ASEAN Economic Community: Embracing the Future, Learning from the Past

Dionisius Narjoko
Senior Economist, ERIA

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The Presentation

• Why ASEAN economic integration is important?
• What ASEAN Economic Community has achieved?
• ‘Embracing the Future’: new reform agenda for ASEAN
• ‘ASEAN@50 Survey’
Why ASEAN integration is important?

‘High Demand; Growth Opportunities’
GDP per capita (US$), ASEAN countries, 1990–2015

Source: The World Bank
Population, ASEAN countries, 1990–2010

Source: The World Bank
## ASEAN Imports of Services to Australia – New Zealand (million USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports of Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>690.7</td>
</tr>
<tr>
<td>2005</td>
<td>1660.58</td>
</tr>
<tr>
<td>2010</td>
<td>4569.65</td>
</tr>
<tr>
<td>2015</td>
<td>4515.86</td>
</tr>
</tbody>
</table>

### Graph

- **Y-axis**: Value (range from 0 to 5,000 million USD)
- The graph shows a significant increase in the value of imports from 2000 to 2015, with a peak in 2010.

### Additional Information

- The graph and data are sourced from [www.eria.org](http://www.eria.org).
- The data is presented in a clear and visually engaging manner, making it easy to understand the trends over the years.
Why ASEAN integration is important?

‘Ideal Location for Production Platform’
Fragmentation theory: production blocks and service links

Before fragmentation

Large integrated factory

After fragmentation

PB: production blocks
SL: service links
Production networks are unique to East Asia and ASEAN countries.

Figure 12: An example of global production unbundling in an IT good.

Note: This shows the nations where parts are sourced for a hard-disk drive assembled in Thailand; the disk drives are then shipped on to various markets to be used in various electronic goods.

Trade in machinery and components

Source: Global Trade Atlas.
Why ASEAN integration is important?

‘Challenges Faced by ASEAN members’
Economies’
Ratio of ASEAN–China Trade & ASEAN–India Trade to Intra ASEAN Trade
Challenges & Opportunities for ASEAN

**Challenges**

1. Improve ASEAN’s investment attractiveness
2. Improve ASEAN’s international competitiveness

**Opportunities:**
ASEAN and the ASEAN Member Countries to grow and have deeper economic linkages (via implementation of AEC Blueprint and ASEAN Connectivity)
# Average FDI to World FDI Inflows (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>38.06%</td>
<td>48.75%</td>
</tr>
<tr>
<td>Africa</td>
<td>2.09%</td>
<td>2.40%</td>
</tr>
<tr>
<td>Latin America</td>
<td>9.73%</td>
<td>7.17%</td>
</tr>
<tr>
<td>East Asia</td>
<td>13.94%</td>
<td>10.33%</td>
</tr>
<tr>
<td>South Asia</td>
<td>0.77%</td>
<td>1.06%</td>
</tr>
<tr>
<td>South-East Asia</td>
<td>7.71%</td>
<td>3.34%</td>
</tr>
<tr>
<td>North America</td>
<td>21.29%</td>
<td>19.68%</td>
</tr>
<tr>
<td>Others</td>
<td>6.41%</td>
<td>7.28%</td>
</tr>
</tbody>
</table>

Source: UNCTAD
What has AEC achieved?

**Major examples**

- CEPT rates very low to nearly zero
- NSW operational in 5 AMSs
- ATIGA ROOs business friendly
- ASEAN + 1 FTAs/RCEP
- Chiang Mai Initiative
- RIATS in force under ASEAN - X

**Liberal Investment Regime in many AMSs (based on ACIA)**

*Graph showing variations in investment regimes across different AMSs.*
‘Embracing the Future’: Reform Agenda for ASEAN

‘Go Deeper with Facilitations (Trade and Investment)’
Logistics and trade facilitation

- Cross-border procedures
- Contestability of links in logistics chain

- Cost to import or export
- Time to import or export
‘burden’ DEFINED by CEOs of major corporations
(average % of responses across ASEAN countries)

- ‘Burdensome’ import procedures: 20.6%
- High cost or delays caused by international transport: 14.9%
- Corruption at the border: 12.9%
- High cost or delays caused by domestic transport: 11.7%


### ‘Burden’ DEFINED BY ASEAN LSPs

<table>
<thead>
<tr>
<th>Burdensome import procedures</th>
<th>Contestability of links in transport chain</th>
</tr>
</thead>
<tbody>
<tr>
<td>• No customs EDI</td>
<td>• Restrictions on hours of truck operation</td>
</tr>
<tr>
<td>• No de minimis level</td>
<td>• Restrictions on equity participation in logistics</td>
</tr>
<tr>
<td>• Import licensing</td>
<td>• Licensing restrictions in logistics</td>
</tr>
<tr>
<td>• Rate of physical inspection</td>
<td>• Cabotage restrictions in air transport</td>
</tr>
<tr>
<td>• No customs appeals</td>
<td>• Difficulty of firing</td>
</tr>
<tr>
<td>• Customs clearance times</td>
<td>• ETC ETC</td>
</tr>
<tr>
<td>• Customs operating hours</td>
<td></td>
</tr>
<tr>
<td>• ETC ETC</td>
<td></td>
</tr>
</tbody>
</table>
Quantifying the GAINS FOR ASEAN

- 25% better customs
- 25% more contestability

Result:
USD 450+ billion more trade
‘Embracing the Future’: Reform Agenda for ASEAN

‘Address Non-tariff Barriers’
(contributed by Dr. Lili Yan Ing (ERIA))
1. Context

We should treat NTMs differently from tariff

While tariffs have been reduced, the number of non-tariff measures (NTMs) is increasing, and is often blamed to be one source of the lack of integration in ASEAN and East ASEAN.

…unlike tariff, NTMs could play a role of check and balance for the quality of goods: health, safety and environmental protection.

“Looking ahead: from protection to precaution”
Pascal Lamy

To increase integration in the region, it is our tasks to improve transparency and streamline NTMs
2. Tariffs and NTMs in ASEAN

Tariffs and NTMs in ASEAN

Number of NTMs

Average tariff (%)

SPS

TBT

Pre-shipment inspection

Price control

Non-automatic licensing, quotas, prohibitions

Trade-related investment measures

measures affecting competition

Subsidies

Finance measure

Measures affecting competition

restrictions on post-sales

Rules of Origin

Contingent and protective measures

Intellectual property

Government procurement restrictions

Average Tariff: Effectively Applied Rate (RHS)

Export related measures

Average Tariff: MFN (RHS)
## 2. NTMs in ASEAN

A country with a relatively higher number of measures does not mean it is relatively more protectionist than others.

<table>
<thead>
<tr>
<th>Country</th>
<th>Total (number)</th>
<th>SPS (%)</th>
<th>TBT (%)</th>
<th>Export measures (%)</th>
<th>Others (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>516</td>
<td>31</td>
<td>56</td>
<td>9</td>
<td>4</td>
</tr>
<tr>
<td>Cambodia</td>
<td>243</td>
<td>15</td>
<td>50</td>
<td>29</td>
<td>7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>638</td>
<td>20</td>
<td>51</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>301</td>
<td>13</td>
<td>30</td>
<td>27</td>
<td>30</td>
</tr>
<tr>
<td>Malaysia</td>
<td>713</td>
<td>36</td>
<td>47</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Myanmar</td>
<td>172</td>
<td>44</td>
<td>24</td>
<td>20</td>
<td>12</td>
</tr>
<tr>
<td>Philippines</td>
<td>854</td>
<td>27</td>
<td>42</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>Singapore</td>
<td>529</td>
<td>24</td>
<td>59</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,630</td>
<td>48</td>
<td>34</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>379</td>
<td>37</td>
<td>37</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total / average</strong></td>
<td><strong>5,975</strong></td>
<td><strong>29</strong></td>
<td><strong>43</strong></td>
<td><strong>16</strong></td>
<td><strong>12</strong></td>
</tr>
</tbody>
</table>

Source: Ing, Cadot, Anandhika and Urata (2016), data on NTMs are from [http://asean.i-tip.org](http://asean.i-tip.org) and data on tariff are from WITS database.
ASEAN is improving its trade regulation transparency: all regulations on export and import in the 10 ASEAN countries: [http://ntm.eria-database.com/](http://ntm.eria-database.com/)
‘Embracing the Future’: Reform Agenda for ASEAN

‘Deepen Services Liberalization’ ”
AFAS Services Liberalization Rates

Scoring of AFAS 7 & 8 (Mode 1), Across Groups of Subsectors, AMS Average (in %)

LRs of AFAS 7 and 8, Mode 3, across groups of subsectors, ASEAN Average (in %)
Services Liberalization Rates with 15 % Flexibility

- The use of Flexibility Rule increases the LR of AFAS 8, by about 14 percentage points.
  - The increase applies to all groups of subsectors (i.e., PIS, LOG, and OTHER).
  - Question arises: what can we learn from looking at the source of the increase?
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‘Do More with SMEs’
Awareness of ASEAN Economic Community

Cambodia Indonesia Malaysia Myanmar Philippines Thailand Vietnam Average

Small Medium Large
Food Products: % Firms with ASEAN Trade
Wearing Apparel: % Firms with ASEAN Trade

- Indonesia
- Cambodia
- Myanmar

Small
Medium
Large

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‘Learning from Advance Countries through FTAs: Effective Economic Cooperation’
Economic Cooperation under AANZFTA

- RoO & Tariff Implementation: 22%
- Sanitary & Phytosanitary Measures: 13%
- STRACAP: 11%
- Services: 18%
- Investment: 16%
- Intellectual Property: 17%
- Sectoral Integration: 11%
- Customs: 1%
- Competition: 0%
‘Embracing the Future’: Reform Agenda for ASEAN

ASEAN should go deeper within the border of their member states to conduct ‘behind border reforms’

This means regulatory reforms

Input from business are needed
Private Sector Involvement; 
AEC Monitoring and Technical Resource

Private Sector Involvement:
- Embed and increase private sector participation in ASEAN working groups, committees and other ASEAN bodies as much as possible.
- Avoid duplication by streamlining public-private dialogue channels.

AEC Monitoring and Technical Resource:
- Introduce third party monitoring and technical resource by ASEAN Secretariat (ASEC).
- Strengthen ASEC as technical resource.
- Introduce coordinated TRACK 1.5 MECHANISM at regional and national levels.
ASEAN@50 Survey
Voices of ASEAN People
(contributed by Dr. Ponciano Intal, Jr.)

• 2,322 respondents from all ASEAN countries represented diverse ages and sectors

• Almost all respondents were at least 'slightly familiar' with ASEAN

• Awareness has increased significantly since 2014, but mostly about the economic pillar

• 2/3rd perceived membership in ASEAN as ‘moderately’ to ‘very much’ beneficial to their countries
ASEAN@50 Survey – Continued

• More than $\frac{3}{4}$ of all respondents feel 'moderately' to 'very much' like ‘ASEAN citizens’, however this is mostly based upon geographic belonging

• People are most concerned about non-economic matters; e.g., corruption, climate change and natural disasters, income disparity and social inequality

• ASEAN peoples aspire for and largely expect an ASEAN in 2025 that is integrated, connected, resilient and a significant player in global and regional affairs
Thank you for your attention

Dionisius Narjoko
(dion.narjoko@eria.org)