



ASEAN – A New Economic Driving Force

**World SME Expo 2010
4 December 2010
Hong Kong**

**Sundram Pushpanathan
Deputy Secretary General for the ASEAN Economic Community
ASEAN Secretariat**



Outline of Presentation

I. Background

- A Historical Account of AEC
- Facts and Figures
- How ASEAN Compares in the World

II. ASEAN Economic Integration

- Main Elements of an AEC
- Towards the AEC



Outline of Presentation

III. Regional Architecture

- AEC Enhances External Economic Relations
- Economic Architecture of Regional and Trans-regional Forum

IV. ASEAN and China

- ASEAN – China Economic Relations
- ASEAN- China Business Community



1. ASEAN in Economic Context

ASEAN at a Glance: 2003 and 2009

Indicators	Unit	2003	2009
Total land area	km ²	4,435,670	4,435,670
Total population	million	542.3	590.6
Gross domestic product at current prices	US\$ billion	718.4	1,499.4
GDP growth	percent	5.4	1.5
Gross domestic product per capita at current prices	US\$	1,327	2,534
International merchandise trade	US\$ billion	824.5	1,536.8
Export	US\$ billion	452.5	810.5
Import	US\$ billion	372.0	726.3
Export of Services	US\$ billion	78.5	162.8
Foreign direct investments inflow	US\$ billion	24.2	39.6
Visitor arrivals	million	38.4	65.4

Sources: ASEANstats, ASEAN Secretariat; and WTO Secretariat

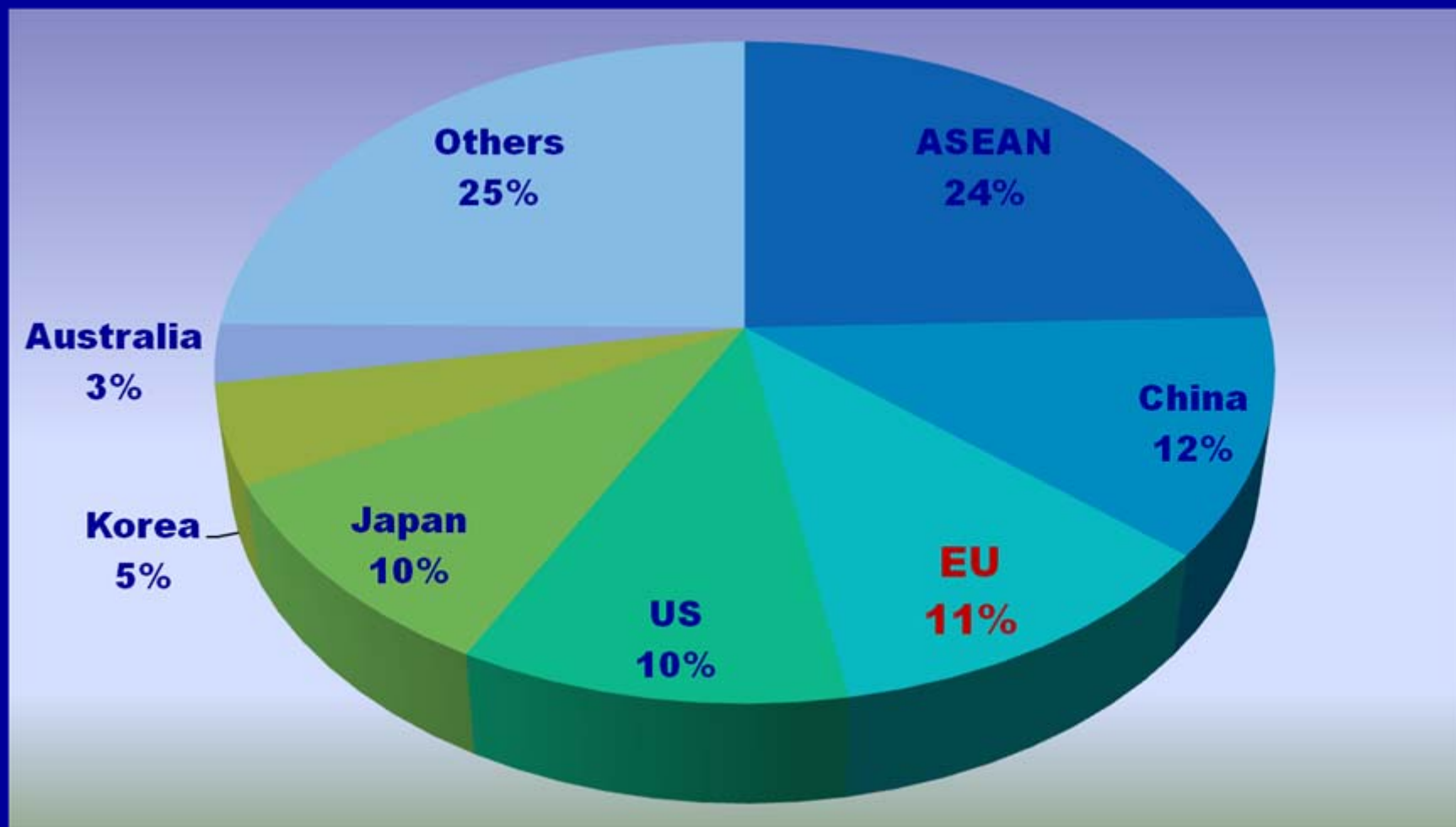
ASEAN in the Global Economy 2009 (GDP US\$ billion)



Source: ASEAN Finance and Macroeconomic Surveillance Database and IMF

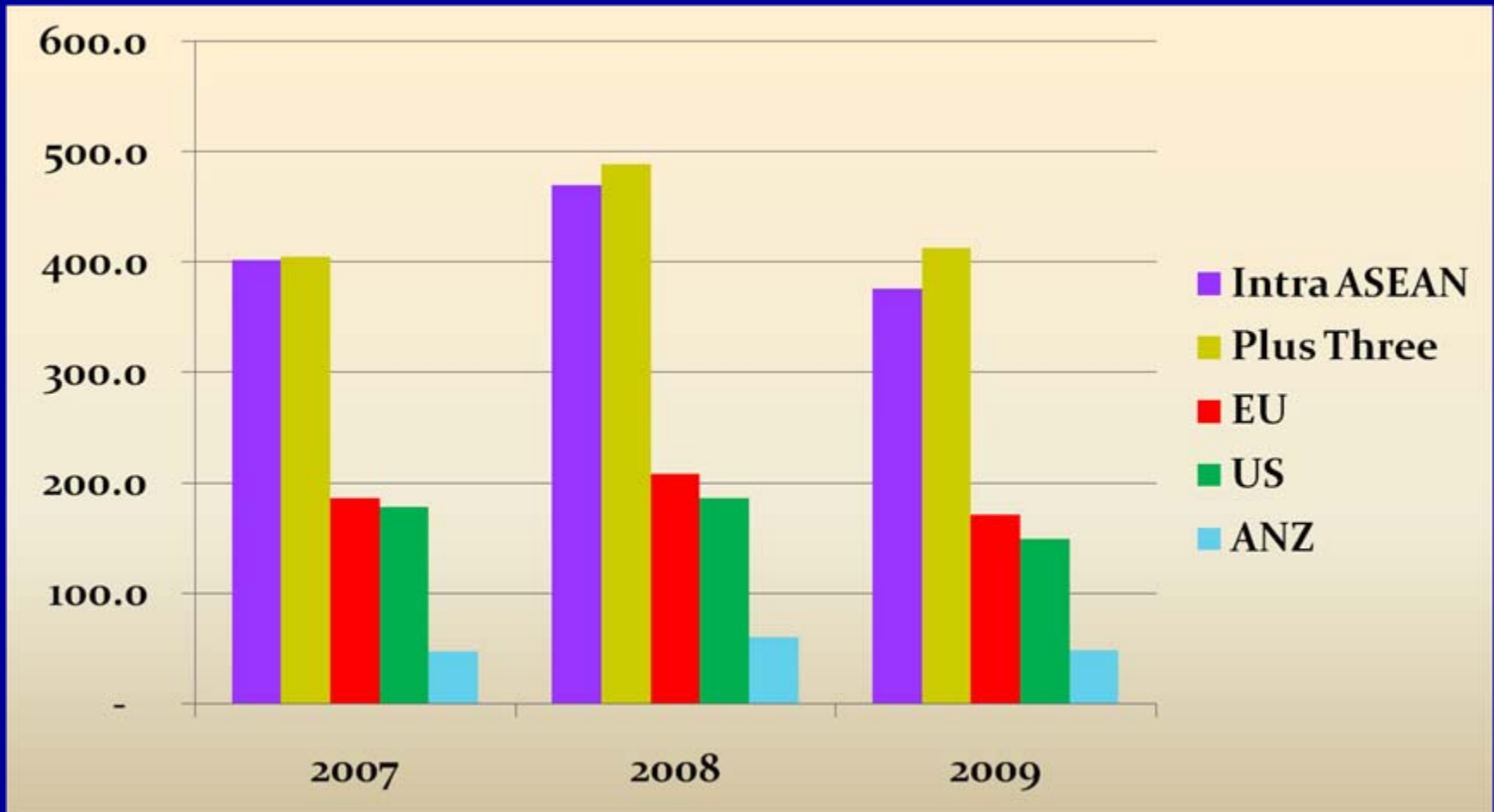
Shares of ASEAN Trade

With Major Trading Partners 2009



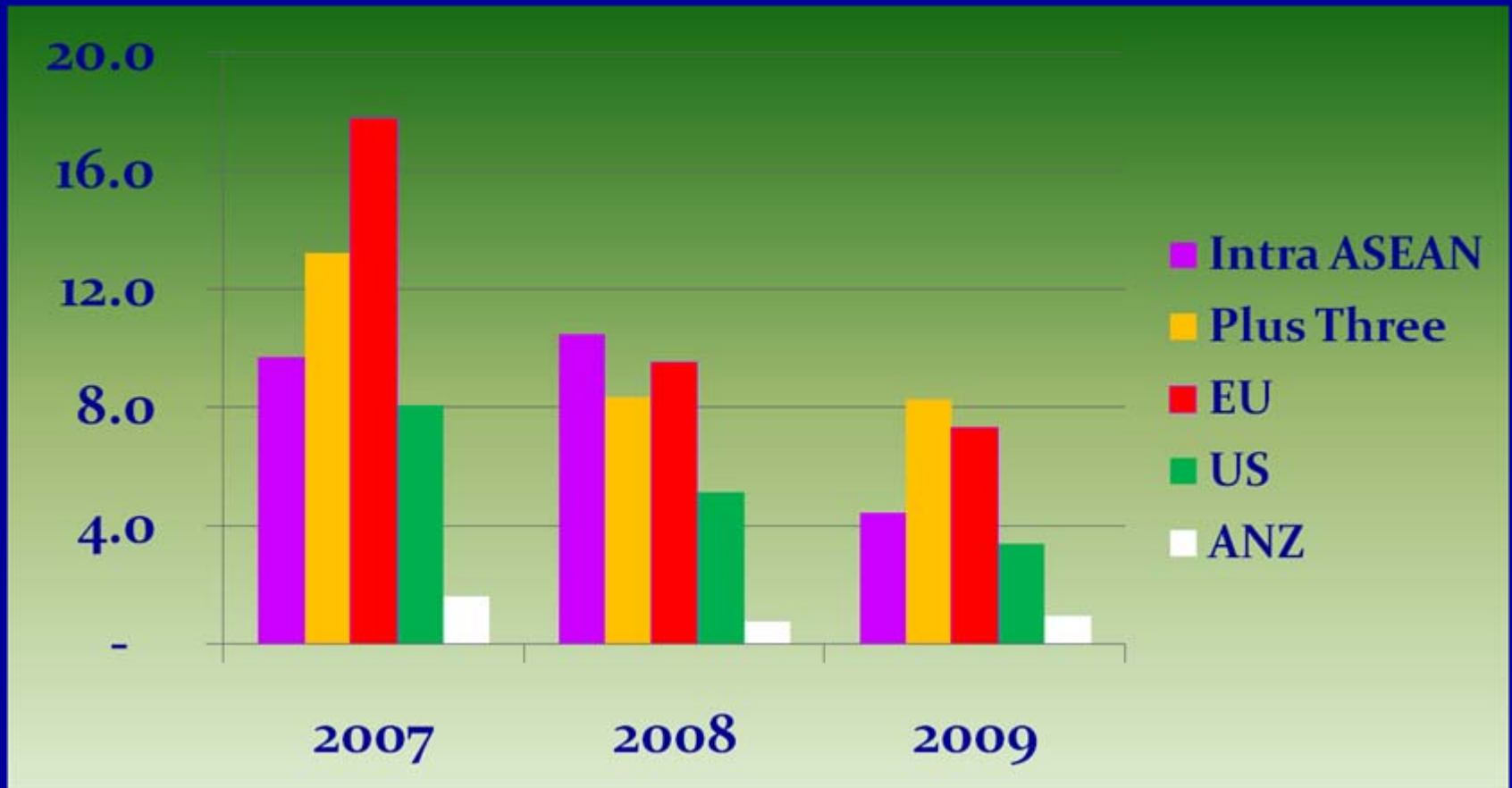
ASEAN Trade With Major Trading Partners

2007 – 2009 (USD Billion)

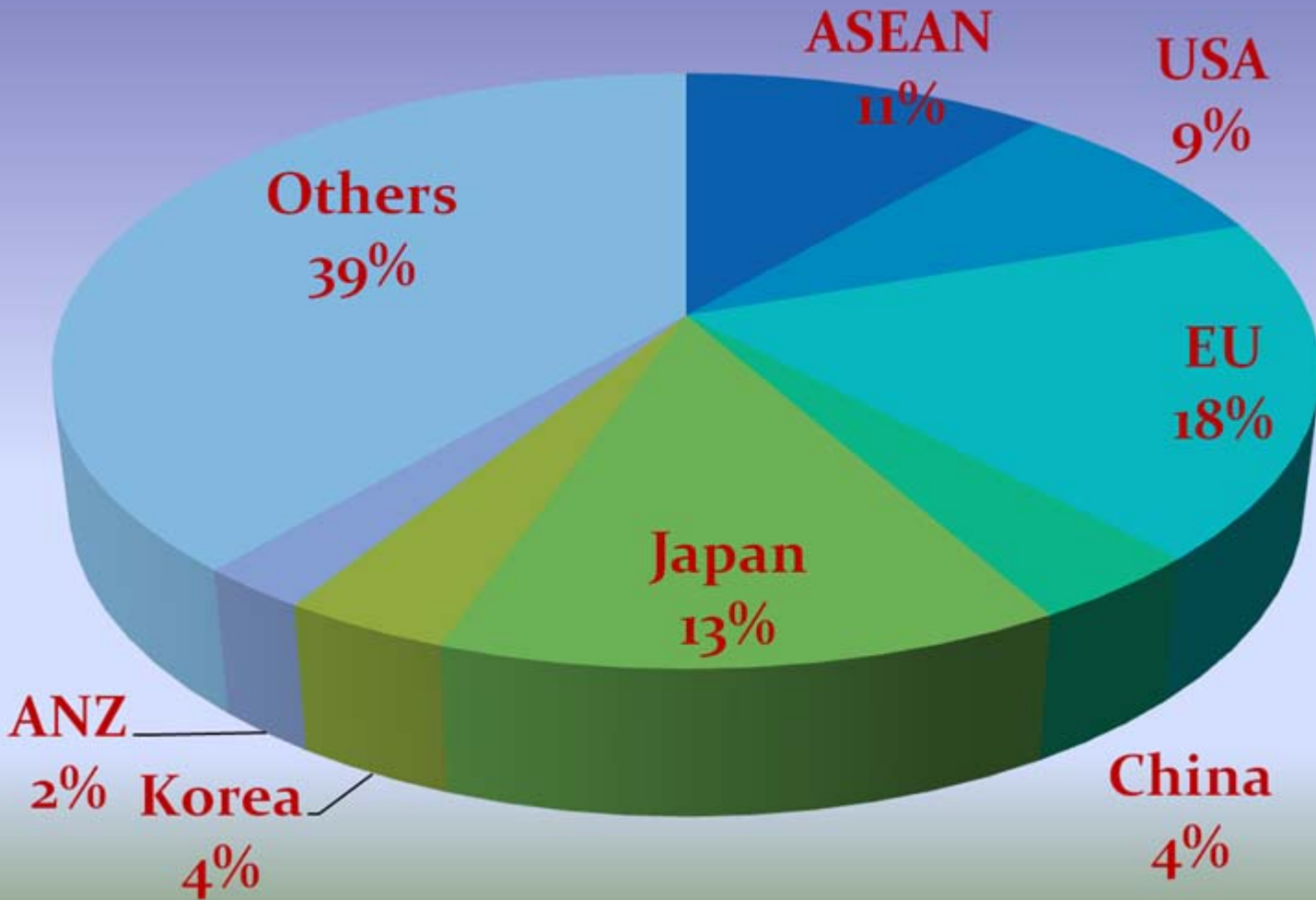


FDI Inflows to ASEAN from Selected Partners

2007 – 2009 (USD Billion)



Shares of FDI Inflows to ASEAN 2009





ASEAN Economic Outlook

Real GDP Growth (% annual change)			
	2009	2010	
	Actual	Low	High
Brunei Darussalam	-0.4	0.7	2.3
Cambodia	0.1	5.0	5.0
Indonesia	4.5	5.5	5.7
Lao PDR	7.6	7.5	7.5
Malaysia	-1.7	4.5	5.5
Myanmar	10.0	12.1	12.1
Philippines	0.9	2.6	3.6
Singapore	-2.0	4.5	6.5
Thailand	-2.3	4.0	5.0
Vietnam	5.3	6.5	6.5
ASEAN	1.5	4.9	5.6

Source: ASEAN Surveillance Report, April 2010



II. ASEAN Economic Integration



ASEAN Community

- ❑ Target date: 2015
- ❑ A Community based on three fundamental pillars seeking to narrow our development gap:
 - ASEAN Political and Security Community (APSC)
 - ASEAN Socio-Cultural Community (ASCC)
 - ASEAN Economic Community (AEC)
 - Initiative for ASEAN Integration (IAI)
- ❑ Roadmap for an ASEAN Community 2015 that includes 3 Community Blueprints

Main Elements of AEC



ASEAN ECONOMIC COMMUNITY

Strategic Schedule

SINGLE MARKET AND PRODUCTION BASE

Free flow of goods

Free flow of services

Free flow of investment

Freer flow of capital

Free flow of skilled labor

Priority Integration Sectors

Food, Agriculture and Forestry

COMPETITIVE ECONOMIC REGION

Competition policy

Consumer Protection

Intellectual Property Rights

Infrastructure development

Taxation

e-Commerce

EQUITABLE ECONOMIC DEVELOPMENT

SME development

Initiative for ASEAN Integration (IAI)

INTEGRATION INTO THE GLOBAL ECONOMY

Coherent Approach towards External Economic Relations

Enhanced participation in global supply networks

Human Resource Development

Research and Development



Towards the AEC

ASEAN Trade in Goods Agreement

- Free flow of goods : namely, tariff liberalisation, non-tariff barriers (NTBs) elimination, rules of origin, trade facilitation, customs, standards and conformance, and sanitary and phytosanitary measures
- Consolidates and streamlines various provisions on trade in goods into a single reference document
- Full tariff reduction scheduled up to 2015 of each ASEAN Member State and spells out the tariff rates to be applied for each year



Non-Tariff Barriers (NTBs)

Ultimate goal: full elimination of NTBs

- Enhance Transparency by abiding to the Protocol on Notification Procedure and setting up an effective Surveillance
- Commitment of a standstill and roll-back on NTBs
- Remove all NTBs by 2010 for ASEAN-5, 2012 for the Philippines, 2015 with flexibilities for CLMV
- Enhance transparency of NTMs
- Work towards having regional rules and regulations consistent with international best practices



Towards the AEC

ASEAN Single Window

- Countries at different stages of operationalisation
- Brunei Darussalam, Indonesia, Malaysia, Philippines have tested exchange of Form D under the ASW
- Ten AMS are in the process to sign MOU on pilot project for ASW (with 3 AMSs as observers)

Standards and Conformance

- The ASEAN Guideline on Good Regulatory Practice
- Mutual Recognition Arrangement on Good Manufacturing Practice of Medicinal Products, Automotive, Electronic and Electrical Equipment



Towards the AEC

Trade in Services:

- 7th package of services commitments - Completed
- 8th Package signed at the recent ASEAN Summit in October 2010 and to start negotiations for completion by 2011

ASEAN Comprehensive Investment Agreement

- Merges the 1987 ASEAN Agreement for the Promotion and Protection of Investments and the 1998 Framework Agreement on the ASEAN Investment Area, with further enhancements (comprehensive investment, in addition to liberalisation and protection provisions – promotion and facilitation provisions) – under one umbrella
- Issue on reservation lists has been overcome and steps being taken to enter ACIA into force



Towards the AEC

Movement of Skilled Labour:

- Mutual Recognition Arrangements (MRAs) for eight professional services, namely, engineering, nursing, architectural, surveying and accounting services; tourism professional; medical practitioners and dental practitioners.

Finance:

- Chiang Mai Initiative Multilateralisation (CMI): Increased size of the Fund to US\$120 billion
- Concluded the Fourth Round of financial services liberalisation negotiations under the ASEAN Framework Agreement on Services (AFAS) and agreed to launch the Fifth Round of negotiations which will conclude by 2010.



Towards the AEC

Competition Policy

- ASEAN Regional Guidelines on Competition Policy and Handbook on Competition Policy and Law in ASEAN for Business was launched on 24 August 2010

Intellectual Property Rights (IPR)

- ASEAN IPR Action Plan 2004-2010 and the Work Plan for ASEAN Cooperation on Copyrights being implemented
- “IP Direct” (June 2009): online dictionary of IP related resources
- ASEAN Patent Examination Cooperation: easier for entrepreneurs (SMEs and inventors) to obtain patents for innovation in the region



SME and the AEC

- SMEs are the backbone of ASEAN Economies
 - Account for more than 96% of enterprises
 - 50-95% of employment
 - 30-53% of GDP
 - 19-31% of Exports
- Fostering SME development has been one of the priority issues for policy attention and resources in ASEAN



Current Activities on ASEAN SME Development and Integration

- I. Enhancing SME Access to Finance
- II. Building linkages and networks amongst SME Institutions and Agencies
- III. Promotion of trade & investment of SMEs intra and intra- ASEAN region
- IV. Promote human resource development
- V. Establishing SME business and technology incubators facilities
- VI. Establishing SME Service Centres



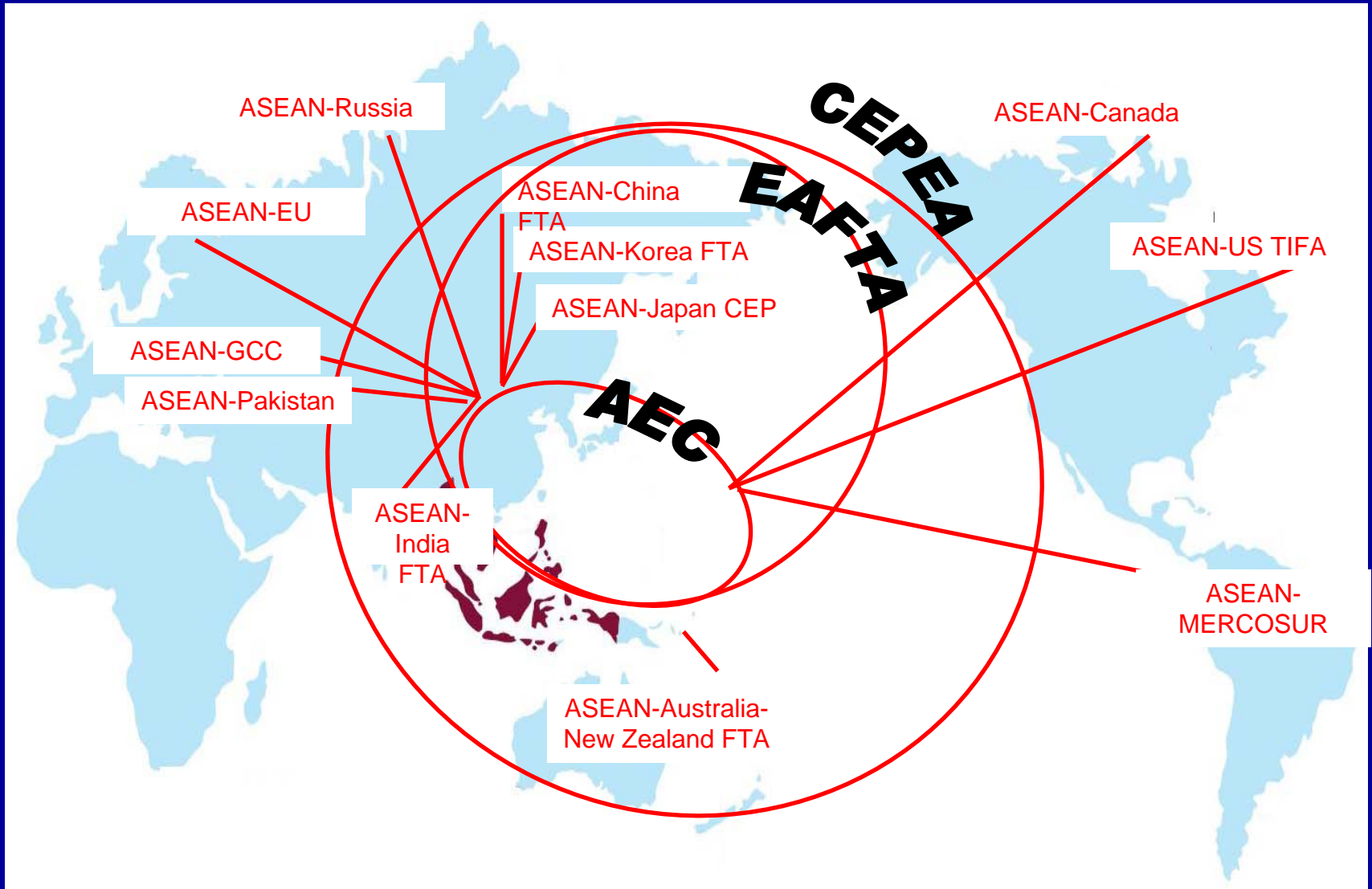
Public –Private Engagement (PPE)

- **Regular consultations and business dialogues** between ASEAN Ministers and Senior Officials and private sectors from various priority industry sectors as well as the foreign chambers of commerce in ASEAN
- **Participation in regional exposition & conference:**
 - 7th CAEXPO & 7th CABIS held from 20-24 October 2010 with the theme '*CAFTA as a New Opportunity*'
 - *Shanghai World Expo: May – October 2010*
 - Indian-ASEAN Expo & Business Conclave, 2-6 March 2010

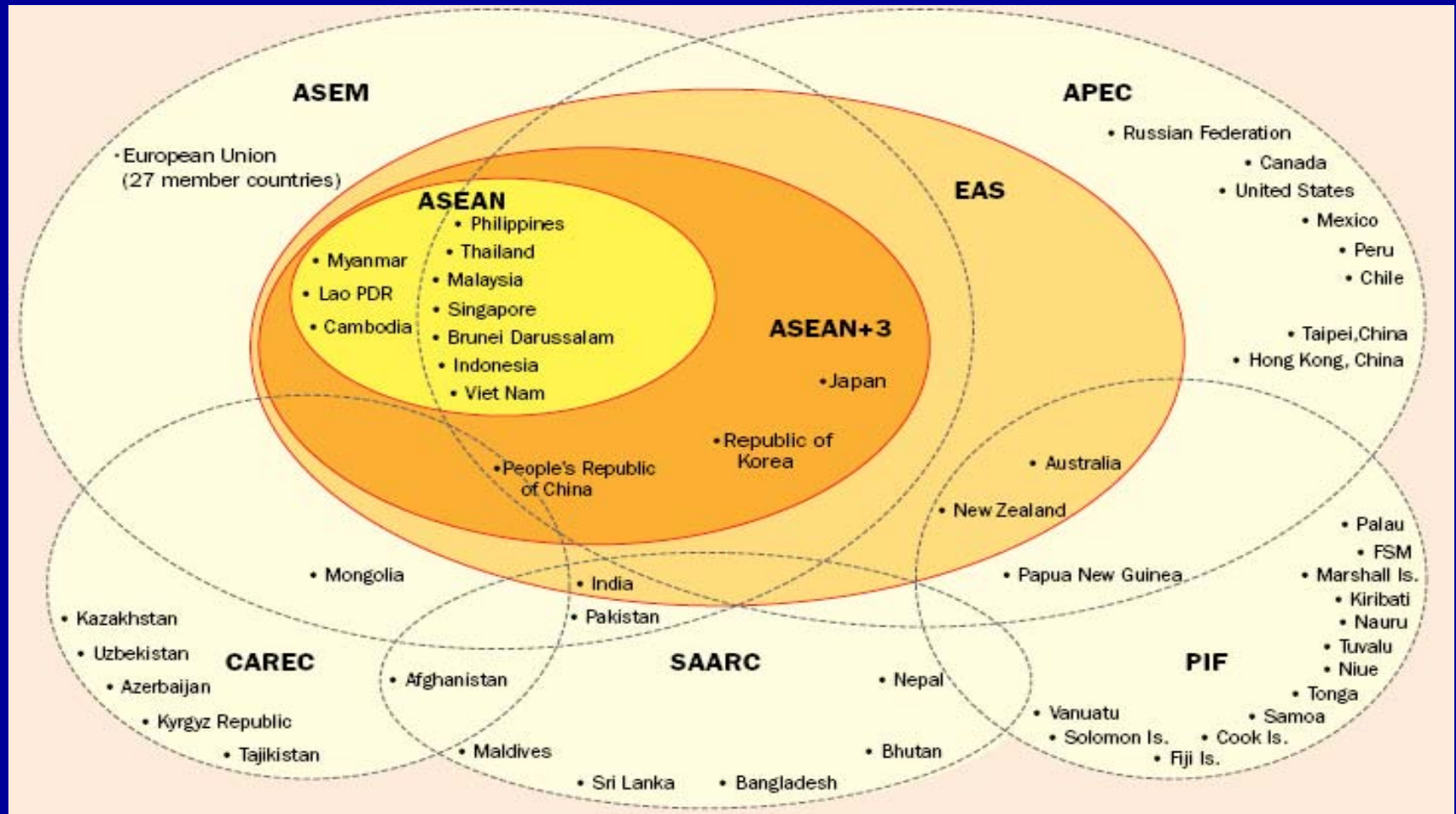


III. AEC and Regional Architecture

Enhancing ASEAN External Economic Relations



Economic Architecture of Regional and Trans-regional Forum



Source: *Emerging Asian Regionalism, A Partnership for Shared Prosperity*



IV. ASEAN and China Economic Relationship



ASEAN China Economic Relationship

- **ASEAN China FTA (ACFTA)** - 1 January 2010 marked the full realization of the ACFTA
 - ACFTA ,covering 1.9 billion consumer, is the world's largest FTA in term of market size
 - It is ranked third in term of economic value with combined GDP of approx. US\$ 6 trillion
 - ACFTA is aimed to increase bilateral trade , investments, GDP, greater economic efficiency

ASEAN- China Business Community Challenges Ahead



- **ASEAN-China Business Portal** - Officially launched on 7 January 2010
 - The portal is aimed to accelerate trade and investment between China and ASEAN member countries and provide essential information on the ASEAN-China FTA to the business enterprises
 - Portal mostly hit by Chinese enterprises with strong interest to expand their market and supply chain with enterprises in ASEAN



Concluding Remarks

Achieving AEC by 2015

- ASEAN needs to continue with integration process
- AEC as the next logical step in ASEAN integration
- Focus going beyond tariff: trade facilitation
- SMEs play strategic role in deepening economic integration
- Business Enterprises in ASEAN, China and Hong Kong are urged to make most use of the benefits from the ASEAN China FTA as well as other economic cooperation e.g. ASEAN-China Biz Portal



Q&A Session

THANK YOU



One Vision
One Identity
One Community