



Achieving the ASEAN Economic Community (AEC)

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Association of Southeast Asian Nations (ASEAN)

- Launched in 1967 with 5 members (Brunei in 1984)
- Vietnam (1995), Cambodia and Myanmar (1997), Lao PDR (1999) [often referred to as CMLV]



ASEAN Economic Community

- First endorsed by ASEAN leaders in 2007
- Four pillars of AEC by 2015:
 1. Single market and production base
 2. Highly competitive economic region
 3. Region of equitable economic development
 4. Region fully integrated with global economy
- All progress supposed to be tracked by ASEAN Scorecard
- Basic goal #1: “Free movement of goods, services, investment, skilled labor & freer movement of capital”



Use of “Pilot Projects”

- Hard to get all of ASEAN to do anything together, so...
- Lots of use of “pilot projects” with some set of ASEAN member states participating
 - Examples, customs self-certification forms for rules of origin or ROOs (4 countries), single window for customs (7 members participate)
- Use of ASEAN-X formulas
- No one checks for implementation
- ASEAN Secretariat woefully understaffed for task of managing 2015 (esp compared to EU)
- No consequences to failure of members



Free Flow of Goods

- Follows on ASEAN Free Trade Area (AFTA), which eliminated tariffs in 2010
 - A few remain for Cambodia, Laos, Myanmar (CML) to 2015
- New focus on trade facilitation and removal of non-tariff barriers
 - Especially for autos, electronics and textiles
 - New streamlined procedures and rules of origin
 - Pilot projects for single windows
- Slow spread of mutual recognition projects
 - Examples, medicinal products, electrical and electronic equipment, cosmetics



Ease of Doing Business Improving

	Ease of Doing Business Rank (of 189)	Trading Across Borders Index (of 189)
Singapore	1	1
Malaysia	6	5
Thailand	18	24
Brunei	59	39
Vietnam	99	65
Philippines	108	42
Indonesia	120	54
Cambodia	137	114
Lao PDR	159	161
Myanmar	182	113

World Bank, *Ease of Doing Business 2013*



Free Flow of Services

- 8 “packages” completed so far to open up services markets in ASEAN
- 10 packages are needed for all sectors to be covered (originally 11 were planned)
- Out of about 160 sub-sectors, ASEAN has opened 65 (more for some countries)
- Priority sectors: air transport, healthcare, e-ASEAN, tourism and logistics (all to be done by 2013)



Impact of Liberalization?

- But not all commitments under services liberalization are in commercially meaningful areas
 - Example: Hotels might be opened, but only 3 star or below or only in certain, far-flung provinces
- Market opening only for ASEAN firms
- Every member has different commitments for services
- Note: ASEAN-Australia-New Zealand (AANZFTA) has greater opening



Movement of Service Providers and Labor

- Labor movement very sensitive area
- AEC allows for free “skilled labor”
- Mutual recognition of qualifications for some
 - Engineers and architects
 - Working on nursing, medical, dental, accounting, surveying
- Agreement on Movement of Natural Persons in 2012
 - Free movement scorecard applies only at regional level, not to domestic implementation so far
- Still subject to domestic immigration requirements



Investment, Capital and the Rest

- ASEAN Comprehensive Investment Agreement (ACIA) handles investment
 - Liberalization proceeding slowly according to schedules
 - Foreign equity limits to rise to at least 70% by 2015
- Financial services part of broader services liberalization efforts (but deadline is 2020)
- Changes in FDI regulation considered
 - Some included in services commitments (mode 3)
- Priority Integration Sectors: esp tourism, autos and telecomm equipment



Pillar 1 Scorecard

Table 1

Single Market and Production Base Scorecard

Key Areas	Phase I (2008-2009)		Phase II (2010-2011)		Total Measures	
	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented
Free Flow of Goods	9	0	23	24	32	24
Free Flow of Services	10	3	13	17	23	20
Free Flow of Investment	5	1	5	8	10	9
Free Flow of Capital	1	0	5	0	6	0
Free Flow of Skilled Labor	-	-	1	0	1	0
Priority Integration Sectors	28	0	1	0	29	0
Food, Agriculture and Forestry	8	0	5	6	13	6
Total Number of Measures	61	4	53	55	114	59
Implementation Rate*	93.8%		49.1%		65.9%	

* Implementation rate is calculated as the ratio of measures that are fully implemented to total number of measures targeted

(-) Indicates no measures targeted for this phase

Pillar Two: Other Areas of Business Interest

- Intellectual Property Protection
 - ASEAN has an action plan for IP, but little has actually happened
 - Note, however, AANZFTA has commitments on IP
- ASEAN infrastructure supposed to be coming:
 - Open skies for passenger aircraft
 - Single shipping market for ASEAN
 - ASEAN Highway Network
 - ICT master plan with broadband corridor
 - Seven different programmes on energy cooperation



Pillar 2 Scorecard

Table 2

Competitive Economic Region Scorecard

Key Areas	Phase I (2008-2009)		Phase II (2010-2011)		Total Measures	
	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented
Competition Policy	2	0	2	0	4	0
Consumer Protection	2	0	5	4	7	4
Intellectual Property Rights	-	-	4	1	4	1
Transport	15	10	6	8	21	18
Energy	0	0	2	1	2	1
Mineral	1	0	7	0	8	0
ICT	2	0	4	0	6	0
Taxation	-	-	0	1	0	1
E-commerce	-	-	1	0	1	0
Total Number of Measures	22	10	31	15	63	25
Implementation Rate*	68.7%		67.4%		67.9%	

* Implementation rate is calculated as the ratio of measures that are fully implemented to total number of measures targeted

(-) Indicates no measures targeted for this phase

Pillar 3: Equitable Development

- Encourage SMEs
- Fold in CLMV support to AEC framework

Table 3

Equitable Economic Development Scorecard

Key Areas	Phase I (2008-2009)		Phase II (2010-2011)		Total Measures	
	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented
SME Development	1	0	4	3	5	3
Initiative for ASEAN Integration (IAI)	2	0	1	1	3	1
Total Number of Measures	3	0	5	4	8	4
Implementation Rate*	100%		55.5%		66.7%	

* Implementation rate is calculated as the ratio of measures that are fully implemented to total number of measures targeted

Pillar 4: Integration

- All ASEAN+1 FTAs have been ratified
- Implementation may be less rosy
- Not all ASEAN+1 agreements go beyond goods

Table 5

Integration into the Global Economy Scorecard

Key Areas	Phase I (2008-2009)		Phase II (2010-2011)		Total Measures	
	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented	Fully Implemented	Not Fully Implemented
External Economic Relations	5	0	7	2	12	2
Total Number of Measures	5	0	7	2	12	2
Implementation Rate*	100%		77.8%		85.7%	

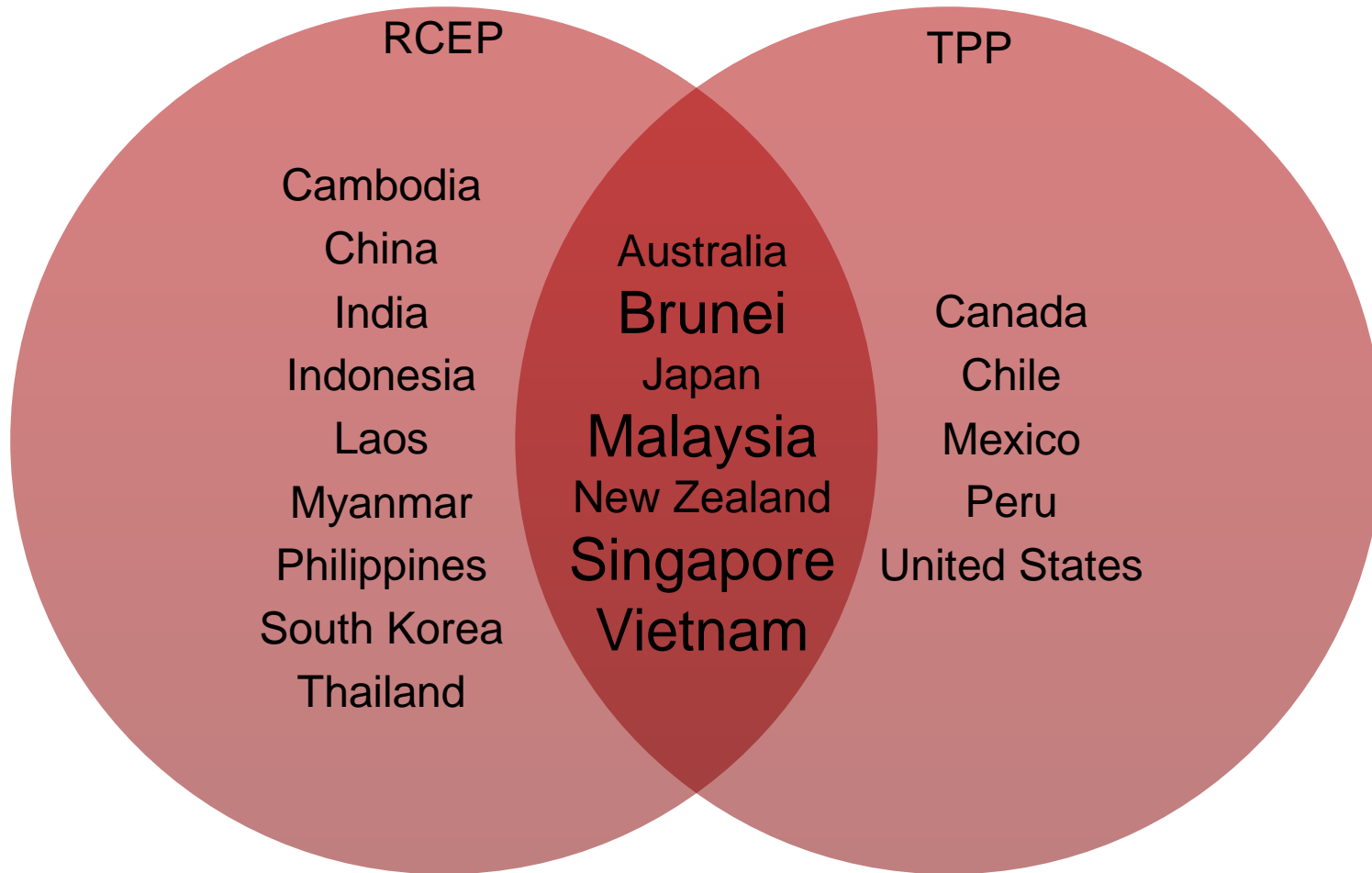
Toward the integration into the global economy, ASEAN has achieved 85.7% of identified measures, including the ratification of various Free Trade Agreements with China, Japan, Republic of Korea, Australia, New Zealand, and India.



So Much for the Good News...

- Scorecard is binary system (yes/no) and does not show implementation or quality of commitments or break down by country
- Here, evidence is much less positive
- Hardest sectors/issues left to end
- Highly unlikely ASEAN will meet 2015 goals
- Shift in focus to Regional Comprehensive Economic Agreement (RCEP) with 16 parties?
- May be hard for ASEAN to stay in “driver’s seat”

RCEP and TPP: Overlapping Membership



For Myanmar

- For long time, Myanmar largely ignored in ASEAN circles—limited pressure to deliver on promises
- But country embraced role in 2014 as ASEAN Chair
- Likely to make rapid progress in moving up “Doing Business” tables as country implements AEC
- Gaps are still significant
- Businesses can use AEC and ASEAN commitments to reinforce movements in right direction

