

# **ASEAN ECONOMIC COMMUNITY BLUEPRINT**

## **I. INTRODUCTION**

1. The ASEAN Leaders at their Summit in Kuala Lumpur in December 1997 decided to transform ASEAN into a stable, prosperous, and highly competitive region with equitable economic development, and reduced poverty and socio-economic disparities (ASEAN Vision 2020).

2. At the Bali Summit in October 2003, ASEAN Leaders declared that the ASEAN Economic Community (AEC) shall be the goal of regional economic integration (Bali Concord II) by 2020. In addition to the AEC, the ASEAN Security Community and the ASEAN Socio-Cultural Community are the other two integral pillars of the envisaged ASEAN Community. All the three pillars are expected to work in tandem in establishing the ASEAN Community in 2020.

3. Subsequently, the ASEAN Economic Ministers Meeting (AEM) held in August 2006 in Kuala Lumpur, Malaysia, agreed to develop “a single and coherent blueprint for advancing the AEC by identifying the characteristics and elements of the AEC by 2015 consistent with the Bali Concord II with clear targets and timelines for implementation of various measures as well as pre-agreed flexibilities to accommodate the interests of all ASEAN Member Countries.”

4. At the 12<sup>th</sup> ASEAN Summit in January 2007, the Leaders affirmed their strong commitment to accelerate the establishment of an ASEAN Community by 2015 as envisioned in the ASEAN Vision 2020 and the ASEAN Concord II, and signed the Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015. In particular, the Leaders agreed to hasten the establishment of the ASEAN Economic Community by 2015 and to transform ASEAN into a region with free movement of

goods, services, investment, skilled labour, and freer flow of capital.

## **II. CHARACTERISTICS AND ELEMENTS OF AEC**

5. The AEC is the realisation of the end goal of economic integration as espoused in the Vision 2020, which is based on a convergence of interests of ASEAN Member Countries to deepen and broaden economic integration through existing and new initiatives with clear timelines. In establishing the AEC, ASEAN shall act in accordance to the principles of an open, outward-looking, inclusive, and market-driven economy consistent with multilateral rules as well as adherence to rules-based systems for effective compliance and implementation of economic commitments.

6. The AEC will establish ASEAN as a single market and production base making ASEAN more dynamic and competitive with new mechanisms and measures to strengthen the implementation of its existing economic initiatives; accelerating regional integration in the priority sectors; facilitating movement of business persons, skilled labour and talents; and strengthening the institutional mechanisms of ASEAN. As a first step towards realising the ASEAN Economic Community, ASEAN has been implementing the recommendations of the High Level Task Force (HLTF) on ASEAN Economic Integration contained in the Bali Concord II.

7. At the same time, the AEC will address the development divide and accelerate integration of Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) through the Initiative for ASEAN Integration and other regional initiatives. Other areas of cooperation are also to be incorporated such as human resources development and capacity building; recognition of professional qualifications; closer consultation on macroeconomic and financial policies; trade financing measures; enhanced infrastructure and communications

connectivity; development of electronic transactions through e-ASEAN; integrating industries across the region to promote regional sourcing; and enhancing private sector involvement for the building of the AEC.

8. Based on the above and taking into consideration the importance of external trade to ASEAN and the need for the ASEAN Community as a whole to remain outward looking, the AEC envisages the following key characteristics: (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. These characteristics are inter-related and mutually reinforcing. Incorporating the required elements of each characteristic in one Blueprint shall ensure the consistency and coherence of these elements as well as their implementation and proper coordination among relevant stakeholders.

#### A. Single Market and Production Base

9. An ASEAN single market and production base shall comprise 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. In addition, the single market and production base also include two important components, namely, the priority integration sectors, and food, agriculture and forestry.

#### **A1. Free flow of goods**

10. Free flow of goods is one of the principal means by which the aims of a single market and production base can be achieved. A single market for goods (and services) will also facilitate the development of production networks in the region and enhance ASEAN's capacity to serve as a global production centre or as a part of the global supply chain.

11. Through ASEAN Free Trade Area (AFTA), ASEAN has achieved significant progress in the removal of tariffs. However, free flow of goods would require not only zero tariffs but the removal of non-tariff barriers as well. In addition, another major component that would facilitate free flow of goods is trade facilitation measures such as integrating customs procedures, establishing the ASEAN Single Window, continuously enhancing the Common Effective Preferential Tariffs (CEPT) Rules of Origin including its Operational Certification Procedures, and harmonising standards and conformance procedures.

12. The Common Effective Preferential Tariffs for ASEAN Free Trade Area (CEPT-AFTA) Agreement will be reviewed and enhanced to become a comprehensive agreement in realising free flow of goods and applicable to ASEAN needs for accelerated economic integration towards 2015.

13. Elimination of Tariffs. Tariffs on all intra-ASEAN goods will be eliminated in accordance with the schedules and commitments set out in the CEPT-AFTA Agreement and other relevant Agreements/Protocols.

Actions:

- i. Eliminate import duties on all products, except for those phased in from the Sensitive and Highly Sensitive Lists by 2010 for ASEAN-6 and by 2015, with flexibilities for some sensitive products by 2018, for CLMV in accordance with the provisions of the Protocol to Amend the CEPT Agreement for the Elimination of Import Duties;
- ii. Eliminate import duties on products in the Priority Integration Sectors by 2007 for ASEAN-6 and 2012 for CLMV in accordance with the provisions of the ASEAN Framework (Amendment) Agreement for the Integration of Priority Sectors;
- iii. Complete the phasing in of the remaining products in the Sensitive List (SL) into the CEPT Scheme and reduce tariffs on these products to 0-5% by 1

January 2010 for ASEAN-6, 1 January 2013 for Viet Nam, 1 January 2015 for Lao PDR and Myanmar, and by 1 January 2017 for Cambodia, in accordance with the provisions of the Protocol on Special Arrangements for Sensitive and Highly Sensitive Products; and

- iv. Phase in products, which are in the General Exceptions List, in conformity with the CEPT Agreement.

14. Elimination of Non-Tariff Barriers. ASEAN has achieved significant progress in tariff liberalisation. The main focus of ASEAN towards 2015 will be placed on the full elimination of non-tariff barriers (NTBs).

Actions:

- i. Enhance transparency by abiding to the Protocol on Notification Procedure and setting up an effective Surveillance Mechanism;
- ii. Abide by the commitment of a standstill and roll-back on NTBs;
- iii. Remove all NTBs by 2010 for ASEAN-5, by 2012 for the Philippines, and by 2015 with flexibilities to 2018 for CLMV, in accordance with the agreed Work Programme on Non-Tariff Barriers (NTBs) elimination;
- iv. Enhance transparency of Non-Tariff Measures (NTMs); and
- v. Work towards where possible having regional rules and regulations consistent with International best practices.

15. Rules of Origin (ROO): Putting in place ROO which are responsive to the dynamic changes in global production processes so as to: facilitate trade and investment among ASEAN Member Countries; promote a regional production network; encourage development of SMEs and the narrowing of development gaps; and promote the increased usage of the AFTA CEPT Scheme.

Actions:

- i. Continuously reform and enhance the CEPT ROO to respond to changes in regional production processes, including making necessary adjustments such as the introduction of advance rulings and improvements to the ROO;
- ii. Simplify the Operational Certification Procedures for the CEPT ROO and ensure its continuous enhancement, including the introduction of facilitative processes such as the electronic processing of certificates of origin, and harmonisation or alignment of national procedures to the extent possible; and
- iii. Review all the ROO implemented by ASEAN Member Countries, individually and collectively, and explore possible cumulation mechanisms, where possible.

16. Trade facilitation. Simple, harmonised and standardised trade and customs, processes, procedures and related information flows are expected to reduce transaction costs in ASEAN which will enhance export competitiveness and facilitate the integration of ASEAN into a single market for goods, services and investments and a single production base.

Actions:

- i. Assess trade facilitation conditions in ASEAN;
- ii. Develop and implement a comprehensive trade facilitation work programme which aims at simplifying, harmonising and standardising trade and customs, processes, procedures and related information flows;
- iii. Promote transparency and visibility of all actions and interventions by all stakeholders within international trade transactions;
- iv. Establish a regional trade facilitation cooperation mechanism;
- v. Establish ASEAN Trade Facilitation Repository;

- vi. Develop national level measures to support and ensure effective implementation of regional level initiatives; and
- vii. Develop a comprehensive capacity building programmes to ensure smooth implementation of the work programme.

17. Customs Integration. In light of the acceleration of AEC, the realisation of ASEAN Customs Vision 2020 is brought forward to 2015. In particular, the 2005-2010 Strategic Plan of Customs Development aims to: (a) integrate customs structures; (b) modernise tariff classification, customs valuation and origin determination and establish ASEAN e-Customs; (c) smoothen customs clearance; (d) strengthen human resources development; (e) promote partnership with relevant international organisations; (f) narrow the development gaps in customs; and (g) adopt risk management techniques and audit-based control (PCA) for trade facilitation.

Actions:

- i. Modernise customs techniques, guided by simple and harmonised customs procedures and formalities in line with international standards and best practices through the implementation of regional models of processing of cargoes and shipments (ASEAN Cargo Clearance and ASEAN Customs Declaration Document in 2007);
- ii. Establish ASEAN Customs Transit system to facilitate movement of goods and means of transport;
- iii. Establish ASEAN Customs systems dealing with special customs regimes such as Temporary Admission, Outward Processing and Inward Processing with the view to facilitate integration of production and supply chains;
- iv. Adopt international standards and practices to secure a uniform system of tariff classification, a synchronised system of value assessment for

customs purposes and a harmonised system of origin determination, and information exchange where possible;

- v. Implement ASEAN e-Customs; and
- vi. Promote mutual assistance for better customs efficiency and effectiveness.

18. ASEAN Single Window. The implementation of measures of simplifying, harmonising and standardising trade and customs, processes, procedures and the application of ICT in all areas related to trade facilitation would be paramount in the ultimate creation of an ASEAN Single Window. The ASEAN Single Window is an environment where ten National Single Windows of individual Member Countries operate and integrate. National Single Window enables a single submission of data and information, a single and synchronous processing of data and information and a single decision-making for customs clearance of cargo, which expedites the customs clearance, reduce transaction time and costs, and thus enhance trade efficiency and competitiveness.

Actions:

- i. ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) shall operationalise their National Single Windows by 2008 at the latest;
- ii. ASEAN-4 (Cambodia, Lao PDR, Myanmar and Viet Nam) shall operationalise their National Single Windows no later than 2012; and
- iii. Standardisation of data elements based on WCO data model, the WCO data set and United Nation Trade Data Elements Directory (UNTDDED) and acceleration of introduction of information, communication and technology (ICT) for digitalised processing and exchange.

19. Standards and Technical Barriers to Trade. Systems of standards, quality assurance, accreditation, and measurement are crucial to promote greater efficiency and enhance cost effectiveness of production of intra-regional imports/exports. Standards, technical regulations and conformity assessment procedures will be harmonised through the implementation of the ASEAN Policy Guideline on Standards and Conformance, with greater transparency, improved quality of conformity assessment and active participation of the private sector.

Actions:

- i. Harmonise standards, technical regulations and conformity assessment procedures through their alignment with international practices, where applicable;<sup>1</sup>
- ii. Develop and implement sectoral Mutual Recognition Arrangements (MRAs) on Conformity Assessment for specific sectors identified in the ASEAN Framework Agreement on Mutual Recognition Arrangements (also see footnote 1);
- iii. Enhance technical infrastructure and competency in laboratory testing, calibration, inspection, certification and accreditation based on regionally/internationally accepted procedures and guides;
- iv. Promote transparency in the development and application of standards, technical regulations and conformity assessment procedures in line with the requirements of the World Trade Organisation (WTO) Agreement on Technical Barriers to Trade and the ASEAN Policy Guideline on Standards and Conformance;

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<sup>1</sup> Identification of standards, technical regulations and conformity assessment procedures to be harmonised or for sectoral MRAs to be developed, must take into consideration the impact on ASEAN trade, the complexity of the regulatory system, the technical infrastructure as well as the feedback from stakeholders.

- v. Strengthen post market surveillance systems to ensure the successful implementation of the harmonised technical regulations; and
- vi. Develop capacity building programmes to ensure smooth implementation of the work programme.

## **A2. Free flow of services**

20. Free flow of trade in services is one of the important elements in realising ASEAN Economic Community, where there will be substantially no restriction to ASEAN services suppliers in providing services and in establishing companies across national borders within the region, subject to domestic regulations. Liberalisation of services has been carried out through rounds of negotiation mainly under the Coordinating Committee on Services. Negotiation of some specific services sectors such as financial services and air transport are carried out by their respective Ministerial bodies. In liberalising services, there should be no back-loading of commitments, and pre-agreed flexibility shall be accorded to all ASEAN Member Countries.

21. In facilitating the free flow of services by 2015, ASEAN is also working towards recognition of professional qualifications with a view to facilitate their movement within the region.

### Actions:

- i. Remove substantially all restrictions on trade in services for 4 priority services sectors, air transport, e-ASEAN, healthcare and tourism, by 2010 and the fifth priority services sector, logistics services, by 2013;
- ii. Remove substantially all restrictions on trade in services for all other services sectors by 2015;
- iii. Undertake liberalisation through consecutive rounds of every two years until 2015, i.e. 2008, 2010, 2012, 2014 and 2015;

- iv. Target to schedule minimum numbers of new sub-sectors for each round: 10 sub-sectors in 2008, 15 in 2010, 20 in 2012, 20 in 2014 and 7 in 2015, based on GATS W/120 universe of classification;
- v. Schedule packages of commitments for every round according to the following parameters:
  - No restrictions for Modes 1 and 2, with exceptions due to bona fide regulatory reasons (such as public safety) which are subject to agreement by all Member Countries on a case-by-case basis;
  - Allow for foreign (ASEAN) equity participation of not less than 51% by 2008, and 70% by 2010 for the 4 priority services sectors; not less than 49% by 2008, 51% by 2010, and 70% by 2013 for logistics services; and not less than 49% by 2008, 51% by 2010, and 70% by 2015 for other services sectors; and
  - Progressively remove other Mode 3 market access limitations by 2015;
- vi. Set the parameters of liberalisation for national treatment limitations, Mode 4 and limitations in the horizontal commitments for each round by 2009;
- vii. Schedule commitments according to agreed parameters for national treatment limitations, Mode 4 and limitations in the horizontal commitments set in 2009;
- viii. Complete the compilation of an inventory of barriers to services by August 2008;
- ix. Allow for overall flexibilities<sup>2</sup>, which cover the sub-sectors totally excluded from liberalisation and the sub-sectors in which not all the agreed parameters of liberalisation of the modes of supply are met, in scheduling liberalisation commitments. The scheduling of liberalisation commitments in each round shall be accorded with the following flexibilities:

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<sup>2</sup> The 15% figure for overall flexibility will be reviewed upon the completion of the inventory of limitations in 2008.

- Possibility of catching up in the next round if a Member Country is not able to meet the parameters of commitments set for the previous round;
  - Allowing for substituting sub-sectors that have been agreed to be liberalised in a round but for which a Member Country is not able to make commitments with sub-sectors outside the agreed sub-sectors; and
  - Liberalisation through the ASEAN Minus X formula.
- x. Complete mutual recognition arrangements (MRAs) currently under negotiation, i.e. architectural services, accountancy services, surveying qualifications, medical practitioners by 2008, and dental practitioners by 2009;
  - xi. Implement the MRAs expeditiously according to the provisions of each respective MRA;
  - xii. Identify and develop MRAs for other professional services by 2012, to be completed by 2015; and
  - xiii. Strengthen human resource development and capacity building in the area of services.

For the financial services sector<sup>3</sup>,

22. Liberalisation measures of the financial services sector should allow members to ensure orderly financial sector development and maintenance of financial and socio-economic stability. Member Countries would be guided by the following principles in pacing their liberalisation measures:

- a) Liberalisation through ASEAN Minus X formula where countries that are ready to liberalise can proceed first and be joined by others later; and

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<sup>3</sup> All measures for the financial services sector will be subject to prudential measures and balance of payment safeguards as provided for under the WTO General Agreement on Trade in Services.

- b) The process of liberalisation should take place with due respect for national policy objectives and the level of economic and financial sector development of the individual members.

Actions:

- i. Progressively liberalise restrictions in sub-sectors or modes as identified by each member country by 2015; and
- ii. Progressively liberalise restrictions in the remaining sub-sectors or modes, which are not identified under “pre-agreed flexibilities”, by 2020.

### **A3. Free flow of investment**

23. A free and open investment regime is key to enhancing ASEAN’s competitiveness in attracting foreign direct investment (FDI) as well as intra-ASEAN investment. Sustained inflows of new investments and reinvestments will promote and ensure dynamic development of ASEAN economies.

24. ASEAN investment cooperation is being implemented through the Framework Agreement on the ASEAN Investment Area (AIA), 1998, while investment protection is accorded under a separate agreement i.e. the ASEAN Agreement for the Promotion and Protection of Investment, 1987 or commonly referred to as ASEAN Investment Guarantee Agreement (IGA).

25. Under the AIA, all industries (in the manufacturing, agriculture, fishery, forestry and mining and quarrying sectors and services incidental to these five sectors) shall be open and national treatment granted to investors both at the pre-establishment and the post-establishment stages, with some exceptions as listed in member countries’ Temporary Exclusion Lists (TEL) and Sensitive Lists (SL) . The TEL is to be phased-out based on agreed timelines. Although the SL

does not have a timeline for phasing-out, they will be reviewed periodically.

26. To enhance regional integration as well as to maintain a competitive investment area, both the Framework Agreement on the AIA and the ASEAN IGA will be reviewed. The objective is to realise a more comprehensive investment agreement which should be forward looking, with improved features, provisions and obligations by considering international best practices that would increase the investor confidence in ASEAN. The ASEAN Comprehensive Investment Agreement (ACIA), which will build on the existing AIA Agreement and ASEAN IGA, will cover the following pillars:

*Investment Protection*

27. Provide enhanced protection to all investors and their investments to be covered under the comprehensive agreement.

Actions:

- i. To strengthen among others the following provisions:
  - investor-state dispute settlement mechanism;
  - transfer and repatriation of capital, profits, dividends, etc.<sup>4</sup>;
  - transparent coverage on the expropriation and compensation;
  - full protection and security; and
  - treatment of compensation for losses resulting from strife.

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<sup>4</sup> Since these items are related to capital movements, they should follow the guiding principles of capital movements as stated in section A.4. 'Freer Flow of Capital', particularly on Allowing Greater Capital Mobility.

### *Facilitation and Cooperation*

28. A more transparent, consistent and predictable investment rules, regulations, policies and procedures.

#### Actions:

- i. Harmonise, where possible, investment policies to achieve industrial complementation and economic integration;
- ii. Streamline and simplify procedures for investment applications and approvals;
- iii. Promote dissemination of investment information: rules, regulations, policies and procedures, including through one-stop investment centre or investment promotion board;
- iv. Strengthen databases on all forms of investments covering goods and services to facilitate policy formulation;
- v. Strengthen coordination among government ministries and agencies concerned;
- vi. Consultation with ASEAN private sectors to facilitate investment; and
- vii. Identify and work towards areas of complementation ASEAN-wide as well as bilateral economic integration.

### *Promotion and Awareness*

29. Promote ASEAN as an integrated investment area and production network.

#### Actions:

- i. Create the necessary environment to promote all forms of investment and new growth areas into ASEAN;
- ii. Promote intra-ASEAN investments, particularly investments from ASEAN-6 to CLMV;
- iii. Promote the growth and development of SMEs and MNEs;

- iv. Promote industrial complementation and production networks among MNCs in ASEAN;
- v. Promote joint investment missions that focus on regional clusters and production networks;
- vi. Extend the benefits of ASEAN industrial cooperation initiatives in addition to the AICO Scheme to encourage regional clusters and production networks; and
- vii. Work towards establishing an effective network of bilateral agreements on avoidance of double taxation among ASEAN countries.

### *Liberalisation*

30. Progressive liberalisation of ASEAN Member Countries' investment regime to achieve free and open investment by 2015.

#### Actions:

- i. Extend non-discriminatory treatment, including national treatment and most-favoured nation treatment, to investors in ASEAN with limited exceptions; minimise and where possible, eliminate such exceptions;
- ii. Reduce and where possible, eliminate restrictions to entry for investments in the Priority Integration Sectors covering goods; and
- iii. Reduce and where possible, eliminate restrictive investment measures and other impediments, including performance requirements.

## **A4. Freer flow of capital**

31. Strengthening ASEAN Capital Market Development and Integration.

Actions:

- i. Achieve greater harmonisation in capital market standards in ASEAN in the areas of offering rules for debt securities, disclosure requirements and distribution rules;
- ii. Facilitate mutual recognition arrangement or agreement for the cross recognition of qualification and education and experience of market professionals;
- iii. Achieve greater flexibility in language and governing law requirements for securities issuance;
- iv. Enhance withholding tax structure, where possible, to promote the broadening of investor base in ASEAN debt issuance; and
- v. Facilitate market driven efforts to establish exchange and debt market linkages, including cross-border capital raising activities.

32. Allowing Greater Capital Mobility.

The liberalisation of capital movements is to be guided by the following principles:

- a) Ensuring an orderly capital account liberalisation consistent with member countries' national agenda and readiness of the economy;
- b) Allowing adequate safeguard against potential macroeconomic instability and systemic risk that may arise from the liberalisation process, including the right to adopt necessary measures to ensure macroeconomic stability; and
- c) Ensuring the benefits of liberalisation to be shared by all ASEAN countries.

Actions:

- i. Remove or relax restrictions, where appropriate and possible, to facilitate the flows of payments and transfers for current account transactions;

- ii. Remove or relax restrictions on capital flows, where appropriate and possible, to support foreign direct investment and initiatives to promote capital market development

#### **A5. Free flow of skilled labour**

33. In allowing for managed mobility or facilitated entry for the movement of natural persons engaged in trade in goods, services, and investments, according to the prevailing regulations of the receiving country, ASEAN is working to:

Action:

- i. Facilitate the issuance of visas and employment passes for ASEAN professionals and skilled labour who are engaged in cross-border trade and investment related activities.

34. In facilitating the free flow of services (by 2015), ASEAN is also working towards harmonisation and standardisation, with a view to facilitate their movement within the region.

Actions:

- i. Enhance cooperation among ASEAN University Network (AUN) members to increase mobility for both students and staff within the region;
- ii. Develop core competencies and qualifications for job/occupational and trainers skills required in the priority services sectors (by 2009); and in other services sectors (from 2010 to 2015); and
- iii. Strengthen the research capabilities of each ASEAN Member Country in terms of promoting skills, job placements, and developing labour market information networks among ASEAN Member Countries.

## **A6. Priority Integration Sectors**

35. While it is desirable to integrate across the whole range of economic sectors, ASEAN has recognised the magnitude of the challenge this would pose and initially focused its resources on comprehensively integrating a limited number of priority sectors, which will serve as a catalyst for the overall ASEAN economic integration.

36. Twelve priority integration sectors were identified for accelerated economic integration. Several Member Countries took on the coordinator role for each sector. Each priority integration sector has a roadmap, which combines specific initiatives of the sector and the broad initiatives that cut across all sectors such as trade facilitation measures.

37. Raising the efficiency of these key sectors will enable ASEAN to compete for capital, and retain value-added economic activity and employment in the region. The sectoral approach allows the region to focus its limited resources on rapid and deep integration in these critical areas while provides ASEAN members the opportunity to observe and manage the impact of integration and to jointly develop a stronger sense of commitment to economic integration prior to a broader roll-out.

### Actions:

- i. Conduct a bi-annual review to monitor the status, progress and effectiveness of PIS roadmaps to ensure their timely implementation; and
- ii. Identify sector-specific projects or initiatives through regular dialogues or consultation with stakeholders, particularly the private sector.

## **A7. Food, Agriculture and Forestry**

38. Enhance intra- and extra-ASEAN trade and long-term competitiveness of ASEAN's food, agriculture and forestry products/commodities.

Actions:

- i. Monitor implementation of CEPT-AFTA schemes for agricultural and forest products;
- ii. Develop and apply fisheries quality management systems that ensure food safety and support competitive position of ASEAN fisheries products on world markets through the implementation, validation, verification of Hazard Analysis Critical Control Point (HACCP)-based systems and improved laboratories practices, and adapting quality and safety management systems so that they may be applied to small enterprises in ASEAN by 2009;
- iii. Establish Good Agriculture / Aquaculture Practices (GAP), Good Animal Husbandry Practices (GAHP), Good Hygiene Practices (GHP), Good Manufacturing Practices (GMP), and Hazard Analysis Critical Control Point (HACCP) based systems; for agricultural and food products with significant trade / trade potential by 2012;
- iv. Harmonise the quarantine and inspection/sampling procedure by 2010 and Sanitary and Phytosanitary (SPS) measures for agricultural, food and forestry products with significant trade / trade potential; in accordance with international standards/guidelines, where applicable, by 2015;
- v. Harmonise the Maximum Residue Limits (MRLs) of commonly used pesticides for widely traded crop products in accordance with international standards/guidelines, where applicable, by 2010;
- vi. Harmonise the regulatory framework for agricultural products derived from modern biotechnology in accordance with international standards/guidelines, where applicable, by 2015;
- vii. Harmonise the safety and quality standards for horticultural produce and agricultural products of economic importance in the ASEAN region, in

accordance with international standards/guidelines, where applicable, by 2015;

- viii. Harmonise the animal (both terrestrial and aquatic animals) health control for safety of food of animal origin through a common bio-security management standards scheme, in accordance with international standards/guidelines, where applicable, by 2015;
- ix. Harmonise guidelines for the use of chemicals in aquaculture and measures to eliminate the use of harmful chemicals, in accordance with international standards/guidelines, where applicable, by 2009; and
- x. Develop a regional reference framework on phased-approach to forest certification by 2015.

39. Promote cooperation, joint approaches and technology transfer among ASEAN Member Countries and international, regional organisations and private sector.

Actions:

- i. Develop joint strategies / positions on issues of related interest to ASEAN with international organisations such as WTO, Food and Agriculture Organisation of the United Nations (FAO), World Organisation for Animal Health (OIE), International Plant Protection Convention (IPPC), CODEX, Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) and dialogue partners;
- ii. Promote collaborative research and technology transfer in agriculture, food and forestry products;
- iii. Establish strategic alliances and joint approaches with the private sectors in promoting food safety, investment and joint venture opportunities, promotion of agricultural products and market access;

- iv. Strengthen efforts to combat illegal logging and its associated trade, forest fire and its resultant effects; and
- v. Strengthen efforts to combat illegal fishing.

40. Promote ASEAN agricultural cooperatives as a means to empower and enhance market access of agricultural products, to build a network mechanism linking agricultural cooperatives, and to fulfil the purpose of agricultural cooperatives for the benefit of farmers in the region.

Actions:

- i. Strengthen strategic alliance between agricultural cooperatives in ASEAN through bilateral, regional and multilateral cooperation;
- ii. Establish business linkages among the potential agricultural cooperatives within ASEAN; and
- iii. Promote direct investment and strategic partnership with ASEAN agricultural cooperatives producers, consumers, and traders.

## B. Competitive Economic Region

### **B1. Competition Policy**

41. The main objective of the competition policy is to foster a culture of fair competition. Institutions and laws related to competition policy have recently been established in some (but not all) ASEAN Member Countries (AMCs).<sup>5</sup> There is currently no official ASEAN body for cooperative work on CPL to serve as a network for competition agencies or relevant bodies to exchange policy experiences and institutional norms on CPL.

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<sup>5</sup> Currently, only four AMCs (Indonesia, Singapore, Thailand and Viet Nam) have their own competition law and competition regulatory bodies. Malaysia has not passed any nation-wide competition law but has, instead, relied on sector-level regulations to ensure and enforce competition in markets.

Actions:

- i. Endeavour to introduce competition policy in all ASEAN Member Countries by 2015;
- ii. Establish a network of authorities or agencies responsible for competition policy to serve as a forum for discussing and coordinating competition policies;
- iii. Encourage capacity building programmes/activities for ASEAN Member Countries in developing national competition policy; and
- iv. Develop a regional guideline on competition policy by 2010, based on country experiences and international best practices with the view to creating a fair competition environment.

## **B2. Consumer Protection**

42. The building of an integrated economic region with a people-centred approach in this region has made ASEAN mindful that consumers cannot be precluded in all measures taken to achieve this integration. Consumer protection measures are already being developed in tandem with the proposed economic measures to address the already emerging consumer protection.

Actions:

- i. Strengthen consumer protection in ASEAN through the establishment of the ASEAN Coordinating Committee on Consumer Protection (ACCCP);
- ii. Establish a network of consumer protection agencies to facilitate information sharing and exchange; and
- iii. Organise regional training courses for consumer protection officials and consumer leaders in preparation for an integrated ASEAN market.

## **B3. Intellectual property rights (IPR)**

43. In principle, intellectual property (IP) policy can serve as a powerful stimulus to (a) cultural, intellectual and artistic creativity and their commercialisation; (b) efficient adoption and adaptation of more advanced technologies; and (c) continuous learning to meet the ever-rising threshold of performance expectations.

44. IP policy can also help to incubate a vibrant culture of creativity and invention, and to ensure more equitable access and benefits to all stakeholders in both traditional and newer IPRs. Furthermore, IP policy can influence both the volume and quality of external trade and investment and the transfers of advanced, proprietary technologies. IP creativity is a major determinant of local value added and external competitiveness.

45. Regional cooperation in IPR has been guided by the ASEAN IPR Action Plan 2004-2010 and the Work Plan for ASEAN Cooperation on Copyrights which aim to develop a culture of learning and innovation supported by a friendlier IP profile to businesses, investors, inventors and creators in ASEAN. In addition, these Plans are also designed to foster better public awareness, coordination and networking, predictability, capacity building, and contribution of IP industries to competitiveness and development.

Actions:

- i. Fully implement the ASEAN IPR Action Plan 2004-2010, and the Work Plan for ASEAN Cooperation on Copyrights;
- ii. Establish an ASEAN filing system for design to facilitate filings by users and promote coordination among the IP Offices in ASEAN Member Countries, as receiving office, contingent upon the language requirements;
- iii. Accession to the Madrid Protocol, where possible;
- iv. Sustain consultations and information exchanges among national enforcement agencies in IPR protection; and

- v. Promote regional cooperation on Traditional Knowledge (TK), Genetic Resources (GR) and Cultural Traditional Expressions (CTE).

#### **B4. Infrastructure Development**

46. Transport Cooperation. An efficient, secure and integrated transport network in ASEAN is vital for realising the full potential of the ASEAN Free Trade Area as well as in enhancing the attractiveness of the region as a single production, tourism and investment destination and narrowing development gaps. ASEAN transport is also critical in linking ASEAN with the neighbouring Northeast and South Asian countries.

47. Regional efforts have been made to enhance transport facilitation and logistics services, promote multimodal transport infrastructure linkages and connectivity, facilitate transport and tourism integration and further liberalise the air and maritime transport sectors. The enabling framework for the full liberalisation of air services in ASEAN shall be expeditiously implemented.

48. Multi-modal transport and transport facilitation. The ASEAN Transport Action Plan (ATAP) 2005-2010 covers maritime, land and air transport, and transport facilitation. The Plan outlines 48 action measures.

##### Actions:

- i. Implementation of the ASEAN Framework Agreement on the Facilitation of Goods in Transit by 2009;
- ii. Implementation of the ASEAN Framework Agreement on Multimodal Transport by 2010; and
- iii. Finalisation of the ASEAN Framework Agreement on the Facilitation of Inter-State Transport by 2008 for its implementation beginning 2010.

49. Land transport. Priority is given to completion of the Singapore-Kunming Rail Link (SKRL) and the ASEAN Highway Network (AHN) projects.

Actions:

- i. Complete the development of all the missing links in the Singapore-Kunming Rail Link;
- ii. Complete the implementation of the AHN projects, in particular, road construction / improvement of below Class III road (two narrow lanes with double bituminous treatment) sections of designated Transit Transport Routes (TTRs) of the AHN; and
- iii. Enhance road safety in ASEAN.

50. Maritime and air transport. Adopt the general principles and framework for an ASEAN Single Shipping Market and develop and implement the ASEAN Single Aviation Market.

Actions:

- i. Implement relevant International Maritime Organisation (IMO) conventions;
- ii. Implement the Roadmap towards an Integrated and Competitive Maritime Transport in ASEAN;
- iii. Implement the ASEAN Open Sky Policy (Roadmap for Integration of the Air Travel Sector); and
- iv. Implement the ASEAN Single Aviation Market.

51. Information Infrastructure. A secure and connected information infrastructure is important for sustaining the region's economic growth and competitiveness. Efforts have been made to facilitate interconnectivity and technical interoperability among ICT systems, leveraging on existing national networks and evolving these into a regional information infrastructure. Equal emphasis has been given to improving trust and confidence in the use of the Internet and security of electronic transactions, payments and settlements.

52. Develop high-speed inter-connections among all national information infrastructures (NII).

Actions:

- i. Facilitate high-speed connection among all national information infrastructure by 2010 and implement ICT measures as identified in the VAP;
- ii. Intensify capacity building and training programmes for national Computer Emergency Response Teams (CERTs) and strengthen its capacity, cooperation and the coverage of the region's cyber-security network, including expanding the ASEAN CERT Incident Drills to include ASEAN's Dialogue Partners in 2007;
- iii. Encourage the participation of all stakeholders (people, communities, enterprises and public administrations) in utilisation and development of ICT applications and services on the regional information infrastructure;
- iv. Support sectoral ICT applications (initially in key sectors such as customs, logistics, transport, content industry) to improve their effectiveness and productivity;
- v. Expand the number of ASEAN countries participating in the ASEAN MRA for telecommunications equipment; and
- vi. Deepen regional policy and regulatory framework to deal with the opportunities and challenges in the area of Next Generation Networks, including the interoperability of products/services, information systems and networks in the convergence environment.

53. Energy Cooperation. Secure and reliable supply of energy including bio-fuel is crucial to support and sustain economic and industrial activities. Regional collaboration in the Trans-ASEAN Gas Pipeline (TAGP) and the ASEAN Power Grid (APG) Projects allows the optimisation of the region's energy resources for greater security. These

projects also provide opportunities for private sector involvement in terms of investment, including financing, and technology transfer. Interconnected networks of electricity grids and gas pipelines offer significant benefits both in terms of security, flexibility and quality of energy supply.

54. Expedite the development of the ASEAN Power Grid (APG) and the Trans-ASEAN Gas Pipeline (TAGP). The APG involves 14 electricity interconnection projects and the TAGP, seven gas interconnection projects.

Actions:

- i. Accelerate implementation of the APG and TAGP;
- ii. Promote greater involvement of private sectors in APG and TAGP; and
- iii. Finalise the ASEAN Petroleum Security Agreement to enhance oil and gas security in the region;

55. While ASEAN strive towards accelerating the establishment of an ASEAN Community by 2015, it is important to ensure that such development is sustainable through, among others, mitigating greenhouse gas emission by means of effective policies and measures, thus contributing to global climate change abatement. Recognising the limited global reserve of fossil energy and the unstable world prices of fuel oil, it is essential for ASEAN to emphasise the need to strengthen renewable energy development, such as bio-fuels, as well as to promote open trade, facilitation and cooperation in the renewable energy sector and related industries as well as investment in the requisite infrastructure for renewable energy development.

56. Mining cooperation. Enhance trade and investment and strengthen cooperation and capacity in geological and mineral sector for sustainable mineral development in the ASEAN region.

Actions:

- i. Facilitate and enhance trade and investment in minerals;
- ii. Intensify institutional and human capacity building in ASEAN geological and mineral sector;
- iii. Promote environmentally and socially sustainable mineral development; and
- iv. Encourage the participation of the private sector in mineral development.

57. Financing of Infrastructure Projects. Financing is always recognised as an important contributor to economic growth. As ASEAN accelerates its economic integration efforts, greater investment will be needed particularly in the development of regional infrastructure. Putting in place innovative financing schemes to attract greater private sector involvement is thus important.

Actions:

- i. Promote greater participation of private sectors and international organisations in financing regional infrastructure development such as the APG, TAGP, SKRL and ASEAN Highway Network; and
- ii. Remove or relax impediments to cross-border investment in/financing of regional infrastructure projects.

## **B5. Taxation**

58. Actions:

- i. Complete the network of bilateral agreements on avoidance of double taxation among all Member Countries by 2010, to the extent possible.

## **B6. E-Commerce**

59. To lay the policy and legal infrastructure for electronic commerce and enable on-line trade in goods (e-commerce) within ASEAN through the implementation of the e-ASEAN

Framework Agreement and based on common reference frameworks.

Actions:

- i. Adopt best practices in implementing telecommunications competition policies and fostering the preparation of domestic legislation on e-commerce;
- ii. Harmonise the legal infrastructure for electronic contracting and dispute resolution;
- iii. Develop and implement better practice guidelines for electronic contracting, guiding principles for online dispute resolution services, and mutual recognition framework for digital signatures in ASEAN;
- iv. Facilitate mutual recognition of digital signatures in ASEAN;
- v. Study and encourage the adoption of the best practices and guidelines of regulations and/or standards based on a common framework; and
- vi. Establish a networking forum between the businesses in ASEAN and its Dialogue Partners as a platform for promoting trade and investment.

## C. Equitable Economic Development

### **C1. SME development**

60. The ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014 outlines the framework for SME development in the ASEAN region. It comprises strategic work programmes, policy measures and indicative outputs. Its objectives are to:

- (a) Accelerate the pace of SME development, optimising on the diversities of ASEAN Member Countries;

- (b) Enhance the competitiveness and dynamism of ASEAN SMEs by facilitating their access to information, market, human resource development and skills, finance as well as technology;
- (c) Strengthen the resilience of ASEAN SMEs to better withstand adverse macroeconomic and financial difficulties, as well as the challenges of a more liberalised trading environment; and
- (d) Increase the contribution of SMEs to the overall economic growth and development of ASEAN as a region.

Actions:

- i. Timely implementation of the ASEAN Policy Blueprint for SME Development 2004-2014 (APBSD);
- ii. Promote networking of SMEs and their participation in the building of regional production and distributions networks; and
- iii. Promote best practices in SME development, including SME financing.

## **C2. Initiative for ASEAN Integration (IAI)**

61. Given the different levels of development among ASEAN Member Countries, there arises the need to ensure the deepening and broadening integration of ASEAN is accompanied by technical and development cooperation to address the development divide and accelerate the economic integration of the less developed ASEAN Member Countries so that the benefits of ASEAN integration are shared and enjoyed by all ASEAN Member Countries. This would allow ASEAN Member Countries to move in a unified manner.

62. The Initiative for ASEAN Integration (IAI), launched in November 2000, gives the direction and sharpens the focus of collective efforts to narrow the development gap not only within ASEAN but between ASEAN and other parts of the

world as well. The IAI currently covers the following priority areas, namely infrastructure, human resource development, information and communications technologies (ICT), capacity building for regional economic integration, energy, investment climate, tourism, poverty reduction and improvement in the quality of life.

63. Meeting the AEC challenge will require CLMV to develop policy to enhance economic growth, strengthen economic competitiveness, increase domestic and foreign direct investments, expand private sector enterprises while meeting its public goals.

Actions:

- i. Enhance the IAI to serve as the platform for identifying and implementing technical assistance and capacity building programmes for both public and private sectors in ASEAN Member Countries, in particular, CLMV and the other sub-regional arrangements such as the IMT-GT and the BIMP-EAGA within ASEAN to allow them to be equal partners in the development of regional production and distribution networks;
- ii. ASEAN-6 to continue its support for IAI programmes;
- iii. Garner sufficient support from dialogue partners and international organisations such as the Asian Development Bank and the World Bank for effective implementation of the IAI programmes;
- iv. Build/strengthen capacity of government officials to develop/implement economic and social policies that would mitigate the effects of economic integration; and
- v. Conduct periodic socio-economic studies to monitor/evaluate the impact of economic integration.

## D. Integration into the Global Economy

64. ASEAN operates in an increasingly global environment, with interdependent markets and globalised industries. In order to enable ASEAN businesses to compete internationally, to make ASEAN a more dynamic and stronger segment of the global supply chain and to ensure that the internal market remains attractive for foreign investment, it is crucial for ASEAN to look beyond the borders of AEC. External rules and regulations must increasingly be taken into account when developing policies related to AEC.

### **D1. Coherent Approach towards External Economic Relations**

65. ASEAN shall work towards maintaining “ASEAN Centrality” in its external economic relations, including, but not limited to, its negotiations for free trade (FTAs) and comprehensive economic partnership (CEPs) agreements. This shall be done by:

#### Actions:

- i. Review FTA/CEP commitments vis-à-vis ASEAN’s internal integration commitments; and
- ii. Establish a system for enhanced coordination, and possibly arriving at common approaches and/or positions in ASEAN’s external economic relations and in regional and multilateral fora.

### **D2. Enhanced participation in global supply networks**

66. ASEAN shall also enhance participation in global supply networks by:

#### Actions:

- i. Continuing the adoption of international best practices and standards in production and distribution, where possible; and

- ii. Developing a comprehensive package of technical assistance for the less developed ASEAN Member Countries to upgrade their industrial capability and productivity to enhance their participation in regional and global integration initiatives.

### **III. IMPLEMENTATION**

67. A strategic schedule that includes key milestones for a comprehensive and deeper economic integration shall form an integral part of this Blueprint. Consultations have been made with relevant bodies/stakeholders to invite their inputs and coordinating conferences were held to jointly review the Blueprint and its strategic schedule among all stakeholders to ensure consistency of the above measures, programmes and milestones across sectors and promote greater sense of ownership of the Blueprint.

68. Relevant ASEAN sectoral bodies will coordinate the implementation of the above programmes and measures while relevant government agencies will be responsible for overseeing the implementation and preparation of more detailed action plans at the national level. Partnership arrangements with the private sector, industry associations and the wider community at the regional and national levels will also be actively sought where required to ensure participation of all stakeholders in the integration process.

69. For the successful implementation of these programmes and measures, the necessary institutions or mechanisms, resources, capacity and political will be accorded to the Community building process.

#### **A. Implementation Mechanism**

70. Relevant sectoral Ministerial bodies shall be responsible for the implementation of the Blueprint and monitoring of commitments under their respective purview.

The ASEAN Economic Ministers (AEM), as the Ministers-in-Charge of Economic Integration in the Council of ASEAN Economic Community, shall be accountable for the overall implementation of the Blueprint.

71. To allow for effective implementation of the Blueprint, the following measures on charting strategic directions and coordination shall be implemented.

Actions:

- i. The HLTF shall provide strategic inputs to the AEM on issues affecting the timely implementation of the Blueprint;
- ii. Undertake regular consultations with various sectoral bodies to discuss and elicit feedback on implementation issues of the Blueprint; and
- iii. The Secretary-General of ASEAN shall report the progress of AEC to relevant ministerial meetings and the Summit.

72. In enhancing the implementation arrangements and streamlining the decision-making process of all ASEAN economic initiatives identified in the Blueprint and beyond, the following measures are recommended:

- i. Promote transparency and improve the operation of notification procedures under all ASEAN economic agreements through the Protocol on Notification Procedures;
- ii. Ratification of ASEAN legal instruments shall be made within six months of signing;
- iii. Decision-making process by economic bodies to be made by consensus, and where there is no consensus, ASEAN to consider other options with the objective of expediting the decision-making process;
- iv. Utilise the Enhanced Dispute Settlement Mechanism (DSM) to promote a rules-based community;

- v. The ASEAN Minus X formula can be invoked to accelerate the implementation of agreed economic initiatives; and
- vi. Flexibility should be accorded in the implementation of AEC, which shall be pre-agreed and not delay the overall progress and implementation of the AEC.

73. Progress in the implementation of the above programmes and measures for AEC building by Member Countries needs to be monitored, reviewed and disseminated to all stakeholders. The ASEAN Secretariat shall review and monitor compliance of implementing the Blueprint.

Action:

- i. Develop and maintain a set of statistical indicators, including an integrated tariff and trade data database system, address harmonisation of statistics and data quality issues, and the AEC scorecards, to monitor and assess the progress of implementation of each element of the AEC.

74. For the financial sector,

- i. Establish an appropriate implementation mechanism in the form of regular progress reports to the Leaders.

## B. Resources

75. Research and capacity building support is to be mobilised from various facilities.

Actions:

- i. The ASEAN Development Fund, with contributions from Member Countries, will be a vehicle to draw resources from other ASEAN and non-ASEAN sources;

- ii. Identify and implement technical studies or training programmes on issues, areas or topics where analytical as well as capacity building support are needed to facilitate the implementation of the AEC Blueprint;
- iii. Translate milestones and targets of the AEC Blueprint into national milestones and targets and incorporate them in their national development plans;
- iv. Promote the participation of the ADB, World Bank/IFC, dialogue or trading partners and the private sector in the development of regional infrastructure projects;
- v. Strengthen the research and planning capabilities of the ASEAN Secretariat in areas relevant to the AEC;
- vi. Strengthen the research capabilities and human capital development of each ASEAN Member Country; and
- vii. Establish appropriate capacity building programmes to assist newer member countries to enhance the development and regulatory frameworks of their financial markets.

### C. Communications

76. Success of building the AEC requires involvement by all stakeholders in the integration process. In addition to involving all stakeholders in the formulation of the Blueprint, a good communications programme is required to create greater public awareness of the AEC in all ASEAN countries as well as to keep all stakeholders, including the business communities and people of ASEAN, informed of the progress of this community building.

#### Actions:

- i. Launch a comprehensive communications plan to explain to the government officials, key stakeholders and the general public the objectives, benefits and challenges of the AEC;

- ii. Develop a regional platform for open discussion and sharing information in implementing the ASEAN Economic Community;
- iii. Member Countries shall set up a mechanism at the national level to regularly report the outcome and issues of the integration process; and
- iv. Create an AEC communications website that would provide an additional channel to reach communities at large, where stakeholders can provide feedback and respond to ASEAN economic initiatives.

#### D. Review

77. The AEC Blueprint shall be reviewed periodically taking into account dynamic regional and global developments.

