



# ASEAN ECONOMIC COMMUNITY FACTBOOK





# **ASEAN ECONOMIC COMMUNITY FACTBOOK**

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. The ASEAN Secretariat is based in Jakarta, Indonesia.

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## History of ASEAN

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ASEAN – the Association of Southeast Asian Nations – was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (or Bangkok Declaration) by the Founding Members of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Afterwards Brunei Darussalam joined on 7 January 1984, Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up what is today the ten Member States of ASEAN.

The two-page ASEAN Declaration contains the aims and purposes of the Association, which include cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law, and adherence to the principles of the United Nations Charter.

With a shared vision of ASEAN as a concert of Southeast Asian nations, outward looking, living in peace, stability and prosperity, bonded together in partnership in dynamic development and in a community of caring societies, the ASEAN Leaders in 2003 resolved that an ASEAN Community shall be established in 2020. In 2007, the Leaders affirmed their strong commitment to accelerate the establishment of an ASEAN Community by 2015. The ASEAN Community is comprised of three pillars, namely the ASEAN Political-Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community, all expected to work in tandem in establishing the ASEAN Community.

To achieve the ASEAN Community, ASEAN is guided by the ASEAN Charter, a firm foundation that provides a legal status and institutional framework for the region. It codifies ASEAN norms, rules and values; sets clear targets for ASEAN; and presents accountability and compliance. The Charter entered into force on 15 December 2008. With the entry into force of the Charter, ASEAN will henceforth operate under a new legal framework and establish a number of new organs to boost its community-building process.



## **Foreword by H.E. Dr. Surin Pitsuwan, Secretary-General of ASEAN**

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The engagement and participation of the stakeholders, particularly the private sector, in strengthening the foundation for a successful and sustainable ASEAN Economic Community by 2015 is critical. The significance of this engagement has been acknowledged at the highest level in ASEAN where the ASEAN Leaders themselves engage in dialogues with the private sector at the sidelines of their Summits.

The ASEAN Economic Community (AEC) has in place various forums and activities such as the ASEAN Economic Ministers' dialogue with the ASEAN wide private sector associations, ASEAN and foreign chambers of commerce and industry associations as well as ASEAN-based regional associations. Additionally, I have also taken it upon myself to further engage and challenge the private sector to better organize themselves and be fully involved in the AEC building process. The formation of the Federation of Japanese Chambers of Commerce and Industry in ASEAN is one such successful initiative which I have proposed to other foreign and ASEAN based associations to emulate. I also acknowledge that there are still many in the private sector in ASEAN who are not aware or updated on the developments of AEC towards 2015.

Against this backdrop, the "ASEAN Economic Community Factbook" publication has been compiled in a user friendly format to provide the most up-to-date information on the progress of the AEC. I hope this would enhance the awareness of not only ASEAN based businesses but also regional and transnational businesses engaged in commercial activities and services in ASEAN. This publication also targets the Small Medium Enterprises and entrepreneurs to provide them an overview on the wider developments that are taking place in ASEAN.

It is our fervent hope that this "ASEAN Economic Community Factbook" will also help create interest among all stakeholders including the civil society, the academia and the public at large and invite their active participation in the AEC building process.

Thank you.

## **Message by H.E. S. Pushpanathan, Deputy Secretary-General of ASEAN for ASEAN Economic Community (AEC)**

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The ASEAN Leaders adopted the ASEAN Economic Community (AEC) Blueprint with its Strategic Schedule in November 2007 that has provided the momentum for the establishment of the AEC in the year 2015. ASEAN has quite successfully implemented the first phase (2008-2009) of the Blueprint and has entered the second phase (2010-2011) of its implementation.

The ASEAN Leaders, AEC Council and the ASEAN Economic Ministers have emphasised the importance of engaging the business sector and for them to be actively involved in the building of the AEC. This is, indeed, the key rationale for the publication of this “ASEAN Economic Community Factbook”. This publication provides up-to-date information on the developments taking place in the transformation of ten ASEAN economies into an integrated and highly competitive economic region with equitable development that is fully plugged into the global economy in creating a viable single market and production base.

ASEAN is progressing well in meeting the requirements set under the AEC Blueprint. Some of the key achievements include the elimination of tariffs in the Inclusion List for ASEAN-6 of Brunei Darussalam, Indonesia, Malaysia, the Philippines, Thailand and Singapore as well as achieving 0-5% for Cambodia, Lao PDR, Myanmar and Viet Nam tariffs at 0-5% under AFTA; the signing of the ASEAN Trade in Goods and ASEAN Comprehensive Investment Agreements; realisation of the free trade areas with Australia and New Zealand, China, India, Japan, Republic of Korea as of 1 January 2010; several rounds of services liberalisation; establishment of the Chiang Mai Initiative Multilateralisation; and signing of several transport agreements to facilitate trade and tourism.

This publication provides a quick snap-shot and carries enough details to give the reader a good understanding of the ongoing AEC building efforts. It is vital that the business community, civil society, academia as well as our Dialogue and Development Partners are fully informed to be able participate in building a sustainable AEC.

Specifically, private-sector feedback is an essential ingredient in the formulation of laws and regulations as well as in assessing the implementation, impact and implications of various economic policies and initiatives. Only through such partnerships will our efforts be effective with fruitful outcomes that will bring real benefits to the AEC in a sustained manner.

It is our sincere hope that this publication will assist in the engagement of all stakeholders and partner us in building the AEC by the year 2015. With this in mind, care has been taken to ensure this publication is simple and user friendly.

Pleasant reading! Thank you.

## Introduction to ASEAN Economic Community (AEC)

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In 2003, all ASEAN Leaders resolved that an ASEAN Community shall be established by 2020. In 2007, the Leaders affirmed their strong commitment to accelerate the establishment of an ASEAN Community by 2015. The ASEAN Community realisation procedure comprises three pillars that work in tandem: the ASEAN Political-Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community.

Accordingly with these pillars agreed upon, the Leaders agreed to speed up the establishment of the AEC to 2015 and to transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital.

The ASEAN Economic Community (AEC) Blueprint was then adopted in 2007. The AEC Blueprint serves as a coherent master plan guiding the establishment of the AEC. It identifies the characteristics and elements of the AEC with clear targets and timelines for implementation of various measures as well as pre-agreed flexibilities to accommodate the interests of all ASEAN Member States.

Taking into consideration the importance of the external trade to ASEAN and the need for the ASEAN Community as a whole to remain outward looking, the ASEAN Economic Community (AEC) envisages the following key characteristic: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development and (d) a region fully integrated into the global economy.

### **Single Market and Production Base**

With the realisation of the ASEAN Economic Community, ASEAN will become a single market and production base. The establishment of ASEAN as a single market and production base will make ASEAN more dynamic and competitive with new mechanisms and measures to strengthen the implementation of its existing economic initiatives, accelerating regional integration in priority sectors, facilitating movement of business persons, skilled labour and talents; and strengthening the institutional mechanisms of ASEAN.

An ASEAN single market and production base comprises five core elements: (i) free flow of goods; (ii) free flow of services; (iii) free flow of investment; (iv) freer flow of capital; and (v) free flow of skilled labour. Industrial sectors included in the single market and production base comprise the twelve (12) priority integration sectors: agro-based products, air travel (air transport), automotive, e-ASEAN, electronics, fisheries, healthcare, rubber based products, textiles and apparel, tourism, wood-based products and logistics as well as the food, agriculture and forestry sectors.

A single market for goods and services will facilitate the development of production networks in the region and enhance ASEAN's capacity to serve as a global production centre and as a part of the global supply chain. Tariffs will be eliminated and non-tariff barriers will be gradually phased out. Simple, harmonised and standardised trade and customs are expected to reduce transaction costs. There will be a free movement of professionals. ASEAN investors will be free to invest in sectors and the services sectors will be opened up.

### **Competitive Economic Region**

The creation of a stable, prosperous, and highly competitive economic region is the goal of ASEAN economic integration.

There are six core elements under the competitive economic region: (i) competition policy; (ii) consumer protection; (iii) intellectual property rights (IPR); (iv) infrastructure development; (v) taxation; (vi) e-commerce.

ASEAN Member States have committed themselves to introduce nation-wide competition policies and laws (CPL) to ensure a level playing field and incubate a culture of fair business competition for enhanced regional economic performance in the long run.

### **Equitable Economic Development**

Under equitable economic development there are two elements: (i) Small and Medium Enterprise (SME) development and (ii) Initiatives for ASEAN Integration. These initiatives move towards bridging the development divide both at the SME level and enhance economic integration of Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) to enable all Member States to move forward in a unified manner and to enhance ASEAN's competitiveness as a region as well for all to benefit from the integration process.

### **Integration with Global Economy**

ASEAN operates in an increasingly inter-connected and highly networked global environment, with interdependent markets and globalised industries. In order to enable ASEAN businesses to compete internationally, to make ASEAN a more dynamic and mainstream global supplier and to ensure that the internal market remains attractive for foreign investment, ASEAN has to look beyond the borders of AEC.

Two approaches taken by ASEAN in integrating with the global economy are: (i) a coherent approach towards external economic relations through Free Trade Agreements (FTA) and Closer Economic Partnerships (CEP); and (ii) enhanced participation in global supply networks.



# Trade and Facilitation





## Trade Facilitation in ASEAN

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As Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand have eliminated import duties on 99.65% of traded tariff lines since 1 January 2010, while Cambodia, Lao PDR, Myanmar and Viet Nam have reduced 98.86% of their traded tariff lines to 0-5%, the focus of ASEAN will shift to further enhance trade among ASEAN Member States (AMS). In this context, and in order to facilitate a free flow of goods and to promote a regional production network in ASEAN, AMS adopted the Trade Facilitation Work Programme in 2008 and the Trade Facilitation Indicators were subsequently adopted in 2009.

### Tariff Liberalisation in ASEAN

On 1 January 2010, ASEAN-6 eliminated tariffs on an additional 7,881 tariff lines, bringing the number of tariff lines having zero duty to 54,467, or 99.65% of the traded tariff lines under the Common Effective Preferential Tariff (CEPT-AFTA). Of the 7,881 additional tariff lines that have zero duties, goods under the Priority Integration Sectors account for 24.15% of tariff lines, iron and steel account for 14.92%, machinery and mechanical appliances for 8.93%, and chemicals for 8.3%. This additional tariff elimination brings the expected average tariff rate of ASEAN-6 to only 0.05 % in 2010 from 0.79 % in 2009. For Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV), import duties on an additional 2,003 tariff lines have been reduced to 0-5%, resulting in a total of 34,691 tariff lines or 98.96% of total tariff lines having 0-5% import duties. In addition to the above-mentioned items, products like prepared foodstuffs, furniture, plastics, paper, cement, ceramics, glass, and aluminium of ASEAN origin will also enjoy duty-free entry into Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

### Improving Transparency of Trade

ASEAN is working towards the establishment of an ASEAN Trade Repository (ATR) by 2015 that would serve as a gateway of regulatory information at both regional and national levels. The ATR, among others, will carry information on tariff nomenclature; preferential tariffs offered under the ASEAN Trade in Goods Agreement (ATIGA);

Rules of Origin; non-tariff measures; national trade and customs laws and rules; documentary requirements; and lists of authorised traders of Member States. Once established and fully functioning, the ATR and the information contained therein will be accessible through the internet to economic operators like exporters, importers, traders, as well as government agencies and the interested public and researchers. Currently, ASEAN is developing the design and mechanism of the ATR.

### **Continuous Reforms of Rules of Origin**

With a view to achieving a more expeditious clearance and release of containerised shipments by Customs authorities, AMS are developing the ASEAN Single Window (ASW), which would provide an integrated partnership platform among government agencies and end-users in the movement of goods throughout AMS. The AMS are also engaged in the process of continuously reforming and enhancing the ASEAN Rules of Origin (ROO) to respond to changes in global production processes, including making necessary adjustments. The objective is to make the ROO more trade facilitative and, at least, as liberal as those contained in the ASEAN FTA arrangements. The revision of the ROO undertaken to date has introduced other origin criteria as an alternative to the long-standing Regional Value Content (RVC) of 40%. This provides economic operators wider options of co-equal methods of achieving ASEAN origin status for regionally traded products. AMS are also considering the establishment of a Self Certification scheme for the declaration of origin, which is a priority effort as envisaged in the ASEAN Economic Community (AEC) building process. The self certification scheme provides “certified economic operators” like exporters, traders, and manufacturers who have demonstrated their capacity to comply with the origin requirements to self certify the originating status of goods in replacement of presenting a Certificate of Origin issued by the issuing government authority.

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## ASEAN Trade in Goods Agreement (ATIGA)

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In pursuing the goal of establishing a single market and production base with free flow of goods by 2015 for the ASEAN Economic Community, a more integrated and holistic approach would be required. This calls for the integration and inclusion of existing and additional measures relevant to the trade in goods initiative under one umbrella. To achieve this, the ASEAN Economic Ministers agreed in August 2007 to enhance the Common Effective Preferential Tariff for ASEAN Free Trade Agreement (CEPT-AFTA) into a more comprehensive legal instrument. This led to the signing of the ASEAN Trade in Goods Agreement (ATIGA) in February 2009.

### Key Elements of the ATIGA

- (i) ATIGA consolidates and streamlines all the provisions in the CEPT-AFTA, and formalises several ministerial decisions. As a result, the ATIGA has become a single legal instrument for government officials who implement and enforce the Agreement, as well as for the private sectors who are the beneficiaries.
- (ii) The ATIGA annex provides the full tariff reduction schedule of each Member State and spells out the tariff rates to be applied on each product for each year up to 2015. This makes tariff reduction schedules transparent and predictable for the business community. A single legal enactment to effectively implement the stipulated reduction schedule up to 2015 is also expected.
- (iii) The ATIGA comprises elements to ensure the realisation of free flow of goods within ASEAN, including the following: tariff liberalisation, removal of non-tariff barriers, rules of origin, trade facilitation, customs, standards and conformance, and sanitary and phyto-sanitary measures. The ATIGA contains comprehensive coverage of commitments related to trade in goods, and mechanisms for its implementation as well as institutional arrangements. This would allow for synergy of actions being undertaken by the various ASEAN sectoral bodies.

- (iv) With the objectives of eliminating non-tariff barriers, the provisions on non-tariff measures (NTMs) in the ATIGA have been enhanced further through codification of measures, as well as establishment of a mechanism to monitor the committed elimination of non-tariff barriers.
- (v) The ATIGA places emphasis on trade facilitation measures by including the ASEAN Framework on Trade Facilitation. Subsequently, ASEAN has developed the Trade Facilitation Work Programme for the period of 2009-2015.

### **Entry into Force of the ATIGA**

The ATIGA entered into force on 17 May 2010 with transition period of 180 days to ensure a smooth transition from the CEPT scheme into the ATIGA. After the transition period, no CEPT Form D shall be issued. In other words, only ATIGA Form D shall be issued.

After the entry into force of the ATIGA, certain ASEAN agreements relating to trade in goods such as the CEPT Agreement and selected Protocols would be superseded. However, the superseded agreements shall not be administratively annexed to the ATIGA until all relevant subsisting agreements are amended, endorsed and signed.

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## ASEAN Customs Modernisation

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Customs administrations in the ASEAN Member States have embarked on the acceleration of modernisation of Customs techniques and procedures with the main thrust to enhance trade facilitation and to protect the society. With these objectives in mind, the Strategic Program of Customs Development (SPCD) stipulates, the release of any containerised shipment in thirty minutes. With a view to modernising the Customs operations, Information and Communication Technology (ICT) applications have been introduced in the customs clearance of goods in all Member States in accordance with international standards. This has contributed to reducing both the time required for release of shipments from customs control and processing costs. ASEAN Customs Administrations are also working in partnership with industries and businesses to strengthen and improve the level of service and compliance.

With tariffs going down to zero tariff rates on 99.65% of traded lines for the ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) and 0-5% on 98.86% of traded lines for the remaining four countries, beginning 1 January 2010, the Customs agencies and departments are accelerating efforts in enhancing trade facilitation vis-à-vis expeditious customs clearance.

### Progress and Achievements

- ASEAN customs administrations adopted the ASEAN Customs Vision 2015 at the 17<sup>th</sup> Meeting of the ASEAN Customs Directors-General in Vientiane, Lao PDR, in June 2008.
- Substantial progress has been achieved in reviewing the ASEAN Agreement on Customs (1997) to support the realisation of the ASEAN Economic Community. New provisions enable ASEAN customs practices to align to international conventions and standards such as the Revised Kyoto Convention, WTO Agreement on Customs Valuation and the implementation of the World Customs Organization SAFE Framework of Standards.
- Member States are now reviewing the ASEAN Harmonized Tariff Nomenclature 2007/1 for the AHTN 2012. The latter will be fully aligned with amendments to the Harmonized Commodity Description and Coding System (HS) 2007 by World

Customs Organisation for HS 2012. Client Service Charters have been adopted by ASEAN customs administrations as a commitment to good governance.

- The Customs Integrity Blueprint and Human Resource Development Blueprint were also adopted as clear signal of serving the public better.
- The ASEAN Customs Valuation Guide, the ASEAN Cargo Processing Model and the Customs Post Clearance Audit Manual were developed and are being used by Member States.
- Efforts in facilitating regional connectivity and activating the ASEAN Customs Transit System under the ASEAN Framework Agreement on Facilitation of Goods in Transit have been intensified. It is expected that Protocol 7 under this Agreement will be signed in 2010.
- ASEAN Customs Administrations play an active part in the operationalization of National Single Windows and the ASEAN Single Window which is expected to provide a common partnership platform among regulatory and enforcement agencies and economic operators in expediting customs clearance and release.
- ASEAN Customs Administrations adopted the ASEAN Customs Risk Management Guide at the 19<sup>th</sup> Meeting of the ASEAN Customs Directors-General as the guidelines for Member States in expediting customs clearance while promoting good compliance to regulations and legislations.
- ASEAN Customs Administrations achieve encouraging results in the implementation of the ASEAN Customs Declaration Document.

### **Future Directions**

ASEAN will continue its efforts in modernising customs techniques and enhancing the delivery of customs services to the public, in line with the ASEAN Economic Community Blueprint. Implementation of provisions of the Customs Chapter and the Trade Facilitation Chapter of the ASEAN Trade In Goods Agreement is the coming target in building the ASEAN Community.

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## ASEAN Single Window (ASW)

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ASEAN is developing the ASEAN Single Window (ASW) to enhance trade facilitation and the movement of goods by providing an integrated partnership platform among government agencies and end-users, such as economic operators, transport and logistics operators.

ASEAN Member States have invested substantial effort in establishing the ASW through the laying of a foundation to secure the inter-operability and inter-connectivity of various automated information processing systems.

Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand have activated their National Single Windows (NSWs) and are currently at various levels of operational development.

Cambodia, Lao PDR, Myanmar and Viet Nam have started building the groundwork in the development of their NSWs.

At the national level, several government agencies have established functional linkages within their NSWs with a view to expediting Customs release of shipments.

ASEAN businesses and industries are increasingly making use of the NSWs for release of shipments from Customs control. In Cambodia, Lao PDR, Myanmar and Viet Nam, the e-Customs applications constitute the main enabler.

ASEAN adopted the ASEAN Data Model (Work base 1.0) in April 2008 and is currently upgrading it to the ASEAN Data Model (Version 2.0) on the basis of international standards of relevant international organizations, such as the World Customs Organization (WCO), International Organization for Standardization (ISO), and the United Nations Economic Commission for Europe (UNECE). This Data Model provides a common language within and between the NSWs and the international trading community.

Another initiative that ASEAN has embarked on is the ASW Pilot Project that will work towards the design of the ASW Technical Prototype in 2010.

The Memorandum of Understanding for the implementation of the ASW Pilot Project is being finalised and will provide the legal background for activities being conducted under the ASW Pilot Project.

Brunei Darussalam, Indonesia, Malaysia and the Philippines have successfully conducted the electronic exchange of information of the Common Effective Preferential Tariff (CEPT) Form D using a regional platform.

ASEAN has also adopted the concept of business processes towards the development of electronic processing of the ASEAN Customs Declaration Document.

Some of the major key areas under consideration of Member States in the establishment of the ASW are: business processes, data harmonization, communication protocols, security and legal framework.

Partnership with the trading community and economic operators need to be initiated as these parties play a key role in the realisation of ASW as clearly stipulated in the Agreement to Establish and Implement the ASEAN Single Window and the Protocol to Establish and Implement the ASEAN Single Window.

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## Conformity Assessment in ASEAN

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Mutual Recognition Arrangements (MRAs) are agreements made between two or more parties to mutually recognise or to accept some, or all, aspects of each other's conformity assessment of product standards.

In the area of conformity to standards assessment, having such MRAs in ASEAN would reduce the need for a product to undergo multiple tests in order to be sold or used in different ASEAN countries. As such, MRAs can help reduce business costs on test reports and increase the certainty of market access for products. Consumers also are assured of the quality of the products in the market that have been tested in accordance with the requirements of the MRAs.

ASEAN MRAs are concluded at the government-to-government level for product classes regulated by the governments. The ASEAN Framework Agreement on Mutual Recognition Arrangements was signed in 1998 and it has provided a framework for ASEAN Member States to conclude MRAs in different sectors.

### **Two Sectoral MRAs Concluded**

To date, ASEAN has concluded two sectoral MRAs, namely in the electrical and electronic sector and the cosmetics sector. The ASEAN Electrical and Electronic Mutual Recognition Arrangement was signed in April 2002 while the ASEAN Mutual Recognition Arrangement of Product Registration Approvals for Cosmetics was signed in September 2003.

The ASEAN Electrical and Electronic MRA covers electrical and electronic equipment (EEE) that is connected to low voltage power supply or is battery powered. There are currently 13 Testing Laboratories and 2 Certification Bodies listed under this MRA. Under this MRA, any EEE product that has been tested and/or certified by a listed Testing Laboratory or Certification Body would be accepted as having met the regulatory requirements of all ASEAN Member States.

The ASEAN MRA of Product Registration Approval for Cosmetics is not compulsory for ASEAN Member States. However, it is considered to be a preparatory stage before ASEAN Member States accede to the ASEAN Cosmetics Directive. This directive has been implemented since 1 January 2008 making it a single regulatory regime for cosmetics in the ASEAN region.

MRAs for agro-based products and automotive sectors are being developed. They are expected to be concluded in 2010.

**Future Steps**

ASEAN is working on having the Marking Scheme indicate that a product is in conformity with the ASEAN Harmonised Technical Regulations/Requirements specified under the relevant ASEAN Agreements. In other words, the Marking Scheme shows that the product has complied with the harmonised requirements of ASEAN Member States.

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## Harmonising Standards and Technical Regulations

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Different standards or technical regulations in excess of what is needed can behave as technical barriers to trade. As such, the harmonising of standards, technical regulations and conformity assessment will play a key role in trade facilitation.

Since 1992, ASEAN has been working towards the free movement of goods in the region by the removal of non-tariff barriers to trade. Work in this area has been directed towards the harmonisation of standards, technical regulations and conformity assessment procedures.

### **Alignment with International Standards and Practices**

In preparing, revising or applying standards and technical regulations and associated conformance regulations, ASEAN's approach is based on the use of international standards and practices as well as alignment with the WTO/TBT obligations as far as possible, except where legitimate reasons for deviations exist.

The ASEAN Policy Guideline on Standards and Conformance, adopted in 2005, sets the guiding principles for the implementation of joint efforts of ASEAN Member States in the area of standards and conformance, both in regulated and non-regulated sectors.

The ASEAN Good Regulatory Practice Guide provides guidance to regulators in ASEAN Member States to assist in the preparation and adoption of efficient regulatory arrangements that would improve the consistency and transparency of technical regulations, thereby reducing regulatory barriers to trade.

### **Harmonisation of Standards**

Work on harmonising standards began with the identification of 20 priority products in 1997. As a result, a total of 58 standards for electrical appliances and three standards for rubber-based products sector were harmonised. Progress also has been reported in the pharmaceutical sector.

Product and Corresponding Standards	Progress Made
<b>Electrical Appliances</b> ISO, IEC & ITU	58 harmonised standards
<b>Electrical safety</b> IEC	71 harmonised standards
<b>Electromagnetic components</b> CISPR	10 harmonised standards
<b>Rubber-based products</b> ISO	3 harmonised standards
<b>Pharmaceuticals</b> International Conference on Harmonisation Requirements (ICH)	Completion of the ASEAN Common Technical Dossiers (ACTD) and ASEAN Common Technical Requirements (ACTR)

The harmonisation of standards in the sectors earmarked as priority for economic integration (see Fact Sheet 2007/AEC/002) also are underway. These include agro-based products, cosmetics, fisheries, pharmaceuticals, rubber-based products, wood-based products, automotive, construction, medical devices, traditional medicine and health supplement sectors.

### Harmonisation of Technical Regulations

ASEAN has harmonised the technical regulations for the cosmetics and electrical and electronics sector. The ASEAN Harmonised Cosmetic Regulatory Scheme was signed on 2 September 2003 and the ASEAN Harmonised Electrical and Electronics Equipment Regulatory Regime was signed on 9 December 2005.

The harmonisation of technical regulations is underway for agro-based products, automotive, medical devices, traditional medicine and health supplement sectors.

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## Ensuring Safe Pharmaceutical Products in ASEAN

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Divergences in national product standards often act as impediments to trade in goods. In order to promote deeper economic integration between economies towards the realisation of the ASEAN Economic Community by 2015, harmonisation of product standards and technical regulations, and mutual recognition of test reports and certification are necessary.

In the area of healthcare, which is one of the priority sectors identified to accelerate the economic integration process, the ASEAN Sectoral Mutual Recognition Arrangement (MRA) for Good Manufacturing Practice (GMP) Inspection of Manufacturers of Medicinal Products was signed by the ASEAN Economic Ministers at the 14<sup>th</sup> ASEAN Summit and Related Summits on 10 April 2009 in Pattaya, Thailand.

### **MRA for GMP Inspection of Manufacturers of Medicinal Products**

The MRA for GMP Inspection of Manufacturers of Medicinal Products calls for the mutual recognition of GMP certifications and/or inspection reports issued by inspection bodies that are parties to this MRA through their listing as the authorised bodies to issue such certificates and/or test reports. These certificates and/or inspection reports will be used as the basis for regulatory actions such as the granting of approvals or licenses to the manufacturer, supporting post-market assessments of standards conformity of these products, and providing information on the manufacturer's facilities including in-house or contracted testing laboratories. The reports will also include information on the dosage forms manufactured at the facility and whether the manufacturer complies with GMP requirements.

Under this MRA, a facility manufacturing medicinal products shall ensure that it is licensed or authorised to manufacture medicinal products or carry out the manufacturing operation in question. The facility shall be regularly inspected for compliance with GMP standards. The facility shall also demonstrate that it complies with the Pharmaceutical Inspection Cooperation Scheme (PIC/S) Guide to GMP for Medicinal Products or equivalent GMP code to fulfil the obligations under this MRA.

This MRA will be fully implemented by all ASEAN Member States by 1 January 2011.

**Benefits**

This MRA will benefit both manufacturers and consumers alike. For manufacturers of medicinal products, in particular of pharmaceutical products, ensuring the safety, quality and efficacy of their products is a priority. Compliance with the MRA demonstrates that the medicinal products in ASEAN are consistently produced and controlled in accordance with the agreed principles of good manufacturing practices and quality standards among ASEAN regulators. This will enhance the competitiveness of the manufacturers as well as increase consumers' confidence in their products.

Business costs will also be reduced since manufacturers do not need to undertake repetitive testing or certification processes. For consumers, they will benefit from the assurance that the medicinal products they consume are safe for use.

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# Trade in Services





## ASEAN Framework Agreement on Services (AFAS)

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The ASEAN Framework Agreement on Services (AFAS) was signed by ASEAN Economic Ministers on 15 December 1995 in Bangkok, Thailand. AFAS aims to:

- enhance cooperation in services among ASEAN Member States (AMS) in order to improve the efficiency and competitiveness of ASEAN services industries, diversify production capacity and supply, and distribution of services;
- eliminate substantial barriers to trade in services; and
- liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken under the General Agreement on Trade in Services of the World Trade Organization.

Under AFAS, AMS enter into successive rounds of negotiations to liberalise trade in services with the aim of submitting increasingly higher levels of commitments. The negotiations result in commitments that are set forth in schedules of specific commitments annexed to the Framework Agreement. These schedules are often referred to as packages of services commitments.

The services sector is a major and expanding component of the Gross Domestic Product (GDP) of AMS. It accounts for between 40% and 60% of the GDP of AMS. ASEAN's export and import of commercial services have been expanding steadily, from US\$182 billion in 2003 to US\$343 billion in 2009.

### What Has Been Achieved?

ASEAN has concluded five rounds of negotiations resulting in seven packages of commitments under AFAS. These are:

- Protocol to Implement the Initial Package of Commitments under AFAS signed in Kuala Lumpur on 15 December 1997;
- Protocol to Implement the Second Package of Commitments under AFAS signed in Hanoi on 16 December 1998;
- Protocol to Implement the Third Package of Commitments under AFAS done on 31 December 2001;
- Protocol to Implement the Fourth Package of Commitments under AFAS signed in Jakarta on 3 September 2004;

- Protocol to Implement the Fifth Package of Commitments under AFAS signed in Cebu on 8 December 2006;
- Protocol to Implement the Sixth Package of Commitments under AFAS signed in Singapore on 19 November 2007;
- Protocol to Implement the Seventh Package of Commitments under AFAS signed in Cha-am on 26 February 2009.

These commitments cover the liberalisation of wide range of services sectors, including business services, professional services, construction, distribution, education, environmental services, healthcare, maritime transport, telecommunications, and tourism.

There have also been four packages of commitments on financial services signed by the ASEAN Finance Ministers and six packages in air transport signed by the ASEAN Transport Ministers.

### **7<sup>th</sup> Package of AFAS Commitments**

The 7<sup>th</sup> Package is the most ambitious of the commitments made to date under AFAS, in line with the targets set under the AEC Blueprint. These include:

- scheduling no restrictions for cross border supply and consumption abroad (Modes 1 and 2);
- committing higher foreign equity levels (Mode 3); and
- progressively removing other restrictions.

Under the 7<sup>th</sup> package, AMS are expected to continue expanding the depth and breadth of their services commitments towards achieving free flow, with flexibility, of services by 2015.

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## Mutual Recognition Arrangements (MRA) in Services

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Mutual Recognition Arrangements (MRA) in the services sector is a relatively recent development in ASEAN cooperation in trade in services. An MRA enables the qualifications of services suppliers that are recognised by the relevant authorities in their home country to be mutually recognised by other signatory Member States. This helps to facilitate the flow of professional services providers in the region, in accordance with relevant domestic rules and regulations.

### ASEAN MRA in Services

The ASEAN Framework Agreement on Services (AFAS), which was signed by ASEAN Economic Ministers (AEM) on 15 December 1995 in Bangkok, Thailand, recognises the importance of MRA in overall services integration in ASEAN. Article V of AFAS provides that:

*“Each Member State may recognise the education or experience obtained, requirements met, or licences or certifications granted in another Member State, for the purpose of licensing or certification of service suppliers. Such recognition may be based upon an agreement or arrangement with the Member State concerned or may be accorded autonomously.”*

ASEAN Heads of States/Governments at their 7<sup>th</sup> Summit held on 5 November 2001 in Bandar Seri Begawan, Brunei Darussalam, mandated the start of negotiations on MRA to facilitate the flow of professional services under AFAS. The ASEAN Coordinating Committee on Services (CCS) established an Ad-hoc Expert Group on MRA under its Business Services Sectoral Working Group in July 2003 to begin negotiations on MRAs in services. Subsequently, the CCS established the Healthcare Sectoral Working Group in March 2004, which held negotiations on MRAs in the healthcare sector.

### **What Has Been Achieved?**

At present, the following MRAs have been concluded and signed by AEM:

- MRA on Engineering Services, on 9 December 2005 in Kuala Lumpur, Malaysia;
- MRA on Nursing Services, on 8 December 2006 in Cebu, the Philippines;
- MRA on Architectural Services and Framework Arrangement for the Mutual Recognition of Surveying Qualifications, both on 19 November 2007 in Singapore; and
- MRA Framework on Accountancy Services, MRA on Medical Practitioners, and MRA on Dental Practitioners, all on 26 February 2009 in Cha-Am, Thailand.

In addition, there is an MRA on Tourism Professionals that was adopted at the 12<sup>th</sup> Meeting of ASEAN Tourism Ministers (MATM) on 9 January 2009 in Ha Noi, Viet Nam.

Various mechanisms are being established to administer the implementation of these MRAs.

These complete the current series of MRAs agreed for negotiations. While additional MRAs may be considered in the future, efforts are now focused on implementing all completed MRAs in order to ensure that professionals in the region derive tangible benefits from the agreements.

The MRAs for engineers and architects provide for a coordinating mechanism, while the medical and dental practitioners focus on cooperation, in terms of facilitating the recognition of qualified practitioners in other ASEAN Member States. The MRA on accountancy shares a similar approach as the surveying MRA, providing the enabling framework of broad principles for further bilateral or multilateral negotiations among ASEAN Member States.

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# Investment



## ASEAN Comprehensive Investment Agreement (ACIA)

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The ASEAN Comprehensive Investment Agreement (ACIA) was signed by ASEAN Ministers on 26 February 2009. ACIA is the result of a consolidation and revision of two ASEAN Investment Agreements: the 1987 ASEAN Agreement for the Promotion and Protection of Investments (also known as the ASEAN Investment Guarantee Agreement or ASEAN IGA) and the 1998 Framework Agreement on the ASEAN Investment Area (commonly known as “AIA Agreement”), as well as related Protocols.

The objective of merging these two agreements was in response to the more competitive global environment with a view towards enhancing ASEAN’s attractiveness as an investment destination, creating a free and open investment regime and meeting economic integration goals. ACIA represents a comprehensive investment agreement covering Manufacturing, Agriculture, Fishery, Forestry, Mining and Quarrying, and Services incidental to these five sectors.

### ACIA

Under ACIA, investment liberalisation will be progressive, with a view towards achieving a free and open investment environment in the region in line with the goals of the ASEAN Economic Community. It also allows for the liberalisation of other sectors in the future.

ACIA thus contains:

- comprehensive investment provisions on the four main pillars i.e. liberalisation, protection, facilitation and promotion;
- clear timelines for investment liberalisation;
- benefits for foreign-owned ASEAN-based investors;
- preservation of AIA preferential treatment;
- reaffirmation of the relevant provisions of AIA and ASEAN IGA, such as national treatment and most-favoured-nation treatment.

New forward-looking ACIA provisions are:

- provisions for a more liberal, facilitative, transparent and competitive investment environment based on international best practices;

- further improvements to existing AIA and ASEAN IGA provisions such as Investment Disputes between an Investor and a Member State (ISDS), Transfers and Treatment of Investments;
- new article on Prohibition of Performance Requirements (TRIMs), with provision for joint assessment to consider additional commitments.
- terms for senior management and board of directors that facilitate the inflow of key foreign managerial and senior management personnel.

ACIA's comprehensive provisions will enhance protection of investment and improve investors' confidence in investing in the region. It will also encourage further development of intra-ASEAN investment, especially among multi-national companies based in ASEAN through expansion, industrial cooperation and specialisation, contributing to enhanced economic integration.

Investment flows into ASEAN had been trending upwards over the past few years due to stronger global and regional economic performance before the global economic crisis put a dent in these flows in 2008 and 2009. The main sources of FDI inflows to ASEAN remained the European Union with a share of 18.3%, Japan (13.4%), and the United States (8.5%). Of significance are the inflows from intra-ASEAN sources, which accounted for 11.2% of ASEAN inflows in 2009, making ASEAN itself the third largest source of investment for the region. ASEAN's share of total global FDI inflows increased to 3.6% in 2009, from 2.8% in 2008. This reflects well of the ASEAN region in terms of its ability to continue to attract a higher share of investment flows despite the recent economic downturn.

To meet increasing competition for FDI flows, ASEAN is continuing with efforts to create region-wide a more favourable environment for investment. ASEAN Member States have committed to move towards a more liberal and transparent investment environment, with the aim of enhancing investment flows and attracting more investors into the region, contributing towards the economic growth and development of the region.

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# Financial Integration



## Financial Integration in ASEAN

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Under the ASEAN Economic Community Blueprint, ASEAN envisages achieving integrated financial and capital markets by 2015. A well-integrated and smoothly functioning regional financial system, with more liberalised capital account regimes and inter-linked capital markets, will facilitate greater trade and investment flows in the region.

### **Roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin)**

As indicated in RIA-Fin, financial integration in ASEAN is facilitated through the following initiatives:

**Financial Services Liberalisation:** progressive liberalisation of financial services by 2015, except for certain sub-sectors and transactions where pre-agreed flexibilities will be determined. Four rounds of negotiations have been completed with binding commitments from each ASEAN Member State to liberalise their financial services regime. The fifth round of negotiations will be completed by year-end 2010.

**Capital Account Liberalisation:** removal of capital controls and restrictions to facilitate freer flow of capital, including elimination of restrictions on current account transactions and FDI and portfolio flows (inflows and outflows).

**Capital Market Development:** build capacity and construct the long-term infrastructure for development of ASEAN capital markets, with a long-term goal of achieving cross-border collaboration between the various capital markets in ASEAN. An "Implementation Plan for an Integrated Capital Market" has been developed to enhance market access, linkages and liquidity.

### **East Asian Financial Stability and Integration**

Aiming toward greater financial integration with China, Japan and the Republic of Korea, ASEAN is also pursuing a number of initiatives to support financial stability in East Asia. One key initiative is the Chiang Mai Initiative Multilateralisation (CMIM),

a US\$120 billion multilateral currency swap facility designed to assist countries with short-term liquidity difficulties. CMIM has been implemented since 24 March 2010. Another initiative is the Asian Bond Markets Initiative (ABMI). Launched in 2005, ABMI aims to develop and deepen local currency bond markets in ASEAN+3 (China, Japan and the Republic of Korea) countries. Under the ABMI Roadmap, priorities focus on strengthening bond issuance, facilitating demand, enhancing regulatory regimes, and building bond market infrastructure. In May 2010, the Credit Guarantee and Investment Facility (CGIF) was launched to enhance corporate bond issuance in the ASEAN+3.

### **Strengthening Regional Economic Surveillance and Monitoring**

An ASEAN Surveillance Process has been implemented since 1999, and has been supporting regional policy dialogues, economic reviews, and economic and financial integration. A high-level Macroeconomic and Finance Surveillance Office (MFSO) is being set up at the ASEAN Secretariat to strengthen regional surveillance capacity and monitoring of economic integration in the region.

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## Chiang Mai Initiative Multilateralisation (CMIM)

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The Chiang Mai Initiative Multilateralisation (CMIM) is a US\$120 billion multilateral currency swap facility designed to (i) address short-term liquidity difficulties in the region; and (ii) supplement existing international financial arrangements. It took effect on 24 March 2010 after the CMIM Agreement was ratified by five ASEAN Member States and the Plus Three countries (China, Japan, and the Republic of Korea).

The Chiang Mai Initiative (CMI) was first conceived on 6 May 2000 in Chiang Mai, Thailand as a framework for liquidity support comprising an expanded ASEAN Swap Arrangement (ASA) and a network of bilateral swaps (BSAs) among ASEAN and the Plus Three countries. To enhance the effectiveness of BSAs, the ASEAN+3 Finance Ministers agreed in May 2006 to have an advanced framework of liquidity support, or CMI Multilateralisation. In 2007, the Ministers decided that the CMIM should take the form of a “self-managed reserve pooling” arrangement governed by a single contractual agreement.

### Membership and Contribution

CMIM members are the ten ASEAN Member States and the Plus Three countries (including Hong Kong, China). Of the US\$120 billion contributions, US\$24 billion come from ASEAN and US\$96 billion from the Plus Three countries. As a reserve pooling arrangement, CMIM members contribute to the facility in the form of a commitment letter. Each of the contributing parties will transfer the amount of its contribution on a pro rata basis according to their respective commitments to the requesting party after the swap request has been approved. In effect, when there is no request for funds, the parties will continue to manage their reserves.

### Terms and Conditions of Swaps

All parties to the CMIM can access the facility. The maximum amount that each country can draw is up to a certain multiple of its contribution. Within such an amount, up to 20% can be drawn without linkage to the International Monetary Fund (IMF) facilities. The rest of the funds can be drawn if an IMF programme already exists or a

potential programme is to be in place. Each currency swap shall mature 90 days after the date of drawing, and can be renewed up to seven times. For drawing without IMF linkage, the swap is renewable up to a maximum of three times. Borrowing is in US Dollars and is charged at a certain interest (London Interbank Offered Rate or LIBOR plus a premium).

### **Swap Activation Procedures and Decision-Making**

Under the CMIM, each requesting party can borrow from the facility through the coordinating countries (the co-chairs from ASEAN and Plus Three countries). The actual approval and disbursement of funds should be made not later than two weeks after a request for drawing is received. Once the request is approved, all swap providing countries must transfer the funds to the account of the swap requesting party, who in turn must transfer the equivalent amount in local currencies to the accounts of swap providing countries. All decisions regarding operational issues (i.e., approval of drawing, renewal of drawing, and waiver of conditions) will be made by ASEAN+3 Finance and Central Bank Deputies. In turn, the ASEAN+3 Finance Ministers will be responsible for decisions related to fundamental issues such as the size of funds, contributions and membership to CMIM.

### **Role of Regional Surveillance**

To support the decision-making for CMIM, an independent and credible regional surveillance office, called the ASEAN+3 Macroeconomic Research Office (AMRO) will be established in Singapore. AMRO will be responsible for conducting surveillance for CMIM operations.

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# Food, Agriculture and Forestry





## ASEAN Cooperation in Food, Agriculture and Forestry (FAF)

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ASEAN is embarking on building an ASEAN Economic Community (AEC) by 2015, which will be a single market and production base. In the process of working towards the AEC, the enhancement of competitiveness of food, agricultural and forestry products in international markets, and the empowerment of farmers through the promotion of agricultural cooperatives has become regional priorities. Emerging and cross-cutting issues such as food security, mitigation of and adaptation to climate change for the agriculture and forestry sector, and sanitary and phytosanitary (SPS) are also addresses within the priorities.

### **Initiatives towards the Realisation of ASEAN Integration**

Through the harmonisation of quality and standards, assurances of food safety, and standardisation of trade certification, ASEAN agricultural products are expected to be ready to compete in the global market by offering safe, healthy and quality foods. ASEAN has been developing good agricultural practices (GAP), standards for the production, harvesting and post-harvest handling of agricultural produces, the ASEAN maximum residue limit of pesticides, criteria for the accreditation of livestock and livestock products enterprises, guidelines on good management practices for shrimp, and a code of conduct for responsible fisheries, all of which will be used as references for developing national priorities and means to support the agro-industry.

Ensuring food security continues to be the fundamental goal of ASEAN. In response to the increasing regional concern about food security recently, the ASEAN Statement on Food Security, ASEAN Integrated Food Security (AIFS) Framework and Strategic Plan of Action on ASEAN Food Security (SPA-FS) have been adopted to ensure long-term food security and to improve the livelihoods of farmers in the ASEAN region. The ASEAN Multi-Sectoral Framework on Climate Change (AFCC): Agriculture and Forestry towards Food Security is another initiative to address the impact of climate change on the agriculture and forestry sectors.

Forests remain a very important natural resource for the ASEAN region in terms of economic, environmental and socio-cultural benefits. The promotion of Sustainable Forest Management (SFM), Forest Law Enforcement and Governance (FLEG), and Climate Change and Reducing Emissions from Deforestation and Forest Degradation (REDD) are of utmost interest to and priority for ASEAN. This has led to the formulation of the following guidelines, and criteria and indicators: (i) ASEAN Criteria and Indicators for Sustainable Management of Tropical Forests including a monitoring, assessment, and reporting (MAR) format; (ii) ASEAN Guidelines for the Implementation of IPF/IFF (Intergovernmental Panel on Forests/Intergovernmental Forum on Forests) Proposals for Action; (iii) ASEAN Guidelines on Phased Approach to Forest Certification (PACt); (iv) ASEAN Criteria and Indicators for Legality of Timber. ASEAN has also reaffirmed its commitment in combating illegal logging and its associated trade in the Ministerial Statement on Strengthening Forest Law Enforcement and Governance (FLEG) in ASEAN.

### **Challenges and Future Outlook**

Production of tradable agriculture and forest products at the national level is an essential component for the realisation of an ASEAN single market. This calls for an appropriate set of macro-economic policies; country-specific economic conditions; quality education for farmers; adoption of suitable technology; and communication and marketing arrangements to enable the access by farmers to information, capital and inputs for efficient production at reduced cost.

The increase of economically and environmentally sustainable agricultural and forest production, in terms of both quantity and quality, also needs to be addressed.

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## **ASEAN Integrated Food Security (AIFS) Framework and Strategic Plan of Action on ASEAN Food Security (SPA-FS)**

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Food security has long been an important agenda item of ASEAN. In response to highly fluctuating food prices coupled with the global financial crisis that started in 2008, ASEAN needs to take a strategic and comprehensive approach towards providing long-term food security in the region.

To ensure long-term food security and to improve the livelihoods of farmers in the ASEAN region, ASEAN Leaders adopted the ASEAN Integrated Food Security (AIFS) Framework and the Strategic Plan of Action on ASEAN Food Security (SPA-FS) at the 14<sup>th</sup> ASEAN Summit in 2009. The AIFS Framework and the SPA-FS, which are planned for a five-year period (2009-2013), provide measures, activities and timelines to facilitate cooperation in the implementation and monitoring process.

### **Key Components of the AIFS Framework**

Strengthening food security and emergency/shortage relief is a core measure in addressing food security in the region. It is aimed at strengthening national food security programmes and activities, and developing regional food security reserve initiatives and mechanisms.

Sustainable food production is an important aspect of securing food security, which could be achieved through improving agricultural infrastructure development, minimising post-harvest losses, reducing transaction costs, maximizing agricultural resources potential, promoting agricultural innovation including research and development on agricultural productivity, and accelerating transfer and adoption of new technologies.

In addition, food security-related initiatives will be identified and promoted. These include providing an effective market to encourage sustainable growth in food production, encouraging greater public and private sector investment in food and agro-based industry development, and strengthening integrated food security information systems (i.e. early warning, monitoring and surveillance mechanisms).

Emerging issues related to food security such as the development of bio-fuels and impacts of climate change on food security also form an integral part of the AIFS Framework.

The ASEAN Ministers on Agriculture and Forestry in coordination with other relevant ASEAN sectoral bodies are responsible for establishing mechanisms for the implementation and monitoring of the AIFS Framework and SPA-FS. Consultations with relevant bodies and stakeholders at the regional and national levels will be promoted to obtain relevant inputs and cooperation and to promote a greater sense of ownership. In addition, partnership and cooperation arrangements with international organisations and donor agencies such as the Food and Agriculture Organisation, World Bank, International Rice Research Institute, International Fund for Agricultural Development and Asian Development Bank will be encouraged and promoted.

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## Food Safety

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Food safety is an important aspect of ASEAN's cooperation in the areas of food and agriculture under ASEAN's economic integration programme. Over the years, ASEAN has made a concerted effort to enhance food control systems and procedures to ensure the freer movement of safe, healthy and quality foods within the region. As it is also essential for food and agricultural products from ASEAN to meet internationally recognised standards to increase the region's competitiveness in international markets, ASEAN has been focusing on the harmonisation of quality and standards, assurance of food safety, as well as the standardisation of trade certification for food and agricultural products.

### **Key Measures Ensuring Food Safety**

In 2006, the ASEAN Good Agricultural Practices for Fresh Fruit and Vegetables, or ASEAN GAP, was adopted as a standard for the production, harvesting and post-harvest handling of fruits and vegetables in the region. The practices in ASEAN GAP aim to ensure that the fruits and vegetables produced in the region are safe to eat and of the right quality for the consumers. In addition, ASEAN GAP also ensures that the food is produced and handled in a manner that will not harm the environment nor the health, safety and welfare of workers in the agriculture and food sectors.

To-date, ASEAN has established a total of 775 harmonised maximum residue limits (MRLs) for 61 pesticides. Common standards for mango, pineapple, durian, papaya, pomelo and rambutan also have been adopted to ensure that these fruits are available fresh with the right quality and standard to the consumers after preparation and packaging. A total of 49 standards for animal vaccines, 13 criteria for the accreditation of livestock establishments and 3 criteria for the accreditation of livestock products also have been endorsed as harmonised ASEAN standards.

Significant progress also has been made in other important areas. ASEAN is strengthening its genetically modified food testing network, developing guidelines on good management practices for shrimp, developing a code of conduct for responsible fisheries, and implementing the Hazard Analysis and Critical Control Point (HCCP) in the production of fish and fisheries products.

In 2004, the ASEAN Food Safety Network was established as an integrated platform for ASEAN officials to exchange information on food safety.

### **Tackling the Threat of Avian Influenza**

The outbreak of avian influenza in recent years has brought greater attention to the issue of food safety in the region. Human cases of avian flu have been linked to direct exposure to dead or diseased poultry during slaughter and food preparation. As such, ASEAN has been reinforcing its activities, including capacity building, assuring food safety and standardising poultry handling. This has been undertaken with close collaboration from stakeholders, donor countries and international organisations such as Asian Development Bank (ADB), Food and Agriculture Organisation (FAO) and Office International des Epizooties (OIE).

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## ASEAN Multi-Sectoral Framework on Climate Change and Food Security (AFCC)

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Many reports and studies demonstrate that Southeast Asia is one of the world's most vulnerable regions to climate change, due to its long coastlines, high concentration of population and economic activity in coastal areas, and heavy reliance on agriculture, fisheries, forestry and other natural resources.

The impacts of climate change are affecting all sectors. The threat of climate change to the environment and on economic development has become ASEAN's priority as the Agriculture and Forestry sectors are highly vulnerable to climate change. On the other hand, they also have the potential for adaptation and threat mitigation.

In partial response to this challenge, and acknowledging its potential to strengthen the resilience of its people and ecosystems, and to mitigate climate change through a coordinated response, the region has developed the ASEAN Multi-Sectoral Framework on Climate Change and Food Security (AFCC).

### **The Initiative**

The AFCC addresses elements of the Blueprint for the ASEAN Economic Community (AEC), the ASEAN Political-Security Community (APSC), and the ASEAN Socio-Cultural Community (ASCC), as well as the Initiative for ASEAN Integration (IAI) Strategic Framework and IAI Work Plan 2.

The AFCC, which was endorsed by the ASEAN Ministers on Agriculture and Forestry (AMAF) Meeting in November 2009, covers the Agriculture, Fisheries, Livestock and Forestry sectors and other relevant sectors such as the Environment, Health and Energy. The broad coverage of AFCC shows that climate change is a cross sectoral issue; therefore, cooperation among sectors in adaptation and mitigation effort is indispensable.

With the goal to contribute to food security through sustainable, efficient and effective use of land, forest, water and aquatic resources by minimizing the risks to and impacts of its contributions to climate change, the AFCC has the following objectives:

- Coordination on the development of adaptation and mitigation strategies;
- Cooperation on the implementation of integrated adaptation and mitigation measures.

ASEAN Member States are already contributing towards addressing the adverse impacts of climate change. The existing components and initiatives will further strengthen AFCC's components, which include:

- Integration of climate change mitigation and adaptation strategies into economic and social development policy frameworks;
- Cooperation on the implementation of adaptation and mitigation measures;
- Strengthening of national and regional knowledge sharing, communication and networking on climate change and food security; and
- Developing a more comprehensive multi-sectoral strategic framework and a roadmap for implementation.

### **Challenges and Way Forward**

As climate change is a cross-sectoral issue and requires inter and intra-sectoral coordination, enhancing collaboration and coordination among the economic, environment, development, energy, agriculture, fisheries, livestock and forestry sectors is therefore essential.

Capacity building and public awareness is also a challenge in pursuing a response to the adverse impacts of climate change. With this initiative, it is expected that a regional strategy in adaptation and mitigation will be developed and put in place to anticipate threats to food security due to the impacts of climate change.

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## Sustainable Forest Management (SFM)

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Sustainable Forest Management (SFM) has a multi-dimensional perspective, taking into account the economical, social and environmental aspects of forest management. SFM aims to ensure that the goods and services derived from the forest meet present-day needs, while at the same time securing their continued availability and contribution to long-term development.

### **Initiatives towards the Realisation of ASEAN Integration**

The strategic objectives in SFM is to promote the implementation of sustainable management of forest resources in the ASEAN region and eradicate unsustainable practices including combating illegal logging and its associated trade through capacity building, technology transfer, enhancing public awareness and strengthening law enforcement and governance.

To guide the achievement of SFM, the ASEAN Ministers on Agriculture and Forestry (AMAF) have endorsed the ASEAN Criteria and Indicators (C&I) for Sustainable Management of Tropical Forest, as well as the Monitoring, Assessment and Reporting (MAR) Format for SFM. The C&I for SFM was developed to provide countries with a framework for defining sustainable forest management and assessing progress towards this goal. It is a tool to help identify trends in the forestry sector and the effects of forest management interventions over time, and to facilitate decision making for national forest policy. The ultimate aims of this tool are to promote improved forest management practices, and to further the development of a healthier and more productive forest resource base. ASEAN has also developed the online and offline MAR Format for SFM to help Member States monitor their progress on SFM.

In pursuing SFM, it is recognised that Forest Law Enforcement and Governance (FLEG) is a pre-condition and an important measure towards better forest management. Recognising this, a Work Plan on FLEG (2008-2015) was endorsed in 2008. The overall goal of FLEG implementation is the attainment of sustainable forest management for enhancing the sustainable and legal supply of timber and competitive trade in forest

products which would contribute to poverty reduction in the region. The objectives of the work plan include to strengthen forest law enforcement and governance and to enhance intra- and extra-ASEAN trade and long-term competitiveness of ASEAN's forest products. In this regard, the ASEAN Guidelines on Phased Approach to Forest Certification (PACT) and the ASEAN Criteria and Indicators for Legality of Timber have been endorsed by ASEAN.

In supporting the FLEG initiative, ASEAN reaffirmed its commitment in combating illegal logging and its associated trade in the Ministerial Statement on Strengthening Forest Law Enforcement and Governance (FLEG) in ASEAN.

### **Challenges and Way Forward**

Capacity building and public awareness remain challenges in pursuing SFM. In view of this, since 2008, ASEAN, in collaboration with FAO, has been carrying out the project "Strengthening Monitoring, Assessment and Reporting on Sustainable Forest Management in Asia" (MAR-SFM).

The timely implementation of the Work Plan on FLEG (2008-2015) and the MAR Format for SFM at the national level also needs to be addressed.

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# Competition Policy



## Competition Policy in ASEAN

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ASEAN Member States have, in the ASEAN Economic Community (AEC) Blueprint, committed to endeavour to introduce nation-wide competition policy and law (CPL) by 2015. This is to ensure a level playing field and incubate a culture of fair business competition for enhanced regional economic performance in the long run.

At present, only Indonesia, Singapore, Thailand and Viet Nam have economy-wide competition laws and competition authorities while Malaysia has just adopted a competition law which is expected to be in force in 2012. Other ASEAN Member States have relied on sector-level policies and regulations to achieve competition policy objectives.

### **The ASEAN Experts Group on Competition (AEGC)**

In August 2007, the ASEAN Economic Ministers endorsed the establishment of the ASEAN Experts Group on Competition (AEGC) as a regional forum to discuss and cooperate on CPL. The AEGC first met in 2008 and for the next three to five years, has agreed to focus on building up competition-related policy capabilities and best practices in Member States; developing the ASEAN Regional Guidelines on Competition Policy; and compiling a Handbook on Competition Policies and Laws in ASEAN for Businesses. Both the Guidelines and the Handbook were launched on 24 August 2010 during the 42<sup>nd</sup> ASEAN Economic Ministers (AEM) Meeting in Da Nang, Viet Nam. Both documents can be downloaded from:

<http://www.asean.org/publications/ASEANRegionalGuidelinesonCompetitionPolicy.pdf>

<http://www.asean.org/publications/HandbookonCompetition.zip>

The launch of these two documents will be followed by region-wide socialisation workshops for government officials and the private sectors for advocacy and outreach purposes. A regional Plan of Action on Competition Policy 2010-2015 is under design and development. Based on the AEC Blueprint, this Plan will be drawn up with a special focus on capacity building and the introduction of best practices in CPL.

### **Challenges and Opportunities Ahead**

While the road ahead may appear to be challenging, there will be opportunities as well for Member States to further develop and/or kick-start economy-wide CPL in moving toward the realisation of a single market and production base, in enhancing fair and healthy business competition, and in sustaining the role of ASEAN as a competitive and meaningful player in global and regional supply chains.

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# Consumer Protection





## Consumer Protection in ASEAN

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Consumer protection is an essential tool in building a people-oriented ASEAN Community. ASEAN has been more mindful that consumer interests and welfare have to be taken into account in all measures implemented to achieve an integrated economic region.

Consumer protection laws ensure fair competition and the free flow of correct information in the marketplace. At present, only Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam have principal consumer protection acts. Consumer protection law was also passed by the National Assembly of Lao PDR in June 2010 and was promulgated by the President in September 2010. The remaining ASEAN Member States are planning or are in the process of drafting their consumer protection policies and laws. Meanwhile, consumer protection elements in these countries are covered by other legislation in order to achieve consumer protection objectives.

### **The ASEAN Committee on Consumer Protection (ACCP)**

Consumer protection is a new area of regional cooperation. As initiated under the ASEAN Economic Community (AEC) Blueprint, the inter-governmental ASEAN Coordinating Committee on Consumer Protection, later renamed as the ASEAN Committee on Consumer Protection (ACCP), was established in August 2007. The ACCP, and its three Working Groups, serve as the focal points to implement and monitor regional arrangements and mechanisms on, and to foster the sustainable development of, consumer protection in ASEAN.

In order to steer the implementation of initiatives and commitments under the AEC Blueprint, a strategic approach towards consumer protection has been adopted by the ACCP. This approach contains policy measures and detailed priority actions with specific timeframes for implementation, including the development of a (i) notification and information exchange mechanism by 2010; (ii) cross border consumer redress mechanism by 2015; and (iii) strategic roadmap for capacity building by 2010.

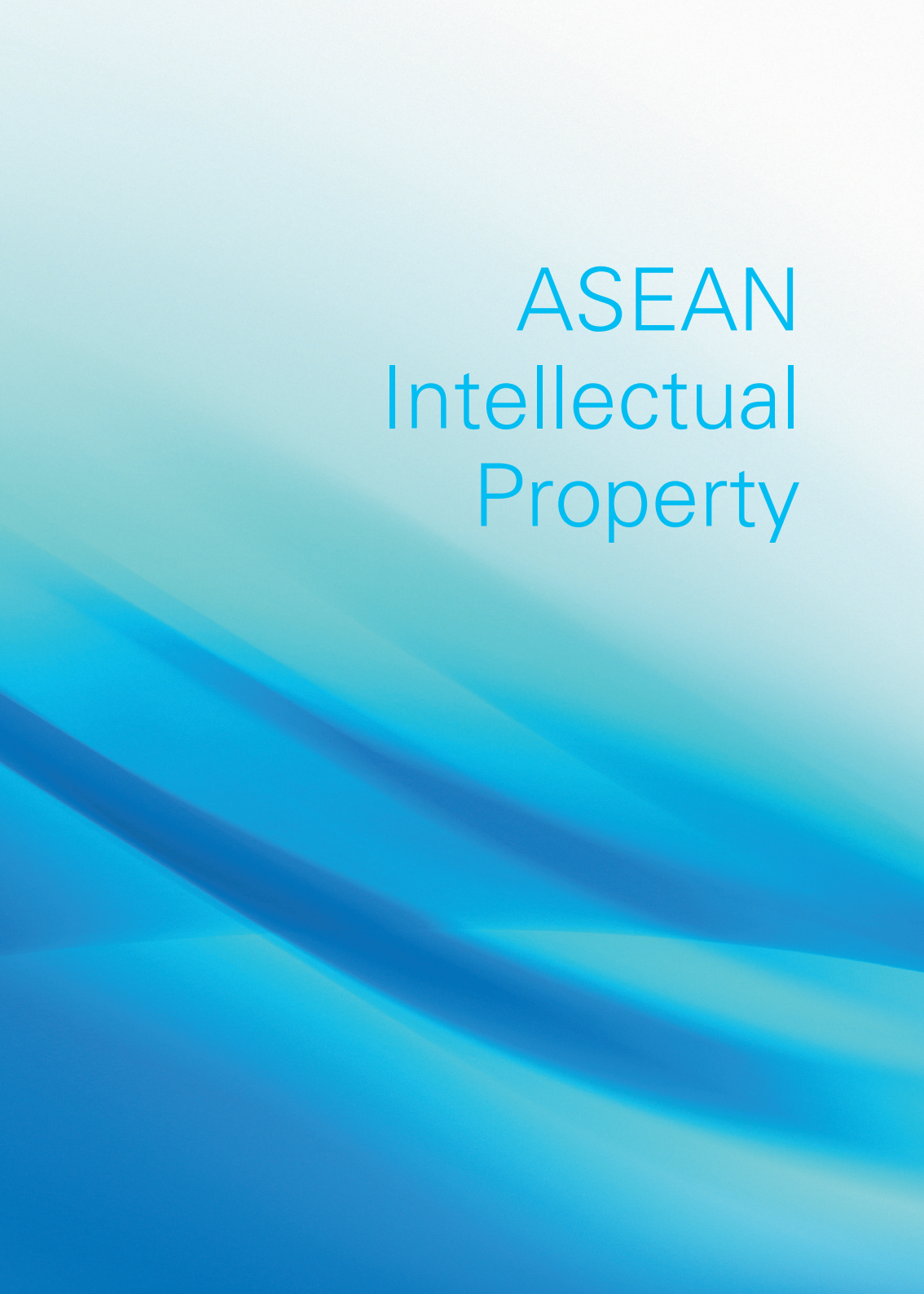
## **Challenges and Opportunities Ahead**

The ACCP is a newly-established sectoral body, and will be faced with extensive and complex work programmes. Specifically, the main needs of capacity-building at the regional and national levels will have to be identified, prioritised and addressed. Substantial technical and financial assistance will be required in the process of developing and promoting national policies, laws and institutional arrangements on consumer protection.

On top of these challenges, globalisation and regional integration will introduce additional complexity and difficulties in consumer protection, to be managed by all Member States. There are, in particular, the increasing volumes and value of domestic and cross-border trade as well as the constant and rapid progress in communications, production and e-commerce technology.

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# ASEAN Intellectual Property



## **ASEAN Cooperation in Intellectual Property Rights (IPRs)**

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Intellectual property (IP) and IP Rights (IPRs) creation, commercialisation, and protection have been a significant source of comparative advantage of enterprises and economies and hence a major driver of their competitive strategies.

ASEAN Member States (AMS) have cooperated (a) to implement the ASEAN Intellectual Property Action Plan 2004-2010 (Action Plan) and the Work Plan for ASEAN Cooperation on Copyrights (Work Plan); (b) to establish an ASEAN filing system for design, to facilitate filings by users and promote coordination among IP offices in AMS; (c) to accede to common international treaties, including the Madrid Protocol; (d) to sustain consultations and information exchanges among national enforcement agencies in IPR protection; and (e) to promote regional cooperation in newer IPRs such as Traditional Knowledge (TK), Genetic Resources (GR) and Traditional Cultural Expressions (TCE). These cooperative activities are featured in the ASEAN Economic Community (AEC) Blueprint.

### **ASEAN Working Group on Intellectual Property Cooperation (AWGIPC)**

The AWGIPC has served as a consultative body for ASEAN cooperation on IP since 1996. Such cooperation has continued to build on the simplification, harmonisation, registration and protection of IPRs in ASEAN.

In meeting the scheduled commitments under the AEC Blueprint, a series of country and regional studies on the economic contribution of copyright industries have been conducted in AMS. Meetings have also been convened on accession to the Madrid Protocol and pilot projects have been launched on the ASEAN Patent Examination Co-operation (ASPEC) and the ASEAN "IP DIRECT". In addition, concerted efforts have been made by the AWGIPC to share policy experiences and to monitor regularly, the TRIPS compliance of laws and regulations in AMS.

In carrying AWGIPC work, active cooperation has been maintained with many partners and organisations. These include the ASEAN Intellectual Property Association, Australia and New Zealand, China (State Intellectual Property Office –

SIPO), European Commission (EC), Japan (Japan Patent Office – JPO), United States Patent and Trademark Office (USPTO) and United States Department of Justice, and World Intellectual Property Organization (WIPO). In particular, a long-term cooperation programme has been developed between the AWGIPC and USPTO for 2004-2010; a five-year extension is being planned for this programme. Meanwhile, a large-scale, four-year ASEAN Project on the Protection of Intellectual Property Rights (ECAP III) was started on 1 January 2010; this is a follow-on project to ECAP II. AWGIPC and WIPO have also collaborated in many demand-driven IP-related projects.

Concerning regional activities for future implementation, the AWGIPC has decided to compile and adopt an ASEAN IPR Strategic Plan 2011-2015 to follow on the current Action Plan 2004-2010, with Philippines as the lead country. IP and IPRs-related matters have become technically very complex (e.g., widening and deepening of patent and copyright protection to cope with rapid progress in biotechnology and communications technology). They have also covered an increasingly wider range of fields (geographical indications, TK and GR, and CTE). IP infrastructure and expertise vary enormously within ASEAN, with a significant gap between ASEAN-6 and ASEAN-4. Such differences have implications on the nature and intensity of regional cooperation, and technical assistance needs within ASEAN as well as between different sub-groups of AMS. There is also a very limited supply of IP-related skilled and experienced human resources and institutional capacity in ASEAN. Meanwhile, efforts have been made to implement an “ASEAN-helps-ASEAN” approach wherever feasible, including in exchanging policy lessons learnt and insights gained by AMS in accession to international treaties and implementing IPR-related activities and programmes.

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# Infrastructure Development





## ASEAN Cooperation in the Transport Sector

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ASEAN cooperation in the transport sector aims to realise an efficient and integrated transport system to support the realisation of the ASEAN Free Trade Area (AFTA) and for ASEAN to integrate with the global economy. Under the current ASEAN Transport Action Plan (ATAP) 2005-2010, transport cooperation in ASEAN is focused, amongst other areas, on enhancing multimodal transport linkages and interconnectivity, promoting the seamless movement of people and goods and promoting further liberalisation in the air and maritime transport services.

To facilitate seamless movement of goods in the region, transport facilitation framework agreements to implement the current action plan have been concluded. These are the:

1. ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT)
2. ASEAN Framework Agreement on Multimodal Transport (AFAMT)
3. ASEAN Framework Agreement on Facilitation of Inter-State Transport (AFAFIST)

These agreements aim to simplify and harmonise trade/transport procedures and documentation, formulate uniform guidelines and requirements for the registration of transit transport and multimodal transport operators, and promote ICT applications for seamless cargo transportation.

For air passenger services, agreements for unlimited 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> freedom traffic rights for scheduled passenger services from and to any points with international airports within and between the sub-regions of ASEAN and between the capital cities of ASEAN Member States are already in place. Similar freedom rights will be expanded to services between other ASEAN cities through the ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS), which is anticipated to be concluded within 2010. For open skies in air freight services, Member States have committed to full liberalisation of air freight services and to accord full 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> freedom rights to international freight services among any points with international airports within ASEAN. Work is on-going to develop an implementing agreement for the realisation of an ASEAN Single Aviation Market by 2015. In terms of air connectivity with other countries, the negotiations with China

have entered into the final stages, and will be followed by the negotiations with India and ROK.

The Roadmap towards an Integrated and Competitive Maritime Transport in ASEAN, which seeks to promote and strengthen intra-ASEAN shipping market and services, is focused infrastructure development, market integration through development strategies for an ASEAN Single Shipping Market, and human resources development. The strategy framework for the development of an ASEAN Single Shipping Market is currently being developed.

The main projects under ASEAN's land transport cooperation include the Singapore-Kunming Rail Link (SKRL) and the priority road infrastructure projects for the ASEAN Highway Network (AHN). The SKRL has its main route through Singapore-Malaysia-Thailand-Cambodia-Viet Nam-China (Kunming) with spur lines in Thailand-Myanmar and Thailand-Laos.

Meanwhile, the stock-taking exercise of all national sections of the ASEAN Highway Network (AHN) reports total network length of 26,207.8 km, with roads Class III and above accounting for almost 24,000 km. The current priority is to upgrade the AHN part of Transit Transport Routes (TTR) below Class III of 1,858 km in Lao PDR, Myanmar and the Philippines by 2015. Apart from upgrading below Class III of TTR, substantial funding will be required to upgrade the AHN to at least Class I as well as to maintain the existing ASEAN highways.

The development of the ASEAN Strategic Transport Plan (ASTP) 2011-2015 is now ongoing and will be completed by November 2010.

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## Information and Communication Technology (ICT) in the Realisation of the ASEAN Community

Signed in 2000, the e-ASEAN Framework Agreement sets the objectives of ASEAN cooperation in Information and Communication Technology (ICT) to (a) develop, strengthen and enhance the competitiveness of the ICT sector in ASEAN; (b) reduce the digital divide within individual ASEAN Member States and amongst ASEAN Member States; (c) promote cooperation between the public and private sectors in realising e-ASEAN; and (d) promote the liberalisation of trade in ICT products, ICT services and investments to support the e-ASEAN initiative.

### Guiding Principle

The e-ASEAN Framework Agreement identified measures aimed at facilitating or promoting the following: (a) establishment of the ASEAN Information Infrastructure; (b) growth of e-commerce in ASEAN; (c) liberalisation of trade in ICT products, ICT services and of investments in support of the e-ASEAN initiative; (d) investments in the production of ICT products and the provision of ICT services; (e) an e-Society in ASEAN and capacity building to reduce the digital divide within and amongst AMS; and (f) use of ICT applications in the delivery of government services (e-Government).

### The ASEAN ICT Masterplan (2011-2015)

To keep abreast with the institutional development in ASEAN, an ASEAN ICT Masterplan for the period 2011-2015 (or AIM 2015 in short) is being developed. The ASEAN ICT Masterplan aims to be a strategic document to reinforce the ICT sector's enabling role in the implementation of the Roadmap for an ASEAN Community (2009-2015). The Masterplan would identify meaningful outcomes to bring the ASEAN ICT sector to a higher level, including several key initiatives on ASEAN Broadband Corridor, ICT Skills Certification, harmonisation of ICT regulations, international roaming charges, cyber security, universal service, digital content, and e-services, etc. The AIM 2015 is expected to be finalised and adopted by the ASEAN Telecommunications & IT Ministers Meeting in November 2010 in Kuala Lumpur, Malaysia.

### **Focus and Progress**

The concept of an ASEAN Information Infrastructure (All) has been discussed regularly for several years and several initiatives have been implemented to promote this. The regulations related to All are well developed, notably the ASEAN Telecommunication Regulators' Council (ATRC) Guidelines for the Next Generations Network (NGN) Migration, and Best Practice Guidelines on Interconnection. Other All priorities include information and network security and rural communications. However, the regional cooperation on All has been focused mainly on the soft side of the infrastructure, e.g. capacity building programs, studies, information papers and research.

In terms of physical connectivity, the network of ASEAN Computer Emergency Response Teams has been active and has become a regular exercise amongst Member States and with Dialogue Partners since 2006. ASEAN is also working towards the establishment of an ASEAN Internet Exchange Network.

### **Other ICT Connectivity Policies and Projects**

The ASEAN ICT sector also works on promoting the development of the ICT workforce, competitiveness of the ICT market, and online business and social applications. To enhance ASEAN's position as a regional key player in the ICT sector, ASEAN's ICT cooperation with Dialogue Partners has been underway with China, Japan, the Republic of Korea, the European Union, India, and International Telecommunication Union. The ongoing discussions and development of an ASEAN-China Information Superhighway project and the Trans-Eurasia Information Network are noteworthy. The private sector has also been engaging with the ICT sector at various levels, from projects to policy and regulatory consultations.

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## Ensuring Energy Security in ASEAN

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### Overall Objective and Strategy

The overall objective of ASEAN energy cooperation is to enhance energy security and sustainability for the ASEAN region, giving due attention to issues of health, safety and environment. ASEAN energy cooperation, currently carried out under the ASEAN Plan of Action on Energy Cooperation (APAEC) 2010-2015, focuses on seven main programme areas: (i) ASEAN Power Grid (APG); (ii) Trans-ASEAN Gas Pipeline (TAGP); (iii) coal and clean coal technology; (iv) renewable energy; (v) energy efficiency and conservation; (vi) regional energy policy and planning; and (vii) civilian nuclear energy.

### Focus and Progress

The Trans-ASEAN Gas Pipeline (TAGP) involves the construction of 4,500 km of mainly undersea pipelines worth about US\$7 billion. Eight bilateral gas pipeline interconnection projects, with total length of approximately 2,300 km, are currently operating. To realise TAGP connectivity, further advances in the implementation of existing agreements would need to be achieved and financing mechanisms and modalities identified.

Meanwhile, implementation of the ASEAN Power Grid project, estimated at US\$5.9 billion, is currently in progress with four on-going interconnection projects and 11 additional projects being planned for interconnection by 2015. To realise further progress in the APG, it is required to (i) accelerate the development of the 15 APG interconnection projects, including identification and recommendations of financing mechanisms and modalities; (ii) optimise the generation sector vis-à-vis the available indigenous energy resources in the region; and, (iii) encourage and optimise the utilisation of ASEAN resources, such as, funding, expertise and products to develop the generation, transmission, and distribution sectors.

ASEAN energy cooperation also concerns the promotion of effective competition in the energy market, ensuring a reliable and secure energy supply, and development of a dynamic energy sector in the region.

A significant increase in activities has been undertaken in the ASEAN Energy Efficiency and Conservation (EE&C) cooperation sector as well as in Renewable Energy (RE), covering numerous institutional capacity building programmes, increasing private sector involvement in ASEAN EE&C and RE programmes, and expanding markets for EE and RE products. The APAEC 2010-2015 sets a target for ASEAN to pursue the aspirational goal of reducing regional energy intensity by at least 8% by 2015 based on 2005 levels and to achieve a 15% collective target for regional renewable energy in the total power installed capacity by 2015.

In the coal area, notable efforts/activities have been made to promote sustainable development and utilisation of coal and clean coal technology. The ASEAN Member States' energy plans indicate the rapid growth of coal utilisation for power generation which itself presents an opportunity to promote and increase cleaner coal use and trade that could bring-in mutual economic benefits towards regional energy integration.

To enhance ASEAN's position as a key regional energy player, ASEAN's energy cooperation with Dialogue Partners have included various activities, programmes and projects including those under the ASEAN Plus Three framework and the East Asia Summit process. Major activities being undertaken include: implementation of the 2010 ASEAN-EU Energy Cooperation Work Plan, development of the Oil Stockpiling Roadmap for the ASEAN Plus Three countries, implementation of the Clean Development Mechanism project and the civilian nuclear energy capacity building project.

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## ASEAN Tourism

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### **The Importance of the Tourism Sector**

Tourism is an important sector for the ASEAN Member States not only in terms of generating and distributing valuable foreign exchange revenues, but it is also a vehicle to showcase the diversity and richness of the various cultures and peoples in Southeast Asia. Notwithstanding the global economic slowdown in 2009, ASEAN tourism still performed well, and continues to grow. Intra-ASEAN travel was the major contributor with a 49 % share of the 65 million total international visitor arrivals in 2009.

### **Objectives of ASEAN Tourism Cooperation**

The objectives of ASEAN tourism cooperation are to: (i) facilitate travel into and within ASEAN; (ii) enhance cooperation in the tourism industry in order to improve its efficiency and competitiveness; (iii) substantially reduce restrictions to trade in tourism and travel services; (iv) establish an integrated network of tourism and travel services in order to maximise the complementary nature of the region's tourist attractions; (v) enhance the development and promotion of ASEAN as a single tourism destination with world-class standards, facilities and attractions; (vi) enhance mutual assistance in human resource development and strengthen cooperation to develop, upgrade and expand tourism and travel facilities and services; and (viii) create favourable conditions for the public and private sectors to engage more deeply in tourism development, intra-ASEAN travel and investment in tourism services and facilities.

### **Roadmap for Integration of Tourism Sector**

Tourism is recognised as one of the priority sectors for integration, with the Roadmap for Integration of the Tourism Sector (RITS) 2004-2010 serving as the main guideline. In addition to the common measures on liberalisation of trade in services, travel facilitation, investment and human resource development applied to all priority sectors, the RITS also sets out tourism specific measures aiming at promotion and marketing, investment, standards, human resource development and crisis communications.

For tourism promotion and marketing, the 'Visit ASEAN Campaign' has been the main focus of regional marketing, through joint activities as well as joint promotions in major source markets, such as China, the Republic of Korea and Australia. To further strengthen the competitiveness and integration of ASEAN tourism sector, a new tourism marketing strategy has been developed, which includes the website [www.southeastasia.org](http://www.southeastasia.org). Meanwhile, the ASEAN Tourism Investment Forum, historically organised to promote tourism investment opportunities in the region and to further expand and spread tourism benefits in the region, is expected to help promote, in 2010, the establishment of the ASEAN Tourism Investment Corridor Development. The improvement of logistics and connectivity to, from and within the corridors, through the development of infrastructure and supporting policies, would be a necessary requirement to realise such tourism investment corridor.

### **Tourism Standards**

Moreover, to ensure the quality of tourism service delivery in the region, the criteria and requirements of ASEAN Tourism Standards covering hotel, tourism heritage, eco-tourism sites, home stay, food and beverage and public restrooms have been finalised. The ASEAN Tourism Ministers have also adopted a Mutual Recognition Arrangement (MRA) for tourism human resources in the region that would facilitate the mobility of tourism professionals within the region and enhance the quality of tourism manpower in the region particularly on the following main job divisions: housekeeping, front office, food production, food and beverages services, tour operation and travel agencies.

For cruise tourism, the ASEAN Cruise Working Group was established to improve facilitation of sea connectivity and enhance cruise tourism in ASEAN, supported by annual consultations between the officials of cruise tourism and maritime transport working groups and its promotion through the website [www.cruiseasean.com](http://www.cruiseasean.com).

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# Small and Medium Enterprises



## ASEAN Small and Medium Enterprises (SMEs)

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### Backdrop

Small and Medium Enterprises (SMEs) are the backbone of ASEAN economies and their development is integral to achieve long-run and sustainable economic growth. Generally, they account for more than 96% of all enterprises and from 50% to 85% of domestic employment in many ASEAN Member States. In addition, the contribution of SMEs to GDP is between 30% and 53% and the contribution of SMEs to exports, between 19% and 31%.

Regional cooperation to foster SMEs is guided by the ASEAN Strategic Action Plan for SME Development 2010-2015, which was endorsed by the ASEAN Economic Ministers (AEM) on August 2010. The Action Plan covers regional commitments on SME developments to further enhance the competitiveness and resilience of SMEs in moving towards a single market and production base in ASEAN.

The establishment of the ASEAN SME Advisory Board was endorsed at the 42<sup>nd</sup> AEM Meeting in August 2010. The ASEAN SME Advisory Board serves as a platform for networking among the Heads of SME Agencies in ASEAN and representatives from private sector, and provides policy inputs to ensure SME development to the ASEAN Economic Ministers.

### Current Focus

The Action Plan comprises of strategic work programmes, policy measures and indicative outputs which are undertaken by the ASEAN SME Working Group (composed of the SME agencies of all Member States) with the SME agencies and the private sector.

In particular, five major deliverables targeted for the SME section under the AEC Blueprint are the establishment of (a) a common curriculum for entrepreneurship in ASEAN, with Indonesia and Singapore as lead countries (2008-2009); (b) a comprehensive SME service centre with regional and sub-regional linkages in

Member States, with Thailand and Viet Nam as lead countries (2010-2011); (c) SME financial facilities in each Member State, with Malaysia and Brunei Darussalam as lead countries (2010-2011); (d) a regional program of internship for staff exchanges and visits for skills training, with Myanmar and Philippines as lead countries (2012-2013); and (e) a regional SME development fund for use as a funding source for SMEs that are undertaking business in ASEAN, with Lao PDR and Thailand as lead countries (2014-2015).

The ASEAN SMEWG has further established joint consultations with the SME Agencies of the ASEAN Plus Three (China, Japan and the Republic of Korea) and with Japan, which enables valuable exchanges of best practices and collaborations on several SME Projects and Workshops.

### **Challenges in Implementation**

Funding the activities of the SMEs remains a challenge. To date, some of the SME initiatives have been implemented under the self-help or ASEAN-helps-ASEAN approach, whereby individual Member States mobilise their own resources for the implementation of SME development projects or facilitate the participation of other Member States in these projects.

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# Public-Private Sector Engagement



## Public-Private Sector Engagement (PPE) in ASEAN

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### Rationale

Public-Private Sector Engagement (PPE) has been fostered to improve the coherence, transparency and synergies of government policies and business actions across industries and sectors in ASEAN and in the ASEAN Economic Community (AEC). Private sector inputs and partnership are essential not only for the design of regional strategies and initiatives, but also for the identification of implementation problems in regional integration and ASEAN Community building. The private sector, as a key stakeholder in the regional and global supply chains, is also a cornerstone in the new architecture of interdependence among East Asian economies as well as between East Asia and the global economy at large.

### Developments

PPE has taken place at many levels, in various ways and at different frequencies in ASEAN. A large number of sectoral bodies have been established in support of the implementation of ASEAN strategies and programmes in regional development and integration. There are currently about 100 sectoral bodies with a work mandate relating to the AEC alone. Resource constraints, a comprehensive agenda and the large number of meetings of AEC sectoral bodies mean that not all of the work of these sectoral bodies would be of direct interest and concern to the private sector itself. Currently, about 35% of AEC sectoral bodies have engaged private-sector associations and representatives on a regular or ad-hoc basis. In particular, private sector representatives have participated actively in discussions on Mutual Recognition Arrangements, and in meetings of the ASEAN Telecommunication Regulators Council. Private-sector bodies have also assisted the ASEAN Working Group on Intellectual Property Cooperation.

At the regional level, the main vehicles for PPE include the Consultative Meeting on Priority Sectors (COPS), the Coordinating Conference on AEC (ECOM), and the ASEAN Business Advisory Council (ABAC) consultations. ASEAN BAC is active in conducting the annual ASEAN Business and Investment Summit (ABIS) and in providing advice to ASEAN Leaders and ASEAN Economic Ministers. Another

stakeholder in PPE is the ASEAN Chamber of Commerce and Industry (ASEAN CCI) but most ASEAN CCI members are also ASEAN BAC members.

Recently, PPE has been elevated to a higher level through regular (annual) dialogues between the ASEAN Economic Ministers and ASEAN BAC plus representative of industry associations. Among these are the ASEAN Federation of Textile Industries and the ASEAN Automotive Federation. Several important recommendations have emerged from such consultations and these are under consideration by the relevant ASEAN sectoral bodies. PPE has also taken the form of joint participation in exposition and trade fairs such as the annual ASEAN-China Expo (CAEXPO) in Nanning, China. This helps create opportunities for ASEAN enterprises, including small and medium-sized enterprises (SMEs), to exhibit their products and to tap the potential of the huge ASEAN-China market. The 7<sup>th</sup> CAEXPO, to be held from 20-24 October 2010 under the theme “CAFTA as a New Opportunity”, reflects the full establishment of China-ASEAN Free Trade Area in trade and investment, established on 1 January 2010.

### **Moving Forward**

Clearly, the potential of PPE in ASEAN remains to be fully tapped. For this purpose, The ASEAN Economic Ministers reiterated, in August 2010, the importance they attach to public-private sector engagement as a platform to ensure greater mutual synergies in the implementation of regional development and integration measures. The Ministers agreed to continue holding regular dialogues with industry associations as well as private sector representatives from ASEAN and from Dialogue Partners. Plans are also now under way to foster PPE between ASEAN bodies plus private-sector entities and the regional and international business communities, especially those which have trade and investment activities in ASEAN.

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# Narrowing the Development Gap



## Initiative for ASEAN Integration (IAI) and Narrowing the Development Gap (NDG)

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The ASEAN Economic Community (AEC), to be established by 2015, is one of the main objectives of the region's economic integration. As ASEAN works towards the implementation of the AEC Blueprint, there are many issues relating to the realisation of the AEC that need to be considered. One key challenge is to find a balance in terms of coherence and support among the ASEAN Member States towards economic integration.

Aiming at narrowing the development divide and enhancing ASEAN's competitiveness, the ASEAN Leaders at their Summit in 2000 launched the Initiative for ASEAN Integration (IAI) with the objectives of narrowing the development gap and accelerating economic integration in ASEAN.

The IAI is primarily directed towards the newer members of ASEAN, namely Cambodia, Lao PDR, Myanmar, and Viet Nam. However, it also encompasses sub-regional groupings, such as the Greater Mekong, Brunei Darussalam – Indonesia – Malaysia – Philippines East ASEAN Growth Area (BIMP-EAGA) and the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT). This will assist the relevant countries to meet ASEAN-wide targets and commitments.

### IAI Work Plan

Efforts to narrow the development gap have been driven mainly by the IAI Work Plans. The first IAI Work Plan (2002-2008), endorsed by the Leaders at the 8<sup>th</sup> ASEAN Summit in 2002, had priorities addressing infrastructure (transport and energy); human resource development (public sector capacity building, labour and employment, and higher education); information and communication technologies (ICT); and, regional economic integration (trade in goods and services, customs, standards, and investments). Tourism and poverty alleviation have also been included.

The second IAI Work Plan (2009-2015), endorsed in 2009 at the 14<sup>th</sup> ASEAN Summit, is based on key programme areas in the ASEAN Political-Security Community Blueprint, ASEAN Economic Community Blueprint and the ASEAN Socio-Cultural Community Blueprint.

Both the IAI Work Plans have been devoted largely to soft infrastructure. However, development of physical transport and communication infrastructure networks, completion of the physical road, rail, air and sea linkages within ASEAN are now key areas of focus.

### **IAI Task Force**

The IAI Task Force is responsible for managing the IAI Work Plan. Under the ASEAN Charter, the Task Force now comprises the Permanent Representatives to ASEAN in Jakarta.

### **IAI Development Cooperation Forum**

To accelerate the pace of the implementation of IAI, the IAI Development Cooperation Forum (IDCF) was established to serve as the main venue for engaging ASEAN's Dialogue Partners and other donors in a collective dialogue on the IAI Work Plan. Two IDCFs have been organised, in 2002 and 2007 respectively, with a third planned for 2010.

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# FTA Agreements



## ASEAN-China Free Trade Area (ACFTA)

A Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China was signed by all the ASEAN Member States and the People's Republic of China on 4 November 2002 in Phnom Penh. This Agreement provided the legal basis for ASEAN and China to negotiate enabling agreements that have led to the creation of the ASEAN-China Free Trade Area (ACFTA). China is currently the largest trading partner of ASEAN, with trade value of US\$178.2 billion in 2009. This makes up for 11.6% of ASEAN's total trade. ASEAN is China's 4<sup>th</sup> largest trading partner accounting for 9.7% of China's total trade. The ACFTA is a market of 1.92 billion consumers that have a combined GDP of about US\$6.41 trillion (2009). In terms of consumer market size, the ACFTA is the biggest FTA in the world.

### Trade in Goods

The Agreement on Trade in Goods, signed on 29 November 2004, is one of the enabling Agreements under the Framework Agreement. It laid down the modality for tariff reduction and elimination for tariff lines categorised in either the Normal Track or the Sensitive Track.

**Normal Track:** Tariffs on almost all tariff lines in this category have been eliminated by ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and China as of 1 January 2010. The remaining few products in this category (i.e. not exceeding 150 tariff lines) will have tariffs eliminated not later than 1 January 2012, as part of the flexibility provided in the modality. For Cambodia, Laos, Myanmar and Viet Nam, tariff elimination will have to be completed by 1 January 2015, with flexibility to eliminate tariffs on products not exceeding 250 tariff lines by 1 January 2018.

**Sensitive Track:** Products in this Track were further categorised into the Sensitive (SL) and Highly Sensitive Lists (HSL) and would be subject to tariff reduction within the timeframes specified in the Agreement. Tariffs of products in the SL will have to be reduced first to 20% followed by a subsequent reduction to the 0-5% tariff band. For those in the HSL, tariffs will have to be reduced to not more than 50%.

The ACFTA does not allow exclusion of products. The Rules of Origin for the ASEAN-China Free Trade Area follows a general rule of 40% regional value content, with a limited number of products subject to product specific rules.

### **Trade in Services**

The Agreement on Trade in Services between ASEAN Member States and China, signed on 14 January 2007, is the second enabling Agreement under the 2002 Framework Agreement. It aims to liberalise and substantially eliminate discriminatory measures with respect to trade in services among the Parties in various service sectors. By applying the GATS Plus principle, the level of liberalisation commitments under this Agreement would be considerably higher than the commitments made by participating countries under the General Agreement on Trade in Services (GATS) in the WTO. ASEAN and China embarked on a second round of negotiations in 2008 with the aim of substantially improving the first package of specific commitments. The Protocol to Amend the Agreement on Trade in Services is expected to be signed at the 13<sup>th</sup> ASEAN-China Summit in October 2010.

### **Investment**

To promote and facilitate investment flows, ASEAN and China also signed an Investment Agreement on 15 August 2009 in Bangkok, Thailand. The Agreement which entered into force on 1 January 2010, aims to create a favourable environment for the investors and their investments from ASEAN and China, and therefore stipulates key protection elements that will provide fair and equitable treatment to investors, non-discriminatory treatment on nationalisation or expropriation and compensation for losses. It has provisions that allow transfers and repatriation of profits to be made freely and in freely usable currency as well as a provision on investor-state dispute settlement that provides investors recourse to arbitration.

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## **ASEAN-Japan Comprehensive Economic Partnership (AJCEP)**

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The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement signed in April 2008 and entered into force in December 2008 is comprehensive in scope, covering such fields as trade in goods, trade in services, investment, and economic cooperation. The AJCEP will help continue the momentum for further invigoration of trade and investment in the region.

ASEAN and Japan have a combined gross domestic product of US\$6.4 trillion in 2008. The total bilateral trade between ASEAN and Japan has reached US\$211.7 billion, making Japan as ASEAN's top trading partner in 2008.

The implementation of the AJCEP will allow more goods and services to reach ASEAN and Japanese consumers at lower prices through reduced or zero tariffs, which contributes to their improved standards of living.

### **Tariff Reduction and Elimination**

Under the trade in goods, Japan has to eliminate 92% of its tariff rates based on tariff lines and trade value for goods in the Normal Track within ten (10) years of entry into force (EIF) of the Agreement. Meanwhile, the ASEAN 6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) have to eliminate 90% of its tariff rates based on the tariff lines and trade value for goods in the Normal Track within ten (10) years of EIF of the Agreement. For Viet Nam, it has to eliminate 90% of its tariff rates based on tariff lines and certain percentage on trade value for goods in the Normal Track within ten (10) years of EIF. For Cambodia, Laos and Myanmar, certain flexibility was provided. Each has to eliminate 90% of its tariff rates based on either tariff line or trade value for goods in the Normal Track within 13 years of EIF.

For goods under the Highly Sensitive List, Sensitive List and Exclusion List, the modality varies and the tariff cuts were negotiated bilaterally between ASEAN Member States and Japan, taking into account the sensitivities of the parties.

### **Rules of Origin**

Trade facilitating rules of origin (ROO) have been established under the AJCEP that would help encourage regional cumulation of inputs not only benefiting ASEAN industries but also Japanese companies operating in ASEAN such as Mitsubishi, Toyota and other electronic companies who are operating and have huge investments in ASEAN countries. The AJCEP's ROO has a "general rule" of RVC (Regional Value Content) 40% or CTH (Change in Tariff Heading), thereby providing flexibility for exporters/manufacturers in choosing the rule to apply and increasing their chances of complying with the ROO to avail of the preferential tariff treatment.

### **Services and Investment**

As part of the built-in agenda of the AJCEP Agreement, negotiations for services and investment are to commence one year from the entry into force of the Agreement. Following the mandate from the Ministers to bring trade in services and investment into the AJCEP, the Sub-Committee on Services and the Sub-Committee on Investment were established to undertake the negotiations.

### **Dispute Settlement Mechanism**

A Dispute Settlement Chapter has been provided under the AJCEP to address disputes that may arise from the interpretation of the implementation of the TIG Agreement.

### **Overall Benefits**

As more investors come to ASEAN through the AJCEP, it is expected that this will help narrow the economic divide among the estimated 711 million peoples of ASEAN and Japan. From 2002 to 2008, the total FDI from Japan in ASEAN reached US\$45 billion and this is expected to grow as the implementation of the AJCEP continues.

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## ASEAN-Korea Free Trade Area (AKFTA)

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The Republic of Korea (Korea) is the second dialogue partner with whom ASEAN has forged a free trade agreement. In 2005, ASEAN and Korea signed the Framework Agreement on Comprehensive Economic Cooperation (Framework Agreement), and subsequently, signed four (4) more agreements that form the legal instruments for establishing the ASEAN-Korea Free Trade Area (AKFTA). In 2009, Korea was the fifth largest trading partner of ASEAN with trade amounting to US\$74.7 billion. Foreign direct investment flows from Korea into ASEAN was US\$1.4 billion.

### Trade in Goods

The ASEAN-Korea Trade in Goods (AK-TIG) Agreement, signed on 24 August 2006, sets out the preferential trade arrangement in goods between the ten (10) ASEAN Member States and Korea, which, principally, involves tariff reduction and elimination for all tariff lines over a transition period. On 1 January 2010, Korea and ASEAN-5 (Brunei Darussalam, Indonesia, Malaysia, the Philippines and Singapore) have eliminated tariffs on almost 90% of products in the Normal Track.

For the newer members of ASEAN, namely, Viet Nam, Cambodia, Lao PDR and Myanmar, a longer transition period for tariff reduction and elimination had been agreed in recognition of their development status. For Viet Nam, at least 50% of tariff lines under the Normal Track will enjoy a 0-5% tariff rate not later than 1 January 2013, and not later than 1 January 2015 for Cambodia, Lao PDR and Myanmar (CLM). Tariff lines enjoying the reduced tariffs rates of 0-5% will reach 90% coverage by 2016 for Viet Nam and 2018 for CLM. By 2017 and 2020 products under the Viet Nam and CLM's Normal Track, respectively would have full market access, that is, at zero tariff. Thailand, which acceded to the AK-TIG in 2007, has a different schedule. Tariffs for products in the Normal Track would be reduced over a transition period and will be eliminated by either 2016 or 2017.

### Trade in Services

The ASEAN-Korea Trade in Services (AK-TIS) Agreement, signed on 21 November 2007, provides the platform for further opening up or greater market access for ASEAN and Korean service providers. Building on their existing commitments in the

WTO under General Agreement on Trade in Services (GATS), ASEAN and Korea both improved their levels and depth of commitments through the addition of new sectors/ sub-sectors in the list of commitments and the easing up of restrictions on entry and treatment on a wide range of service sectors including business, construction, education, communication services, the environment, tourism services, and transport services.

**Investment**

The ASEAN-Korea Agreement on Investment (AK-AI), signed on 2 June 2009, aims to provide for a transparent, facilitative and a more secure environment for ASEAN and Korean investors and their investments. Major components of the AK-AI are the protection elements which include provisions on fair and equitable treatment and full protection and security of covered investments; transfers of funds relating to covered investments; and compensation in the event of nationalisation or expropriation of covered investments. The agreement was entered into force on 1 September 2009. However, work on the AK-AI continues as ASEAN and Korea pursue the completion of built-in-agenda items, which include the development of market access commitments or schedules of reservations. ASEAN and Korea will commence and conclude discussions on these agenda items within five years from entry into force of the Agreement.

**Dispute Settlement Mechanism**

The ASEAN-Korea Agreement on Dispute Settlement Mechanism, signed on 13 December 2005, provides the mechanism for any disputes that may arise between Parties from the interpretation, implementation or application of all the above cited Agreements including the Framework Agreement.

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## ASEAN-India Free Trade Area

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The ASEAN-India Trade in Goods (AITIG) Agreement was signed on 13 August 2009. The entry into force of the Agreement starting 1 January 2010 paves the way for the creation of one of the world's largest free trade areas - a market comprising 1.8 billion people with a combined gross domestic product of approximately US\$2.74 trillion as of 2009. India remained as ASEAN's seventh largest trading partner and sixth largest investor in 2009. ASEAN-India trade totalled US\$39.1 billion in that year.

### Trade in Goods

The TIG provides for a progressive tariff reduction and/or elimination of originating goods (subject to compliance with the rules of origin) traded for the ten ASEAN Member States and India. Under the Normal Track, tariffs imposed by Brunei Darussalam, Indonesia, Malaysia, Singapore and Thailand and India will be eliminated by 2016. Tariffs imposed between the Philippines and India under the Normal Track will only be eliminated by 2019. Meanwhile, a longer time frame is given for Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) to eliminate tariffs of goods under the Normal Track.

Under the Sensitive Track, goods with applied MFN rates of above 5% will be reduced to 5% by 2016 for Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand and India; 2019 for the Philippines and India; and 2021 for CLMV.

The AITIG also provides for different tariff rates for special products, i.e. crude and refined palm oil, coffee, black tea and pepper. There are also goods placed under the highly sensitive lists and exclusion list. However, these lists are subject to an annual review in the effort towards improving market access.

A general rule of RVC (Regional Value Content) 35% + CTSH (Change in Tariff Sub-Heading) is applied as the criterion for goods to be considered as originating and eligible for preferential tariff treatment. Product specific rules are being negotiated to provide alternative rule for certain products/sectors.

## **Services and Investment**

Negotiations on services and investment agreements are on-going.

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## ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)

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The Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) that aims to integrate twelve (12) markets into a market of 616 million people with a combined GDP of US\$2.61 trillion (as of 2009) was signed in Thailand on 27 February 2009. The Agreement entered into force on 1 January 2010. Total trade between the regions was US\$49.2 billion in 2009. Despite the global financial crisis and the decline of global foreign investment flows, total level (or stock) of Foreign Direct Investment (FDI) from Australia-New Zealand in ASEAN grew from USD 10 billion in 2008 to USD 14.9 billion.

### **AANZFTA Agreement: The “Firsts”**

The AANZFTA Agreement is the “first”:

- (i) plurilateral agreement for both ASEAN and Australia (New Zealand has a plurilateral agreement with Brunei, Singapore and Chile, i.e. the P4 or the Trans-Pacific Strategic Economic Partnership);
- (ii) comprehensive single undertaking agreement negotiated and signed by ASEAN with a Dialogue Partner - it covers trade in goods and services, electronic commerce, movement of natural persons, investment, economic cooperation, dispute settlement mechanism and specific provisions on customs procedures, sanitary and phytosanitary (SPS) measures, standards and technical regulations, intellectual property rights and competition;
- (iii) region-to-region engagement for ASEAN; and
- (iv) agreement that Australia and New Zealand have jointly negotiated.

### **The “Core” Obligations**

ASEAN Member States, Australia and New Zealand are bound by the AANZFTA Agreement to, among others:

- (i) progressively liberalise tariffs from the entry into force of the Agreement and eliminate tariffs on at least 90% of all their tariff lines within specific timeframes;

- (ii) progressively liberalise barriers to trade in services and allow for greater market access for the other Parties' services suppliers;
- (iii) facilitate the movement of natural persons for those engaged in trade and investment activities in the region;
- (iv) accord protection to covered investments, in terms of treatment of investment, compensation for losses, transfers relating to profit and capital, and transfer of rights or claims to investment; and
- (v) facilitate the movement of goods by implementing specific provisions on rules of origin; customs procedures; SPS measures; and standards, technical regulations and conformity assessment procedures.

Schedules of specific commitments in relation to trade in goods (tariffs), trade in services (including financial services and telecommunication services) and movement of natural persons are annexed to the AANZFTA Agreement.

### **Benefits**

The AANZFTA Agreement opens up opportunities for stakeholders in ASEAN, Australia and New Zealand. These include: greater market access for exporters/manufacturers in the region; promotion of economies of scale in production; opportunities for networking and complementation; and enhanced collaboration among economic operators in the region. With the AANZFTA creating a business environment that promotes certainty, predictability and transparency, economic operators are assured that commercial activities are not unnecessarily interrupted or disrupted.

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# Frequently Asked Questions



## Trade in Goods

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### **Q. What is ASEAN doing to encourage intra-ASEAN trade, given that tariff for intra-ASEAN trade has been mostly eliminated?**

- A. Intra-ASEAN tariffs have been gradually reduced since 1993 when the CEPT Scheme was implemented. The ASEAN Free Trade Area was eventually realized by ASEAN-6 on 1 January 2010. Average intra-ASEAN tariffs for the original signatories of the CEPT-AFTA Agreement – Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand – have gone down from 12.76% in 1993 to 0.05% on 1 January 2010. Average intra-ASEAN tariffs stood at 4.43% in 2000 – the year when all ten ASEAN Member States were implementing the CEPT-AFTA – and this has gone down to 1.06% in 2010.

This does not mean, however, that our effort to encourage greater intra-ASEAN trade is done. As our work on tariff elimination is mostly completed, focus is being placed on trade facilitation measures that span from elimination of non-tariff barriers on importation of agricultural products, processed food, and manufactured products, as well as modernizing customs techniques so that goods can be released faster.

### **Q. What is the ASEAN Trade in Goods Agreement and how does it relate to the ASEAN Free Trade Area?**

- A. The ASEAN Trade in Goods Agreement (ATIGA) entered into force on 17 May 2010. Not only does it replace the Common Effective Preferential Tariff-ASEAN Free Trade Area (CEPT-AFTA) Agreement, its coverage is much broader than its predecessor as it also contains provisions on areas like trade facilitation, customs, sanitary and phyto-sanitary measures, and technical barriers to trade.

The ATIGA consolidates, bringing into one document all that have been achieved in the area of trade in goods over the years. This makes it the reference document for all matters relating to trade in goods.

You will also find in the annex, a single tariff schedule for each of the ASEAN Member States for each year up to the year 2015. This enhances the transparency, providing businesses with greater certainty when making investment decisions.

**Q. ASEAN has positioned itself as the gateway to ASEAN. How does liberalization and facilitation measures for trade in goods contribute to this end?**

- A. Positioning ASEAN as gateway to Asia means attracting investments to establish manufacturing bases for exports to other countries in the region. Trade liberalization and facilitation work that we have been undertaking contribute to this end in a number of ways.

To begin with, manufacturing businesses, especially in high-tech industries, require parts and components that are sourced from within and outside ASEAN. By making it less costly and less time-consuming to move these parts and components, we make ASEAN a more conducive place for manufacturing base and thereby attracting investments in the manufacturing sector.

Our work on rules of origin aims to encourage sourcing of parts and components within the region, thereby establishing a production network in ASEAN. In addition to the long-standing 40% regional value content criteria, ASEAN has introduced alternative methods of achieving ASEAN originating status for goods produced in the region. This gives manufacturers wider options of co-equal methods for making sure their products are eligible for intra-ASEAN tariff preferences.

## Standards and Conformance Initiatives in ASEAN

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### **Q. Why is harmonisation of standards important in ASEAN?**

- A. Standards play an important role in making sure that products are safe and fit for its desired purpose. Differing national standards among Member States can pose as a technical barrier to trade. ASEAN addresses these barriers to trade through harmonisation of the national standards among Member States with the corresponding international standards. Harmonised standards in ASEAN mean meeting common requirements in ASEAN when placing the products in any Member State. As such, harmonised standards play a key role in trade facilitation in ASEAN while ensuring that the quality and safety of the product is not compromised.

### **Q. What are Mutual Recognition Arrangements (MRA) for conformity assessment in ASEAN?**

- A. Mutual Recognition Arrangements (MRAs) are agreements made between two or more parties to mutually recognise or accept some or all aspects of one another's conformity assessment results. In the area of conformity assessment, having such MRAs in ASEAN would reduce the need for a product to undergo multiple tests in order to be sold or used in different ASEAN countries. As such, MRAs can help reduce business costs on test reports and increase the certainty of market access for products. Consumers also are assured of the quality of the products in the market that have been tested in accordance with the requirements of the MRAs.

## Services

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**Q. What work is ASEAN doing in the area of services towards ASEAN integration?**

- A. ASEAN is working on progressive reduction in barriers to services supply and trade. By 2015, ASEAN hopes to achieve substantial liberalisation in services that would allow many important services in ASEAN to be supplied either through cross-border or through the establishment of companies across national borders to supply such services. ASEAN is also working on facilitating greater mobility of ASEAN professionals to provide their services in the region through Mutual Recognition Arrangements (MRAs).

**Q. How is services liberalisation undertaken in ASEAN and to what extent has services been liberalised?**

- A. Services liberalisation in ASEAN is undertaken through successive rounds of negotiations, with each round resulting in progressively more sectors being liberalised and fewer restrictions for the provision of services across national borders. Currently, ASEAN is undertaking the 6<sup>th</sup> Round of Negotiations resulting in the 8<sup>th</sup> package of commitments. ASEAN hopes to achieve substantial liberalisation towards the goal of the free flow of services by 2015 as mandated in the ASEAN Economic Community (AEC) Blueprint.

**Q. What is the importance of services to ASEAN?**

- A. Services form a very important component of ASEAN's economy. It accounts for between 40-70% of the Gross National Income. In terms of trade in services, ASEAN's trade in services represents 5% of world trade in commercial services or US\$343 billion in 2009. In addition, foreign direct investment in the services sector has accounted for more than 50% of total ASEAN FDI.

**Q. Why should ASEAN governments open up their services market to foreign competition?**

- A. By opening up services market to foreign competition, ASEAN countries (just like any country in the world embarking on liberalisation effort) hopes to encourage competition in their domestic market and ensure higher quantity and quality of supply of various services sectors. Healthy services sectors such as financial, telecommunications and transport services are strategic inputs to all other sectors in the economy, both goods and services. Liberalisation also allows for better policy transparency and predictability, hence stimulates higher levels of foreign direct investment. These all enhance and contribute towards economic development.

## Investment

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### **Q. What steps is ASEAN taking to make the region a more attractive place for investment?**

- A. ASEAN is a dynamic and expanding region. Its real GDP growth for 2010 is expected to surpass 6%, one of the highest growth rates of any region in the world. Its population base of close to 600 million people is a big draw for investors and business. However, given the uncertain global environment, ASEAN has undertaken measures to make the region a more attractive place for investment.

These measures included the review of two investments, the 1987 Agreement for the Promotion and Protection of Investments (known as the Investment Guarantee Agreement or “ASEAN IGA”), and the 1998 Framework Agreement on the ASEAN Investment Area (AIA) or the “AIA Agreement”, as well as its two related Protocols. These two were subsequently merged into a single agreement to be known as the ASEAN Comprehensive Investment Agreement (ACIA). ACIA was concluded in 2008 and signed in February 2009. Under the ACIA, ASEAN will begin a programme to review and reduce existing restrictions, adopt best practices and enhance promotional activities.

In addition, ASEAN has completed a number of investment agreements with its dialogue partners, China, Australia/New Zealand and Korea. It is currently negotiating similar agreements with India and Japan.

In addition, steps taken towards ASEAN integration by 2015, leading to the creation of a single market and production base, is expected to enhance ASEAN as a premier investment destination.



**Q. How is the region positioned in terms of FDI flows and the main sources of investment for ASEAN?**

- A. The ASEAN region traditionally attracts a lot of Foreign Direct Investment given the dynamic, fast growing economies within the region. ASEAN accounted for more than 10% of FDI flows to developing countries during this decade and about 4% of global FDI flows. The top investors are EU, Japan and the US but ASEAN investors is a growing force, accounting for over 10% of total ASEAN FDI in the last few years.

**Q. What are the challenges for ASEAN in terms of retaining its premier investment destination status?**

ASEAN faces competition from other regions for scarcer capital flows in the face of uncertain global economic conditions. In addition, the emergence of the BRICs (Brazil, Russia, India and China) could shift the gravity center to these areas and ASEAN investment policies will need to be pro-active to compete for these flows.

ASEAN needs to continue re-engineering itself to attract higher value-added investments such as technology intensive including green technologies to keep ahead.

Commitment to ASEAN economic integration efforts will also need to be maintained as an integrated single market is going to provide greater impetus to FDI inflows.

## Agriculture, Industry and Natural Resources

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### **Q. How does ASEAN endeavour to achieve food security in the region?**

A. Food security has been a forefront agenda of ASEAN. Guided by the Blueprints of ASEAN Economic Community and ASEAN Socio-Cultural Community, ASEAN Leaders adopted an ASEAN Integrated Food Security (AIFS) Framework and Strategic Plan of Action for Food Security in ASEAN (SPA-FS) (2009-2013). The goal of the AIFS Framework and SPA-FS is to achieve long-term food security and sustainable livelihoods of farmers in the region. Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. This can be achieved through strengthening national food security policy and initiatives and regional food security reserve, promoting conducive food market and trade, enhancing food security information systems as a basis for national and regional policy and decision-making, promoting agricultural innovation, greater investment towards higher productivity, public-private partnership, and addressing emerging issues that are directly related to food security (i.e. bio-energy development, adaptation and imitation of climate change).

### **Q. How does ASEAN address impacts of climate change in the context of food security?**

A. With the growing concerns over impacts of climate change (e.g. extreme climate, sea water rise, loss of biodiversity, emerging and re-emerging diseases and pest, etc.), ASEAN is developing an ASEAN Climate Change Initiative (ACCI). In agriculture and forestry, an ASEAN Multi-sectoral Framework on Climate Change: Agriculture and Forestry towards Food Security (AFCC) has been developed since 2009. Through cooperation and coordination among agriculture (crops, fisheries, livestock), forestry, environment, energy and public health sectors, the AFCC is envisaged to contribute to food security through sustainable and efficient use of land and water resources by minimizing the impacts of and the contributions to climate change. This will be achieved through strengthening regional information, communication and knowledge systems and networking on climate change and food security; compilation, development and implementation

of mitigation and adaptation measures; integrating climate change mitigation and adaptation strategies into economic and social development policy framework; and developing a more comprehensive multi-sectoral strategic framework and a roadmap for implementation, including mainstreaming the AFCC into the overall ACCI. In addition to multi-sectoral cooperation, the AFCC attempts to provide a regional platform for relevant stakeholders (i.e. private sectors, civil society organizations, farmers, etc.) to be engaged in the implementation of framework.

**Q. With the growing demand for animal products, how does ASEAN ensure safe products and control transboundary animal diseases, particular those of zoonotic nature that threaten the public health?**

- A. While expanding the development of livestock sector, ASEAN also exerts its efforts in ensuring safe and quality animal products through improving animal health and better control and eradication of transboundary animal diseases particularly those of zoonotic nature, which threaten the public health. In advancing such efforts, ASEAN adopted four distinctive but inter-related approaches. They are 1) strengthening national animal health capability, particularly the veterinary services through good governance with legal and institutional support; 2) strengthening regional coordination on animal health and zoonoses; 3) strengthening multi-sectoral cooperation on health-related issues in line with “One World, One Health” concept; and 4) enhancing partnership arrangement and cooperation with development partners and donor agencies, considering their comparative advantages. It should be emphasised that maintaining healthy animal and controlling the diseases at source are critical. Learning from the past experiences, roadmaps for control and eradication of zoonotic diseases (i.e. highly pathogenic avian influenza, rabies, etc.) have been developed and implemented.

## Competition Policy

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### **Q. Which countries in ASEAN that have competition laws and competition authorities in place?**

- A. At present, Indonesia, Singapore, Thailand and Viet Nam have such laws and competition authorities. Cambodia and Philippines are in the process of drafting their competition laws. The remaining countries – Brunei Darussalam, Lao PDR and Myanmar – are in the preliminary stages of nation-wide competition policy and law development. More recently, Malaysia’s Competition Bill was passed by Parliament in May 2010 and is awaiting Royal assent for it to become law.

### **Q. What is the ASEAN sectoral body responsible for competition policy and what is the main focus of its activities?**

- A. In August 2007, the ASEAN Economic Ministers endorsed the establishment of the ASEAN Experts Group on Competition (AEGC) as a regional forum to discuss and cooperate in competition policy and law. The AEGC first met in 2008 and for the next three to five years, has agreed to focus on building up competition-related policy capabilities and best practices in AMSs; developing the ASEAN Regional Guidelines on Competition Policy; and compiling a Handbook on Competition Policy and Law in ASEAN for Business. Both the Guidelines and the Handbook are targeted deliverables under the AEC Blueprint in 2010.

### **Q. What are the challenges to 2015 and beyond for competition policy and law in ASEAN?**

- A. Among these challenges are (i) the efficient ways and means of allocating resources to attain a comprehensive minimum level of competition in ASEAN Member States (AMSs), given the diverse levels and capabilities of implementation of competition policy and law (CPL) among AMSs; (ii) defining and adopting the components of convergence in CPL developments or of a comprehensive regime on CPL among AMSs; and (iii) designing the mechanisms of cooperation between competition authorities in ASEAN.

## Consumer Protection

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**Q. Which countries in ASEAN that have consumer protection laws in place?**

A. Currently, six AMSs – namely Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam – have principal consumer protection acts. Other regional countries such as Brunei Darussalam, Cambodia, Lao PDR and Myanmar do not have such acts as yet. These countries, with the exception of Myanmar, are in the process of drafting their consumer protection laws under the responsible Ministries. Meanwhile, consumer protection elements in these countries are covered by separate legislations in various sectors and industries in order to achieve consumer protection objectives.

**Q. What is the ASEAN sectoral body responsible for consumer protection and what is the main focus of its activities?**

A. Consumer protection is a new area of regional cooperation. As initiated under the ASEAN Economic Community (AEC) Blueprint, the inter-governmental ASEAN Coordinating Committee on Consumer Protection, later renamed as the ASEAN Committee on Consumer Protection (ACCP), was established in August 2007. The ACCP, and its three Work Groups (Rapid Alert System & Information Exchange, Cross Border Consumer Redress, and Training & Education), serve as the focal point for the implementation and monitoring of regional arrangements and mechanisms on, and to foster the sustainable development of consumer protection in ASEAN.

In order to steer the implementation of initiatives and commitments under the AEC Blueprint, a strategic approach toward consumer protection has been adopted by the ACCP. This approach contains policy measures and detailed priority actions with specific timeframes for implementation, including the development of a (i) notification and information exchange mechanism by 2010; (ii) cross border consumer redress mechanism by 2015; and (iii) strategic roadmap for capacity building by 2010.

**Q. What are the challenges to 2015 and beyond for the consumer protection and law in ASEAN?**

- A. The main areas of capacity-building needs at the regional and national levels will have to be identified, prioritized and addressed. Substantial technical and financial assistance from ASEAN Dialogue Partners and organisations would be required in the process of developing and promoting national policies, laws and institutional arrangements on consumer protection.

On top of these challenges, globalization and regional integration will introduce additional complexity and difficulties in consumer protection to be managed by all AMSs. There are, in particular, the increasing volumes and value of domestic and cross-border trade as well as the constant and rapid progress in the technologies in communications, production and e-commerce.

The ACCP, with the support of the ASEAN Secretariat, will need to work closely with dialogue partners, international organisations and the private sector to collaborate in the implementation of joint activities and programs. These are needed to improve and diversify AMSs' technical expertise, institutional capacity and policy experiences. In this connection, the lessons and insights gained by the earlier movers will be of relevance for policy consideration in AMSs, especially in relation to the design and implementation of enforcement and outreach activities as well as to other issues of a legislative and operational nature.

## Intellectual Property Rights

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### **Q. What is the ASEAN sectoral body responsible for intellectual property rights (IPRs) and what is its main focus of its activities?**

- A. The ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) has acted as the coordinating body for the development of IP systems in ASEAN and a common regional profile on IPRs. Cooperation activities continue to build on the simplification, harmonisation, registration and protection of IPRs in the region.

The AWGIPC also provides a platform for the sharing of information and views on regional and international IP developments, and serves as a focal point for engaging external development and dialogue partners on IP cooperation activities. AWGIPC work has been guided by the ASEAN Intellectual Property Right Action Plan 2004-2010, the Work Plan for ASEAN Cooperation on Copyrights of 2005, and the Blueprint for the ASEAN Economic Community of 2007.

### **Q. What are the programmes and activities on regional co-operation in the area of IPRs implemented by the AWGIPC (in accordance with deliverables in the AEC Blueprint)**

- A. Among other activities to ensure a common regional profile and understanding on IPRs in the context of AEC Blueprint are, firstly, the conduct of country and regional studies on the economic contribution of copyright industries in AMSs; meetings on accession to the Madrid System for the International Registration of Trademarks; and pilot projects on the ASEAN Patent Examination Co-operation (ASPEC) and the ASEAN "IP DIRECT". Secondly, on-going efforts are made to share policy experiences on membership of existing IP treaties and pursue the agreed accession to common IP treaties; to build on the simplification and harmonization of various procedures and regulations concerning IPRs; and to monitor regularly the TRIPS compliance of laws and regulations in AMSs. Thirdly, there is an active programme of regional capacity building, with a focus on, for example, flexibilities under the TRIPS Agreement, arbitration and mediation in IP

disputes, the Madrid Protocol, enforcement, and management of copyright and related rights in the digital environment. Some 3,000 ASEAN professionals have participated in these activities in the past several years.

**Q. What are the challenges and opportunities for the intellectual property in ASEAN?**

- A. There is very limited supply of IP-related skilled and experienced human resources and institutional capacity in ASEAN Secretariat (ASEC) and in AMSs. For capacity building and other purposes, ASEC and ASEAN have to explore more intensively current as well as possible new sources and modalities of funding and expertise from Dialogue Partners and other donors. Meanwhile, efforts have been made to implement an “ASEAN-helps-ASEAN” approach wherever feasible, including in exchanging policy lessons learnt and insights gained by AMSs in accession to international treaties and implementing IPR-related activities and programs.

Additionally, IP and IPR-related matters have become technically very complex and covered a wide range of fields. They have also covered an increasingly wider range of fields (Geographical Indications (GI), Traditional Knowledge (TK), Genetic Resources (GR), and Traditional Cultural Expressions (TCE). IP infrastructure and expertise vary enormously within ASEAN, however, with a significant gap between ASEAN-6 and ASEAN-4. Such differences have implications on the nature and intensity of regional cooperation, and technical assistance needs within ASEAN as well as between different sub-groups of AMSs.

More generally, capacity building and upgrading requires sustained efforts of both donors and recipients over the long run. ASEAN will need to work closely with Dialogue Partners, international organisations and private sector entities to prioritize joint activities of mutual interest and concern.



## Tourism

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**Q. How does ASEAN endeavour to succeed its tourism promotion and marketing in the region?**

- A. Tourism promotion and marketing have been a forefront agenda of ASEAN tourism cooperation. The 'Visit ASEAN Campaign' has been the main focus of regional marketing, through joint activities as well as joint promotion in major source markets, such as China, ROK and Australia implemented by the ASEAN Promotional Chapter for Tourism (APCT) represented by available ASEAN NTOs representatives. Guided by the Roadmap for Integration of Tourism Sector (RITS) 2004-2010, marketing the ASEAN region as a single tourist destination with multi-faceted attractions and world class standard and facilities has been implemented as the marketing strategy with the active engagement of private sector represented by ASEANTA (ASEAN Tourism Association). The new tagline "Southeast Asia feel the Warmth" and the new marketing website: [www.southeastasia.org](http://www.southeastasia.org) highlighting multi-destination travel within ASEAN Member States was launched at ITB Berlin in March 2010 and will be a co-brand with the existing ASEAN marketing campaign.

**Q. With the growing demand for tourism professionals, how does ASEAN ensure the quality and capacity of manpower in the region?**

- A. To ensure the quality of tourism service delivery in the region, The ASEAN Tourism Ministers have conclude a Mutual Recognition Arrangement (MRA) on Tourism Professionals in January 2009. The MRA is intended to facilitate the mobility of tourism professionals within the region and to increase the equality of tourism human resource within the region using the ASEAN Minimum Competency Standards for Tourism as the basis. MRA will enhance regional confidence in tourism training outcomes and qualifications which will stimulate intra-regional investment and flow of human resources in the sector. In expediting the implementation of those requirements under MRA, the first ASEAN Tourism Professional Monitoring Committee (ATPMC) meeting has been held in June 2010.

**Q. How does ASEAN commitment to enhance cruise tourism in the region?**

- A. For cruise tourism, the ASEAN Cruise Working Group has been established to improve facilitation of cruise tourism in ASEAN, supported by regular consultations between the officials of cruise tourism and maritime transport working groups. The ASEAN Member States made a firm commitment to develop the cruise industry and have in place the required information infrastructure to cater our valuable trade and industry partners. The consolidated and informative databank of port information such as port operations, port services, customs and immigration, and tourist information to help tourist align their decision to sail into ASEAN available at [www.cruiseasean.com](http://www.cruiseasean.com). ASEAN Cruise Working Group has succeed in promoting ASEAN cruise tourism in several international events such as the launching of the ASEAN Cruise website at Seatrade in March 2007 in Miami and promoting ASEAN cruise tourism at China International Travel Mart in Kunming. The statistic of ASEAN cruise tourism performed well, and continued to grow.

## Small and Medium Enterprises

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**Q. What is the ASEAN sectoral body responsible for SMEs and what is the main focus of its activities?**

- A. Comprised of representatives of ASEAN SME Agencies, the ASEAN SME Working Group (SMEWG) was established to maintain a holistic overview of SME development and cooperation within the ASEAN region. The SMEWG formulate policies, programmes and activities and serve as a consultative and coordination forum for SME Cooperation among AMS to elevate the status of SMEs in all member states through multiple approaches including capacity building, trade facilitation and cross-border initiatives so as to ensure SME development, under the on-going process of ASEAN integration towards the establishment of an ASEAN Economic Community.

**Q. What are the programmes and activities on regional co-operation in the area of SMEs are implemented by the SMEWG (in accordance with deliverables in the AEC Blueprint)**

- A. Regional cooperation on SMEs has been guided by the ASEAN Policy Blueprint for SME Development 2004-2014. The Strategic Plan of Action for ASEAN SME Development 2010-2015, adopted in 2010, builds on the achievements realized under the APBSD and incorporates all SME-related regional commitments.

In particular, five major deliverables targeted for the SME section under the AEC Blueprint are the establishment of (a) a common curriculum for entrepreneurship in ASEAN, with Indonesia and Singapore as lead countries (2008-2009); (b) comprehensive SME service centre with regional and sub-regional linkages in Member States, with Thailand and Viet Nam as lead countries (2010-2011); (c) SME financial facility in each Member State, with Malaysia and Brunei Darussalam as lead countries (2010-2011); (d) a regional program of internship scheme for staff exchanges and visits for skills training, with Myanmar and Philippines as lead countries (2012-2013); and (e) a regional SME development fund for use as a funding source for SMEs that are undertaking business in the ASEAN, with Lao PDR and Thailand as lead countries (2014-2015).

**Q. What are the challenges to 2015 and beyond for SMEs in ASEAN?**

- A. SMEs remain the principal source of employment and income generation in most ASEAN. Recent initiatives and programs implemented in AMSs relate to (a) the establishment of a common curriculum for entrepreneurship in ASEAN; (b) the identification of best practices in the establishment of SME financial facilities; and (c) national e-commerce systems and their usage by ASEAN SMEs for enhanced efficiency and competitiveness. ASEAN cooperation for the development of SMEs, which began in 1995, has been given further impetus with the multiplication of global and regional production networks.

However, funding the activities of the SMEs remains a challenge. To-date, some of the SME initiatives have been implemented under the self-help or ASEAN-helps-ASEAN approach whereby individual Member States mobilise their own resources for the implementation of SME development projects or to facilitate the participation of other Member States in these projects.

## Public Private Sector Engagement

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### **Q. Why is Public-Private Sector Engagement important?**

- A. We live in an age of “leaner and meaner” government. As such, the business communities should be even more important as the driving force in regional integration and ASEAN Economic Community (AEC) building. Public-private sector engagement will generate great synergies and (positive) externalities. These will be greatly helpful to ensuring and improving the coherence, practicality and transparency of government actions as well as of business initiatives – across industries, across individual economies, and across the AEC itself.

### **Q. What are the main roles of the Private Sector in AEC building and East Asian integration?**

- A. The private sector has been a key stakeholder and has played a crucial role in development, integration and globalization in many aspects. Policy-wise, private sector inputs and partnership are essential for the design of cost-effective regional strategies and initiatives, and the timely identification of implementation problems in regional integration and ASEAN Community building. ASEAN industries and enterprises have been a key and dependable player in the multiplying supply chains and production networks for many products regionally and across the globe.

As such, business sector entities have not just ensured the full realization of trade and investment opportunities being opened up by ASEAN FTAs, especially those concluded with the Plus Three Countries. They are also the cornerstone in the new architecture of interdependence among East Asian economies as well as between East Asia and the global economy at large.

**Q. How Public-Private Sector Engagement has been operationalized in ASEAN?**

- A. Currently, about 35% from approximately 100 sectoral bodies relating to the AEC have engaged private-sector associations and representatives on a regular or on ad-hoc basis. In particular, private sector representatives have participated actively in discussion on Mutual Recognition Arrangements, and in meetings of the ASEAN Telecommunication Regulators Council. Private-sector bodies have also assisted the ASEAN Working Group on Intellectual Property Cooperation.

At the regional level, the main vehicles for PPE include the Consultative Meeting on Priority Sectors (COPS), the Coordinating Conference on AEC (ECOM), and the ASEAN Business Advisory Council (ABAC) consultations. ASEAN BAC is active in conducting the annual Business and Investment Summit and in providing advice to ASEAN Leaders and ASEAN Economic Ministers. Another stakeholder in PPE is the ASEAN Chamber of Commerce and Industry (ASEAN CCI) but most ASEAN CCI members are also ASEAN BAC members.

Recently, PPE has been elevated at a higher level through regular (annual) dialogues between the ASEAN Economic Ministers and ASEAN BAC plus representative of industry associations. Among these are the ASEAN Federation of Textile Industries and the ASEAN Automotive Federation. Several important recommendations have emerged from such consultation and these are under consideration by the pertinent ASEAN sectoral bodies.

## Initiative for ASEAN Integration and Narrowing the Development Gap

### **Q. What is ASEAN doing to help the Newer Member States integrate with the rest of ASEAN?**

- A. ASEAN Leaders are fully aware that in moving towards community building, the development gap that exists among the ASEAN Member States need to be bridged, especially in terms economic and human resources development. A lot of effort in bridging the development gap has been made by ASEAN with support from its many Dialogue Partners and international organizations. Dialogue Partners fully understand that if the gap is not properly addressed; it would be difficult for Member States to realise the ASEAN Economic Community (AEC) in 2015.

As ASEAN works towards the implementation of the AEC Blueprint, there are many issues relating to the realisation of the AEC that need to be considered. One key challenge is to find a balance in terms of coherence and support among the ASEAN Member States towards economic integration. Aiming at narrowing the development divide and enhancing ASEAN's competitiveness, the ASEAN Leaders at their Summit in 2000 launched the Initiative for ASEAN Integration (IAI) with the objectives of narrowing the development gap and accelerating economic integration in ASEAN, particularly the newer members of ASEAN which are Cambodia, Lao PDR, Myanmar, and Viet Nam (CLMV).

Efforts to narrow the development gap are driven mainly by the IAI Work Plan. The first IAI Work plan was endorsed by the Leaders at the 8<sup>th</sup> ASEAN Summit in Phnom Penh, November 2002. The IAI is now in the second phase of its Work Plan (2009-2015) which is based on key programme areas in the three Community Blueprints: ASEAN Economic Community Blueprint, ASEAN Socio-Cultural Community Blueprint and the ASEAN Political-Security Community Blueprint. The IAI Work Plan II was endorsed by the Leaders in March 2009.

**Q. Where has the most progress been achieved?**

Human Resource Development remains the key area of progress under the IAI, aiming to increase human resource capacity through public sector capacity building, productive labour and employment, higher education, and skills training in the various fields of transport, energy, ICT, investment, trade and services, customs and standards. The learning of the English language is also given priority.

The IAI Work Plan has been devoted largely to soft infrastructure. However, development of physical transport and communication infrastructure networks, completion of the physical road, rail, air and sea linkages within ASEAN such as the Singapore-Kunming Rail Link, efforts in building the hard infrastructure are becoming key activities in the Work Plan.

**Q. Which issues/developmental contrasts pose the greatest challenges?**

A. The IAI was conceived to accelerate socio-economic development in the countries through focused strategies to advance equitable development, reduce poverty and address development disparities.

There could be more effective implementation of the IAI projects if they are aligned or are part of national development cooperation policies and priorities, thus creating synergy in the country's bilateral projects and activities with their donor's as well with the ASEAN agenda under the IAI and the ASEAN Community Blueprints.

This would help sharpen the focus of projects on the individual human person and on particular communities, as well as on the specific nation as a whole, as the ultimate subjects of the IAI.



While the IAI is meant to help primarily the CLMV countries, similar efforts of NDG are being pursued in other designated areas in the ASEAN region. These include the Brunei-Indonesia-Malaysia-Philippines East ASEAN Growth Area (BIMP-EAGA), Indonesia-Malaysia-Singapore Growth Triangle (IMS-GT), and the inter-state areas along the West-East Corridor (WEC) of Mekong Basin in Viet Nam, Laos, Cambodia and North-eastern Thailand within the ASEAN-Mekong Basin Development Cooperation Scheme. Cooperation among the sub-regional economic cooperation programmes play a critical and facilitative role in implementing regional mandates as it will help identify the precise needs of Member States in terms of external assistance and ensure its effectiveness in building capacity for participation in ASEAN programmes. Overall, this will assist the respective countries to meet ASEAN-wide targets and commitments.

## ASEAN's External Economic Relations

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### **Q. How would you describe ASEAN in the regional and global economy?**

A. ASEAN has increasingly become an important player in the regional and global economy, which could be attributed to the region's bold move to establish the ASEAN Economic Community in 2015. The closer ASEAN moves towards becoming a "single market and production base", the more it has become attractive to trading partners wanting to forge free trade (FTA) or comprehensive economic partnership (CEP) arrangements with ASEAN. This has therefore resulted to ASEAN's two-prong approach to economic integration: (i) internal integration, where the end objective is to realize the AEC in 2015; and (ii) integration into the global economy, where the strategy is negotiating FTAs and CEPs with major trading/dialogue partners.

ASEAN now is the "hub" to four (4) FTAs and one (1) CEP:

- ASEAN-China Free Trade Area (ACFTA) – implemented in 2004 (Early Harvest Program) and realized on 1 January 2010
- ASEAN-Korea Free Trade Area (AKFTA) – implemented in 2007 and realized on 1 January 2010
- ASEAN-Japan Comprehensive Economic Partnership (AJCEP) – implemented in 2009
- ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) – implemented on 1 January 2010
- ASEAN-India Free Trade Area (AIFTA) – implemented on 1 January 2010 (Trade in Goods Agreement)

### **Q. What drives ASEAN to pursue these FTAs and CEPs?**

A. There are three (3) main reasons that drive ASEAN to pursue FTAs and CEPs with important trading partners: (i) to tap market potential; (ii) to enhance market access; and (iii) to remain competitive vis-à-vis countries/blocs directly competing with ASEAN.

**Q. What are the key principles that ASEAN adhere to in pursuing FTAs and CEPs?**

- A. ASEAN's FTAs and CEP are generally guided by the following key principles:
- (i) WTO consistent, e.g. tariff liberalization should cover substantially all trade and liberalization of trade in services should be GATS Plus;
  - (ii) the ASEAN Trade in Goods Agreement (ATIGA), ASEAN Framework Agreement on Trade in Services (AFAS) and the ASEAN Comprehensive Investment Agreement (ACIA) shall serve as basis for the FTA/CEP;
  - (iii) economic cooperation shall form an integral part of the FTA/CEP; and
  - (iv) special and differential treatment shall be made available in recognition of the different levels of development not only within ASEAN Member States but also between ASEAN and the potential FTA partner.

**Q. How are ASEAN's FTAs/CEPs negotiated?**

- A. Negotiations for ASEAN's five (5) FTAs/CEPs have followed two (2) different approaches:
- (i) sequential approach – the approach used for the ACFTA, AKFTA and AIFTA. In the sequential approach, ASEAN and the potential FTA partner first negotiate a framework agreement that becomes the basis for subsequent negotiations for at least four (4) agreements: trade in goods, trade in services, investment and dispute settlement. The trade in goods agreement and the agreement on dispute settlement are the first two agreements to be negotiated, followed by trade in services and investment.
  - (ii) single-undertaking – the approach used for the AJCEP and the AANZFTA. In this approach, negotiations for trade in goods, trade in services, investment,

trade-related disciplines, dispute settlement, among others, are negotiated simultaneously giving more flexibility and leverage for negotiators to compromise across sectors.

The main responsibility of negotiating FTAs/CEPs is given to the Trade Negotiating Committees (TNCs) supported by technical experts especially in the areas of rules of origin; sanitary and phytosanitary (SPS) measures; standards, technical regulations and conformity assessment procedures; customs procedures; trade in services; investment; and legal and institutional issues, among others.

**Q. How would the business sector, especially exporters/manufacturers benefit from ASEAN's FTAs/CEPs?**

- A. Exporters/manufacturers in the region will have greater market access brought about by the tariff liberalization to trade in goods and liberalization in the services sector. ASEAN's FTAs/CEP are expected to attract foreign direct investment which in turn opens up opportunities for employment and technology transfer, increased commercial activities and enhanced collaboration among the economic operators in ASEAN and the FTA partner. The FTAs/CEP also create a business environment that promotes certainty, predictability and transparency, which are all necessary to ensure that commercial activities are not unnecessarily interrupted or disrupted.

**Q. Given the level of ambition of ASEAN's FTAs/CEPs, how can Parties assure the smooth implementation of the provisions and commitment set therein, especially for the less-developed ASEAN Member States?**

- A. Implementation of the ASEAN's FTAs/CEPs, especially by the less-developed Parties, are supported by the economic cooperation provisions in the various Agreements. These economic cooperation provisions effectively provides the development dimension of the FTAs/CEPs as not only are they designed to ensure smooth implementation of specific commitments made but also

contribute to narrowing the development gaps among the Parties to the FTA/CEPs. These economic cooperation programs cover both technical assistance and capacity-building activities.

**Q. Given the current debate on the evolving regional architecture in the East Asia/Asia Pacific region, how are ASEAN's FTAs/CEP expected to contribute to the broader regional economic integration?**

- A. ASEAN's FTAs/CEPs are designed to actually be building-blocks to regional economic integration in the East Asia/Asia Pacific region whatever architecture this may turn out to be. ASEAN has an FTA or CEP with key players in the region (i.e. Australia, China, India, Japan, Korea and New Zealand). These countries alone already account for more than 50% of global trade. A consolidation of these FTAs/CEP into a coherent arrangement would not only be good for the region but the global trading system as well

## Macroeconomic and Finance Surveillance Office

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### **Q. What is MFSO?**

A. The Macroeconomic and Finance Surveillance Office (MFSO) is a newly created unit attached to the Office of the Deputy Secretary-General (DSG) for the ASEAN Economic Community (AEC). The primary task of MFSO is to monitor the economies of the ASEAN Member States and ASEAN economic integration. MFSO is headed by a director, who also serves as chief economist for the AEC Department of the ASEAN Secretariat. The director is assisted by three assistant directors, who serve as senior economists in charge of three main areas: monetary, fiscal, and external analysis, trade and investment analysis; and production and labour analysis.

### **Q. Why was MFSO established?**

A. Since the ASEAN Leaders reaffirmed their commitment to deeper economic integration through the Bali Concord in 2005, ASEAN has been at the forefront of establishing an ASEAN Economic Community by 2015. This means that as an integrated community, the approach to integration has become more strategic, requiring more analytical inputs and advice not only from Member States, but also from the ASEAN Secretariat as coordinator of various integration initiatives. In particular, there is a need for ASEC to be more proactive and forward looking in its analysis of regional issues and formulation of policy advice to ensure a well-functioning AEC by 2015. Another important aspect of community building is a need for systematic and comprehensive monitoring of the region's economies, to ensure that Member States comply with the region's various initiatives, and adhere to basic elements of macroeconomic stability that will strengthen ASEAN economic integration. Thus, the ASEAN Leaders in October 2008 agreed to strengthen the analytical and monitoring capacity of the ASEAN Secretariat by setting up the new high-level Macroeconomic and Finance Surveillance Office (MFSO).

**Q. What are the functions of MFSSO?**

- A. MFSSO has two main functions: (i) to enhance peer review under the ASEAN Surveillance Process (ASP), and to leverage on the enhanced surveillance to assess the progress of economic integration in ASEAN. The first function aims to make the content and format of the current surveillance process more effective, credible and relevant to regional conditions. The second function aims to ensure the relevance, effectiveness, and timely implementation of the various initiatives related to regional integration. To perform these functions, MFSSO is expected to do more than information sharing and dissemination. As the dedicated surveillance office focusing on ASEAN, it will take the lead in producing quality surveillance outputs; facilitating regional discussions on surveillance; and monitoring economic integration through the AEC Scorecard.

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