INTRODUCTION AND EXECUTIVE SUMMARY

Expanding ASEAN to include Vietnam in 1995, and Burma, Cambodia and Laos in July 1997 unites politically, economically and commercially all ten South East Asian nations for the first time. This is an important development for the region. Until recently, the Cold War divided ASEAN from former Indochina, while Burma isolated itself regionally and internationally pursuing strict non-alignment. Now, growing cooperation and integration among South East Asian nations is increasing the region's political and economic weight and commercial attractiveness. This presents significant opportunities and challenges for government and business in Australia.

This report examines the economic, political, administrative and legal transformation underway in ASEAN's four newest members. It considers the implications of ASEAN membership for the four, for ASEAN and for Australia. The report also assesses progress in developing a 'business friendly' commercial environment in each of the new ASEANs, with practical insights based on in-country surveys of Australian and other foreign investors. Unattributed quotes in chapters 3, 9 and 12 are comments by companies participating in the surveys. No such survey was conducted for Burma.

POLITICAL AND ECONOMIC TRANSITION

The four new ASEANs attained independence from European colonial powers after World War II. Political instability, turmoil and civil war ensued, eventually producing socialist, centrally planned, one party states. National economies inevitably faltered. Facing stagnation or crisis, governments introduced economic reforms, at first hesitantly, then more boldly, abandoning central planning and embracing the market.

Political and economic transition now is occurring in the new ASEANs, although the nature and pace of change is different in each case. Cambodia and Burma formally discarded socialism; Cambodia now has a functioning multi-party democracy of sorts and Burma's military regime has started a process to restore civilian government, albeit under military control, in the future. Only Vietnam and Laos remain one party states committed to building socialism, although no longer based on central planning.

The military in Burma and communist parties in Vietnam and Laos pursue economic reform while safeguarding their political monopolies. Sections of the political leadership in these countries see some reforms, such as reducing the state sector's economic role, as potentially undermining their own leading role, so they resist them. However, leaders also recognise their continued political supremacy depends substantially on raising living standards. This dilemma underscores continuing leadership debate and tension, alternately accelerating then constraining economic reform. Only Cambodia's leaders seem at ease with market-oriented economic reforms, although in the political sphere they show strong authoritarian tendencies and appear uncomfortable with the concept of a political opposition.

In Burma, the military is entrenched in politics and business; in the other three new ASEANs, the military is a major economic player and wields considerable political power, albeit as subordinate to the Government in Cambodia and the Party in each of Vietnam and Laos. Military representation and influence in the Vietnamese and Lao political leaderships is growing.

The new ASEANs except Burma are restructuring and strengthening the institutions of government and expanding laws to support economic reform, as they strive to become modern states. In Vietnam and Laos, more efficiently managing the State also enhances the capacity of the Party to rule. Burma's legal base is being modernised but institutional reform will need to await a new civilian government.

Mobilising substantial domestic and foreign private investment is central to new ASEAN economic growth strategies. New market opportunities, strong comparative advantage in resources and labour, and liberal foreign investment laws and incentives attract significant foreign investor interest. However, economic systems, regulatory regimes and the institutions of government are in transition, making the business environments challenging.

VIETNAM

After more than ten years of reform and opening under *doi moi* (renewal), Vietnam's economy is sustaining strong growth of 8 per cent per year and its society is generally more 'open' and freewheeling. However, the Vietnam Communist Party's political monopoly is not threatened. Vietnam's one party state is stable.

Politics

Applying the lessons from the socialist collapse of Eastern Europe and the Soviet Union in the late 1980s and early 1990s, the Vietnam Communist Party favours economic liberalisation without democratising or risking stability. To consolidate its position as the long term leader of the State, the Party is strengthening its organisational network in state and government institutions and even extending it into the private sector, including foreign joint ventures. However, the Party faces a major challenge to reverse its own diminishing relevance and capacity to provide visionary leadership in a modernising Vietnam. The Party also must stem the increasing corruption undermining its legitimacy and effective government.

Reform Outlook

Debate within the party leadership over the scope and pace of economic reform focuses on negative by-products such as growing wealth disparities, corruption, 'social evils' and the influx of foreign influences threatening to undermine Vietnamese socialism. This creates a dilemma which the leadership has attempted to resolve by confirming the state sector will maintain a central economic role. However, this hampers reforms, private sector development and economic growth.

Administrative and Legal Reform

'Political reform' in Vietnam essentially means administrative reform-strengthening the institutions of government and laws to become an effective management framework through which the Party leads the State. Reforms to curtail bureaucratic abuse unleashed by *doi moi*, streamline the bureaucracy, reduce red tape, build an effective public service, and recentralise state authority under party control have only partly succeeded. Corruption remains a 'national plague'; bureaucratic procedures and arbitrary interference still create long delays; public servants lack skills to manage a market economy; and vested interests continue to resist party and government directives.

Vietnam has progressed considerably in creating a new legal framework for a modern market economy. The National Assembly has enacted a series of commercial laws and established a liberal foreign investment regime. However, bureaucratic processing of investment applications is slow and cumbersome. Resolving commercial disputes in Vietnam is problematic for foreign investors, although recent cases indicate Vietnamese courts are prepared to rule in a foreign investor's favour, even where the other party is a Vietnamese state-owned enterprise (SOE).

Economy

Vietnam's economy has taken off since *doi moi* economic reforms, adopted by the Party in 1986, formally began Vietnam's transition from central planning to a market oriented economy. Since 1990, annual economic growth has jumped to 8 per cent and 6 per cent per capita. Non-state output is now 66 per cent of the total; foreign trade and foreign investment regimes are relatively open; and 95 per cent of prices are market determined. Agriculture is essentially privatised. The authorities have reduced inflation from annual rates approaching 900 per cent in the mid 1980s to less than 2 per cent in early 1997 by reining in the government deficit, financing the deficit via bonds rather than printing money and tightening bank credit policy.

However, Vietnam is still very poor; per capita income is only US$260 in exchange rate terms and $1 000 in purchasing power parity terms, half China's level of $2 000. Growing rural-urban income disparities mean rural incomes average only $100 per capita.

While growth is expected to remain strong if reform momentum is maintained, several major potential constraints to foreign investor interest include corruption, low administrative efficiency and the underdeveloped legal system. While the ratio of savings to GDP, now 27 per cent, is rising rapidly, the banking system remains weak and bank penetration is low. The trade deficit grew rapidly to $4 billion in 1996, almost 20 per cent of GDP, stimulated by high foreign capital inflows. Skilled labour and infrastructure shortages further constrain potential growth. Slow progress in equitising SOEs and policies promoting large SOE conglomerates create uncertainty regarding government commitment to treating equally domestic and foreign non-state enterprises in Vietnam.

Australia-Vietnam Trade and Investment

Over 100 Australian companies currently are engaged in business in Vietnam. However, up to 80 per cent of them sell products or services to other foreigners in Vietnam or outside, rather than to Vietnamese. This leaves Australian companies vulnerable to significant downturns in foreign direct investment to Vietnam.

Australia's trade with Vietnam expanded rapidly in the 1990s from a low base. Australia's merchandise exports to Vietnam increased at an annual trend rate of 45 per cent, five times faster than Australia's overall exports. Australia's merchandise imports from Vietnam increased even faster, also from a low base, at an annual trend rate of 65 per cent. The trade balance is in Vietnam's favour.

By the end of August 1996, Australia was Vietnam's eleventh largest foreign investor with cumulative approved foreign direct investment of $700 million in 50 projects.

Business Environment

Vietnam is one of the most complex and difficult Asian locations for foreign investors. Bureaucratic inefficiency, corruption and lack of adequate skills seriously constrain business. However, the business environment is fluid as the economy continues its transition from centrally planning to a uniquely Vietnamese market-oriented system. Business conditions gradually are improving but progress is unlikely to be either smooth or rapid. The sources of Vietnam's attractiveness to foreign investors remain, and most foreign companies are confident about Vietnam's medium to long term prospects. Vietnam requires a long term commitment, deep pockets, flexibility, patience and persistence. Foreign investors need to be cautious about overly optimistic expectations or overly pessimistic forecasts.

BURMA

Burma's economy grew strongly in the early 1990s but recent signs are of growth tapering or declining. The political impasse that sets Burma's military regime against the civilian opposition, much of the populace and the broad international community clouds the country's economic and commercial prospects.

Politics

Burma's military has monopolised political power for more than 35 years. It has promised to restore civilian rule but will only do so when the country adopts a new constitution borrowing from Indonesia's *dwifungsi* model that formalises the military's central political role. This is still some time away. The military faces a major challenge to persuade Burma's ethnic minority insurgent armies, who seek autonomy from Rangoon, to accept its constitutional plan. The civilian opposition, led by the charismatic General Secretary of the National League for Democracy, Aung San Suu Kyi, opposes the military's continued political monopoly but at present, can do little to unseat it. The military is strong, united, determined and for the time being, appears firmly in command. However, the military's widespread unpopularity and its tight control of virtually every facet of Burmese life create a situation of inherent instability.

Administrative and Legal Reform

The military has left Burma's creaky administrative machinery largely untouched, apart from inserting military personnel at senior and middle levels in all ministries. The military has revived Burma's pre-independence, British common law based commercial laws. These provide the fundamentals, albeit somewhat outdated, for a market economy. Burma adopted a liberal foreign investment regime in 1988.

Economy

Since abandoning socialism and central planning in 1988, Burma's economy has recovered from its poor performance for most of the post World War II period; growth has averaged around 7 per cent per year since 1992. By 1997, per capita income reached $1 000 in purchasing power parity terms, similar to Vietnam's. Inflation is still stubbornly high with official figures well over 20 per cent, and unofficial estimates over 30 per cent. The high government deficit, financed mainly by printing money, drives inflation.

The extreme, almost 30 fold overvaluation of the kyat has generated high levels of smuggling and poor trade performance. Since 1990, trade regime reforms have allowed traders to retain foreign exchange earnings and private firms to engage in trade, stimulating formal trade. However, imports are growing much faster than exports; in 1997, the trade deficit is expected to reach US$700 million, over 40 per cent of annual exports. Foreign exchange reserves are sufficient for only a few weeks of imports and the Government regularly defaults on loan repayments. The balance of payments deficit is lower at just under US$400 million, mainly due to foreign direct investment inflows, which totalled about US$200 million per year in recent years. The bulk of foreign investment is coming from the UK, Japan, ASEAN, USA and other European Union countries.

Savings and investment also have fallen to only about 12 per cent of GDP, due mainly to a significant drop in government investment. While the banking system has seen some reforms, including establishing private domestic and representative offices of foreign banks, the system remains weak. Loans generally are for less than a year and interest rates are below market levels. Most people still borrow from money lenders while some banks launder drug and other 'black' money. Transport, energy and telecommunications infrastructure remain extremely poor throughout the country, although China provides some aid to improve road links. While Burma had a high proportion of educated people pre-World War II, the stock of human capital has been depleted steadily through years of neglect and isolation.

Agricultural pricing, trade and production have been liberalised, stimulating output growth. Fisheries and mining offer good opportunities for foreign and domestic investment. Industrial development has been heavily constrained by shortages of foreign exchange, but now labour intensive manufacturing for export is increasing. To date, planned SOE privatisation has failed, as vested interests in the government and military are reluctant to relinquish control over these assets. The military plays an extremely important role in the economy through companies like the Union of Myanmar Economic Holdings Limited, which controls 10 per cent of Burma's GDP and is prominent as a joint venture partner with foreign investors. Drug trafficking and black marketeering also are rife; commentators believe the black economy may equal the size of the legal economy.

Future prospects for Burma's economy depend crucially on the political environment and commitment to reforms that are often opposed by military vested interests.

Australia-Burma Trade and Investment

Both Australia's trade with and investment in Burma are negligible. This is partly a consequence of the Australian Government's explicit policy of neither encouraging nor discouraging commercial ties with Burma.

Business Environment

Politics overshadow Burma's commercial landscape. Many difficulties foreign investors face in Burma, such as the dual exchange rate and poor infrastructure, are common to other developing economies, although more extreme in Burma. The key difference is the high degree of political risk while the military, which is increasing its economic role, remains in power. Foreign traders and investors face the prospect of economic sanctions, consumer boycotts and shareholder revolts. As a result, a number of major international companies have withdrawn from Burma.

CAMBODIA

Cambodia is seeking to recover from decades of internal conflict that destroyed much of the country's educated elite, economic base, political and administrative institutions. This is a major challenge. However, the economy is responding well to international donor assistance and foreign investment. Recent growth, particularly in Phnom Penh's private sector, has been robust, averaging 6 per cent per year in the 1990s.

Politics

The 1991 Paris Peace Accords and subsequent elections under the United Nations Transitional Authority in Cambodia (UNTAC) brought significant gains to Cambodia. The country no longer is the military focus for international and regional rivalries; democratic institutions and an elected government replaced the one party state; the Khmer Rouge suffered a substantial and rapid decline; and human rights conditions have improved. However, democratic government is fragile. Cambodia's current Coalition Government is unstable as it brings together parties formerly at war with one another. The arrangement is becoming increasingly unworkable with the approach of national elections in 1998. Interrelated corruption and other criminal activities, violations of human rights and political and criminal violence are widespread. The recreation of a stable polity in Cambodia will not occur soon.

Administrative and Legal Reform

The Government with World Bank assistance is attempting to build a smaller, considerably streamlined, more skilled public service. Currently, the bureaucracy is bloated, lacks adequate skills, performs poorly and cleaves along party lines. Foreign investors need to be aware of the party affiliations of officials, but to avoid aligning themselves with either side. The Government is rebuilding the legal infrastructure with new laws combining both civil and common law traditions, but covers legislative gaps by issuing decrees. The National Assembly has adopted several laws supporting Cambodia's market economy. The foreign investment regime is liberal and the regulation of business flexible. Foreign investors normally prefer to resolve commercial disputes offshore.

Economy

Reforms and generous international assistance have helped Cambodia's economy recover from the long civil war, the Khmer Rouge's disastrous economic experiment, and socialist central planning. GDP growth averaged 6 per cent in the 1990s; inflation fell sharply from 140 per cent in the early 1990s to 7.4 per cent in 1996. However, the government deficit has increased as expenditure continues to grow faster than revenue. Large amounts of foreign aid, reaching 7.5 per cent of GDP in 1995, replaced budget deficit financing by printing money, easing inflationary pressures.

Since 1994, the official exchange rate has been set daily to keep the national currency (riel) within 1 per cent of the informal market rate. Official transfers, a stable external environment, improved export performance and increased foreign direct investment have improved Cambodia's balance of payments. In September 1996, official reserves equalled three and a half months of imports. Realised foreign direct investment, mainly from ASEAN countries, rose sharply from US$10 million per year to US$171 million per year in 1996. Reforms have successfully stimulated Cambodia's private sector. The country now has a highly competitive domestic market and one of the region's most liberal retailing regimes.

Despite recent economic gains, Cambodia remains one of the world's poorest countries with a per capita income of US$260 on an exchange rate basis. Economic and social indicators generally are much lower than those of neighbouring countries and sub-Saharan Africa. They are also lower that those of East Asia's newly industrialised counties 25 years ago.

Cambodia faces serious challenges to continuing economic development and growth. The high level of dependence on foreign aid, the rapid depletion of the country's forestry resources (often for personal rather than national gain) and the heavy reliance on import taxes for revenue are unsustainable. Above all, Cambodia needs good governance.

Australia-Cambodia Trade and Investment

Australia is a major aid donor. Trade and investment are small but rising.

Business Environment

Cambodia's Government is keen to encourage foreign investment. The level of government and bureaucratic interference in business matters is low once initial approvals are granted. The business environment is unregulated and freewheeling, attracting 'fringe' foreign investors as well as mainstream ones. Corruption is widespread and transparent. Lawlessness and violence in the capital and the countryside add to the risk of doing business.

LAOS

The Lao People's Revolutionary Party introduced market-oriented economic reforms in 1986. In the 1990s, the economy has enjoyed healthy average annual growth of 6.5 per cent. However, while encouraging economic openness, the Party rejects political pluralism.

Politics

The Lao leadership does not fully understand free market reform. However, as in Vietnam, it recognises the market can improve living standards without which the Party's political monopoly could be increasingly questioned. The Party is for the moment unchallenged. However it needs to rejuvenate its leadership and ensure Laos' majority rural dwellers and its ethnic minorities can participate more fully in the political process and share in the gains of economic growth.

Reform Outlook

As in Vietnam, elements in the party leadership are uncomfortable with some of the negative social by-products of economic reform. They insist on the state sector's central economic role.

Administrative and Legal Reform

In the late 1970s and early 1980s, most of Laos' educated elite left the country. As a result, the bureaucracy lacks skills to manage the complexities of a market economy including processing foreign investment applications. The Government is endeavouring to streamline and re-skill the public service. It also restructured and reorganised ministries to make them more efficient. However, decision making power is concentrated in the Prime Minister's Office, clogging the approvals process.

Laos' legal system is still in its infancy; in 1996, the entire body of Lao legislation consisted of just 34 laws. The Government is developing gradually a body of commercial laws but covers the gaps by issuing decrees. Laos' foreign investment regime is one of the most liberal in the region. Foreign investors prefer to resolve commercial disputes through foreign arbitration.

Economy

Laos has a 'dual' economy; commerce is concentrated in the capital, Vientiane, but most of the population engages in subsistence agriculture. Despite several years of impressive economic growth, Laos remains one of the world's least developed countries, with a per capita GDP of US$350 on an exchange rate basis. Conditions in Laos are similar to those elsewhere in South East Asia 30 years ago. Poverty is widespread and often extreme, and health indicators are among the poorest in Asia.

A distinctive feature of economic reform in Laos is the speed and intensity with which the New Economic Mechanism reforms were implemented after 1986. Bold and rapid restructuring of Laos' economy has been helped by four main factors: the small, underdeveloped nature of the economy; the primarily subsistence agrarian base that could be reoriented fairly easily to market demands; the limited role of SOEs; and the lack of an entrenched, reform-resistant bureaucracy.

Reforms have lifted economic performance. Agriculture's share of production is declining while industry's share is expanding, helping stabilise growth. Inflation is broadly under control, mainly as a result of sound fiscal and monetary policies. Exports, mainly based on natural resources (forestry and hydro-electricity) have grown strongly, as have imports. Between 1988 and 1996, the Government issued over 600 new investment licences worth more than US$7 billion. Hydro-electric projects account for three quarters of this. The exchange rate is pegged to the informal market rate under a managed floating system. The private sector's share of production is expanding.

Growth constraints in Laos include a lack of skilled labour, weak institutional capacity and inadequate infrastructure.

Australia-Laos Trade and Investment

Australia-Laos trade is limited and fluctuating. However, Australian investment is considerable and growing. By June 1996, Australian companies held 42 investment licences for projects worth US$303 million. Australia is one of Laos' largest bilateral aid donors. Aid projects attracted many Australian companies to Laos.

Business Environment

While Laos' Government is business friendly, the bureaucracy is slow and underskilled. Legal uncertainty concerns larger investors more than smaller ones. Corruption is not serious but is rising. Personal security is generally good.

ASEAN INTEGRATION

The four new ASEANs are at a roughly similar stage of development in transition from centrally planned to market-oriented economies. They are at a lower level of development than other ASEAN members but are growing strongly, equalling or exceeding average ASEAN growth.

Enriching ASEAN

ASEAN's expansion has important implications for both the group's established and new members. Expansion enriches ASEAN economically, but marked political and economic dissimilarities between old and new members could strain cohesion. Expanded ASEAN's GDP equals nine tenths that of China's. Its population, encompassing all of South East Asia, is almost 500 million.

Economic Integration

Trade among ASEAN's older members is growing substantially faster than their trade to the world. Trade between ASEAN's older and new members also is growing rapidly. The new members increase trade complementarity within ASEAN and enhance the regional division of labour based on comparative advantage. This increases opportunities for trade and investment, and should lead to expanding economic interaction within ASEAN and between ASEAN and the world. Better coordination of economic and investment policies in South East Asia should improve ASEAN's attractiveness to non-ASEAN investors.

Other benefits of ASEAN economic integration include the stimulus provided to economic reform, greater economic weight and access to world markets and cooperation in upgrading infrastructure.

ASEAN Free Trade Area (AFTA)

New ASEAN members' capacity and willingness to meet the obligations of ASEAN membership, particularly to adhere to the AFTA timetable of intra-ASEAN tariff reductions, is open to doubt. Institutional capacity in each of the four members is not yet well developed and AFTA requirements may clash with domestic economic objectives, such as nurturing infant industries.

Like Vietnam, ASEAN's newest members will be granted longer than established members to reduce their intra-ASEAN tariffs to 0 to 5 per cent. However, if new ASEANs feel unable to keep up with the agreed pace of tariff reductions, and can resist pressure from older ASEANs to comply, a multi-track process will develop. The new ASEANs also could retard ASEAN's customs harmonisation and standards conformance programs.

Straining Cohesion

New members may test ASEAN's consensus decision making. Burma's membership may strain cohesion, solidarity and ASEAN's relations with the rest of the world, particularly the USA and European Union, both of which have instituted economic sanctions against Burma's military regime. However, ASEAN integration also may provide a framework for increasing positive influence on Burma.

Greater Mekong Subregion

ASEAN's four new members participate actively in initiatives to make the Mekong subregion, consisting of Burma, Thailand, Vietnam, Laos, Cambodia and China's Yunnan province, a 'corridor of commerce'. The Asian Development Bank-supported Greater Mekong Subregion is the major initiative. Australia is among bilateral donors supporting the subregion's development. Priority sectors such as transport, tourism, water resources management, energy, trade and investment and human resources have been identified for development as part of a subregional master plan. Many projects already are underway. US$40 billion is required over the next 25 years for infrastructure alone. This is well beyond the funding capacity of governments and aid donors and will require commercial investment, suggesting that implementing many infrastructure projects may be slower than envisaged unless significant policy reform is achieved.

AUSTRALIA ENGAGING AN EXPANDED ASEAN

Continuing economic transformation in Vietnam, Burma, Cambodia and Laos and ASEAN's and AFTA's expansion create significant opportunities and challenges for Australian business. These are based on stronger GDP growth, likely increased market access, faster trade growth, increased investor confidence, promotion of large scale infrastructure projects, development of natural resources and rapid growth in legal, financial and education services.

Business Opportunities in the Mekong Subregion

Developing the Mekong subregion opens up a range of commercial opportunities, particularly major infrastructure projects. Many business opportunities are directly related to the activities of international aid agencies. The subregion also constitutes a large potential market and possesses substantial human resources offering development potential based on unskilled or semi-skilled, low cost labour. However, the nature of many opportunities in the Mekong, particularly those involving aid funds for infrastructure projects or resource projects, require long term commitment. International competition for major aid funded infrastructure projects is intense. To secure these projects, Australian companies will need to be highly competitive and offer skills in emerging areas such as infrastructure management reform.

Subregional Corporate Strategies

A number of foreign companies are adopting subregional strategies by establishing operations in two or more countries. This is because a successful project in one country, winning the trust and support of the national government, can be an important advantage in bidding in a neighbouring country. Moreover, as the new ASEAN economies become more open and market-oriented, experiences gained and techniques developed in one market can be applied successfully to others. The needs of each market also are broadly similar for both goods and services. Improvements in transport and communications links and harmonisation of documentation and controls on crossborder movements create opportunities for integrating distribution networks in the subregion. This suggests that treating the subregion as a whole may prove more profitable than operating in separate markets.

New Partnerships

New partnership opportunities are emerging; for example, ASEAN companies are increasingly active in all Mekong subregion countries. This can be expected to gain momentum with Laos, Cambodia and Burma as members of ASEAN. The emerging private sectors in each country in the subregion also offer opportunities to develop new partnerships, particularly in supplying expanding domestic markets.

AFTA-A Single Large Market

Increasingly, AFTA will be promoted as a single, large market. Expanding AFTA increases the scope and breadth of tariff reductions and economic cooperation in South East Asia. Commercial opportunities should increase from improved access (as tariffs and non-tariff barriers fall), standards conformance and customs harmonisation, and an enlarged market, causing business costs across the region to fall and increasing the scope to rationalise operations and regional strategies.

Linking Markets

With support from governments, business is spearheading efforts to forge a single large market by linking the ASEAN Free Trade Area (AFTA) with the Australia-New Zealand Closer Economic Relations Trade Agreement (CER). The two areas are diverse and complementary; trade between them doubled between 1990 and 1995, from US$7.9 billion to $15.9 billion.

Australian Business and AFTA

AFTA trade and investment liberalisation benefits companies operating within its boundaries, but could disadvantage Australian exporters. However, many AFTA tariff reductions are on a non-discriminatory most favoured nation (MFN) basis.

Strategic Alliances

Expanding ASEAN to include low cost, new ASEAN economies provides Australian companies with opportunities to establish an ASEAN base alone or allied with an ASEAN company. Australian companies forming strategic partnerships or consortia with ASEAN companies can maximise the competitive advantage of each participant and receive favourable treatment in ASEAN.

Future Opportunities

The new ASEANs are South East Asia's least developed economies. While success is not assured, integrating with the more advanced economies of the region provides their best opportunity to improve economic and administrative frameworks, overcome poverty and move up the development scale to become modern and prosperous nations of the twenty first century. The new ASEANs will remain difficult business environments for the forseeable future; however, conditions will improve gradually as the transition process in each country proceeds. Australian companies therefore should continue to seek opportunities in these emerging economies and make an important contribution to their economic advancement and to Australia's developing, mutually beneficial partnership with the region.