



THINKING GLOBALLY, PROSPERING REGIONALLY

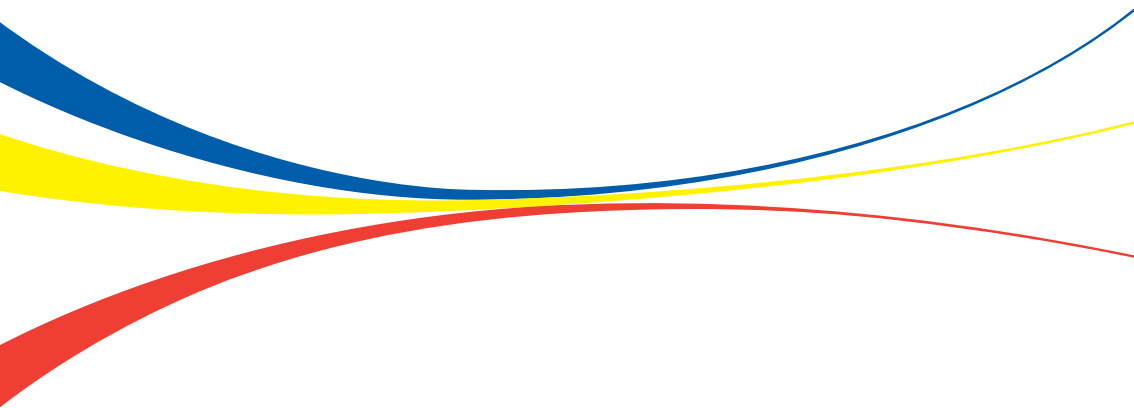
ASEAN Economic Community 2015



one vision
one identity
one community

THINKING GLOBALLY, PROSPERING REGIONALLY

ASEAN Economic Community 2015



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. The ASEAN Secretariat is based in Jakarta, Indonesia.

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Foreword

The long journey ASEAN began with the adoption of the ASEAN Economic Community Blueprint in 2007 has made major strides toward the goal of an ASEAN Economic Community (AEC) in 2015. The tasks set out in the Blueprint are multi-faceted and the process of community building is far from straightforward. Nonetheless, progress has been made on many fronts and the benefits from these advances have been far reaching.

This booklet aims to expand awareness and understanding among the business sector and the general public, youth included, on the benefits of the AEC. Part I highlights initiatives under the four pillars of the AEC where progress has gained traction. Part II sets forth key messages on the AEC that are targeted toward the business sector and the public. Part III focuses on what lies ahead after 2015.

Through invigorating public awareness, this booklet is a testament to ASEAN's commitment to further enhance community building efforts among its people.

Le Luong Minh
Secretary-General of ASEAN



ASEAN: State of the Nations

	1990	2000	2012
ASEAN Member States	Brunei Darussalam Indonesia Malaysia Philippines Singapore Thailand	Brunei Darussalam Cambodia Lao DPR Indonesia Malaysia Myanmar Philippines Singapore Thailand Viet Nam	Brunei Darussalam Cambodia Lao DPR Indonesia Malaysia Myanmar Philippines Singapore Thailand Viet Nam
Total GDP (US\$ Billion)	334.1	606.4	2,311.3
Avg GDP per capita (US\$) ¹	760.9	1,172.4	3,748.4
Total Trade (US\$ Billion)	306.4	759.1	2,476.4
Intra-Trade (US\$ Billion)	144.1	166.8	602.0
FDI Inflows (US\$ Billion)	12.8	21.8	110.3
FDI Inflows (% of Global Inflows)	6.2	1.6	8.2
Population (Million)	317.2	517.3	617.2
Poverty Rate ² (% Population Living Below US\$1.25 PPP per capita per day)	45.0	33.0	15.3 ³
Infant Mortality Rate (per 1,000 live births)	27.3	35.9	22.4

¹ Weighted by population.

² Includes Cambodia, Indonesia, Lao PDR, Philippines, Thailand and Viet Nam.

³ As of 2010.

“THINKING GLOBALLY, PROSPERING REGIONALLY” ASEAN Economic Community 2015

Introduction



This is ASEAN's time. In the geographic heart of the world's premier growth corridor, ASEAN is poised to “seize the moment,” in the words of a recent mid-term report on the fulfilment of the goals for the ASEAN Economic Community (AEC). At stake is a long-standing commitment by the ten Member States of ASEAN to “hasten the establishment of the AEC by 2015 and to transform ASEAN

“With a market of over 600 million consumers and combined GDP of nearly US\$3 trillion, ASEAN is vibrant and growing

into a region with free movement of goods, services, investment, skilled labour and freer flow of capital.”

With a market of over 600 million consumers and combined GDP of nearly US\$3 trillion, ASEAN is vibrant and growing, offering a future to its people of increasing prosperity and stability. The AEC is one of the foundations of that future.

Indeed, much of this future is already at hand. The ASEAN Trade in Goods Agreement (ATIGA), in force since May 2010, covers all aspects of trade in goods under a legal framework to realise the free flow of goods within the AEC.

The ASEAN Framework Agreement on Services (AFAS) serves to substantially eliminate restrictions on trade in services among ASEAN Member States in order to make it easier for services suppliers to operate within the borders of ASEAN. The ASEAN Comprehensive Investment Agreement (ACIA) came into effect in March 2012 to support a free, open, transparent and integrated investment regime in line with the goals of the AEC.

Where do we stand?

The AEC Blueprint, signed in 2007 in Singapore by the Leaders of all ten Member States, reaffirms the goal of regional economic integration declared at the Bali Summit in October 2003. The



AEC will “establish ASEAN as a single market and production base with the goal of making ASEAN more dynamic and competitive.”

Regional integration and connectivity are to be accelerated through facilitating the movement of skilled persons, capital and goods, lowering barriers to trade and strengthening the institutional mechanisms of ASEAN.

There are four pillars to the AEC: 1) Single Market and Production Base; 2) Competitive Economic Region; 3) Equitable

“To gain the many benefits available, the people and businesses of ASEAN must be engaged by the AEC process

Economic Development; and 4) ASEAN's Integration into the Global Economy. ASEAN has made significant progress on each of these pillars, and this has opened up new opportunities for both investors and ASEAN people.

Single Market and Production Base

Within the single market and production base are five core elements:

1. Free flow of goods;
2. Free flow of services;
3. Free flow of investment;
4. Freer flow of capital; and
5. Free flow of skilled labour.

As ambitious as they are, on many fronts the goals have been met.

On free flow of goods, as of 2010, duties were eliminated on 99.2% of tariff lines for the ASEAN-6 Member States (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand); in the remaining Member States (Cambodia, Lao PDR, Myanmar and Viet Nam), 97.52% of tariff lines have been reduced to 0-5 percent. The pilot program for the ASEAN

Self-Certification System has also been launched, which is aimed at allowing certified exporters to self-certify whether their exports meet the origin requirements in export documents. This will reduce trade costs and expedite movement of goods across borders.

“ The prospect of an ASEAN region functioning as a single unified market is groundbreaking

Trade facilitation is ongoing with evident progress as seven Member States have already tested the preliminary exchange of trade data and information through the ASEAN Single Window Gateway (ASW). With ASW, respective National Single Windows (NSWs) will be connected. This will expedite customs clearance, reducing transaction time and cost. The technical and legal foundations of the ASW, arguably the world's first regional single window, are being set up for live implementation by 2015.

Measures to reduce technical barriers to trade are also in place, including mutual recognition arrangements (MRAs), and the harmonisation of standards and a regulatory regime. About 170 technical standards are now harmonised in ASEAN. Mutual recognition of testing and certification for electrical and electronic equipment are being enjoyed by ASEAN Member

States, with 21 testing laboratories and 5 certification bodies listed under the ASEAN Sectoral MRA for these types of equipment.

In addition to trade in goods, ASEAN Member States have also worked towards achieving free flow of services under the ASEAN Framework Agreement on Services (AFAS). Through packages of liberalisation commitments, ASEAN Member States have eased restrictions to cross-border trade in at least 80 subsectors, with a majority of these subsectors allowing for majority foreign ownership.

ASEAN is also committed to building an investment climate that is conducive for business. Aside from individual country initiatives, the region agreed on an investment framework aimed at enticing investors and helping those who are doing business in the region. ASEAN created the ASEAN Comprehensive Investment Agreement (ACIA), which contains commitments to liberalise and protect cross-border investment activities. Furthermore, ACIA embraces international best practices in the treatment of foreign investors and investments.

“ The AEC seeks to foster a culture of fair competition, including institutions and laws that underpin the effort



To promote the freer flow of capital, the stock exchanges from ASEAN-5 and Viet Nam have collaborated to form the ASEAN Exchanges, which aims to promote ASEAN capital markets and offer more opportunities to investors across the region. In September 2012, the ASEAN Exchanges launched the ASEAN Trading Link, a gateway for securities brokers to offer investors easier access to participating exchanges. Bursa Malaysia, Singapore Exchange and Stock Exchange of Thailand are now connected via the ASEAN Trading Link. Also, liberalisation of other financial services in ASEAN has continued to further

strengthen the region's financial sector and to allow for more efficient allocation of capital to support the development of the AEC.

ASEAN also works towards facilitating the free flow of skilled labour in the region. The ASEAN Agreement on the Movement of Natural Persons (MNP) provides the legal framework to facilitate temporary cross-border movement of people engaged in the conduct of trade in goods, services and investment. Mutual Recognition Arrangements (MRAs) have also been concluded in eight professions to facilitate the movement of ASEAN professionals in these areas through recognition of their qualifications.

Competitive Economic Region

In creating a competitive economic region, the AEC seeks to foster a culture of fair competition, including institutions and laws that underpin the effort. This includes protection for consumers region-wide and strong guarantees for intellectual property rights.

Competition policy and law will play an increasingly important role as strong economies are founded upon healthy and effective competition. By creating a level playing field for businesses



operating in the region, competition policy and law encourages greater innovation, productivity and efficiency, bringing about benefits for businesses and consumers alike.

ASEAN Member States have been intensifying their efforts to introduce competition policy and law by 2015. Various outreach activities have also been carried out to educate the general public on the importance of competition policy and how it could possibly affect them.

A competitive economic region also requires support for physical infrastructure like highways, airports and rail links, power

grids and gas pipelines. The designated roads and highways of the Member States forming the ASEAN Highway Network (AHN) are being physically connected, although the quality of some routes needs to be improved up to agreed standards. The ASEAN Highway Network, including its priority “Transit Transport Routes (TTR),” is a vital infrastructure and logistics component which supports trade facilitation, investment opportunities and tourism. Road and numbering signs along the TTR in the ASEAN mainland have already been installed in order to enhance safety and provide greater comfort for road users.

The ASEAN Power Grid (APG) is aimed at building a regional power transmission network linking all Member States. Six out of the planned 16 cross-border interconnections have already been put into operation. In addition, the Trans-ASEAN Gas Pipeline (TAGP) aims to connect the gas pipeline infrastructure of ASEAN Member States and enable gas (including liquefied natural gas) to be transported across Member States’ borders. There are currently 11 bilateral pipeline connections with a total length of 3,020 km. This allows the connected Member States to enhance cross-border electricity trade in order to meet growing demands for electricity. The project also provides private sector opportunities in investment, financing



and technology transfer.

All the agreements and protocols on the liberalisation of air services under the ASEAN Open Skies Policy for both cargo and passenger services have been concluded and implemented by most Member States. This has substantially enhanced air connectivity in the region with increased air capacity and created more opportunities for a greater number of people to fly to neighbouring countries.

“With the emergence of an ASEAN Community, the incremental has become exponential

Another sector of ASEAN infrastructure that is undergoing continuous enhancement is telecommunication. ASEAN telecommunication regulators in 2012 announced the intention to reduce international mobile roaming rates within ASEAN. Malaysia and Singapore were the first Member States to make a bilateral agreement to reduce the mobile roaming rates charged by their respective telecommunication providers. By mid-2013, the rates were half compared to the rates in 2011.

Equitable Economic Development

A key component of the AEC is to enhance the competitiveness and expansion of small and medium enterprises in ASEAN through flagship projects under the Strategic Action Plan for ASEAN SME Development (2010-2015). Thirty business incubator and innovation centres make up the ASEAN Business Incubator Network (ABINet) to promote business matching and development. The ASEAN SME Guidebook towards the AEC 2015 has been developed to enhance awareness of the financial facilities and market opportunities for SMEs available in ASEAN Member States.

Another crucial goal of the AEC is to ensure that the different levels of economic development of ASEAN Member States



are given utmost consideration. Under the Initiative for ASEAN Integration (IAI), new approaches have been developed so that the benefits of the AEC are more evenly shared between all ASEAN Member States, including the newer ASEAN Member States (Cambodia, Lao PDR, Myanmar and Viet Nam) and the sub-regions (such as the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area and the Indonesia-Malaysia-Thailand Growth Triangle).

The ASEAN Framework for Equitable Economic Development (AFEED) was introduced in 2011. It is the guiding framework for

Member States to enable regional economic integration based on the principles of inclusive and sustainable growth, poverty alleviation and narrowing the development gap within and between all ASEAN Member States. Efforts are being undertaken to develop indicators to be used to monitor the operation of AFEED.

Integration into the Global Economy

One of the important success stories of the AEC is ASEAN's integration into the global economy. Through a number of "ASEAN+1" free trade agreements with the People's Republic of China, Japan, the Republic of Korea, Australia, New Zealand and India, ASEAN is well-positioned at the centre of global supply chains, and has developed strong trade links with the major regional economies, which has allowed for the creation of significant business opportunities.

ASEAN is also negotiating the Regional Comprehensive Economic Partnership (RCEP), an FTA involving ASEAN and its six FTA partners. The ASEAN-led agreement, expected to be concluded by the end of 2015, will allow ASEAN to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement with its FTA partners. With a



combined GDP of about US\$21.2 trillion, which is about 30% of global GDP, the RCEP also has the potential to transform the region into an integrated market of about 3.4 billion people (or 48% of the world's population). When concluded, RCEP is expected to deliver tangible benefits to businesses through potential improvements in market access, trade facilitation, regulatory reform and more liberal rules of origin.

“ One of the important success stories of the AEC is ASEAN's integration into the global economy

Increased business interest in the AEC

ASEAN has enjoyed a steady increase in foreign direct investment (FDI), with an average growth of 14% since 2000. In 2012, FDI flows to the region reached US\$110.3 billion. Such strong FDI growth is a result of a multitude of factors, including the comprehensive ASEAN integration efforts that have made it cheaper, faster and easier to trade in the region.

Already, we have seen strong interest in the AEC from business. For example, the US Chamber of Commerce in a recent survey found that 54% of American companies had an ASEAN strategy in place and looked forward to the full implementation of the AEC; 84% of executives surveyed expected profits to increase in 2014 as integration continued.

As we move closer to our goal of AEC 2015, we fully expect business interest in the AEC to continue to rise, as more businesses benefit from such ASEAN integration efforts, and start to develop ASEAN strategies as part of their corporate policies. The process is well under way, as witnessed by the emergence of groups like the ASEAN Business Club, which is backed by some of the region's biggest corporations and sees creating a high level of awareness of the AEC as a core priority. In addition, the largest consulting companies in the region have all



jumped on the AEC bandwagon, helping to promote awareness of the AEC. Universities in the region have begun establishing AEC centres and think tanks are commissioning studies on the impact of the AEC.

The recent ASEAN Business Advisory Council's (ABAC) report noted that in the ABAC Survey on Competitiveness, conducted from May to August 2013, almost half of the businesses surveyed (48% of respondents) said that their organisation takes into account the investment attractiveness of the ASEAN region as a whole when planning investment strategies. This is up from 39% as recorded in the 2011-2012 survey and is an encouraging sign that a growing number of ASEAN businesses now have an "ASEAN strategy" in mind.

Key AEC Messages

“SHARED MARKET, SHARED BENEFITS”

“FROM TEN to ONE”

- With reduced barriers to trade and investment, investors can move more freely in the region, have greater access to capital and benefit from moving goods easily across borders.
- **EXAMPLE:** Four years before ASEAN was established, the Jebsen & Jessen Group of Companies started small in the region. Today, it is a US\$866 million operation and a model of regional integration with entities in nine out of the ten ASEAN nations, thanks to greater liberalisation of markets. As ASEAN grew, the company expanded from trading into chemical manufacturing and other operations, taking advantage of ASEAN as a platform for growth. Benefitting from regional integration, the company has moved into technology, communications and other pursuits and is one of the first industrial companies in Southeast Asia to be carbon neutral, offsetting its emissions for all operations.



- **EXAMPLE:** Jollibee, one of the region's most successful and fastest-growing fast-food chains, has benefitted greatly from integration, allowing it to build an efficient supply chain that helps keep prices down. It sources both processed and basic ingredients from suppliers in its home country and around the region, enabling the company "to share its good food to more ASEAN people at very affordable prices."
- **EXAMPLE:** The liberalisation of air services within the ASEAN region and outside the region with Dialogue Partners will enable greater air connectivity, which will in turn lower fares for the carriage of goods and passengers, and provide businessmen and the travelling public with more options. ASEAN signed its first air services agreement with China in 2011 and expanded the agreement in 2012. ASEAN will embark on greater engagement with its Dialogue Partners to conclude more liberal air services agreements.
- **EXAMPLE:** The establishment of the ASEAN Community-Based Tourism Standard will empower local communities to enjoy the benefits of their tourism potential by improving the quality of visitor experiences through partnerships with the private sector, which ultimately will provide more opportunities for youth employment and entrepreneurship.



“SIMPLIFIED RULES, GREATER ACCESS”

“TRADING ON A BIGGER STAGE”

- Trade in the region will be facilitated through simple, harmonised and streamlined trade and customs documentation as well as rules and procedures.
- **EXAMPLE:** Denso Corporation, a manufacturing company with operations in five ASEAN countries, has benefited from the trade facilitation provisions of ATIGA and the pilot self-certification system. Employing more than 22,000 people and with US\$2.9 billion of investments in ASEAN, the company has seen a reduction in document processing time and costs for its trade-related activities, contributing to the increase of its exports to the ASEAN market.
- **EXAMPLE:** Sony EMCS (Malaysia), a manufacturer of audio and video products as well as household appliances, uses the listed testing laboratory in Malaysia. Television sets are tested prior to export, and the test results are accepted by regulatory authorities in importing ASEAN countries. For ASEAN consumers, this arrangement ensures that



imported electronic goods are safe and comply with all relevant standards.

- **EXAMPLE:** Simplified rules, greater transparency and enhanced regulatory coherence for trading and investment provide incentives for young entrepreneurs to launch businesses that take advantage of a unified market to expand and target regional consumers. With the “buzz” increasing around the AEC, young people, especially from the SME sector, can also be expected to reach out to partners in neighbouring states to build synergies.

“ASEAN: HOME FOR YOUR INVESTMENT”

“PARTNERS IN BUSINESS”

- A more conducive business environment will encourage investors who are not yet in ASEAN to do business in the region, provide greater confidence among current investors to expand their investments and increase intra-ASEAN investment.
- **EXAMPLE:** Prudential Insurance has been in the region for 80 years, expanding rapidly in the ASEAN era. The company calls itself “as much an Asian company as a British one.” Active in seven ASEAN countries and still expanding, the company “sees its future as intertwined with the future of ASEAN.”
- **EXAMPLE:** Caterpillar, an international heavy equipment company, has made a major commitment to ASEAN as it sees the labour force expanding and a growing commitment to building modern infrastructure. From the company’s vantage point, “ASEAN provides many opportunities. At the same time, each country is highly



distinct. Each country in the region offers its unique challenges and opportunities. The future is bright for ASEAN.”

- **EXAMPLE:** India’s Fortis and the Bangkok Hospital Group have built up considerable expertise and experience in Singapore, Malaysia and Thailand. Similar partnerships provide better healthcare for the general public.
- **EXAMPLE:** For young people, lowered barriers to foreign investment and greater integration are providing better educational services in the context of the AEC. Student mobility, the transfer of academic credits and the creation of research clusters will help improve ASEAN’s higher education system and provide support to the estimated 6,500 higher education institutions and 12 million students in the ten Member States.



“MAKING CAPITAL WORK FOR YOU”

“EXPANDING ACCESS TO FINANCE”

- A more robust ASEAN financial sector translates into stronger financial intermediation, capacity and risk management to support national and regional growth, and stronger cooperation to reduce vulnerabilities to external shocks and market volatility.
- **EXAMPLE:** The seven ASEAN Exchanges have a combined market capitalisation of approximately US\$2.9 trillion with more than 3,600 companies listed on their exchanges. Since the launch of ASEAN Exchanges in April 2011, a number of key initiatives have been rolled out. Some of these include the ASEAN Trading Link, the ASEAN Stars and the Invest ASEAN Retail Roadshow. These initiatives have created significant awareness of ASEAN as an attractive location for retail and institutional investors. The collaboration will jointly promote the development of ASEAN as an asset class and increase liquidity by streamlining access to ASEAN capital markets.



- **EXAMPLE:** CIMB, a strong advocate of regional financial integration, thinks of itself as an ASEAN bank. Now operating in nine out of the ten ASEAN countries, the bank has what it calls a “multi-local” business model that strongly relies on local expertise to deepen its involvement and branch network into rural and urban areas in many countries at once.
- **EXAMPLE:** With a more developed banking sector, small and medium enterprises and entrepreneurs will have better access to financial services. In addition, initiatives on financial inclusion and financial literacy will support individuals in their own financial planning.

“ASEAN PROFESSIONALS ON THE MOVE”

“BEST PEOPLE AND BEST PRACTICES”

- The diversity of talent found in the ten Member States is a major benefit for ASEAN employers as they build regional companies.
- **EXAMPLE:** ASEAN has come up with an information and communications technology (ICT) skill standards and certification framework in order to develop human capital and enable the free flow of ICT professionals within the region. The framework focuses on five key ICT areas: software development, ICT project management, enterprise architecture design, network and system administration and information system and network security.
- **EXAMPLE:** Mutual Recognition Arrangements (MRAs) such as ASEAN’s MRA in engineering and architectural services provide for recognition and registration of certified professionals to practice in other ASEAN countries. The MRAs will also change the way ASEAN professionals



think about their careers as the prospect of marketing and utilising their skills across the ASEAN region becomes more attainable.

- **EXAMPLE:** AirAsia, the regional low-cost air carrier, has expanded its network greatly ahead of the open skies policy under the AEC. But as important as hardware and landing rights are, the company's employees are the key to success. "People are our greatest asset," the company says. Its mechanics, pilots, cabin crew and others come from many different ASEAN countries, allowing the airline to benefit from ASEAN's diversity.
- **EXAMPLE:** Under the MRA on Tourism Professionals signed in 2012, training and education institutions using the Common ASEAN Tourism Curriculum will help improve their graduates' eligibility to work in other Member States. This opens up great opportunities to enhance the quality of services and human resources in the tourism industry.



“OUR COMMUNITY, OUR JOURNEY”



What comes next?

ASEAN is committed to fulfil the 2007 pledge to implement the ASEAN Economic Community by the end of 2015. That said, many of the AEC deliverables have already been realised between 2007 and now, and our businesses are already enjoying the fruits of greater ASEAN integration as a result. ASEAN has now focused its attention on the implementation of remaining deliverables under the AEC. While there are challenges that we will face in completing the task, ASEAN's commitment to implementing the AEC remains undiminished.

AEC 2015 will also not be the end of ASEAN integration efforts. At their annual summit meeting in Brunei Darussalam in 2013, the ASEAN heads of state committed to creating a "Post-2015 Vision" that builds on the blueprint for an ASEAN Community and the

“ We need to continually engage the private sector as the key partner in making the AEC a success

Master Plan on ASEAN Connectivity. The leaders' goal is to realise a community that is "politically cohesive, economically integrated, socially responsible and a truly people-oriented,

“We are embarked on a journey to transform economic relations in Southeast Asia

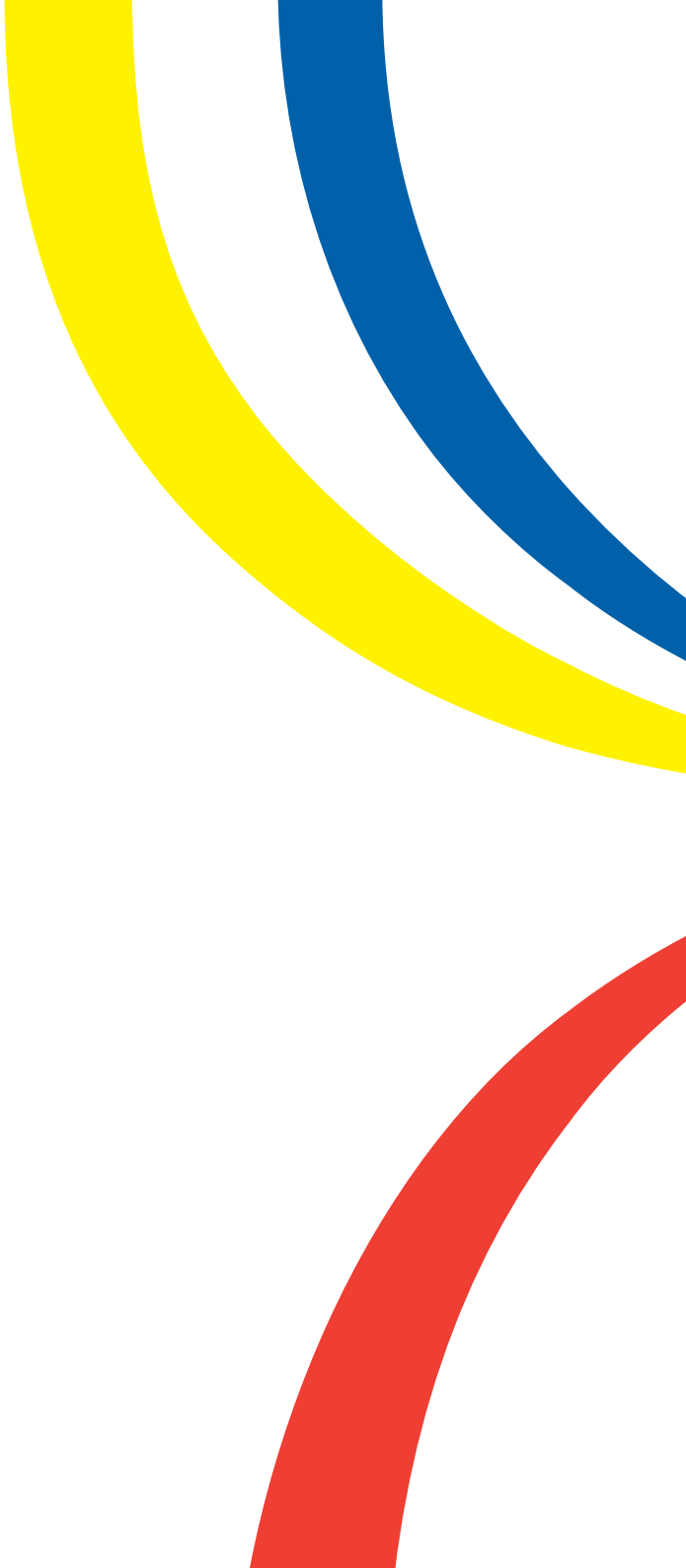
people-centred and rules-based ASEAN.”

The heads of state, leaders in the private sector and other experts know that regional integration and the building of a single market for the AEC is a process that is just beginning. It will continue past 2015 as barriers are lowered, connectivity is enhanced, infrastructure is built and legal frameworks are refined to fit the community. New situations will emerge, fears must be overcome, unforeseen consequences will be encountered and solutions will be found.

Our ASEAN people, in all their diversity and creativity, are the most crucial factor on our journey. We need to continually engage the private sector as the key partner in making the AEC a success. We encourage ASEAN businesses in particular to think of ASEAN as a whole and develop their own ASEAN strategies, leveraging on the AEC initiatives and the opportunities they present. This is a golden opportunity for the region’s growing business community.

Seize the moment. Get involved!

“2015: JUST THE BEGINNING”



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