



**CHARTING PROGRESS TOWARDS
REGIONAL ECONOMIC INTEGRATION**

ASEAN ECONOMIC COMMUNITY SCORECARD

One Vision, One Identity, One Community

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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By 2015 a single market and production base is to be established by the ten economies of the Association of Southeast Asian Nations (ASEAN). This is the vision of the ASEAN Economic Community (AEC), which is to create a highly competitive single market that promotes equitable economic development for Member States, as well as facilitating their integration with the global community. To achieve this target, ASEAN adopted the AEC Blueprint (www.asean.org/5187-10.pdf) in November 2007 which outlines the measures to be taken and the schedule for implementation.

The entry into force of the ASEAN Charter and the adoption of an integrated Roadmap for an ASEAN Community 2015, have provided further impetus towards attaining this goal.

To track progress towards the AEC 2015, a scorecard mechanism has been developed to monitor the implementation of measures listed in the AEC Blueprint. This report is the first AEC Scorecard which covers the first two-year period from January 2008 to December 2009.

ASEAN Economy in 2009

Population: 591.8 million
GDP: US\$ 1,492 billion
Trade: US\$ 1,536 billion*
FDI: US\$ 60 billion**
Employment: 276 million

* Preliminary data

** 2008 figure

PROGRESS IN KEY AREAS OF THE ASEAN ECONOMIC COMMUNITY

A Single Market and Production Base

Free Flow of Goods

Tariff reduction and trade facilitation - ASEAN has made great strides in reducing tariff barriers. From 1 January 2010, all tariffs for products in the Common Effective Preferential Tariff (CEPT) Inclusion Lists of ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand), representing 99 percent of total tariff lines, have been eliminated for intra-ASEAN trade. The average tariff is down to 0.9 percent in 2009 from 4.4 percent in 2000.

The Rules of Origin (ROO) sets the conditions for goods manufactured or produced in ASEAN Member States to enjoy the preferential tariff concessions when they manufacture or process any goods for export to other ASEAN Member States. Significant efforts have been taken to revise and simplify the ASEAN ROO to facilitate trade and enhance business development in the region. Alternative origin criteria to the 40% Regional Value Content using Change in Tariff Classification (CTC) or process rule has been put in place, either in the general rule or as product specific criteria, to provide options in obtaining origin status to products manufactured or produced in ASEAN Member States. In terms of procedure, to facilitate the movement of ASEAN originating goods, some arrangements like the back-to-back Certificate of Origin (CO) arrangement and third party invoicing were taken on board.

With tariff barriers significantly reduced and ROO made more user-friendly, the focus is now on trade facilitation measures and in addressing the remaining non-tariff barriers. These non-tariff barriers can impede the free movement of goods in ASEAN through cumbersome and non-transparent requirements, processes and procedures in the export of goods to other ASEAN Member States. To address this issue, ASEAN Member States are identifying non-tariff barriers to trade and ways to eliminate them. ASEAN Trade Facilitation Framework and its Work Programme have been adopted to provide paths to ASEAN until 2015 in addressing the non-tariff issues, e.g. customs, trade procedures, standards and conformance, sanitary and phytosanitary measures.



To reduce transaction costs, ASEAN is working towards establishing an ASEAN Single Window (ASW) to speed up the clearance of shipments and release of goods by customs authorities in the region. To set up the ASW, all ASEAN Member States must first operationalise their National Single Window (NSW). So far, ASEAN-6 countries (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) are at various stages of operating their respective NSWs. Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV countries) have until 2012 to set up their respective NSWs.

Enhancing key trade agreements - To keep pace with the changing business environment, the ASEAN Trade in Goods Agreement (ATIGA) has been signed to consolidate and synergise various provisions on trade in goods into a single reference document. The ATIGA will supersede the 1993 Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area (CEPT-AFTA). As of 16 January 2010, nine ASEAN Member States (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore and Viet Nam) have ratified the ATIGA.

ASEAN continues to implement various trade facilitating measures such as the ASEAN Customs Declaration Document and the ASEAN Cargo Processing Model that relates to air freight services. Efforts are underway to activate the ASEAN Customs Transit System.

Free Flow of Services

Greater liberalisation in services trade - ASEAN Member States have so far negotiated and agreed on seven packages of commitments under the ASEAN Framework Agreement on Services (AFAS) which covers the liberalisation of:

- business services
- professional services
- construction
- distribution
- education
- environmental services
- healthcare
- maritime transport
- telecommunication
- tourism

The recently concluded 7th package of the AFAS is the most ambitious to date, with ASEAN Member States pledging commitment to allow for higher foreign equity ownership. So far, eight Member States have completed the 7th package: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Singapore and Thailand.

ASEAN has also progressively liberalised trade in financial services under AFAS. ASEAN signed and ratified the protocol implementing the 4th package of financial services commitments where Member States have taken further liberalisation commitments on financial services.

Free Flow of Investment

Greater benefits for investors through a more comprehensive investment agreement - The existing investment agreements, including investment guarantees, have been enhanced and consolidated into the ASEAN Comprehensive Agreement on Investment (ACIA) to meet challenges of increasing competition for foreign direct investment (FDI). With ACIA, both ASEAN investors and ASEAN-based foreign investors stand to gain from greater liberalisation in investment and increased investment protection. So far, eight ASEAN Member States have ratified the agreement: Brunei Darussalam, Cambodia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore and Viet Nam.

Freer Flow of Capital

Financial integration gathering momentum - As a step to achieving freer flow of capital, ASEAN endorsed in April 2009 the Implementation Plan to promote the development of an integrated ASEAN capital market. ASEAN has now intensified its efforts in cross-border liberalisation of products and services, mutual recognition of market professionals, common exchange linkages, and bond market development.

Member States of ASEAN have also liberalised capital account measures to allow for greater capital mobility in the region. Stock take of capital account measures for foreign direct investment shows that majority of ASEAN have no restrictions on inward and outward



foreign investments. For those ASEAN countries where restrictions on inward and outward foreign investments remain, rules to be liberalised for freer flow of foreign direct investments have been identified. Assessment and identification of rules for liberalisation for freer flow of portfolio investments has been intensified. Necessary steps have also been taken in some concerned Member States to relax limitations on foreign exchange purchase and other payments for invisible transactions and current transfers. The assessment of existing systems of monitoring flows in Member States, with a view of identifying improvements to enhance monitoring systems in Member States, has commenced.

An enlarged US\$120 billion swap arrangement under the Chiang Mai Initiative Multilateralisation (CMIM) was finalised in December 2009 and is expected to be activated in March 2010. The CMIM is the significant collective response of ASEAN, China, Japan and the Republic of Korea to the global financial crisis. In line with the newly endorsed roadmap of Asian Bond Markets Initiative (ABMI), there are continued efforts to promote the issuing of and demand for local currency denominated bonds, as well as improving the regulatory framework and infrastructure for bond markets. One of the key initiatives under the ABMI framework is the establishment of the Credit Guarantee and Investment Facility (CGIF) aimed at supporting the issuance of local currency denominated bonds in the region.

Free Flow of Skilled Labour

Greater mobility of services - ASEAN will also see greater mobility of qualified services professionals in the region. The mutual recognition arrangements (MRAs) of medical and dental practitioners and an MRA framework on accountancy services have been recently signed, bringing the total of MRAs signed to date to seven. The other MRAs are in engineering services, nursing services, architectural services and surveying qualifications. The focus is now on implementing these MRAs.

Priority Integration Sectors

Greater public-private sector consultations and progress in the tourism sector - ASEAN is implementing various measures under the priority integration sectors. ASEAN Economic Ministers have had consultations with private sector representatives on the textile and apparels, and automotive sectors. Significant progress has been made in the 12 priority integration sectors that ASEAN has identified to serve as a catalyst for economic integration in the region:

- agro-based
- air transport
- automotive
- electronics
- e-ASEAN/ICT
- fisheries
- healthcare
- logistics
- rubber-based
- textile and apparel
- tourism
- wood-based

In the area of tourism, for example, to facilitate the mobility of tourism professionals in the region, an MRA for tourism professionals, the ASEAN common competency standards for tourism professionals and the common ASEAN tourism curriculum have been developed.

The ASEAN Tourism Strategic Plan 2011-2015 is being developed to succeed the current roadmap, paving the way for greater integration in the tourism sector.

Food, Agriculture and Forestry

Improving food security - Spiralling food prices in 2008 needed appropriate actions to strengthen food security within ASEAN that will contribute to stabilising food supply in the global markets. ASEAN established the ASEAN Integrated Food Security Framework and its medium-term Strategic Plan of Action on ASEAN Food Security.



Towards a Competitive Economic Region

Competition policy taking root

Competition policy is quite new to some ASEAN Member States with only some of them having national competition law and competition regulatory bodies. ASEAN has conducted a study on best practices in the introduction and implementation of competition policy and law in the East Asia Summit countries (ASEAN, Australia, China, India, Japan, New Zealand and the Republic of Korea). An ASEAN Experts Group on Competition has also been set up to coordinate competition policies and related issues at the regional level. Currently, ASEAN-wide Guidelines on Competition Policy and the Handbook on Competition Policy and Law for Business in ASEAN are being developed by the Experts Group.

Consumer protection gaining attention

Given the significant progress achieved in the integration of ASEAN as a people-oriented community, ASEAN has embarked on regional cooperation initiatives to provide consumers with a high level of protection. A Coordinating Committee on Consumer Protection has recently been established to foster and coordinate regional cooperation. A basic cross border redress mechanism in ASEAN is planned for implementation together with the development of a dedicated website. A capacity-building roadmap for ASEAN is also to be carried out.

Strengthening Intellectual Property Rights (IPR) protection to enhance integration

ASEAN has undertaken initiatives to strengthen institutional capacity, and the legal and administrative frameworks to protect Intellectual Property Rights (IPRs). ASEAN has agreed to launch an on-line directory of IP-related resources and services to offer a useful and comprehensive one-stop resource for businesses and other interested parties. ASEAN has also launched the first regional patent cooperation project that will make it easier for entrepreneurs, particularly small and

medium-sized enterprises (SMEs) and inventors, to obtain patents on their innovations.

Infrastructure development key to connecting the region

Transport - To provide for a harmonised, integrated and efficient transport logistics and facilitation environment in the region, ASEAN recently signed three key agreements:

- ASEAN Multilateral Agreement on Air Services
- ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services
- ASEAN Framework Agreement on the Facilitation of Inter-State Transport

The first two agreements will pave the way for a single aviation market in ASEAN and provide the competitive space for greater expansion and opportunities for air travel. The third agreement is expected to further strengthen transport facilitation and the logistics environment. The onus is now on ASEAN Member States to ratify these agreements.

Information and Communication Technology - An ASEAN ICT Master Plan (2015) is being developed to set a common direction and goals to drive the right ICT developments for the region.

Energy - Energy security is becoming an increasing concern among the world's major economies including ASEAN. To date, the Memorandum of Understanding (MOU) on the ASEAN Power Grid has been fully ratified by all ASEAN Member States. To enhance collective energy security in the region, ASEAN recently endorsed the ASEAN Petroleum Security Agreement to enhance the ability to respond, either individually or collectively, to an energy emergency situation and minimise exposure to an emergency situation.



Equitable Economic Development

Developing SMEs

Small and medium-sized enterprises (SMEs) in ASEAN can play an important role in building the AEC. ASEAN is currently developing strategies to engage and promote the growth of SMEs. ASEAN has established a common curriculum for entrepreneurship to be used in ASEAN countries. The ASEAN Policy Blueprint for SME Development (2004-2014) is also being reviewed.

Effective cooperation and mutual assistance to narrow the development gap

Efforts to narrow the development gap towards AEC 2015 will be driven mainly by the Initiative for ASEAN Integration (IAI) Work Plan 2 (2009-2015). The Work Plan has been formulated based on key programme areas of the three Community Blueprints, and focuses on actions that are critical and necessary to speed up the integration process in a coherent manner. The Work Plan identifies the needs of the CLMV countries in terms of external assistance and ensures its effectiveness in building CLMV capacity for participation in ASEAN programmes, taking into account the importance of a project's role in national development plans, long-term continuity and sustainability, and absorptive capacity of CLMV countries. This will ensure that IAI projects have coherence, focus, adequate coverage, reflect substantive gaps in priority sectors and activities essential for integration, and more importantly, are responsive to the needs of the CLMV.

Integration into the Global Economy

ASEAN continues to pursue integration into the global economy through various free trade agreements (FTAs) and comprehensive economic partnership (CEP) agreements with several dialogue and major trading partners. ASEAN has FTAs with China, India, Japan, the Republic of Korea, Australia and New Zealand. The ASEAN-Australia-New Zealand Free Trade Agreement, the most comprehensive accord

ever concluded by ASEAN with a Dialogue Partner that was signed in February 2009, entered into force on 1 January 2010.

The ASEAN-Korea Investment Agreement was signed on 1 June 2009, while the ASEAN-China Investment Agreement was signed on 15 August 2009. The ASEAN-China Free Trade Area (ACFTA) and the ASEAN-Korea Free Trade Area (AKFTA) were realized on 1 January 2010.

The ASEAN-India Trade in Goods Agreement was signed on 13 August 2009. All these agreements have entered into force.

The FTAs and CEP with countries of the East Asia Summit (EAS) have enhanced ASEAN's central role in the emerging regional architecture of East Asia. As a significant first step, two studies were conducted by separate teams of experts on the way forward towards greater East Asia integration. The studies were focused on the:

- East Asia Free Trade Area (EAFTA) comprising ASEAN, China, the Republic of Korea and Japan (ASEAN Plus 3)
- Comprehensive Economic Partnership on East Asia (CEPEA) comprising ASEAN Plus 3, Australia, India and New Zealand.

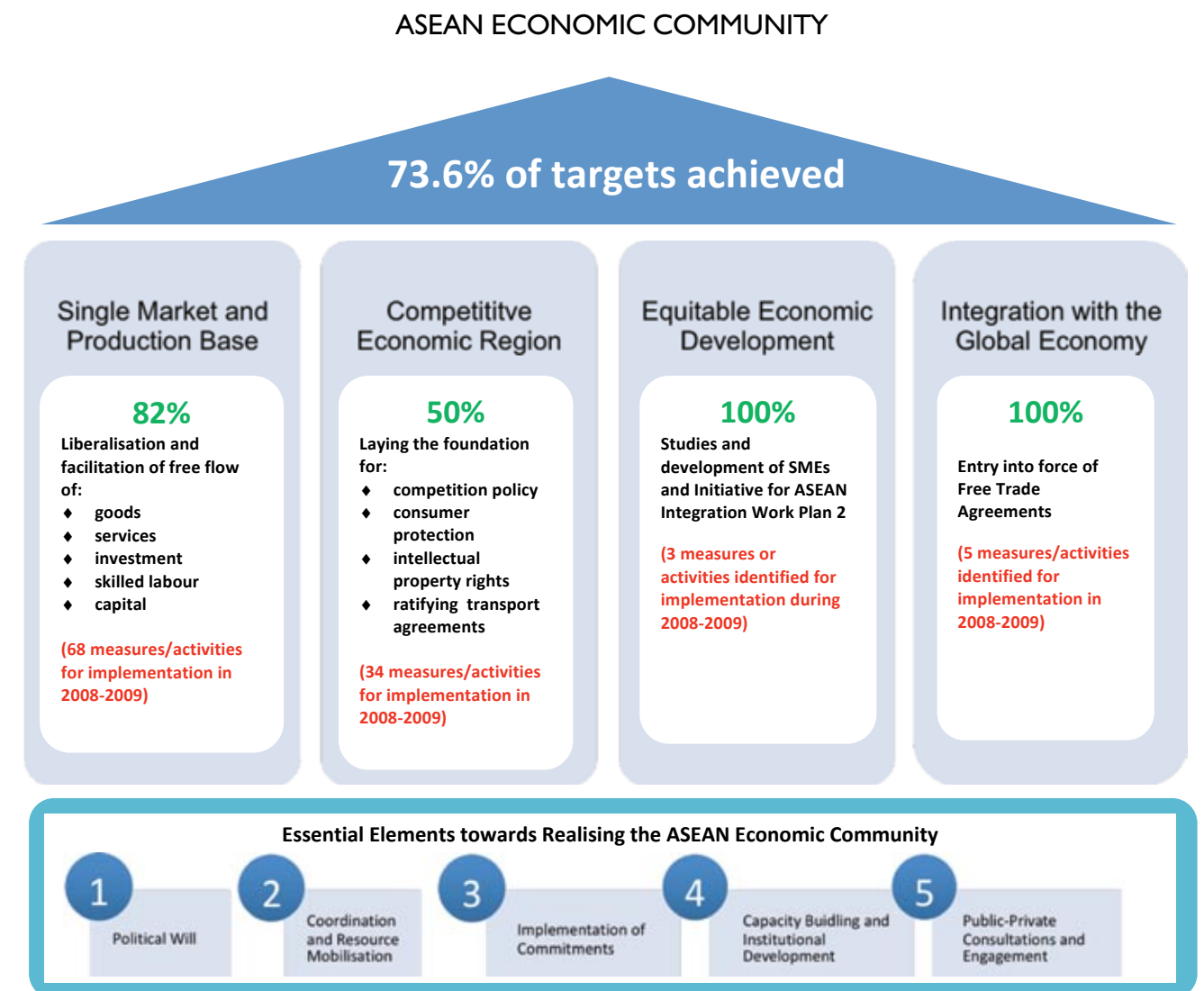
Regional economic integration for East Asia will be progressed in a gradual and phased manner (building-block approach), starting with trade in goods, with priority attention given to rules of origin, tariff nomenclature, customs procedures and economic cooperation.

ASEAN continues to be an active player in other regional arrangements, such as the Asia-Pacific Economic Cooperation (APEC) and the Asia-Europe Meeting (ASEM), as well as in the multilateral process with its active participation in the World Trade Organisation discussions and efforts to move forward the Doha Development Round. Economic cooperation with other regional groupings such as the Gulf Cooperation Council (comprising Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) and MERCOSUR (comprising Argentina, Brazil, Paraguay and Uruguay) are also pursued on a progressive and pragmatic manner.

Progress Achieved to Date

For the first two-year period (2008–2009), ASEAN has targeted the implementation of various measures, activities and related initiatives outlined in the AEC Blueprint, which is illustrated in Chart 1.

Chart 1



MONITORING RATIFICATION OF ECONOMIC AGREEMENTS

Ratification of ASEAN Economic Agreements and Implementation of Key AEC Initiatives

The number of ASEAN legal instruments related to the AEC such as agreements and supplementary agreements, as well as protocols, and amendments to these documents has increased in recent years.

As of 31 December 2009, 91 out of 124 AEC legal instruments have entered into force. This represents 73 percent of all AEC-related legal instruments, compared to 50 percent in 2002. ASEAN member states are exerting efforts to ratify all AEC-related agreements in 2010.



WORK IN PROGRESS TO BE COMPLETED IN 2010

While ASEAN has made notable progress in building the AEC, a number of measures are still pending for the period between January 2008 and December 2009, which require action by ASEAN Member States. To date, nine key initiatives have yet to be implemented by all ASEAN Member States. (See Table 1).



TABLE 1: LIST OF INITIATIVES AND MEASURES TO BE IMPLEMENTED FOR 2008-2009

	MEASURES TO BE IMPLEMENTED	ACTIONS REQUIRED
1	Entry into Force of ASEAN Trade in Goods Agreement (ATIGA)	To ratify ATIGA
2	Determination of the end rate for tariff reduction on Highly Sensitive List products such as rice and sugar	To enhance consultations between parties involved and determine the end rate
3	National Single Windows	To expedite its establishment and implementation
4	ASEAN Cosmetic Directive	To transpose the ASEAN Cosmetic Directive into national legislation and put in place a notification system for placement of cosmetic products
5	Completion of the 7th package of trade in services liberalisation commitments	To schedule sectors that meet higher foreign equity participation levels and other commitments
6	Entry into Force of the ASEAN Comprehensive Investment Agreement (ACIA)	To ratify ACIA and finalise the reservation list
7	Entry into Force of ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT)	To ratify AFAFGIT and its Protocols
8	Entry into Force of ASEAN Multilateral Agreement on Air Services (MAAS)	To ratify MAAS and its Protocols
9	Entry into Force of the ASEAN Multilateral Agreement on the Full Liberalisation of Air Freight Services (MAAFS)	To ratify MAAFS and its Protocols

TOWARDS GREATER PROGRESS IN 2010

The implementation of regional commitments for the period under review has been generally positive. However, several areas need to be addressed by ASEAN Member States for timely implementation to avoid a backlog of unimplemented commitments with the onset of more new commitments and measures, including those based on the AEC Blueprint, in the years to come. Completion of measures within the targeted deadlines is critical to ensure ASEAN Member States comply with the AEC Blueprint. The way forward would involve the following actions:

1. Expedite the ratification of all AEC agreements and protocols.
2. Prioritise the initiatives or actions required to implement the provisions of each AEC agreement and protocol.
3. Intensify consultations/discussions on areas of divergence, addressing areas of concern to achieve consensus and resolution.
4. Identify the inconsistencies between national legislation and implementation of regional commitments in order to address the delay in ratification and compliance with ASEAN agreements.
5. Enhance outreach and advocacy activities to facilitate buy-in by stakeholders, such as the business community, through the AEC Communications Plan.

The AEC Scorecard mechanism, including the development of progress indicators, will be further enhanced by regular consultations with representatives from the private sector, academia and civil society.

AEC will Boost Growth and Prosperity in ASEAN

The realisation of the AEC in 2015 will open up greater opportunities for socio-economic growth. The benefits of AEC are:

- Greater choice of goods and services for consumers through increases in intra-regional trade
- Larger economies of scale for businesses and industries, thereby increasing productivity while reducing production costs, leading to more competitive pricing of goods
- Lowering of production costs can be passed onto consumers who can benefit from lower prices of goods and services
- Greater demand for goods and services will create jobs in various industries such as manufacturing, transport, logistics and communications, for example
- Increased trade and investment will promote greater entrepreneurship and innovation in products and services, thereby producing better variety, quality and efficiency, which will benefit consumers
- Increased economic integration will strengthen business networks across ASEAN, building growth and prosperity
- A higher level of employment in ASEAN would contribute towards building a larger middle class, thereby reducing the gap between the rich and the poor, which will promote social stability, apart from a consumer market with purchasing power for goods and services

The AEC aims to build partnerships for progress which will enhance the quality of lives of ASEAN citizens as regional integration is achieved through the collective efforts of our Community.



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