

COOPERATION AMONG ASEAN AND OTHER MEMBER STATES (CAMBODIA, LAOS, MYANMAR, AND VIETNAM) UNDER THE IMPLEMENTATION OF THE COMMON EFFECTIVE PREFERENTIAL TARIFF (CEPT) SCHEME

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Introduction

The ASEAN was established in Bangkok, Thailand, with five member countries: Indonesia, Malaysia, the Philippines, Singapore and Thailand last August 8, 1967¹. ASEAN was created with the concept of regional economic integration in mind. The concept of regional economic integration “is a type of economic integration in which a set of nations within a certain region form preferential arrangements, typically on international trade.”² From here we can see that to easily understand the idea of economic integration we should look into the term ‘preferential’³, because in an economic integration the member states are given “elevated social status recognition and/or additional or enhanced products and services above and beyond standard firm value propositions and customer service practices⁴.”

According to most literature regional integration can be classified into two general categories: “1) modest regional integration and 2) deep regional integration⁵.” Under the modest regional integration it wants to have an either preferential trade arrangement (PTA) or free trade area (FTA)⁶. The ASEAN has with it a Free Trade Agreement, where in an FTA the trade taxes specifically tariffs of member states are should be lowered to zero.

¹ Lao-Araya, Kanokpan. "How Can Cambodia, Laos, Myanmar and Vietnam Cope with Revenue Lost Due to AFTA Tariff Reductions?" *ASIA-PACIFIC TAX BULLETIN*, FEBRUARY 2003: p. 61.

² Toshiyasu Kato, Chan Sophal & Long Vou Piseth. "Regional Economic Integration for Sustainable Development in Cambodia". *Cambodia: Challenges and Options of Regional Integration*. Cambodia Development Resource Institute. September 1998: p. 2.

³ *Ibid.*

⁴ Lacey, Russell, Morgan, Robert, & Suh, Jaebeom. (February 2007). "Differential Effects of Preferential Treatment Levels on Relational Outcomes". *Journal of Service Research*. pp. 242-243.

⁵ Melo, Jaime de & Arvind Panagariya (eds.) (1993), *New Dimensions in Regional Integration*. Cambridge: Cambridge University Press.

Notes: Modest integration seeks only a preferential trade arrangement (PTA) or free trade area (FTA). Under a PTA, lower tariffs are imposed on imports from member countries than on imports from the rest of the world.

⁶ Toshiyasu Kato, Chan Sophal & Long Vou Piseth. "Regional Economic Integration for Sustainable Development in Cambodia". *Cambodia: Challenges and Options of Regional Integration*. Cambodia Development Resource Institute. September 1998: p. 2.

The AFTA (ASEAN Free Trade Agreement) was a reaction to the growing emergence of regional grouping in North America and Europe in the late 1980's⁷. According to Kato, Sophal & Vou Piseth 1998 with the growth of these regional grouping the ASEAN market feared that they might be left out and will not be entertained by these grouping since they are not members of these Integration. This fear of the ASEAN countries pushed for the creation of the intra-ASEAN trade. However according again to Kato, Sophal & Vou Piseth this intra-ASEAN trade was not that successful since it only involved only some of the ASEAN members. The failure of the intra-ASEAN trade paved the way for the creation of the AFTA (ASEAN Free Trade Agreement) in 1992 summit⁸. As stated by Tongzou and Khan the 1992 AFTA became a turning point as it provided ASEAN with significant policy changes among ASEAN countries⁹. The AFTA's main objective was to "increase ASEAN's competitive edge as a production base geared for the world market¹⁰." With its objective one important step is the liberalization of trade in the region which can be done through the elimination of intra-regional tariffs and non-tariff barriers¹¹. As an effect of elimination of trade barrier among ASEAN member states, ASEAN's manufacturing sector will be more efficient and competitive in the global market and at the same time, consumers will demand more goods from these efficient producers in ASEAN thus an expansion of the intra-ASEAN trade¹².

AFTA's main mechanism for the elimination of trade barriers among ASEAN member states is the CEPT (Common Effective Preferential Tariff) scheme. Generally the CEPT scheme was created to reduce import tariffs to levels below 5 percent within 10 years, and to remove non-tariff barriers such as quotas and licences among ASEAN member states¹³. The CEPT was first implemented by the ASEAN 6 countries (Indonesia, Singapore, Philippines, Malaysia, Brunei, and Thailand) in January 1, 1993. The CEPT according to the Philippine's Tariff Commission:

"Is a cooperative arrangement among ASEAN Member States that will reduce intra-regional tariffs and remove non-tariff barriers over a 10-year period commencing January 1, 1993. The goal of the Scheme is to reduce tariffs on all manufactured goods to 0-5%

⁷ *Ibid.* p. 3.

⁸ Tongzou, Jose L., and Habibullah Khan. "The Challenge for Economic Integration for Transitional Economies of Southeast Asia Coping with Revenue Losses." *ASEAN Economic Bulletin*, 2005: pp. 267.

⁹ *Ibid.* p. 267.

¹⁰ Republic of the Philippines Tariff Commission. THE ASEAN COMMON EFFECTIVE PREFERENTIAL TARIFF SCHEME FOR THE ASEAN FREE TRADE AREA. <http://www.tariffcommission.gov.ph/afta-cept.html>. Accessed on March 1 2009.

¹¹ *Ibid.*

¹² *Ibid.*

¹³ Toshiyasu Kato, Chan Sophal & Long Vou Piseth. "Regional Economic Integration for Sustainable Development in Cambodia". *Cambodia: Challenges and Options of Regional Integration*. Cambodia Development Resource Institute. September 1998: p. 3.

by the year 2003. This will benefit Philippine exporters to ASEAN. The lower CEPT rates make the country's products cheaper in these markets, thus stimulating greater demand. The increase in exports to ASEAN would depend on the price elasticity of demand¹⁴."

In this definition of the CEPT we can see that it is a tool that will enable all member states to benefit from it. In this statement also we can see that it is something that will be asked from all member states which in turn will provide benefits for the member states. Another definition of the CEPT is that it "seeks to reduce tariff on all commodities traded within the member countries from 5 to 0% *ad valorem*¹⁵ and eliminate trade restriction¹⁶" among member states. Under the CEPT we can see the rules on fair competition and identification of some measures "to enhance and develop economic cooperation like harmonization of standards, macroeconomic consultations and improved reciprocal recognition of product testing and certification, coordination of foreign investment policies, joint investment promotion strategies and cooperation in transport system."¹⁷ The CEPT's role in ASEAN and importance is that it will remove quantitative restrictions on products that are under the CEPT concessions and to eliminate other non-tariff barriers¹⁸ so as to facilitate freer and more open trade among the ASEAN member states.

CMLV¹⁹ Countries Accession to ASEAN

The CMLV countries, Cambodia, Myanmar, Laos and Vietnam joined ASEAN on April 30, 1999, July 24, 1997 (for Laos & Myanmar) and July 28, 1995 respectively. But prior to the Accession of the CMLV (Cambodia, Myanmar, Laos, and Vietnam) countries into ASEAN and embracing the AFTA with the CEPT scheme, their revenues are greatly generated by international trade taxes specifically tariff on imports²⁰. As most literature would say Cambodia, Myanmar, Laos, and Vietnam are ASEAN countries whose government revenues heavily relies on import taxes. Cambodian government's total revenue is made up of 58.1% trade taxes

¹⁴ Republic of the Philippines Tariff Commission. THE ASEAN COMMON EFFECTIVE PREFERENTIAL TARIFF SCHEME FOR THE ASEAN FREE TRADE AREA. <http://www.tariffcommission.gov.ph/afta-cept.html>. Accessed on March 1 2009.

¹⁵ *Ad Valorem* means the fixed percentage of the value of the traded commodity.

¹⁶ Tongzon, Jose L., and Habibullah Khan. "The Challenge for Economic Integration for Transitional Economies of Southeast Asia Coping with Revenue Losses." *ASEAN Economic Bulletin*, 2005: pp. 267.

¹⁷ *Ibid.* p. 267.

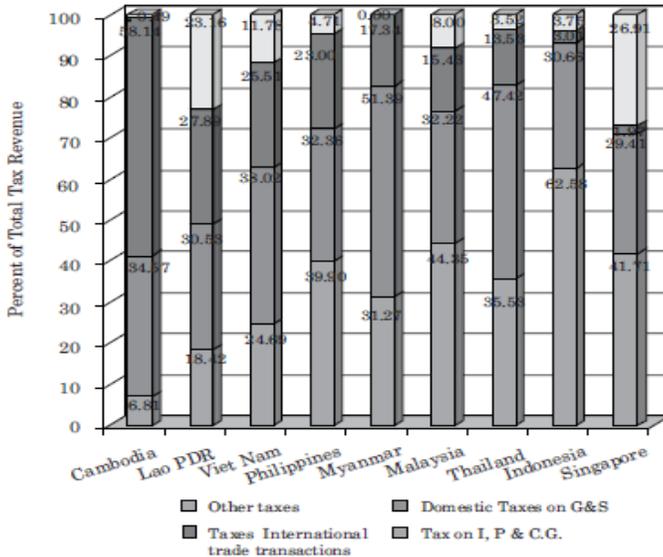
¹⁸ Tongzon, Jose L., and Habibullah Khan. "The Challenge for Economic Integration for Transitional Economies of Southeast Asia Coping with Revenue Losses." *ASEAN Economic Bulletin*, 2005: pp. 267.

¹⁹ The CMLV countries (Cambodia, Myanmar, Laos, and Vietnam) is also known as the South East Asian Transitional Economies (SEATEs)

²⁰ Lao-Araya, Kanokpan. "HOW CAN CAMBODIA, LAO PDR, MYANMAR, AND VIETNAM COPE WITH REVENUE LOST DUE TO AFTA TARIFF REDUCTIONS?" *ERD Working Paper No. 29*. Manila: Asian Development Bank, November 2002. p. 1.

which is the highest among other ASEAN members (Lao-Araya FEBRUARY 2003). And the other new ASEAN members Laos, Myanmar and Vietnam has 32.1% of their total revenue comes from trade tax²¹.

Figure 1. Tax Revenue by Type of Tax in ASEAN Countries in 1997



Sources: Government Finance Statistics Yearbook (IMF 2001), IMF's Country Reports for Cambodia and Lao PDR.

Given the table and the previous statement we can infer that these CMLV countries are utilizing tariff barriers to prevent the inflow of imported goods that can hamper and cause problems to their domestic industry²². Kanokpan also said that these CMLV countries from this graph can tell us how dependent these countries are to trade tax as a source of their revenue. The next part now is given their membership in ASEAN how will the CMLV countries be able to adhere to the CEPT scheme of the ASEAN if their major source of revenue is in jeopardy. As Tongzong and Khan would put it “there is a real concern that, as they reduce their tariffs in accordance with the AFTA guidelines, they will suffer significant revenue losses with adverse economic and social implications.”²³

These CMLV countries must adhere to the CEPT scheme and at the same time provide alternative sources of revenue for the government. As can be seen from this table:

²¹ *Ibid.* p. 1.

²² *Ibid.* p. 3.

²³ Tongzong, Jose L., and Habibullah Khan. "The Challenge for Economic Integration for Transitional Economies of Southeast Asia Coping with Revenue Losses." *ASEAN Economic Bulletin*, 2005: pp. 266.

TABLE 5²⁴

CMLV	Revenue Impact Assessment for CMLV			Total Revenue (US\$ million)
	CEPT Schedule	Custom's Revenue from ASEAN (US\$ million)	Custom's Revenue from non-ASEAN (US\$ million)	
Cambodia	2002	123	122	427
	2010	106	340	729
Laos	2002	43	14	233
	2008	7	48	303
Myanmar	1999	72	115	18,371
	2008	139	430	30,622
Vietnam	2001	376	1,867	5,582
	2006	344	5,369	10,352

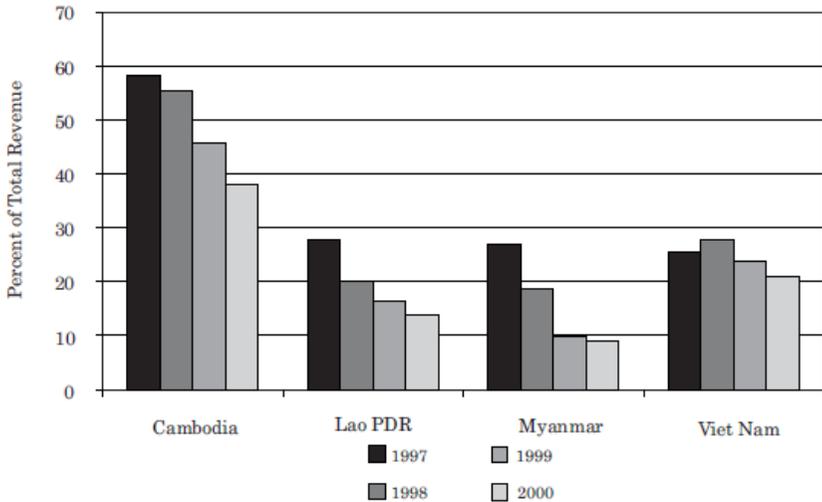
Note: Estimations based on regression analysis (price and income effects).

We can say that the CMLV countries must adhere to the CEPT scheme of ASEAN given the long term benefits it can provide to the member states. For example in Cambodia their custom's revenue from ASEAN states would decrease by \$17 million however their custom's revenue from non-ASEAN states would increase by \$218 million. Here we can see the importance of the CEPT because of the revenues it can generate in the long run for the member states. However the revenues of these countries upon membership in ASEAN diminished due to the provision of the CEPT that tariff in intra-ASEAN trade should be reduced.

The membership of the CMLV countries to ASEAN and AFTA found it inevitable to adopt the policies of the AFTA specifically the CEPT scheme. As a result of this the governments of the CMLV countries suffered losses in their revenues. The revenue losses of the CMLV countries manifests in this table where in the tariff rates of these countries greatly decreased after their participation in AFTA.

²⁴ *Ibid.* p. 274

Figure 2. Taxes on International Trade in SEATEs 1997-2000



Sources: IMF Country Reports and Government Finance Statistics Yearbook 2001.

This table manifests the diminishing of tariff among CMLV countries, in Cambodia we can see that from a tariff of 58% in 1997 it was reduced to 38% in 2000, which is a 20% reduction in just three years. This reduction would be an indicator of the revenue losses of the CMLV countries. Another indicator of revenue loss for the CMLV countries can be seen from their falling ratio of total revenue to GDP²⁵.

The CMLV countries membership in ASEAN pushed their governments to adopt policies that will compensate for their revenue losses due to the CEPT scheme of AFTA, which according to most literature would provide them with long term revenue benefits. The CMLV countries adopted policies to address revenue losses but this paper will look at the mutual adjustments done by these countries in order to adhere to the CEPT scheme and at the same time compensate for the revenue losses.

CMLV countries Mutual Adjustment Policies

The phenomenon of the CMLV countries adopting policies to adhere to the CEPT scheme of AFTA can be better understood with Helen Milner and Robert Keohane's international cooperation. International Cooperation according to Robert Keohane is when "States adjust their behavior to the actual and anticipated preference of others through a policy of coordination."²⁶ this means that for states to cooperate they adjust their behavior to be in accordance or not in conflict the other states. In relation to the issue we can see that the CMLV countries are adjusting their behavior and policies so as to adhere to ASEAN and the AFTA. Another important aspect in the definition of international cooperation is the idea of benefits

²⁵ Lao-Araya, Kanokpan. "HOW CAN CAMBODIA, LAO PDR, MYANMAR, AND VIET NAM COPE WITH REVENUE LOST DUE TO AFTA TARIFF REDUCTIONS?" *ERD Working Paper No. 29*. Manila: Asian Development Bank, November 2002. p. 4.

²⁶ Keohane, R. "The Demand for International Regimes." 1982. p.467.

and losses that states get from cooperation. The gains and or losses here do not need to be necessarily the same for all actors, but as Milner said they should be mutual. From the idea of losses in the case of the CMLV countries we can look at how these countries mutually adjust their policies so as to adhere to AFTA's main provision, the CEPT. In this regard also we can look at the revenue gains that the CMLV countries would gain upon cooperation in the ASEAN and because of these the SEATEs mutually restructure their policies to compensate for their short run losses with the CEPT. For Keohane 1982 cooperation takes places only in situations where actors perceive that their policies are actually or potentially in conflict, not where there is harmony. Without the specter of conflict, there is no need to cooperate²⁷. With the notion of Keohane 1982 that cooperation takes place when the interests/policies don't coincide with the policies of different states and regimes, in the case of the CMLV countries, their interests are in conflict with the policy of the regime, ASEAN thus the need for the SEATEs to mutually adjust their policies. The definition of cooperation for Keohane 1982 has distinct characteristics. One of this characteristic is that "each actor helps the other to realize their goals by adjusting its policies²⁸" these means that they mutually adjust policies in order for them to attain their goals. They mutually adjust their policies because the gain from cooperation is also mutual. Milner heavily emphasizes the idea of mutual adjustment of states to facilitate cooperation. In relation to the CMLV countries they mutually restructure and adjust their policies to cooperate in ASEAN and AFTA.

With regard to the policy adjustment that the CMLV countries I saw four policies some of which are already implemented by the CMLV countries, coming from different sources that can fit the current situation of the CMLV countries or the SEATEs. The SEATEs in choosing among the policy alternatives the CMLV countries must take into account the different demands of the domestic economy and weigh the outcome of each of the policy choice²⁹.

In relation to the CMLV countries we can see that they mutually adjust their policies to address the problem on revenue losses such examples of their mutual adjustment of policies can be seen in their tax reform programs. They had to adopt the VAT (Value-Added Tax) as an alternative source of revenue.³⁰

VAT introduction	
1999	Cambodia
1999	Vietnam
2004 ¹	Laos
no plan	Myanmar

From the table we can see that two of the CMLV countries adopted the VAT to compensate for their revenue losses. The Value-Added Tax is usually adopted to compensate for the revenue that is often lost when a country reduces or

²⁷ *Ibid.* p.467.

²⁸ *Ibid.* p.468.

²⁹ Milner, *Interests, Institutions, and Information: Domestic Politics and International Relations*, p. 8.

³⁰ Lao-Araya, Kanokpan. "How Can Cambodia, Laos, Myanmar and Vietnam Cope with Revenue Lost Due to AFTA Tariff Reductions?" *ASIA-PACIFIC TAX BULLETIN*, FEBRUARY 2003: p. 61.

eliminates import duties. The imposition of VAT will be primarily on a broad-based domestic consumption but effectively leaves a zero tax rate on exports³¹. The importation of VAT in Cambodia and Vietnam has been very successful as a matter of fact:

“From 1996 to 1998 the government of Vietnam collected an amount of revenue through turnover tax equivalent to 11.1 to 11.8% of its GDP. Since VAT replaced turnover tax in 1999 the government has collected through VAT revenue amounting to more than 17% of its GDP from 1999 to 2001 (IMF Country Report No. 02/5). In Cambodia, the sales tax-to-GDP ratio prior to the VAT introduction in 1999 was only 0.7 and 0.9% in 1997 and 1998. Since 1999, the ratio increased to 2.7-3.2% from 1999 to 2001³²”

This policy adjustment is advantageous because as stated by Lao-Araya 2003, VAT “discourages tax evasion because taxpayers themselves wish to pay and obtain receipts for VAT paid on inputs purchased in order to be able to claim credit against the VAT they themselves will be required to pay at the point of selling their end product or service.³³” this means that there will be less likelihood of people avoiding to pay their taxes since it is directly imposed upon purchase. On the other hand the adoption of this policy would have repercussion on the lower class in society because it will give them more expenses and can be a consideration for them not to spend.

Another example of the mutual adjustment in policies of the CMLV countries can be seen in the alternative to “temporarily impose surcharges on luxuries and non-essentials in order to safeguard tariff revenue loss.³⁴” The benefit from this policy is that given that “most luxury products are not locally produced in the new ASEAN member countries” it will be beneficial for the CMLV countries to impose additional charges or tax on these luxury goods. The down side however this policy is only temporary, as stated by Lao-Araya 2002 “This temporary revenue measure can compensate the tariff revenue loss without damaging local industries during the transitional period of greater liberalization.³⁵”

The third manifestation of this mutuality is the police for the CMLV countries to refine and simplify their tax structure. According to Lao-Araya 2003, “The governments of Cambodia, Laos, Myanmar and Vietnam should simplify their tax structures and make them more transparent in order to improve the efficiency of tax administration and to make it easier for taxpayers to pay taxes.³⁶” if the CMLV

³¹ Lao-Araya, Kanokpan. "HOW CAN CAMBODIA, LAO PDR, MYANMAR, AND VIETNAM COPE WITH REVENUE LOST DUE TO AFTA TARIFF REDUCTIONS?" *ERD Working Paper No. 29*. Manila: Asian Development Bank, November 2002. p. 20.

³² Lao-Araya, Kanokpan. "How Can Cambodia, Laos, Myanmar and Vietnam Cope with Revenue Lost Due to AFTA Tariff Reductions?" *ASIA-PACIFIC TAX BULLETIN*, FEBRUARY 2003: p. 68.

³³ *Ibid.* p.68.

³⁴ *Ibid.* p.68.

³⁵ *Ibid.* p.68.

³⁶ *Ibid.* p.68.

countries will adopt this policy then there will be efficiency in tax collection and as a result more revenues for their government, as stated by Lao-Araya 2003. It was also stated by Lao-Araya that the governments of the CMLV countries collected low levels of revenue as a percentage to GDP prior to their ASEAN accessions which would mean that there is a need to improve their tax collection in order to compensate for revenue losses with the CEPT.

Another mutual adjustment by the CMLV countries is that they can “strategically allocate goods among the four CEPT scheme lists so as to minimize the tariffs that will be imposed on the goods that promote the production of goods that they most wish to export while simultaneously maximizing the amount of revenue that they are able to garner from imports.³⁷” this simply means that they can postpone the tariff reduction on certain goods for them not to be burden heavily by the sudden reduction on their revenues. This policy recommendation can be followed by the CMLV countries to postpone the tariff reduction in certain goods which can lessen the impact of revenue losses but also this will also prolong the reaping of the CMLV countries of their benefits in complying with the CEPT scheme of AFTA.

The CMLV countries may opt to adopt these policy alternatives to compensate for their revenue losses but they also have the freedom not to adopt these policies and create their own ways to compensate for the revenue losses brought about by the tariff reduction. The CMLV countries can create their own policy based on their domestic activity to compensate for their losses.

It is also important here to look at the fact that states adjust their policies so as to be able to enter regimes. With regard to the CMLV countries they had to mutually adjust their policies for example their tax policies, since the benefit is also mutual, for them to adhere with the provisions of AFTA (ASEAN Free Trade Agreement). However it is also interesting to look at the other side of this argument where in the regime would adjust its policies for states to be a part of this regime. One example of this adjustment by ASEAN so as not to burden the CMLV countries with the CEPT scheme was to provide a longer period of implementation or adoption of the CEPT scheme. “Vietnam will reduce tariffs on all manufactured goods to 0-5% by 2006, Laos and Myanmar by 2008 and Cambodia by 2010³⁸.”

³⁷ *Ibid.* p.69.

³⁸ Lao-Araya, Kanokpan. "How Can Cambodia, Laos, Myanmar and Vietnam Cope with Revenue Lost Due to AFTA Tariff Reductions?" *ASIA-PACIFIC TAX BULLETIN*, FEBRUARY 2003: p. 61.

Notes:

- IL means Inclusion List. Products in this list are subject to tariff rate reduction of 0-5% in ten years.
- TEL means Temporary Exclusion List. Products in the TEL will be phased into the IL during the first five years in five equal annual instalments.
- SL means Sensitive List. This contains unprocessed agricultural products that will be phased in for tariff reduction in ten years.
- NT means Normal Track. Products classified under NT are subject to tariff rate reduction of 0-5% in ten years.

TABLE 5
Schedule for Tariff Reduction under the CEPT Agreements

Country	Manufactured and processed agricultural goods		Unprocessed agricultural goods		
	IL	TEL	IL	TEL	SL
ASEAN-6	(NT) 1993-2003 (FT) 1993-2000	1996-2003	1996-2003	1997-2003	2001-2010
Vietnam	(NT) 1996-2006 (FT) 1996-2003	1999-2006	1999-2006	2000-2006	2004-2013
Laos and Myanmar	(NT) 1998-2008 (FT) 1998-2005	2001-2008	2001-2008	2002-2008	2006-2015
Cambodia	(NT) 2000-2010 (FT) 2000-2007	2003-2010	2003-2010	2004-2010	2008-2017

From this table we can see the different schedule for the tariff reduction under the CEPT agreement is different for the ASEAN-6 (Singapore, Philippines, Malaysia, Thailand, Brunei, and Indonesia) and the CMLV countries. The table also shows the longevity of time given to the CMLV countries so as to give them more time in adopting the CEPT. Another proof that regimes can adjust for states to enter these regimes can be seen in the ASEAN non exclusion despite the some long-standing member countries that has not fully complied with requirements of the CEPT scheme in spite of written deadlines³⁹. As such it disproves the argument that states adjust their policies so as to be able to enter regimes, because as can be seen from this, regime can also adjust their policies for states to enter regimes.

The facts presented above would show the mutual adjustment alternatives that the CMLV countries can adopt for them to compensate for their revenue losses and at the same time comply with the CEPT scheme in AFTA. The presented data are also the answers the questions of what policy can use by the CMLV countries to compensate for their revenue losses.

This issue of the CMLV countries or the SEATEs would exemplify a state that upon entering regimes doesn't only take into consideration individual interests but also national interests as well.

Conclusion

The introduction of ASEAN was essentially to initiate development and facilitate more income for the member states, but just like any organization the idea of gains and losses cannot be removed. The ASEAN created the AFTA to liberalize trade among ASEAN member states and under the AFTA its main liberalizing mechanism is the CEPT scheme where in it was created to reduce import tariffs to levels below 5 percent within 10 years, and to remove non-tariff barriers such as

– FT means Fast Track. Products classified under FT are subject to tariff rate reduction of 0-5% in five to eight years.

Source: www.moc.go.th/thai/dbecoco/rt/asean/afta.htm.

³⁹ Lao-Araya, Kanokpan. "How Can Cambodia, Laos, Myanmar and Vietnam Cope with Revenue Lost Due to AFTA Tariff Reductions?" *ASIA-PACIFIC TAX BULLETIN*, FEBRUARY 2003: p. 62.

quotas and licences among ASEAN member states⁴⁰. This was initially for ASEAN member states to benefit from the tariff free exchange of goods among ASEAN member states however the CMLV countries or the SEATEs saw that the CEPT doesn't go hand in hand with their national interest. The CEPT's aim of tariff removal on trade goods would be problematic for the CMLV countries since tariff taxes makes up a big chunk of their government revenue. This now challenges the SEATEs to adjust their policies to be aligned with the policies of ASEAN and AFTA.

The policies that can be beneficial and can be mutually adopted by the SEATEs are the following: adoption of the VAT (Value-Added Tax) where in the governments of the SEATEs can directly tax the consumers. This can increase their government revenues while at the same time make the tax evaders pay taxes. But this can also be a problem on the low class in society because this will be a new burden to them. Second policy they can impose temporary surcharges luxury and non-essential goods as an alternative source of revenue. The third policy that they can mutually adopt is to simplify or refine their tax structure. In this way they can facilitate easier tax collection which can lead to increase in revenues. The last mutual adjustment is they can postpone goods to be included in the CEPT scheme. Through all of this policies the impacts in government revenue losses of the CMLV countries can cushioned and thus CMLV countries can engage themselves in participating in ASEAN and AFTA, with the CEPT scheme.

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⁴⁰ Toshiyasu Kato, Chan Sophal & Long Vou Piseth. "Regional Economic Integration for Sustainable Development in Cambodia". *Cambodia: Challenges and Options of Regional Integration*. Cambodia Development Resource Institute. September 1998: p. 3.

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