

MID-TERM REVIEW

*ASEAN ECONOMIC COMMUNITY
BLUEPRINT 2025*



one vision
one identity
one community



MID-TERM REVIEW

ASEAN ECONOMIC COMMUNITY BLUEPRINT 2025

The ASEAN Secretariat
Jakarta

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967. The Member States of the Association are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

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ABBREVIATIONS AND ACRONYMS

4IR	Fourth Industrial Revolution
AANZFTA	ASEAN Australia and New Zealand Free Trade Area
ABIF	ASEAN Banking Integration Framework
ABSS	ASEAN Business Sentiments Survey
ACAN	ASEAN Consumer Association Network
ACCSME	ASEAN Consultative Committee for micro, small & medium enterprises
ACFTA	ASEAN-China Free Trade Area
ACIA	ASEAN Comprehensive Investment Agreement
ACRF	ASEAN Comprehensive Recovery Framework
ACTS	ASEAN Customs Transit System
ADIF	ASEAN Digital Integration Framework
ADII	ASEAN Digital Integration Index
AEC	ASEAN Economic Community
AEM	ASEAN Economic Ministers
AFAFGIT	ASEAN Framework Agreement on Facilitation of Goods in Transit
AFAFIST	Agreement on the Facilitation of Inter-State Transport
AFAMT	ASEAN Framework Agreement on Multimodal Transport
AFAS	ASEAN Framework Agreement on Services
AFTA	ASEAN Free Trade Area
AFWC	ASEAN Future Workforce Council
AHKFTA	ASEAN-Hong Kong, China Free Trade Area
AHN	ASEAN Highway Network
AIF	ASEAN Infrastructure Fund
AIFS	ASEAN Integrated Food Security
AIMD	ASEAN Integration Monitoring Directorate, of the ASEAN Secretariat
AITIGA	ASEAN-India Trade in Goods Agreement
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AIM 2020	ASEAN ICT Masterplan 2020
AMA	ASEAN Minerals Awards
AMEN	ASEAN Mentorship for Entrepreneurs Network
AMS	ASEAN Member States
APAEC	ASEAN Plan of Action on Energy Cooperation
APG	ASEAN Power Grid
AQRF	ASEAN Qualifications Reference Framework
ARISE Plus	ASEAN Regional Integration Support from the EU Plus
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
ASEAN-BAC	ASEAN Business Advisory Council
ASPEC	ASEAN Patent Examination Cooperation
ASSIST	ASEAN Solutions for Investments, Services, and Trade
ASTIF	ASEAN Science Technology and Innovation Fund
ASW	ASEAN Single Window
ATIGA	ASEAN Trade in Goods Agreement
ATISA	ASEAN Trade in Services Agreement
ATMS	ASEAN Tourism Marketing Strategy
ATR	ASEAN Trade Repository
AWEN	ASEAN Women Entrepreneurs Network
AWSC	ASEAN-Wide Self-Certification Scheme
CBTP	Cross-border transport of passengers
CEPAs	Comprehensive Economic Partnership Agreements

CO	Certificates of origin
COW	Committee of the Whole for the ASEAN Economic Community
DTA	Double Taxation Agreement
E-commerce	Electronic Commerce
EEE	Electrical and electronic equipment
EU	European Union
FAF	Food, Agriculture and Forestry
FBSS	Future Business Sentiments Survey
FDI	Foreign Direct Investment
FGD	Focus group discussion
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GRP	Good Regulatory Practices
GVCs	Global Value Chains
HLTF-EI	High-Level Task Force for ASEAN Economic Integration
HPC	High performance computing
IAI	Initiative for ASEAN Integration
ICT	Information and Communications Technology
IMF	International Monetary Fund
IP/IPR	Intellectual Property/Intellectual Property Rights
KPIs	Key Performance Indicators
LNG	Liquefied Natural Gas
LPI	Logistics performance index
MAAS	Multilateral Agreement on Air Services
MAFLAFS	Multilateral Agreement on the Full Liberalisation of Air Freight Services
MAFLPAS	Multilateral Agreement on the Full Liberalisation of Passenger Air Services
MEPS	Minimum Energy Performance Standards
MICE	Meeting, Incentive, Convention, and Exhibition
MNP	Movement of natural persons
MOU	Memorandum of Understanding
MRA	Mutual Recognition Arrangement
MSMEs	Micro, Small, and Medium Enterprises
NCV	Near Coastal Voyages
NTBs	Non-Tariff Barriers
NTMs	Non-Tariff Measures
NTRs	National Trade Repositories
OECD	Organisation for Economic Co-operation and Development
PCT ASPEC	Patent Cooperation Treaty ASEAN Patent Examination Cooperation
RCEP	Regional Comprehensive Economic Partnership
RGT	Regasification terminal
S&T	Science and Technology
SAP	Strategic Action Plan
SAPSMED	Strategic Action Plan on SME Development
SKRL	Singapore-Kunming Rail Link
SMEs	Small and medium enterprises
SPA	Strategic plans of action
SPS	Sanitary and Phytosanitary
STRI	Services Trade Restrictiveness Index
SEOM	Senior Economic Officials Meeting
TAGP	Trans-ASEAN Gas Pipeline
TRIMS	Trade-Related Investment Measures
USO	Universal Service Obligation
WTO	World Trade Organization

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FOREWORD

Five years since its adoption as part of the *ASEAN 2025: Forging Ahead Together*, we celebrate the mid-term mark of the ASEAN Economic Community (AEC) Blueprint 2025. Commencing in 2020, the Mid-Term Review (MTR) provided ASEAN with a milestone to assess progress in the first half of implementation of the Blueprint, which coincided with a time of great disruptions as our world and lives were hit by the COVID-19 pandemic. The MTR is timely as it provides us the opportunity to build on past lessons and offer recommendations to improve in the remaining five years of AEC Blueprint 2025 implementation and beyond.

I am proud to share that the MTR of the AEC Blueprint 2025 was conducted by the ASEAN Secretariat, led by the ASEAN Integration Monitoring Directorate and in coordination with the rest of the AEC Department. It lends us a systematic approach to assess our institutional capacities and identify the gaps in delivering our targets and fulfilling our and goals.



The monitoring and evaluation (M&E) of the AEC, which this MTR is a part of, has come a long way from the binary checklist approach taken by the first AEC Scorecard. The MTR is a comprehensive assessment across the five Characteristics of the AEC Blueprint 2025, the AEC sectoral work plans, as well as feedback from businesses operating in ASEAN and experts on ASEAN. The MTR Report provides a synthesis of this substantial assessment. It gives recognition to the work that has been done and the progress that has been achieved across sectors while acknowledging the challenges that we must overcome together as an economic community.

Towards 2025 and beyond, ASEAN must take into consideration emerging and cross-cutting issues. The MTR opens up an opportunity to calibrate anew our approaches and initiatives moving forward. Indeed, the COVID-19 pandemic challenges us to take up innovative approaches, to do more and to do better than the usual in the new normal.

I commend the sectoral bodies for their significant contribution to the building of the AEC. I also thank all staff members of the AEC Department for their commitment and hard work to support ASEAN's economic community building efforts. I am grateful for all the responses and feedback provided by over 600 businesses operating in ASEAN, over a dozen Business Councils and research organisations who are all important parts of the AEC.

Last but not least, I thank the European Union (EU) through the ASEAN Regional Integration Support by the EU (ARISE) Plus Programme for the additional support provided in the conduct of the MTR and more broadly in supporting integration monitoring and statistical capacity building at the ASEAN Secretariat.


Dato Lim Jock Hoi

Secretary-General of ASEAN

KEY MESSAGES

The ASEAN Economic Community (AEC) 2025 is an aspiration held by the 10 member states of ASEAN to be, by year 2025, A) a highly integrated and cohesive economy, B) a competitive, innovative and dynamic ASEAN with C) enhanced connectivity and sectoral cooperation, by remaining D) resilient, inclusive, people oriented and people centred and becoming a E) global ASEAN. The journey towards this shared aspiration continues with steadfast commitment.

A midterm review (MTR) of the ASEAN Economic Community (AEC) Blueprint 2025 has been carried out, as part of a comprehensive review of the implementation from 2016-2020. **The AEC Blueprint 2025 MTR offers five key messages to guide us through the next phase of the AEC 2025 journey.**

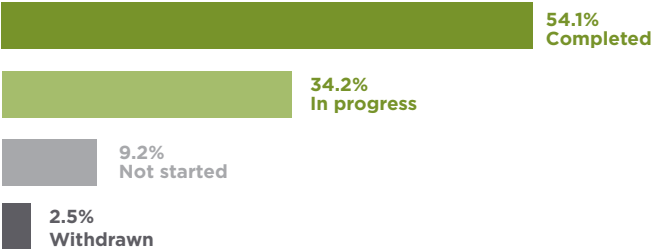


Key Message 1
Good PROGRESS made, more needs to be done

For the last five years ASEAN has worked together towards the goals in the AEC Blueprint 2025. Moving forward, efforts must be intensified in high-impact economic integration initiatives, focusing on quality rather than quantity of initiatives and accelerating the pace of implementation. This is a recognised challenge that ASEAN will continue to address in the coming years.

ASEAN has made notable advancements in implementation of various sectoral work plans.

Implement status



Note: The percentage rates refer to the number of action lines

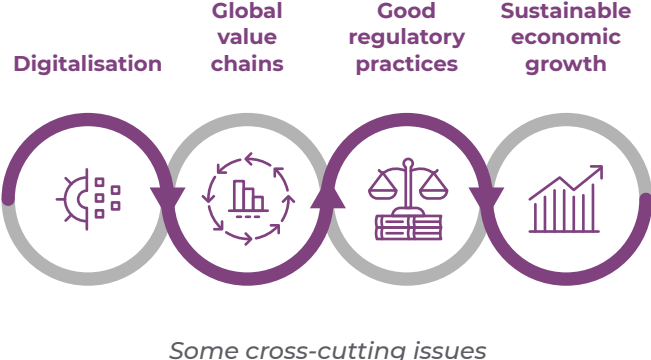
Strengthened coordination, reporting, monitoring and evaluation mechanisms will enhance implementation. Ensuring synergy between regional commitments and national level implementation is critical to further progress as aspired.



Key Message 2
Better response to CROSS-CUTTING ISSUES

The success of the AEC Blueprint 2025 is also dependent on ASEAN's ability to respond effectively to cross cutting issues. The ability to recognise the interdependence of work across sectors and to take these shared responsibilities is pivotal.

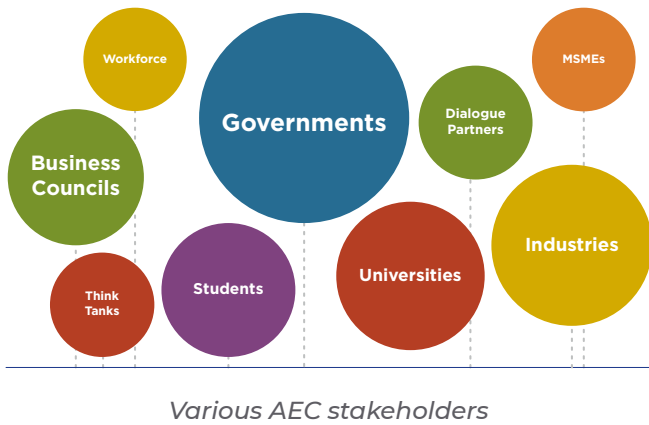
The strategy is to address the inherent institutional gaps through cross sectoral initiatives, both within the AEC and, in some cases, across ASEAN Community pillars. This requires strengthening and enhancing the use of existing institutions such as the ASEAN Secretariat, more effective utilisation of cross-sectoral and cross-pillar mechanisms and processes, high-level oversight, as well as concerted effort from stakeholders across sectoral bodies and the region.





Key Message 3
Embark on broader and more meaningful ENGAGEMENTS

The AEC aspiration requires active engagement of all the relevant stakeholders, beneficiaries and wider ASEAN community. Governments need the support and buy in of a wide range of stakeholders. This requires effective communication, partnerships and feedback mechanisms. Such participatory and inclusive engagements would inform policymakers of what works on the ground, evolving stakeholder expectations, and any implementation challenges. The MTR has initiated such stakeholder engagements with the private sector and think tanks, but more needs to be done.



The AEC is not an exclusive institutional endeavour therefore, close cooperation and ownership must be nurtured through genuine efforts towards inclusivity. The AEC is by the ASEAN people for the ASEAN people.



Key Message 4
Use past LESSONS to inform future directions

Regional economic integration is neither static nor linear. The MTR has provided useful insights into our achievements thus far. To progress as intended we must acknowledge our strengths and weaknesses; we should sustain good practices, be prepared to change

when required and to take up new challenges. We should focus resources and efforts on measures that directly contribute to the broader goals of the AEC 2025. We must follow up on various regional commitments and initiatives by ensuring the entry into force of AEC agreements, improving the utilisation of established platforms through better outreach, capacity building, and by ensuring meaningful value is added to such initiatives. The implementation of phase two (2016-2025) requires greater tenacity and sense of urgency given the growing demands.



Key Message 5
EMBRACE and ADAPT to new developments and trends

To adapt is to move ahead. The world has significantly altered since 2015 when the AEC Blueprint 2025 was adopted. The global economic landscape is evolving at a very rapid pace.

To remain relevant and effective, ASEAN should adapt to new developments and trends by being agile, flexible, creative, and staying open to new conversations, while remaining focused on our goals towards 2025 and beyond. In some areas, ASEAN should be proactive in seizing new opportunities or addressing emerging challenges that would shape our regional agenda. In doing so, ASEAN will be able to maintain the region's lead and centrality in the global landscape.

Inclusive Sustainability Industry 4.0
recovery Multilateralism Social
Megatrends protection
Women Post-COVID-19
economic empowerment world ASEAN
Digitalisation centrality

Global keytrends

INTRODUCTION

The ASEAN Integration Journey

For over five decades ASEAN has been growing together as a region. The ASEAN economic integration journey took a more structured path since 2007 with the adoption of the first AEC Blueprint. After eight years' of implementation of the Blueprint, the AEC was established as part of the ASEAN Community through the adoption of the Kuala Lumpur Declaration on ASEAN 2025: Forging Ahead Together. In addition, the ASEAN Community Vision 2025 was adopted alongside the three 2025 Community Blueprints, including the AEC Blueprint 2025 which will guide the region's economic integration in the subsequent decade.

The Bedrock of ASEAN Economic Integration 2025

The AEC Blueprint 2025 charts the path for ASEAN's economic integration from 2016 to 2025; taking into account regional priorities and global developments. The Blueprint provides structure and strategic directions for the next ten years, allowing for adaptation and growth based on the changing landscape. ASEAN economic integration is a dynamic and evolving process.

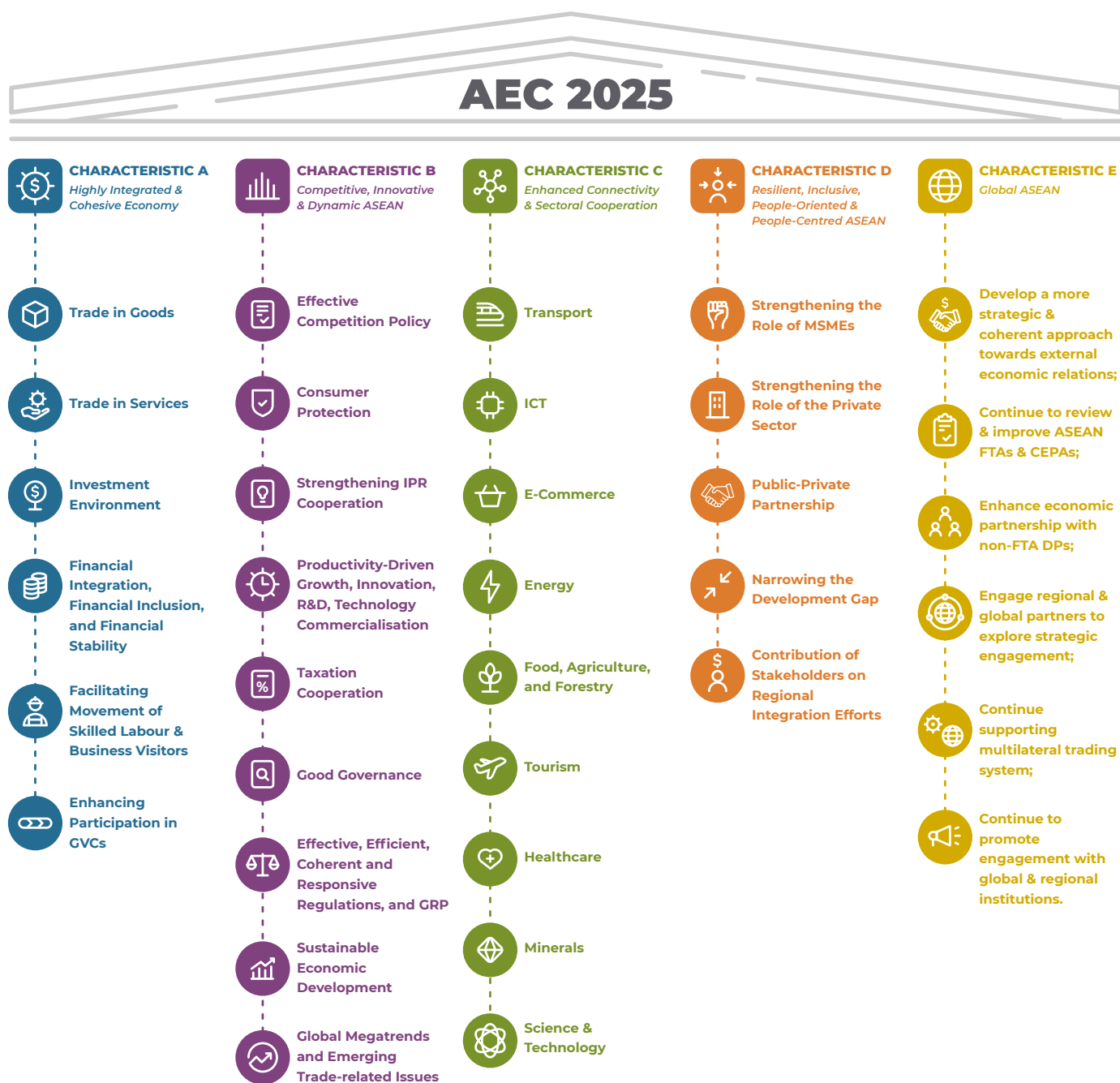
The Blueprint strives to achieve **5 broad aspirations called "characteristics"**, and is made up of **29 areas of sectoral cooperation referred to as "elements"**, and **153 "strategic measures" spread across these elements and characteristics** (See Figure 1.1). In practice, the Blueprint is being operationalised through the implementation of **23 sectoral work plans** by various sectoral bodies in ASEAN.

"The AEC Blueprint 2025 sets out ASEAN's vision of a more deeply connected, cohesive, inclusive and forward-looking region for economic activity. The completion of the Mid-Term Review will boost our collective efforts to pursue further integration for shared prosperity, amidst a challenging global environment."



Gabriel Lim, Permanent Secretary, Ministry of Trade and Industry of Singapore, Chair of High-Level Task Force on ASEAN Economic Integration

Figure 1.1: Overview of AEC Blueprint 2025



The Mid Term Review

ASEAN economic integration is a huge and challenging task that involves various initiatives taking place concurrently across 10 ASEAN Member States. To ensure the aspirations of the AEC Blueprint 2025 are achieved, it is important to review efforts, challenges and achievements of the last five years. This provides an opportunity to evaluate the journey thus far and to identify efforts necessary during the next phase of implementation, as well as ensuring the AEC Blueprint

2025 implementation remains relevant and robust in the changing global and regional context.

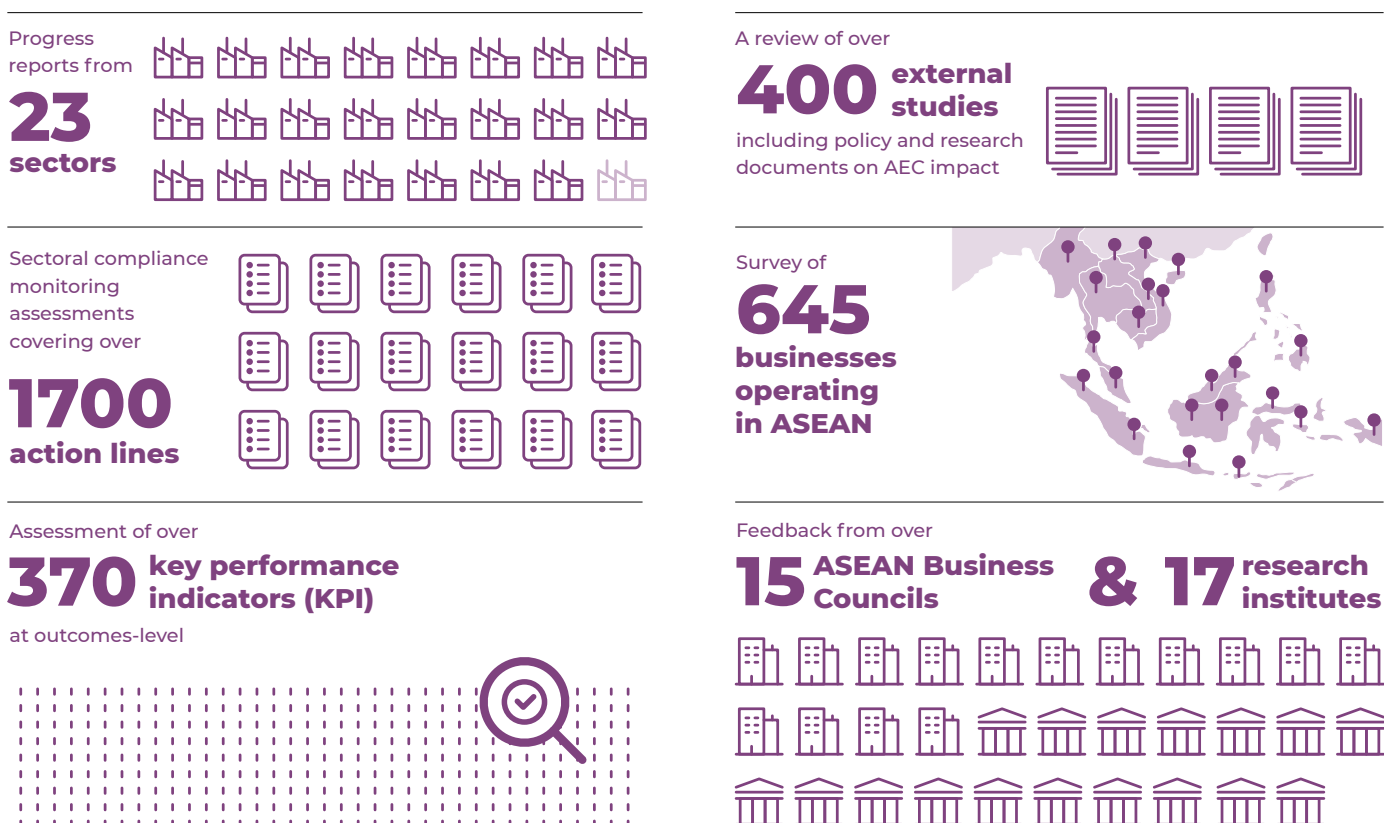
The AEC Blueprint 2025 is monitored using the AEC 2025 Monitoring and Evaluation (M&E) Framework (Figure 1.2) which includes two comprehensive review cycles; mid-term review (MTR) and the end-term review. These are in addition to regular monitoring conducted in parallel.

Figure 1.2: AEC 2025 Monitoring and Evaluation Framework



The MTR was a structured and rigorous exercise that evaluated the implementation of the AEC Blueprint 2025 for the period between 2016 to 2020. This evidence-based exercise was informed by various data sources: progress reports from sectoral workplans, sectoral compliance monitoring assessments, key performance indicators, external studies, and feedback from businesses (Figure 1.3). This MTR Report provides a synthesis of the substantial assessment that constituted the MTR of the AEC Blueprint 2025.

Figure 1.3: Scope of MTR



The overall conduct of the MTR is reported to the AEC Council¹, and the exercise is overseen by the high-level task force on economic integration (HLTF-EI)². The MTR was conducted by the ASEAN Secretariat led by the ASEAN Integration Monitoring Directorate (AIMD) in coordination with the rest of the AEC Department. The AIMD received additional support from a team of experts³ from the European Union (EU) funded ASEAN

Regional Integration Support by the EU (ARISE) Plus Programme in the conduct of the MTR. The insights and recommendations from the MTR will inform the second phase of the implementation period of the AEC Blueprint towards 2025 as well as provide inputs to ASEAN economic integration and broader Community-building beyond 2025.

¹ The AEC Council is the principal body accountable for the overall implementation of the strategic measures in the AEC Blueprint, by monitoring and enforcing the compliance of all measures agreed in the document.

² The HLTF-EI is a high-level body with an advisory role on strategic matters related to ASEAN economic community building.

³ Dr Melanie Milo, Dr Rona Chandran, Dr Channa Gunawardena, Mr Gerald Pascua, Ms Anna Mae Tuazon, Mr Arief Bakhtiar, Dr Roehlano Briones, Mr Jessie Todoc, Dr Ruth Banomyong, Mr Darma Jacobus, and Mr Paul Mandi

SECTION 2 MACRO-OVERVIEW

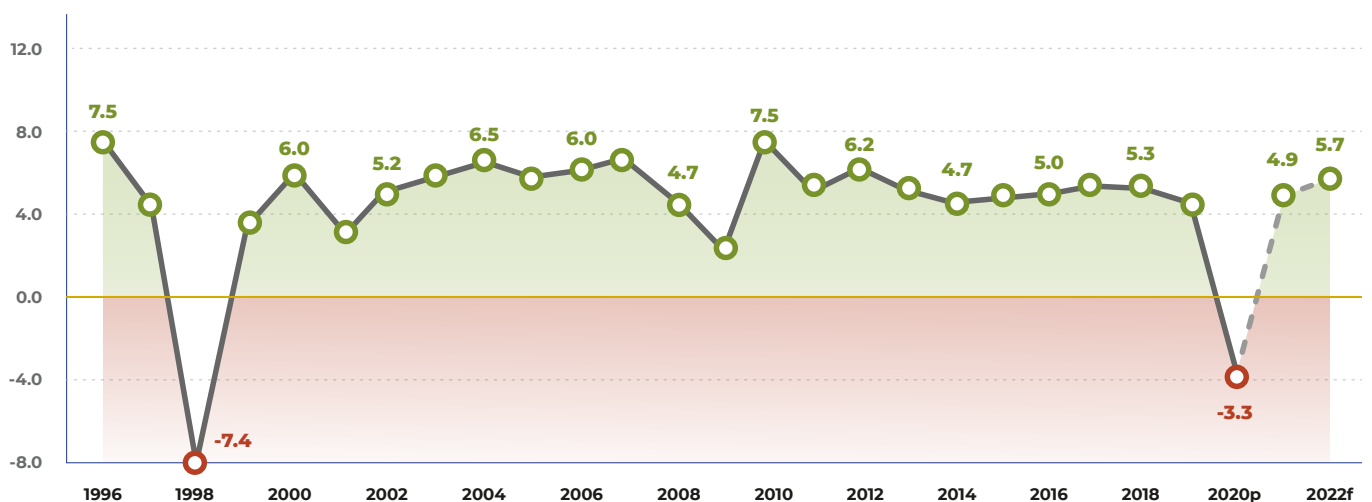
For decades, before 2020, ASEAN's economy was growing from strength to strength, positioning the region as one of the global growth engines. After the devastating economic impact of the 1997 ASEAN Financial Crisis (AFC), the region's economies have been strengthening their individual and collective resilience, through reforms, macro-prudential policies, and better institutions. As a result, ASEAN performed

relatively well through the 2008 Global Financial Crisis (GFC).

When the AEC was established in 2015, the world was still recuperating from the after-effects of the GFC. Global trade and investment never quite recovered to the pre-GFC level, as external markets weakened and exposure to financial volatilities also increased.

Figure 2.1: Real Gross Domestic Produce(GDP) growth, 1996-2021

Annual growth rate, in %



Source: ASEAN Secretariat; ASEAN+3 Macro Economic Research Office (AMRO)

The year 2020 brought about unparalleled shocks to the world. COVID-19 rapidly spread across nations and was declared a global pandemic in March 2020. It caused serious health issues and far-reaching economic ramifications with deep adverse impact on people's lives and well-being, global supply chains, economies and security. COVID-19 has caused worsening national fiscal positions, declining work merchandise trade, and waning global foreign direct investment (FDI). The economic impact of COVID-19 has been overwhelming in its breadth and depth. While global trade has recovered better and faster than expected, the longer term impact may linger

such as productivity loss from foregone or delayed investment and depletion of human capital stock, risking the reversal of socioeconomic progress and worsening inequality.

After decades of growth, the region's output contracted at a scale never seen since the 1997 AFC (see Figure 2.1). The impact of COVID-19 was also severe in terms of trade, investment, and people's mobility in the region (see Figure 2.2). The recovery outlook is positive but fragile. ASEAN must also be vigilant of the challenge of uneven or differentiated recovery, across sectors, economies, and segments in the society.

Figure 2.2: Immediate impact of COVID-19 on ASEAN



Noting that this crisis was borderless, ASEAN has only one choice, which is to collectively respond to the crisis as a Community. In addition to the almost immediate response of lowering interest rates to maintain macro-economic stability and financial liquidity, ASEAN was quick to commit¹ to keep markets open for trade and investment and ensure unimpeded flows of trade and supply chain connectivity, particularly for essential products. In addition to its internal coordination, ASEAN has also worked in cooperation with its dialogue partners to counter the effects of the COVID-19 pandemic.

At the community-wide level, key COVID-19 response measures have also been introduced. The COVID-19

ASEAN Response Fund and the ASEAN Regional Reserve of Medical Supplies have been established, the ASEAN Centre for Public Health Emergencies and Emerging Diseases is being set up, and the ASEAN Travel Corridor Arrangements Framework is under discussion. Most importantly, ASEAN has adopted the ASEAN Comprehensive Recovery Framework and its Implementation Plan, a consolidated Community-wide exit strategy, which aims to identify the most important measures needed to get the region through the crisis (Figure 2.3). A number of cross-cutting enabling factors have been identified: policy measures and responses, financing and resource mobilisation, institutions and governance mechanisms, stakeholder engagement and partnership, and effective monitoring.

¹At the 26th AEM Retreat held in March 2020 in Da Nang, ASEAN Economic Ministers (AEMs) issued a statement on Strengthening ASEAN's Economic Resilience in Response to the Outbreak of COVID-19, <https://asean.org/strengthening-aseans-economic-resilience-response-outbreak-coronavirus-disease-covid-19>

Figure 2.3: ASEAN Comprehensive Recovery Framework: Strategies and Enabling Factors



The COVID-19 pandemic has created urgency for ASEAN to fulfil its integration agenda, and has accelerated and amplified pre-existing, though not necessarily introduced, new trends. The world has been irreversibly transformed by the pandemic, and the Post-COVID-19 world is not going to return to business as usual. ASEAN is no exception. In particular, the Post-COVID AEC will be defined by the following major trends:

- 1 Some restructuring and diversification of global and regional value chains, and a refocusing on supply chain resilience over the past primacy of efficiency.
- 2 Acceleration of digital transformation, adoption of new technology, and urgency to address digital poverty and inequality.

- 3 Return of the call for macroeconomic coordination and multilateral institutions' support to avert another crisis.
- 4 Demand for a more inclusive and equal AEC, with a clear agenda on the narrowing of development gap.
- 5 Continued geo-economic and geo-strategic competition and the risks it imposes on ASEAN centrality.
- 6 Growing and widespread expectations for sustainability, from consumers, investors, financiers, and industries to the future generations.



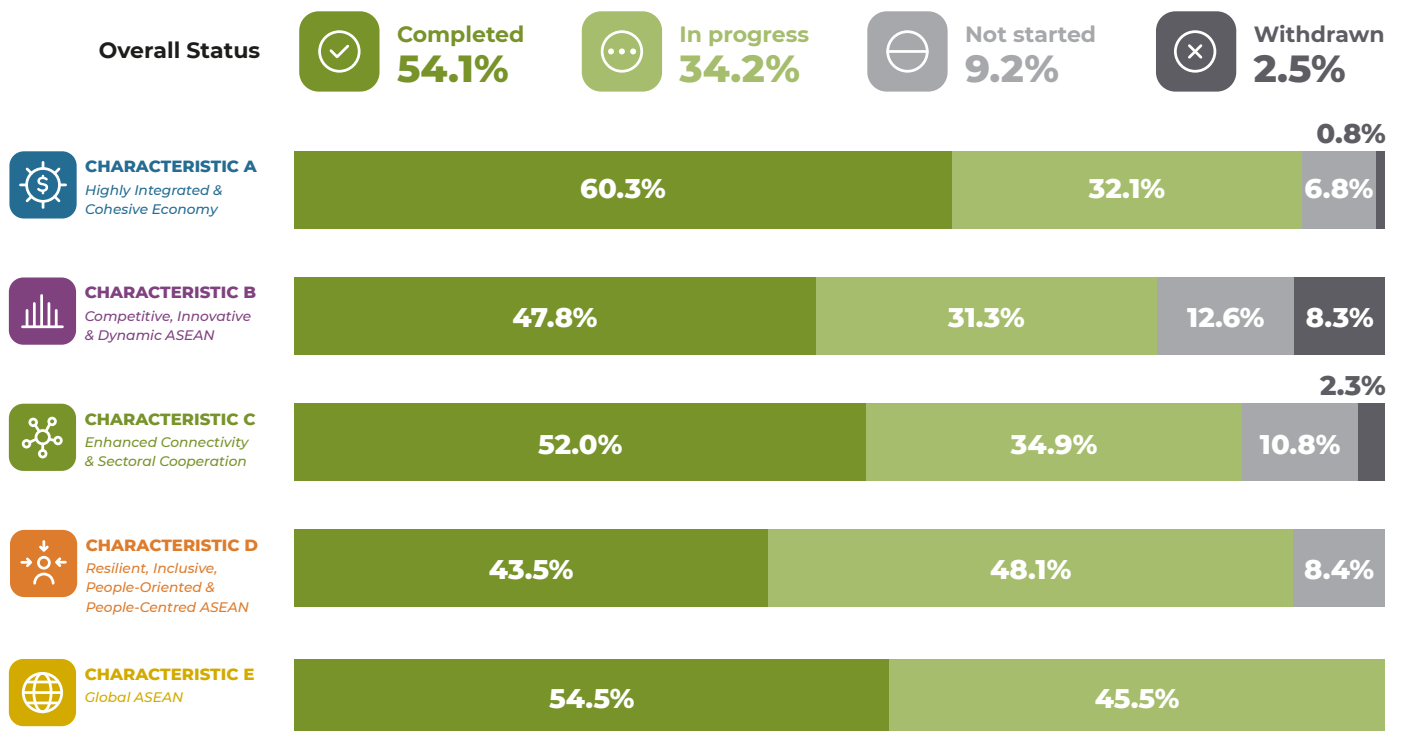
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SECTION 3

COMPLIANCE

This section presents the findings of a comprehensive review of the implementation of 23 sectoral work plans and 6 cross-cutting elements across five Characteristics of the AEC Blueprint 2025 and their corresponding elements and action lines. Figure 3.1 presents the implementation status across the five Characteristics, focusing on the completed and on-going action lines as well as those that have not started and the few that have been withdrawn¹.

Figure 3.1: Implementation status across five AEC Blueprint Characteristics



¹ An action line may be withdrawn if, among others, it has been superseded by another or it needs to be replaced taking into consideration new developments. In a number of cases, inclusion of action lines is deferred to the next phase of work plan.

The implementation status, non-exhaustive key achievements highlights, the way forward based on identified gaps and potential solutions are presented below.



Characteristic A on a highly integrated and cohesive economy promotes the fundamental objective of the AEC to be a single market and production base. Its main objective therefore is to facilitate the seamless movement of goods, services, investment, capital, and skilled labour within ASEAN in order to enhance ASEAN's trade and production networks, as well as to establish a more unified market for its firms and consumers. Characteristic A has a completion rate of 60.3% with an additional 32.1% in progress.

Key Achievements

Trade in Goods. Since establishing a “virtually tariff free environment”, ASEAN has been focusing attention on enhancing trade facilitation. ASEAN adopted the ASEAN Trade Facilitation Framework in 2017 to improve the institutional operations and saw the ongoing implementation of the WTO Trade Facilitation Agreement in all AMS. At the core of its efforts was the emphasis on streamlining and simplification of procedures and requirements underpinned by innovation and digitalisation.

In the last 5 years, ASEAN has: i) streamlined the origin certification and verification procedures for the granting of tariff preferences; ii) simplified the paper-based and electronic certificates of origin (CO) Form D and initiated the implementation of the ASEAN-Wide Self-certification (AWSC); iii) come on board of the live environment of the ASEAN Single Window (ASW) for the exchange of e-ASEAN Trade in Goods Agreement (ATIGA) Form D, and is working on expansion of trade

documents for electronic exchange and with other trading partners under the ASW; iv) launched the live operation of the ASEAN Customs Transit System (ACTS) in six countries with private sector engagement; v) operationalised the ASEAN Trade Repository (ATR) as a single access point for all information on trade in goods in the region including tariff information via the ASEAN Tariff Finder; and launched an electronic platform for cost-free non-binding resolution to implementation issues raised by ASEAN-based businesses through the ASEAN Solutions for Investments, Services and Trade (ASSIST).

The on-going work on non-tariff measures (NTMs) will continue, and a streamlined work programme on the NTMs is part of the ASEAN Comprehensive Recovery Framework (ACRF). ASEAN has endorsed the Guidelines for the Implementation of ASEAN Commitments on NTMs on Goods, which provides a framework on transparency and management of NTMs. AMS are now finalising the development of an NTM Toolkit which will assess the cost and effectiveness of existing NTMs. Improvements are also being made for the NTM notification process. The ongoing review of ATIGA is critical work to achieve the seamless flows of goods in ASEAN.

Trade in Services. ASEAN further improved the guaranteed level of market access and national treatment commitments for trade in services with improved packages of commitments under ASEAN Framework Agreement on Services (AFAS), across all services sectors including financial and air transport services. To further elevate services integration the

ASEAN Trade in Services Agreement (ATISA), which will replace AFAS, has been signed. Through ATISA, ASEAN aims to promote greater regulatory cooperation and transparency in the service regime, and transition from a positive list to negative list approach in the scheduling of commitments. The early entry-into-force of these agreements need to be ensured for benefits to be realised. ASEAN's on-going work with the Organisation for Economic Co-operation and Development (OECD) on the Services Trade Restrictiveness Index (STRI) will deliver an important supporting tool to scope out reform options, assess them against global best practices and their likely impact.

Investment Environment. ASEAN continued its work on the built-in agenda in the ASEAN Comprehensive Investment Agreement (ACIA) to improve the investment environment and achieve further liberalisation. ASEAN signed four protocols to amend the ACIA, to provide clarity on procedures on the modification and improvement of investment commitments and strengthen liberalisation obligations. The 4th protocol incorporates Trade-Related Investment Measures (TRIMS) plus obligations.

Financial Integration, Inclusion and Stability. ASEAN has achieved major milestones in regional financial integration, particularly in financial services with significant commitments in the 9th (final) package of commitments on financial services under AFAS and the implementation of the ASEAN Banking Integration Framework (ABIF). Through the latter, any 2 AMS can enter into reciprocal bilateral agreements that would allow Qualified ASEAN Banks greater market access and operational flexibilities. To support financial stability, the Chiang Mai Initiative Multilateralisation has been strengthened in terms of consistency of financing period with International Monetary Fund (IMF) and legal clarity. Continued efforts are being undertaken to improve financial inclusion infrastructure and implement respective national financial inclusion strategies in the AMS.

In support of cross-border trade and investment transactions in the region, ASEAN has finalised the ASEAN Payments Policy Framework for Cross-Border Real Time Retail Payment Systems and its

Implementing Policy Guidelines. It has also endorsed the Guidelines on ASEAN Local Currency Settlement Framework.

There is a greater focus on sustainable finance and on cultivating digitalisation opportunities in the finance sector. ASEAN has adopted the ASEAN Green, Social and Sustainability Bond Standards, the Roadmap for Sustainable Capital Markets, and the Report on Promotion of Sustainable Finance.

Mobility of Skilled Workers. ASEAN has set in motion the promotion and use of the ASEAN Qualification Reference Framework (AQR) as a regional tool for comparing qualifications among AMS. It lays the groundwork for building trust and accepting the qualifications awarded in each member state, and in the long-run facilitating greater mobility of skilled labour and professionals in the region.



Future Action

Moving forward, ASEAN needs to accelerate the pace of implementation. The delays in the rolling out of key initiatives need to be better addressed, and getting the business sector feedback is crucial in ensuring that AEC is delivering on the businesses' expectations. In addition, better monitoring of and follow up to the signing, ratification, and hence entry into force of the AEC agreements such as ATISA or the 4th Protocol to Amend ACIA is needed so as to allow realisation of AEC benefits.

A more streamlined effort to addressing NTMs is needed, by enhancing transparency and compliance, and developing tools for better assessment of the necessity of NTMs. Similarly, in services, beyond the gradual removal of formal restrictions, attention must be given to regulatory cooperation and disciplines. In investment, a greater focus on investment facilitation will be key. Further work needs to be done to reduce or phase-out the impediments to investment and to maintain ASEAN centrality. ASEAN needs to consider a more holistic region-wide investment promotion and facilitation programme. It should be supported with an enriched investment policy dialogue on new developments and emerging issues such as sustainable

investment, green finance, and responsible business conduct.


Follow up work across the market integration agenda needs to be accelerated, such as the work on furthering the phasing out of impediments in investment and developing a more holistic programme on investment facilitation and promotion. Conversations on emerging issues on investment should also be facilitated to inform policy agenda.

Global value chains provide a useful framework for policy design and implementation, by recognising the interconnectedness of goods and services, trade and investment, the importance of standards, trade

finance, and the impact of at-the-border costs on competitiveness.

To accelerate the mobility of skilled workers, completion of the AQRF referencing process for the other AMS should be expedited. With regard to the mutual recognition agreements (MRAs) on professional services, ASEAN needs to make better use of these tools to facilitate movement of skilled personnel across borders by addressing existing policy constraints, which at times involve issues beyond MRAs.

Last but not least, there is a need to ensure better synergy between national-level implementation and regional initiatives and commitments.




CHARACTERISTIC B


Competitive, Innovative & Dynamic ASEAN


📌 Total Sectoral work plans: 6


➦ Crosscutting elements: 3


☰ Total action lines: 274



Effective Competition Policy



Consumer Protection



Strengthening IPR Cooperation



Sustainable Economic Development


Global Megatrends and Emerging Trade-related Issues


Taxation Cooperation


Good Governance


Effective, Efficient, Coherent and Responsive Regulations, and GRP


Productivity-Driven Growth, Innovation, R&D, Technology Commercialisation

The main objective of Characteristic B is to increase competitiveness in ASEAN by establishing a level playing field for all businesses through effective competition policy, fostering innovation and protection of intellectual property (IP), and deepening ASEAN's participation in global value chains (GVCs). To support these, the Characteristic also focuses on strengthening related regulatory frameworks, overall regulatory practice and their coherence as well as sustainable economic development.

Characteristic B has a completion rate of 47.1% with an additional 31.8% in progress.

Key Achievements

To date, nine AMS have competition regimes in place, of which two regimes were put in place during the period under review. The ASEAN Competition Enforcers' Network was established, which provides a platform for cooperation on cross-border issues.

In the area of IP, ASEAN has issued Common Guidelines on Industrial Design and four member states have completed accession to the Geneva Act of the Hague Agreement which allows protection on industrial design across jurisdictions. The ASEAN Network of IP Enforcement Experts was established to strengthen enforcement and coordination. Patent libraries have been established to promote technology transfer, intellectual asset creations and their commercialisation. In response to the rapid technological advancements, the ASEAN Patent Examination Cooperation (ASPEC) programme was expanded to include the ASPEC Acceleration for Industry 4.0 Infrastructure and Manufacturing (ASPEC AIM) and the Patent Cooperation Treaty-ASPEC (PCT-ASPEC); providing applicants with greater convenience and swifter patent protection.

In consumer protection, the ASEAN High-Level Principles on Consumer Protection were completed to guide member to ensure national legislations are

oriented towards stronger consumer welfare. To help empower consumers, ASEAN initiated the ASEAN Consumer Association Network (ACAN). A Product Alert System was established to build trust and confidence amongst consumers on products that are put out in ASEAN as a single market.

In taxation cooperation, ASEAN has intensified the progress in bilateral tax agreements in the region. To-date 68 bilateral Double Taxation Agreements (DTAs) have been signed. To address the issue of base erosion and profit shifting, ASEAN has identified priority areas of cooperation.

The ASEAN Core Principals of Good Regulatory Practices (GRP) have been endorsed to provide broad guidance in applying GRP in regional and national policies and initiatives.

Future Action


In general, ASEAN has pursued many initiatives under this characteristic, and the challenge will be on elevating the level of ambition of these initiatives to generate lasting impact on the overall regulatory

practice and coherence in the region. This means going beyond the conduct of studies, assessments, and dialogues.


In competition policy and IP, for example, the next phase needs to focus on tangible policy reforms at the national and regional level that improve competition and IP Rights protection in the region.


In consumer protection, there should be a paradigm shift towards cooperation at the regional level focussing on consumer protection and welfare in the consumption of specific products or transactions that happen cross-border as part of a single-market and production base. The change in consumption trends, particularly growing e-commerce and consumption of digital products and services, should be given more attention in the work going forward.


On GRP broadly, as focus shifts from market access to greater regulatory cooperation and coherence, the mainstreaming of GRP into different cooperation sectors in the AEC will be key, supported by appropriate capacity building to drive the design and implementation of further GRP reforms.





CHARACTERISTIC C
Enhanced Connectivity & Sectoral Cooperation


 **Total Sectoral work plans: 9**


 **Total action lines: 731**


 Transport


 ICT


 E-Commerce

 Energy

 Food, Agriculture, and Forestry

 Tourism

 Healthcare

 Minerals

 Science & Technology

The main objective of Characteristic C is to enhance economic connectivity and to cooperate in key enabling sectors to improve the overall competitiveness of ASEAN. Characteristic C encompasses the sectors of transport, information and communications technology (ICT), e-commerce, energy, tourism, minerals, healthcare, science and technology (S&T), food, agriculture and forestry.

The Characteristic has a completion rate of 52.3% with an additional 34.6% in progress.

Key Achievements

Beyond its core market integration agenda, sectoral cooperation comprises a significant part of the work in the AEC. Numerous initiatives and measures have been rolled out across the different sectors. The main challenge is to ensure that these initiatives and measures are directly contributing to the goals enshrined in the relevant sectoral work plans.

Over 40% of the region's population depend on the **food, agriculture, and forestry (FAF)** sector for their livelihood. The major achievements in FAF cooperation include the development of strategic plans of action (SPA) for crops, fisheries, forestry and livestock to guide policy and strategy across these four principal sub-sectors. In addition, specific frameworks and strategic plans have been developed for critical areas such as sanitary and phytosanitary (SPS) and food security. These include the ASEAN Integrated Food Security (AIFS) Framework, the Strategic Plan of Action on Food Security (SPA-FS) 2021-2025 and the ASEAN Strategic Plan of Action on SPS. Contact Points, 2021-2025. These documents provide frameworks for member states to cooperate in various aspects related to food production, processing, trade and to promote the harmonisation of standards. Progress has been made on adopting ASEAN Food Produce Standards, intra-ASEAN Phytosanitary Import Guidelines and maximum residue limits. The Roadmap for Enhancing the Role of ASEAN Agricultural Cooperatives in Agricultural Global Value Chains 2018-2025 has also been adopted.

ASEAN has made significant strides in developing the legal and institutional environment for **e-commerce** over the past five years. The ASEAN Coordinating Committee on Electronic Commerce was established in 2016. Notable achievements include the adoption of the ASEAN Digital Integration Framework (ADIF) and its action plan and the signing of the ASEAN Agreement on E-Commerce. The ASEAN Digital Integration Index (ADII) has been adopted as a tool to measure effectiveness of digital integration efforts. To build consumer trust and confidence the Guidelines on Accountabilities and Responsibilities of E-marketplace Providers, ASEAN Online Business Code of Conduct and ASEAN Guidelines on Cross Border business-to-consumer (B2C) Complaints have been completed.

In **tourism**, a key sector contributing over 12% of ASEAN GDP and over 40 million jobs, efforts have focussed on enhancing the competitiveness, quality, and variety of the tourism offerings and to promote the region as a single tourism destination. ASEAN has developed the ASEAN Tourism Marketing Strategy (ATMS) for 2017-2020, developed and endorsed ATMS for 2021-2025,

launched the Visit ASEAN@50 campaign in 2017, and endorsed the ASEAN Declaration on Digital Tourism. New tourism products were developed including eco-tourism and also gastronomy and cruise tourism; the latter promoted through the ASEAN Gastronomy Tourism Master Plan and the ASEAN Declaration on Cruise Tourism. The ASEAN Tourism Investment Guide informs businesses and investors of current policies and tourism initiatives open for investment in each member state. Human capital development in tourism has been boosted by the ASEAN Tourism Professional Registration System, a job-matching platform between industry and certified ASEAN professionals. In addition, training toolboxes in hotel services and travel service were developed and ASEAN Competency Standards for Meetings, Incentives, Conferencing and Exhibitions (MICE) and Event Professionals finalised. Sustainable tourism is being encouraged through an award system and assessment tools to promote climate change mitigation, resilience, and broader sustainability measures to tourism.

In **energy**, the ASEAN Power Grid began the progression from bilateral to sub-regional agreements. Multilateral electricity trade between Lao PDR, Thailand and Malaysia commenced under the Energy Purchase and Wheeling Agreement, a first in the region. The Trans-ASEAN Gas Pipeline (TAGP) has connected six member states through 13 pipelines involving a total length of 3,631km. Additional gas and liquefied natural gas (LNG) connectivity has been added through regasification terminals (RGTs). An additional 10,021MW coal-fired power generation, consisting of super critical (SC) and ultra-super critical (USC) coal-fired power plants has been added. In energy efficiency, regional Minimum Energy Performance Standards (MEPS) were endorsed for products such as lighting and air conditioners. The Guidelines for the Integration of Energy Efficiency into the ASEAN Electrical and Electronic Equipment (EEE) MRA, is pioneer cross-sectoral initiative in the sector. ASEAN awards in areas such as energy efficiency and conservation and renewable energy help support transition to sustainable energy, further affirmed by the adoption of ASEAN Plan of Action for Energy Cooperation (APAEC) Phase 2: 2021-2025, will have a particular focus on energy transition and resilience.

In **Healthcare**, the member states have broadened the healthcare services that can be traded or supplied by other member states by further liberalising the sector. Efforts at cross-border mobility of healthcare professionals are underway by identifying regional competencies for dental and nursing practitioners. The Rapid Alert System on Healthcare and Food Products is aimed at ensuring safety of products traded and consumed in the region focusing on prepared foodstuff, pharmaceuticals, cosmetics, traditional medicines and health supplements. Negotiations for the ASEAN Agreement on the Regulatory Framework on Traditional Medicines were completed.

In **Science and Technology**, the ASEAN Declaration on Innovation and the ASEAN Innovation Roadmap (AIR) 2019–2025 aim to promote research, innovation, technology transfer, establish an innovation ecosystem and harness S&T for sustainable development. Four new ASEAN S&T networks have been established including the ASEAN Foresight Alliance, ASEAN Young Scientist Network, ASEAN Network on Metallurgy and Metallic Materials, and ASEAN Network on Sustainable and Environmental Materials. These provide a platform to engage, train and empower ASEAN research communities. The Shared ASEAN High Performance Computing (HPC) Facility initiative provides regional solutions to data intensive problems and can deepen digital access and overcome high entry barriers by cost sharing. The ASEAN Science, Technology, and Innovation Fund (ASTIF) has approved over one million USD in S&T grants covering research in energy, water, food, biotechnology, healthcare, climate change mitigation and adaptation, ICT applications and enabling S&T innovation. The Rising STI Networking for Innovative ASEAN or 'ASEAN-NEXT' was established to promote collaboration with dialogue partners and provide opportunities to develop and improve S&T usage in ASEAN.

Progress is likewise made in different areas of **transport**. In land transport, progress continues to be made in the Singapore-Kunming Rail Link (SKRL) and ASEAN Highway Network (AHN). In air transport, ASEAN open skies are now in operation, following full ratification of relevant agreements. Progress was also

made in the ratification of multilateral agreements among member states on liberalisation covering air freight services, air services and passenger air services. This included the Multilateral Agreement on Air Services (MAAS), Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS) and the Multilateral Agreement on the Full Liberalisation of Air Freight Services (MAFLAFS). In maritime transport, the mutual recognition of certificates of competency for Near Coastal Voyages (NCV) issued by ASEAN Member States, the establishment of cruise corridors for the development of global cruise industry, and the launching of the Davao-General Santos-Bitung roll-on/roll-off (RO-RO) shipping routes were of significance. Progress was also made in the ratification and in cases implementation of transport facilitation agreements, namely the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST), the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT), ASEAN Framework on Multimodal Transport (AFAMT) and the ASEAN Framework Agreement on the Facilitation of Cross-Border Transport of Passengers by Road Vehicles (CBTP). Regional policy frameworks on sustainable transport and capacity building have been developed.

In **minerals**, the ASEAN Reporting Mechanism (RM) to Monitor AMS Adoption of the Sustainability Assessment Framework and Guideline was launched to promote environmentally and socially responsible mineral resource development across all mining stages. The ASEAN Minerals Awards (AMA) were established to promote sustainable development practices and recognise companies adopting sustainable mining, processing, and distribution of minerals. The Directions on ASEAN Minerals Cooperation in Response to Global Mineral and Mining Industry Opportunities and Challenges was adopted to facilitate the deepening the contribution of the mineral sector to the AEC objectives. The ASEAN Minerals Trust Fund was established with contributions from all member states to support strengthening ASEAN institutions and human capacities on minerals sector development.

In **ICT**, significant progress has been made in advancing the work on ICT development, digitalisation,

and data governance. The ASEAN sectoral bodies on telecommunications and information technology, at both the senior officials and ministerial levels, have been renamed into the ASEAN Digital Senior Officials and Ministerial Meetings in 2019, respectively, while the ASEAN Coordinating Committee on Cybersecurity was established in 2020. A number of frameworks were approved to deepen cooperation and integration in ASEAN. Key to this are the ASEAN Framework on Digital Data Governance, which seeks to enhance data-driven digital adoption and innovation and to build good data protection standards for cross-border data flow, and the ASEAN Framework on Personal Data Protection, aims to strengthen the protection of personal data in ASEAN and to facilitate cooperation among ASEAN Member States. Last but not least, the ASEAN Framework for the Next Generation Universal Service Obligation (USO 2.0) will guide policymakers to align USO policies and programmes that focus on both supply-side connectivity and demand-side solutions. Last but not least, the adoption of the ASEAN Digital Masterplan 2025 will provide clearer directions going forward.

Future Action

All in all, sectoral cooperation work in ASEAN has made considerable progress. In terms of the next steps, key areas for further work include ensuring the momentum of national level action to fully operationalise and realise the benefit of regional commitments and initiatives. In a number of cross-cutting areas, the establishment of cross-sectoral coordination platform will be key, as will results-oriented reporting to ensure progress. Further, many of the initiatives remain “soft” in nature, such as those focusing on capacity building and information sharing, and adoption of frameworks which are non-binding in nature. Where there are agreements, the delay in the entry into force of these agreements must be minimised to allow for early realisation of benefits and ensuring relevance of such initiatives. Moving forward, ASEAN cooperation must be elevated to stronger and higher levels of commitment. They must ensure follow-up with more concrete and result-

oriented activities and redoubling efforts towards greater coherence.

There are encouraging observations in terms of the launch and operations of major outcomes and concrete practical initiatives. Follow-up implementation and monitoring should be ensured. Additionally, ASEAN should adapt its sectoral cooperation to take into account global trends and imperatives, such as digitalisation and sustainability, to seize the new opportunities presented and address their impact, towards ASEAN continued relevance and long-term resilience.

Some highlights include the potential contribution of digital technologies and digitalisation towards the objectives of greater connectivity, cross-sectoral cooperation, broader sustainable growth, and competitiveness. As the benefits of digitalisation are increasingly cross-sectoral in nature, it is critical for ASEAN to pursue deeper cooperation within the AEC and with other partners, towards a leading digital community. The importance of competitive and quality services to support sectoral development needs to be prioritised. The importance of cross-sectoral coordination to bring in greater market considerations and coherence is key covering investment, trade, finance, and standards among others. Such an approach will complement sector-specific technical initiatives and lead to higher-impact results. Infrastructure financing and financing in general remain a challenge. This requires innovative funding through public-private partnerships and co-financing agreements with partner institutions in order to bridge the region-wide infrastructure gap. Moving forward a whole-of-government, whole-of-Community approach aligning regulations, planning and implementation would be needed to boost sectoral development.

A strong institutionalised monitoring approach is required across all sectors, to design actions that are more strategic and outcome oriented. These would enable the tracking of integration efforts and their contribution towards the goals of the AEC. This would support informed decision making and a sound basis to adapt to changing needs in a dynamic world.



CHARACTERISTIC D

Resilient, Inclusive, People-Oriented & People-Centred ASEAN

 **Total Sectoral work plans: 1**

 **Total action lines: 131**



Strengthening the Role of MSMEs



Strengthening the Role of the Private Sector



Public-Private Partnership



Narrowing the Development Gap



Contribution of Stakeholders on Regional Integration Efforts

The objective of this characteristic is to have resilient and equitable economic development. It focuses on strengthening the role of micro, small, medium enterprises (MSMEs), the private sector, public-private partnerships, narrowing the development gap, and contribution of stakeholders on regional integration efforts

Characteristic D has a completion rate of 43.5% with an additional 48.1% in progress.



Key Achievements

MSMEs make up more than 98% of businesses in ASEAN and account for a substantial share of employment in the region. The Strategic Action Plan for SME Development 2016-2025 (SAPSMED) provides a comprehensive guidance for MSME promotion and development work in ASEAN. A number of instruments in the form of action were adopted to guide digitalisation among MSME, mainstream inclusive business models, support women economic empowerment, and foster linkages between regional and global multi-national companies and MSMEs. Enabling frameworks include the Framework for MSME Financial Accessibility and Inclusivity and ASEAN Business Framework and Guidelines.

Microfinancing programmes have gradually increased through dedicated financial institution entities in seven member states and through microfinance organisations in the other member states. Studies on policy options and best practices on equity finance and alternative financing for SMEs and start-ups were conducted.

A number of awards were established across all member states to recognise enterprises that engage in technology transfer and knowledge-based, creative, and green industries. In addition, eight member states provide awards for multinational companies and large enterprises that enable technology transfer to local SMEs.

A number of digital knowledge exchange and training platforms have been established such as the ASEAN SME Academy and the ASEAN Virtual Incubator Network. Through the effective collaboration between the ASEAN Business Advisory Council (ASEAN-BAC) and the ASEAN Consultative Committee for MSMEs (ACCMSME) the ASEAN Mentorship for Entrepreneurs Network (AMEN) programme was launched. Among others, several modules for the use across member states were developed.

The ASEAN-BAC serves as the apex private sector body, and has been engaging over 10 business councils. Interaction between ASEAN-BAC or Joint Business Councils with various ASEAN sectoral bodies are encouraged as evident through the endorsement of the revised Rules of Procedures for Private Sector Engagement with the AEC. The ASEAN Economic Community (AEC) Dialogue is regularly convened to enhance engagement of private sector bodies through the ASEAN Secretariat to better appreciate and consider their recommendations on the work of the AEC.

Progress in narrowing the development gap remains limited to the promotion of inclusive business and partially supported through the implementation of the Initiative for ASEAN Integration (IAI) Work Plans, which include food and agriculture, trade facilitation,

and MSMEs. The IAI Work Plan IV was adopted in 2020 and retains a focus to support implementation of respective Community Blueprints in the identified areas.



Future Action

ASEAN has been pursuing a comprehensive agenda on MSME development touching upon areas of financial access, investment, human capital development, inclusion, and digitalisation. The next step is to ensure that implementation is more timely and effective including through results oriented coordination and working modalities with other relevant sectoral bodies. High quality action plans require clear and tangible output, outcome and impact indicators based on SMART principles. A dedicated monitoring and feedback mechanism is required to regularly track progress, support decision making, and guide delivery towards clear targeted results in the short, medium, and long-term.

A key challenge for MSMEs is in financing. An integrated sustainable financing framework should be established to increase financial accessibility for

MSMEs, and this would require coordination with sectors outside of MSMEs. Alternative MSMEs financing instruments could be further institutionalised through effective public private partnerships, including angel financing, SME exchanges, depth crowdfunding, peer-to-peer (P2P) lending, blockchain-based financing, and trade financing.

The quality and depth of public private engagement and partnerships should be strengthened to take full advantage of the private sector's insights, expertise, and best practices. These should include further mainstreaming of private sector engagements at the sectoral working group level; ensuring follow-up to relevant recommendations through monitoring of post-consultation action, and assessment of how the action contributed to the sectoral outcomes.

Moving forward, a more strategic framework and coordinated approach to narrowing the development gap through the AEC is needed, beyond the complementary support provided through the IAI Work Plan. This would require strategic conversations, and coordination between the relevant sectors and pillars of ASEAN.



CHARACTERISTIC E

Global ASEAN



Develop a more strategic & coherent approach towards external economic relations;



Continue to review & improve ASEAN FTAs & CEPAs;



Total strategic measures: 6



Total action lines: 33



Enhance economic partnership with non-FTA DPs;



Engage regional & global partners to explore strategic engagement;



Continue supporting multilateral trading system;



Continue to promote engagement with global & regional institutions.

Through Characteristic E, ASEAN is continuing to make steady progress towards integrating the region into the global economy through FTAs and comprehensive economic partnership agreements (CEPAs) with China, Japan, Republic of Korea, India, Australia and New Zealand, and most recently Hong Kong, China. ASEAN Member States are also signatories to the RCEP Agreement, along with five of its FTA Partners, which is one of the world's largest FTAs covering almost 30% of global output and trade. These FTAs/CEPAs strengthen ASEAN's position as an open and inclusive economic region and lay the foundation for ASEAN to retain its centrality in global and regional economic architecture.

Global ASEAN is the region's gateway to increase its presence and participation in the global economy. The objectives of Global ASEAN therefore are two-pronged: (i) to strengthen ASEAN's position as an open and inclusive economic region, and (ii) to lay the foundation to maintain ASEAN centrality in its global and regional engagement.

Characteristic E has demonstrated encouraging performance with a 54.5% completion rate and the remaining 45.5% of initiatives currently in progress.



Key Achievements

Under Characteristic E, several new FTAs were signed, some entered into force and existing FTAs were upgraded and expanded in scope and depth. The most significant achievement is the signing of the RCEP Agreement in 2020 after eight years of negotiations, putting the region at the forefront of the open trade agenda. The Agreement is expected to strengthen RCEP participating countries' positions in global value

chains. Other achievements include the ASEAN-Hong Kong FTA and Investment Agreement which entered into force in 2019.

At the same time, ASEAN continues to work on improving and upgrading its existing FTAs and CEPAs. The completion of the remaining elements under the Future Work Programme of ASEAN China Free Trade Area (ACFTA) Upgrading Protocol is underway, including investment and further tariff liberalisation. There has also been consensus to explore discussions on new areas of cooperation such as e-commerce and non-tariff measures, which are both timely and relevant. Meanwhile, the upgrading negotiations of the ASEAN Australia and New Zealand Free Trade Area (AANZFTA) is now underway to ensure continued relevance and effectiveness of the agreement. The First Protocol to Amend the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP) has been signed to incorporate services, movement of natural persons (MNP) and investment into the AJCEP, is now enforced.

The ASEAN-India Investment and Trade in Services Agreements have entered into force and the review of the ASEAN-India Trade in Goods Agreement is commencing. While the Third Protocol to amend the ASEAN-Korea Trade in Goods Agreement, which improves the provision on trade facilitation and provides for the possibility of further liberalisation of products in the sensitive track, is now enforced.

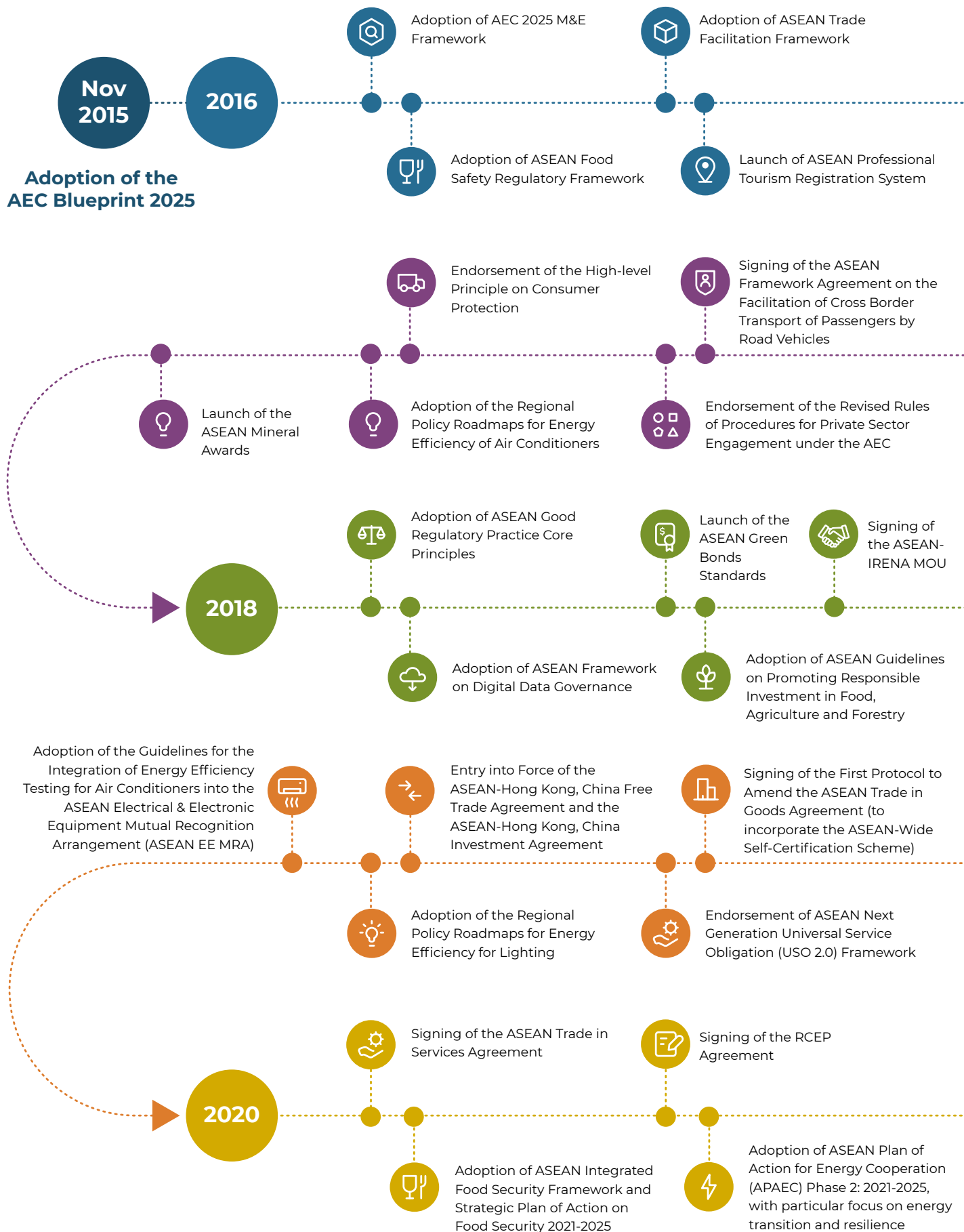
To respond to the current economic and social challenges introduced by COVID-19, the ASEAN-Japan Economic Resilience Action Plan and the ASEAN Plus Three Plan of Action on Mitigating the Economic Impact of the COVID-19 were adopted in August 2020.

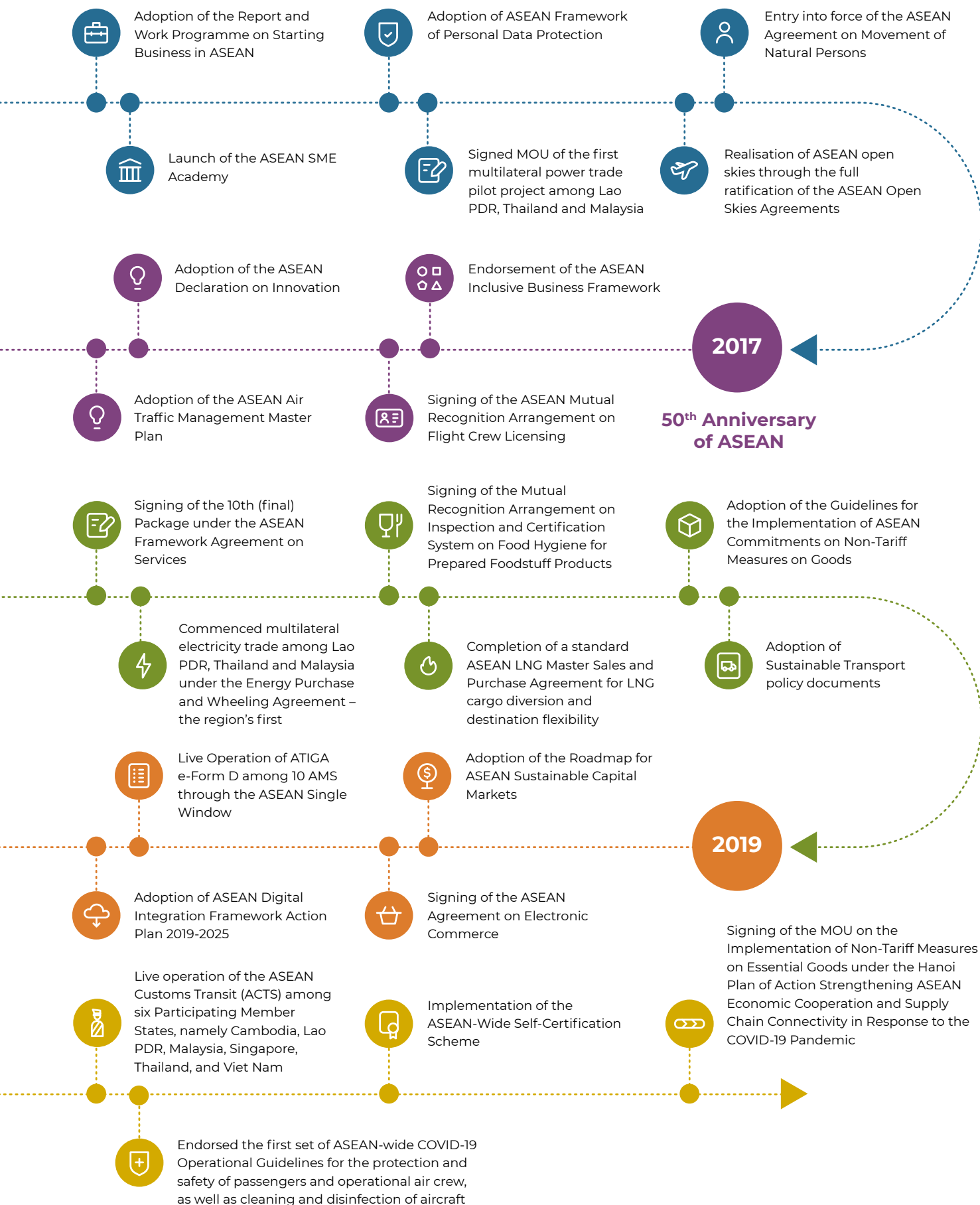


Future Action

Characteristic E has served ASEAN well thus far by focusing in the pursuit of FTAs and CEPAs, which present new market and income opportunities and provide impetus to boost competitiveness. Moving forward, in addition to ensuring effective utilisation of the existing agreements, particularly through the promotion of utilisation by MSMEs as well as the strategic identification of potential FTA partners. ASEAN should also consider additional approaches for strengthening external economic engagement, including through closer sectoral cooperation. ASEAN should also initiate a more proactive collective stand in the global arena on issues of shared interest such as on the upholding and reform of the multilateral trading system.

Figure 3.2: AEC Blueprint 2025 Key Achievements 2016-2020





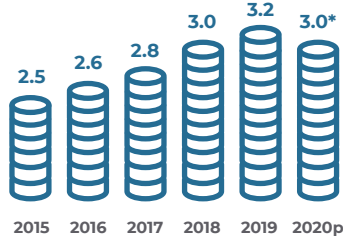
OUTCOMES AND IMPACT

Key Performance Indicators

The outcomes and impacts of the AEC Blueprint 2025 are closely monitored through key performance indicators (KPIs) set against strategic measures, objectives and goals of the Blueprint and the sectoral workplans. To date, there are over 370 endorsed KPIs at different levels of maturity and data availability. Out of this extensive list, the performance of the AEC across selected KPIs are presented below.

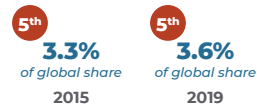
GDP

(US\$ trillion)



Source: ASEAN Secretariat

Ranking of GDP (current price)



Annual growth



Source: ASEAN Secretariat and IMF

ASEAN GDP has grown by more than 5% per year on average for the past five years to reach US\$ 3.2 trillion in 2019.

ASEAN, collectively, is the 5th largest economy in the world, accounting for 3.6% of global economy in nominal term, or 6.2% in purchasing power parity (PPP) terms.

GDP per capita

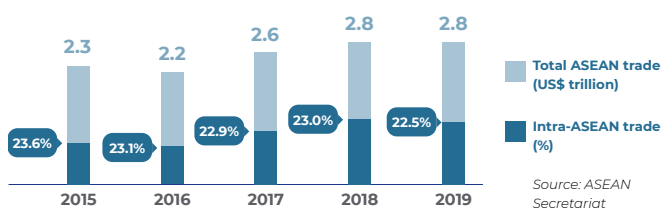
Current price (US\$)



Source: ASEAN Secretariat

ASEAN GDP per capita has consistently grown in the last five years, from around US\$ 3,900 to more than US\$ 4,800.

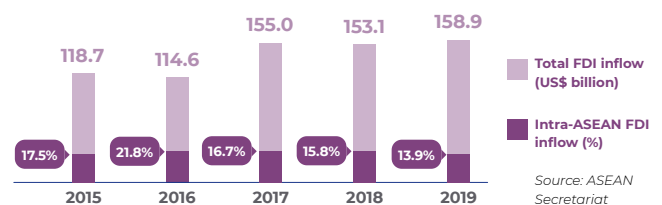
Intra-ASEAN trade



Source: ASEAN Secretariat

Intra-ASEAN trade increased from US\$ 535 billion in 2015 to US\$ 633 billion in 2019. However, its share out of total ASEAN trade declined from 23.6% to 22.5% over the same period.

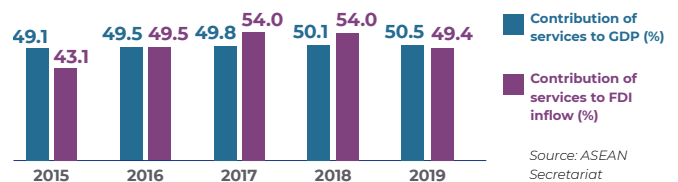
Intra-ASEAN FDI inflows



Source: ASEAN Secretariat

Intra-ASEAN FDI inflows amounted to US\$ 22.1 billion in 2019, contributing 13.9% of total FDI inflows in the region.

Services

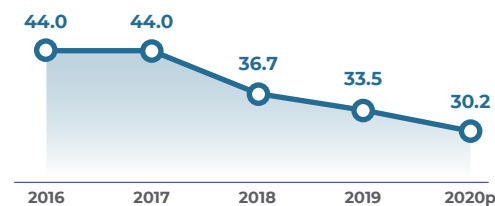


Source: ASEAN Secretariat

Considered a new engine for growth in the region, services have been growing in importance, contributing more than half of the ASEAN GDP and attracting 49.4% of total FDI inflows to the region in 2019.

Financial exclusion level

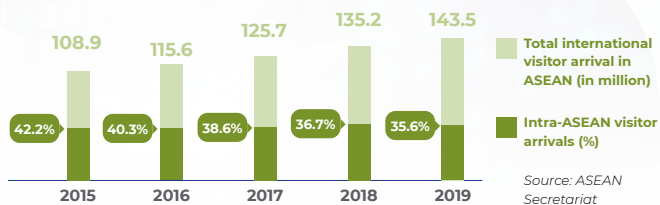
Average financial exclusion level for ASEAN region (%)



Source: ASEAN Secretariat

Financial inclusion is an important agenda in ASEAN and a key tool to empower the MSMEs. ASEAN financial exclusion level has decreased significantly in last five years, from 44% to 30%.

International visitor arrival



Rich in history, cultures, and natural wonders, ASEAN has seen a marked increase in international visitor arrivals between 2015 to 2019

Doing business in ASEAN

Time required to start a business (median)



In general, the time required to start a business in the region has improved significantly, from a median of 24.5 days to 14.5 days reflecting the regulatory reforms carried out in ASEAN.

Logistic Performance Index

ASEAN Logistics Performance Index



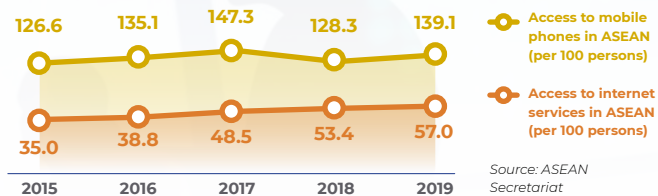
Global Logistics Performance Index (160 countries)



The World Bank's Logistics Performance Index (LPI) scores countries on how efficiently they move goods across and within borders.

In 2018, the ASEAN LPI scores range between 2.30 to 4.00 (out of 5.00) across its member states. This compares favourably to the global range of 1.95 to 4.20.

Digital connectivity



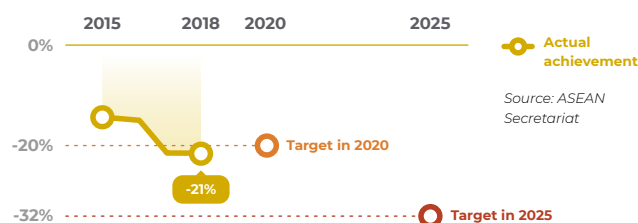
In general, ASEAN has a high and growing penetration of mobile phones and internet services in the past five years, although broadband connectivity still needs to be improved.

Share of renewable energy



The share of renewable energy in ASEAN energy mix was 14% in 2018. Efforts need to be accelerated to reach ASEAN's target of 23% by 2025.

Energy intensity reduction



ASEAN has made significant strides towards reducing its energy intensity. In 2018, it surpassed the 20% reduction target set for 2020 based on 2005 levels. ASEAN is now working towards a new target of 32% by 2025.

Regasification



More than doubled expansion of regasification infrastructure in ASEAN since 2015.

Feedback from AEC Stakeholders

In addition to KPI assessment which provides overall trends on the performance of the AEC, the MTR also sought feedback from key stakeholders of the AEC. The private sector plays a critical role in the AEC as they are the actors who undertake business, trade and invest and to this end, along with workers, are the main beneficiaries of the AEC. Business sector feedback are further complemented by external studies and feedback from experts and research organisations as they undertake studies and provide broader perspectives on the impact of the AEC. Therefore, engagement of these stakeholders was an important component of the MTR.

Two comprehensive online business surveys were conducted by the ASEAN Secretariat during the MTR. Over 500 businesses participated in the Foreign Business Sentiments Survey (FBSS), with the support

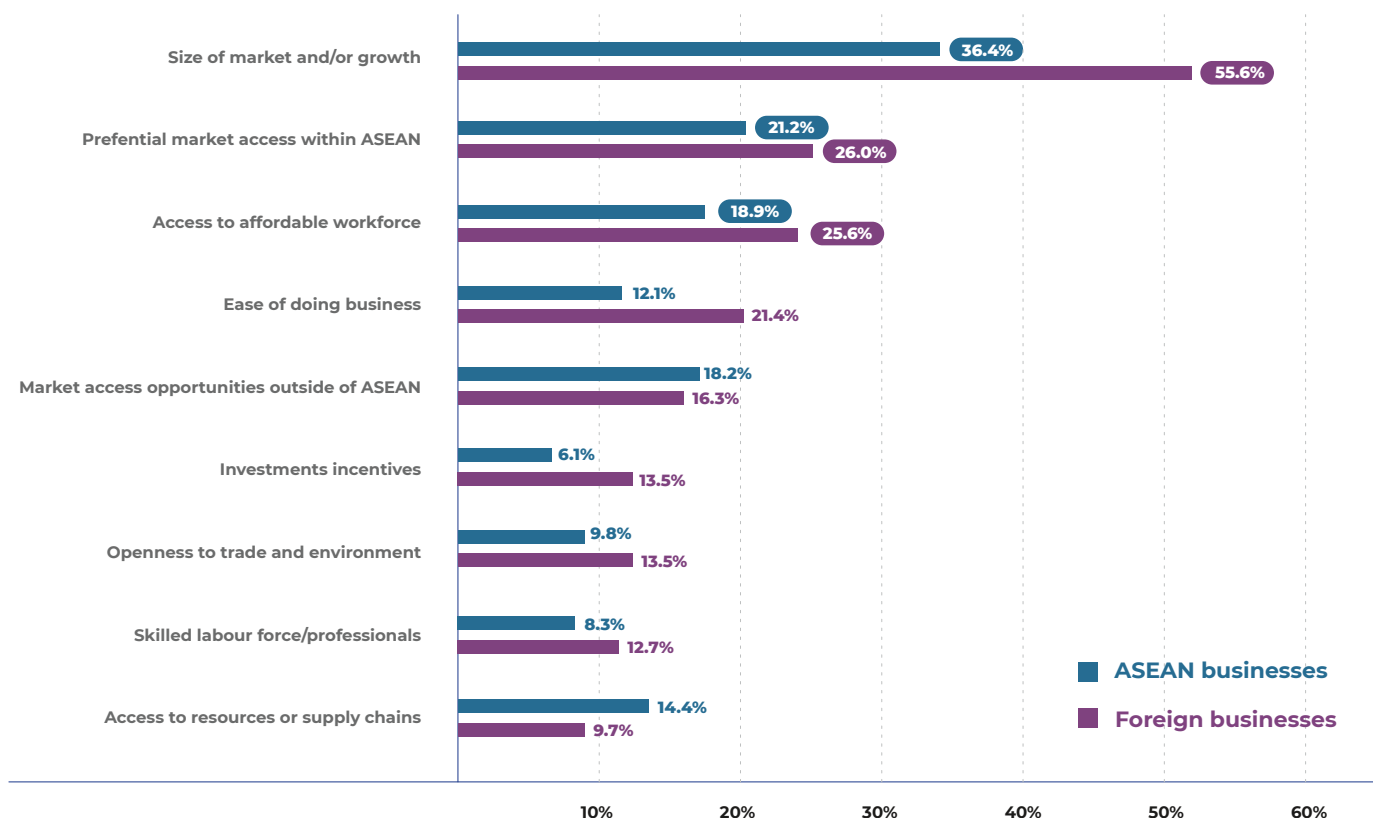
of 14 Joint Business Councils¹. 140 companies whose principal domicile or holding company is in one of the AMS (ASEAN companies) participated in the ASEAN Businesses Sentiments Survey (ABSS), which was supported by the ASEAN-BAC, the ASEAN Women's Entrepreneur Network (AWEN) and the ASEAN Future Workforce Council (AFWC).

The key findings from the analysis of the surveys are presented below.

Reasons for doing business in ASEAN

Three main reasons for both foreign and ASEAN companies to establish ASEAN operations were (i) size of market and market growth, (ii) preferential market access within ASEAN, and (iii) access to affordable workforce (Figure 4.1). These were followed by the other reasons as presented below.

Figure 4.1: Reasons for establishing ASEAN operations



¹ Australia-ASEAN Business Council, Australia-ASEAN Chamber of Commerce, Canada-ASEAN Business Council, ASEAN-China Business Council, East Asia Business Council, EU-ASEAN Business Council, ASEAN-India Business Council, ASEAN-Japan Business Council, Federation of Japanese Chamber of Commerce in ASEAN, ASEAN-Korea Business Council, ASEAN-New Zealand Business Council, Russia-ASEAN Business Council, UK-ASEAN Business Council, and US-ASEAN Business Council.

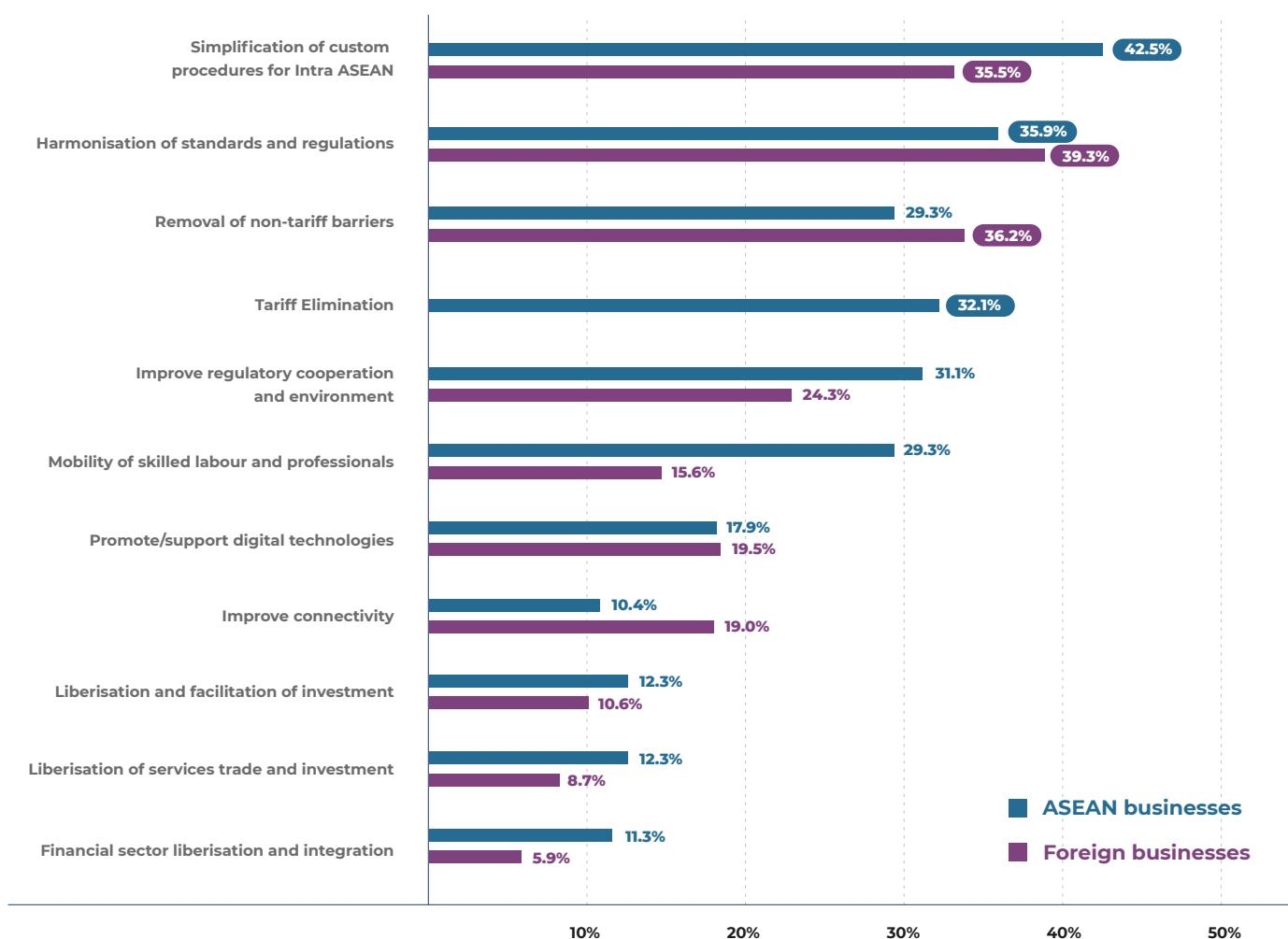
Factors affecting competitiveness of ASEAN

Foreign businesses found labour and human capital as the most favourable factor to do business in ASEAN. This was followed by macroeconomic conditions, ICT and e-commerce infrastructure, and to a lesser degree trade and investment. ASEAN businesses agree that ASEAN is competitive with regards to access to labour and human capital, followed by resources and supporting industries. Both ASEAN and foreign businesses felt the following areas needed improvement: IPR protection, innovation and R&D environment, and good regulatory practices.

Improving economic integration process

Harmonisation of standards and regulations, removal of non-tariff barriers, and simplification of customs procedures were identified by foreign businesses as priority areas that needed improvement to accelerate economic integration, followed by regulatory cooperation and environment (Figure 4.2). While ASEAN businesses identified simplification of customs procedures, harmonisation of standards and regulations, and tariff elimination as the top priority areas for improvement, closely followed also by regulatory cooperation and environment, removal of non-tariff barriers, and mobility of skilled labour and professionals.

Figure 4.2: Priority areas for the improvement in the AEC

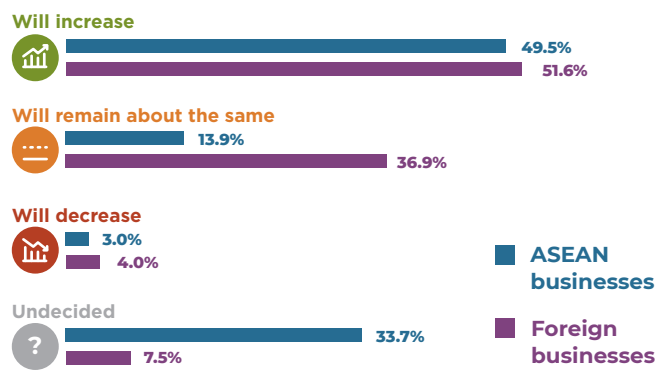


Business outlook for ASEAN operations

64% of foreign businesses surveyed indicated that ASEAN would be of increasing importance to their business operations over the next years, while 32% indicated that ASEAN would be of similar importance; only 3% indicated that ASEAN would be of declining importance. Furthermore, over 50% of foreign business indicated increasing investment in their ASEAN operations over the next five years, with less than 4% indicating a decrease in their investment which reflects a positive outlook for ASEAN.

The top five factors that will drive foreign business expansion in ASEAN include a growing middle class (49%), infrastructure improvement (43%), stable political and economic environment (41%); ease of doing business (33%); and competitive production costs (28%) (Figure 4.3).

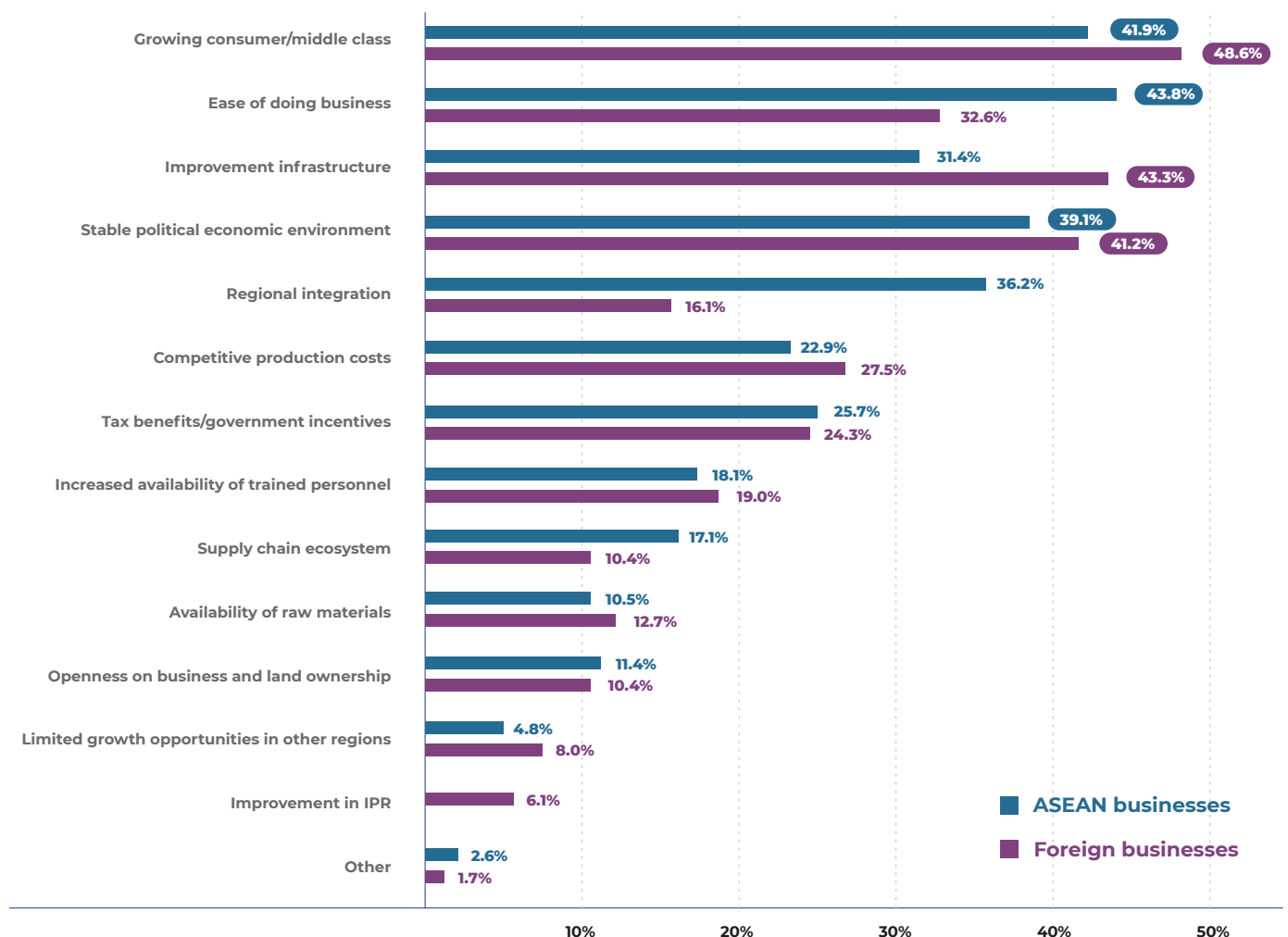
Figure 4.4: Investment in ASEAN operations (next 5 years)



Around half of ASEAN businesses feel their level of investment in their ASEAN operations will increase (Figure 4.4). While, 3% feel their investment will decrease.

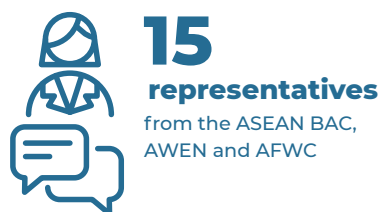
The primary reasons cited for the expansion was ease of doing business (44%), followed by growing consumer/middle class (42%), and stable political economic environment (39%).

Figure 4.3: Factors that will drive expansion and investment in ASEAN



Additional insights from business and research stakeholders and external studies

Three focus group discussions (FGDs) were organised to obtain additional feedback and enrich the findings of the MTR exercise. These included FGDs with:



In addition, an extensive literature review was conducted on over 400 external studies on the AEC including policy briefs, journal articles and academic studies.

It was heartening to see common concerns from the focus groups discussions and review of external studies, the main points of which are summarised below.

There is a unanimous agreement on the need to improve AEC implementation. There was suggestion that ASEAN might have exhausted the “easier” AEC initiatives and is now faced with those that are more sensitive or complex. There is also a strong and shared belief that more needs to be done. In particular, implementation of AEC agreements and commitments in areas key to market integration need to be accelerated such as on addressing non-tariff measures, streamlining cross-border procedures, standards harmonisation, services integration, and mutual recognition arrangements. This echoes the findings from the business sentiments surveys. Most importantly, there is a need to better ensure national-level implementation of regional commitments. Better monitoring, follow-up, and cross-sectoral coordination is key, and the ASEAN Secretariat shall be empowered to do so.

In addition, market integration under the AEC must take account of modern production and trade realities, particularly the proliferation of global value chains, the recent changes in business models and on-going threats of protectionism and weakening of global trade governance, servicification, digitalisation including industry 4.0, as well as growing sustainability imperatives. The full potential of ASEAN FDI and

services sector is still stifled by various restrictions, and there is a need to leverage on and boost the early signs of reform momentum.

To improve competitiveness and global value chain participation, greater skills mobility is vital along with investment in human capital development and innovation. Good regulatory practices should be further promoted at both the national and regional levels. ASEAN must make better use of the free trade and comprehensive economic partnership agreements it has with partners, and ensure the early entry into force and effective implementation of the recently signed RCEP Agreement. In addition, ASEAN should broaden and deepen cooperation in regulatory areas such as competition policy, intellectual property rights, e-commerce, and data governance; taking into consideration global developments and commitments that are already made in broader context, such as the RCEP.

Last but not least, efforts must be intensified to ensure the inclusivity and sustainability of the AEC so as to ensure its long-term resilience. The disproportionate challenges faced by MSMEs must be recognised and addressed, such as in access to finance and higher regulatory costs, as these are preventing them to benefit fully from the AEC in comparison to their bigger counterparts. Women’s economic empowerment offers immense benefits and should be enhanced. The upskilling and reskilling of workforce, is critical and must start early to equip them with the 21st century skills including but not limited to digital skills. Responsible, sustainable, and climate resilient agendas must be better mainstreamed in ASEAN, and this calls for a Community-wide response.

SECTION 5

RECOMMENDATIONS

The comprehensive assessment, analysis and insights from the MTR of the AEC Blueprint 2025 yielded 12 recommendations that are grouped into three broad categories, namely: (i) address overarching elements and cross-cutting issues; (ii) strengthen ASEAN centrality and resilient, and (iii) keep the AEC sustainable and inclusive. A succinct overview of the recommendations to help ASEAN achieve the AEC 2025 is presented below.



Theme 1

Address Overarching Elements and Cross-cutting Issues



R¹: Strengthen coordination, monitoring and evaluation mechanisms

Compliance monitoring of the 23 sectoral work plans needs to be strengthened, made more comprehensive, and with clear follow-up. The status of signing, ratification and entry into force of AEC agreements will be systematically tracked and reviewed. High level oversight should be integrated in the monitoring process to provide a holistic overview and enable necessary intervention across the AEC. Cross-sectoral mechanisms within the AEC and across pillars should be strengthened and optimally utilised, including the community council and coordinating conference for the AEC.



R²: Develop consolidated implementation frameworks for cross cutting issues

The development of unifying frameworks should be explored to promote inter-sectoral synergies and planning on cross-cutting issues. Currently, with few exceptions, many cross-cutting issues are addressed through parallel sector-specific intervention. Moving forward, cross-sectoral intervention should become an imperative, going beyond joint initiatives, to include consolidated planning, collaborative implementation, and comprehensive monitoring of cross-cutting issues.

¹R represents recommendation



R3: Adopt a Community-wide strategy on 4IR and digital transformation

Digital transformation and 4IR are megatrends fast influencing all areas of ASEAN Community, going beyond the economic dimension. A comprehensive cross pillar and community wide strategy will help ASEAN both seize the opportunities as well as address the challenges presented by digitalisation and the 4IR. Ownership by the different stakeholders should be ensured both at the design and implementation phases for a successful strategy.



R4: Coordinated approach enhancing participation in Global Value Chains.

The key to enhancing participation in GVCs is successful implementation of the related elements under the different characteristics of the AEC Blueprint. Beyond trade facilitation, attention must be given to improving competitiveness, ensuring a competitive services industry, attracting productivity-boosting investment, promoting innovation, developing human capital, and building local ancillary industries. The focus shall be to promote higher value-added participation in GVCs. ASEAN should consider establishing a platform to discuss cooperation on industries, taking a modern outlook and strong engagement with the private sector. Consideration should also be given to revisit and update the list and approach to priority integration sectors in ASEAN.



R5: Mainstream good regulatory practices

Regulatory burden and lack of regulatory coherence are major obstacles in a wide-range of AEC initiatives and sectors. To address this obstacle concerted effort is required. The adoption of the ASEAN Core Principles on Good Regulatory Practice in 2018 is a step in the right direction. Moving forward, a wide commitment to mainstream the ASEAN Core Principals on GRP into the work of the sectors is critical. This can be supported with guidelines, starting with some key sectors and complemented with capacity building exercises for member states.



Theme 2

Strengthen ASEAN Centrality and Resilience



R6: Advance the AEC agenda amid diversity

The economic landscape is constantly and rapidly evolving. Being able to advance agendas in a timely manner brings good yields. This is at times challenging, due to the different level of readiness in terms of technical, regulatory and financial mechanisms among member states. To mitigate delays on supported initiatives where member states have different levels of readiness, a flexible participation approach should be openly considered in all appropriate opportunities such as through the use of a pathfinder approach. This approach must be complemented with targeted initiatives to address capacity gaps among member states to elevate their ability to implement.



R7: Strengthen the institutional ecosystem and strategic use of the ASEAN Secretariat

Within the agreed principles there is a strong need to strengthen ASEAN's institutional structure in order to sustain internal cohesion amid a rapidly changing and volatile external context. This warrants an institutional ecosystem that is more agile, responsive, and adaptive. An enhanced ASEAN Secretariat is vital for this, with stronger cross-sectoral coordination, analytical and monitoring capacity to support dynamic regional economic integration. The Secretariat's growing capacity for addressing cross-cutting and emerging issues provides added value and should be harnessed and built upon.



R8: Deepen sectoral cooperation beyond soft cooperation

ASEAN must move into more meaningful economic integration by elevating the level of commitment to implement key sectoral documents. Agreed upon regional guidelines and high-level principles need to be translated into stronger commitments and implementation in some sectors, such as IPR, e-commerce, and digital connectivity. Soft cooperation activities such as sharing information and best practices or capacity building workshops must have clearer targets towards regulatory coherence. In recalibrating its level of ambition, ASEAN needs to take into account new developments such as RCEP and the broader global discourse, as well as digitalisation imperatives and the need to build resilience in a post-COVID-19 world. Going forward, the focus must shift to achieving the articulated goals of developing regional strategies on convergence, common ASEAN frameworks, regional platforms, and infrastructure.



R9: Keep ahead of emerging issues through dialogue and cooperation

Due to the evolving nature of the economic landscape, new areas have emerged since the AEC Blueprint 2025 was adopted, many but not all are in the context of FTAs. The AEC should increase efforts to raise understanding and preparedness in addressing these issues, many of which require inter-disciplinary conversation and cooperation such as trade and sustainable development and women’s economic empowerment. In-depth strategic analysis on the approaches and options for the region would help inform not only how the region could approach these issues in the context of FTAs but also for ASEAN’s own integration work.



R10: Strive for more proactive and strategic external engagement

ASEAN’s external economic engagement has to date been focused on the pursuit of FTAs and CEP Agreements. This recommendation proposes a more strategic and systematic assessment of both ASEAN’s offensive and defensive interest with its

potential FTA partners. In addition, other forms of external engagement should be explored beyond full-fledged FTAs, where appropriate, including strategic cooperation in specific sectors of interest. Additionally, ASEAN has a collective interest along with countries of shared-values in upholding an open, inclusive, and rules-based multilateral trading system, and should consider taking a more proactive collective stand in upholding and shaping the multilateral trading system. Last but not least, the RCEP has been a key achievement of ASEAN in driving the regional trade architecture, the onus is now on the region in maintaining its leadership by ensuring the early entry into force of the RCEP and its effective implementation.



Theme 3

Keep AEC Inclusive and Sustainable



R11: Pursue more equitable, inclusive, and sustainable development

The fundamental objective of ASEAN economic integration is to improve the well-being of the people through economic opportunities that are more equitable, inclusive, and that accounts for sustainability. The narrowing of the development gap as an objective under the AEC remains to be mainstreamed in tangible forms beyond specific agenda such as inclusive business and MSME development. The AEC should convene dialogues on how ASEAN economic integration can contribute to the inclusivity and sustainability agenda, anchored on the relevant strands of work in the Community.



R12: Further strengthen stakeholder consultation and engagement

The AEC is a shared aspiration not just of the governments but also of the people of ASEAN. It is necessarily a multi-stakeholder endeavour. In line with the spirit of inclusive and participatory community building, concerted effort is needed to strengthen stakeholder consultation and engagement and

make this more meaningful. The establishment of the Enterprise and Stakeholder Engagement Division within the ASEAN Secretariat and more frequent engagements between businesses and sectoral bodies are steps in the right directions. The focus must now be on improving the quality and follow up to these engagements. In addition, a clearer mandate for all relevant sectoral bodies to institutionalise stakeholder engagement is needed, starting with but not limited to the business sector. The lessons from the AEC Blueprint 2025 MTR can be used to reach out to broader stakeholders, identify their concerns and aspirations, and determine common ground to engage on the AEC.

To conclude, for formal plans to lead to real economic integration, they must be implemented. The MTR has drawn attention to our strengths, weakness, and what needs to be done moving forward. For us to achieve the AEC by 2025, ASEAN and its member states must collectively muster it's spirit, honour its commitments, and take bolder steps towards meaningful economic integration.

Figure 5.1: Overview of recommendations



SECTION 6

ADVANCING THE AEC: RECOVERING AND REBUILDING TOGETHER

The midpoint of the AEC Blueprint 2025 is a critical juncture in the ASEAN economic integration journey. The MTR gives us the chance to have an explicit assessment of the AEC's performance, improve our implementation in the lead up to 2025, and recalibrate our strategies considering the opportunities from megatrends and emerging developments for the region's economic integration.

As 2021 becomes our turning point it is also an unprecedented period. The COVID-19 pandemic has been a game changer as it overwhelmed lives, businesses, and economies. The pandemic has exposed the region's vulnerabilities and a return to the pre-COVID-19 growth trajectory will neither be swift nor easy. Ensuring the implementation of the AEC is no longer desirable but is now an imperative for region-wide recovery.

The findings of the MTR and the effect of the pandemic yield important learnings for the region moving forward to 2025 and beyond. These lessons inform ASEAN on how to improve on our collective actions and policy responses to build back better and foster greater economic resilience. ASEAN should use this as an opportunity to catalyse and institute changes to address shortcomings and vulnerabilities.

In the new environment, business as usual is no longer tenable. ASEAN needs to be more agile and effective in responding and must systematically address issues that are multifaceted and cross-cutting. Implementation must be improved through strong monitoring, reporting, and follow-up. ASEAN must amplify efforts on advancing good regulatory practice, digital transformation, and transition to sustainable economic development. These considerations are reflected in the MTR recommendations.

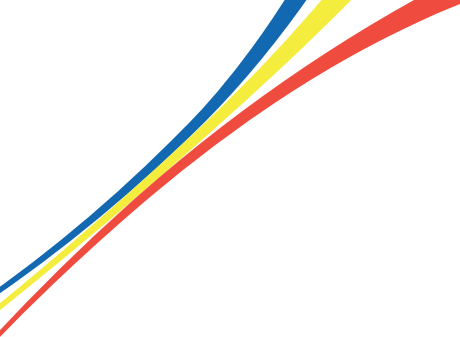
It is easy to get fixated with reaching the perfect implementation rate, but what matters is to ensure that initiatives that are implemented or in place are high-impact and directly contribute to the goals of the AEC 2025. Stakeholder feedback is crucial, as the AEC beneficiaries inform policymakers on what works and does not work on the ground as well as their expectations of the AEC. ASEAN must be well-positioned for the next phase of the economic integration and Community-building journey.

By the end of 2025, just four years away, the AEC would have been in place for a decade. There will be wide expectations for proof of meaningful economic integration in the AEC. To this end, ASEAN collectively must do more, do faster and do better to fulfil these expectations.



Forging Ahead Together

Follow-up Do more, do faster and do better
Be more agile **Digital** **Monitoring**
Reporting transformation **Sustainable**
Good **Megatrends** economic
regulatory **Emerging** **Build back**
practice **developments** **better**
COVID-19 **Economic** **To address**
pandemic **resilience** **shortcomings**



ASEAN: A Community of Opportunities



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