



**UNIVERSITI PUTRA MALAYSIA**

**IMPACT OF ASEAN FREE TRADE AREA AND ASEAN ECONOMIC  
COMMUNITY ON INTRA-ASEAN TRADE**

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**IMPACT OF ASEAN FREE TRADE AREA AND ASEAN ECONOMIC  
COMMUNITY ON INTRA-ASEAN TRADE**

**By**

**COLIN WONG KOH KING**

**Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in  
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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfillment of the requirement for the degree of Master of Science

**IMPACT OF ASEAN FREE TRADE AREA AND ASEAN ECONOMIC COMMUNITY ON INTRA-ASEAN TRADE**

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**November 2010**

**Chair: Dr Normazwana Ismail, PhD**

**Faculty: Faculty of Economics and Management**

This study aims to examine the impact of the implementation of ASEAN Free Trade Area (AFTA) and the announcement of ASEAN Economic Community (AEC) on the intra-regional trade between the ASEAN member countries and their trading partners at aggregate level as well as at sectoral level, namely the agro-based and manufacturing sectors. The empirical findings show that the implementation of AFTA and the announcement of AEC, as well as sectoral-based trade play important roles in attracting trade between ASEAN member countries. In terms of relative importance of sectoral level, the empirical results show that intra-trade for manufacturing sectors are more significant than the agro-based sectors. Also, the study also examines the role of the three major global players, namely the US, Japan and China, in influencing the intra-regional trade between ASEAN member countries. This further proves that the three major global players (United States, Japan and China) also demonstrate important roles in stimulating trade between the ASEAN member countries. The gravity model with panel data estimation is employed and the sample



countries consist of ASEAN 5 and its forty primary trading partners. From the basic gravity variables, the empirical results find that GDP, population, relative endowment, distance and common language are the major determinants of bilateral trade in ASEAN.



Abstrak thesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Master Sains

**IMPACT OF ASEAN FREE TRADE AREA AND ASEAN ECONOMIC  
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Oleh

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Kajian ini bertujuan untuk mengkaji kesan dari pelaksanaan kawasan perdagangan bebas ASEAN (AFTA) dan pengumuman untuk pelaksanaan Komuniti Ekonomi ASEAN (AEC) ke atas perdagangan intra antara negara-negara ASEAN dan rakan-rakan perdagangannya pada tahap agregat dan juga peringkat sektoral, khususnya dalam sektor berasaskan agro dan pembuatan. Kajian membuktikan bahawa pelaksanaan kawasan perdagangan bebas ASEAN dan pengumuman untuk pelaksanaan Komuniti Ekonomi ASEAN, bersertakan perdagangan di peringkat sektoral, memainkan peranan yang penting dalam usaha untuk menggalakkan perdagangan antara negara-negara anggota ASEAN. Kajian ini telah menunjukkan bahawa perdagangan intra dalam sektor pembuatan adalah jauh lebih penting berbanding dengan sektor pertanian berdasarkan kepentingan relatif bagi perdagangan di peringkat sektoral. Selain itu, kajian ini juga melihat kepada peranan-peranan yang dimainkan oleh penyumbang perdagangan antarabangsa utama, khususnya Amerika Syarikat, Japan dan China dalam mempengaruhi perdagangan intra bagi negara-negara



anggota ASEAN. Kajian ini juga membuktikan bahawa ketiga-tiga penyumbang perdagangan antarabangsa utama telah memainkan peranan yang penting dalam usaha menggalakkan perdagangan antara negara-negara ASEAN. Model graviti dengan anggaran data panel telah digunakan dan negara-negara yang terlibat termasuk negara-negara seperti negara-negara ASEAN dan empat puluh rakan-rakan dagangannya. Daripada pembolehubah gravity, kita mendapati bahawa KDNK, jumlah keseluruhan penduduk, GDP per capita, jarak dan juga bahasa merupakan faktor-faktor utama yang mempengaruhi perdagangan dalam negara-negara ASEAN.



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This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted as the fulfillment of the requirement for the degree of **Master of Science**. The members of the Supervisory Committee were as follows:

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## **DECLARATION**

I declare that the thesis is my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously, and is not concurrently, submitted for any other degree at Universiti Putra Malaysia or at any other institutions.

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**COLIN WONG KOH KING**

Date: 3 NOVEMBER 2010



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## LIST OF ABBREVIATIONS/GLOSSARY OF TERMS

AFTA= ASEAN Free Trade Area

AKFTA= ASEAN-Korea Free Trade Agreement

AMU= Arab Maghreb Union

APEC= Asia-Pacific Economic Cooperation

BSEC= Black Sea Economic Cooperation

CACM=Central American Common Market

CAN= Andean Community (Spanish: Comunidad Andina)

CEEC=Central and Eastern European Countries

CER=Centre for European Reform

CLMV=Cambodia, Laos, Myanmar and Vietnam (Asian sub-grouping)

EAC= East African Community

EMU= Economic and Monetary Union of the European Union

GCC= Gulf Cooperation Council

LAIA= Latin American Integration Association

MENA= Middle East and North Africa

MERCOSUR= (Spanish: Mercado Común del Sur, Portuguese: Mercado Comum do Sul, English: Southern Common Market)

OLS= Ordinary Least Squares

PTA= Preferential Trading Area

QMLE= Quasi-Maximum Likelihood Estimate

SAARC= South Asian Association for Regional Cooperation

SADC= Southern African Development Community

SAPTA= SAARC Preferential Trading Arrangement

WTO= World Trade Organization



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