

**ASEAN Business Advisory Council  
Report for the ASEAN Economic Ministers  
(AEM)**



**ASEAN BAC**

**Myanmar 2014:  
Inclusive Connectivity:  
A New Growth Paradigm**

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### **About the ASEAN Business Advisory Council (ASEAN-BAC)**

Launched in April 2003, ASEAN-BAC was set up with the mandate to provide private sector feedback and guidance to boost ASEAN's efforts towards economic integration. Aside from providing private sector feedback on the implementation of ASEAN economic cooperation, the Council also identifies priority areas for consideration of the ASEAN Leaders. Accordingly, ASEAN-BAC's activities are primarily focused on reviewing and identifying issues to facilitate and promote economic cooperation and integration. The Council also submits annual recommendations for the consideration of the Leaders and the ASEAN Economic Ministers (AEM). Since 2013, ASEAN-BAC also pursues additional Dialogue with Senior Economic Official Meeting (SEOM). In addition to these activities, ASEAN-BAC also socialises ASEAN Economic Community (AEC) to the private sector, both within and beyond the Southeast Asian region.

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H.E. Dr. KanZaw

Chair of ASEAN Economic Ministers 2014

**RE: 2014 Report of the ASEAN Business Advisory Council (ASEAN-BAC) to the ASEAN Economic Ministers (AEM)**

Your Excellency Dr. KanZaw,

Greetings from the ASEAN Business Advisory Council (ASEAN-BAC).

On behalf of the ASEAN-BAC, it is with great pleasure we present the 2014 Report to the ASEAN Economic Ministers, which highlights the activities of the Council throughout 2014, as well as relevant recommendations generated from these activities and beyond. This year the ASEAN-BAC's Report also includes policy and practical recommendations generated from our engagement with ASEAN Plus 1 Business Councils and Associations.

Building up from the initiatives pursued under the chairmanship of Brunei Darussalam in 2013, and the momentum towards achieving as much of the ASEAN Economic Community (AEC) objectives in less than 24 months, ASEAN-BAC, under the chairmanship of Myanmar this year, has selected the theme: **'Inclusive Connectivity: New Growth Paradigms'**. Aside from recognising the advancement made by emerging economies and emerging leaders at both global and regional levels, the selection of this theme also emphasises ASEAN-BAC's continuous efforts to complement ASEAN's initiative to ensure greater equality of economic opportunity for all of the citizens of ASEAN, particularly those in the most vulnerable sectors of the society. Reflective of the theme for the year, the key areas prioritised by ASEAN-BAC are micro, small, and medium-sized enterprise (MSMEs), women entrepreneurship, and youth entrepreneurship.

Whilst we have identified these prioritized areas of concern, this does not mean that this will diminish the importance of addressing other on-going issues that is as a result of current economic climate. Moreover, in order to avoid duplication with other ASEAN-related initiatives and leveraging on the work undertaken in the region and beyond, ASEAN-BAC's recommendations are put forth with strong consideration of advancement and/or development of initiatives undertaken by other regional platforms with common goals on deepening ASEAN's economic integration.

ASEAN-BAC acknowledges the challenges that ASEAN may face in fully realizing the AEC by the end of 2015. Having said this, there is certainly a need for urgency for ASEAN to address the various business concerns highlighted to date, and to fully meet ASEAN business needs.

Finally, on behalf of the ASEAN-BAC, we would like to once again express our sincere appreciation for the continuous support that ASEAN has extended to the Council, as well as for providing ASEAN-BAC the opportunity to submit the attached recommendations for the attention of the ASEAN Economic Ministers.

Sincerely yours,

**CHAIR**



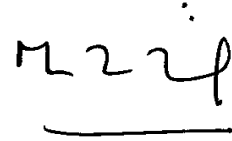
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## Executive Summary

2014 has been an exciting year for the Association of Southeast Asian Nations (ASEAN), particularly as the Republic of the Union of Myanmar takes the rotating chairmanship of the grouping for the first time after joining ASEAN in 1997. Building up from the initiatives pursued under the chairmanship of Brunei Darussalam, and the momentum towards achieving as much of the ASEAN Economic Community (AEC) objectives in less than 24 months, the ASEAN Business Advisory Council (ASEAN-BAC), under the chairmanship of Myanmar this year, has selected the theme: ***'Inclusive Connectivity: New Growth Paradigms'***.

Aside from recognising the advancement made by emerging economies and emerging leaders at both global and regional levels, the selection of this theme also emphasises ASEAN-BAC's continuous efforts to complement ASEAN's initiative to ensure greater equality of economic opportunity for all of the citizens of ASEAN, particularly those in the most vulnerable sectors of the society. Accordingly, the key areas prioritised by ASEAN-BAC this year pursuant to regional economic integration are micro, small, and medium-sized enterprise (MSMEs), women entrepreneurship, and young entrepreneurship. ASEAN-BAC expects to expand and further strengthen its advocacies on a balanced, inclusive, and sustainable ASEAN economic integration under the chairmanship of Malaysia in 2015.

### ***MSMEs and ASEAN's economic integration***

With regard to MSMEs, ASEAN-BAC has completed the project of 'Maximising the Benefits of Regional Economic Integration for MSMEs' in March 2014, and will be completing another project, or the 'ASEAN Business Competitiveness Scorecard' later this year. The completion of the first project above generate extensive policy and practical recommendations to improve the utilisation of ASEAN's regional economic integration initiatives amongst MSMEs, and these include:

- (1) An institutionalised, aggressive, well-coordinated, and interactive information campaign on ASEAN's economic integration initiatives that should take into account geographical regions outside major cities or capitals, the existence of numerous, often overlapping, information campaign initiatives across the region, the interactive conduct of these information campaign initiatives, and the existence of information campaign models in some ASEAN Member States (AMS) that can be emulated at the regional level (primary example being the Philippines' 'Doing Business in FTAs' initiative);
- (2) The improvement of access to finance that can be done through, *inter alia*, the deepening of financial sector reform, the establishment of a financial infrastructure that would stimulate income gains amongst MSMEs, and the conduct of a feasibility study on the establishment of an ASEAN MSMEs Bank; and
- (3) The simplification of certificate of origin (CoO) / rules of origin (RoO) requirements attached to ASEAN-led FTAs, which could be complemented with the expansion of the existing ASEAN Single Window initiative to include countries with which ASEAN has FTA arrangements with, and the immediate conclusion of the negotiation process leading to the establishment of the Regional Comprehensive Economic Partnership (RCEP).

Meanwhile, since the implementation of 'ASEAN Business Competitiveness Scorecard 2014', which will include the conduct of surveys amongst firms based in Southeast Asia, is still at its nascent stage, ASEAN-BAC proposes the ASEAN Economic Ministers (AEM) to encourage business associations, chambers of commerce, and private firms to contribute in the implementation of the survey exercise, as well as for relevant agencies in each of the AMS to provide the necessary support to the research team carrying out the project on behalf of ASEAN-BAC.

Furthermore, to deepen its engagement on MSMEs-related issues, ASEAN-BAC also initiated an institutional building process to establish an ASEAN-BAC MSMEs Working Group earlier this year. In relation to this, ASEAN-BAC seeks the assistance from the AEM to allow the Council to engage itself with relevant ASEAN-related organs dealing with MSMEs, and to encourage the latter to take part and active roles in the relevant activities of ASEAN-BAC (e.g. ASEAN-BAC Meetings, the development of MSMEs databank and portal, etc.). In addition to these, the ASEAN-BAC is also seeking the assistance from the AEM to identify potential Strategic Partners and donors to enhance the socialisation of ASEAN's economic integration initiatives to these economic actors.

### ***Women entrepreneurs***

On promoting the inclusion of women entrepreneurs, ASEAN-BAC recommends that the AEM recognises the inclusion of women entrepreneurs under the economic pillar of its cooperation. ASEAN-BAC also proposes the implementation of **gender-oriented review of ASEAN's economic integration initiatives**, regional economic integration capacity building targeted to women entrepreneurs, as well as initiating and implementing policies to encourage and support the participation of women in business and trading across borders.

To strengthen ASEAN-BAC's efforts in promoting women entrepreneurship, the Council also established an ASEAN-BAC Women Working Group earlier this year. In relation to this, ASEAN-BAC request the support of the AEM to identify and recognise lead Women Associations at the national level where the lead may take an active role in representing the discussion in ASEAN-BAC-related activities *vis-a-vis* the contribution of women in the development of the economy. Furthermore, ASEAN-BAC also requires the support from the AEM to interact with ASEAN- and AMS-related organisations and agencies dealing with women-related issues, as well as supporting the Council in its attempt to pursue outreach activities with women business and other related associations throughout the region.

### ***Young entrepreneurs***

ASEAN-BAC acknowledges the quick positive response of the ASEAN Leaders to its 2013 Recommendations on the inclusion of young entrepreneurs in ASEAN's economic pillar of cooperation. Building up from this achievement, ASEAN-BAC recommends AEM to coordinate efforts amongst the related agencies in developing specific action plans outlining ways in which ASEAN can integrate young entrepreneurs in this pillar of its cooperation. Furthermore, ASEAN-BAC is also keen to reiterate further young entrepreneurs-related recommendations it made in the previous year, such as the necessity for ASEAN to launch and implement policy initiatives to support youth economic empowerment (e.g. pro-employment growth, decent job creation, fiscal incentives, etc.), as well as for AEM to continue its support for ASEAN-BAC to establish the ASEAN Young Entrepreneurs Association (AYEA) in the foreseeable future.

### ***Beyond AEC***

Whilst focusing on the areas that are realistically achievable by the end of 2015, ASEAN-BAC has also given much attention on what post-2015 ASEAN's economic integration agenda should look like from the business perspective. The deepening of ASEAN's economic integration has been seen as a necessity by many of the economic actors in the region, whilst ASEAN's ability to remain as a competitive and dynamic region will need to be enhanced through, *inter alia*, comprehensive structural economic reforms at the national level. More importantly, however, is the need for ASEAN to pursue a more inclusive economic integration agenda, which takes into account the aspirations

and concerns of all economic actors regardless of size. Last but not least is ASEAN's continued ability to ensure its centrality in setting up the agenda for regional economic integration beyond ASEAN.

### ***Moving forward***

The activities that will be carried out by ASEAN-BAC in 2004 generate wide range policy recommendations that are of importance to the sustained economic competitiveness and growth of the ASEAN region. ASEAN-BAC recognises that many of these policy recommendations might require long-term investments on structural economic reforms. Having said this, ASEAN-BAC is also of the firm belief that these policy recommendations could serve as constructive inputs to complement the present and future process of ASEAN's economic integration initiatives.

It is also important to note that, whilst the ASEAN-BAC has identified prioritised areas of concerns mentioned earlier, this does not mean that the Council diminishes the importance of addressing other on-going issues that may be a result of current economic climate. In order to enhance the complementarity of ASEAN-related initiatives, however, the AEM needs to take the lead in monitoring coordinated efforts amongst related agencies, and for these agencies to be aware of the recommendations made by the ASEAN-BAC, and, subsequently, work towards the establishment of a work programmes and action plans with the Council.

Whilst stressing the importance of its 2014 recommendations, there remains a number of past recommendations of ASEAN-BAC that are still pending, and should require attention and support from the AEM to facilitate their implementation. In its 2013 Report to ASEAN Leaders, for example, ASEAN-BAC called for ASEAN to consider the inclusion of women entrepreneurs in the economic pillar of its cooperation. This recommendation, however, has not been materialised thus far. The same also applies with the Council's recommendation for ASEAN to launch an ASEAN Business Travel Card (ASEAN-BTC), the process of which is understood still being deliberated by relevant sectoral bodies at both national and regional levels. The launching process of the ASEAN-BTC should be accelerated if ASEAN is to expect the enhancement of trade and investment opportunities across the region.

It is clear that there remains much homework to be done at both national and regional levels to ensure the full attainment of economic integration objectives that ASEAN has set by the end of 2015. Notwithstanding such challenges, 2014 also offers much opportunities for ASEAN. There is little doubt that ASEAN remains an attractive region for growth. Whilst market growth for more developed Members of ASEAN has slowed down, emerging economies in the region have contributed significantly to the optimistic outlook of the region. The challenge ahead not only lies in ASEAN's ability to ensure its sustainability, but also the inclusiveness of its growth.

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## **List of Acronyms and Abbreviations**

ABA	ASEAN Business Awards
ABTC	APEC Business Travel Card
ACIA	ASEAN Comprehensive Investment Agreement
AFTA	ASEAN Free Trade Agreement / Area
ACFTA	ASEAN-China Free Trade Agreement
AEC	ASEAN Economic Community
AEM	ASEAN Economic Ministerial Meeting
AMS	ASEAN Member States
APEC	Asia-Pacific Economic Cooperation
APTCF	ASEAN Plus Three Cooperation Fund
ASEAN	Association of Southeast Asian Nations
ASEAN-BAC	ASEAN Business Advisory Council
ASEAN-BIS	ASEAN Business and Investment Summit
ASEAN-BTC	ASEAN Business Travel Card
ASTP	ASEAN Strategic Transport Plan
ATIGA	ASEAN Trade in Goods Agreement
AYEA	ASEAN Young Entrepreneurs Association
AYEG	ASEAN Young Entrepreneurs Working Group
AYEN	ASEAN Young Entrepreneur Network
CEP	Comprehensive Economic Partnership
CEPT	Common Effective Preferential Tariff
CLMV	Cambodia, Lao PDR, Myanmar, and Vietnam (newer AMS)
CoO	Certificate of Origin
CSR	Corporate Social Responsibility
EABEX	East Asia Business Exchange
ERIA	Economic Research Institute for ASEAN and East Asia
EU	European Union
FDI	Foreign Direct Investment
FTAs	Free Trade Agreements
IISD	International Institute for Sustainable Development
IPRs	Intellectual Property Rights
MPAC	Master Plan on ASEAN Connectivity
MRA	Mutual Recognition Arrangement
MSMEs	Micro-, Small-, and Medium-sized Enterprises
NTMs	Non-Tariff Measures
PIS	Priority Integration Sectors
PPP	Public-Private Partnership
RCEP	Regional Comprehensive Economic Partnership
RoO	Rules of Origin
SEPs	Strategic Economic Partners
SME-WG	Small- and Medium-Sized Enterprises Working Group (of ASEAN-BAC)
SPS	Sanitary and Phytosanitary Measures
TBT	Technical Barriers to Trade
WCO	World Custom Organisation
WTO	World Trade Organisation

## 1. Background and Introduction

2014 has been an exciting year for the Association of Southeast Asian Nations (ASEAN), particularly as the Republic of the Union of Myanmar takes the rotating chairmanship of the grouping for the first time after joining ASEAN in 1997. Political, economic, and administrative reforms that have been pursued by the civilian government since 2011 have enabled Myanmar to undertake more active roles in regional and global affairs. Setting the theme of its chairmanship as ‘Moving forward in Unity to a Peaceful and Prosperous Community’, Myanmar’s chairmanship underscores ‘the importance of ASEAN unity as a foundation for the efforts of ASEAN Member States (AMS) in promoting regional peace, stability, and enhancing economic development’<sup>1</sup> in the region. Aside from ensuring regional peace and stability and accelerating the process of ASEAN’s economic integration process, Myanmar will also play a key role in setting up the future, post-2015, economic integration agenda for ASEAN.

Building up from the initiatives pursued under the chairmanship of Brunei Darussalam, and the momentum towards achieving as much of the ASEAN Economic Community (AEC) objectives in less than 24 months, the ASEAN Business Advisory Council (ASEAN-BAC), under the chairmanship of Myanmar this year, has selected the theme: ‘**Inclusive Connectivity: New Growth Paradigms**’. Aside from recognising the advancement made by emerging economies and emerging leaders at both global and regional levels, the selection of this theme also emphasises ASEAN-BAC’s commitment to complement ASEAN’s efforts to ensure greater equality of economic opportunity for all of ASEAN’s citizens, particularly those in the most vulnerable sectors of the society. Accordingly, the key areas prioritised by ASEAN-BAC this year include micro-, small-, and medium-sized enterprises (MSMEs), women entrepreneurship, and youth entrepreneurship. ASEAN-BAC expects to expand its advocacies on a balanced, inclusive, and sustainable ASEAN economic integration under the chairmanship of Malaysia in 2015.

Whilst focusing on the areas that are realistically achievable by the end of 2015, ASEAN-BAC has also given much attention on what post-2015 ASEAN’s economic integration agenda should look like from the business perspective. The deepening of ASEAN’s economic integration has been seen as a necessity by many of the economic actors in the region, whilst ASEAN’s ability to remain as a competitive and dynamic region will need to be enhanced through, *inter alia*, comprehensive structural economic reforms at the national level. More importantly, is the need for ASEAN to pursue a more inclusive economic integration agenda that takes into account the aspirations and concerns of all economic actors regardless of size. Last but not least is ASEAN’s continued ability to ensure its centrality in setting up the agenda for regional economic integration beyond ASEAN.

The activities that will be carried out by ASEAN-BAC 2014 generate wide range policy recommendations that are of importance to the sustained economic competitiveness and growth of the ASEAN region. ASEAN-BAC recognises that many of these policy recommendations might require long-term investments on structural economic reforms but ASEAN-BAC is also of the firm belief that these policy recommendations could serve as constructive inputs to complement the present and future process of ASEAN’s economic integration initiatives.

In 2014, ASEAN-BAC has also been working with its Lead and Associate Partners under the Joint Consultation with ASEAN Plus 1 Business Councils and ASEAN Business Associations (also known as

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<sup>1</sup>Refer to paragraph 3 of the Chairman’s Statement of the 24th ASEAN Summit: “Moving Forward in Unity to a Peaceful and Prosperous Community”.

<sup>2</sup>The summaries of recommendations from ASEAN-BAC and ASEAN Plus 1 Business Councils and Business Associations are available in Appendices 1, 2, and 3.

<sup>3</sup>The summary of ASEAN’s responses to ASEAN-BAC’s 2013 recommendations is available in Appendix 4.

<sup>4</sup>Refer to Appendix 4 for the complete list of ASEAN’s responses to ASEAN-BAC’s 2013 recommendations.

<sup>5</sup>See, for example, ASEAN’s Policy Blueprint for SME Development (2004-2014) and the subsequent ASEAN Strategic Action

other ASEAN-related Business Councils and Associations or “Lead and Associate Partners” under the Joint Consultation Statement of Cooperation between ASEAN-BAC and ASEAN Plus 1 Business Councils and ASEAN Business Associations) where issues and related recommendations would be fed into the ASEAN Economic Ministerial Meeting (AEM) and Leaders.<sup>2</sup>

ASEAN-BAC extends its appreciation to the AEM and ASEAN Leaders in responding well to many of its recommendations submitted in the previous year.<sup>3</sup> The Council also hopes that all of its recommendations, as well as those generated through its coordination with other ASEAN Plus 1 Business Councils and Business Associations mentioned above, will be given due consideration by the AEM and, subsequently, ASEAN Leaders in their effort to deepen further economic integration in the region.

The presentation of this Report is divided into nine sections. Section 2 revisits the recommendations made by ASEAN-BAC and highlights the responses made by ASEAN so far. In Section 3, the Report highlights the importance for ASEAN to integrate micro-, small-, and medium-sized enterprises (MSMEs) in its internal and external economic integration initiatives, including, but not limited to, ASEAN-led Free Trade Agreements (FTAs). Section 4, furthermore, elaborates efforts of ASEAN-BAC’s in integrating women and young entrepreneurs in the economic integration agenda of ASEAN. In Section 5, meanwhile, the Report identifies potential post-2015 economic integration agenda for ASEAN, whilst section 6 gives emphasis on ASEAN-BAC’s efforts to strengthen its interaction with ASEAN-related organs, ASEAN Plus 1 Business Councils and Business Associations, and Strategic Partners. In section 7, the Report highlights additional recommendations that are not part of ASEAN-BAC’s projects and/or activities, but are of utmost importance to the deepening of economic integration in the region. Section 8, moreover, spells out joint policy and practical recommendations from ASEAN-BAC and ASEAN Plus 1 Business Councils and Business Associations. Finally, the Report is to be concluded in Section 9.

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<sup>2</sup>The summaries of recommendations from ASEAN-BAC and ASEAN Plus 1 Business Councils and Business Associations are available in Appendices 1, 2, and 3.

<sup>3</sup>The summary of ASEAN’s responses to ASEAN-BAC’s 2013 recommendations is available in Appendix 4.

## **2. Brief Review of ASEAN-BAC's Recommendations in 2013 and Their Progresses to Date**

In 2013, ASEAN-BAC submitted extensive policy and practical recommendations to ASEAN Leaders. The issues raised in the said Report include efforts to strengthen ASEAN's regional economic integration and the expansion of trade, the promotion of MSMEs, the inclusion of youth and women in ASEAN's economic integration initiatives, and the strengthening of interaction between ASEAN-BAC, ASEAN-related organs, ASEAN Plus 1 Business Councils and Business Associations, and ASEAN-BAC's Strategic Partners.<sup>4</sup>

Whilst ASEAN-BAC appreciates the responses made by the AEM and ASEAN Leaders on many of its 2013 recommendations, it also notes little progress being made in the implementation of some of these recommendations. For example, little progress has been observed in ASEAN's effort to materialise the Council's 2013 proposal for the launching of an ASEAN Business Travel Card (ASEAN-BTC), despite the decision of ASEAN, under the chairmanship of Brunei Darussalam in 2013, to do so in time for AEC 2015.

Moreover, whilst 'young entrepreneurs' have been recognised by ASEAN Leaders to be an integral component of AEC in 2013, no specific action plan has been laid out by ASEAN and its Member States to materialise the inclusion of young entrepreneurs in the economic pillar of ASEAN's cooperation. Some other 2013 recommendations of the Council, such as the inclusion of 'women entrepreneurs' in the economic pillar of ASEAN's cooperation, have also not been given due recognition, and this is to be reiterated in ASEAN-BAC's Reports to the AEM, and, subsequently, ASEAN Leaders this year.

ASEAN-BAC recognises the challenges that ASEAN and its Member States confront in realising these recommendations. However, ASEAN-BAC is also of the firm belief that these recommendations are critical to attaining a more balanced, inclusive, and sustainable development in the ASEAN region.

### ***Recommendations***

In view of the mixed results in the implementation of ASEAN-BAC's 2013 recommendations above, the Council proposes the following recommendations:

- (1) The ASEAN Secretariat to pursue regular exchange of notes on progress of ASEAN-BAC's recommendations to the AEM and ASEAN Leaders with ASEAN-BAC's Secretariat in Jakarta;
- (2) The ASEAN Secretariat and ASEAN-BAC Secretariat to develop a template to monitor progress of ASEAN-BAC's annual recommendations, which is to be incorporated into the annual ASEAN-BAC's Report to the AEM and ASEAN Leaders from 2015 onward.

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<sup>4</sup>Refer to Appendix 4 for the complete list of ASEAN's responses to ASEAN-BAC's 2013 recommendations.

### 3. The Promotion of Micro-, Small-and Medium-sized Enterprises' (MSMEs) Competitiveness: Towards a More Inclusive and Sustainable Development in ASEAN

The development of MSMEs continues to be one of the ASEAN-BAC's primary concerns. Accordingly, the Council carries out both internal and external activities to ensure that proportionate attention is given to the economic actors that have long been known to be the backbone of Southeast Asian economies. Aside from projects carried out with its external Strategic Partners, internal institutional building process has also been carried out to institutionalise ASEAN-BAC's awareness, engagement, and empowerment initiatives for MSMEs.

#### 3.1. Maximising the Benefits of Regional Economic Integration for ASEAN's MSMEs

ASEAN and its Member States are not only progressing in the deepening of economic integration amongst themselves, but are also active in pursuing active foreign economic diplomacy in the forms of free trade agreements (FTAs) and/or comprehensive economic partnership(CEP) with their strategic economic partners (SEPs). It was reported earlier this year that over 90 of such commercial pacts have been recorded to involve both ASEAN and its Member States (Tambunan and Chandra, 2014). Whilst some of these FTAs/CEPs are already in full effect, others are either still being negotiated or in the early stages of discussion with the SEPs of ASEAN and/orAMS.

**Table 1. MSMEs Contribution to Total Enterprises, Employment, and GDP in AMS (in %)**

Unit / AMS	Bru	Cam	Indo	Laos	Mal	Mya	Phil	Sing	Thai	Viet
<b>No. of unit</b>	98.5	99.0	99.9	99.8	99.2	99.4	99.6	99	99.6	99
<b>Employment</b>	98.0	85.0	99.0	83.0	65.0	70.0	63.0	70.0	78	85
<b>GDP</b>	68.4	76.7	58.2	69.0	32.0	n.a.	32.0	60.0	37.1	40
<b>Share in export</b>	n.a.	n.a.	20	n.a.	19	n.a.	n.a.	16	30.6	20.0

Source: Tambunan and Chandra (2014: 7).

Notwithstanding such a development, there remains concerns over the extent to which MSMEs have benefited from these commercial pacts. MSMEs have long played a pivotal role in the economic development of AMS (refer to Table 1) and yet are falling behind in comparison to their larger counterparts in benefiting from the ASEAN's economic integration initiatives. Whilst policy attention and commitments are increasingly given to these economic actors by ASEAN,<sup>5</sup> the participation of MSMEs in cross-border economic activities remains low. The utilisation of ASEAN-led FTAs amongst MSMEs in the region is a case in point. Although MSMEs are increasingly integrated in regional and global value chains,<sup>6</sup> the lack of information and opportunities to network regionally, generally hamper these economic actors' ability to play a more active role in ASEAN's economic integration initiatives.

On March 2014, ASEAN-BAC, and one of its Strategic Partners, the International Institute for Sustainable Development (IISD), completed a year long project, entitled: 'Maximising the Benefits of Regional Economic Integration for SMEs'.<sup>7</sup> The project was aimed at providing ASEAN-based MSMEs with adequate knowledge and tools to take better advantage of the opportunities derive from

<sup>5</sup>See, for example, ASEAN's Policy Blueprint for SME Development (2004-2014) and the subsequent ASEAN Strategic Action Plan on SME Development (2010-2015).

<sup>6</sup>This is particularly so in the sectors, such as electronics, machinery, information and communication technologies, and so on.

<sup>7</sup>The project was made possible through generous support from the United Kingdom's Foreign and Commonwealth Office (FCO).

ASEAN's economic integration initiatives. This initiative also helped channel the concerns and aspirations of these economic actors to relevant policy-makers at both national and regional levels.

The above-mentioned ASEAN-BAC-IISD project generated the following outcomes: (1) the publication and dissemination of a guidebook, entitled: 'Taking Advantage of ASEAN's Free Trade Agreements: A Guide for Small- and Medium-Sized Enterprises';<sup>8</sup> (2) the organisation of a series of MSMEs Dialogue Fora in selected AMS (including the Philippines, Indonesia, Thailand, Vietnam, and Myanmar); and (3) the publication and dissemination of a policy report, entitled: 'Maximizing the Utilization of ASEAN-led Free Trade Agreements: The Potential Roles of Micro-, Small-, and Medium-Sized Enterprises'.<sup>9</sup>

### **Recommendations**

The implementation of the above-mentioned MSMEs-focused project has generated several practical and policy recommendations that could be used as points of considerations for the AEM. These recommendations include:

- (1) An institutionalised, aggressive, well-coordinated, and interactive information campaign:
  - Whilst information concerning ASEAN-led FTAs is increasingly available these days, many MSMEs still claim the lack of information as a major stumbling block. This suggests that the information campaign and socialisation activities of ASEAN need to be organised more regularly, and be made available beyond capitals and/or major cities in the region;
  - In addition, given the vast number of similar information campaign and socialisation activities carried out by numerous organisations and parties across the region, greater coordination on the implementation of these activities must be pursued, particularly between ASEAN, the AMS, donor communities, the private sector, and other stakeholders. ASEAN should also consider easing the process of endorsing and supporting the socialisation activities by different parties in the region;
  - Information campaign and socialisation of ASEAN-led FTAs should be a two-way process. In this context, such activities should not only provide the opportunity for ASEAN, AMS, or major business associations to socialise ASEAN-led FTAs, but they should also serve as venues for gathering practical and policy inputs from relevant stakeholders, including the MSMEs, in the region;
  - Given their relatively small size, MSME business owners and/or representatives may lack confidence in expressing their concerns and aspirations during public forums. Accordingly, a more interactive and practical methods in communicating components of ASEAN-led FTAs, as well as the wider ASEAN's economic integration initiatives, should be strongly considered;
  - ASEAN-BAC and IISD's study mentioned above also shows that the Philippine government, through its 'Doing Business in FTAs' initiative, has provided a very good example on how a well coordinated information campaign and socialisation activities can be carried out. Such an institutionalised information campaign and socialisation mechanism can serve as a model for similar activities not only at the regional, but also at the national level in other AMS.
- (2) Improving access to finance for MSMEs
  - Access to finance has been recognised as one of the classic issues that hinder MSMEs to explore and expand into new business opportunities. This problem is also a key determinant for these economic actors to engage more effectively in ASEAN's economic integration

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<sup>8</sup>This Guidebook is available online at: <<http://www.asean-bac.org/sme-guidebook/viewdownload/110-sme-guidebook/57-sme-guidebook.html>>.

<sup>9</sup>This policy report is available online at: <<http://www.iisd.org/tkn/research/pub.aspx?id=2922>>.

initiatives. Although continuously recognised as a key issue in ASEAN's MSME development policies, there has been very little evidence to suggest the improvement of MSMEs' access to financial facilities;

- To date, whilst financial sector liberalisation has the potential to address the challenge of access to finance to rural economic actors, the existence of entry and operation restrictions imposed on ASEAN- and non-ASEAN financial institutions hinder the potential gains that MSMEs could reap from such a reform initiative;
- Financial sector reform through liberalisation alone, however, is unlikely to be a sufficient means to improve access to finance to MSMEs. ASEAN and the AMS, for example, could establish a financial infrastructure that would stimulate income gains among the region's MSMEs.;
- ASEAN to instigate a study on the feasibility of an ASEAN MSME Bank's establishment, as well as to determine a quote for MSME financing amongst banks hosted in the AMS.

### (3) The simplification of CoO/RoO requirement

- The bureaucratic and technical knowledge needed to comply with Certification of Origin (CoO)/Rules of Origin (RoO) requirements have been consistently mentioned by experts and business practitioners as one of the key impediments for businesses, including MSMEs, to engage more effectively in ASEAN-led FTAs. Accordingly, efforts to further simplify CoO requirements must be intensified;
- Furthermore, whilst the creation of an ASEAN Single Window is progressing well,<sup>10</sup> this initiative should be expanded to include countries with which ASEAN has FTA/CEP arrangements with;
- Finally, in order to improve the overall utilisation of ASEAN-led FTAs, it is also imperative that ASEAN should accelerate the negotiation process of the Regional Comprehensive Economic Partnership (RCEP), which at the moment is being set for the end of 2015. If materialised, the initiative should help consolidate all existing ASEAN+1 FTAs.

## 3.2. ASEAN Business Competitiveness: Understanding the Present Outlook

The sustainability of Southeast Asian economic competitiveness is one of the major concerns for ASEAN. ASEAN-BAC, since 2010, has conducted an annual survey with its Strategic Partner, the Lee Kuan Yew School of Public Policy, the National University of Singapore, amongst businesses based in the region to track their perspectives towards the attractiveness of ASEAN, as an economic region. More specifically, the implementation of this exercise has several objectives:

- (1) To collate business sentiments towards the attractiveness of ASEAN to trade and investment, and the effectiveness of ASEAN policy initiatives to forge closer economic integration;
- (2) To serve as part of the policy inputs and recommendations of ASEAN-BAC to ASEAN Leaders and Economic Ministers in our annual dialogue and consultation sessions;
- (3) To highlight the gaps that exist in each of the AMS, especially with regard to the ease of doing businesses, with specific reference to be given to MSMEs;
- (4) To inform regional leaders about the state of business environment so as to enable them develop relevant policies to ensure sustainable growth in the region; and
- (5) To show the business communities in ASEAN about the potential opportunities that regional partnership and investments can offer to their business growth and development.

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<sup>10</sup>For further details concerning ASEAN Single Window initiative, see the official website of the initiative at: <<http://asw.asean.org/>>.



Unlike the previous years, however, the final outcome of this year's business competitiveness survey will be presented in the form of a scorecard. Accordingly, the existing title of ASEAN Business Competitiveness project has been renamed: 'The ASEAN Business Competitiveness Scorecard'. The project, which is being managed by ASEAN-BAC Myanmar with a Strategic Partner that is going to be determined in the immediate future, identifies several hard-hitting issues across five categories to be raised amongst business respondents across the region, and these include: (1) ASEAN market potential; (2) ASEAN consumers; (3) business environment; (4) financial services; and (5) marketing.

Whilst ASEAN market potential category is expected to shed light on the overall market performance of the region in relation to commercial infrastructure, legislation development, and market growth, the ASEAN consumer category will highlight the changing behaviour and attitude of consumers across ASEAN, as well as identifying patterns and the relevance of cultural influence, branding, and customer service programmes. The third category, or business environment, meanwhile, assesses the ease of doing business in ASEAN, which will take into account parameters of legal frameworks, work force, access to service, and trade and finance. Furthermore, under the financial service category, the survey will evaluate the different stages of evolution of financial markets throughout ASEAN. Finally, the assessment to be done under the marketing category will help us to identify the significance of advertising, strategy, and advertising channels.

This year's survey is expected to include a larger number of business respondents compared to similar exercises carried out in previous years. Up to 1,500 firms are expected to take part in the survey this year. Moreover, the said survey will also target much larger respondents from MSMEs category. Unlike the survey carried out in 2013, for example, which collected about 50 percent of MSME respondents, up to 86 percent of respondents, or around 1,300 firms, are expected to come from this type of economic actor in this year's survey. The remaining 200 firms will be coming from large enterprises.

The final outcome of the project will be presented in infographic format, with heavy use of graphic visual representation of complex information and data pertaining to issues to be covered by the survey. It is also expected that the final product of the project will consist of no more than seventy (70) pages, and is to be made available publicly through both hard and electronic copies.

### ***Recommendations***

Since the implementation of the project to develop ASEAN Business Competitiveness Scorecard is still at its nascent stage, two key recommendations are proposed by ASEAN-BAC to ensure the successful implementation of this project:

- (1) Encourage business associations, chambers of commerce, and private firms to contribute in the implementation of the survey exercise; and
- (2) Encourage relevant agencies in each of the AMS to support the research team by providing, amongst other things, relevant materials.

### **3.3. The Making of ASEAN-BAC's MSME Working Group**

In addition to MSMEs-related projects carried with external Strategic Partners above, ASEAN-BAC also carried out an internal institutional building process by establishing ASEAN-BAC MSMEs Working Group (MSMEWG). Launched at the 55<sup>th</sup> ASEAN-BAC Meeting in Yangon, Myanmar, on 14<sup>th</sup> January 2014, the main purpose of this Working Group is to institutionalise ASEAN-BAC's awareness, engagement, and empowerment initiatives for MSMEs. Aside from providing strategic policy recommendations to be fed into the annual ASEAN-BAC's Reports to the AEM and ASEAN Leaders,

the Working Group, in its future activities, is also expected to provide practical information in the form of an ASEAN Business Toolkit for MSMEs to reference and utilise in their effort to take advantage of the realisation of the AEC.

Key activities that have been planned by ASEAN-BACMSMEWG include the publication and distribution of various tool kits to help develop the region's MSMEs, including an easy-to-digest 'Guidebook for MSMEs on the Access to Finance'. The Working Group is currently exploring the possibility of implementing this project with a new Strategic Partner. Once implemented, the Working Group also plans to pursue collaboration with MSME organisations and national Chambers of Commerce and Industry at the national level, not only to collect substantive inputs to the making of the said Guidebook, but also to assist the Working Group in disseminating the final product to the right target audience in each of the AMS. Other potential partners that will be approached by the Working Group in the making of this Guidebook include, but not limited to: (1) ASEAN SME Working Group and the SME Advisory Board; (2) the ASEAN Secretariat; and (3) potential donors.

The Working Group, in addition, is also planning to translate the existing SME guidebook, entitled: 'Taking Advantage of ASEAN's Free Trade Agreements: A Guide for Small and Medium Enterprises', into national languages of AMS. Another activity that the Working Group is planning to do is to develop an ASEAN-BAC's MSME web portal to further ease the access of information on the AEC.

### ***Recommendations***

In order to strengthen the development of ASEAN-BAC's MSMEWG, the Council proposes the following recommendations:

- (1) Assist ASEAN-BAC to engage with relevant ASEAN-related organs dealing with MSMEs, particularly the ASEAN Working Group on SMEs;
- (2) Assist ASEAN-BAC in encouraging ASEAN Working Group on SMEs to take part an active role and participate in ASEAN-BAC's Meetings and other relevant activities;
- (3) Encourage relevant ASEAN-related organs dealing with MSMEs to collaborate with ASEAN-BAC, particularly its SME Working Group in the development of ASEAN-wide MSME databank and MSME portal; and
- (4) Collaborate and assist ASEAN-BAC in identifying Strategic Partners and potential donor organisations/bodies to enhance the socialisation of ASEAN's economic integration initiatives amongst the MSMEs.

## 4. Integrating Women and Young Entrepreneurs in ASEAN's Economic Integration Process

### 4.1. Women Entrepreneurs and ASEAN Economic Integration

#### 4.1.1. Background and Concerns

**Table 2. The State of Gender Inequality in ASEAN**

Countries	Maternal mortality ratio	Adolescent fertility rate	Seat in national parliament	Population with at least secondary education (% ages 25 and older)		Labour force participation rate (% ages 15 and older)	
	(death as per 100,000 births)	(births per 1,000 women ages 15-19)	(% female)	Female	Male	Female	Male
	2010	2012	2012	2006-2010	2006-2010	2011	2011
Brunei Darussalam	24	22.7	n.a.	66.6	61.2	55.5	76.5
Cambodia	250	32.9	18.1	11.6	20.6	79.2	86.7
Indonesia	220	42.3	18.2	36.2	46.8	51.2	84.2
Lao PDR	470	30.1	25.0	22.9	36.8	76.5	79.5
Malaysia	29	9.8	13.2	66.0	72.8	43.8	76.9
Myanmar	200	12.0	4.6	18.0	17.6	75.0	82.1
Philippines	99	46.5	22.1	65.9	63.7	49.7	79.4
Singapore	3	6.7	23.5	71.3	78.9	56.5	76.6
Thailand	48	37.0	15.7	29.0	35.6	63.8	80.0
Vietnam	59	22.7	24.4	24.7	28.0	73.2	81.2

Source: UNDP (2013: 156-159).

There are now increasing evidence to suggest that regional economic integration has profound effect on the well-being of women in Southeast Asia. However, not all of these are negative. The opening up of the region's economies, at both national and regional levels, has brought about opportunities in the form of new employment, which may allow them access to higher incomes and improving their status in the society. Given their increasing role in the economies of Southeast Asia, on the one hand, and in the process of economic integration in the region, on the other, women can be vulnerable to the impacts of economic openness. This is particularly so in the case of poor women in the region. Unfortunately, trade and investment policies are often gender-blind, and sideline women's interests and aspirations. Issues, such as job segregation within the paid labour market, the distribution of income and resource within the household, access to redistribution by the state (e.g. access to education services and social safety net programmes), and access to credit in the financial markets, remain some of the key constraints that women confront to benefit fully from the process of economic integration (Chandra *et al.*, 2010).

Recognising the existing and potential contribution of women to the overall economic community building of ASEAN, ASEAN-BAC, in its Report to the Leaders in 2013, recommended the inclusion of 'women entrepreneurs' in the economic pillar of ASEAN's cooperation. To date, however, this call has not been materialised, and, given their contribution to the economic development of the region, due attention must be given to these economic actors.

#### 4.1.2. ASEAN-BAC's Initiatives to Advocate the Inclusion of Women Entrepreneurs in AEC

To complement its call for the inclusion of women entrepreneurs in the AEC, ASEAN-BAC initiated an ASEAN-BAC Women Forum (Online and Outreach platform) in 2013 that include the participation of ASEAN-BAC Women Members, and following that, an ASEAN-BAC Women Working Group was established earlier this year, involving ASEAN-BAC members that represent the interest of ASEAN

women and ensure their inclusion in the economy. ASEAN-BAC, through its active ASEAN-BAC members, also carried out various initiatives in 2013, including: (1) online platform to primarily connect women associations in each of the AMS, which provides a forum for discussion on current issues related to women entrepreneurship; and (2) outreach activities with known women business and other associations throughout the region.

Moving forward, ASEAN-BAC will include a session on women at ASEAN-BAC annual event, namely the ASEAN Business and Investment Summit in November 2014, in Nay Pyi Taw, Myanmar. ASEAN-BAC intends to incorporate the outcomes of the discussions in this Summit in its 2015 Report to the AEM and ASEAN Leaders.

#### **4.1.3. Recommendations**

There are a number of policy and practical recommendations to create an enabling environment for women to play more active role in ASEAN's economic integration initiatives, and these include:

- (1) Putting women, along with other marginalised economic actors, at the centre of regional economic integration analysis and deliberations in the region. Increasingly, women play significant roles in the economies of Southeast Asia. Any economic policy changes that affect the society at large must take into account the concerns and aspirations of women groups. A critical step for ASEAN is to start recognising the inclusion of 'women' under the economic pillar of its cooperation;
- (2) ASEAN to carry out gender-oriented review of its regional economic integration initiatives, such as currently done by many other regional groupings in the world, to improve the well-being of women in the region;
- (3) ASEAN, in coordination with other stakeholders, to conduct regional economic integration capacity building to promote gender equality in the region. Although women are often both the beneficiaries and victims of economic integration, they often lack the capacity to either reap the benefits or minimise the negative impacts of such an economic policy;
- (4) ASEAN and its AMS to initiate and implement policies to eradicate discrimination against women in the society. In many Southeast Asian countries, women are still perceived as second-class citizens. In the absence of efforts targeted at the community at large, women will still likely be the subject of harsh and persistent discrimination, which might hinder them from gaining the positive impacts of economic openness; and
- (5) ASEAN and its AMS to fully implement various commitments they made to improve the well-being and welfare of the region's women. However, commitment alone is certainly not sufficient without the appropriate amount of resources to support their implementation.

Meanwhile, specific practical recommendations include:

- (1) ASEAN to identify and recognise lead Women Associations at the national level where the lead may take the role in representing the discussion in ASEAN-BAC-related activities *vis-a-vis* the contribution of women in the development of the economy;
- (2) ASEAN to provide assistance to ASEAN-BAC in interacting with ASEAN- and AMS-related organisations and agencies dealing with women so as to allow the Council to pursue effective engagement with these entities to identify potential areas for collaboration, as well as to further advocate women's interest in ASEAN's regional economic integration process; and
- (3) ASEAN to support ASEAN-BAC in its attempt to pursue outreach activities with women business and other associations throughout the region.

## **4.2. Young Entrepreneurs and ASEAN Economic Integration**

### **4.2.1. Background and Concerns**

In its Report to the Leaders in 2013, ASEAN-BAC proposed the inclusion of 'young entrepreneurs' in the economic pillar of ASEAN's cooperation. ASEAN quickly responded to this call by acknowledging the importance of the issue at the 8<sup>th</sup> ASEAN Ministerial Meeting on Youth, in Bandar Seri Begawan, in May 2013. The consideration given to young entrepreneurs in the economic pillar of ASEAN's cooperation was further elevated as ASEAN Leaders adopted the Bandar Seri Begawan Declaration on Youth Entrepreneurship and Employment at the 23<sup>rd</sup> ASEAN Summit, in October 2013. ASEAN-BAC views the quick response of ASEAN on this issue to be highly commendable. Moving forward, the Council is keen to see specific action plans to be developed to indicate ways in which ASEAN plans to implement the integration of youth entrepreneurs in its economic pillar of cooperation.

Young entrepreneurs today are confronted with numerous challenges. Notable amongst these is the issue of unemployment. It is currently estimated that over 60 percent, or around 750 million, of the world's youth live in the Asia-Pacific region, of which about 14.5 percent, or 109 million, of them are youth populations in the Southeast Asian region. Whilst the level of youth unemployment in the region has dropped from 16.9 percent in 2007 to 13.1 percent in 2012 (Cognac, 2012), the issue remains a major obstacle for ASEAN to realise the potential of its youth population.

Linked to the issue of unemployment amongst youth is the lack of alternative funding to start their own businesses and the unavailability of mentoring and support initiatives to enable young entrepreneurs fulfill their potentials and serve as the engine of job creation in the region. In addition to these, cultural factors that discourage failures, the lack of targeted incentives, and the existence of red tape and excessive taxation also inhibit youth to contribute effectively to the economic development of the region (Earnst and Young, 2013). All these issues, accordingly, must be reflected well in any plan of actions that ASEAN intends to develop in the future.

### **4.2.2. ASEAN-BAC's Initiatives to Enhance the Inclusion of Young Entrepreneurs in AEC**

In addition to its advocacy to promote the inclusion of young entrepreneurs in AEC *vis-a-vis* ASEAN, ASEAN-BAC initiated the process of establishing an ASEAN Young Entrepreneurs Association (AYEA), which would help amplify the views and voices of young entrepreneurs in the region. In order to facilitate the establishment of the AYEA, ASEAN-BAC set up the ASEAN Young Entrepreneurs Working Group (AYEG) within the Council earlier this year. The process of setting up the AYEG were carried out in two meetings, the first of which was on 2 April 2014, in Singapore, and the second was on 12 June 2014, in Kuala Lumpur, Malaysia. It was agreed at these two meetings that an ASEAN Young Entrepreneurs Council (AYEC) would need to be formed to enable the creation of the AYEA. It was also decided at these two meetings that the AYEC would be formed with the participation of lead Young Entrepreneurs from each of the AMS.

Aside from promoting and assisting business matching activities between ASEAN young entrepreneurs and their constituencies, the establishment of AYEA will also serve as a networking platform to provide private sector feedback representing young entrepreneurs on the implementation of ASEAN's economic integration initiatives. Moreover, aside from pooling together the views of young entrepreneurs in the region, the establishment of AYEA should enable these economic actors to identify and propose potential areas of cooperation to the Joint Consultation Meetings of the ASEAN Business Councils.

Accordingly, some of the potential activities that the AYEА could pursue include, but not limited to: (1) АEC awareness programme; (2) the sharing of best practices amongst Young Entrepreneurs Associations throughout ASEAN; (3) ASEAN Young Entrepreneurship Award; (4) ASEAN Young Entrepreneurs Summit; (5) capacity building programmes; (6) exchange programmes or study visits to Young Entrepreneurs Associations in ASEAN; and (7) the implementation of studies or researches, to be supported with policy-relevant recommendations, on matters pertaining to young business entrepreneurs in ASEAN

To complement these activities, ASEAN-BAC has also been active in engaging Young Entrepreneurs Associations at the national level for the latter to take more active role in the former's annual event of ASEAN Business Award (ABA) and regional fora, such as the ASEAN Business and Investment Summit (ASEAN-BIS). ASEAN-BAC, under the auspices of the ASEAN Young Entrepreneur Network (AYEN) also undertakes effort to showcase young entrepreneurs in its official website.

#### **4.2.3. Recommendations**

The following are recommendations to enhance the inclusion of young entrepreneurs in АEC:

- (1) Whilst ASEAN-BAC recognises the quick turn around in ASEAN's response to materialise its proposal for the inclusion of young entrepreneurs in АEC, ASEAN will need to develop specific action plans outlining ways in which the Association intends to integrate young entrepreneurs in this pillar of its cooperation;

Furthermore, reiterating our recommendations to the Leaders in 2013, ASEAN should:

- (2) Emphasise pro-employment growth and decent job creation, with specific reference to be given to young entrepreneurs, as key components of its economic integration policies and initiatives;
- (3) Promote macroeconomic policies and fiscal incentives that support youth economic empowerment; and
- (4) Continuously support and offer its endorsement on the establishment of the AYEА in the foreseeable future.

## 5. ASEAN's Economic Integration Agenda Beyond 2015 AEC

There has been a relatively strong consensus amongst ASEAN policy-makers and stakeholders that 2015 should not be perceived as the 'end' of ASEAN's economic integration process, but should rather be seen as an opportunity for the Association to deepen further its integration processes so as to allow the region to maintain sustainable, equitable, and resilient economic growth. Despite significant progress in attaining measures set to achieve the AEC (e.g. the near zero percent rate of the Common Effective Preferential Tariffs (CEPT), the expansion of Chiang Mai Initiative, the creation of a more business-friendly Rules of Origin (RoO) within the framework of the ASEAN Trade in Goods Agreement (ATIGA), the deepening of economic integration with external Strategic Economic Partners (SEPs), etc.), there remains numerous challenges, such as large number of poor and marginally non-poor in AMS, mixed record of income equality, lack of competitiveness, the fully functioning AEC, and so on, that ASEAN needs to address beyond 2015.

In order to contribute constructively to the recent debates and discourses on ASEAN's economic integration agenda post-2015, ASEAN-BAC, along with its Strategic Partner, the Economic Research Institute for ASEAN and East Asia (ERIA), has completed a comprehensive policy study, entitled: 'ASEAN Rising: Moving ASEAN and the AEC Beyond 2015'.<sup>11</sup> Acknowledging that the AEC is a major regional milestone of ASEAN's integration effort, the study outlines key strategic economic integration agenda for ASEAN post-2015. More specifically, it proposes post-2015 ASEAN's economic agenda to be based on four key pillars, including: (1) an integrated and highly contestable ASEAN; (2) competitive and dynamic ASEAN; (3) inclusive and resilient ASEAN; and (4) global ASEAN.

Whilst the integrated and highly contestable ASEAN contains measures that would eventually allow ASEAN to create one unified market in the region, competitive and dynamic ASEAN can be achieved through the deepening and expansion of production network, as well as a more robust productivity growth in the region. Furthermore, inclusive and resilient ASEAN pillar covers initiatives and policy measures to enhance synergy between sub-regional and growth centre-periphery, improve policy environment for MSMEs, and ensuring the overall economic resiliency of the region. Finally, the global ASEAN entails initiatives of ASEAN to drive further regional integration in East Asia, as well as amplifying further the Association's voice in the international community.

Some far-reaching policy recommendations concerning ASEAN's post-2015 agenda have been generated from the conduct of this policy study, and these include:<sup>12</sup>

### (1) The creation of an integrated and highly contestable ASEAN.

- The creation of non-protective non-tariff measures (NTMs) that can be achieved through, *inter alia*, the effective monitoring and transparency mechanism of existing NTMs, in-depth analysis of NTMs for streamlining prioritisation, the strengthening of the consultation mechanism by fully operationalising the ASEAN Consultation to Solve Trade and Investment Issues, and by addressing technical barriers to trade through improvement in facilitative standards and conformance and creating non-protective sanitary and phyto-sanitary standards;
- More efficient and seamless trade facilitation that can be achieved through the full implementation of national and ASEAN trade repository and ASEAN Single Window system;
- Highly contestable services and investment environment that is supported by effective competition policy, and these should include, *inter alia*, the deepening of services liberalisation process, the implementation of 15 percent flexibility rule prudently, and the

<sup>11</sup>This policy study is available online at: <[http://www.eria.org/publications/key\\_reports/ASEAN-Rising.html](http://www.eria.org/publications/key_reports/ASEAN-Rising.html)>.

<sup>12</sup>The summary of this recommendations is available in infographic format as presented in Appendix 5.

reduction of 15 percent rule over time, the minimisation of restrictions linked to merger and acquisition activities, as well as limitations associated with national treatment, the continuation of the liberalisation process under the ASEAN Comprehensive Investment Agreement (ACIA), the encouragement of all AMS to acquire competition law and effective competition policy implementation, and the strengthening of capacity building and cooperation enforcement;

- A more facilitative standards and conformance;
- Enhanced connectivity, which can be pursued through the implementation of strategic actions in the ASEAN Strategic Transport Plan (ASTP) and the Master Plan on ASEAN Connectivity (MPAC), and the strengthening of AMS's commitments to public-private partnership (PPP) and their capacities to select, develop, and manage PPP-related projects;
- Greater mobility of skilled labours that can be pursued through more effective cooperation amongst tertiary institutions and the facilitation of exchange of students and teaching staffs, the liberalisation and the facilitation of entry and employment of ASEAN professionals and skilled workers, the building of ASEAN centres of excellence for various services and skills, and more effective implementation of mutual recognition arrangement (MRA).

(2) Enhancing the competitiveness and dynamism of ASEAN.

- Enhancing ASEAN's role not only as an enabler of regional integration, but also a facilitator of industrial development in the region;
- Setting up regional cooperation programme on industrial upgrading and clustering, together with its Strategic Economic Partners (SEPs) for learning and partnership;
- Encouraging local firms to invest more on research and development;
- Encouraging AMS to raise substantially their research and development investment rate to GDP;
- Institutionalising or strengthening government-led facilitation programmes to ensure the appropriate transfer of technologies to selected domestic MSMEs to occur;
- Strengthening 'visible and invisible colleges' for skill formation, human capital, and entrepreneurship;
- Improving policy and institutional environment for technological transfer, adaptation, and innovation; and
- Strengthening supportive policy and institutional environment for investment and business operations.

(3) Enabling a more inclusive and resilient ASEAN, which can be done through, amongst other things, the institutionalisation of ASEAN SME Policy Index, ASEAN Rice Bowl Index, engender robust productivity driven agricultural growth, and enhances ASEAN's disaster management capability and cooperation.

(4) Global ASEAN.

'Global ASEAN' concerns primarily with ASEAN's centrality and the need for AMS to achieve a common framework and approach to multilateral economic diplomatic areas beyond ASEAN, particularly within the context of the Regional Comprehensive Economic Partnership (RCEP) negotiations. These can be achieved through:

- The use of AEC Blueprint as a basic common foundation;
- The setting of high tariff elimination target, as well as the adoption of 'common (tariff) concession' with limited flexibility by country, and extensive use of liberal RoO;



- The minimisation of 'core NTMs', and the institutionalisation of NTM transparency mechanism;
- The use of AFAS and ACIA as models for services and investment liberalisation;
- The introduction of concrete and tangible trade facilitation programmes; and
- Ensuring the existence of strong technical and economic cooperation component in the negotiation process.

## **6. The Strengthening of Interactions between ASEAN-BAC, ASEAN-related Organs, ASEAN Plus 1 Business Councils and Business Associations, and Strategic Partners**

### **6.1. The Interactions between ASEAN-BAC and ASEAN-related Organs**

In addition to its annual Dialogues with the AEM and ASEAN Leaders, ASEAN-BAC, since 2013, has been invited to pursue Dialogue with ASEAN Senior Economic Officials Meeting (SEOM). ASEAN-BAC-SEOM dialogue is also being carried out under Myanmar chairmanship in 2014, and is expected to be carried out in the subsequent years. The additional Dialogue between ASEAN-BAC and SEOM signifies further the recognition given by ASEAN to ASEAN-BAC as the primary body that serves as a bridge between Southeast Asian-based private sector and ASEAN policy-makers.

Despite this, the engagement between ASEAN-BAC and other ASEAN-related organs and/or institutions needs to be further strengthened. After being absent in many ASEAN-BAC related meetings in the last few years, for example, the participation of ASEAN Secretariat's representatives was revived at the 56<sup>th</sup> Meeting of the Council, which took place in Singapore, in April 2014. It is expected that, moving forward, the participation of ASEAN Secretariat's representatives, and potential representatives from other ASEAN-related organs, in ASEAN-BAC-related activities can be conducted on a more regular basis.

The participation of the ASEAN Secretariat's representatives in ASEAN-BAC-related meetings will be for the purpose of: (1) providing feedback and up-to-date issues and developments in ASEAN; (2) advising ASEAN-BAC on how its priorities can be better aligned with the current and future developments of ASEAN; (3) advising ASEAN-BAC on the availability of Strategic Partners on content and funds that can support its activities/projects, such as studies and surveys; and (4) providing feedback to ASEAN-BAC's recommendations to the AEM and ASEAN Leaders, as well as its dialogue with the SEOM. Aside from discussing the theme selected by the Chair of the year, ASEAN-BAC could also use the same platform to provide updates on its prioritised work areas and activities to the ASEAN Secretariat.

### **6.2. The Interaction between ASEAN-BAC and ASEAN Plus 1 Business Councils and Business Associations**

Stable economic growth of Southeast Asia, coupled with protracted economic downturn confronted by the US and the Eurozone economies, allows ASEAN to become one of the world's most attractive destinations for trade and investment. This trend is reflected by, amongst others, the recent increase in the number of ASEAN Plus 1 Business Councils and Business Associations that aim to advocate for and serve as the voice of businesses operating in Southeast Asia.

It is understood that various Business Councils and industry associations affiliated with ASEAN pursue constructive engagements with relevant ASEAN organs and ASEAN Member States' agencies on regular basis through bilateral consultations with Ministers, Senior Economic Officials, and Working Groups. Such consultations are pursued to amplify further concerns and aspirations of the private sectors *vis-a-vis* ASEAN and its Member States.

At the annual consultations between the AEM and ASEAN-BAC in Cambodia, in August 2012, the former suggested ASEAN-related Business Councils to pursue a more coordinated effort to streamline their activities, as well as exploring the possibility of submitting a joint proposal for the attention of ASEAN Governments in the future. In response, ASEAN-BAC initiated the first ever Joint-Plenary Session at the 2012 ASEAN Business & Investment Summit (ASEAN-BIS), which allowed the Presidents and Chairmen of several ASEAN Plus 1 Business Councils and Business Associations to

discuss the potential of the region, and how their respective organisations value their partnership with ASEAN.

Given the success of the aforementioned Joint Plenary Session in 2012 and under the leadership of the ASEAN BAC Brunei Chairmanship in 2013, ASEAN-BAC organised the 1st Joint Consultation Meeting of ASEAN Business Councils in 2013, in Brunei Darussalam, organised back-to-back with the ASEAN-BIS and the AEM meetings. One of its main outcomes included the decision amongst the Business Councils' present at the meeting to establish a formal, yet non-legally binding, agreement to serve as the foundation of their collaboration.

Based on the 1st Joint Consultation Meeting of ASEAN Business Councils and Associations, the participating Business Councils identified the objectives for their collaboration to include:

- (1) The promotion of an unified message of support for the AEC to the respective members and stakeholders of individual Business Council involved;
- (2) The strengthening of existing AEC-related outreach activities to the business communities;
- (3) Addressing the challenges and opportunities of business operating in ASEAN; and
- (4) Proposing and developing joint cooperation initiatives for the purpose of engaging ASEAN, its Member States, and their relevant organs and/or agencies constructively.

### **6.3. ASEAN-BAC and its Strategic Partners**

As in the case in the previous years, many of ASEAN-BAC's activities in 2014 were carried out in partnership with its Strategic Partners. A number of recommendations put forth in this Report are also generated from the activities pursued with these Strategic Partners.<sup>13</sup> In order to complement ASEAN's efforts to materialise many of ASEAN-BAC's recommendations, the latter will, moving forward, continue to explore potential collaboration with existing and new Strategic Partners.

### **6.4. The Interactions between ASEAN-BAC and the Wider ASEAN-related Organs Beyond the AEC**

ASEAN-BAC takes note of the development of initiatives carried out by various ASEAN-related organs that have potential impacts on business operations in ASEAN. For example, the ASEAN Intergovernmental Commission on Human Rights (AICHR) has recently convened a meeting to discuss the findings of one of its thematic issues, the nexus between corporate social responsibility (CSR) and human rights. The study outlines the necessity of ASEAN-based corporations to move beyond the traditional CSR practices commonly practiced in the region, such as those based on the principles of voluntarism and philanthropy. More specifically, the integration of human rights-specific consideration into the business philosophies and practices of ASEAN-based firms will not only improve the economic competitiveness of the region, but is also crucial in the attainment of a more sustainable socio-economic development in Southeast Asia. Whilst the nexus between CSR and human rights is relatively new for businesses operating in ASEAN (this is particularly so for indigenous ASEAN businesses), ASEAN-BAC could play constructive role in enhancing the discourse and complementing the implementation of future ASEAN's CSR and human rights agenda.

### **6.5. Recommendations**

The following are a list of recommendations in relation to the strengthening of relations between ASEAN-BAC, ASEAN-related organs/bodies, and ASEAN Plus 1 Business Councils and Business Associations:

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<sup>13</sup> Appendix 6 summarises the list of ASEAN-BAC's 2014 Strategic Partners, the projects pursued, and their status.

- (1) Whilst ASEAN-BAC appreciates the recognition given by the AEM and ASEAN Leaders for the Council to be the official link between the private sector and ASEAN policy-makers, ASEAN-BAC recommends deeper interactions between the Council and ASEAN-relevant organs, especially with the SEOM and the ASEAN Secretariat;
- (2) The AEM and ASEAN Leaders to endorse and support AEC-related activities to be carried by ASEAN-BAC and other ASEAN-related Business Councils; and
- (3) ASEAN to facilitate greater interactions between ASEAN-BAC and other, non-AEC, ASEAN-related bodies/organs, particularly those bodies/organs whose activities may impact business operations in ASEAN. Such an initiative could be crucial in ensuring greater cross-sectoral collaboration and coordination across different pillars of ASEAN cooperation.

## 7. Additional recommendations from ASEAN-BAC

In addition to the recommendations identified above, ASEAN-BAC has also put together a list of additional recommendations that are not directly linked to the Council's activities / projects this year, but are of relevance to the process of economic integration in the region, and these include:

### (1) The ease of business travel and tourism.

In line with Paragraph 39 of the Chairman's Statement of the 24th ASEAN Summit that took place in Nay Pyi Taw, Myanmar, on 11 May 2014, which discusses about the promotion of sustainable tourism and the commencement of the work towards the formulation of the post-2015 vision for ASEAN tourism cooperation, ASEAN-BAC is of the view that a special ASEANline/queue at all major points of entry, especially airports, in all AMS could ease business travels across the region. ASEAN-BAC acknowledges that, whilst such an ASEAN line/queue has been introduced in major airports of some AMS, such a facility has not been used to its intended purpose, with non-ASEAN nationals seen queuing in such a line. In addition the special ASEAN line / queue should also differentiate between business travel and tourism.

Furthermore, in its 2013 Report to the Leaders, ASEAN-BAC has also called on ASEAN to further pursue the establishment of ASEAN Business Travel Card (ASEAN-BTC) to ease further the movement of business people and investors in the region. To date, however, it is understood that the proposal to launch the ASEAN-BTC is currently still under the consideration of relevant sectoral body, particularly the Immigration Bureau. To improve trade and investment potentials within the region in time for the AEC, however, ASEAN-BAC urges ASEAN to quickly implement this proposal.<sup>14</sup> This would help differentiate between the ASEAN business travel and tourism, and ease the flow of business travellers through immigration.

### (2) The identification of new Priority Integration Sectors (PIS) as one of the post-2015 ASEAN's economic integration agenda.

ASEAN-BAC acknowledges the achievements and progress made so far by ASEAN in the implementation of the 12 PIS sectors. Noting that most of the sector-specific measures are initiative towards harmonisation of standards and conformity in terms of sanitary and phytosanitary measures (SPS) and technical barriers to trade (TBT), relevant sectoral bodies are understood to have tried their best to conclude and finalise the agreements and/or arrangements to facilitate and liberalise movements of goods and services in these sectors. In order to enhance the economic integration in the region, however, ASEAN-BAC urges ASEAN to explore new sectors to be integrated into the existing PIS arrangement. ASEAN-BAC, during its dialogue with the ASEAN Secretariat at the 57<sup>th</sup> ASEAN-BAC Meeting, in Kuala Lumpur, Malaysia, on June 2014, for instance, had proposed the financial sector to be considered as one of such a new PIS sector. ASEAN-BAC, furthermore, also encourages ASEAN to explore other sectors that could move the Association up into the global value chain.

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<sup>14</sup> ASEAN-BAC takes note of the benefits that such a business travel facility has generated for the member economies of the Asia-Pacific Economic Cooperation (APEC). A study conducted by the APEC Policy Support Unit (2011), for example, suggests that the APEC Business Travel Card (ABTC) scheme has managed to reduced transaction costs for ABTC holders by 38 percent between March-July 2010 and March-July 2011, representing a total savings of US\$ 3.7 million. Furthermore, the total at-the-border immigration time savings experienced by the ABTC holders for the same periods amounted to 62,413 hours, representing a monetary value of US\$ 1.9 million. Aside from cost cutting, the implementation of an ASEAN Business Travel Card can be expected to inculcate a greater sense of 'ASEANness' amongst business and other type of travellers from the AMS.

(3) Infrastructure project listing without profit track record.

Infrastructure Project Listing is intended to provide an additional avenue for infrastructure investment and development, which is crucial in the growth of ASEAN economies, both in reducing economic disparity between AMS, and to improve the quality of life of all its peoples. It will take the form of a multilateral agreement open to all Member States (that could be subsequently expanded), which will provide the legal and regulatory framework for the listing of infrastructure projects in one country (e.g. the home state) on the chosen stock exchange of another (e.g. the host state).

The terms of such listing and the governing regulatory requirements, including enforcement of regulatory decisions, would be contained in the multilateral agreement that AMS can freely accede to, based on their national interest in infrastructure development and capital market growth. It is, therefore, proposed that ASEAN is to encourage infrastructure project listing without profit track record across ASEAN markets, whether or not such a listing based on a common trading platform. This will encourage both retail and institutional investment in infrastructure development, as well as investment from outside the region, which would be attracted by the greater size and liquidity of the ASEAN infrastructure equity market. With the takeout source offered by a listing, infrastructure projects will also become more attractive for initial debt financing.

(4) The realisation of the various Land Connectivity initiatives for greater intra-ASEAN trade.

The business community in the newer AMS of Cambodia, Lao PDR, Myanmar, and Vietnam (CLMV) also calls for ASEAN to accelerate the realisation of various Land Connectivity initiatives to enhance intra-ASEAN trade. Though the issue of 'connectivity' has been given due importance by ASEAN and its Member States, such as through the adoption of the 2010 Master Plan on ASEAN Connectivity, the progress of Land Connectivity initiatives, particularly in Mainland Southeast Asia, has been going at a relatively slow pace. With funding has been seen as one of major challenges in improving Land Connectivity in the region, ASEAN needs to pursue active engagement with the region's private sector to materialise these initiatives.

(5) The exploration of an ASEAN Technical Scholarship and Vocational Training Programme to facilitate and enhance human resource development in the region.

Whilst the exchange of scholars across the region is not new, ASEAN-BAC sees the relevance for ASEAN to explore further technical scholarship to be afforded to specific, technical, professions (e.g. engineering, etc.). In addition, the economic community building efforts of ASEAN would also benefit from the establishment of Vocational Training Programme to enable the citizens of the AMS to pursue the above-mentioned professions. This view is also consistent with ASEAN's overall efforts to enhance human resource development in the region.

(6) A comprehensive study to strengthen facilitation measures in CLMV countries.

There has been notable disconnect between the pace of liberalisation measures and the pace of facilitation measures in the CLMV countries. The failure of these two measures to progress simultaneously will result in an outcome where CLMV will remain unprepared by the time its full integration into the AEC come into effect in 2018. Whilst continuously committed in integrating their economies into the AEC, most CLMV countries' facilitation measures are far from adequate to make their respective business communities confident enough to deal with the implementation of AEC. If CLMV governments can clearly communicate to their respective business community that facilitation measures are being pursued and implemented with the same vigour and comprehensiveness as the

liberalisation measures, economic actors in these economies are likely to be more supportive towards the AEC.

Accordingly, as each of the CLMV countries' level of preparedness is different, there needs to be a comprehensive and speedy evaluation of the facilitative environment, as well as an effective and quick roadmap on what each country needs to pursue to place its national competitive and facilitative environments on par with ASEAN level standards. This is also to boost the confidence of firms in these countries that they have a fighting chance in AEC. It is, therefore, strongly recommended that CLMV AEMs to agree on the pursuance of a comprehensive study, with a definitive timeline, on how their countries could build up their respective facilitation measures to be on par with other AMS.

## **8. Joint Recommendations of ASEAN-BAC and ASEAN Plus 1 Business Councils and Business Associations**

In an effort to pursue greater coordination with other ASEAN Plus 1 Business Councils and Business Associations, ASEAN-BAC invited the latter to put forth joint policy and practical inputs and recommendations in its 2014 Report to the AEM, and, subsequently, to ASEAN Leaders later this year. This exercise is expected to be carried out in the subsequent years. The following is a list of joint recommendations from ASEAN-BAC and ASEAN Plus 1 Business Councils and Business Associations:

### ***Internal Economic Integration***

- (1) The phasing out and eventual elimination of tariffs and non-tariff barriers to trade.<sup>15</sup>

For some sectors, particularly the food and beverage industry, there are prohibitively high import tariffs which constraint exports and encourage illegitimate activities. Similarly, excessive levels of domestic taxations or discriminations restrict consumer choice, fuel non-tax paid activities, and bleed government of revenue. For example, excessive duties or discriminatory excise tax impact the trade of wines and spirits from the European Union (EU) into a number of ASEAN countries, such as Indonesia and Thailand, as well as encouraging smuggling and illicit liquor production, both of which risk consumer health and can adversely affect revenues of AMS governments. Non-tariff barriers, such as the imposition of import quotas, restrictions on import/distribution licensing requirements, and product regulatory standards are not only onerous and lack consistency, but are also distorting trade and consumer choice.

- (2) The harmonisation of standards and regulations in various business and industry sectors to ease intra-regional trade and to align them with international best practice.

This is an area that impacts on many industries: automotive, pharmaceutical, financial services, food and beverages, to name just a few. In the Automotive industry, for example, depending on domestic requirements, different approval and homologation processes have been observed in ASEAN. Local agencies often require manufacturers to comply with local mandatory certification standards on top of the international standards that need to be adhered to. This redundancy has substantial impact on the cost and time spent due to the unnecessary duplication of processes, as one test report/audit accepted by one agency is not accepted by other agencies. More importantly, this will have a direct impact on the development of the concept of a single manufacturing base in ASEAN to allow free flow of automotive products within the region. Hence, this will further hinder the investment opportunity for ASEAN to become a global automotive player, as it would only serve domestic markets. This consolidation of approval and homologation processes will also facilitate the formation of a single regime for future regional agreements with other key trade partners, such as the EU.

For the financial services sector, whilst the move towards the AEC is welcomed and encouraged, non-ASEAN financial services industry eager to see more movements towards the breaking down of national barriers and the encouragement of cross-border economic integration within the region. By doing so, ASEAN will have greater influence on the global policy-making stage and will bring significant economies of scale advantages to the region. Regulatory harmonization reduces the cost of compliance for financial services firms operating regionally and would encourage longer-term investments. A more efficient industry has more resources to invest and support the real economy.

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<sup>15</sup> Joint recommendations 1 until 4 were proposed by the EU-ASEAN Business Council.



(3) The protection of Intellectual Property Rights (IPRs) and a clamp down on illicit trade.

This is a key area for many industries, from high-end fashion through to pharmaceuticals and encompassing food and beverages and, even, such industries as the production of spare parts for motor vehicles and aircraft. Referring to the pharmaceutical industry, for instance, the World Health Organisation has highlighted counterfeit and substandard medicine as a priority given the alarming amount of unsafe medicine that is made available through illicit border trade and over the internet. Counterfeit medicines are contributing to the increased prevalence of drug resistant strains of malaria and tuberculosis.

Additionally in the pharmaceutical industry, as well as other research and development in heavy industries, an efficient patent system that provides timely grants and consistent enforcement are fundamental. ASEAN undoubtedly has tremendous potential to become competitive in such sectors. However, there is an inconsistent approach to patents amongst ASEAN countries. There may be significant delays in getting a patent approved, limiting the useful term. There are also challenges when it comes to enforcement of patents.

(4) Liberalisation of foreign ownership rules in sectors where restrictions exist to allow for fair and open competition, increase access to international best practices, and increased FDI.

Restrictions on foreign ownership exist in a number of sectors. Such restrictions hinder the flow of trade and investment, discourage the transfer of technology and limit the growth of industries. Such restrictions apply, for example, in both the transportation/logistics industry and in pharmaceuticals, and can undermine economic competitiveness and lead to increased costs both for industry and for consumers. The liberalisation of ownership in the life industry should also drive faster and deeper long-term investment in the local economy.

(5) The simplification of custom procedures by referring to the World Custom Organisation and the Revised Kyoto Convention on Simplification and Harmonisation of Custom Procedures.<sup>16</sup>

Whilst ASEAN-BAC has called for the simplification of RoO/CoO in its recommendations to the AEM earlier (refer to section 3 of this Report), it is very important to stress that the 'Bali Package' of the World Trade Organisation (WTO) provides a major opportunity for ASEAN to harmonise and simplify border crossing arrangements within and without FTAs. The World Custom Organisation (WCO) has already developed a toolbox to assist nations to implement the agreement which, if followed, will reduce the time and costs to business in border compliance management. In addition, the 2006 Kyoto Convention on Harmonisation and Simplification of Custom procedures, which is embedded within the WTO Trade Facilitation Agreement, should be the basis of efforts to improve these systems.

(6) A regional approach and plan to reduce restrictions on Foreign Direct Investment (FDI).<sup>17</sup>

As illustrated in numerous studies, limits or restrictions on FDI have been put in place by various AMS. The imposition of such limitations or restrictions has generated negative impacts to ASEAN's global competitiveness, and, subsequently, the region's ability to attract FDI. The results of this trend has been the limitation of FDIs in ASEAN to support economic growth, MSMEs development, and job creation. In view of this development, ASEAN is in need to create a regional consensus and plan for establishing a path towards the relaxation of such limitations or restrictions.

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<sup>16</sup>This joint recommendation was proposed by the Australian Chamber of Commerce and Industry.

<sup>17</sup>This joint recommendation was proposed by the US-ASEAN Business Council.

(7) Aviation industry liberalisation to enhance the mobility of people and goods and accelerate the pace of economic development in the region.<sup>18</sup>

The liberalisation of air travel industry has the potential to enhance the mobility of people and goods, as well as accelerate the pace of economic development in the region. Game changing development, such as increased demand for air travel in the region, and low-cost airlines are likely to serve as the main drivers for the implementation of open skies policies in ASEAN. Despite the commitment of AMS to open skies policies, there are still barriers to overcome. In view of such development in the region's aviation industry, ASEAN will need to pursue the following:

- Proper management of airport capacity investment to address congestion at terminals and runways to improve efficiency and safety;
- Harmonise pilot/maintenance training with mutual recognition standards and enforcement;
- A common ASEAN regulator to have authority over technical and operational standards as well as enhancing regional cooperation and competitiveness;
- A more robust multilateral agreement framework for stakeholders by providing incentives, re-education, and engagement opportunities;
- Addressing market access restrictions which govern market accessible by ASEAN carriers. This would create a common negotiating positions for external relations as well as to reduce the competitive nature between ASEAN carriers;
- AMS to embrace the notion of an 'ASEAN Community Carrier'.

(8) Regional cooperation in healthcare issues are critical for ASEAN to address the disparity of healthcare sector amongst AMS and for ASEAN to address infectious diseases more effectively.

Healthcare is one of the 12 priority sectors identified for ASEAN integration. Regional cooperation in healthcare is crucial not only due to the disparity of healthcare sectors amongst AMS, but also because of the emergence of highly infectious diseases that can easily spread around the region. ASEAN has already made some progress towards healthcare integration, such as the Mutual Recognition Arrangement (MRA) for nursing services that was signed in 2006, and for medical and dental practitioners in 2009. However, to deepen further the integration of its healthcare sector, ASEAN needs to pursue the following action:

- Create a pan ASEAN Medication Approval Process that would accelerate market delivery and access to medications across ASEAN. Better regulations and monitoring of drug distribution and manufacture would also improve quality and standards;
- Ease medical travel requirements that would allow the disbursement of medical visas to foreign patients to enable healthcare tourism amongst ASEAN nations to thrive as free market principles are emphasised;
- Establish regional recognition of medical qualifications to encourage healthcare training to occur locally, and a free flow of labour for healthcare professionals to be achieved;
- Expedite existing AEC initiatives to overcome both cultural and political barriers regarding healthcare integration.

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<sup>18</sup> Joint recommendations 7 to 11 were proposed by the ASEAN Business Club and the CIMB ASEAN Research Institute. These recommendations are based on the studies conducted by the CIMB ASEAN Research Institute, which is available in its official website at: <[www.aseancari.org](http://www.aseancari.org)>.

(9) Improving intra-regional connectivity to enhance the potential benefits of economic integration in ASEAN.

The efficiency of telecommunications infrastructure and the cost competitiveness of telecommunication services within ASEAN each have room to be strengthened and improved. Improving intra-regional connectivity within ASEAN has the potential to benefit all AMS through enhanced trade, investment, tourism, and development. Recent initiatives, such as the MRA for telecommunications, highlight the vision of AEC to facilitate interconnectivity that leverages on existing national networks with a view towards evolving these into a more cohesive regional infrastructure. In relation to this, ASEAN is recommended to focus on three specific areas where regulatory actions could have the biggest impact in lifting economic barriers, and these include:

- The reduction of roaming rates: Roaming remains a major barrier to widespread ASEAN connectivity. Better management of roaming rates and regulations would enable broader adoption and integration of ASEAN connectivity markets;
- Capitalising on mobile advertising, which, despite forming a significant growth opportunity across ASEAN, requires a solid regulatory structure to ensure no problems arise and the marketplace develops sustainably;
- Mobile payment services: Whilst still in its infancy, this rapidly growing segment has the potential of addressing the needs of many consumers as a significant portion of the ASEAN population is not served by a formal financial sector. Regulators may foster the development and adoption of mobile payments by offering a robust regulatory framework.

(10) Overcome barriers in the development of infrastructure, power, and utilities

The AEC 2015 envisages an ASEAN that is physically connected. However, many AMS still lack the key infrastructure to support economic growth and social well-being. Furthermore, the imperative to invest in infrastructure comes at time when many governments are highly indebted and face competing calls on their scarce resources. In order to achieve its infrastructure imperative, ASEAN needs to pursue the following:

- Improving project selection and optimising infrastructure portfolios: Government must select the right combination of projects that will address their needs and yield suitable benefits. To achieve this, a more precise selection criteria and more sophisticated evaluation methods are needed;
- Streamlining delivery: Streamlining delivery can save up to 15 percent of total investments, whilst, at the same time, accelerating delivery timelines. Approval and land acquisition processes are vital in project feasibility and efficiency. Implementing a one stop permit process, measuring criteria, and clarifying rights would enable this to succeed;
- Making the most of existing infrastructure assets: ASEAN needs to focus on making the infrastructure sector more productive by improving the selection and delivery of new infrastructure projects as well as to maximise the capacity of existing projects.

(11) The lifting of barriers in the financial services

The AEC Blueprint envisages a regionally integrated capital market where capital can move freely, issuers are free to raise capital, and investors can invest anywhere within the region. The maintenance of financial and socio-economic stability is a priority, and the liberalisation of financial services should be done with respect for national policy objectives, without disrupting national financial sector development. Progress in liberating the financial services sector has until now been modest, but the degree of ASEAN economic integration is highly dependent on the degree of

liberalisation of the financial sector. Accordingly, seven recommendations have been identified by the business community to overcome barriers in this sector, and these include:

- A pan-ASEAN Banking Pass: An integrated ASEAN framework under which Qualified ASEAN Banks may operate freely across ASEAN that would lead to significant customer benefits, such as lower fees, more choices and competitive products, and better access to credit internationally;
- Free talent mobility: Better and easier regulatory framework governing talent mobility would foster innovations, deepen the skills sets, and ultimately result in greater economic development. In some industries, such as financial services (including the banking and insurance sectors), the supply of jobs is outstripping the supply of local workers in many markets. ASEAN, accordingly, must develop an educational system which will address these skill gaps long-term;
- ASEAN Alliance Model: Supporting alliance banking models, such as joint ventures and correspondent banks to facilitate cross-border banking which would share best practices, allow for better access to credit, and lower costs;
- Common Credit Bureau Infrastructure: A harmonised credit bureau would result in best practices and uniform standards. Information can also be more readily shared and monitored to facilitate cross-border activities;
- Common Credit Rating Agency: An independent, transparent, and quality agency that would lead to better credibility, access to credit, and lower risk cost and concessions in funding;
- Free Data Flow / Off-Shoring: Off-shoring non-critical processes promote economies of scale and build competency. Off-shore capabilities can also promote product innovation. In order to achieve this, ASEAN regulation on data protection must be aligned at a regional level, standardisation of operational guidelines must occur, and access must be enabled to all market participants;
- Standardisation of Nomenclature, Documentation, and Common Infrastructure: There needs to be a consensus among market participants on terminology and standards which would lead to lower costs and quicker, and more efficient processes.

#### (12) Towards a freer flow of capital within the region

Freer flow of capital within the region is one of the goals of AEC. To develop and integrate the ASEAN capital market, the Association needs to harmonise the capital market standards in the region, such as the offering rules for debt securities, disclosure requirements, and distribution rules. By developing and enhancing the efficiency of its capital markets, ASEAN will be better able to channel funds into investments. There are three main actions to drive tangible integration process in this area, and these include:

- Clarify the benefits: Policy-makers should establish and publicise a clear, credible, and quantitative evaluation of potential economic benefits of capital market integration. This would increase the attractiveness of the ASEAN region as an investment destination, which, in turn, reduces the cost of capital for locally based enterprises seeking to invest;
- Increase transparency: Policy-makers need to present an unbiased assessment on integration challenges and the associated risks to market participants. This can be achieved through ensuring clear ownership for resolution of certain political challenges, holding regular forums to engage stakeholders, openly address the political aspects of integration, and by implementing a clear enforcement mechanism to ensure issues are addressed;
- Fix the easy thing first: Embracing near term achievement, policy-makers should seek to resolve some quick fix issues which would help maintain support for longer term reform. This may be done by reinforcing the confidence that progress is being made, generating tangible benefits for market participants, maintain momentum amongst policy-makers, and building on existing efforts of integration.

Broadly speaking, greater integration of capital markets would lead to a broader investor base, whilst success of an integrated infrastructure project equity market would serve as a positive demonstration effect for further integration of ASEAN capital markets.

### ***ASEAN and Dialogue Partners***

(13) Developing a US-ASEAN agreement on Investment Principles.<sup>19</sup>

As highlighted earlier, various AMS view and treat FDI differently. The impact of such differences reduces the competitiveness of ASEAN as a region to attract FDI, and undermines regional supply chains within ASEAN itself. Such a circumstance limits the ability of investors to look ASEAN as a region and approach in investment, especially in terms of economies of scale. Accordingly, ASEAN is encouraged to re-start the negotiations with the US Government, under the Expanded Economic Engagement framework, an agreement on Investment Principles.

(14) EU-ASEAN Free Trade Agreement and Regional Economic Integration.<sup>20</sup>

The establishment of FTAs in general, and specifically one between the EU and ASEAN as a whole, can only be of benefit to the economies of both regions, and to the strengthening of trade and business ties between the EU and ASEAN. Whilst bilateral FTAs between the EU and individual AMS are to be welcomed, a broader FTA covering all ASEAN should bring even greater benefits to the region.

(15) ASEAN to continuously support the content enhancement of the East Asia Business Exchange (EABEX) Portal.

The East Asian Business Exchange Portal (EABEX), which was launched by the East Asia Business Council (EABC) on 18<sup>th</sup> June 2013,<sup>21</sup> is a business matching portal that enables buyers to search from a reliable database of products and services from authenticated companies or suppliers. The EABEX Portal also serves as a platform for MSMEs in the region to search for detailed information of counterparts, seek business opportunities, and use trade tools, such as the FTA Gateway that help increase the utilisation of FTAs amongst these economic actors.<sup>22</sup> At present, tariff information (including both regional and bilateral FTAs) from countries such as Malaysia, the Philippines, and South Korea, made available in the EABEX portal have helped exporters and potential buyers determine the value of taking advantage of preferential tariffs under various FTAs.

In order to enhance the content of the EABEX portal and to serve as a databank of trade measures of each economy in this region, support from the AEM and, subsequently, ASEAN Leaders is needed for the initiative to further extend its list of tariff schedules, as well as respective import and export procedures for each economy. It is also urged that both the AEM and ASEAN Leaders to consider encouraging ASEAN MSMEs, through MSMEs-related agencies, to explore possible utilisation of EABEX and FTA Gateway.

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<sup>19</sup>This joint recommendation was proposed by the US-ASEAN Business Council.

<sup>20</sup>This joint recommendation was proposed by the EU-ASEAN Business Council.

<sup>21</sup>With the support from the AEM+3 and SEOM+3, the idea of EABEX portal development was endorsed by the ASEAN Plus Three Cooperation Fund (APTFCF) to receive funding amounting to US\$ 30,000 in April 2012.

<sup>22</sup>The trade associations that have registered with the EABEX Portal include: (1) China Council for the Promotion of International Trade; (2) Japan Chamber of Commerce and Industry; (3) Federation of Malaysian Manufacturers; (4) Federation of Thai Industries; (5) Singapore Business Federation; (6) Singapore Indian Chamber of Commerce and Industry; (7) Philippines Chamber of Commerce and Industry; (8) Indonesian Chamber of Commerce and Industry; (9) Korean International Trade Association; and (10) Union of Myanmar Federation of Chamber of Commerce and Industry.

## 9. Conclusion

As one of key stakeholders of ASEAN, ASEAN-BAC thrives to continue its support for ASEAN to attain its economic integration goals. This is not only done through ASEAN-BAC's efforts in channeling the aspirations and concerns of the private sector *vis-a-vis* the policy-makers in the region so as to allow the grouping to make an informed economic policy decisions, but also by socialising the real and potential benefits of ASEAN's economic integration to the private sector and the public at large.

The policy and practical recommendations in this Report show that there remains much homework to be done at both national and regional levels to ensure the full attainment of economic integration objectives that ASEAN has set by the end of 2015. ASEAN-BAC recognises that many of these policy recommendations might require long-term investments on structural economic reforms. Having said this, ASEAN-BAC is also of the firm belief that these policy recommendations could serve as constructive inputs to complement the present and future process of ASEAN's economic integration initiatives. The challenge ahead not only lies in ASEAN's ability to ensure its sustainability, but also the inclusiveness of its growth.

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# **Appendices**



## Appendix 1

### Summary of Policy and Practical Recommendations from ASEAN-BAC-related Projects and Activities

No.	Issues	Challenges and opportunities	Recommendations
1.	MSMEs and regional economic integration	MSMEs fail to make more effective use of ASEAN's economic integration initiatives.	<ul style="list-style-type: none"> <li>• An institutionalised, aggressive, well-coordinated, and interactive information campaign;</li> <li>• Improving access to finance for MSMEs;</li> <li>• The simplification of CoO/RoO requirement.</li> </ul>
2.	ASEAN business competitiveness scorecard	The successful implementation of the research project.	<ul style="list-style-type: none"> <li>• Encourage business associations, chambers of commerce, and private firms to contribute in the implementation of the survey exercise; and</li> <li>• Encourage relevant agencies in each of the ASEAN Member States to provide relevant materials to the research team.</li> </ul>
3.	ASEAN MSMEs Working Group	Internal institutional building and external outreach.	<ul style="list-style-type: none"> <li>• Assist ASEAN-BAC in engaging with relevant ASEAN-related organs dealing with SMEs, particularly the ASEAN Working Group on SMEs;</li> <li>• Assist ASEAN-BAC in encouraging ASEAN Working Group on SMEs to take part and active roles in the former's Meetings and other relevant activities;</li> <li>• Encourage relevant ASEAN-related organs dealing with SMEs to collaborate with ASEAN-BAC, particularly its SME Working Group in the development of ASEAN-wide MSME databank and MSME portal; and</li> <li>• Collaborate and assist ASEAN-BAC in identifying Strategic Partners and potential donor organisations/bodies to enhance the socialisation of ASEAN's economic integration initiatives amongst the MSMEs.</li> </ul>
4.	Women and ASEAN economic integration	Creating an enabling environment for women entrepreneurs to play more active role in and take benefits from ASEAN's economic integration initiatives.	<p>Policy recommendations:</p> <ul style="list-style-type: none"> <li>• Reiteration of ASEAN-BAC's 2013 call for ASEAN to recognise women under the economic pillar of its cooperation (this would put women at the centre of regional economic integration analysis and deliberation of ASEAN);</li> <li>• ASEAN to undertake gender-oriented review of its regional economic integration initiatives;</li> <li>• Regional economic integration capacity building is crucial to promote gender equality in the region;</li> <li>• The full implementation of various commitments adopted by ASEAN and its Member States to improve gender equality is critical to the well-being and welfare of the region's women.</li> </ul> <p>Practical recommendations</p> <ul style="list-style-type: none"> <li>• Assist ASEAN-BAC in interacting with ASEAN- and ASEAN Member States-related organisations and agencies dealing with women to identify potential areas for collaboration, as well as to further advocate women's interest in ASEAN's regional economic integration process; and</li> <li>• Support ASEAN-BAC in its attempt to pursue outreach activities with women business and other associations throughout the region (this may include, amongst other things, identifying</li> </ul>

			<p>lead ASEAN Women Association at national level);</p> <ul style="list-style-type: none"> <li>• Collaborate and assist ASEAN-BAC to identify Strategic Partners and potential donor organisations/bodies to enhance the socialisation of ASEAN's economic integration initiatives amongst the MSMEs.</li> </ul>
5.	Young entrepreneurs and regional economic integration	Creating an enabling environment for young entrepreneurs to play more active role in and take benefits from ASEAN's economic integration initiatives.	<ul style="list-style-type: none"> <li>• Whilst ASEAN-BAC recognises the quick turn around in ASEAN's response to materialise its proposal for the inclusion of young entrepreneurs in AEC, ASEAN will need to develop specific action plans outlining ways in which the Association intends to integrate young entrepreneurs in this pillar of its cooperation;</li> </ul> <p>Furthermore, reiterating our recommendations to the Leaders in 2013, ASEAN should:</p> <ul style="list-style-type: none"> <li>• Emphasise pro-employment growth and decent job creation, with specific reference to be given to young entrepreneurs, as key components of its economic integration policies and initiatives;</li> <li>• Promote macroeconomic policies and fiscal incentives that support young economic empowerment; and</li> <li>• Continuously support and offer its endorsement on the establishment of the AYE in the foreseeable future.</li> </ul>
6.	ASEAN's economic integration agenda beyond 2015	The sustainability of ASEAN's economic integration process beyond the establishment of AEC at the end of 2015.	<ul style="list-style-type: none"> <li>• The creation of an integrated and contestable ASEAN;</li> <li>• Enhancing the competitiveness and dynamism of ASEAN</li> <li>• Enabling a more inclusive and resilient ASEAN; and</li> <li>• Global ASEAN.</li> </ul>
7.	The strengthening of interactions between ASEAN-BAC and ASEAN Plus 1 Business Councils and ASEAN Business Associations	Improvement of coordination and collaborative works between ASEAN-BAC and its key stakeholders.	<ul style="list-style-type: none"> <li>• Whilst ASEAN-BAC appreciates the recognition given by the AEM and ASEAN Leaders for the Council to be the official link between the private sector and ASEAN policy-makers, the Council recommends greater interactions between ASEAN-BAC and ASEAN-relevant organs, especially the SEOM and the ASEAN Secretariat, to be strengthened further;</li> <li>• AEM and ASEAN Leaders to endorse and support the AEC-related activities to be carried by ASEAN-BAC and other ASEAN-related Business Councils; and</li> <li>• ASEAN to facilitate greater interactions between ASEAN-BAC, ASEAN-related Business Councils, and other ASEAN-related organs, particularly those bodies/organs whose activities may impact business operations in ASEAN.</li> </ul>

## Appendix 2

### Summary of Additional Policy and Practical Recommendations from ASEAN-BAC

No.	Issues	Challenges and opportunities	Recommendations
<b>General recommendations</b>			
1.	ASEAN-BAC-ASEAN (e.g. ASEAN Secretariat/SEOM/AEM/ Leaders engagements)	Acceleration of responses and follow-up of ASEAN towards ASEAN-BAC's recommendations	<ul style="list-style-type: none"> <li>The ASEAN Secretariat to pursue regular exchange of notes on progress of ASEAN-BAC's recommendations to the AEM and ASEAN Leaders with the Council's Secretariat in Jakarta;</li> <li>ASEAN Secretariat and ASEAN-BAC Secretariat to develop a template to monitor progress of ASEAN-BAC's annual recommendations, which is to be incorporated into the annual ASEAN-BAC's Report to the AEM and ASEAN Leaders from 2015 onward.</li> </ul>
<b>Technical recommendations</b>			
2.	The ease of business travel and tourism	Enhancing potential trade and investment opportunities and instilling the 'ASEANness' feeling amongst business and other types of travellers across ASEAN.	<ul style="list-style-type: none"> <li>Introduce a special ASEAN line / queue in major entry points across ASEAN; and</li> <li>The establishment of an ASEAN Business Travel Card.</li> </ul>
3.	New Priority Integration Sectors (PIS)	Identification of sectors that have significant potentials to deepen ASEAN's economic integration.	ASEAN to identify sectors that have the potential to deepen ASEAN's economic integration, particularly those that have the potential of moving ASEAN up in the value chain.
4.	Infrastructure project listing without profit track record	Infrastructure Project Listing as an additional avenue to promote infrastructure development for greater economic growth of ASEAN, as well as to reduce regional economic disparity across the region.	<ul style="list-style-type: none"> <li>The introduction of 'infrastructure project listing without profit track record';</li> <li>The establishment of multilateral and regulatory framework that Member States can choose to opt into as the home infrastructure company and the host providing infrastructure counter listing; and</li> <li>Exchanges with greater size and liquidity to attract funds to make infrastructure projects viable.</li> </ul>
5.	Realisation of various land connectivity initiatives for greater intra-ASEAN trade	Excessive costs associated with the lack of physical connectivity across ASEAN.	<ul style="list-style-type: none"> <li>ASEAN to take more pro-active role to accelerate the implementation of these land connectivity initiatives;</li> <li>ASEAN to pursue active engagement with private sector to materialise these projects.</li> </ul>
6.	The exploration of an ASEAN Technical Scholarship and Vocational Training Programme	The enhancement of human resources development potentials.	ASEAN to explore the ways in which Technical Scholarship and Vocational Training Programme could be developed and implemented.
7.	A comprehensive study to strengthen facilitation measures in CLMV countries	There has been notable disconnect between the pace of liberalisation and the pace of facilitation measures that generates the lack of confidence of business communities in CLMV countries to cope with the challenges of economic integration of ASEAN.	CLMV AEMs to agree on the conduct of a comprehensive study, with a definitive timeline, on how CLMV countries could build up their respective facilitation measures to be on par with other AMS.

### Appendix 3

## Summary of Joint Policy and Practical Recommendations from ASEAN-BAC and ASEAN Plus 1 Business Councils and Business Associations

No.	Issues	Challenges and opportunities	Recommendations
<b>ASEAN's Internal economic integration</b>			
1.	High tariffs and non-tariff barriers	Prohibitively high import tariffs in certain sectors, such as food and beverage industry.	The phasing out and eventual elimination of tariffs and non-tariff barriers to trade.
2.	Standards and regulations	Harmonisation of standards and regulation to ease intra-regional trade.	The harmonisation of standards and regulations in various business and industry sectors to ease intra-regional trade and to align them with international best practice.
3.	Intellectual Property Rights (IPRs)	IPR violation and the growth of illicit trade in Southeast Asia.	The protection of IPRs and a clamp down on illicit trade.
4.	Foreign ownership	The existence of foreign ownership in numerous sectors.	The liberalisation of foreign ownership rules in sectors where restrictions exist.
5.	RoO/CoO	The simplification of custom procedures by adopting internationally recognised standards	The simplification of custom procedures by referring to the World Custom Organisation and the Revised Kyoto Convention on Simplification and Harmonisation of Custom Procedures
6.	A regional approach and plan to reduce restrictions on FDI	Numerous limitations/restrictions imposed by ASEAN Member States hamper ASEAN's global competitiveness	ASEAN to generate a regional consensus and plan for establishing a path towards the relaxation of existing FDI limitations or restrictions.
7.	Aviation industry	Improving the mobility of goods and people across ASEAN	<ul style="list-style-type: none"> <li>• Proper management of airport capacity investment;</li> <li>• Harmonise pilot/maintenance training with mutual recognition standards and enforcement;</li> <li>• A common ASEAN regulator;</li> <li>• A robust multilateral agreement framework;</li> <li>• Addressing market access restrictions which govern market accessible by ASEAN carriers; and</li> <li>• ASEAN Member States to embrace the notion of an 'ASEAN Community Carrier'.</li> </ul>
8.	Healthcare industry	Addressing the disparity of the sector across ASEAN and highly infectious diseases	<ul style="list-style-type: none"> <li>• Creating a pan ASEAN Medication Approval Process;</li> <li>• Easing medical travel requirements for patients;</li> <li>• Establishing regional recognition of medical qualifications; and</li> <li>• Expediting existing AEC initiatives to overcome both cultural and political barriers regarding healthcare integration.</li> </ul>
9.	Intra-regional connectivity	Improving intra-regional connectivity through improvement in telecommunication infrastructure	<ul style="list-style-type: none"> <li>• The reduction of roaming rates;</li> <li>• Capitalising on mobile advertising; and</li> <li>• The expansion of mobile payment services, which, though still in its infancy, has the potential of addressing the needs of many consumers as a significant portion of ASEAN's population is not served by a formal financial sector.</li> </ul>
10.	Infrastructure, power, and utilities	Overcoming barriers in infrastructure, power, and utilities	<ul style="list-style-type: none"> <li>• Improving project selection and optimising infrastructure;</li> <li>• Streamlining delivery; and</li> <li>• Making the most of existing infrastructure assets.</li> </ul>

11.	Financial services	Lifting barriers in financial services sector	<ul style="list-style-type: none"> <li>• A pan-ASEAN Banking Pass;</li> <li>• Free talent mobility;</li> <li>• ASEAN Alliance Model;</li> <li>• Common Credit Bureau Infrastructure;</li> <li>• Common Credit Rating Agency;</li> <li>• Free Data Flow / Off-Shoring; and</li> <li>• Standardisation of Nomenclature, Documentation, and Common Infrastructure: There needs to be a consensus among participants on terminology and standards which would lead to lower costs and quicker, and more efficient processes.</li> </ul>
12.	Capital flow	Towards a freer capital flow in the region.	<ul style="list-style-type: none"> <li>• Clarify the benefits;</li> <li>• Increase transparency; and</li> <li>• Fix the easy thing first.</li> </ul>
<b>ASEAN's external economic integration</b>			
13.	Developing a US-ASEAN Agreement on Investment Principles	Diverse views on and treatments to FDI across ASEAN undermines the grouping's economic competitiveness, especially vis-a-vis potential US investors.	ASEAN to re-start the negotiations with the US Government, under the Expanded Economic Engagement Framework, an Agreement on Investment Principles.
14.	ASEAN-EU economic relations	The absence of ASEAN-wide FTA with the EU inhibit trade and investment between the two regions	The revitalisation of EU-ASEAN FTA negotiations.
15.	Content of the East Asia Business Exchange (EABEX) Portal	The enhancement of the content and substance of the EABEX Portal.	ASEAN to continuously support the content enhancement of EABEX Portal.

## Appendix 4

### Summary of ASEAN-BAC's 2013 Recommendations and the Progress of Their Implementation to Date (Responses from ASEAN)

No.	Issues	2013 ASEAN-BAC's recommendations	Progresses to date (responses from ASEAN)*
<b>1.</b>	<b><i>Strengthen regional economic integration &amp; expanding trade</i></b>		
1.1.	Improve the utilisation of ASEAN+1 FTAs	Set a target of 95 percent tariff elimination	<ul style="list-style-type: none"> <li>To fulfil the task given by ASEAN- China Leaders, the element paper on upgrading the ASEAN-China FTA Agreements has been finalised for endorsement at the 13th AEM-MOFCOM Consultations as a basis to commence negotiations.</li> <li>The 9<sup>th</sup> AEM-ROK Consultations in 2012 endorsed the Work Programme for Further Liberalization, which targeted the adoption of a methodology for further liberalization and consideration of a consolidated text reflecting improvements in the AK-TIG Agreement at the 11th AEM-ROK Consultations in August 2014. The 10<sup>th</sup> AEM-RoK Consultations agreed to prioritise upgrading the AK-TIG Agreement, which would include incorporating the line-by-line tariff reduction schedules, further liberalising Sensitive Track products, addressing the difficulties in implementing the reciprocal arrangement, introducing trade facilitating measures, and addressing non-tariff barriers. The AKFTA Implementing Committee is under discussion to fulfil the above-mentioned tasks.</li> </ul>
		Adopt a common Rules of Origin (RoO)	<p>The RCEP Rules of Origin is under negotiation by the RCEP Sub-Working Group on Rules of Origins. As agreed by the all RCEP Participating Countries, the RCEP ROO should be simple, easy to understand and not administratively burdensome.</p> <p>Moreover, streamlined documentary requirements under RCEP ROO should address means to evidencing preference such as certification, and verification needs while facilitating trade, minimizing costs and reducing the burden for business</p>
		Improve the quality of the government websites and help desks	<ul style="list-style-type: none"> <li>Under AANZFTA, a secure website is dedicated to facilitate the verification on the authenticity of the CO Form AANZ. Through this secure website, the official seals and specimen signatures issuing authorities of the Parties are disseminated to every receiving customs point. Moreover, other information about AANZFTA such as tariff rates, regulations, COO requirements have been uploaded on the website for stakeholders, especially manufactures, traders, investors, and service providers in the region to understand the Agreement,</li> </ul>

			<p>benefits and opportunities of the Agreement.</p> <ul style="list-style-type: none"> <li>• Under AKFTA, a similar website was developed to reach out and disseminate information on the AKFTA to its stakeholders.</li> <li>• Under AJCEP, a website to provide information about AJCEP is under construction.</li> <li>• The same approach has been proposed under ACFTA and the Parties are considering this proposal.</li> </ul>
1.2.	Enhance ASEAN competitiveness	Encourage to adopt an 'ASEAN Strategy' to spur more business by timely and effective implementation of measures towards an AEC to realise the potential of economic integration; and to continue its engagement with the business community through the dissemination of information and consultation with business on AEC initiatives.	<ul style="list-style-type: none"> <li>• As ASEAN moves closer towards AEC 2015, ASEAN sees creating a high level of awareness of the AEC as a core priority.</li> <li>• The AEC Key Messaging Booklet was recently launched and intended to expand awareness and understanding between the business sector and the general public, youth included, on the benefits of the AEC. Part II sets forth key messages on the AEC that are targeted toward the business sector and the public.</li> <li>• This booklet is testaments to ASEAN's commitment to further enhance community-building efforts among its people.</li> </ul>
		ASEAN to intensify outreach activities relevant to the interest of businesses	
		ASEAN to strengthen its efforts in AEC Blueprint areas that businesses rate as amongst the least satisfactory	
		Further enhance support on ASEAN-BAC-related activities on Study and Surveys	
1.3.	Implement the ASEAN Business Travel Card (ASEAN-BTC)	Further pursue the establishment of ASEAN Business Travel Card before AEC 2015	<p>Dialogue with the representatives of business councils, trade and industry associations from ASEAN and Dialogue Partner countries are continuously held from year to year. Such dialogues between ASEAN and private sector representatives have produced several important recommendations and policy options in support of more effective ASEAN economic integration.</p> <p>SEOM has recommended ASEAN Coordinating Committee on Services (CCS) to follow up and work closely with ASEAN Directors-General of Immigration Departments and Heads of Consular Affairs Divisions of Ministries of Foreign Affairs (DGICM) to explore the possible next steps in devising and implementing the ASEAN BTC. A Joint Task Force could be set-up to enable the ASEAN BTC to be operational as soon as possible.</p>
		ASEAN governments to accelerate the staged development of the ASEAN-BTC	
		AMS to work closely with ASEAN-BAC Members, national Chambers of Commerce, and national associations	
1.4.	Improve the ease of doing business	Monitor the annual progress of the AEC Blueprint	<ul style="list-style-type: none"> <li>• As of May 2014, ASEAN has completed the third phase of implementation of the AEC Blueprint (2012-2013), and has moved on to the fourth and final phase of implementation (2014-2015).</li> <li>• Progress has been made in all four pillars towards establishing the AEC. In particular, 81.7% of the 229 AEC prioritised key deliverables targeted by 2013 have been implemented.</li> <li>• The AEC prioritised key deliverables were identified in line with the 2012 Phnom Penh Agenda for ASEAN Community</li> </ul>
		Encourage the model of sharing and mentorship	

			<p>Building, which highlighted the need to double efforts to realise the AEC by 2015 and set priority activities and concrete measures that potentially have the most impact in achieving workable AEC integration results by 2015.</p> <ul style="list-style-type: none"> <li>• Further to the launch of ASEAN SME Policy Index in February 2014, that aimed to be an effective monitoring tool for SME policy in the region, ASEAN SME Agencies Working Group (SMEWG), in collaboration with OECD, ERIA and GIZ, plan to establish a policy benchmark, specifically for those policy dimensions assessing ease and fast start-up and doing business.</li> </ul>
1.5.	Continue to support the development and connectivity of ASEAN and its Sub-regions	Elevate the status of existing ports to an 'Entry' or Gateway Port	<p>One of the prioritized programs to bridge the connectivity gap within ASEAN is to conduct the Master Plan and Feasibility Study on the Establishment of an ASEAN RO-RO Shipping Network and Short Sea Shipping.</p> <p>The Study was completed in March 2013 with the technical assistance from JICA.</p> <p>The Study has produced the early implementation plans of the three priority routes:</p> <p>(1) The Dumai – Malacca Route;</p> <p>(2) The Belawan – Penang – Phuket Route; and</p> <p>(3) The Davao/General Santos – Bitung Route.</p> <p>The recommendations also include the importance of coordination among sectoral bodies to realise the prioritised routes and to follow progress of the Ro-Ro prioritised routes and harmonisation of institutional arrangement (e.g. CIQS, road administration).</p> <p>Currently, the implementing countries are exploring possible avenues to operationalise the three priority routes.</p> <p>On the Bitung-General Santos route, Indonesia and the Philippines signed a Resolution in Support of the ASEAN RORO Project on 20 February 2013 urging the Governments of the Philippines and Indonesia as well as the concerned local governments in Mindanao and Eastern Indonesia (Sulawesi) to equally provide their support and cooperation towards the fruition of this route.</p>
		Lift import restrictions at 'Entry' or Gateway Port	
<b>2.</b>	<b>Promote start-ups and the sustainable development of MSMEs</b>		
2.1.	Establish ASEAN branding for MSMEs	Map existing sources and potential disseminators for 1-2 PIS	<ul style="list-style-type: none"> <li>• SMEWG, with assistance from GIZ, has conducted a mapping of sources and potential disseminators of AEC information of the agro-based sector.</li> <li>• Further GIZ will assist to develop</li> </ul>
		Call for dialogue on AEC monitoring and communication	
		Undertake "Study-cum-Study Tour"	



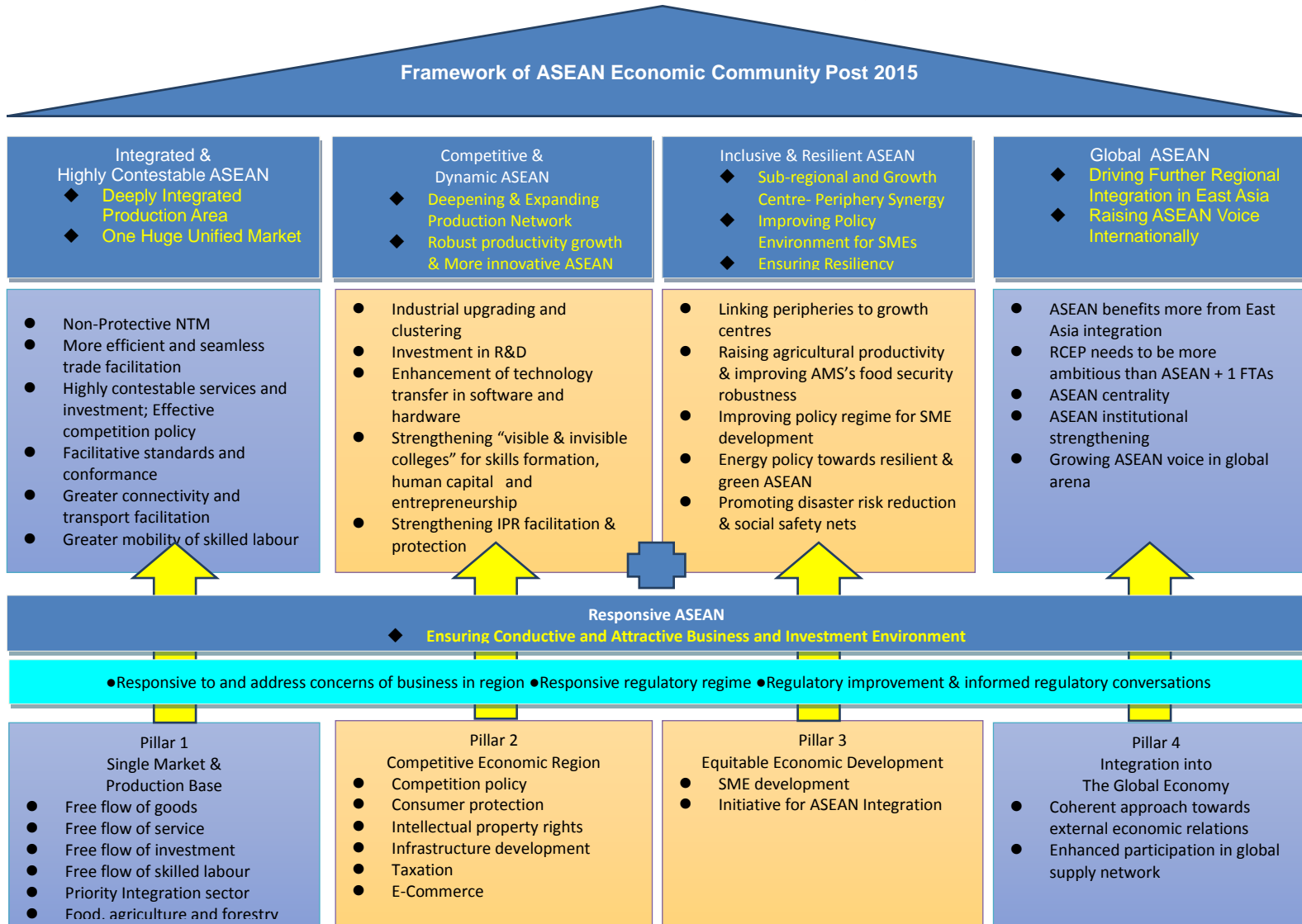
		to identify Regional Cooperation Model	<p>presentation materials on selected areas of key interest for SMEs and documentation of training sessions with business associations/councils</p> <ul style="list-style-type: none"> <li>• Pilot training sessions for business councils/associations representatives to enable them to promote new business opportunities related to AEC 2015 through the prepared materials to their constituents</li> </ul>
2.2.	Maximise the benefits of regional economic integration for ASEAN SMEs	ASEAN SME Working Group and the SME Advisory Board to assist ASEAN-BAC	<ul style="list-style-type: none"> <li>• ASEAN BAC's Guidebook for SMEs is highly commendable as it would be useful for SME to timely and effectively reap from the benefits of the AEC.</li> </ul>
		AMS to provide support to ASEAN-BAC	<ul style="list-style-type: none"> <li>• With regard to the publication, SMEWG annually published SME publication and directory. The most recent edition in November 2013 was the SME Guidebook toward AEC 2015. The Guidebook provides SME in the region with the necessary information, which include among others (i) financial facilities available in AMS; (ii) market promotion and access; (iii) technology incubation centres; and (iv) SME service centres.</li> <li>• A series of SME Directory have been published namely (i) Directory of Outstanding ASEAN SMEs 2011; (ii) Directory of Innovative SMEs in ASEAN 2012; and for 2014 SMEWG plan to published newly revised version of the (iii) Directory of Outstanding ASEAN SMEs in ASEAN 2015 to link SMEs with the regional and global supply chain networks – as part of the initiatives for internationalisation of ASEAN SMEs.</li> </ul>
2.3.	ASEAN Business Award (ABA)		Since 2011, SMEWG has been collaborating with ASEAN BAC in promoting and encouraging ASEAN SMEs in all AMS to develop their competitive edge and apply for the ABA, particularly for youth and innovation categories.
	ASEAN Business and Investment Summit		<ul style="list-style-type: none"> <li>• Myanmar will host 2014 ASEAN Business and Investment Summit (BIS) in Nay Pyi Taw in November.</li> <li>• This annual summit aims to increase ASEAN's attractiveness as a region for trade and investment and enhances regional competitiveness, while also provides a platform for sharing of ideas, information and best practices</li> </ul>
<b>3.</b>	<b>Promote the inclusion of youth &amp; women</b>		
3.1.	Promote the inclusion of young entrepreneurs	Include the development of young entrepreneurs under the 'economic pillar' of ASEAN cooperation	<ul style="list-style-type: none"> <li>• At the CSO level, the youth sector witnessed Brunei Darussalam-led First ASEAN Young Entrepreneurs Seminar and Exposition held in May 2013 (AYESE). AYESE provided the chance for the young entrepreneurs in</li> </ul>
		Foster pro-employment growth and decent job creation	

		Promote macroeconomic policies and fiscal incentives that support youth economic empowerment	<p>ASEAN to attend the seminars where some influential speakers on ASEAN entrepreneurs share their experience and best practices. The participants also enabled the exposition as the venue to show the products of their own business in gaining more attention and recognition.</p> <ul style="list-style-type: none"><li>During the 8th ASEAN Ministerial Meeting on Youth (AMMY) in Bandar Seri Begawan in May 2013, the ministers acknowledged the importance of this issue and subsequently adopted the Bandar Seri Begawan Declaration on Youth Volunteerism and Entrepreneurship.</li><li>This was further elevated to the ASEAN Leaders and revised to be more specific and focus, into the Bandar Seri Begawan Declaration on Youth Entrepreneurship and Employment, adopted during the 23rd ASEAN Summit in October 2013.</li></ul>
		Establish ASEAN Young Entrepreneurs Association (AYEA)	
		ASEAN governments to endorse, support, and recognise the establishment of ASEAN Young Entrepreneurs Association	
		To establish an integrated community of ASEAN Young Entrepreneurs	
		To strengthen engagement between national Young Entrepreneurs Associations within ASEAN, and to include the development and future initiatives so their aspirations could also be absorbed under the AEC pillar	
3.2.	Promote the inclusion of women	Include women entrepreneurs in the 'economic' pillar of ASEAN cooperation	<p>The ASEAN Women Entrepreneurs' Network (AWEN) was established by the ASEAN Committee on Women (ACW) and launched on 23 April 2014 in Ha Noi. The AWEN Coordinator for the initial two years is Viet Nam.</p>
		Conduct ASEAN-focused studies or surveys on the role of women in business and entrepreneurship	
		Engage with the national women entrepreneurs association to increase membership and raise awareness on AEC	
4.	Strengthen interaction with ASEAN, Dialogue Partners, and Strategic Partners		
4.1.		Assist ASEAN-BAC in engaging deeper with other ASEAN-related platforms	<ul style="list-style-type: none"><li>ASEAN Secretariat representative participated in ASEAN-BAC meeting in Kuala Lumpur to discuss the possibility of ASEAN-BAC meeting with relevant sector bodies / SEOM. This would make ASEAN-BAC engage deeper with ASEAN platforms.</li><li>ABAC's dialogue and consultation with the Leaders, AEM and SEOM have been held on a regular basis.</li><li>ASEAN commended the successful convening of the joint consultation between ASEAN BAC and ASEAN+1 Business Councils. The consultation should be retained annually so as to tighten the business connection and come up with key and concrete strategic recommendations to the ASEAN bodies.</li></ul>
		Encourage national chambers and business associations to engage with appointed ASEAN-BAC members	
		Further recognise ASEAN-BAC as the official link to AEM and Leaders	
		ASEAN-BAC and ASEAN to develop a joint communication plan on AEC	

Note: \*responses from ASEAN was sent by the ASEAN Secretariat to ASEAN-BAC Secretariat on 15 August 2014.

## Appendix 5

### Framework of ASEAN Economic Community Post-2015



## Appendix 6

### ASEAN-BAC's Strategic Partners, Activities, and Status (as of July 2014)

No.	Strategic Partners	Project	Brief description of the project	Status
1	Economic Research Institute for ASEAN and East Asia (ERIA)	ASEAN Rising: Moving ASEAN and the AEC Beyond 2015	A research study that outlines the proposed post-2015 agenda for ASEAN.	Completed – July 2014
2.	International Institute for Sustainable Development (IISD)	Maximising the Benefits of Regional Economic Integration for ASEAN-based SMEs	The project involves a series of activities, including: (1) the publication of SME Guidebook to take the benefits from ASEAN's internal and external economic integration initiatives; (2) the conduct of a series of SMEs Dialogue Fora in selected ASEAN Member States; and (3) the publication of a policy report on matters pertaining to the advancement of SMEs in ASEAN's economic integration project	Completed – March 2014
3.	KPMG	ASEAN Business Awards	KPMG assists ASEAN-BAC to ensure the high quality and independency of ASEAN Business Award 2014. It administers the implementation of the nomination, assessment, and selections of potential candidates for the Awards.	Ongoing
4.	Indah Sejahtera Development and Service (ISDS)	Website development and maintenance	ISDS assists ASEAN-BAC in designing and developing its official website.	2013 - Ongoing
5	Al-Zam Sdn Bhd	Secretarial Services	Al Zam Sdn Bhd has provided Secretarial Services since the establishment of ASEAN-BAC	2003 - Ongoing
6.	Singex	ASEAN Business and Investment Summit 2014	Singex assists ASEAN-BAC in organising the 2014 ASEAN Business and Investment Summit, which has been set tentatively on 12-13 November 2014, in Yangon, Myanmar.	2014