

**8th AEC COUNCIL MEETING AND
44th ASEAN ECONOMIC MINISTERS' MEETING (AEM)
AND RELATED MEETINGS
27-31 AUGUST 2012, SIEM REAP, CAMBODIA**

KEY OUTCOMES AND HIGHLIGHTS

The 44th AEM and Related Meetings include the AEM, ASEAN Investment Agreement (AIA) Council, ASEAN Free Trade Area (AFTA) Council, CLMV Economic Ministers, the ASEAN-Mekong Basin Development Cooperation (AMBDC) and consultations with ASEAN's Dialogue Partners (Australia, Canada, China, India, Japan, Russia, South Korea and United States). In addition, the 8th ASEAN Economic Community Council (AECC) Meeting was also held to discuss AEC related issues.

Progress of the ASEAN Economic Community

The 44th AEM discussed the progress of regional economic integration since the 43rd meeting in Manado. The status of implementation of various initiatives under the AEC was discussed including those with external partners.

- Under the AEC, ASEAN has implemented 72 percent of measures under the AEC Blueprint. This is an improvement from 67.5 percent implementation rate reported at the 43rd AEM in Manado last year. The higher implementation rate reflects additional measures being implemented under Phase I (2008-09) and Phase II (2010-11) of the Blueprint, and represent gains made across the four pillars of the AEC. Key achievements noted/endorsed during the 44th AEM are as follows:

Pillar I (single market and production base): endorsement of tariff reduction schedule for Indonesia, Laos and Thailand under the ASEAN Trade in Goods Agreement (ATIGA); implementation of ASEAN Single Window (development of ASW new architecture and legal framework), decision to explore mechanisms to effectively address the issues of non-tariff barriers (including the need to promote transparency, ensure proper notification and adequate consultations), the MOU among the Governments of the Participating Member States of ASEAN on the 2nd Self-Certification Pilot Project signed by the Ministers of Indonesia, Lao PDR and the Philippines, completion of 8th AFAS package and ASEAN Agreement on Movement of Natural Persons, implementation of

peer review process to eliminate investment restrictions under the new ASEAN Comprehensive Investment Agreement (ACIA), and entry into force of APTERR (ASEAN Plus Three Emergency Rice Reserve) Agreement on food security.

Pillar II (competitive economic region): holding of first consultation meeting between AEM and ASEAN SME Advisory Board during the 44th AEM, focusing on areas such as SME access to finance and market, internationalization of SMEs and progress of SME projects and initiatives; and progress of implementation of competition policy and law in ASEAN and consumer protection, holding of first consultations with the Director-General of the World Intellectual Property Organization (WIPO) that focused on strengthening ASEAN-WIPO cooperation under the framework of the ASEAN IPR Action Plan for 2011-2015.

Pillar III (narrowing development gap): progress in implementing the ASEAN Framework on Equitable Economic Development (AFEED), including stock taking of capacity building initiatives undertaken by ASEAN bodies across sectors; greater focus on AFEED particularly in addressing issues related to equitable development, SME financing and financial inclusion.

- ASEAN has further enhanced its external engagement with dialogue partners (**Pillar IV: integration into global economy**). The 44th AEM noted/endorsed the progress of activities with the following partners:

ASEAN Plus ASEAN FTA Partners: Progress in the work of the Senior Economic Officials in paving the way for the launch of RCEP negotiations in November 2012; agreement to submit recommendations to their governments on the launch of RCEP negotiations; agreement to recommend to the Leaders the Guiding Principles and Approaches to Negotiating the RCEP for their consideration and endorsement in November 2012.

ASEAN-Canada: Convening of the 1st AEM-Canada Consultations; adoption of the 2012-2015 ASEAN-Canada Trade and Investment Work Plan to enhance economic cooperation between ASEAN and Canada; establishment of Canada-ASEAN Business Council (CABC) not only serve as the channel for business-to-business dialogue to raise awareness of trade and investment opportunities in ASEAN and Canada but also as the channel for future government-to-business engagement.

ASEAN-CER (Australia and New Zealand): Entry into force of the ASEAN-Australia-New Zealand FTA (AANZFTA) for all Parties on 10 January 2012; substantial work undertaken in AANZFTA's built-in agenda in goods, services, investment, and intellectual property; good progress achieved in the economic cooperation component of the AANZFTA, particularly the capacity-building activities given to some ASEAN Member States to help them implement their AANZFTA commitments.

ASEAN-China: Completion of tariff elimination for the Normal Track products of ASEAN 6 and China and implementation of tariff commitments for Sensitive Track products on 1 January 2012; agreement to sign two protocols at the 15th ASEAN-China Summit in November 2012: "Third Protocol to Amend the ASEAN-China Framework Agreement" and "Protocol to Incorporate Technical Barriers to Trade and Sanitary and Phytosanitary into the Agreement on Trade in Goods"; agreement to prioritize trade facilitation which include on-going efforts to review the ACFTA Rules of Origin and finalize as soon as possible the text of the Chapter on Customs Procedures and Trade Facilitation agreement to organize an ASEAN Roadshow to China in 2013; agreement to push forward the ASEAN-China connectivity cooperation.

ASEAN-Canada: Convening of the 1st AEM-Canada Consultations; adoption of the 2012-2015 ASEAN-Canada Trade and Investment Work Plan to enhance economic cooperation between ASEAN and Canada; establishment of Canada-ASEAN Business Council (CABC) not only serve as the channel for business-to-business dialogue to raise awareness of trade and investment opportunities in ASEAN and Canada but also as the channel for future government-to-business engagement.

ASEAN-EAS: Exchange of views on how EAS can play a significant role in community building in the region, including support for effective implementation of the Declaration of the 6th EAS on ASEAN Connectivity; emphasis on the importance of finding fresh and credible approaches to successfully conclude the Doha Round; renewed commitment to avoid protectionism, support standstill and rollback of trade-distorting or protectionist measures affecting trade and investment.

ASEAN-India: Instruction for Senior Economic Officials to start the review of the implementation of the ASEAN-India Trade in Goods Agreement, including the possibility of a package of Product-Specific Rules (PSR) to further facilitate trade between ASEAN and India; instruction to step up effort, exercise flexibility and strive towards an

announcement of the conclusion of negotiations for trade in services and investment at the 10th ASEAN-India Summit in November 2012 at the earliest.

ASEAN-Japan: Endorsement of ASEAN-Japan 10-year Strategic Economic Cooperation Roadmap to promote strategic partnership in a number of areas (business environment, trade and investment facilitation, infrastructure development, etc.) and to help achieve the objective of doubling trade and investment flows between ASEAN and Japan by 2022; agreement to exert more effort towards completing negotiations for trade in services and investment under the AJCEP; agreement to cooperate in the protection of Intellectual Property Rights.

ASEAN-South Korea: Completion of tariff elimination for the Normal Track products of ASEAN 6 and South Korea and implementation of tariff commitments for Sensitive Track products on 1 January 2012, adoption of the Work Programme for Further Liberalization to enhance utilization of AKFTA tariff preferences, entry into force of the 2nd Protocol to Amend the Agreement on Trade in Goods, launch of AKFTA website (<http://akfta.asean.org>) and the development of AKFTA Seminar Kit to promote the AKFTA.

ASEAN-US: Commitment to further build trade and investment relationship between ASEAN and the United States with the ASEAN-US Trade and Investment Framework Agreement (TIFA) as vehicle to realize this objective; holding of the 1st ASEAN-US Business Summit on 30 August 2012, and plan to endorse the TIFA Work Plan for 2013, which would include continued cooperation on trade facilitation, digital economy, trade and environment, and priority areas for ASEAN, i.e. SME development and ASEAN connectivity.

Discussion of Key Issues and Challenges to AEC

The 44th AEM/8th AECC discussed key issues and challenges affecting the AEC and exchanged views on how to address these challenges.

- The **uncertain global economy still presents a major risk to ASEAN economies.** Reflecting the weak global economic conditions, developments in the first quarter 2012 show that economic growth, external trade and foreign direct investments in ASEAN have started to show some signs of weakness as well. Thus, the 44th AEM/8th AECC

recognized the importance of increased policy coordination to promote recovery and financial stability in the region amidst global downside risks.

- Against this global uncertainty, the 44th AEM/8th AECC agreed to further strengthen the region's internal competitiveness through the AEC. However, they also recognized that as 2015 is fast approaching, there is a need to address a number of challenges. **Of particular concern is the need to accelerate the implementation of AEC.** Among the important actions needed to address the implementation bottlenecks under the AEC are to enhance the ratification of AEC agreements particularly those in customs and transport, strengthen the ability of countries to implement domestic laws and undertake regulatory reforms consistent with regional initiatives, and enhance capacity of countries to implement AEC projects (e.g., National Single Window and Self-Certification Program).
- As an immediate priority, the 44th AEM/8th AECC **agreed to double efforts to achieve AEC by 2015 consistent with the Phnom Penh Agenda for ASEAN Community Building** endorsed by the Leaders at the 20th Summit last April. They agreed to prioritize the AEC measures and aim for realistic targets by 2015, but without lowering the ambitions set by the Leaders and ensuring as well that there's no back tracking of commitments. The goal is still full implementation of commitments by 2015. Among the important measures to prioritize are those that impact the markets most, including measures to address non-tariff barriers, enhance the efficiency of services liberalization through the review of the ASEAN Framework Agreement on Services (AFAS), promote attractiveness of ASEAN as an integrated investment area with full implementation of ACIA, and strengthen trade and investment facilitation (particularly in customs and transport facilitation) to encourage greater trade, services, and investment flows into ASEAN.
- Second, the 44th AEM/8th AECC **agreed to increase political commitments for deeper economic integration.** In particular, they recognized the importance of increased institutional support for integration to increase the transparency of the trade and investment trade regime in the region. Among the important decisions by the Ministers are to: (i) institutionalize a mechanism for addressing issues related to Non-Tariff Measures/Barriers, (ii) enhance peer review process in investment, (iii) promote regulatory reforms through the work of High-Level Task Force on Economic Integration (HLTF-EI), and (iv) strengthen monitoring of AEC through the ASEAN Integration Monitoring Office (AIMO) of the ASEAN Secretariat.

- Finally, the 44th AEM/8th AECC **agreed that more efforts are needed to address the development challenges of AEC**. Of particular importance is the need to address the issue of equitable economic development through the ASEAN Framework Agreement on Equitable Economic Development (AFEED) that the Leaders adopted last year in Bali. The 44th AEM/8th AECC discussed the approach of implementing AFEED and other issues related to its structure and funding requirements, including potential projects under AFEED like the development of SMEs and financial inclusion.
- The 44th AEM/8th AECC also **recognized the importance of increased engagement with the private sector and other stakeholders** not only to effectively communicate the nature and activities of AEC but also to get their inputs and perspective which were viewed as crucial to the successful economic integration of the region. They agreed to bring AEC to the people through an effective communication and dissemination strategy and greater engagement of the private sector. At the sidelines of the 44th AEM meetings, a number of activities were organized with private sector including the 1st AEM-ABAC Consultation, 1st ASEAN-US Business Summit, consultations with other business councils, such as, the East Asia Business Council (EABC), US-ASEAN Business Council (USABC), Federation of Japanese Chamber of Commerce and Industry in ASEAN (FJCCIA), the newly-created Canada-ASEAN Business Council and the ASEAN Federation of Textile Industries (AFTEX).

Way Forward and Deliverables for the 21st ASEAN Summit

The 44th AEM/8th AECC agreed on the following deliverables for the 21st ASEAN Summit in November 2012 in Phnom Penh, Cambodia.

- Submission of 8th AEC Council Report to the Leaders, highlighting key achievements and challenges in implementing the AEC since the 20th Summit as well as key recommendations to realize the AEC by 2015.
- Conclusion of negotiations for trade in services and investment under the ASEAN-India FTA
- Signing by the AEM of the following AEC-related Agreements and Protocols:
 - ASEAN Agreement on Movement of Natural Persons (MNP)

- Protocol to Incorporate Technical Barriers to Trade and Sanitary and Phytosanitary Measures into the Agreement in Goods [under ASEAN-China FTA]
- Third Protocol to Amend the ASEAN-China Framework Agreement [under ASEAN-China FTA]
- Declaration to Launch Negotiations of Regional Comprehensive Economic Partnership (RCEP), including the Guiding Principles and Objectives for Negotiating the RCEP