows total imports from the world, total imports from the ASEAN Member States, and growth rate of three years from 2010 for durable and non-durable consumer goods of each ASEAN Member State. With regard to durable consumer goods, both Vietnam's import size from the world and also from the ASEAN Member States is in parallel with that of Thailand, Malaysia, and Indonesia's. Additionally, Vietnam's rate of increase for imports from the world is the highest in the list. Even for intra-regional imports, the rate is increasing and is second, following Thailand. This proves that Vietnam's domestic market is rapidly growing. Thailand's import size and rate of increase is also high, which shows that Thailand's domestic market still has room to expand.

Compared to durable goods, except for a few exceptions (the Philippines, Cambodia, and Brunei), the ASEAN Member States have a low intra-regional dependency on non-durable consumer goods. The rate of increase between 2010 and 2012 of non-durable imports from the world to Malaysia, Indonesia, Vietnam and the Philippines exceeds the rate of increase of non-durable imports from ASEAN Member States during the same time frame. In particular, Vietnam's rate of increase for non-durable imports from the other ASEAN Member States was extremely low at 4%. Vietnam's largest import

partner for non-durable consumer goods (aside from the ASEAN countries) is China and this share has been rapidly increasing in recent years. This may be causing the low increase rate of intra-regional non-durable imports. China is also the largest import partner of non-durable consumer goods for Malaysia, the Philippines, and Thailand, which all had a high rate of increase for the import of non-durable goods from outside ASEAN between 2010 and 2012. However, the rates of increase for each of those countries' imports of non-durable consumer goods (both from the world and from the other ASEAN Member States) have significantly exceeded the rate of increase of household final consumption expenditure per capita of 4%-13% from 2010 to 2012. This indicates that in general, even for non-durable consumer goods, the consumer markets in those countries and ASEAN as a whole are continuing to grow.

**Figure 6: Import Value of Each Country's Durable and Non-Durable Consumer Goods (2012)**

(in USD)

Durable consumer goods				Non-durable consumer goods					
Import country	Total import value	Rate of increase since	Intra-regional import value	Rate of increase since	Import country	Total import value	Rate of increase since	Intra-regional import value	Rate of increase since
Singapore	11,067,614,270	23.0%	4,031,076,179	29.3%	Singapore	5,968,002,483	17.7%	1,029,811,825	19.5%
Thailand	3,586,025,275	49.6%	797,952,896	62.5%	Thailand	4,001,938,309	24.1%	503,825,775	28.7%
Malaysia	2,948,081,538	25.1%	829,067,224	14.0%	Malaysia	3,537,553,858	34.0%	781,669,994	20.0%
Vietnam	2,571,536,843	87.3%	733,698,476	30.0%	Vietnam	2,674,629,693	35.8%	324,406,498	4.4%
Indonesia	1,808,383,363	28.7%	783,716,651	3.6%	Indonesia	2,333,538,443	31.0%	664,313,641	26.9%
The Philippines	756,122,215	28.8%	210,953,928	3.5%	The Philippines	1,494,323,636	23.6%	451,544,853	18.3%
Brunei	120,834,609	-	51,735,038	-	Cambodia	339,975,571	19.8%	214,731,157	15.5%
Cambodia	90,936,540	79.1%	24,457,886	29.2%	Brunei	170,458,923	-	110,318,803	-

Source: Created based on the United Nations Commodity Trade Statistics Database (Comtrade). Classification by Broad Economic Categories (BEC).

## 5. Conclusion

This chapter examined the progress of ASEAN's intra-regional trade by studying the current situation of ASEAN's intra-regional trade in goods and by outlining its structure. Along with the development of the production network in the ASEAN region, ASEAN's intra-regional trade has expanded due to the increase in trade of intermediate goods and parts of: general machinery, electronic devices, and transportation equipment. Meanwhile, in recent years, intra-regional trade of crude oil and refined petroleum products has been rapidly growing to keep pace with the rise in fuel demand with the expansion of intra-regional production. Additionally, until now, ASEAN's intra-regional trade had a disproportionate emphasis on Singapore and Malaysia. However, due to the expansion of the production network and the growth of the consumer market, the trade shares between

other pairs of countries increased and more ASEAN Member States play a role in intra-regional trade.

Trade within the ASEAN region is gradually expanding and the share of ASEAN's intra-regional trade has risen to a level that corresponds to its economic scale. Continuous economic growth of the Member States, elimination of non-tariff barriers, and the improvement of the acceptance mechanism of direct investment through the development of business environments could intensify intra-regional trade and lead to an increase in share.

ASEAN's intra-regional trade has been developing due to ASEAN's intra-regional production network and currently, Vietnam (who was a new member), is growing economically through its integration into the production network. Additionally, ASEAN as a market has experienced remarkable expansion. While ASEAN's economic integration has been expanding and deepening as a production base by incorporating more Member States into the production network, it can also intensify the intra-regional trade by expanding consumption.

However, there are many challenges that remain for the completion of ASEAN's economic integration as the AEC. The majority of the major trade items to ASEAN Member States and the world for new member states such as Myanmar and Cambodia are still primary products and there is not yet a foundation for upgrading industrial structures. In the future, the ASEAN Member States are expected to reduce the inequality gap within the ASEAN region through intra-regional trade and upgrading industrial structures using the increasing direct investment.

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