ASEAN Business Advisory Council
Report to ASEAN Leaders

27th April 2015

Business for the People
ASEAN Business Advisory Council
Report to ASEAN Leaders

Malaysia 2015:
BUSINESS FOR THE PEOPLE
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 recommendations for the consideration of the Leaders and the ASEAN Economic Ministers (AEM). Since 2013, ASEAN-BAC also pursues additional Dialogue at the Senior Economic Officials Meeting (SEOM). This year, ASEAN-BAC had a formal engagement with ASEAN Finance and Central Bank Deputies during the annual ASEAN Finance Ministers Meeting, where a proposal was made for ASEAN-BAC to be accorded regular consultation with ASEAN Finance Ministers in the future. In addition to these activities, ASEAN-BAC also extensively engages the private sector on matters relating to the AEC, both within and beyond the Southeast Asian region.

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H.E. Dato’ Sri Mohd. Najib Tun Abdul Razak
Prime Minister of Malaysia
Chair of ASEAN 2015

RE: 2015 Report of the ASEAN Business Advisory Council (ASEAN-BAC) to ASEAN Leaders

Your Excellency Prime Minister Dato’ Sri Mohd Najib Tun Abdul Razak,

It is with great pleasure that we present the first of the two 2015 ASEAN-BAC Reports to ASEAN Leaders, the second of which will be presented during the November ASEAN summit.

2015 marks a major milestone in the history of ASEAN. The launching of the ASEAN-Economic Community (AEC) in particular, should bring the community-building effort of the Association to higher ground. With much still to be done post-2015 in making the Association a single and competitive market and production base, the announcement of viable people-centric initiatives in conjunction with the AEC formation year would send a strong signal that ASEAN is serious about integrating its economies for the benefit of its peoples.

As the mandated private sector representative, ASEAN-BAC remains committed to be an important strategic partner of ASEAN by providing critical recommendations to the Association on matters significant to the official launching of AEC 2015 and the post-2015 economic integration agenda of ASEAN. Our Council’s motto this year, ‘Business for the People’, reflects the priorities we have set ourselves to focus on issues relevant to the ASEAN economic community-building process which, in our judgement, matter most for the region’s population as a whole.

Accordingly, our April 2015 Report to ASEAN Leaders focuses on two key issues: (1) the identification of specific targets or goals that are relatively easy to achieve between now and the official launching of AEC in November 2015 which bring meaning to the people; and (2) the outlines of the Council’s post-2015 economic vision of ASEAN. Some of the critical issues that will be highlighted in this Report include, the elimination of non-tariff measures (NTMs)/non-tariff barriers (NTBs) within and beyond the Priority Integration Sectors (PIS) of ASEAN, the deepening of financial sector integration and the development of a sound financial infrastructure, as well as the enhancement of ASEAN’s existing initiative to liberalise the movement of skilled professionals across the region. Also accompanying these proposals are fundamental underlying recommendations for ASEAN to develop a sustainable financial support system, which we believe to be a crucial catalyst in enhancing intra-ASEAN economic integration and activity.

Aside from our own on-the-ground experiences, as well as our interactions with various businesses across the region, the recommendations highlighted in this Report are also based on our engagements with ASEAN+1 Business Councils and Associations and our stocktake activity with our research partners.

We certainly believe that the immediate implementation of the ‘short-term’ proposals by ASEAN-BAC in this Report will better position ASEAN to pronounce a credible AEC, simultaneously laying the foundations for a tenable post-2015 agenda at the end of the year and beyond. With the

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Business for the People
ASEAN Business Advisory Council

confidence of a successful AEC announcement in 2015, ASEAN-BAC plans to submit the second of its 2015 Reports, which will focus on post-2015 issues, during the Council Consultation with ASEAN Leaders in November 2015.

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

Sincerely yours,

CHAIRMAN

CO-CHAIR

CO-CHAIR

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
ASEAN BAC Chair 2015
Chairman, Bank Muamalat Malaysia Berhad.

U Win Aung
ASEAN BAC Chair 2014
Chairman, Dagon Group of Companies
President, Republic of The Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI)

Oudet Souvannavong
ASEAN BAC Chair 2004, 2016
Managing Director, Mixai Hotels Co., Ltd; Mixaitechno Engineering & Consulting Ltd.

Fauziah DSP Hj Talib
ASEAN BAC Chair 2013
Managing Director of IQ-Quest Company

Lisa Dp Haji Ibrahim
Executive Director, Arkitek Ibrahim

BRUNEI DARUSSALAM
CAMBODIA

Neak Oknha Kith Meng
ASEAN BAC Chair 2012
Chairman, Royal Group of Companies

Oknha Van Sou Ieng
Chairman, Garment Manufacturers Association in Cambodia (GMAC)

Oknha Sok Piseth
CEO of G Gear Co., Ltd
President of Young Entrepreneurs Association of Cambodia

INDONESIA

Anangga W. Roosdiono
ASEAN BAC Chair 2011
Managing Partner, Roosdiono & Partners

Soebronto Laras
President Director, PT. Indomobil Suzuki International

Prijono Sugiarto
President Director, PT Astra International TbK

LAO PDR

Dr. Xaybandith Rasphone
Partner of Emerging Markets Consulting Vice President of Lao Garment Association Executive Board Director of Lao National Chamber of Commerce and Industry

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Syed Nabil Aljeffri
Guruun Capital Corporation Sdn Bhd AljeffriDean, Chartered Accountants (M)

Dato’ Ramesh Kodammal
Managing Director, Goldtex Exim (M) Sdn Bhd
ASEAN Business Advisory Council

MYANMAR

U Wai Phyo
Managing Director, Cho Cho Company Ltd.

U Moe Kyaw
Founder & Managing Director, Myanmar Marketing Research & Development Co, Ltd

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Manuel V. Pangilinan
Chairman of Metro Pacific Investments Corporation

Teresita Sy-Coson
Chairperson, SM Investments Corporation

SINGAPORE

Dr. Robert Yap
ASEAN BAC Chair 2007
Chairman & CEO, YCH Group

Douglas Foo
Chairman and CEO, Sakae Holdings Ltd

THAILAND

Arin Jira
ASEAN BAC Chair 2008-2009
Executive Director, Bangkok Industrial Gas Co., Ltd.

Phairush Burapachaisri
Chairman and CEO, Pin Siam Co., Ltd.

VIETNAM

Dr. Doan Duy Khuong
Vice-President, Vietnam Chamber of Commerce and Industry

Nguyen Thi Nga
Chairman, Southeast Asia Joint Stock Commercial Bank

Robert Yap Min Choy
Chairman of Rock Productions
Chairman of Current Asia Limited

Jay Yuvallos
President, Interior Basic Export Group

Twatchai Yongkittikul
Secretary General, The Thai Bankers’ Association

Dang Thi Hoang Yen
Chairwoman, Tan Tao Group
Executive Summary

2015 marks a major milestone in the history of the Association of Southeast Asian Nations (ASEAN). The launching of the ASEAN Economic Community (AEC) by the end of the year in particular, should bring the community-building effort of ASEAN to higher ground. With much still to be done post-2015 in making the Association a single and competitive market and production base, the announcement of viable people-centric initiatives in conjunction with the AEC formation year would send a strong signal that ASEAN is serious about integrating its own economies. With the official theme ‘Our People, Our Community, Our Vision’, Malaysia’s chairmanship of ASEAN this year will prove to be crucial, particularly as the country undertakes to carry the hopes and aspirations of more than 600 million people in the final stages of establishing an ASEAN Community. Although regional community-building remains the ultimate objective, economic integration is at the forefront of Malaysia’s 2015 chairmanship agenda.

As an official conduit between ASEAN and the private sector, the ASEAN Business Advisory Council (ASEAN-BAC) remains committed as a strategic partner to provide key recommendations relevant to the AEC. With a motto in line with the official theme of Malaysia’s ASEAN chairmanship, ‘Business for the People’ reflects the priorities of ASEAN-BAC in 2015 to focus on issues relevant to the ASEAN economic community-building process, and through functional integration, to connect issues that matter for the region’s population as a whole and the strategic need for a sustainable financial support system. Some of the critical issues that make up ASEAN-BAC’s recommendations to ASEAN Leaders this year include, the setting up of an ASEAN MSME Bank, the elimination of non-tariff measures (NTMs)/non-tariff barriers (NTBs) within and beyond the Priority Integration Sectors (PIS) of ASEAN, the deepening of financial sector integration and the development of sound financial infrastructure, as well as enhancement of the existing initiative of ASEAN to liberalise the movement of natural persons across the region.

Aside from addressing some of the targets that can be attained between now and the official launch of the AEC, this first of two ASEAN-BAC Reports to ASEAN Leaders this year also introduces strategic issues that ASEAN-BAC will pursue as part of its post-2015 recommendations. However, the implementation of short-term recommendations proposed in this Report is particularly important, especially if ASEAN is to make itself more relevant for businesses and consumers in the region. Some of these ‘short-term’ targets include the following:

- Comprehensive progress review of ASEAN’s existing PIS sector, and the reorientation of the scheme to facilitate greater intra-, rather than extra-, ASEAN trade and investment, as well as identification of potential new PIS, including, but not limited to, the retail sector;
- The development of a clear roadmap on how ASEAN intends to remove the remaining NTMs/NTBs that hamper trade and investment in the region;
- An official announcement at the official launching of AEC by ASEAN of the Association’s intention to support the establishment of an ASEAN Micro-, Small-, and Medium-sized Enterprises (MSMEs) Bank to facilitate greater access to finance for the majority of businesses in ASEAN;
- The establishment of a Financial Services and Capital Markets Expert Group (FSCM-EG) to propose steps and measures to speed up proposals that have been and are being discussed by the Finance Ministers, Governors of Central Banks, and the ASEAN Capital Markets Forum;
- The setting up of an ASEAN Arbitration Centre and ASEAN Registry to form the rudiments of the legal infrastructure of the AEC;
• In order to make ASEAN an attractive investment region, announcement of the ASEAN Tax Agenda, which would focus on the alignment of standards, policies, and administrative requirements, to be part of its post-2015 work stream;
• An official commitment by ASEAN to expand its existing Mutual Recognition Agreements (MRAs) to facilitate greater movement of skilled labour in the region;
• The introduction of a special ASEAN Lane in all major points of entry across ASEAN, and the launching of the long-awaited ASEAN Business Travel Card (ASEAN-BTC) to facilitate greater movement of tourists and business travelers across the region;
• The inclusion of women entrepreneurs in the economic pillar of ASEAN cooperation and establishment of the Asean Women Entrepreneurs Association;
• Continuous support to be given to the establishment of the ASEAN Young Entrepreneurs Association (AYEA), which is to serve as the main young entrepreneurs body to interact with ASEAN’s highest decision-makers; and
• Other short-term deliverables, such as continuous improvement of the ASEAN Secretariat official website (to attract the growing youth population), the expansion of the existing ASEAN Internship Programme, and the introduction of ASEAN foodstalls and cafes in the cities and at points of entry across ASEAN.

As mentioned, besides these ‘low-hanging fruits’, ASEAN-BAC also gives emphasis on the post-2015 economic integration of ASEAN. Issues such as ‘responsible business practices’, utilisation of ICT, sustainable and human capital development, coordination between the three pillars of ASEAN cooperation and the institutional reforms of ASEAN, amongst other recommendations, will be further developed in the second ASEAN-BAC 2015 Report to Leaders in November 2015.
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<th>Description</th>
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<tbody>
<tr>
<td>ABINET</td>
<td>ASEAN Business Incubation Network</td>
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<td>ACIA</td>
<td>ASEAN Comprehensive Investment Agreement</td>
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<td>AEC</td>
<td>ASEAN Economic Community</td>
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<tr>
<td>AEMs</td>
<td>ASEAN Economic Ministers</td>
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<tr>
<td>AICHR</td>
<td>ASEAN Intergovernmental Commission for Human Rights</td>
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<tr>
<td>AMS</td>
<td>ASEAN Member States</td>
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<tr>
<td>APEC-BTC</td>
<td>APEC Business Travel Card</td>
</tr>
<tr>
<td>ASEAN-BTC</td>
<td>ASEAN Business Travel Card</td>
</tr>
<tr>
<td>ASEAN-SMEWG</td>
<td>ASEAN SME Working Group</td>
</tr>
<tr>
<td>ASW</td>
<td>ASEAN Single Window</td>
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<tr>
<td>ATIGA</td>
<td>ASEAN Trade in Goods Agreement</td>
</tr>
<tr>
<td>AWEN</td>
<td>ASEAN Women Entrepreneurs Network</td>
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<tr>
<td>AYEIA</td>
<td>ASEAN Young Entrepreneurs Association</td>
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<tr>
<td>CARI</td>
<td>CIMB ASEAN Research Institute</td>
</tr>
<tr>
<td>CSOs</td>
<td>Civil Society Organisations</td>
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<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<tr>
<td>EITI</td>
<td>Extractive Industry Transparency Initiative</td>
</tr>
<tr>
<td>ERIA</td>
<td>Economic Research Institute for ASEAN and East Asia</td>
</tr>
<tr>
<td>FSCM-EG</td>
<td>Financial Services and Capital Market Expert Group</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>GRP</td>
<td>Good Regulatory Practice</td>
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<tr>
<td>KYC</td>
<td>Know Your Customers</td>
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<tr>
<td>LCCs</td>
<td>Low-Cost Carriers</td>
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<tr>
<td>MRA</td>
<td>Mutual Recognition Agreement</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro-, Small-, and Medium-sized Enterprises</td>
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<td>NTBs</td>
<td>Non-Tariff Barriers</td>
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<td>Sanitary and Phytosanitary Measures</td>
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<td>TBT</td>
<td>Technical Barriers to Trade</td>
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1. Introduction

2015 marks a major milestone in the history of the Association of Southeast Asian Nations (ASEAN). The official launching of the ASEAN Economic Community (AEC) by the year end in particular, will bring the community-building effort of ASEAN to a higher level. Although far from making the Association a single economic entity, the full implementation of AEC would send a strong signal that positive measures have been put in place towards a more liberalised and integrated economic region (ASEAN Economic Ministers, 2015).¹ A more economically integrated ASEAN would make the region a significant global economic player. With only months away from the formal launching of the AEC, however, much remains to be done. Critical issues, such as the removal of non-tariff measures (NTMs)/non-tariff barriers (NTBs), sound financial support system, infrastructure development, and connectivity, amongst others, need to be addressed if the official launching of the AEC is to be meaningful for the citizens of the region.

With the official theme ‘Our People, Our Community, Our Vision’, Malaysia’s chairmanship of ASEAN this year will prove to be both exciting and challenging. One thing for Malaysia, as pointed out by Foreign Minister HE Dato’ Sri Anifah Aman at the beginning of the chairmanship, the country will need to ‘carry the hopes and aspirations of more than 600 million people in the region as it chairs ASEAN in the final stages of establishing an ASEAN Community’.² Although regional community-building will top the agenda, economic integration remains at the forefront of Malaysia’s 2015 chairmanship. Aside from addressing the remaining key issues between now and the launching of AEC, Malaysia will also need to assert its ASEAN leadership to determine the path forward towards a more economically integrated ASEAN in the post-2015 AEC (Isa et al., 2014:2).

The ASEAN Business Advisory Council (ASEAN-BAC) remains committed to be an important strategic partner of ASEAN by providing critical recommendations, particularly to the ASEAN Economic Ministers (AEMs) and ASEAN Leaders, on matters significant to the official launching of AEC 2015 and the post-2015 economic integration agenda of ASEAN. With a motto in line with the official theme of Malaysia’s ASEAN chairmanship, ‘Business for the People’ reflects the priorities of ASEAN-BAC in 2015 to focus on issues relevant to the ASEAN economic community-building process, and through functional integration, to connect issues that matter for the region’s population as a whole and the strategic need for a sustainable financial support system. Some of the critical issues that make up ASEAN-BAC’s recommendations to ASEAN Leaders this year include, the setting up of an ASEAN MSME Bank, the elimination of NTMs/NTBs within and beyond the Priority Integration Sectors (PIS) of ASEAN, the deepening of financial sector integration and the development of sound financial infrastructure, as well as the enhancement of the existing initiative of ASEAN to liberalise the movement of natural persons across the region.³

On matters related to the official launching of AEC 2015, this first of two 2015 ASEAN-BAC Reports to ASEAN Leaders focuses on some of the ‘low-hanging fruits’, or to be more precise, the identification of specific targets or goals that are relatively achievable between now and the end of 2015. Some of these recommendations have been included in previous ASEAN-BAC Reports. Under the chairmanship of Brunei Darussalam in 2013 and Myanmar in 2014 for example, ASEAN-BAC had proposed the creation of an ASEAN Business Travel Card (ASEAN-BTC) to further ease the movement of business people and investors in the region. Although ASEAN could easily develop a system based on the existing APEC Business Travel Card, the proposal has yet to materialise. The introduction of

¹ As reported in the ASEAN Secretariat News (2015a).
² As reported in the ASEAN Secretariat News (2015b).
³ The summary of ASEAN-BAC’s April 2015 recommendations is available in Annex 1 of this Report.
special ‘ASEAN Lane(s)’ in major entry points across ASEAN is another past proposal of ASEAN-BAC that is relatively easy to achieve and should be fully implemented before the end of this year.

There are also other ‘low-hanging fruits’ that could potentially be completed in time for the official launch of AEC at the end of 2015. On matters related to the financial services and capital markets, ASEAN-BAC recommends that ASEAN leaders approve the establishment of a Financial Services and Capital Markets Expert Group (FSCM-EG) to assist in the implementation of initiatives agreed upon more effectively. This proposal, which first emerged from the ASEAN Business Club Forum in November 2014, can facilitate the integration of a sustainable financial support system, and the members of the group could consist of a combination of industry players and specialists to bring their experience and provide inputs in a timely manner.

Aside from these short-term recommendations, this ASEAN-BAC April 2015 Report to ASEAN Leaders also gives attention to the importance of the post-2015 economic vision. Issues such as ‘Responsible Business Practices’, utilisation of ICT, coordination amongst the three pillars of ASEAN’s cooperation and the institutional reforms of ASEAN are introduced in this Report, and will form part of the second ASEAN-BAC 2015 Report to Leaders in November 2015.

This Report is divided into four sections. Section two expands further on all key recommendations of ASEAN-BAC, and is divided further into two sub-sections, each covering ASEAN-BAC recommendations towards the launching of AEC 2015 and ASEAN-BAC recommendations on the post-2015 economic integration agenda of ASEAN. Whilst recognising the fact that the discussion on post-2015 economic vision of ASEAN is already ongoing, if not near completion, ASEAN-BAC believes that the proposals will remain relevant beyond the official launch of AEC 2015. Subsequently, section three revisits all the recommendations made by ASEAN-BAC during the chairmanship of Myanmar in 2014 and the responses made by ASEAN so far. Finally, the Report will be concluded in section four.

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4 It is also important to note that all inputs highlighted in this section derive not only from ASEAN-BAC Members, but are also the results of extensive consultations that the Council carried out with the Members of ASEAN+1 Business Councils/Associations, and research partners.
2. ASEAN-BAC’s 2015 Recommendations

ASEAN-BAC’s April 2015 recommendations to ASEAN Leaders cover short-term measures that ASEAN could implement between now and the official launching of the ASEAN Economic Community in November 2015, as well as longer-term issues that are relevant for ASEAN’s post-2015 economic integration agenda. The short-term policy recommendations cover issues such as, inter alia, ASEAN’s Priority Integration Sectors (PIS), the elimination of non-tariff measures (NTMs)/non-tariff barriers (NTBs), financial sector integration, infrastructure development, and movement of professionals between member states. The longer-term policy recommendations of the Council place emphasis on emerging issues and economic enablers in the region.

2.1. Towards the launching of ASEAN Economic Community 2015

ASEAN-BAC recommendations highlighted in this sub-section cover some of the ‘low-hanging fruits’ that ASEAN can realistically implement between now and the official launching of the AEC 2015. The execution of these initiatives is crucial in making the launch of the AEC 2015 meaningful to the private sector and the wider population in the region. These recommendations include:

(1) Priority Integration Sectors of ASEAN

Issues related to the PIS were key recommendations of ASEAN-BAC to the AEMs and ASEAN Leaders in 2014. Despite the importance of sector-driven enablers, recent official publication of the ASEAN Secretariat (2014) reports that, as far as PIS sectors are concerned, ‘only electronic products showed a very significant share, [or] above 40 [percent] of ASEAN total export in 2013, while for agro-based, rubber-based, fisheries, textile, and automotive exports, the share was below 5 [percent] each’ (p. 2). The same publication goes on to note that exports of wood-based products, fisheries, and electronic products slowed down significantly, growing at negative rates.

It is also important to note that, with the exception of the above-mentioned ASEAN Secretariat’s publication, information concerning PIS remains scant, with the mention of the issues interspersed in ASEAN-related publications.

In view of these developments, ASEAN-BAC recommends that ASEAN undertakes the following:

- Identification and removal of disablers and other non-tariff measures (NTMs)/non-tariff barriers (NTBs) in the PIS and move towards reducing the disparity on tariff removals between ASEAN countries;
- Carry out a comprehensive review on the existing 12 PIS so as to better inform ASEAN and its stakeholders on the actual progress of this initiative which was introduced over a decade ago. On its part, ASEAN-BAC will be carrying out complementary activities to seek private sector feedback on the actual progress on the PIS;
- Publicise an extensive report on the progress and achievements, as well as identification of enablers and disablers from the implementation of the PIS so far. Aside from addressing information deficiency issues on the subject, such an initiative could also serve as a means to facilitate further work on PIS post-2015;
- Orientation of PIS with strong emphasis on external integration between ASEAN and global economies to the strengthening of regional economic integration. To date, a big gap remains

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5 ASEAN-BAC intends to provide more detailed elaboration on its post-2015 recommendations in the second Report that will be delivered to ASEAN Leaders in November 2015.
between extra and intra-trade in the 12 PIS sectors. Data presented in Table 1 is illustrative of this point. Whilst the average intra-ASEAN trade growth on selected PIS sectors has been positive, their trade volumes remain significantly small compared to extra-ASEAN trade;

Table 1. Intra- and Extra-ASEAN Trade on Selected PIS Sectors, 1993-2013 (in US$ billion)

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<td>Agro-based products</td>
<td>Intra-ASEAN</td>
<td>775</td>
<td>1,267</td>
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<td></td>
<td>Extra-ASEAN</td>
<td>5,059</td>
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<td>Rubber-based products</td>
<td>Intra-ASEAN</td>
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<td>973</td>
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<td>Wood-based products</td>
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<td>494</td>
<td>729</td>
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<tr>
<td></td>
<td>Extra-ASEAN</td>
<td>4,214</td>
<td>9,422</td>
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<td>Fisheries</td>
<td>Intra-ASEAN</td>
<td>466</td>
<td>536</td>
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<td></td>
<td>Extra-ASEAN</td>
<td>5,536</td>
<td>6,294</td>
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<td>Textiles &amp; apparels</td>
<td>Intra-ASEAN</td>
<td>2,446</td>
<td>2,052</td>
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<td>19,872</td>
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<td>Electronics</td>
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<td></td>
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<td>148,815</td>
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<td>Automotive</td>
<td>Intra-ASEAN</td>
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<td>Extra-ASEAN</td>
<td>3,410</td>
<td>9,216</td>
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</table>

Source: ASEAN Secretariat (2014: 56-60).

- **Explore new sectors to be integrated into the existing PIS arrangement, particularly those that could move ASEAN up the global value chain.** This recommendation is not new, and was part of ASEAN-BAC recommendations to the AEMs and ASEAN Leaders in 2014. Part of this Report highlights recommendations that are relevant to specific sectors (e.g. financial services and capital markets, retail, aviation, logistics, food and beverage). Some of these are already included in the existing PIS, and others may be considered as potential new priority sectors for integration. These newly-identified sectors represent high growth rates throughout ASEAN, and have the potential of deepening economic integration in the region.

(2) NTMs/NTBs

With significant decline of tariff levels in the past decade, the region has seen the rise of NTMs/NTBs which impairs trade activity. The imposition of import quotas, restriction on import/distribution licensing arrangements, product regulatory standards that are onerous and lack consistency are some examples of disablers which are not only distorting to trade, but also consumer choices across the region. ASEAN-BAC is conscious that there is more to NTMs/NTBs than protectionist policies. This is particularly so since improved prosperity, education, and other social factors have led the region’s citizens to demand more from their governments to ensure safety and protection. Whilst NTMs/NTBs are not necessarily a bad thing (Pasadilla, 2013: 14), **ASEAN will need to identify ways in which such measures do not have trade-impairing effects in the region.**

Studies conducted by ASEAN-BAC research partners also argue that ASEAN still suffers from transparency gaps, where information concerning NTMs/NTBs is incomplete and fragmented. Moreover, the Council also takes note that, whilst the use of core NTMs/NTBs, such as price control, finance measures, monopolistic measures or quantity restrictions have been reduced over the years, the use of technical measures, such as Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary (SPS) measures remain rampant (Pasadilla, 2013: 42).

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6 See, for example, Cadot et al. (2013: 33-34).
ASEAN-BAC is nevertheless appreciative of the efforts that ASEAN has pursued so far to reduce NTMs/NTBs that affect regional trade. The ASEAN Trade in Goods Agreement (ATIGA) that was adopted in 2008 for example, sets a concrete schedule for the elimination of these barriers in different stages. Taking this into consideration, ASEAN needs to identify the right incentive that would encourage ASEAN Member States to set up an inter-ministerial coordinative mechanism to centralise information on regulations issued by various agencies at the national level, and submit relevant information on their respective NTMs/NTBs to ASEAN willingly (Cadot et al., 2013: 24-25).

Cognisant of the potential difficulty for AMS to take drastic measures to eliminate NTMs/NTBs for intra-ASEAN trade by the end of this year, ASEAN-BAC is of the view that an official announcement by ASEAN to develop a clear roadmap to phase out NTMs/NTBs in time with the official launching of the AEC would be an attainable target to pursue. Moreover, in view of positive values that are attached to some of the existing NTMs/NTBs, ASEAN’s agenda on this issue should not be focused on full elimination of NTMs/NTBs per se, but rather on the modifications in attributes and implementation of these barriers.

(3) Financial services and capital markets

Financial services and capital markets are crucial instruments in developing a strong financial support system to sustain ASEAN economic growth. Bank lending remains an important element in the operations of various short and long term economic activities, and capital markets can serve as an alternative source of long-term financing for investments and infrastructure needs in the region (Accenture and CARI, 2014: 2). Despite considerable progress towards the development of financial and capital markets in ASEAN, the regional markets remain relatively small and vulnerable to external shocks (Shimizu, 2014: 1). Greater financial and capital markets integration is likely to yield vast benefits. The integration of financial and capital markets in the region also has the potential to provide financial access to underserved households and firms, thereby reducing financing constraints that hamper consumption and investment (Wignaraja, 2014: 1-2).

In order to complement existing efforts to integrate the region’s financial and capital markets, ASEAN-BAC proposes two practical recommendations:

- **The establishment of a Financial Services and Capital Markets Expert Group (FSCM-EG),** which would be given the task of assisting the ASEAN Secretariat to materialise the implementation of decisions already made by the Ministers of Finance. At the same time, the expert group could propose specific steps to remove impediments standing in the way of their fulfilment. The expert group may also be given the role to propose steps and measures to Finance Ministers, Governors of Central Banks and the ASEAN Capital Markets Forum to speed up proposals that have been and are being discussed, as well as to introduce new ideas.

- **Develop financing and capital markets arrangements for the benefit of infrastructure development in the region.** Such arrangements could include a consultative forum in which ASEAN can seek input from relevant experts on how to attract funds from external partners (e.g. China) for such development, initiatives that could be taken to attract long-term funds such as those from insurance companies, and developing an ultimately region-wide mechanism for infrastructure project listing.

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7 See, for example, a recent statement made by the International Trade and Industry Minister of Malaysia, Datuk Seri Mustapa Mohamed, where reiterates AMS’s continuous commitment to reduce NTMs/NTBs to achieve freer trade in the region. The Minister also stated that up to 69 NTMs had been identified by ASEAN, in which 45 of them had been resolved. The statement of the Malaysian International Trade and Industry Minister is quoted from Bernama (2015).

8 The proposed Terms of Reference for the FSCM-EG is provided in Annex 2 of this Report.
(4) The establishment of an ASEAN MSME Bank

As part of ASEAN-BAC recommendations to ASEAN Leaders in 2014, ASEAN-BAC proposed the creation of a regional bank that is primarily dedicated to improving financial access for Micro-, Small-, and Medium-sized Enterprises (MSMEs) in ASEAN. The creation of such an institution would help stimulate income gains amongst the economic players. The Bank will provide access to finance for MSMEs, a longstanding need always brought up by the MSMEs. The Bank would be run on a commercial basis. To ensure its operation cross-border collateral must be recognised.

The following are proposed general principles underlying the establishment and operation of the ASEAN MSMEs Bank:

• The fact that not all AMS can contribute, or contribute equally, to the capital of the Bank should not inhibit its being set up. The main emphasis should be on the realisation of a capital base substantial enough for it to be credible. Accordingly, the contribution to its capital need not be equal amongst the AMS, and need not be limited to the AMS, with the private sector also invited as shareholders. Other public bodies, including regional and international institutions, should also be welcomed as shareholders.

• A critical enabler for the successful operation of the ASEAN MSMEs Bank is legal recognition and enforceability for cross-border collateral – no pan-ASEAN financial institution can work effectively in the absence of such an enabler.

• The composition of the board of directors should reflect shareholding interest, with the chairman being chosen from the single largest shareholder, but the numbers should not be so large as to make the board unwieldy.

• The Memorandum and Articles of association of the Bank, apart from the normal provisions, should reflect the following:
  o The ASEAN MSMEs Bank will operate on a commercial basis;
  o The Bank will not only provide conventional financial facilities, but will also be active in making investment banking initiatives, such as the issuance of debt and equity instruments, the establishment of MSMEs Funds, private equity or private debt, with invitation extended to private and non-ASEAN public interests to participate in them;
  o Apart from making loans and providing other financial services, the ASEAN MSMEs Bank can also take equity stakes when deemed appropriate and potentially profitable;
  o Apart from reporting on matters normal in a commercial operating environment, the management of the Bank shall also, on a quarterly basis, report on all applications for financial facilities, with particular emphasis on the reasons why failed applications had been rejected;
  o The management of the Bank must be independent, but answerable to the board of directors;
  o There should be no outside interference in the conduct of the management’s daily business;
  o The management need not be headed by, or comprise entirely of ASEAN citizens;
  o One of the items of the Annual General Meeting of the Bank must include a review of how the Bank’s MSMEs customers have fared and progressed.

• As a broad policy consideration, ASEAN Leaders might want to bear in mind how important this initiative is, not only to the backbone of the ASEAN economy, but also to the credibility of ASEAN as the Third Asian force between China and India.

The strategic need for a sustainable financial support system as the lifeblood for AEC integration was first advocated by ASEAN-BAC through the ASEAN-BAC 2015 Chairman Tan Sri Dr. Munir Majid, commencing from his appointment to the Council in February 2014. Since then, he has
communicated these recommendations at various ASEAN-BAC engagements, namely to the AEM at the 46th AEM Meeting and ASEAN Leaders at the 25th ASEAN Summit in 2014. More recently, these recommendations were presented to the AEM at the AEM Retreat and at the meeting with ASEAN Finance and Central Bank Deputies in early 2015.

(5) ASEAN tax and legal infrastructure (infrastructure approach)

- **ASEAN tax agenda**

It is clear that nations compete for foreign direct investment (FDI) through lower corporate tax rates and other tax incentives, but the divergence of tax systems across the ten Member States of ASEAN creates an additional impediment for the region in being an attractive investment destination. There is a declining pattern of corporate tax rates as global trade and capital flows are becoming more open, and this is attributed to competition for FDI amongst nations. Having said this, a recent study also suggests tax complexity and uncertainty, aside from tax rates, is also an important factor in investment decisions (EY and CARI, 2014: 2-3).

In view of this, ASEAN-BAC recommends it is announced by Leaders that the ASEAN Tax Agenda will be part of the post-2015 work stream. Recognising the potential difficulty in harmonising the different tax regimes throughout the region, the focus therefore should not be on tax harmonisation, but rather on alignment of certain standards, policies and administrative requirements. Such a move could contribute an additional 2 percent to the ASEAN GDP.

- **Legal infrastructure**

An effective legal framework coupled with good governance is imperative to the promotion of an inclusive and sustainable economic development in ASEAN. Unfortunately, harmonisation of legal and governance frameworks remains a challenge, primarily due to the disparity that exists between the economic and social-cultural development amongst AMS (Zicolaw and CIMB, 2014: 2). Taking into account the importance of the issue, whilst being conscious of the challenges associated with the efforts to harmonise the legal system amongst the AMS, ASEAN-BAC recommends two simple measures to indicate future intent:

- The setting up of an ASEAN Arbitration Centre; and
- The setting up of an ASEAN Registry.

The ASEAN Arbitration Centre could assist in governing arbitration matters and to standardise arbitration classification within the region, and the ASEAN Registry could serve as a repository of information on companies operating in the region. The ASEAN Registry can be set up as a virtual entity, with information provided by companies on a voluntary basis. To begin, the initiative could include primarily non-sensitive information, and this could be expanded further as ASEAN is able to develop adequate data protection measures to protect companies registered in the system.

(6) Sector-specific recommendations

This sub-section highlights sector-specific recommendations of ASEAN-BAC. Some of these sectors are covered in the existing Priority Integration Sectors (PIS) of ASEAN, and others are emerging sectors that warrant greater attention from ASEAN policy-makers:
• **Aviation sector:**

The aviation sector is one of the PIS sectors of ASEAN. The profile and landscape of this industry have been rapidly changing since it was first included in the PIS framework in 2004. ‘Low-Cost Carriers’ operations account for more than half of all airline capacity in some AMS such as Indonesia, the Philippines and Malaysia. The continued rapid growth of ASEAN and the rest of Asia will result in an increase of passengers and cargoes being transported by air by LCCs (Centre for International Law and CARI, 2014: 2). Notwithstanding these facts, ASEAN has yet to make adequate policy changes to accommodate the rapid evolvement of the industry. The recent accidents involving some of the leading air carriers in the region are illustrative of this point. In view of these, as well as other emerging challenges in the sector, ASEAN-BAC recommends the following:

- The establishment of regional pilot training centres;
- The establishment of a regional air traffic control training centres;
- The setting up of an ‘Airport Infrastructure Fund’; and
- Ensuring that the benefits of an ASEAN open skies policy in air cargo transportation be made instructive of how free movement capable of multiplying enormous economic benefits.

• **Logistics:**

Logistics is another existing PIS sector. For a single market and production base to become a reality, it is a fundamental requirement to have a seamless, efficient and uninterrupted movement of goods across the ten AMS, and this should entail an effective pan-ASEAN system to facilitate a supply chain criss-crossing all ASEAN economies. The following regulatory processes that discriminate against logistics trade and that hinder both domestic and foreign providers must be eliminated:

- **Mandatory Equipment Change:**
  One of the trade-inhibiting cross-border measures that is categorised as ‘Limitation on Equipment Usage’ in the cluster of ‘Land Transportation Specific Barriers’ is the requirement in some AMS for goods transport equipment or vehicles to be registered with the country that the goods are being moved through. With current regulations requiring equipment change, a container consignment for example, cannot reach its destination in Laos from Singapore unless its hauling transport vehicle is changed from a Singapore vehicle to a Malaysian vehicle, and, finally, a Thailand-registered vehicle. ASEAN-BAC proposes implementation of a system for an ASEAN-wide common certification of transport for usage in all AMS (a business solution involving the four countries above would be for all interested parties to establish a transport logistics joint venture).

- **Multiple clearances:**
  This is another measure that inhibits cross-border trade, and this has severe effects especially on inter-modal transportation companies that need to move goods between two markets, with multiplying clearance requirements when they have to move goods through different ASEAN countries.

• **Agri-food sector:**

Agri-food sector is part of the agriculture sector which is also an ASEAN PIS. The following recommendations are of high importance to this sector:
o The application of Mutual Recognition Agreement (MRA) on standards, additives and contaminants so as to ensure that agri-food products that comply with the requirements of one AMS is compatible to the requirements of other AMS;
o The application of MRA on nutrition labelling for a minimum requirement on the information provided for ASEAN-wide consumers, without the obligation to re-print or over-label;
o Reviewing ‘best practice’ application of MRAs in different industries and/or different regions;
o Once the recommendations above are implemented, ASEAN also needs to ensure an adequate transition arrangement and realistic timeline to minimise costs for businesses;
o The development of an implementation plan with the industry to support the competitiveness of Micro-, Small-, and Medium-sized Enterprises (MSMEs) in the sector;
o Public-private partnerships and industry consultation, particularly on the above-mentioned agri-food sector recommendations, as well as other issues relevant to the sector; and
o Embedding Good Regulatory Practice (GRP) by strengthening the ASEAN Secretariat. In relation to this, ASEAN-BAC proposes the setting up of a multi-sectoral task force that brings together senior officials of relevant ministries with industry experts and practitioners to address cross-cutting issues in the agri-food sector, and to promote the core principles of GRP to AMS when they decide and implement new legislation. This approach would encourage ‘regional’ thinking when policy-makers are developing national food laws.

• Retail sector:

Retail sector is not part of the existing PIS of ASEAN, though it can potentially be considered for inclusion as part of the Post-2015 Economic Vision of ASEAN. Real integration of this sector could bring about significant benefit to consumers and businesses. The use of technology in this sector in particular, is critical to the promotion of integration. Aside from allowing easier access for consumers to obtain products and services they desire, the use of technology in this sector also facilitates the development of businesses without having to contend with too many pre-existing impediments. Specific recommendations of ASEAN-BAC in this sector:

o E-Commerce is a growth industry which can significantly contribute to the retail sector. To date, business-to-customers internet sales in ASEAN account for only 1 percent of total sales, as opposed to 8 percent in developed economies. Adequate strategies to develop ASEAN e-commerce will facilitate further sector growth and regional trade;
o To consider the establishment of a region-wide e-payment regulation system that could cover the so-called ‘Know Your Customer (KYC)’ process. Moreover, in order to speed up the process, an e-payment escrow solution could also be examined;
o In order to ensure that local players could keep up with their non-ASEAN competitors, it is essential for ASEAN to improve access to finance for MSMEs in this sector. To ensure their competitiveness further, awareness initiatives could be carried out to inform MSMEs about existing e-commerce marketplaces;
o At the physical level, there has to be logistics and trade efficiency (refer to recommendations for the logistics sector). ASEAN should also consider introducing initiatives to facilitate the partnership between e-retailers and logistic players. The integration of logistics systems in ASEAN must be accelerated, and the ASEAN Single Window (ASW) system should be implemented fully.

9 The KYC process is the process of a business to verify the identity of its clients.
(7) Freer movement of skilled labour

After having signed the Framework Agreement on Mutual Recognition Arrangement in 1998, ASEAN since 2005 has been developing Mutual Recognition Agreements (MRAs) for eight professions, which include accountancy, architecture, dental practitioners, engineering, medical practitioners, nursing, surveying and tourism. Subsequently, the ASEAN Agreement on the Movement of Natural Persons was signed by the AEM on 19th November 2012 for the purpose of facilitating freer flows of services and skilled labour throughout the region. Notwithstanding these developments, the implementation of these MRAs remains sluggish, with the exception of engineering and architecture. However, despite being more advanced than the other six professions, border barriers as well as nationality and professional regulatory requirements still prevail in these two professions. For example, although registrations of these professions are done at the national level, further approvals are still required from the ASEAN Architecture Council and the ASEAN Chartered Professional Engineers Coordinating Committee. 10

In view of such limitations ASEAN-BAC recommends ASEAN to:

- **Complete, in the next few months to November 2015, the free movement of skilled architects and engineers across the region** as the model of what can be achieved, and bring up the level of achievement amongst the remaining six professions (which might require a longer timeline);
- **Expand the coverage of the existing ASEAN Agreement on the Movement of Natural Persons, which is currently focused on the services sector, to include the manufacturing sector.** Further attention on the manufacturing sector is relevant, particularly given the emphasis of the AEC Blueprint’s first pillar on becoming a ‘single market and production base’. Even though ‘investors’ are technically covered under Article 22 of the ASEAN Comprehensive Investment Agreement (ACIA), there are many other types of movement of people that are not covered under this Agreement. For example, when a manufacturing company in AMS ‘A’ intends to expand to AMS ‘B’, it might be required to move fully experienced managers and skilled workers to the latter to ensure a successful initial set up of the company in AMS ‘B’. Accordingly, ASEAN-BAC recommends **ASEAN to consider the granting of ‘business-visitors’ permit of up to 30 days, and intra-corporate transferees of up to two years for manufacturing companies.**

(8) ASEAN Lane

In its official submission to ASEAN Leaders in 2014, ASEAN-BAC called on all AMS to introduce special ASEAN Lane/Queue at all major points of entry, especially airports, to ease business travel and encourage intra-regional tourism across ASEAN. Currently, however, ASEAN Lanes are still yet to be found in many major entry points across the region. ASEAN-BAC is of the view that the introduction of such a special Lane could be a very short-term target that ASEAN could easily achieve. The initiative is also a good gesture of reaching out to the people of ASEAN.

(9) ASEAN Business Travel Card

As in the case with the ASEAN Lane, the issue of ASEAN Business Travel Card (ASEAN-BTC) was also covered in ASEAN-BAC’s official submission to ASEAN Leaders in 2014. Without needing to reinvent the wheel, ASEAN could use the existing APEC Business Travel Card (APEC-BTC) as a model for its own BTC. Introduced as a multiple-journey visa where card holders can enjoy visa-free entry and expedited immigration clearance through designated ‘premier lanes’ in participating countries, the use of APEC-BTC has shown significant savings for businesses. Annual immigration time-savings

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10 As of November 2014, up to 794 ASEAN Chartered Professional Engineers were approved from Singapore, Malaysia, Indonesia, Vietnam, Myanmar, and the Philippines.
reached a total of 62,413 hours thus far, or equal to US$ 1.9 million (more than the annual contribution of each AMS to the ASEAN Secretariat). Application time costs were also reduced by 43.3 percent, immigration costs by 52.4 percent, and application fees by 27.8 percent. Recent information gathered by ASEAN-BAC also suggests that up to 91 percent of APEC-BTC holders are satisfied with the operation of this facility, and this has been translated to up to 100 percent year-on-year growth on the number of application made for this Card.\(^\text{11}\)

In addition to this, the introduction of ASEAN-BTC will likely boost border integrity and security, since the initiative would increase the number of low-risk travellers as each applicant is checked against the ‘watch lists’ of the participating countries. When and if implemented, the ASEAN-BTC can be made valid for three years and can be renewed. Applications for such a facility can be accompanied by a supporting letter alluding to the applicants’ involvement in investment and trade activities in ASEAN. In view of such potential benefits, ASEAN-BAC recommends ASEAN to accelerate the launching of the ASEAN-BTC, a short-term deliverable that can be implemented in-time with the official launching of AEC at the end of this year.

(10) The ratification and enforcement of the remaining AEC-related legal instruments

The ASEAN Secretariat has, earlier this year, developed a matrix of ASEAN legal instruments, which is available in its official website. Whilst up to 87 percent, or 11 out of 17, of the AEC-related legal instruments are already in force or have been superseded by later agreements, the full ratification and enforcement of the remaining six AEC-related legal instruments are still pending (refer to Table 2.). Given their importance in facilitating greater economic integration in the region, ASEAN-BAC recommends the remaining AMS that have yet to ratify these legal frameworks do so in the near future.

Table 2. List of AEC-related Legal Instruments Requiring Ratification and Enforcement

<table>
<thead>
<tr>
<th>No.</th>
<th>Name of Instruments</th>
<th>Place/Date of Signing</th>
<th>Remaining AMS to Ratify</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ASEAN Agreement on the Movement of Natural Persons</td>
<td>Phnom Penh, Cambodia / 19 November 2012</td>
<td>Indonesia, Lao PDR, and the Philippines</td>
</tr>
<tr>
<td>2.</td>
<td>Memorandum of Understanding on the Association of Southeast Asian Nations’ Air Services Engagement with Dialogue Partners</td>
<td>Bandar Seri Begawan, Brunei Darussalam / 12 November 2010</td>
<td>Brunei Darussalam and Cambodia</td>
</tr>
<tr>
<td>3.</td>
<td>Protocol to Amend the ASEAN Comprehensive Investment Agreement</td>
<td>Nay Pyi Taw, Myanmar / 26 August 2014</td>
<td>Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Myanmar, Philippines, and Vietnam</td>
</tr>
<tr>
<td>4.</td>
<td>ASEAN Mutual Recognition Arrangement on Tourism Professionals</td>
<td>Bangkok, Thailand / 9 November 2012</td>
<td>Brunei Darussalam, Cambodia, Lao PDR, and Vietnam</td>
</tr>
<tr>
<td>6.</td>
<td>ASEAN Framework Agreement on the Facilitation of Goods in Transit, Protocol 6 on Railway Border and Interchange Station</td>
<td>Phnom Penh, Cambodia / 16 December 2011</td>
<td>Cambodia, Malaysia, Thailand, and Vietnam</td>
</tr>
</tbody>
</table>

\(^{11}\) There is, however, no available data or primary research on the business and economic multipliers of the increased business travel, which must be considerable.
(11) The establishment of an ASEAN Young Entrepreneurs Association

The establishment of an ASEAN Young Entrepreneurs Association (AYEA) was one of the key recommendations of ASEAN-BAC in 2014. Under the Chairmanship of Malaysia this year, ASEAN-BAC proposes ASEAN Leaders to:

- Formally announce its support for the establishment of AYEA with whom ASEAN Leaders, Economic Ministers, as well as other relevant ASEAN-related Organs and bodies will engage;
- Recognise AYEA as the official representative of young entrepreneurs to interact with ASEAN Leaders, ministers, and officials to address their business concerns and to enhance innovation.

(12) ASEAN women entrepreneurs

Currently, the recognised ASEAN Women Entrepreneurs Network (AWEN) works with the ASEAN Committee on Women under the auspices of the ASEAN Socio-Cultural Community pillar. Given the importance of women in the economic development of ASEAN, ASEAN-BAC recommends ASEAN Leaders to:

- Formally recognise the role and contribution of women in the ASEAN economy, and support the setting up of a Women Entrepreneurs Association;
- Call on the AWEN to work closely with the ASEAN-BAC’s Women Entrepreneurs Working Group and other relevant women’s association in the region to develop proposals in addressing critical issues facing women entrepreneurs in the ASEAN Economy.

(13) Other potential short-term deliverables

In addition to the above-mentioned deliverables that ASEAN could achieve by the end of 2015, there are also other short-term deliverables that ASEAN should consider pursuing to make the launching of the AEC more meaningful to the people of the region. These include:

- Further improvement to the official website of the ASEAN Secretariat

The ASEAN website as the centre of ASEAN progress and information needs to be more attractive for the public. At the moment, the official website of the ASEAN Secretariat is stodgy, packed with information mainly on meetings, their schedules, agreements, media releases, and a lot of history presented in an uninteresting manner. In particular, the website of ASEAN needs to capture the interest of its young population, which currently makes up about 50 percent of its total population. ASEAN-BAC, therefore, recommends AMS allocate the necessary resources to allow the ASEAN Secretariat to continuously improve its website.

- ASEAN Internship Programme

Mooted by Malaysia earlier this year, ‘My ASEAN Internship’ programme is envisaged to develop greater consciousness and knowledge of ASEAN amongst young leaders in the region. The programme promotes the exchange of students amongst ASEAN universities, both public and private. ASEAN-BAC also recommends further expansion of the programme to include:

  - Apprenticeship and vocational training of students from technical and trade institutes, possibly to be facilitated by the ASEAN Foundation. Such trainings can be of great benefit, particularly for the less developed economies of the region;
• AMS to team up with multinational corporations (MNCs) and large-size ASEAN companies to organise short courses to upskill talent. Aside from identifying new talents, such an initiative could help equip these talents with the necessary financial and managerial skills;
• ASEAN and AMS to house these short courses within an over-arching ASEAN MSMEs think-tank to address vast challenges faced by these economic actors (whilst MSMEs comprise over 96 percent of total registered enterprises in ASEAN, they produce only an average of one-third of total output and exports of the region).

• ASEAN foodstalls and cafes in major towns and points of entry

The introduction of ASEAN foodstalls and cafes in all major towns and transit and points of entry in the region, particularly airports, could make a significant difference in the promotion of ASEAN amongst the citizens and other visitors. ASEAN-BAC recommends encouragement of private sector players to focus on and advertise ASEAN food, where there is great commonality across the region, both in terms of taste and the propensity to eat out at an affordable cost.

2.2. ASEAN’s Economic Integration Agenda Post-2015

(1) Responsible business practice

The promotion of ‘responsible business practice’ in ASEAN is gaining traction, both amongst the private sector and the wider civil society organisations (CSOs). At the national level, for instance, global business standards, such as ISO 26000 on Social Responsibility, the United Nations Global Compact and the recently launched UN Guiding Principles on Business and Human Rights, are becoming major topics of discussions amongst these non-state actors. Some AMS, moreover, are also taking part in other global business governance initiatives such as the Extractive Industry Transparency International (EITI) and so on.

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12 Launched in 2010, ISO 26000 provides guidance on the ways in which businesses and organisations can operate in a socially responsible way. Unlike other ISO standards which require certification, ISO 26000 only works as a guidance to assist firms to act in an ethical and transparent way that contributes to sustainable development, including the health and welfare of society. Aside from clarifying the definition of social responsibility, ISO 26000 also assists businesses and organisations translate principles into effective actions and allows the sharing of best practices relating to social responsibility at the global level. Further information concerning ISO 26000 is available from its official website at (accessed 23rd March 2015): http://www.iso.org/iso/home/standards/iso26000.htm.

13 The UNGC is a strategic policy initiative by the UN to encourage businesses to align their operations and strategies with the ten universally accepted principles in the areas of human rights, labour, environment, and anti-corruption. It was expected that, by doing so, businesses, as primary driver of globalisation, can help ensure that markets, commerce, technology, and finance advance in ways that benefit economies and societies everywhere. It is the largest corporate sustainability initiative in the world, with around 10,000 signatories based in more than 140 countries. Further information concerning the UNGC initiative is available from its official website at (accessed 23rd March 2015): http://www.unglobalcompact.org/

14 The UNGPs are a global standard for preventing and addressing the adverse impacts on human rights linked to business activity. It was unanimously endorsed by the United Nations Human Rights Council as the framework for corporate human rights responsibility initiative of the UN. It encompasses three main pillars on the ways in which businesses could implement the framework, which include: (1) state duty to protect human rights; (2) corporate responsibility to respect human rights; and (3) access to remedy for victims of business-related abuses. Further information concerning the UNGP is available from, inter alia, Business and Human Rights Resource Center’s official website at (accessed 23rd March 2015): http://www.business-humanrights.org/SpecialRepPortal/Home/Protect-Respect-Remedy-Framework/GuidingPrinciples.

15 EITI is a global collaboration of governments, firms, and civil society to improve the openness and accountable management of revenues from natural resources. Countries that implement the EITI standard are expected to ensure full disclosure of taxes and other payments made by oil, gas, and mining companies to governments. These payments, subsequently, are to be published in the annual EITI report, which is available publicly. Further information on the EITI is available from its official website at (accessed 23rd March 2014): http://www.eiti.org
At the regional level, meanwhile, ASEAN-BAC follows closely the recent discussions on the nexus between Corporate Social Responsibility (CSR) and human rights, and applauds the ASEAN Intergovernmental Commission for Human Rights (AICHR) for having successfully launched its Report on the subject at the end of 2014. ASEAN-BAC is of the view that responsible business practice is critical to the sustainability of ASEAN’s economic development, growth, and competitiveness, and, as such, recommends ASEAN to:

- Create a conducive environment for the idea on and around responsible business practices to be adapted by private sector across the region;
- Initiate efforts to mainstream responsible business practices that are supportive of inclusive, equitable, and sustainable economic development in ASEAN;
- Ensure that such an initiative focuses on economic actors of all sizes so that the promotion and enforcement of responsible business practice can be maximised.

(2) Cross-pillar and cross-sectoral coordination

Coordination across sectors and the three pillars of ASEAN’s cooperation remains a key challenge for ASEAN to date, and this is likely to remain so for some time to come. The issue remains problematic despite the specific roles given to the ASEAN Coordinating Council to pursue such a coordination. To date, it is also understood that specific division within the ASEAN Secretariat have already been put in place to address cross-sectoral coordination within each of the pillars of ASEAN cooperation. Aside from the ASEAN Coordinating Council, however, there is no other official body within the existing ASEAN structure that is tasked to carry out cross-pillar coordination work. Apart from hindering effective integration amongst the AMS, ASEAN’s failure to address this issue is also likely to widen the gap between itself and the citizens of the region.

For example, whilst it is obvious that ASEAN could benefit a lot from enhanced integration amongst its Member States, there is also increasing evidence to suggest that economic integration could create losers, widen income gaps, undermine environmental sustainability and so on. Some observers even go on to suggest that the full implementation of the AEC at the end of the year may also increase the level of drug smuggling, human trafficking, and transnational crimes.16

Unfortunately, the economic pillar of ASEAN’s cooperation does not address such adverse effects directly, while at the same time, the compartmentalisation of ASEAN’s cooperation only allows issues such as environmental sustainability, gender inequality, amongst others, to be addressed under the socio-cultural pillar. The issues pertaining to transnational crimes are covered solely under the political-security pillar. Enhanced cross-sectoral and pillars coordination is becoming critical, particularly given the multifaceted challenges that the region confronts today and in the foreseeable future.

In view of these specific challenges, ASEAN-BAC, therefore, recommends ASEAN to:

- Set-up of a special division within the ASEAN Secretariat to address cross-pillar coordination;
- Encourage the ASEAN Coordinating Council and other relevant ASEAN-related Organs to carry out regular exchange of views with stakeholders (e.g. private sector, non-governmental organisations, trade unions, etc.) representing different pillars of ASEAN cooperation; and

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16 See, for example, Heijmans (2015).
• In relation to the second point of recommendation above, create a permanent forum that allows exchange of views on cross-sectoral/pillars issues to be discussed not only between ASEAN policy-makers and stakeholders, but also amongst stakeholders themselves.

(3) Institutional reforms of ASEAN

Institutional reforms can be one of the immediate post-2015 reform agenda of ASEAN. ASEAN-BAC was made to understand that a review process of ASEAN’s internal operations had taken place during the chairmanship of Myanmar in 2014. Many of the recommendations put forth by the High-Level Task Force on the issues, such as the granting of more authority to the Committee of Permanent Representatives (CPR) to negotiate agreements amongst AMS, the improvement of AMS’ capabilities to handle issues in the three pillars of ASEAN cooperation and the increase number of staff at the ASEAN Secretariat by 54 percent, are in line with ASEAN-BAC’s views on how institutional reforms should take place in the Association. More importantly, improved funding of the ASEAN Secretariat is also needed if the Association is to work more effectively in the future. ASEAN-BAC, therefore, encourages ASEAN to implement these recommendations immediately so that the Association has the necessary institutional support to implement decisions that have been made by highest decision-makers more effectively. In the absence of adequate resources, our Council also recommends ASEAN to put in place private sector groups in the ASEAN Secretariat, such as the FSCM-EG, to improve the latter’s performance and monitoring activities, and, ultimately, to achieve better coordination not only across different pillars of ASEAN cooperation, but also within each pillar (e.g. AEMs, ASEAN Finance Ministers, and other AEC-related organs and bodies).

(4) Getting ASEAN closer to the people

ASEAN has often been criticised as being an elitist organisation that employs top-down approach to integration. Given the multifaceted challenges that the region faces today, ASEAN needs to reconsider its regional integration approach, and turning itself into a truly people-oriented, people-centred, regional organisation. ASEAN-BAC understands that civil society organisations (CSOs) have been keen in pursuing engagement with ASEAN for quite sometime now. CSOs-led initiatives, such as the now defunct ASEAN People’s Assembly and more recently the ASEAN Civil Society Conference and the ASEAN People’s Forum, are testament to CSOs’ intention to pursue constructive engagement with ASEAN. ASEAN-BAC is of the view that CSOs play a complementary, if not critical, role in ASEAN’s efforts to address political and socio-economic challenges of the region. It is also important to note that, unlike in other pillars of ASEAN cooperation, CSOs’ participation in the economic building of ASEAN has been relatively limited. Given the importance for the region of maintaining both economic growth and sustainable and inclusive development, the expansion of the role of CSOs in the economic community-building process of the Association deserves serious attention.

In order to make itself more relevant to the people of ASEAN, there is a need for ASEAN to deepen its engagement with CSOs and other community groups in the region. ASEAN-BAC will explore ways in which it could help facilitate interactions between CSOs and the private sector so that concerns and aspirations of all parties concerned can be better coordinated in the future.

(5) Financial, legal, and tax infrastructure

As mentioned in the earlier section, financial (e.g. capital markets, ASEAN MSME Bank, etc.), legal (e.g. ASEAN Arbitration Centre and ASEAN Registry) and tax infrastructure is critical to the economic development of the region and the relevance of AEC for businesses and the people of the region. Formal announcement of ASEAN’s intent to set up such infrastructure could serve as short-term targets that ASEAN could achieve between now and the official launching of the AEC. The actual
development of financial, legal and tax infrastructure, as well as ways in which they could be used, must be part of ASEAN’s post-2015 economic vision.

(6) New approaches to economic integration

Despite considerable progress in the economic community building of ASEAN, much needs to be done to make the region a truly economically integrated community. In order to further accelerate economic integration, ASEAN-BAC recommends ASEAN to identify new approaches beyond the ‘blueprint’ approach. This new approach could include full sector-by-sector and/or skilled profession-by-skilled profession integration that prioritise sectors and/or professions that have most meaning to the people. In addition, ASEAN should also consider adopting an aggressive problem-solving approach to remove key impediments to economic integration in the region.

(7) Sustainable development

Even with tremendous growth potential, the booming economy of Southeast Asia also carries with it interlinked economic, social, and environmental challenges. The current growth model that is employed by many AMS is by and large, based on natural resources exploitation, and this helps exacerbate these challenges (OECD, 2014). Amongst some of the most pressing concerns facing the region is climate change, with temperature and other climatic variables expected to change significantly, causing changes in rainfall patterns, day and night time temperatures. A study conducted by Eastham et al. (2008) for example, predicts a basin wide temperature increase of 0.79°C and an increase in flooding in all parts of the basin by 2013, with the greatest impact in downstream catchments on the main stream of the Mekong River. In view of such pressing challenges, achieving a balance between economic growth and sustainable development such as through the promotion of green growth model should be made a priority in the post-2015 economic vision of ASEAN.

(8) Workers’ issues in ASEAN

Southeast Asia is home to millions of workers and significantly growing. In 2005, for example, labour force in ASEAN stood at about 276.8 million, and the figure is likely to increase by around 55 million, or 19.8 percent, by this year. The recent impressive growth has improved the quality of life and work, but millions of people in the region still lack employment opportunities, access to basic social and economic services, and endure poor working conditions. To ensure the inclusiveness of workers in the economic integration process of ASEAN, the Association may want to consider the incorporation of ‘Decent Work’ principles in its regional economic community building.17

Equally important is the issue of labour migration. It is estimated that about 40 percent of the ASEAN migrant population, or 5.3 million people, is based in other ASEAN member countries (Hamada, 2013: 3). Although ASEAN has initiated efforts to facilitate freer flow of skilled labour, mainly through the implementation of MRAs based on national and ASEAN Qualification Frameworks as well as the facilitation of temporary visa issuances, the nature of today’s intra-ASEAN migration flow is still dominated by unskilled workers (more than 87 per cent are low-skilled), whilst irregular migration, at the same time remains an intractable problem (Sugiyarto and Agunias, 2014: 1). The imminent threat of the decline of the agricultural sector, the obstruction of rural development and the destruction of

17 Decent Work, according to the ILO (n.d.), ‘sums up the aspirations of people in their working lives. It involves opportunities for work that is productive and delivers a fair income, security in the workplace and social protection for families, better prospects for personal development and social integration, freedom for people to express their concerns, organize and participate in the decisions that affect their lives and equality of opportunity and treatment for all women and men.’
rural lands to make room for modern development forces more jobs and workers out of rural areas, resulting in an overflow of low and unskilled workers in different parts of the region (Santoso, 2015).

Given the aforementioned challenges, ASEAN-BAC encourages ASEAN to accelerate the signing of a regional instrument that promotes and protects the rights of migrant workers. Specific to the AEC, meanwhile, ASEAN-BAC also recommends ASEAN to involve greater participation of the private sector in the process of skill standards and cross-border skills recognition. Private sector expertise and understanding of the required skills will help establish the required minimum standards for specific strategic sectors, including those already regulated under the existing MRAs.

(9) Information, Communication, and Technology (ICT)

ICT is one of the fastest growing industries in ASEAN and a key enabler in connecting ASEAN to people, to one another and to the world. ICT is also changing the way people communicate and conduct business. There is now a new era of ICT brought about by the advancement and application of ICT in almost every facet of ASEAN citizens’ working and social life (ASEAN Secretariat, 2011: 8). The industry has been developing at a remarkable pace, with more than 220 million internet users in ASEAN as of 2014. Aside from employing over 11.7 million people across the region, the ICT sector also contributes more than US$ 32 billion, or over 3 percent, of ASEAN’s total GDP. It is also estimated that mobile penetration and internet penetration in the region today stand at 110 and 25 percent respectively (Zito et al., 2014).

Although it remains one of the most protected industries in the region, ICT has been experiencing gradual liberalisation as the region continues to see steady investment in ICT development. Despite significant attention to facilitate the potential growth of this industry (e.g. the launching of the ASEAN ICT Masterplan in 2011), challenges such as lack of infrastructure and ICT literacy remain. Digital divide still persists throughout the region, with a lack of digital presence from people and businesses in ASEAN resulting in the underutilisation of a valuable tool for connectivity. In order to maximise the potential benefits from the growth of this industry, it is important for ASEAN to fully implement its own existing ICT Masterplan, and identify ways in which the sector could facilitate further growth in the region. This could include, amongst other things, the removal of entry barriers in this sector and encouraging public-private partnerships to develop the industry.

(10) Human capital development for greater innovation and creativity

Most, if not all, AMS generally see a strong human resource base as a critical component for good economic performance. Aside from primary education, many ASEAN governments increase their attention and investments on vocational and technical education. Despite this, most countries in the region still have a long way to go to fully develop their innovative capacity. For example, engineering, a significant source of innovation for a country, needs an adequate curriculum compatible to regional and global standards, as well as to cater to the need of ASEAN countries to innovate (Tullao and Cabuay, 2013: 1). As a short-term deliverable measure, ASEAN-BAC has earlier encouraged ASEAN to further expand the Malaysia-led ‘My ASEAN Internship’ Programme, which is aimed not only to improve the awareness of young population about ASEAN, but also to facilitate greater innovation and creativity that will meet regional, if not global requirements. In the longer term however, ASEAN needs to put in place specific strategies to support human capital development programmes that cater to the growing need of its industries and the society at large.
(11) ASEAN Centrality

In 2014, ASEAN-BAC recommended to adopt the principle of ‘Global ASEAN’ as part of its economic integration agenda beyond 2015. As mentioned, the ‘Global ASEAN’ concerns primarily with ASEAN centrality and the need for AMS to achieve a common framework and approach to multilateral economic diplomatic areas beyond ASEAN. There should be emphasis on the importance of the issue, particularly given the increased involvement of ASEAN and AMS in numerous regional trading platforms beyond ASEAN, such as in the Regional Comprehensive Economic Partnership and the Trans Pacific Partnership. ASEAN centrality is crucial to the advancement of the region’s interests in these multilateral discussions, and ASEAN-BAC recommends ASEAN to maintain this principle on a sustainable basis.
3. Update and Progress on ASEAN-BAC’s 2014 Recommendations

ASEAN-BAC submitted a wide range of policy and practical recommendations to the ASEAN Economic Ministers (AEM) and ASEAN Leaders in 2014, ranging from issues such as the maximisation of the potential benefits of regional economic integration for Micro-, Small-, and Medium-Sized Enterprises (MSMEs), the inclusion of women and young entrepreneurs in the economic pillar of ASEAN cooperation, issues related to Priority Integration Sectors (PIS) of ASEAN, business travels and tourism, post-2015 ASEAN economic vision and so on. To date, however, ASEAN-BAC was made to understand that ASEAN is still in the process of compiling official responses from different sectoral bodies to produce an update on the progress of the Council’s official recommendations to the AEM and ASEAN Leaders in 2014. Through informal exchanges between staffs of the ASEAN-BAC Secretariat and the officials of the ASEAN Secretariat and ASEAN Member States, as well as several ASEAN-related activities involving ASEAN-BAC, the Council acknowledges that there is substantive progress made in some areas, whilst in other areas, updates on the progress of ASEAN-BAC’s 2014 recommendations remain unclear.

Based on unofficial information that has been made available to ASEAN-BAC however, the Council takes special note of the progress made by ASEAN in responding to its recommendations on MSMEs. In relation to information campaign for these economic actors, for example, ASEAN-BAC understands that the ASEAN SME Agencies Working Group (SMEWG), along with ASEAN’s development partners is currently in the process of developing a flagship initiative to enhance MSMEs’ access to information by establishing a dedicated ASEAN SME Service Centre/Web Portal. Also, in relation to the Council’s proposal to improve access to finance for MSMEs, ASEAN-BAC acknowledges that the ASEAN SMEWG is also pursuing collaborative efforts with relevant agencies at the national level and ASEAN’s development partners to formulate an ASEAN Benchmark for SME Credit Rating Methodology, as well as workshops to enhance MSMEs’ capacities to access available financial facilities in AMS.

We also understand that some progresses have been made in our recommendations around the promotion of women and young entrepreneurs in the region. On women entrepreneurs, for example, it is our understanding that ASEAN is pursuing collaboration with its development partner to conduct capacity building initiatives to enhance the participation of women entrepreneurs in regional value chain network. As far as the promotion of young entrepreneurs is concerned, meanwhile, ASEAN-BAC has recently learned of the initiative put in place by the ASEAN SMEWG to establish the ASEAN Business Incubation Network (ABINET), which is currently in the process of developing relevant technologies and models to promote the competitiveness of MSMEs, including young entrepreneurs. It is also our understanding that ASEAN is planning to incorporate women and young entrepreneurs as one of the critical components in the Post-2015 ASEAN Strategic Action Plan for SME Development.

Notwithstanding the progress made in the areas mentioned above, ASEAN-BAC encourages ASEAN to implement the rest of its 2014 recommendations. For example, ASEAN-BAC remains unaware if any official talks have been carried out to discuss ASEAN-BAC’s recommendation on the establishment of ASEAN MSME Bank that could facilitate greater financial access to MSMEs. In addition to this, there is also no clarity on ASEAN plans to officially include women entrepreneurs under the economic pillar of ASEAN cooperation. Furthermore, with the exception of several major points of entry in some AMS, special ASEAN Lanes/Queues remain absent in numerous points of entry in AMS. There is also no formal indication whatsoever if the long-awaited ASEAN Business Travel Card (ASEAN-BTC) will be unveiled soon. Despite this, ASEAN-BAC remains hopeful that all of its past recommendations are seriously being considered and can be implemented fully by ASEAN.
4. Conclusion

ASEAN community-building is based on a process of functional integration, and the proposals included in this Report are conducive towards the announcement of a credible ASEAN Economic Community truly visible to the people by year end. Also accompanying these proposals are fundamental underlying recommendations to develop a sustainable financial support system, an effective catalyst in stimulating intra-ASEAN activity. 2015 as a milestone year for the AEC must also place importance on the identification of key enablers to be pursued in the post-2015 economic vision, and this should be the key economic focus going into the year end coupled with the long-awaited announcement of the AEC. As the mandated private sector representative, ASEAN-BAC will continue to encourage the salient feedback and recommendations of the private sector on ASEAN policies, as well as its direct effect and relevance to the ASEAN people at large. Immediate implementation of the ‘short-term’ proposals by ASEAN-BAC in this Report will better position ASEAN to present a credible AEC, simultaneously laying the foundations for a tenable post-2015 Agenda at the end of the year and into 2016. With the confidence of a successful AEC announcement in 2015, the second 2015 ASEAN-BAC Report to be submitted during the ASEAN-BAC Consultation with ASEAN Leaders in November will focus on post-2015 issues.
REFERENCES


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Appendices
Appendix 1
Terms of Reference of the Financial Services and Capital Market Expert Group (FSCM-EG)

1. The FSCM-EG has a broad function of providing advice from within the ASEAN Secretariat on how ASEAN could achieve better integration in the financial services and capital markets sector.

2. It shall serve as a platform and avenue for private sector to identify barriers and public sector limitations in the financial services and capital markets sector, and to provide feedback to overcome these barriers.

3. It shall engage market participants from across the ASEAN region to jointly create a common set of goals or utility that can be realistically achieved.

4. The Expert Group shall also be tasked to encourage investment, help build capabilities, and foster development of less developed ASEAN Member States (AMS).

5. It shall produce and present a summary White Paper to the ASEAN Finance Ministers (AFMs) on its findings and recommendations.

6. In terms of its composition, the FSCM-EG shall comprise:

   (a) A financial services expert, an appointee from a consulting background with expertise in ASEAN financial services integration;
   (b) A capital markets expert, an appointee from a consulting background with expertise in ASEAN capital markets development and integration;
   (c) A policy expert, an appointee from an academic/advisory background with ASEAN policy development experience.

7. The FSCM-EG will be supported by a FSCM Working Group, with members from both local ASEAN and foreign banks.
## Appendix 2
### Summary of ASEAN-BAC’s Recommendations to ASEAN Leaders 2015

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<th>No.</th>
<th>Issues</th>
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| 1. | Priority Integration Sectors (PIS) of ASEAN | • Unbalanced growth across different PIS sectors;  
• No known comprehensive assessment of the overall progress of the scheme;  
• Limited available information concerning PIS initiative generally;  
• Strong focus of existing PIS to integrate ASEAN with the global economy, rather than the integration of the ASEAN economies. | • Identification and removal of disablers and other NTMs/NTBs in the PIS, and move towards reducing the disparity on tariff removals between ASEAN countries;  
• The implementation of a comprehensive review of the existing PIS;  
• The publication of reports on progress and achievements on, as well as lessons that can be learned from the implementation of the PIS so far;  
• Readjustment of the orientation of the scheme to focus more on the internal economic integration of ASEAN; and  
• Explore new sectors to be integrated into the existing PIS arrangement, particularly those that could move ASEAN up into the global value chain. |
| 2. | Non-Tariff Measures (NTMs)/Non-Tariff Barriers (NTBs) | The increasing imposition of NTMs/NTBs that is not only distortive to trade, but also consumer choices across the region. | • Identify ways in which that NTMs/NTBs imposed by its AMS, particularly those that are backed with solid safety and protection consideration, do not have trade-impairing effect in the region;  
• Identify the right incentive to encourage AMs to set up an inter-ministerial coordination mechanism to centralise information on regulations at the national level, and for them to submit relevant information on their respective NTMs/NTBS to ASEAN willingly; and  
• ASEAN to make an official announcement to develop a clear roadmap to phase out NTMs/NTBs in time with the official launching of the AEC. |
| 3. | Financial services and capital markets | Inadequate financial services reforms and capital market integration hinder inclusive development in ASEAN | • The establishment of a Financial Services and Capital Market Expert Group to propose steps and measures to highest ASEAN decision-makers to introduce new ideas, as well as speeding up the implementation of proposals on and around financial services reforms and capital markets integration; and  
• Emphasizing the financing and capital markets arrangements for the benefit of infrastructure development in the region, such as through the setting up of a consultative forum to allow ASEAN to access new ideas to attract funds from external parties. |
| 4. | The establishment of ASEAN MSMEs Bank | Limited access to finance to facilitate greater growth of MSMEs | • Given the inability of AMS to contribute equally to this initiative, the main emphasis should be on the realisation of a capital base substantial enough for the Bank to be credible;  
• Legal recognition and enforceability for cross-border collateral is to be given to the Bank to ensure that this financial institution can work effectively; |
The composition of the board of directors should reflect shareholding interests, with the chairman being chosen from the single largest shareholder, but should not be so large as to make the board unwieldy;

- The Memorandum of Articles of the association of the Bank should reflect the following:
  - The Bank will operate on a commercial basis;
  - The Bank will provide both conventional and non-conventional financial facilities (e.g. issuance of debt and equity instruments, MSMEs Fund, etc.);
  - The Bank can take equity stakes when deemed appropriate and profitable;
  - Reporting should be done on a quarterly basis, and should include normal matters of commercial operating environment, as well as all applications made by MSMEs to access the Bank’s financial facilities;
  - Whilst independent, the management of the Bank remains answerable to the board of directors;
  - No outside interference in the conduct of the management’s daily business;
  - The management of the Bank must comprise entirely of ASEAN citizens;
  - One of the agenda items of the Bank’s Annual General Meeting must include a review of the progress of the Bank;

5. **ASEAN tax and legal infrastructure**

| The absence of region-wide tax and legal infrastructure hinders greater investment and the promotion of inclusive and sustainable development in the region |

- ASEAN to announce an ASEAN Tax Agenda to be part of its post-2015 work streams;
- The setting up of an ASEAN Arbitration Centre to assist ASEAN in governing arbitration matters and to standardise arbitration classification within the region;
- The setting up of an ASEAN Registry to serve as a repository of information about companies operating in ASEAN.

6. **Sector-specific recommendations**

6.1. **Aviation**

| Inadequate policies to accommodate recent changes in the industry |

- The establishment of regional pilot training centres;
- The establishment of a regional air traffic control training centres;
- The setting up of an ‘Airport Infrastructure Fund’; and
- Ensuring that the benefits of an ASEAN open skies policy in air cargo transportation should be instructive of how free movement capable of multiplying enormous economic benefits.

6.2. **Logistics**

| The absence of effective inter-modal supply chain pan-ASEAN system criss-crossing all ASEAN economies |

- ASEAN to implement a system for an ASEAN-wide common certification of transport for usage in all AMS;
- ASEAN to remove multiple clearances that inhibit cross-border trade.

6.3. **Agri-food sector**

| The need for ASEAN to improve the MRA system in the sector, and to ensure the inclusion of |

- The application of MRA on standards, additives, and contaminants so as to ensure that the requirements fulfilled in one AMS can be
|   | MSMEs in the development of the sector | accepted in other AMS;  
|   | • The application of MRA on nutrition labeling so as to enable such a labeling to be acceptable in all AMS;  
|   | • Reviewing ‘best practice’ application of MRAs in different industries and/or regions;  
|   | • Ensuring adequate transition arrangement and realistic timelines so as to minimise costs for business should the implementation of the aforementioned proposals is to move ahead;  
|   | • The development of an implementation plan with the industry to support the competitiveness of MSMEs in the sector;  
|   | • Public-private partnership and industry consultation; and  
|   | • The setting up of a multi-sectoral task force that brings together relevant officials and stakeholders to address cross-cutting issues in the sector. |
| 6.4. | Retail sector | Retail sector is to be considered as one of new PIS sectors;  
|   | Real integration of this sector could bring about significant benefits to producers and consumers | • E-Commerce to be considered as a growth industry that will power the retail sector in the region;  
|   | | • The establishment of a region-wide e-payment specific regulation that would cover the so-called ‘Know Your Customer’ process;  
|   | | • The improvement of access to finance for MSMEs in this sector to enable them to keep up with their non-ASEAN competitors;  
|   | | • Aside from the promotion of online retail logistic services, ASEAN may also consider the introduction of initiatives to facilitate the partnership between e-retailers and logistics players; and  
|   | | • ASEAN to accelerate the integration of logistics system across the region. |
| 7. | Free movement of skilled labour | Complete, in the next few months to November 2015, the free movement of skilled architects and engineers across the region as the model of what can be achieved;  
|   | The need to enhance ASEAN’s existing initiative to free up movement of skilled labour | • Bring up the level of achievements amongst the remaining six professions; and  
|   | | • Expand the coverage of the existing ASEAN Agreement on the Movement of Natural Persons to include the manufacturing sector (e.g. ASEAN to consider the granting of ‘business-visitors’ permit of up to 30 days, and intra-corporate transferees of up to two years for manufacturing companies). |
| 8. | ASEAN Lane | Special ASEAN Lanes are still absent in many major points of entry across ASEAN  
|   | ASEAN to put in place a special, dedicated, ASEAN Lane in all major points of entry across ASEAN. This Lane must be used only for ASEAN citizens. |
| 9. | ASEAN Business Travel Card (ASEAN-BTC) | Slow progress towards the launching of ASEAN-BTC  
|   | Accelerate the launching of the ASEAN-BTC, which can be made a short-term deliverable in time with the official launching of the AEC at the end of 2015. |
| 10. | The ratification and enforcement of the remaining AEC-related legal instruments | Up to six major AEC-related legal instruments are not ratified and enforced, and these include: (1) ASEAN Agreement on the Movement of Natural Persons; (2) Memorandum of  
|   | Given their importance in facilitating greater economic integration in the region, ASEAN-BAC recommends the remaining AMS that have yet ratified these legal frameworks to do so in the near future.
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<td>Understanding on the Association of Southeast Asian Nations’ Air Services Engagement with Dialogue Partners; (3) Protocol to Amend the ASEAN Comprehensive Investment Agreement; (4) ASEAN Mutual Recognition Arrangement on Tourism Professionals; (5) ASEAN Framework Agreement on the Facilitation of Goods in Transit, Protocol 9 on Dangerous Goods; and (6) ASEAN Framework Agreement on the Facilitation of Goods in Transit, Protocol 6 on Railway Border and Interchange Station</td>
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| 11. Young entrepreneurs | The establishment of the ASEAN Young Entrepreneurs Association (AYEA) to ensure the participation of the region’s young entrepreneurs in the economic integration process of ASEAN | • ASEAN to formally announce its support for the establishment of AYEA;  
• Recognise AYEA as the official representative of young entrepreneurs to interact with the highest decision-making bodies of ASEAN |
| 12. Women Entrepreneurs | The inclusion of women entrepreneurs under the economic pillar of ASEAN cooperation | • ASEAN to formally recognise the role and contribution of women in the ASEAN economy;  
• Call on the ASEAN Women Entrepreneurs Network to work closely with the ASEAN-BAC’s Women Entrepreneurs Working Group and other relevant women’s association in the region to develop proposals in addressing critical issues facing women entrepreneurs in the ASEAN Economy |
| 13. Other short-term deliverables |   |   |
| 13.1. ASEAN Secretariat website | Existing website of ASEAN fails to capture the attention of the region’s citizens, particularly the youth | • Continuous improvement of the official website of ASEAN;  
• AMS to allocate adequate resources to allow the ASEAN Secretariat to improve the Association’s official website; and  
• ASEAN to find ways in which its official website could capture the attention of the growing youth population of the region |
| 13.2. ASEAN Internship Programme | Average, if not low, consciousness of and knowledge about ASEAN amongst the youth population across the region | • ASEAN, possibly through ASEAN Foundation, to facilitate apprenticeship and vocational training of students from technical and trade institutes;  
• AMS to team up with MNCs and large-size ASEAN companies to organise short courses to upskill talent; and  
• ASEAN and AMS to host these short courses within an over-arching ASEAN MSMEs think-tank to address vast challenges faced by these economic actors |
| 13.3. ASEAN foodstalls and cafes | The need for ASEAN to carry out active and aggressive promotion activities about itself amongst its own citizens and visitors to the region | • ASEAN to encourage private sector to focus on and advertise ASEAN food where there is great commonality across the region, both in terms of taste and propensity to eat out at an affordable cost; and  
• AMS to facilitate the introduction of these ASEAN foodstalls and cafes in major points of entry to their countries |
| 1. | Responsible business practice | Balancing economic growth and development with adequate governance mechanism to ensure inclusive sustainable development in the region. | • The creation of a conducive environment for the idea on and around responsible business practices to be adapted by private sector across the region;  
• Initiate efforts to mainstream responsible business practices that are supportive towards inclusive, equitable, and sustainable economic development in the region; and  
• Ensuring that such an initiative to include companies of all sizes so that the promotion and enforcement of responsible business practices can be maximized. |
| 2. | Cross-pillar/sectoral coordination | The lack of cross-pillar/sectoral coordination in ASEAN hinders effective integration amongst AMS and create gap between the Association and the citizens of the region | • ASEAN to set up a special division within the ASEAN Secretariat to deal specifically with cross-pillars coordination issue;  
• ASEAN Coordinating Council and other relevant ASEAN-related Organs to carry out regular exchange of views with stakeholders (e.g. private sector, non-governmental organisations, trade unions, etc.) representing different pillars of ASEAN cooperation; and  
• ASEAN to create a permanent forum that allows exchange of views on cross-sectoral/pillars issues to be discussed between ASEAN policy-makers and stakeholders. |
| 3. | ASEAN institutional reform | The need for ASEAN to undertake major institutional reforms to meet present and future challenges of the region | ASEAN to implement recommendations on ASEAN institutional reforms that were put forth to the High Level Task Force during the chairmanship of Myanmar in 2014. |
| 4. | Getting ASEAN closer to the people | Making the idea of ‘people-centred’ / ‘people-oriented’ ASEAN a reality | ASEAN and its relevant Organs to deepen its engagement with CSOs, particularly on matters related to the AEC. |
| 5. | Financial, legal, and tax infrastructure | The lack of financial, legal, and tax infrastructure hinder further economic development in the region | ASEAN to develop relevant financial, legal, and tax infrastructure and identify specific measures on how the could be implemented effectively post-2015. |
| 6. | New approaches to economic integration | Existing, ‘blueprint’, approach to economic integration is insufficient to integrate the economies of AMS truly | • Initiate sectoral/profession integration by prioritising sectors/profession that have most meaning to the people of ASEAN;  
• The adoption of aggressive problem-solving approach to remove key impediments to economic integration in the region. |
| 7. | Sustainable development | Balancing economic growth and environmental sustainability | ASEAN to prioritise the adoption of green growth model as part of its post-2015 economic vision. |
| 8. | Workers’ issues | Reducing unemployment, improving the welfare of the workers, and recognising the challenges associated with labour mobility in the region | • ASEAN to consider the adoption of ‘Decent Work’ principle in its regional economic community building;  
• Accelerate the signing of a regional instrument that promote and protect the rights of migrant workers;  
• Ensuring greater participation of private sector in the process of skill standards and cross-border skills recognition. Private sector’s expertise and understanding of the required skills will help establishing the required minimum standards for specific strategic sectors, including those already regulated under the existing MRA. |
| 9. | ICT industry | Maximising the potential benefits from the growth of the ICT industry | • ASEAN to implement fully its own ICT Masterplan;  
• ASEAN to identify ways in which the ICT sector |
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<th>could facilitate further growth in the region, including, but not limited to, the removal of entry barriers in this sector.</th>
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<td>10.</td>
<td>Human capital development for greater innovation and creativity</td>
<td>The development of human resources capable of meeting regional and global requirements</td>
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<td>11.</td>
<td>ASEAN centrality</td>
<td>The need for ASEAN and AMS to achieve a common framework and approach to multilateral economic diplomatic areas beyond ASEAN.</td>
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