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# **ASEAN Economic Community (AEC )**

**One Vision, One Identity, One community**

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# AEC Today

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- AEC 2015?

AEC was launched on 31 December 2015

Does it really work?

- What's next?



# ASEAN Economic Integration

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- AEC Blueprint sets out ASEAN's Vision of regional integration by following characteristics:
  - (1) A single market and production base
  - (2) A highly competitive economic region
  - (3) A region of equitable economic development
  - (4) A region fully integrated into the global economy



# A single market and production base

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- Free flow of goods
- Free flow of services
- Free flow of investment
- Free flow of capital
- Free flow of skilled labor

Other two areas: Priority integration sectors,

Food, Agriculture and Forestry



# Free flow of goods

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## Liberalization

- Customs tax on all trading goods to reduce/ eliminate by 2015 (CLMV to eliminate some sensitive products by 2018)

## Facilitation

- Eliminate Non- Tariff- Barriers (NTBs)
  - Harmonize customs procedures
  - Establish National/ASEAN Single Window
  - Operational certification procedure on CEPT Scheme
  - Harmonization and standardization of trade and customs procedure
  - Customs modernization
  - Harmonize technical regulations and conformity assessment procedures

Excessive and time consuming documentary requirement, irregular and arbitrary payments for expediting customs procedure



# Free flow of services

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- To reduce substantially all restrictions on services among member states:

(1) Business, Professional (Medical practitioner, Engineer, Lawyer, Accountant, etc)

(2) Communication                      (8) Health

(3) Construction                      (9) Tourism and travel

(4) Distribution                      (10) Recreation

(5) Education                      (11) Transport

(6) Environment                      (12) Others

(7) Finance



# Mutual Recognition Arrangements (MRAs)

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- Engineering Services ( 9.12.2005)
- Nursing Services ( 8.12.2005)
- Architectural services (19.11.2007)
- Framework Arrangement for the Mutual Recognition of  
Surveying Qualifications (19.11. 2007)
- Accountancy Services (26.2. 2009)
- Medical Practitioners (26.2 2009)
- Dental Practitioners (26.2. 2009)



# Free flow of Investment

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- ASEAN Comprehensive Investment Agreement (ACIA signed in 2009)

Sectors covered:

- Manufacturing,
  - Agriculture
  - Fishery
  - Forestry
  - Mining and quarrying
- Investment protection
  - Facilitation and cooperation
  - Promotion and awareness
  - Liberalization





# Freer flow of capital

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- Remove and relax restrictions, where appropriate and possible
  - To facilitate the flows of payments and transfers for current account transactions.
  - To support foreign direct investment and initiative to promote capital market development.



# Free Flow of Skilled Labor

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- Facilitate the issuance of visas and employment passes for ASEAN professional and skilled labor
- Work towards Mutual Recognition Arrangements (MRAs)  
( Professionals and skilled labor of one member state are legitimate to work in other member states, subject to domestic rules and regulations of the recipient country.)



# A Highly Competitive Economic Region

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- Competition Policy
- Consumers Protection
- Intellectual Property Rights (IPR)
- Infrastructure Development
- Double taxation
- E -commerce



# A Region of Equitable Economic Development

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- SME Development

Enhance the competitiveness, dynamism and resilience of ASEAN SMEs and increase the contribution of SMEs to overall economic growth and development of ASEAN

- Initiative for ASEAN Integration- IAI



# A Region Fully Integrated Into The Global Economy

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Two main goals:

- (1) Coherent approach towards external economic relations
- (2) Enhanced participation in global supply networks

ASEAN FTAs with Dialogue Partners

- ASEAN- China
- ASEAN- Korea
- ASEAN- Japan
- ASEAN- India
- ASEAN- Australia + New Zealand

RCEP in near future



# AEC Scorecard Implementation Status (as at 31 Oct 2015)

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Total measures to implement	506
Implemented	469
Overall implemented	92.7%

Single market and production base	- 21 measures left out of 277
Competitive economic region	- 16 measures left out of 170
Equitable economic development	- all 35 measures completed
Integrating into global economy	- all 24 measures completed

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Source: ASEAN Secretariat



# ASEAN Economy

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- **ASEAN GDP**

2007	2014
USD 1.33 trillion	USD 2.57 trillion
(76 % increase in GDP per capita)	

- **ASEAN Trade**

2007	2014
USD 1.6 trillion	USD 2.5 trillion
( Increased by nearly USD 1 trillion)	

- **ASEAN FDI**

2007	2014
USD 85 billion	USD 136 billion

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Source: ASEAN Secretariat



# AEC implementation status

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## Pillar 1: Single market and production base

Free flow of goods

Tariffs : ASEAN 6.. 99.2% of tariff lines at 0%

CLMV .....90.86% at 0%

Non-tariff barriers: On going process

(States committed to review NTMs)

Trade Facilitation: Much improved





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Services:

Has some success, but overall have been very challenging.

Free flow of investment:

Protection and liberalization seen progress

Much remains to do

Freer flow of capital:

Slow progress. Very challenging

Free flow of skilled labor:

On going process. It was reinforced somewhat by progress on MRAs for 8 professions



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## Pillar 2: Competitive Economic Region

- Infrastructure: slow progress
- Competition Policy: on going process
- IPR protection: Slow progress



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## Pillar 3: Equitable economic development

- Development of SMEs:  
Positive progress on capacity building, entrepreneurship for women and links to the global supply chain
- Initiative for ASEAN Integration:
- Six-year IAI work plans being implemented which comprised technical assistance and capacity building programmes



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## Pillar 4: Integration into the global economy

Global integration:

ASEAN's FTAs are actually doing little to promote regional economic integration for wider economy.

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Source: Deloitte - *The ABC of AEC to 2015 and beyond*





# What's Next? AEC 2025

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- AEC 2025 unveiled at 27<sup>th</sup> ASEAN Summit in November 2015 in KL
- Ten member countries have agreed to establish a fully functioning ASEAN Community in the coming ten years
- It builds on the earlier plan and consists of five interrelated and mutually reinforcing characteristics



# Key Features

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- (1) A highly integrated and cohesive economy
- (2) Competitiveness, innovation and dynamic ASEAN
- (3) Enhanced connectivity and sectorial cooperation
- (4) Resilient, inclusive, people oriented and people centered ASEAN
- (5) Global ASEAN



# A highly integrated and cohesive economy

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- Trade in goods:  
e.g - Strengthen ATIGA. Simplify Rules of origin, accelerate trade facilitation
- Trade in services: Facilitate the negotiation and implementation of ASEAN Trade in Services Agreement
- Investment Environment: Continue implementation of ACIA
- Financial Integration, financial inclusiveness and financial stability
- Facilitate movement of skilled labor and business visitors
- Enhance participation in global value chain



# Competitiveness, Innovation and Dynamic ASEAN

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- Effective competition policy: Establish a level playing field for all firms
- Consumer protection: Adequate information to enable consumers to make informed decisions
- Strengthen intellectual property rights cooperation: Essential for moving up to the technological ladder, encouraging transfer of technology and stimulating innovation and creativity
- Productivity driven growth, innovation, research and development:  
Long term competitiveness of ASEAN depends on improving labor productivity





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- Taxation cooperation
- Good governance
- Effective, efficient, coherent and responsive regulations and good regional practices
- Sustainable economic development
- Global megatrends and emerging trade related issues



## Enhanced connectivity and sectorial cooperation

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- Transport: land, air, maritime including establishment of “ASEAN Single Shipping Market”, transport facilitation
- ICT: key driver of economic and social transformation
- E commerce
- Energy: ASEAN power grid, TAPG, coal and clean coal technology, energy efficiency, renewable energy, regional policy and planning, civil nuclear energy capacity building



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- Food, agriculture and forestry
- Tourism: Vision of ASEAN as a “quality tourism single destination”
- Healthcare
- Minerals
- Science and technology



# **Resilient, inclusive, people oriented and people centered ASEAN**

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- Strengthen the role of micro, small and medium enterprises which are backbone of economies
- Strengthen role of private sector
- Public-private partnership
- Narrowing the development gap
- Contribution of stake holders on regional integration efforts



# Global ASEAN

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- Ensure ASEAN centrality and pursue a common approach

Source: “ASEAN 2025: forging ahead together” November 2015



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# Thank You