ASEAN ECONOMIC COMMUNITY:
Prospects & Challenges

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former Deputy Secretary-General of ASEAN

ASEAN Update Seminars
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Tokyo & Nagoya
Scope

- Introduction
- The ASEAN Economy
- The ASEAN Economic Community (AEC)
  - Progress
  - Problems: Challenges & Threats
  - Prospects: Strengths & Opportunities
- Conclusions & Recommendations
Introduction

Population 617 million
Area 4.5 million square km.
Main religions Islam, Buddhism, Hinduism
Combined GDP USD $ 2.3 billion
Total Trade USD $ 2.4 billion

Founding Members
- Thailand
- Malaysia
- Indonesia
- Philippines
- Singapore

Additional Members
- Brunei 1984
- Viet Nam 1995
- Lao PDR 1997
- Myanmar 1997
- Cambodia 1999
The ASEAN Economy

Table 1.1 Selected Indicators for ASEAN and Other Asian Economies, 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Land Area</th>
<th>Population</th>
<th>Gross Domestic Product</th>
<th>GNI</th>
<th>Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(million)</td>
<td>(million)</td>
<td>Total ($ billion)</td>
<td>PPP (constant 2005) ($ billion)</td>
<td>Per Capita ($)</td>
</tr>
<tr>
<td>Brunei Dar.</td>
<td>5.3</td>
<td>0.4</td>
<td>17.0</td>
<td>21.6</td>
<td>42,380</td>
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<td>Cambodia</td>
<td>176.5</td>
<td>15.3</td>
<td>14.1</td>
<td>36.5</td>
<td>926</td>
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<tr>
<td>Indonesia</td>
<td>1,811.6</td>
<td>244.5</td>
<td>878.5</td>
<td>1,203.6</td>
<td>3,594</td>
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<td>Lao PDR</td>
<td>230.8</td>
<td>6.6</td>
<td>9.2</td>
<td>18.9</td>
<td>1,380</td>
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<td>Malaysia</td>
<td>328.6</td>
<td>29.5</td>
<td>304.7</td>
<td>494.7</td>
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<td>Myanmar</td>
<td>653.5</td>
<td>63.7</td>
<td>55.3</td>
<td>102.6</td>
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<td>Philippines</td>
<td>298.2</td>
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<td>5.3</td>
<td>276.5</td>
<td>323.0</td>
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<td>67.9</td>
<td>366.0</td>
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<td>88.8</td>
<td>155.6</td>
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<td>2,327.0</td>
<td>3,602.0</td>
<td>3,767</td>
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<td>ASEAN-6</td>
<td>2,955.2</td>
<td>443.3</td>
<td>2,092.9</td>
<td>3,107.7</td>
<td>4,721</td>
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<tr>
<td>CLMV</td>
<td>1,370.9</td>
<td>174.3</td>
<td>234.1</td>
<td>494.3</td>
<td>1,343</td>
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</table>

Other Asian Economies

<table>
<thead>
<tr>
<th>Country</th>
<th>Land Area</th>
<th>Population</th>
<th>GDP Total ($ billion)</th>
<th>GDP PPP (constant 2005) ($ billion)</th>
<th>Per Capita ($)</th>
<th>Total Exports ($ billion)</th>
<th>Total Imports ($ billion)</th>
<th>Exports/ GDP (%)</th>
<th>Share of World Total Exports (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HKG</td>
<td>1.0</td>
<td>7.2</td>
<td>263.3</td>
<td>365.6</td>
<td>36,676</td>
<td>36,560</td>
<td>443.1</td>
<td>504.7</td>
<td>168.3</td>
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<td>India</td>
<td>2,973.2</td>
<td>1,227.2</td>
<td>1,841.7</td>
<td>4,715.6</td>
<td>1,501</td>
<td>1,530</td>
<td>297.3</td>
<td>490.4</td>
<td>16.1</td>
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<td>Japan</td>
<td>364.5</td>
<td>127.6</td>
<td>5,960.3</td>
<td>4,575.5</td>
<td>46,707</td>
<td>47,870</td>
<td>798.6</td>
<td>886.0</td>
<td>13.4</td>
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<td>PNG</td>
<td>452.9</td>
<td>6.826</td>
<td>15.1</td>
<td>18.7</td>
<td>2,217</td>
<td>1,790</td>
<td>11.8</td>
<td>8.9</td>
<td>78.0</td>
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<td>1,354.0</td>
<td>8,221.0</td>
<td>12,261.3</td>
<td>6,071</td>
<td>5,680</td>
<td>2,050.1</td>
<td>1,817.3</td>
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<td>Rep. of Korea</td>
<td>97.1</td>
<td>50.0</td>
<td>1,129.5</td>
<td>1,597.6</td>
<td>22,589</td>
<td>22,670</td>
<td>547.9</td>
<td>519.6</td>
<td>48.5</td>
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<tr>
<td>Taipei, China</td>
<td>36.0</td>
<td>23.3</td>
<td>474.1</td>
<td>894.3</td>
<td>20,336</td>
<td>17,338</td>
<td>301.2</td>
<td>270.5</td>
<td>63.5</td>
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<tr>
<td>Timor-Leste</td>
<td>14.9</td>
<td>1.2</td>
<td>63.2</td>
<td>23.2</td>
<td>5,464</td>
<td>3,670</td>
<td>0.0</td>
<td>0.7</td>
<td>0.5</td>
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<tr>
<td>World</td>
<td>129,710.3</td>
<td>7,046.0</td>
<td>72,216.4</td>
<td>83,193.4</td>
<td>10,249</td>
<td>10,012</td>
<td>17,854.8</td>
<td>18,414.3</td>
<td>24.7</td>
</tr>
</tbody>
</table>
The ASEAN Economy

ASEAN Population with selected DPs, 2002 & 2012

ASEAN's population placed third after China and India, expanding to 617 million in 2012 from 534 million in 2002. The region's population grew at an average annual rate of 1.45 percent compared to China's 0.53 percent and India's 1.44 percent during the 10-year period.

Sources of data: ASEAN Secretariat database and IMF World Economic Outlook Database April 2013
The region's nominal GDP, in PPP dollars, amounted to 3.6 trillion Dollars. In real terms, ASEAN's GDP growth at 5.7 percent was second to China's 7.8 percent.

Note: Size of bubble indicates level of GDP in current international (PPP) billion dollars while bubble position plots the growth rate of real GDP
* Purchasing Power Parity
Sources of data: ASEAN Secretariat Database and IMF World Economic Outlook Database April 2013
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GDP GROWTH
ASEAN has been the second-fastest growing economy in Asia between 2001-2013.
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The share of ASEAN to World GDP, in PPP dollars, was 4.3 percent, while the combined shares of ASEAN+3 (refers to ten Member States, China, Japan and Republic of Korea) reached 26.8 percent.

* Purchasing power parity
Source of data: IMF World Economic Outlook Database April 2013
In 2012, the region’s GDP per capita, at US$3,748, was significantly higher by 128.4 percent than its level in 2005. However, ASEAN’s GDP per capita represents only 40 percent that of China’s, and far below the rest of its major trading partners, except for India and Pakistan.

Sources of data: ASEAN Secretariat Database and IMF World Economic Outlook Database April 2013
The ASEAN Economy

GDP Per Capita of ASEAN Members (US Dollars), 2012

GDP per capita of the Member States varied extremely, ranging from US$50,000 to less than US$1000 in 2012. At one end, Singapore and Brunei Darussalam’s GDP per capita were above US$40,000 while Cambodia and Myanmar stood at less than US$1,000. Meanwhile, Indonesia, Malaysia, Philippines and Thailand’s per capita were within US$2,500 to US$10,400.

Notes: Myanmar’s data is based on the exchange rate in the IMF-WEO database of April 2013, which is US$1 = 843 kyats (for 2012).
Sources of data: ASEAN Secretariat Database and IMF World Economic Outlook Database April 2013
Average tariff rate on intra-ASEAN imports in ASEAN6 declined appreciably to 0.04 percent starting in 2010. Meanwhile, the CLMV's average tariff rate reached 1.37 percent in the same period.

Source of data: ASEAN Tariff Database
In 2012, the region’s total trade moderated to US$2.5 trillion, higher by 3.7 percent from last year’s level. Extra-ASEAN trade continued to account for three-fourths of total trade.

Source of data: ASEAN Trade Database
The ASEAN Economy

ASEAN Trade in GDP, 2013

Total trade as percent of the region's GDP showed a downtrend after it hit the highest share of close to 140 percent in 2005. Intra-ASEAN trade, however, remained relatively unchanged at around 25 percent in 2012.

Source of data: ASEAN Trade Database
The ASEAN Economy

ASEAN Trade with DPs, 2013

Since 2005, intra-ASEAN trade value almost doubled reaching 602 billion in 2012. ASEAN + 3 (China, Japan and Republic of Korea) contributed a combined share of more than 50 percent.
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ASEAN Exports by Destination

Lao PDR, Myanmar and Singapore shipped most of its products within the region, with shares ranging from 30 percent to 45 percent. Meanwhile, Brunei Darussalam's top export market is Japan.

Source of data: ASEAN Trade Database
The ASEAN Economy

ASEAN Imports by Origin

Brunei Darussalam, Cambodia and Myanmar imported most of their commodity items within the region, ranging from 35 percent to 45 percent shares.

Source of data: ASEAN Trade Database
For the past years, electronic products remained as the region's main export earner. However, its share to total exports has decreased from 29.5 percent in 2005 to 15.6 percent in 2012.

Source of data: ASEAN Trade Database
The ASEAN Economy

Export of Services

Source of data: ASEAN Secretariat database
The ASEAN Economy

Export of Services

Source of data: ASEAN Secretariat database
The ASEAN Economy

Imports of Services

Source of data: ASEAN Secretariat database
FDI inflows in the region amounted to US$110.3 billion, showing a flat growth in 2012 vis-à-vis 2011. Intra-ASEAN investments has grown in recent years although the level remained far below compared to that from extra-ASEAN. In 2012, FDI inflows largely came from EU-28, Japan and intra-ASEAN. Japan’s FDI in the region rose sharply, offsetting the decline from EU-28.

Notes: Data for 2012 are preliminary figures; no data available for Brunei Darussalam, Lao PDR and Myanmar’s data on by source country are not yet available; intra/extra-ASEAN breakdowns for 2012 were estimated by the ASEAN Secretariat.

Source of data: ASEAN FDI Database
The ASEAN Economy

Foreign Direct Investment

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Total FDI</td>
<td>30,178</td>
<td>39,386</td>
<td>108,214</td>
<td>879,003</td>
<td>100.0</td>
</tr>
<tr>
<td>from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>ASEAN</td>
<td>4,265</td>
<td>3,517</td>
<td>20,037</td>
<td>125,228</td>
<td>14.2</td>
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<tr>
<td>Japan</td>
<td>5,276</td>
<td>5,765</td>
<td>20,772</td>
<td>119,642</td>
<td>13.6</td>
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<tr>
<td>PRC</td>
<td>118</td>
<td>743</td>
<td>4,101</td>
<td>23,561</td>
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<tr>
<td>Republic of Korea</td>
<td>505</td>
<td>888</td>
<td>1,893</td>
<td>19,460</td>
<td>2.2</td>
</tr>
<tr>
<td>India</td>
<td>69</td>
<td>80</td>
<td>2,624</td>
<td>10,202</td>
<td>1.2</td>
</tr>
<tr>
<td>Australia</td>
<td>325</td>
<td>588</td>
<td>1,851</td>
<td>12,229</td>
<td>1.4</td>
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<tr>
<td>European Union</td>
<td>7,352</td>
<td>11,435</td>
<td>23,466</td>
<td>218,480</td>
<td>24.9</td>
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<tr>
<td>United States</td>
<td>5,178</td>
<td>4,344</td>
<td>6,924</td>
<td>93,074</td>
<td>10.6</td>
</tr>
<tr>
<td>Others</td>
<td>7,091</td>
<td>12,028</td>
<td>26,545</td>
<td>257,126</td>
<td>29.3</td>
</tr>
</tbody>
</table>

ASEAN = Association of Southeast Asian Nations; FDI = foreign direct investment; PRC = People’s Republic of China.

The ASEAN Economy

Foreign Direct Investment by Country

by major source country

- EU, 21.4%
- ASEAN, 16.9%
- Japan, 13.2%
- USA, 8.3%
- China, 4.1%
- Others, 36.0%

by receiving country

- Singapore, 48.5%
- Thailand, 10.1%
- Viet Nam, 9.8%
- Cambodia, 1.1%
- Brunei Darussalam, 0.9%
- Indonesia, 16.1%
- Lao PDR, 0.4%
- Malaysia, 0.4%
- Myanmar, 1.6%
- Philippines, 2.3%

EU-28 and Japan led the external investors in ASEAN, accounting for almost 35 percent of the total FDI inflows. Singapore secured nearly half of the region’s FDI inflows, followed by Indonesia (with 16.1 percent), Thailand (with 10.1 percent) and Malaysia (with 9.4 percent).

Notes: Data for 2012 are preliminary figures; no data available for Brunei Darussalam, Lao PDR and Myanmar’s data on ‘by source country’ are not yet available; intra/extra-ASEAN breakdowns for 2012 were estimated by the ASEAN Secretariat.
Source of data: ASEAN FDI Database
The ASEAN Economy

Visitor Arrivals

In 2012, Malaysia continued to be the most visited country in the ASEAN as tourist arrivals reached 25 million. Catching up is Thailand with 22 million and Singapore at 14 million. Tourist arrivals to the region reached 89 million, with 83 percent cornered by the ASEAN6. Nevertheless, foreign visitors to the CLMV were higher by 19.2 percent while tourist arrivals in ASEAN6 increased by 8.2 percent from the previous year.

Source of data: ASEAN Tourism Database
The AEC

### ASEAN Economic Community

#### Strategic Schedule of the AEC Blueprint (2008-2015)

<table>
<thead>
<tr>
<th><strong>AEC Pillar 1</strong></th>
<th><strong>AEC Pillar 2</strong></th>
<th><strong>AEC Pillar 3</strong></th>
<th><strong>AEC Pillar 4</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Single Market &amp; Production Base</strong></td>
<td><strong>Competitive Economic Region</strong></td>
<td><strong>Equitable Economic Development</strong></td>
<td><strong>Integration into the Global Economy</strong></td>
</tr>
<tr>
<td>- Free flow of goods</td>
<td>- Competition policy</td>
<td>- SME development</td>
<td>- Coherent approach towards external economic relations</td>
</tr>
<tr>
<td>- Free flow of services</td>
<td>- Consumer protection</td>
<td>- Initiative for ASEAN Integration</td>
<td>- Enhanced participation in global supply networks</td>
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<tr>
<td>- Free flow of investment</td>
<td>- Intellectual property rights</td>
<td>- Taxation</td>
<td></td>
</tr>
<tr>
<td>- Freer flow of capital</td>
<td>- Infrastructure development</td>
<td>- E-Commerce</td>
<td></td>
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<tr>
<td>- Free flow of skilled labor</td>
<td>- Taxation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Priority Integration Sectors</td>
<td>- E-Commerce</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Food, agriculture and forestry</td>
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</tr>
</tbody>
</table>
THE AEC

The AEC Scorecard

Phase 1
2008-2009
89.5% completed

Phase 2
2010-2011
72.1% completed

Phase 3
2012-2013
79.7% completed

Phase 4
2014-2015

2008 – Dec 2013: 80 % completed
## The AEC

### Table 1.3 ASEAN Economic Community Implementation Progress (as of December 2011)

<table>
<thead>
<tr>
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<tr>
<td></td>
<td>Targeted</td>
<td>Fully implemented</td>
<td>Targeted</td>
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<tr>
<td>Free Flow of Goods</td>
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<td>0</td>
<td>47</td>
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<tr>
<td>Free Flow of Skilled Labor</td>
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<td>0</td>
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<tr>
<td>Free Flow of Services</td>
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<td>30</td>
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<td>Free Flow of Investment</td>
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<td>Freer Flow of Capital</td>
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<td>5</td>
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<tr>
<td>Priority Integration Sectors</td>
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<td>28</td>
<td>1</td>
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<tr>
<td>Food, Agriculture, and Forestry</td>
<td>8</td>
<td>8</td>
<td>11</td>
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<tr>
<td>Total Piller I</td>
<td>65</td>
<td>61</td>
<td>108</td>
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<tr>
<td>Implementation Rate*</td>
<td>93.8%</td>
<td>49.1%</td>
<td>65.9%</td>
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### Pillar II: Competitive Economic Region

<table>
<thead>
<tr>
<th></th>
<th>Phase I</th>
<th>Phase II</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Competition Policy</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Consumer Protection</td>
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<td>4</td>
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<tr>
<td>Intellectual Property Rights</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Transport</td>
<td>25</td>
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<td>Energy</td>
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<tr>
<td>Mining</td>
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<td>1</td>
<td>2</td>
</tr>
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<td>ICT</td>
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<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Taxation</td>
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<td>0</td>
</tr>
<tr>
<td>E-commerce</td>
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<td>0</td>
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<td>Total Piller II</td>
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<td>53</td>
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<td>Implementation Rate*</td>
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<td>67.4%</td>
<td>67.9%</td>
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</table>

### Pillar III: Equitable Economic Development

<table>
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<th>Total</th>
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<tbody>
<tr>
<td>SME Development</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Initiative for ASEAN Integration</td>
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<td>2</td>
<td>4</td>
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<tr>
<td>Total Piller III</td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Implementation Rate*</td>
<td>100.0%</td>
<td>55.6%</td>
<td>68.7%</td>
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### Pillar IV: Integration into the Global Economy

<table>
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<th></th>
<th>Phase I</th>
<th>Phase II</th>
<th>Total</th>
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<tbody>
<tr>
<td>External Economic Relations**</td>
<td>5</td>
<td>5</td>
<td>14</td>
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<tr>
<td>Total Piller IV</td>
<td>5</td>
<td>5</td>
<td>14</td>
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<tr>
<td>Implementation Rate*</td>
<td>100.0%</td>
<td>77.8%</td>
<td>65.7%</td>
</tr>
</tbody>
</table>

### ASEAN Economic Community

| Total Measures in Four Pillars       | 105     | 91       | 277    |
| Implementation Rate*                | 96.7%   | 55.8%    | 67.5%  |
Progress

- **Single Market Production Base**
  - Average tariffs 0.6% for ASEAN-6 & 67.6% for CLMV
  - Regional Work Programme on NTMs adopted
  - ASEAN Trade Repository (ATR) established
  - ASEAN Wide Self-Certification being finalised
  - ASEAN Single Window pilot project completed
  - Legal protocol for ASW being drafted
  - New ASEAN Customs Agreement signed
  - Pilot project on ASEAN Customs Transit System being undertaken
Progress

- Single Market Production Base (contd)
  - MRAs in the ASEAN priority integration sectors being developed
  - Under services (AFAS), 8 packages completed and 9th being finalised
  - MRAs for professional qualification recognition concluded in 8 areas
  - Agreement on Natural Movement of Persons signed
  - Under Investment, ACIA has been signed and reservation lists to be reduced in stages
Progress

- **Competitive Economic Region**
  - Competition Law and Authority in Indonesia, Malaysia, Philippines, Singapore, Thailand, & Vietnam
  - ASEAN Experts Group on Competition in place
  - Regional Guidelines on competition policy & Handbook on CP Laws in ASEAN for Business published
  - All member states have IP legislations but to different extent
  - IPR Action Plan in place and a new one to be developed post-2015
  - Master Plan on ASEAN connectivity signed in 2010 and projects being implemented
- ASEAN Infrastructure Fund established with the support and management of ADB
- ASEAN Open Skies, ASEAN Single Shipping Market, ASEAN Highway Network, SKRL, ASEAN Power Grid, Trans-ASEAN GAS Pipeline, Transport Facilitation Agreements etc
Progress

- **Equitable Economic Development**
  - SME Development: Strategic Plan for ASEAN SME Development is in place
  - ASEAN SME Advisory Board has been established
  - IAI Strategic Framework and Work Plans guide the capacity building needs of the less developed countries of ASEAN supported by self financing by ASEAN and Dialogue Partners assistance, including Japan
  - GMS programme and sub-regional development programmes (AMBDC, BIMP-EAGA etc) supports the IAI.
Progress

- Fully Plugged into the Global Economy
  - Five FTAs in place since 2010: China, Japan, RoK, India and Australia-NZ
  - TIFA with Canada and US
  - ASEAN GCC & ASEAN MECOSUR
  - ASEAN-EU FTA
  - Regional Comprehensive Economic Partnership (RCEP)
  - TPP
Progress

Regional Comprehensive Economic Partnership

AFTA  ACFTA  AKFTA  AJCEP  AIFTA  AANZFTA  ASEAN’s other external economic partners

ASEAN Economic Community
Regional Comprehensive Economic Partnership

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Timeline</th>
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<tbody>
<tr>
<td>• Improve existing agreements through a wider coverage and level of commitment</td>
<td>• Launched in Bali in November 2011 — first discussed in Nay Pyi Taw in April 2011</td>
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<td>• Create broader opportunities for firms and consumers by lowering the impediments and other costs for business transactions</td>
<td>• Endorsed in Phnom Penh in November 2012 (internal agreement reached in Siem Reap in August 2012)</td>
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<td>• Maintain ASEAN central role in designing and implementing Asia’s regional economic architecture</td>
<td>• Negotiations started in early 2013 — expected to be completed by end 2015</td>
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<tr>
<th>Principles</th>
<th>Components</th>
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<tr>
<td>• Rationalization of rules of origin — using a simplified approach to their definition</td>
<td>• Trade in goods — elimination of tariff rates on a wider range of lines than those already agreed with existing partners (protection may be allowed through transitional safeguard mechanisms if imports cause injury to domestic industries)</td>
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<td>• Special treatment granted to developing countries — can delay commitments’ implementation</td>
<td>• Trade in services — adoption of a sector-wise liberalization, identifying areas with large potential to generate results (i.e. tourism)</td>
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<td>• Open accession — any ASEAN partner country of existing FTAs can choose to join negotiations</td>
<td>• Investment — emphasis on liberalization to facilitate investment flows</td>
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<td>• Periodic review of achievements for effective agreement’s implementation</td>
<td>• Competition — reduction of regulatory and administrative costs</td>
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<td>• Focus on non-tariff barriers — streamline and harmonize customs procedures; make them more consistent and predictable</td>
<td>• Intellectual property rights — focus on protection and enforcement issues</td>
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<td>• Develop regional standards and common approaches to testing methods and conformity assessments</td>
<td>• Dispute settlement mechanism — to be embedded in the agreement</td>
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<tr>
<td>• Consistency with WTO rules — coverage of WTO-plus issues</td>
<td>• Economic and technical cooperation — to complement and support the agreement [working groups have been created in each of the above seven components]</td>
</tr>
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</table>
Progress

Economic Architecture of East Asia

AFTA = ASEAN Free Trade Area; APEC = Asia-Pacific Economic Cooperation; ASEM = Asia–Europe Meeting; ASEAN = Association of Southeast Asian Nations; CEPT = Common Effective Preferential Tariff; EFTA = East Asian Free Trade Area; EAS = East Asia Summit; EU = European Union; FTA = free trade agreement; FTAAP = Free Trade Area of Asia and the Pacific; Lao PDR = Lao People's Democratic Republic; RCEP = Regional Comprehensive Economic Partnership; TPP = Trans-Pacific Partnership.

Notes: *under negotiation; **proposed; †expressed interest to join the TPP.

Source: Authors.
Problems

- Challenges
  - Development gaps - income, human capital, rule of law, institutions, infrastructure
  - Disparities in good governance, rule of law, lack of regulatory convergence
  - Large unskilled workforce
  - Lack of ratification and implementation of ASEAN agreements
  - Uneven trade conditions despite AFTA
  - Reliance on FDIs – lack of industrial innovation
  - Weak connection between ASEAN and sub-regional growth areas
Problems

• Threats
  • Incomplete achievement of AEC
  • Vulnerability to external shocks
  • Erosion of export driven development advantage
  • Territorial disputes & regional tensions
  • Rise of China and India
  • Lack of effective disaster management
  • Lack of cohesion on climate change, energy, water and food security
Prospects

**Strengths**

- Robust economic growth for a decade
- Good macroeconomic fundamentals especially ASEAN-5
- Adaptable open economies
- Wide ranging productive capabilities
- Diversified exports – by destination and product
- Young & growing population and expanding middle class
- Strong FDI with production networks
- Growing small and medium enterprises
- Successful regional cooperation track record
- Strong regional architecture
- Strong ASEAN cooperation initiatives
Prospects

- **Opportunities**
  - Strategic location and ASEAN centrality
  - Huge market potential combined with China, India and Japan
  - ASEAN FTAs
  - Manufacturing connectivity and technological links with NEA
  - Potential hub for education, health, tourism, R&D, logistics and financial services
  - APT financial cooperation: CMIM & AMRO
  - Honest broker in APT and EAS
  - Growing competitive ASEAN market
Conclusions & Recommendations

• **AEC Specific**
  - AEC will be a reality in 2015 but full integration will take time
  - ASEAN’s growth will be driven by trade integration, FDIs, and tourism among others
  - AEC will be a production base and increasingly domestic consumption will drive the ASEAN economy
  - Trade facilitation, elimination of barriers to trade (goods & services), investment, movement of skill labour & legal connectivity will be priorities
  - Global economic uncertainty will continue to affect the progress of ASEAN economy
  - Protectionism will continue to be an impediment until ASEAN finds a way to address NTBs effectively and put in place an effective dispute settlement mechanism
Conclusions & Recommendations

- Business
  - Companies will have to adopt a multi-local strategy for the time being as integration is still in progress
  - Companies should start looking at tapping on economies of scales presented in some sectors like software and commodities and pharmaceuticals
  - Companies should start looking at a regional strategy within ASEAN and how to tap the various AEC agreements
  - Companies should utilise dedicated ASEAN industry/trade associations in working with ASEAN and shaping the policies and regulations in the AEC
Thank You