



ASEAN-BAC

ASEAN LEADERS & ASEAN-BAC DIALOGUE

Friday, 23 October 2009, Hua Hin, Thailand

ASEAN BUSINESS ADVISORY COUNCIL

INTRODUCTION

1. Since the last Dialogue, the ASEAN Business Advisory Council (ASEAN-BAC) centered its attention on the impact of the global and financial crisis, as it may bear on the effort of the ASEAN Economic Community (AEC) building.
2. The ASEAN-BAC Report therefore explicates on the general concern of the private sector gathered together by the Council through the series of national and regional engagement. The inputs are aligned to the AEC Blueprint, which calls for the periodic review taking account regional and global developments.

GLOBAL AND REGIONAL ECONOMIC OUTLOOK

3. There is general motion among ASEAN companies to rebalance and diversify export markets that would rely less on the US and European market consumptions. In most parts, it is because the private sector sees these principal markets that traditionally source trade and investment will take a longer time to heal from the crisis. Their protectionist undertones and change in the global driver of economic growth once the crisis is over add to the perception.
4. The ASEAN and Asian regions, on the other hand, have shown resiliency and are increasingly becoming an upshot to where companies will diversify its business activities. The fundamentals of the financial sector are seen intact and capital flows performing better, at least, as compared to the deterioration experienced in the more developed countries. ASEAN's credible participation in global fora such as the G-20 Summit illustrates the growing recognition of ASEAN to potentially become the driver of growth.
5. From a microeconomic viewpoint, however, the private sector is feeling the brunt to operate in recurring crises. The crisis is affecting the ability for companies to uncover the prospect of an integrated economy. Resources of companies, mainly the small and medium size enterprises (SMEs), are adapting survival mode and directing business activities within their local market, when they should be trying to capture ASEAN's market potential.

PROGRESS OF THE ASEAN ECONOMIC COMMUNITY

6. There is interruption in the momentum on the AEC building and it is evidently seen by the diversity of reactions. Among the notable concerns include:
 - a) Apprehension of local manufacturing and agriculture industries from the Philippines on the provision and implementing schedule of the Common Effective Preferential Tariff of the ASEAN Free Trade Area (CEPT-AFTA). The appeal from the Philippines is to defer the zero-to-five percent tariff on all ASEAN products by 2010, by at least five years, to allow additional time for local industries to adjust and enhance their operations reasoned by the economic slowdown; and
 - b) Costs of doing business. One of the causal factors on the ease of doing business is expressed over the institutional unpreparedness to overhaul the private sector to operate in a freer flow of services, investment, capital and movement of skilled labor. In one of the consultative session with the ASEAN Federation of Textile and Apparel (AFTEX), it was cited that speed-to-market is one of the more essential components for the industry to compete and survive, as compared to China and India that are winning over better quality, cheaper, and faster delivery to customers. It is for this reason that AFTEX has recommended the 'Source ASEAN Full Service Alliance (SAFSA)' to facilitate the fast and quick clearance of textile and apparel goods through respective customs of ASEAN countries. Financial support is sought for the implementation of SAFSA.
7. At this juncture, allow me first to brief on ASEAN-BAC's initiatives to support the key characteristics of the AEC Blueprint 2015. The following are the activities performed in the past few months:
 - a) ASEAN-BAC and the ASEAN Retail-Chain Federation have gathered around 1,000 entrepreneurs from micro, small and medium-sized enterprises at a networking dinner function on 23 May 2009 in Kuala Lumpur, Malaysia in the pursuit to promote ASEAN Brands and "Made in ASEAN", in the related goods and services under the priority sectors;

- b) ASEAN-BAC is enhancing cooperation with BIMP-EAGA Business Council (BEBC), GMS-Business Forum, and IMS-GT and IMT-GT regions. Priority areas envisaged will be aligned to the actions highlighted in the Initiative for ASEAN Integration (IAI) of the AEC Blueprint 2015; and
 - c) In the Integration into the Global Economy, ASEAN-BAC were involved in the (1) ASEAN-Korea CEO Summit (31 May – 1 June 2009, Jeju, ROK); (2) Second Global Review on Aid-for-Trade (6-7 July 2009, WTO, Geneva, Switzerland); (3) Conference of Implementing the China-ASEAN Free Trade Agreement and the 4th China-ASEAN Free Trade Area Forum (27-30 July 2009, Yantai, Shandong Province, China); and (4) Singapore National Committee for Pacific Economic Cooperation (SINCPEC) Conference (9-10 October 2009, Singapore).
8. ASEAN-BAC, in coordination with the host co-organizers, has decided not to conduct the ASEAN Business and Investment (ASEAN-BIS) this year and agreed to focus on the 2010 ASEAN-BIS next year. The lead-time for preparation would allow ASEAN-BAC to fully encompass the whole spectrum of ASEAN's economic initiatives to meet the objectives of the Business Summit.

RECOMMENDATIONS

9. Notwithstanding the above mentioned concerns, ASEAN-BAC strives for businesses not to lose sight on the importance of the AEC building and the following are the recommendations of the Council:
- a) The compliance of the tariff reduction schedules under the CEPT Scheme for AFTA, as agreed in the AEC Blueprint 2015;
 - b) The implementation of the ASEAN Single Window and the ASEAN Green Lane to provide the competitive edge for ASEAN manufacturers to have smoother flow of products and speed-to-market over competitors;
 - c) The development of the model and structure for the ASEAN JV on Agriculture for the private sector to invest in the capital, technologies and know-how on marketing and promotion, among other important areas to empower and enhance market access of agriculture products;
 - d) The development of a credit financing scheme for SMEs to have access to affordable financing and investment need, at a moment when the crisis represents an opportunity for local companies to aggressively expand their market;
 - e) The implementations and effectiveness of the AEC Scorecard and the AEC Communication Plan. The scorecard is expected to record information that would assist companies in developing corporate and market entry strategies based on market access and implemented measures. The communication plan is particularly important so that all stakeholders have full understanding, acceptance and ownership of the ASEAN integration process;
- The AEC Communications Website is urged to be on-line. Greater flexibility on the process regarding the use of the ASEAN logo could be reviewed, as part of the effort to stimulate private sector initiatives and creativity to promote the AEC; and
- f) The advancement of ASEAN's priority integration sectors. ASEAN owns a mechanism for private sector engagement that is quite well in place, commendable, and advanced, but one that requires exploitation and coordination. It is recommended that Public-Private Sector Partnership can be valued by enhancing regular dialogues between existing business organizations under the 12 priority integration sectors.
10. Over the increased social concern that the economic integration would bear, ASEAN-BAC recommends that the component of the AEC Blueprint to conduct periodic Socio-Economic Studies to monitor/evaluate the impact of economic integration be carried-out. ASEAN-BAC hopes that the effort will assist the Governments to build and strengthen abilities to develop/implement economic and social policies that would mitigate its effect.

CONCLUSION

11. We are hopeful that the recommendations contained in this Report, and those presented in the last Dialogue, will bear some consideration for the respective ASEAN Governments.

