



A Blueprint for Growth

ASEAN Economic Community 2015: Progress and Key Achievements



one vision
one identity
one community



A Blueprint for Growth

ASEAN Economic Community 2015: Progress and Key Achievements

The ASEAN Secretariat
Jakarta

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967. The Member States of the Association are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam. The ASEAN Secretariat is based in Jakarta, Indonesia.

For inquiries, please contact:

ASEAN Integration Monitoring Office (AIMO) and
Public Outreach and Civil Society Division (POCS)

The ASEAN Secretariat

70A Jalan Sisingamangaraja

Jakarta 12110, Indonesia

Phone: (62 21) 724-3372, 726-2991

Fax: (62 21) 739-8234, 724-3504

E-mail: aimo@asean.org; public@asean.org

General information on ASEAN appears online at the ASEAN Website: www.asean.org

Catalogue-in-Publication Data

A Blueprint for Growth

ASEAN Economic Community 2015: Progress and Key Achievements

Jakarta: ASEAN Secretariat, November 2015

337.10959

1. ASEAN Economic Integration

2. Economic Cooperation - ASEAN

ISBN 978-602-0980-55-3

Photo credits: The ASEAN Secretariat, ASEAN SME Working Group, Air Asia, CIMB, Garuda Indonesia, Ingress, Tri-Sun (B) Sdn Bhd, and WIKA.

The text of this publication may be freely quoted or reprinted, provided proper acknowledgement is given and a copy containing the reprinted material is sent to the Public Outreach and Civil Society Division of the ASEAN Secretariat, Jakarta.

Copyright Association of Southeast Asian Nations (ASEAN) 2015.

All rights reserved.

DISCLAIMER: The data cut-off for this publication was 30 September 2015, and 31 October 2015 for AEC Scorecard figures. Data for 2014 sourced from ASEAN stats are preliminary. The use of a company's name or of cases does not imply endorsement by ASEAN.

Contents

Foreword	i
1 A Transformational Economic Agenda	1
1.1 Introduction	1
1.2 Road Towards the AEC	3
1.3 The Four Pillars of ASEAN Economic Integration	5
2 Building the ASEAN Economic Community	7
2.1 Monitoring Progress Towards AEC 2015	7
2.2 The AEC Scorecard: A Closer Look	8
2.3 Key Achievements	10
3 AEC in Action	18
3.1 Brand Reach	18
3.2 From Small to Large	20
3.3 Corporate Transformation	21
3.4 The Power of Logistics and Transport	23
3.5 Multinational Investor Confidence	25
3.6 Higher Value ASEAN	26
3.7 AEC 'Makes Business Happen'	29
4 Imagining the Future	30

Foreword

Collectively the third largest economy in Asia and the seventh in the world, the ASEAN Economic Community (AEC) offers many prospects and opportunities to the business community and general public. Following the formal establishment of the ASEAN Community in 2015, the AEC will have great impact on the way we live, work and do business in the ASEAN region.

Indeed, while there is overall business confidence and much discussion about ASEAN's economic integration, questions remain on its significance for and impacts on the day-to-day lives of the peoples of our Community.

This publication is a reader-friendly reference that explains the AEC, its developments, key achievements, and the opportunities it brings. The publication starts with the historical context, tracing the progress of the implementation of the AEC Blueprint, including through the AEC Scorecard, and concludes with success stories from around the region that show how various sectors have benefitted from the Community building process. As a quick reference to AEC 2015, this also complements the ASEAN Integration Report 2015, which measures the progress and evaluates the impact of the AEC.

As ASEAN moves towards greater cohesion and integration by 2015 and beyond, a well-informed and engaged ASEAN Community will continue to reap the benefits from a peaceful and prosperous ASEAN.



LE LUONG MINH

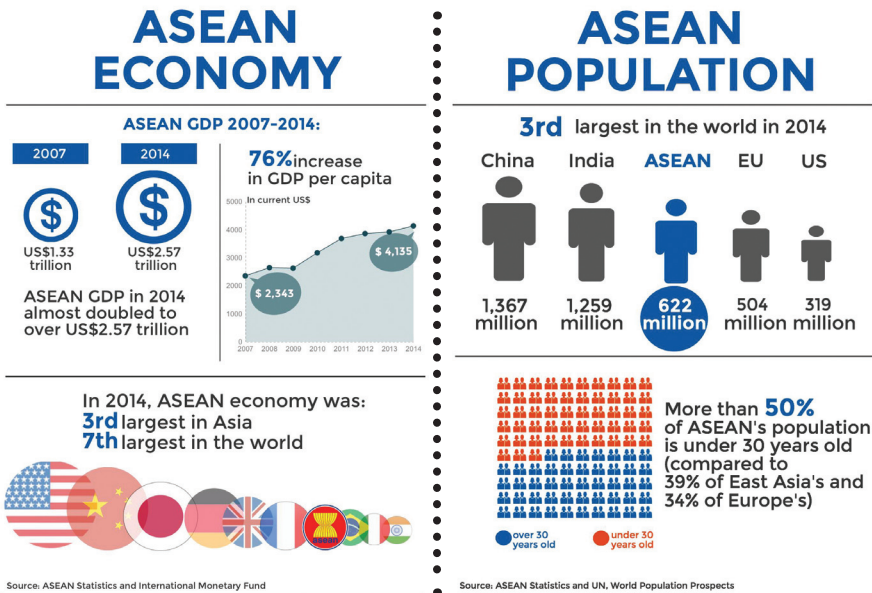
Secretary-General of ASEAN

1

A Transformational Economic Agenda

1.1 Introduction

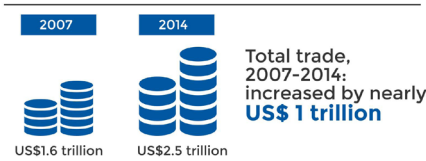
The Association of Southeast Asian Nations (ASEAN) has made extraordinary progress since it was founded in 1967. It has been transformed into an increasingly well-regulated, dynamic and creative platform for trade and commerce across what many regard as the world's fastest-developing economic region. ASEAN's Member States comprise Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam.



The year 2015 is a key milestone in the ASEAN integration agenda. Economically, ASEAN as a region has achieved significant progress and prosperity. GDP has nearly doubled since 2007 (when the AEC Blueprint was first adopted) to the present,

with a combined GDP of over US\$2.5 trillion, while average GDP per capita grew by almost 80% to over US\$4,000. Over the same period, ASEAN has also become more influential, with widening markets regionally and globally. By 2014, it is Asia's 3rd largest, the world's 7th largest, and among the most advanced integrated markets. With a combined population of over 622 million, ASEAN has a vast consumer base, behind only China and India globally. Over 50% of ASEAN's population is under the age of 30, making up a large portion of both the current and future workforce.

ASEAN TRADE



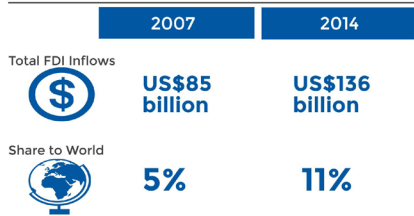
Major Trading Partners, 2014



Source: ASEAN Statistics

ASEAN FDI

Share of Total ASEAN FDI Inflows, 2014



Source: ASEAN Statistics and UNCTAD World Investment Report 2015

“ASEAN has become more influential, with widening markets regionally and globally”

Particularly noteworthy, and standing out in the figures, has been the cumulative effect of intra-regional trade and investment. Collectively, the intra-ASEAN market is the largest for ASEAN trade at 24.1% in 2014. Likewise, the region has become one of the world's fastest growing investment destinations, accounting for 11% of total global foreign direct investment (FDI) inflows in 2014 as compared with just 5% in 2007. At 17.9%, ASEAN's intra-regional FDI inflows is second largest by partner, lagging behind only the EU-28.

1.2 Road Towards the AEC

Since it was founded nearly 50 years ago, ASEAN has evolved into one of the world's most dynamic regions with accelerated economic performance in recent years. That has been attributable to ASEAN's economic co-operation and integration initiatives taking concrete shape over the past two decades. Apart from the ASEAN Preferential Trade Agreement signed in 1977, most regional economic integration initiatives have taken place only since the 1990s.

From a historical perspective, the first articulation of the concept of ASEAN economic integration is revealed in the Framework Agreement on Enhancing ASEAN Economic Cooperation signed in Singapore in 1992. The Agreement highlighted the importance of co-operation in the areas of trade; industry, minerals and energy; finance and banking; food, agriculture, and forestry; as well as transport and communications.

This Framework Agreement eventually led to the establishment of ASEAN's earliest key agreements. The Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area was signed in 1992, which was superseded by the ASEAN Trade in Goods Agreement in 2010, while the ASEAN Framework Agreement on Services was signed in 1995. ASEAN had also put in place a number of investment-focused agreements: the ASEAN Investment Guarantee Agreement (ASEAN IGA) and the Framework Agreement on ASEAN Investment Area (AIA Framework Agreement), later, superseded by the ASEAN Comprehensive Investment Agreement, which came into effect in 2012.

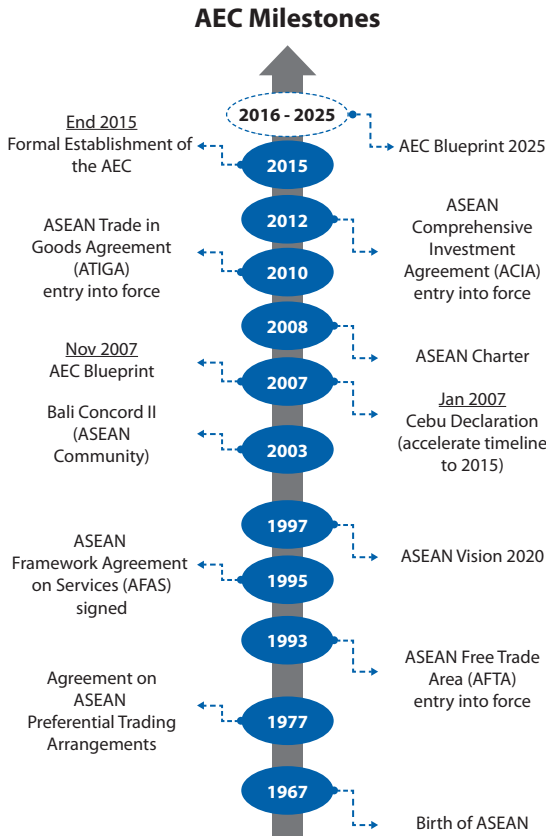
It was not until 2003, at the 9th ASEAN Summit, that ASEAN Leaders first declared the formation of an 'ASEAN Economic Community' as the agreed goal of regional economic integration, as stated in the Bali Concord II. This was in line with the ASEAN Vision 2020 (adopted in 1997), which aimed to transform ASEAN into a stable, prosperous and highly-competitive region with equitable economic development, reduced poverty, and socio-economic disparities, progressing in tandem with the establishment of the ASEAN Political Security Community and the ASEAN Socio-Cultural Community.

The AEC Blueprint 2015 was initiated at the 38th ASEAN Economic Ministers Meeting (AEM) in Kuala Lumpur. The AEM agreed to develop a single and coherent plan progressing step by step to the AEC. In essence, this was undertaken by identifying the characteristics and elements of the AEC consistent with the Bali Concord II, involving clear targets and timelines for implementation, while taking into account ASEAN Member States' varying levels of development.

In January 2007, at the 12th ASEAN Summit, ASEAN Leaders collectively agreed to accelerate the establishment of the ASEAN Community from 2020 to 2015, as formally articulated in the *Cebu Declaration on the Acceleration of the Establishment of ASEAN Community by 2015*.

“The AEC Blueprint has served as a comprehensive master plan to chart the region’s journey towards the formal establishment of the AEC”

The joint vision for an integrated future was adopted by Leaders in November 2007 at the 13th ASEAN summit and culminated in the ASEAN Economic Community (AEC) Blueprint. It is a Blueprint that has served as a comprehensive master plan to chart the region’s journey towards the formal establishment of the AEC.



1.3 The Four Pillars of ASEAN Economic Integration

The AEC Blueprint is built on four interrelated and mutually-reinforcing pillars: (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. As broad and multi-faceted as these are, the goals of the AEC have already been met on many fronts.



The first AEC pillar seeks to create a single market and production base through free flow of goods, services, investment, skilled labour and freer flow of capital. Cumulatively, these aim for a more liberalised market that provides its population with greater opportunities to trade and do business within the region, with reduced trade costs and improved investment regimes that make ASEAN a more attractive investment destination for both international and domestic investors.

The second pillar helps to create a business-friendly and innovation-supporting regional environment. That is achievable through the adoption of common

frameworks, standards and mutual co-operation across many areas, such as in agriculture and financial services, and in competition policy, intellectual property rights, and consumer protection. It also supports improvements in transport connectivity and other infrastructure networks; these have facilitated cross-border transportation and contributed to reducing overall costs of doing business, while providing ASEAN people and businesses with better opportunities to work together more productively. In turn, such developments provide the impetus to start new businesses, expand the existing market base, encourage strategic sourcing of goods and services within the region as well as create employment.

“The goals of the AEC have been met on many fronts”

The third pillar seeks to achieve sustainable and balanced growth and development through equitable economic development. This is done through creative initiatives that encourage SMEs to participate in regional and global value chains, and focused efforts to build the capacity of the ASEAN's newer member states to ensure their effective integration into the economic community.

The final pillar envisages nothing less than ASEAN's full integration into the global economy. This is pursued through a coherent approach towards external economic relations, including through free trade areas and comprehensive economic partnership agreements, and enhanced participation in global supply networks.

A new and far-reaching milestone for the AEC Blueprint has been arrived at in 2015 but with ever more tangible results to come to make good on its promise.

Since its adoption in 2007, the AEC Blueprint has been implemented towards the formal establishment of the AEC in 2015. Integral to this journey is the monitoring process: tracking the implementation and key achievements of the AEC Blueprint.

2.1 Monitoring Progress Towards AEC 2015

The AEC Scorecard was developed to systematically monitor and review the progress of measures in the Blueprint, which was successively implemented from January 2008 towards December 2015. The status of the AEC Scorecard is monitored and updated by the ASEAN Integration Monitoring Office (AIMO) of the ASEAN Secretariat.

The AEC Scorecard adopts a 'yes or no' checklist system that tracks whether measures have been implemented. These are diverse, ranging from the signing and ratification of regional agreements to supportive activities that help bring to reality regional commitments. To be marked as fully implemented, a Scorecard measure has to be implemented by all 10 ASEAN Member States.

The AEC Scorecard is therefore a compliance monitoring tool. It complements other monitoring mechanisms, including the compilation and dissemination of statistical indicators related to macroeconomics and regional economic integration by ASEAN Statistics under AIMO. In addition, several studies have been carried out on the impact of ASEAN economic integration, often in select areas or sectors.

The ASEAN Integration Report 2015 (AIR 2015), for which this publication is designed as a companion, is a veritable compendium of progress under the AEC Blueprint. The AIR 2015 represents ongoing efforts to develop an enhanced AEC monitoring framework, with greater focus on outcome-based monitoring. It will also be a baseline for tracking milestones down the longer road to AEC 2025. Moving forward, AEC integration monitoring will be more comprehensive and systematic, with enhanced coordination across sectors and feedback mechanisms, supported by quality statistics to assess outcomes and impacts.

2.2 The AEC Scorecard: A Closer Look

The monitoring and reporting of the AEC Scorecard started as a biennial process, with the following phases: 2008-2009, 2010-2011, 2012-2013 and 2014-2015. An AEC Scorecard Report was published in 2012 covering the first two phases of AEC Blueprint implementation. Moving closer to 2015, prioritisation exercises have, in recent years, focused efforts to advance areas that are most critical to the formal establishment of the AEC in 2015. This has led to the restructuring of measures across phases and a shift in monitoring efforts – concentrating on the overall implementation of the AEC Blueprint. Reports on implementation have become more thematic, and covers the full implementation period of 2008-2015.

“Moving forward, AEC integration monitoring will be comprehensive and systematic”

AEC Scorecard Measures

The list of measures in the AEC Scorecard was based on the original set of 316 measures in the strategic schedule of the AEC Blueprint. As time went by, the list of measures comprising the AEC Scorecard was constantly reviewed and updated by the ASEAN Member States. This involved consideration of the evolving regional integration agenda, new commitments, as well as the need to articulate some of the original Blueprint measures as a series of more tangible, measurable steps.

To date, the full Scorecard comprises a total of 611 ASEAN-wide measures. Further prioritisation exercises, as described below, have led to a more focused base for monitoring implementation.

Prioritised Key Deliverables under the Phnom Penh Agenda (2013)

The Phnom Penh Agenda for ASEAN Community Building was adopted at the 20th ASEAN Summit in 2012. The Agenda called for prioritising high-impact activities and concrete, key measures to address the challenges and obstacles for realising the AEC by 2015.

In line with the Phnom Penh Agenda, two lists of Prioritised Key Deliverables (PKDs) were drawn up: one for implementation by 2013 and another for implementation by 2015. The two lists were endorsed by ASEAN Economic Ministers and the ASEAN Economic Council in 2013.

From mid-2013 through 2014, reporting on implementation of AEC Scorecard measures was focused on these PKDs. The new approach was aimed at advancing priority areas in which implementation would contribute critically to the establishment of the AEC. In addition, the implementation status of the full Scorecard was continuously monitored and reported internally to ASEAN sectoral bodies.

High Priority Measures (2015)

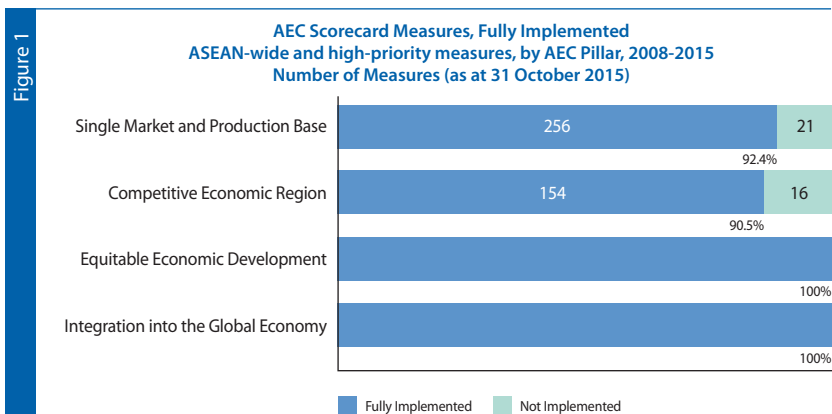
In the final year leading to the formal establishment of the AEC, ASEAN reviewed the unimplemented PKDs and conducted a candid assessment of the feasibility of their implementation by the end of 2015. A more thorough prioritisation process took place.

Among the unimplemented PKDs, the ASEAN Economic Ministers at their 21st Retreat in March 2015 identified 54 measures that have the greatest impact on trade and could be realistically implementable by the end of 2015. These were referred to as high-priority measures (HPMs). Such measures, along with those fully implemented since 2008, formed a more focused base of 506 measures for monitoring implementation.

The Ministers also identified other outstanding PKDs for which implementation will be deferred but which will be prioritised under the post-2015 agenda, as well as those that require further review.

AEC Scorecard Implementation Status (as at 31 October 2015)

Considering the focused base of 506 AEC scorecard measures, which includes the 54 HPMs, as at 31 October 2015, the overall implementation rate by all 10 ASEAN Member States stood at 92.7%, or 469 out of 506 measures. The breakdown of implementation by AEC pillar can be seen in Figure 1 below.



While emphasis has been placed on implementing the HPMS by end of 2015, the status of the full AEC Scorecard continues to be monitored closely. This means tracking the full set of measures that have been previously committed, including those that are not identified as HPMS, totalling 611 measures. As at 31 October 2015, the implementation rate of the full AEC Scorecard stood at 79.5%, or 486 out of 611 measures.

2.3 Key Achievements

Towards a Single Goods Market

Under the goal of creating a single market and production base are the central themes of the free flow of goods, services, investment, skilled labour as well as freer flow of capital, as mentioned earlier.

For goods, the aim has been no less than to eliminate trade bottlenecks; that has involved the daunting task of removing tariffs, reducing paperwork and cutting the waiting times of getting products to market, with the added benefit of reducing risks associated with consigning goods.

Significant progress has been made in tariff elimination. Pursuant to the commitments made in the AFTA in 1992, and later in the ATIGA in 2010, Member States have eliminated import duties among themselves by 2010 for the ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand), and – by 2015 with flexibility to 2018 – for the CLMV (Cambodia, Lao PDR, Myanmar and Viet Nam). To date, the ASEAN-6 have virtually eliminated their intra-regional tariffs, with 99.2% of tariff lines at 0%. For the CLMV, the figure stands at 90.86% giving an ASEAN average of 95.99%.

“Tariff elimination alone does not create an open market”

Tariff elimination alone, however, does not create an open market. Benefitting from intra-regional trade preferences can be made easier, among other factors, with continuous simplification of Rules of Origin (ROO) as well as the ASEAN Self-Certification Project. Under the Self-Certification scheme, the primary responsibility for origin certification is met by traders and manufacturers. This energises regional trade links by giving certified exporters the freedom to declare that their products have satisfied ASEAN origin criteria, which allow them to benefit from trade preferences under ATIGA. All 10 Member States are now on board on one of the

two Self-Certification Pilot Projects. Concerted efforts are underway to establish the ASEAN-wide self-certification scheme.

Trade facilitation also continues across borders, with five Member States having tested the exchange of trade data and information (ATIGA Form D) using the ASEAN Single Window (ASW) platform through their national single windows. The ASW creates a single point of entry where trade-related documents and information can be submitted to speed up customs clearances and reduce transaction times and costs. The Protocol on the Legal Framework to Implement the ASW (PLF) was signed by the Finance Ministers in 2015.

Transparency and resulting business certainty is central to ASEAN's trade facilitation agenda. The work on establishing an ASEAN Trade Repository (ATR), documenting trade and customs laws and procedures accessible in the public domain, was authorised under ATIGA and is a major highlight in facilitating the free flow of goods. The ATR is expected ultimately to contain trade-related information such as MFN tariffs, preferential tariffs offered under ATIGA and other ASEAN FTAs, ROO, non-tariff measures (NTMs), national trade and customs laws and rules. It will also contain comprehensive procedures and documentary requirements, administrative rulings, best practices, and a list of authorised traders.

Once all national trade repository (NTR) web portals are established and connected by the ATR they will contribute to lower business costs, extend regulatory transparency and greater certainty in business dealings. Further, the ATR could also serve as a support mechanism for implementing other AEC initiatives such as addressing the barrier effects of non-tariff measures.

“Transparency and resulting business certainty is central to ASEAN’s trade facilitation agenda”

Removing Barriers to Trade through Facilitative Standards and Conformance

As standards compliance increasingly become a prerequisite to participate in production networks, ASEAN is also putting in place measures to reduce technical barriers to trade, including mutual recognition arrangements (MRAs), along with harmonisation of standards, technical requirements and development of guidelines. The ASEAN MRAs were developed within a framework agreement and were implemented with the aim of eliminating barriers to trade.

So far, ASEAN has concluded three sectoral MRAs, namely for electrical equipment and electronics (EEE), cosmetics and medicinal products, while others are in the works for prepared foodstuffs, automotive, and building and construction sectors.

To date, among the key achievements, are: the development of MRAs on Bioequivalence study and Good Manufacturing Practice in the pharmaceutical sector. In the cosmetics sector, the introduction of the ASEAN Harmonised Cosmetic Regulatory Scheme and the Post Market Surveillance Notification System assure safety and quality information, harmonisation of 121 EEE standards and technical regulations, 47 test standards for rubber-based products, 15 technical requirements based on UN Regulations on automotive, 8 test method standards for cosmetics, and 955 Maximum Residue Limits (MRLs) in commonly-used pesticides for widely-traded crops as well as implementation of the ASEAN Cosmetic Directive by all Member States and the signing of the ASEAN Medical Device Directive.

Bolstering Productivity through Skills Mobility

Key to leveraging productivity, including from the positive effects of FDI, is to build capacity in skills. ASEAN's agenda addresses this by facilitating the free flow of skilled labour across the region, taking into account domestic regulations, and market demand. This has been particularly pressing given the fact that ASEAN's population has doubled between 2007 and 2015, with a significant share of the 'productive age' population.

“Key to leveraging productivity is to build absorption capacity in skills”

MRAs are crucial policy tools for skilled labour mobility, facilitating trade by mutual recognition among the Member States for professionals that are authorised, licensed or certified by the respective authorities. Signed in 1995, the ASEAN Framework Agreement on Services (AFAS) provides the mandate for MRAs.

In total, eight MRAs have been concluded, namely on engineering services, nursing services, architectural services, framework for surveying qualifications, medical practitioners, dental practitioners, the framework for accounting services, and tourism professionals. The ASEAN MRAs adopt different approaches, reflecting the varying nature of these services and the realities of regulatory regimes across the Member States.

To date, more than 1,250 engineers are recorded within the ASEAN Chartered Professional Engineers Register, together with over 250 architects on the ASEAN Architect Register. Training toolkits designed to enable the mobility of skilled tourism professionals have also been put in place, and help the region's drive to expand its tourism industry in conjunction with easier air travel.

Box 1: Testimonies from ASEAN Chartered Professional Engineers (ACPE) and Registered Foreign Professional Engineers (RFPE)

"Obtaining the RFPE status has given me the flexibility to go beyond Singapore and practice in Malaysia. This approach will bring about higher quality of engineering service through exchange of knowledge and experience." - Chong Kee Sen - ACPE (Singapore) RFPE (Malaysia)

"After becoming a RFPE in Singapore and Malaysia, I have more confidence to work in other AMS, especially to collaborate with engineers in other AMS." - Leandro Conti - ACPE (Philippines) RFPE (Singapore) and RFPE (Malaysia)

"The MRA and ACPE afford me the required recognition to carry out my tasks more effectively. Being a RFPE further encourages collaboration with host country engineers to provide compatible services to clients." - Yee Yew Weng - ACPE (Malaysia) RFPE (Singapore)

The full benefits of the MRAs can be realised through legal transposition and effective implementation.

A World Class Investment Destination

As ASEAN works toward building a collective identity as a single investment destination, gone are the days where investors see ASEAN as 10 stand-alone economies. The development of an 'ASEAN investment strategy' is increasingly common for existing and would-be investors, facilitated – among other factors – by the region's framework for enticing investors and helping businesses operate in the region.

"Gone are the days where investors see ASEAN as 10 stand-alone economies"

Entered into force in 2012, the ASEAN Comprehensive Investment Agreement (ACIA) contains commitments to liberalise, facilitate, promote, and protect cross-border investment, based on international best practices. In line with their commitments in the ACIA, Member States exerted efforts to improve their investment regimes to help create a competitive investment environment in the region.

The AEC also provides a business-supportive environment through regulatory frameworks that promote fair competition and freer flow of capital. To date, almost all Member States have in place consumer protection laws as well as competition laws. Work towards building an innovation-supportive environment is also enhanced through co-operation and capacity building in the area of intellectual property (IP) rights.

The relatively stable macroeconomic fundamentals of the ASEAN economies, amidst global uncertainties, have induced foreign investors to shift their preferences to the region. Similarly, ASEAN's re-affirmation of its commitment to deepen regional economic integration through the implementation of the AEC Blueprint provides clarity about the region's policy agenda, reducing policy uncertainties and enhancing foreign investors' confidence.

“Implementation of the AEC Blueprint provides clarity about the region’s policy agenda, reducing policy uncertainties and enhancing foreign investors’ confidence”

Integrated Regional Financial System

Financial integration is a key catalyst for financial sector development, which, in turn, improves efficiencies and lowers the cost of capital. In ASEAN, financial integration aims to achieve a well-functioning regional financial system with more liberalised financial services, capital account regimes and inter-linked capital markets, to facilitate greater trade and investment in the region.

In general, the ASEAN financial environment is bank-dominated. Acknowledging that role, the ASEAN Bank Integration Framework, approved in 2014, seeks to establish a more integrated regional banking sector led by a network of Qualified ASEAN Banks.

“Financial integration aims to achieve a well-functioning regional financial system with more liberalised financial services, capital account regimes and inter-linked capital markets”

In the capital market, financial liberalisation is pursued with a long-term goal of achieving cross-border collaboration among the various capital markets of ASEAN. The stock exchanges of a number of ASEAN States have collaborated to form the

ASEAN Exchanges, promoting ASEAN capital markets and offering more opportunities to investors across the region. The ASEAN Trading Link, launched in September 2012, provides investors with easier and more seamless access into the markets of Malaysia, Singapore and Thailand from one single access point.

In an effort to raise corporate governance standards and practices among the Public Listed Companies (PLCs) in ASEAN, the ASEAN Capital Markets Forum (ACMF) launched the ASEAN Corporate Governance Scorecard. More recently, retail investors in Malaysia, Singapore and Thailand will benefit from an increase in the choice of funds for investment with the operation of the ASEAN Collective Investment Schemes (CIS) Framework for CIS cross-border offerings. To date, 11 funds have been recognised as Qualifying ASEAN CIS by the current participating Member States.

Towards a Connected AEC

A competitive economic region is a connected region. In a world of global value chains, production spans distant locations and across multiple borders. To stay competitive, transport time and distribution costs need to be reduced through infrastructure development as well as efficient and enhanced institutions.

Spanning diverse topographies, from archipelagic Indonesia and the Philippines, to a land-locked Lao PDR and the single island city state of Singapore, ASEAN requires an integrated approach to connectivity. Efficient logistics and distribution services are an important source of regional competitiveness, particularly for perishable and other time-sensitive goods. To achieve this requires support for physical infrastructure like highways, airports and rail links, power grids and gas pipelines as well as improving cross-border agreements and institutional connectivity.

“To stay competitive, transport time and distribution costs need to be reduced”

The ASEAN Highway Network is a vital infrastructure and logistics component, which supports trade facilitation, investment opportunities and tourism. The Singapore-Kunming Rail Link (SKRL) is a development project linking ASEAN with China over a total length of 7,000 km. Work towards the completion of such flagship infrastructure projects, which have been identified as priorities in ASEAN’s transport co-operation, will continue after 2015.

The liberalisation of passenger and cargo air services in the region is intrinsic to regional integration. It provides the necessary facilitation for movement of goods and people in an era where time dictates competitiveness. That has led to the ASEAN Open Skies Policy as part of the ASEAN Single Aviation market. Successive agreements provide competitive scope for expansion and opportunities for air travel within the region for service providers, as well as offering more destinations and lower fares for consumers. These have also contributed to the development of low-cost carrier operations, which now account for more than half of all airline capacity in the region.

A core dimension of ASEAN connectivity is information communications technology (ICT), recognised as a key driver in the region's economic and social transformation. A strong ICT infrastructure with pervasive connectivity in ASEAN enables the creation of a business-enabling environment that is conducive to attracting and promoting trade, investment and entrepreneurship. As a region, ASEAN will prioritise efforts in bridging the digital gap. This ensures that all communities and businesses can benefit from ICT adoption to enable an innovative, inclusive, and integrated ASEAN. Early gains in ICT initiatives include the reduction in international mobile roaming rates within ASEAN.

“A strong ICT infrastructure with pervasive connectivity enables the creation of a business-enabling ASEAN environment”

An Inclusive and Participatory AEC for Enterprises of All Sizes

Comprising over 90% of enterprises in ASEAN, and responsible for generating employment for the majority of ASEAN's working population, SMEs form the backbone of ASEAN economies.

It follows that a key component of the AEC is to enhance the competitiveness and expansion of SMEs, particularly through improved access to finance, markets, human resources, information and advisory services, technology and innovation.

To support SMEs' participation in global value chains, ASEAN has put in place the ASEAN Benchmark for SME Credit Rating Methodology, the SME Service Centre, the ASEAN SME Policy Index and the ASEAN Common Curriculum for Entrepreneurship, among other measures.

The ASEAN SME Guidebook towards the AEC 2015 has been published to enhance awareness of the AEC as well as the facilities and market opportunities for SMEs that are available in the region.

A Globally-engaged ASEAN

A well-positioned region at the centre of global production networks, ASEAN has relied on its competitive workforce, resources, knowledge and skills, as well as diverse strengths and potentials to integrate into the global economy. The region also seeks to make the most of trade and investment links with major regional economies through the “ASEAN+1” free trade and comprehensive economic partnership agreements (FTAs/CEPs) with China, Japan, the Republic of Korea, India, Australia and New Zealand.

ASEAN has elevated these partnerships by asserting its centrality and taking a lead in negotiations towards the Regional Comprehensive Economic Partnership (RCEP), an FTA involving ASEAN and its six FTA partners.

Starting in 2013, negotiations for this ASEAN-led agreement are expected to be substantially concluded by the end of 2015, with further technical work to continue into 2016. RCEP is aimed at achieving a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement between ASEAN and FTA partners. With combined GDP of about US\$22.7 trillion, about 30% of global output, the RCEP also has the potential to transform the region into the world’s largest integrated market of about 3.4 billion people (or nearly half of the world’s population).

“RCEP is aimed at achieving a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement between ASEAN and FTA partners”

When concluded, RCEP is expected to deliver tangible benefits to businesses through potential improvements in market access, trade facilitation, regulatory reform and more trade-facilitative rules of origin. It will mark the early success of ASEAN as a collective and pro-active player in global trade and economic governance.

Nothing demonstrates the potential of the AEC more than evidence of commercial viability. In a region accustomed to corporate realities, ASEAN can already look to home-grown, successful companies that have made business happen in the economic community and beyond.

As seen from the experiences of a highly diverse range of firms, across different sectors, the AEC provides both multinationals and SMEs with both region-wide and local-market opportunities for creating prosperous regional and international businesses.

3.1 Brand Reach

Consider Singapore's Super Group. "They sent a guy here from America to discuss terms. If the terms and conditions are good, why not?" said the company's Chairman and Managing Director, David Teo in media comments following the company's partnership with US firm Proctor and Gamble in 2004, which was at the time the owner of the Pringles potato chip brand. Super has since become Pringles exclusive manufacturer worldwide outside the US, a huge feat for an Asian, regionally-based firm.

The partnership (now with new Pringles owner, Kellogg Inc.) was the culmination of years of development by Super to gain a progressively firm foothold in overseas



markets for its instant food and beverage products, which began in 1987 with the marketing of its coffee, tea and cereal mixes to consumers in Southeast Asia.

Instant coffee products are a key contributor to the company's earnings. Super now offers more than 300 products across categories through its portfolio.

Super has begun to roll off its manufacturing lines for newer products as its consumer base has become increasingly affluent. Its product portfolio continues to evolve, tracing ASEAN economic development and consumer trends through the years. It has introduced a three-in-one cereal in 1994, soluble spray-dried coffee in 1998 and non-dairy creamer in 2003. Currently, Super has 15 manufacturing facilities, with manufacturing and packaging plants in Singapore, Malaysia, Myanmar, Thailand and Viet Nam, as well as in China.

Super has also developed its consumer capabilities, with relatively untapped markets like Myanmar, allowing for rapid expansion across the region. Branding expertise extends its reach to tailor products and meet consumer demands in various specific markets such as Japan. Super aims to forge ahead with its regional expansion – it is setting its sights also on India and Mongolia.

Thailand's Black Canyon Coffee started as a leading domestic coffee and food chain, it has since progressed across the breadth of the category, to also include restaurant and bar proprietorships. It is currently serving fresh quality products across ASEAN, encompassing Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines and Singapore. Beyond the region, it has also established a Middle East presence in the UAE.

The company seeks to cross-blend Asian and Western food, with emerging regional social influences – such as by developing a large menu of freshly ground coffees. It has also fashioned a programme of franchising, with an accent on quality control and consistency, broadly with an eye towards ASEAN.

Black Canyon has now moved towards the concept of joint ventures to capture strategic positions in domestic markets. In a 50-50 venture with a Cambodian partner, Black Canyon opened its first B.C. Coffee & Cuisine operation in Aeon Mall, the largest shopping complex in Phnom Penh.

Pravit Chitnarapong, President and Chief Executive of Black Canyon (Thailand), is confident such a move will speed up its expansion within ASEAN, particularly after the launch of the AEC. Under the franchise format, an average of five new Black Canyon branches will be launched each year in ASEAN, beyond the more than 50 branches it currently controls in eight countries. New ones are planned for the Philippines, Cambodia, Indonesia and Sri Lanka.

Black Canyon is also making moves to re-grade its offerings. Starting with the Thai domestic market, the company plans to open branches in a convenience format in locations such as petrol stations, shopping malls, hospitals, airports and supermarkets to reach busy ASEAN consumers on the move.

3.2 From Small to Large

A key player in Viet Nam's economic revival also built its fortunes on coffee: Trung Nguyen Coffee Corporation, or better known internationally for its G7 brand, is a producer, manufacturer and retailer of coffee products and is based in Ho Chi Minh City. Founded in 1996, the company has been developing its production capacity while creating a number of quality brands. By 2013, Trung Nguyen was the largest coffee company in Viet Nam. At the same time, the business was expanding both regionally and internationally, inspiring a new generation of regional entrepreneurs.



The operation started as a small coffee shop, founded by Dang Le Nguyen Vu, a student-turned-businessman, which soon advanced to motorcycle deliveries to meet increasing demand. R&D and Human Resources units were set up and the company learned about vertical integration. It then created ready-for-sale, premium brands for the domestic and international market.

The company relied heavily on Vietnam's extensive coffee-making tradition to develop capacity and create new products and brands. It also enhanced quality in its production processes, promoted and commercialised its products via its own network of cafés and distribution networks, and collaborated with industry partners.

In 2013, Trung Nguyen's coffee products were commercialised via a wide network of local, regional and international distributors, as well as over 60 *G7Express Cafés* and *Trung Nguyen Coffee* shops in Viet Nam and regionally, such as in Singapore. In the same year, the company exported its brands and products to over 60 countries and regions – including the EU, Japan, China, and the Republic of Korea.



In a contrasting sector, home grown business Tri-Sun (B) Sdn Bhd, founded in 1987, is a Brunei Darussalam-based timber company specialising in value-adding timber manufacturing. Initially, its primary operation was as contractor on timber delivery to a local sawmill's logging function. With three timber retail stations selling timber from a contracted sawmill, Tri-Sun had gone downstream to

serve local furniture, construction, and renovation markets.

Now, Tri-Sun is able to produce value-added timber products such as solid timber doors, door frames, timber mouldings, three-ply scantlings and door and furniture components. Currently, Tri-Sun serves clients across the ASEAN market, and has expanded into the Republic of Korea, China, India, Japan, Australia, and Europe.

Tri-Sun's expansion into ASEAN and other countries is made possible through joint ventures and close cooperation with other buyers in ASEAN Member States. Through sharing expertise, knowledge, and know-how of their respected markets, Tri-Sun has been able to penetrate overseas market. As the ASEAN market becomes more integrated, the benefits will translate into lowering production costs, for example as raw materials such as plywood from Malaysia becomes cheaper. With that, the company will supply more competitive plywood and timber doors to its clients.

3.3 Corporate Transformation

'Transformation' is a continuing theme for ASEAN companies that have taken advantage of the AEC. Indonesia's WIKA is a case in point. Founded as an electrical supplies and water pipe fitter in 1960, WIKA has been transformed into a holding company in construction, engineering procurement construction (EPC) and investment, with 10 subsidiaries.

WIKA has moved into distinct sectors, among them industry, infrastructure and building, energy and industrial plant construction, realty and property, as well as investment. In addition to its contractor operations, WIKA also produces a variety of quality concrete products through its subsidiary, WIKA Beton, and asphalt through WIKA Bitumen. WIKA has also ventured into oil and gas and the electric generation sectors.

Such infrastructure activities have not gone unnoticed. WIKA was winner of the Living Legend Company of Indonesia 2015 in the category of construction services. In fact, the company, which became state owned, is a keen supporter of the AEC. The company has stated that under that vision it aims to become one of the best in its field with an integrated investment plan for the region, and with a robust approach to corporate culture and excellence.



After successfully participating in the development of infrastructure and construction projects in Indonesia, WIKA is expecting to expand in ASEAN and beyond. It has expanded into Malaysia, and is working on a supermall project in Kuching, Sarawak. In East Timor, WIKA advised on and built the Comoro Bridge 1 and 2 in 2013, and won

the government contract to working on a jetty of PLTD Hera and on the Occusie International Airport.

Newer ASEAN Member States have also made giant strides to modernise operations under ASEAN's regulatory framework. Amru Rice (Cambodia) Co., Ltd was formerly a domestic rice trading business. In 2010 and 2011 it began investing in rice mill processing factories under the management of Amret Rungroeng Group Limited. It is now among the country's top rice exporters, at 8,000 mt per month.

Besides exporting high quality rice to Vietnam and Thailand, Amru Rice has partnerships in the EU and is reported to be starting trade in the potentially huge US market.

Similarly in the automotive sector, Lao PDR's Muanson Company Limited is the importing and distributing arm of Muanson Group, an importer, distributor, manufacturer, exporter and now media services provider.

A major turning point for Muanson was in 2000 when it first started to import *Michelin* tyres, then rapidly expanded its tyre distribution business. Currently the company distributes five major brands of tyres throughout Lao PDR via a countrywide network of 18 dealers as well as through its own retail shops.

But more radical has been the Group's move to become a record label, event planner, advertising and media production provider with a distinctive regional online presence, essentially combining 'old' and 'new' economy attributes in a region previously dominated by industrial undertakings.

3.4 The Power of Logistics and Transport

A key focus of ASEAN's initiatives has been on improving connectivity through better logistics and transport systems. International Container Terminal Services, Inc., (ICTS) of the Philippines is a port management company that was established in 1987, and has since been cited by the Asian Development Bank as one of the top five major maritime terminal operators in the world.

ICTS was established by Enrique Razon, whose family has been managing harbours in the Philippines for three generations.

In 1988, ICTS won an international tender concession to manage, operate and develop the Manila International Container Terminal (MICT), ICTS's flagship operation and the Philippines' leading international trading gateway. It handles port management, operations and administration, port development and construction, including port planning and programming supply of all equipment, and investment risk.



MICT is one of three terminals in the Port of Manila, the core of the Philippine port system. It is today the Philippines' largest international container terminal in terms of volume and capacity, with both guaranteed efficiencies and seamless integration systems.

After consolidating its base and flagship operations, ICTS launched an aggressive international and domestic expansion programme in 1994 and now has operations in Japan, Poland, Ecuador, Brazil, Croatia, and Madagascar, among others. Its Subic Bay contract development concessions have been matched with those in Brunei Darussalam, Indonesia, China, the US, Australia, Georgia, Nigeria, the Congo, Pakistan, Iraq, Columbia, Argentina, Honduras and Mexico.



Efforts towards developing ASEAN's single aviation market have also produced some exceptional business developments, not least that of AirAsia of Malaysia. The airline was launched in 2001 with the dream of making flying 'possible for everyone'. Since then, the company has swiftly risen to become among the world's top low-cost airlines under the motto: 'Truly ASEAN'.

Its low-cost, short-haul carrier services operate in its home base, together with Thailand, Indonesia, the Philippines and also in India and Japan, with its highest frequency for domestic flights in Thailand, and the largest international passenger carriage in Indonesia.

Starting with two aircrafts, AirAsia now has a fleet of some 170 aircrafts and employs 17,000 people. It has 18 hubs in the ASEAN region, flies to all 10 ASEAN countries, and connects the region to 13 other countries or territories, including the Hong Kong SAR, Macau SAR, Taiwan, China, India, Japan, South Korea, Australia, Nepal, Saudi Arabia, Bangladesh, the Maldives and Sri Lanka.

The airline states that ASEAN's growing economy and expanding middle-income group are central to future success and it plans to open more routes while ordering some 560 new aircraft.

Garuda Indonesia is another, longer-established, regional airline preparing for the AEC to compete in the ASEAN market and beyond. Following flight safety undertakings and successful auditing, in 2010, Garuda regained permission to fly into Europe.



That year, Garuda Indonesia was voted a '4 Star Airline' and 'The World's Most Improved Airline' by the Skytrax Awards, and became a public company in 2011. This has been followed by other awards for both cabin crew service and overall performance.



Over the period 2008 to 2014, Garuda flights to three cities in ASEAN (via Jakarta), namely Bangkok, Kuala Lumpur and Singapore, each experienced a compound annual growth rate of over 20% for passenger traffic and over 10% for freight transport. Increasing passenger capacity and opening routes to secondary destinations lie ahead.

3.5 Multinational Investor Confidence

ASEAN's development has not been lost on international companies keen to take advantage of business opportunities they see emerging with the establishment of the AEC as a single investment destination. According to a report by international consultancy KPMG, CEOs of multinational firms say they are increasingly bullish on the region's opportunities.

ASEAN is enjoying a relatively high-growth period and the formal establishment of the AEC promises a more integrated market, offering good reasons for multinationals to reassess their regional opportunities and rebalance their investments.

Japan-based, global automotive component manufacturer Denso Corporation has operations in five ASEAN countries, and has benefitted from the trade facilitation provisions of ATIGA and the Self-Certification pilot project. Employing more than 22,000 people and with US\$2.9 billion of investments in ASEAN, the company has seen a reduction in document processing time and costs for its trade-related activities, contributing to export increases to the ASEAN market.

With a better ASEAN standards and conformance regime, Sony EMCS (Malaysia), a unit of the major Japanese manufacturer of audio and video products and household appliances, uses listed testing laboratories in Malaysia. Television sets are tested for export, and test results are accepted by regulatory authorities from importing ASEAN countries.

Prudential Insurance of the UK has been in the region for 80 years, expanding rapidly in the ASEAN era. The company refers to itself ‘as much an Asian company as a British one.’ Active in seven ASEAN countries and still expanding, the company ‘sees its future as intertwined with the future of ASEAN,’ as the region’s insurance market liberalises.

Caterpillar, the US-based international heavy equipment company, has made a major commitment to ASEAN, seizing the opportunities from the growing commitment to building modern infrastructure and the expansion of its labour force.

India’s Fortis and the Bangkok Hospital Group have built up considerable expertise and experience in joint venture in Singapore, Malaysia and Thailand, with similar partnerships able to provide better healthcare.

International conglomerate Shell sees ASEAN as a major part of its business, having operated in the region for more than 100 years. Shell sees the AEC as ‘having the potential to be a real economic powerhouse’ with focused resources in ASEAN. It sees low trade barriers between each market as a ‘massive advantage’.

3.6 Higher Value ASEAN

For ASEAN-based companies themselves, such regional and global commitments have raised the stakes on the quality and sophistication of their output.

Ingress is a Malaysian automotive components manufacturers and a recent recipient of “ASEAN Economic Community Priority Integration Sector Award in Automotive” at the 6th ASEAN Business Awards Malaysia in 2015.



Ingress started in 1991, manufacturing parts for Proton together with a Japanese partner. Since then, Ingress has expanded its products offerings as well as customer base, including to other major automotive hubs in ASEAN. It has set up three manufacturing facilities in Thailand and

two in Indonesia. It also has a facility in India.

Ingress produces the complete range of components, and offers innovative engineering solutions and expertise for the region’s automotive manufacturers. Its customers are leading international car manufacturers, which include Malaysia’s Proton and Perodua, as well as international brands Honda, Suzuki, Toyota, Mitsubishi, General Motors, Ford, Mazda, Nissan, Isuzu, Daihatsu and Hino.

Thailand's listed AAPICO Hitech PLC, an automotive company established in 1996, started with designing, producing and installing assembly jigs, stamping dies and manufacturing OEM parts. It has since progressed to producing plastics, forging and frame components, as well as investing in other ancillary businesses such as car dealerships and car navigation systems. Today, the AAPICO Group comprises a total of 40 subsidiary and associate companies.

AAPICO Hitech, through its subsidiaries, participates in the global automotive value chains as an independent supplier and contract manufacturer to automotive manufacturers in major hubs such as Japan and Germany, dealing as an ASEAN customer reference point for companies such as Mazda, Toyota, Mitsubishi Motors, BMW, Hyundai, Hino, Perodua (Malaysia), Renault and Land Rover.

Philippine company Fountainhead Technologies, Inc., was awarded 'Best Small and Medium Enterprise (SME)' by the ASEAN Business Advisory Council (ASEAN BAC) during the inaugural ASEAN Business Awards Philippines in 2014.

Established in 2001 by specialist consultants, technology company Fountainhead is a Tier 1 Gold Partner of US-based Oracle Corporation with specialisation in the installation and management of the Oracle *E-Business Suite*, a comprehensive suite of integrated, global business applications claimed to enable organisations to make better decisions, reduce costs, and increase performances. Fountainhead primarily focuses on delivering enterprise solutions and Oracle *E-Business Suite* implementation and support.

Fountainhead is able to provide IT service packages to cater to small-, medium- and large-sized companies with a business and technology formula to ensure that the technology and business aspects of client's operations are complementary. With corporate headquarters in the Central Business District of Makati, the Philippines, and a regional office in Singapore, Fountainhead's reach in the industry is continuously expanding.

Thailand's Buzzebees Co Ltd is equally committed. Inspired by the prospect of creating a 'platform that will be used by everyone', the goal of this IT firm is to connect people to people, corporates to people and small shops to people. Buzzebees is a point-based mobile platform, which incorporates e-commerce, privilege and reward-based social media integration. It has created an eco-system in the form of corporate mobile applications. Since its launch in December 2012, the Buzzebees platform jumped to over two million users in 14 months.

It has expanded within four countries, with over 10 corporate partners such as LINE, AIS, Samsung, PTT, Singtel and Samsung Africa and with over 10,000 marketplace campaigns. Since its launch, Buzzebees has provided over one billion points, one million redemptions, and given away millions of dollars in prizes, hoping to grow to become the largest 'corporate privilege' platform in Southeast Asia.

Blue Ocean Operating Management Company Limited, or BOOM, is one of the most recognisable ICT companies in Myanmar today, with businesses across telecommunications, mobile content provision, and telephone customer care. It may well be a pathfinder across the region for both its technology and social impact.

Run by young entrepreneur Htun Htun Naing, BOOM has 15 subsidiaries under Blue Ocean investment; two are based in Singapore for voice and data, online healthcare services, e-commerce, job advertising recruitment services, social media, mobile payment, real estate development, financial services and legal services. BOOM has successfully embraced the potential offered by the AEC.

From modest beginnings in 2009, around the time when the Blueprint's implementation was well underway, alongside Myanmar's economic transformation, BOOM has since grown into a company that handles over 50,000 calls a day, and is compliant with ISO certification and other global standards.

Most significantly in modern corporate terms, BOOM has actively engaged itself in socially responsible practices and activities, such as providing employment to persons with disabilities, currently comprising 3% of its workforce, as well as providing hotlines to respond to road emergencies. It was awarded the ASEAN ICT Gold Award for Corporate Social Responsibility in 2014.

The company has also actively sponsored community initiatives on healthcare, education, and the environment, while setting its sights on expanding to Cambodia, Lao PDR and Viet Nam in 2016, as well as to Thailand and Malaysia in 2017.

CIMB, a strong advocate of regional financial integration, thinks of itself as an ASEAN bank, moving on the AEC Blueprint for financial integration. Now operating in nine out of the ten ASEAN countries, the bank has what it calls a 'multi-local' business model that relies on local expertise to deepen its involvement and branch network into rural and urban areas at the same time in many countries.

With a more developed banking sector, small- and medium-sized enterprises and entrepreneurs will have better access to financial services in ASEAN. In addition, initiatives on financial inclusion and financial literacy will support individuals in financial planning.



Keeping up with developments in the new ‘fintech’ sector, CIMB is now working with four technology startups to commercialise financial technology solutions to be rolled out locally and regionally. The

bank has selected four organisations to further develop the bank’s digital and mobile banking or financial solutions in ASEAN. The solutions will be integrated into CIMB’s services for its customers in Malaysia and across the region.

In the world of public relations, often seen as an exclusively Western area of service expertise, EON is a pioneer in the Philippines and has expanded its service portfolio globally to include highly specialised areas such as corporate positioning and brand building, public affairs and government relations, research and communication planning among a number of public interface and training areas.

With a team of over 90 experts in the fields of media, advertising, branding, marketing, digital communication, government relations and diplomacy, tourism, among other fields, EON believes it goes well beyond country and regional boundaries to provide resources for end-to-end communication. It is the Philippine affiliate for Edelman, the world’s largest independent global PR network.

3.7 AEC ‘Makes Business Happen’

The AEC has created an environment for ASEAN’s homegrown businesses, old and new alike, large and small, to thrive, evolve, and expand their market reach. Beyond 2015, as the effects of the AEC are further developed and felt, and as ASEAN implements its vision for the Community for the next 10 years, more businesses and individuals are expected to participate in, and benefit from regional economic integration.

Building on the gains from the AEC Blueprint, the next decade of the AEC will enable more ASEAN people and businesses to work more productively together across borders; this will help them start new businesses, expand existing market bases, strategically source goods and services within the region as well as create or secure employment.

4

Imagining the Future

With the formal establishment of the AEC in 2015, ASEAN is forging ahead as a community by deepening its economic integration. Regional community building is an ongoing and dynamic process, so while the AEC 2015 has succeeded in putting in place key frameworks and other fundamentals for the effective functioning of an economic community, this is not the end of the journey.

The ASEAN Leaders envisioned a ‘post-2015 ASEAN’ that will be politically cohesive, economically integrated and socially responsible. The development of the Post-2015 vision for the AEC, hereinafter AEC 2025, will be undertaken in synergy with other pillars of the ASEAN Community, covering the period 2016-2025. Building on its achievements and early gains, AEC 2025 will see an ASEAN that is more proactive; it will be working diligently to cultivate its collective identity and to engage further with the evolving global context, responding to new developments while seizing new opportunities.

“Post-2015 ASEAN will be politically cohesive, economically integrated and socially responsible”

In 2025, we foresee an ASEAN that is genuinely connected, both in terms of hard and soft infrastructure networks, within itself and beyond. Mindful of the many sectors that have been involved in regional economic integration, and ever-stronger interdependence among them, AEC 2025 will also focus on enhanced sectoral co-operation.

In doing so, special attention and focus need to be given to evolving digital technology; it means recognising the different levels of development and capacity among Member States, as well as embracing the new digital phenomena of the modern age.

Continuing from the work on tariff elimination, AEC 2025 will have a stronger focus on trade facilitation by effectively following through on existing regional commitments, as well as more robust institutions and mechanisms, in line with the corresponding

global agenda. Full implementation of key initiatives such as the ASEAN Single Window, ASEAN-wide Self-Certification and the ASEAN Trade Repository would be top of that list. In addition to these, a fully-operational and sustained mechanism for addressing non-tariff barriers and the barrier effects of non-tariff measures will contribute to a more transparent and enabling business environment; this will further help businesses, large and small, to cultivate the opportunities presented by the AEC.

To be a competitive participant in global value chains, ASEAN will embrace and foster the potential of its services sector, riding on the fact that services have played an increasingly significant role in the region's growth and investment. No longer simply ancillary to goods value chains, a competitive services sector is now imperative for effective participation in global value chains. This requires a more holistic approach to services integration beyond liberalisation commitments.

“ASEAN will ascend the global value chains into more sustainable production activities, higher technology-intensive manufacturing industries and knowledge-intensive services”

As ASEAN becomes more familiar with its collective identity as the world's top investment destination, the region needs to respond to increasing interest by firms to expand their regional presence and adopt an 'ASEAN strategy'. Continued improvement in the region's investment policy environment and regimes, complemented by a competitive market and effective trade facilitation, will contribute crucially to this effort.

ASEAN's potential as a region will be even further heightened by a stable, strong and effectively functioning financial market. Given the critical role that financial integration plays towards achieving AEC goals, ASEAN should intensify dialogues among Member States, carry out capacity building and technical assistance so as to implement necessary measures to harmonise the region's regulatory framework.

Good governance, transparency, and a responsive regulatory regime will all be enhanced through better engagement and consultation with the private sector and other ASEAN stakeholders. Efforts to minimise regulatory costs will be stepped up, while ensuring that legitimate regulatory objectives continue to be met.

In the coming decade, the benefits of the economic community should be enjoyed more broadly, not only by large corporations but also by other economic players, including micro-, small- and medium-sized enterprises, start-ups, employees, entrepreneurs and professionals. Efforts to narrow the development gap will be strengthened, to ensure that AEC 2025 delivers real benefits of job creation and stability, welfare improvement, better sustainability and future development.

The regional market will not only serve as a 'stepping stone' for participation in the global market but also as a true source of comparative advantage to achieve global competitiveness. AEC 2025 will see the region ascend the global value chains into more sustainable production activities, higher technology-intensive manufacturing industries and knowledge-intensive services.

“Over the next decade, institutions will be strengthened, commitments followed through with implementation, and monitoring and evaluation enhanced”

AEC Blueprint 2025 will provide ASEAN with a new master plan for economic integration for the coming 10 years. Charting the region's trajectory over the next decade, institutions will be strengthened, commitments followed through with implementation, and monitoring and evaluation enhanced. Unique, dynamic and brimming with potential, ASEAN will assume its aspiring role as a key driver for regional as well as international growth.



ASEAN: A Community of Opportunities

 www.asean.org  ASEAN  @ASEAN  ASEAN



This publication is supported by the European Union through the ASEAN Regional Integration Support from the EU (ARISE). Information on ARISE can be found at arise.asean.org