ASEAN MEMBER STATES

Brunei Darussalam
Cambodia
Indonesia
Lao PDR
Malaysia
Myanmar
Philippines
Singapore
Thailand
Vietnam

We have used the Simpur Flower, Brunei’s National flower as the main mast head for the ASEAN BAC 2013 logo. The flower symbolises the diversity of nature and the rich and radiant colour of the flower represents the colour of Brunei Royalty. The colour also represents warmth, hospitality and an overall positive energy. We combined two Simpur flowers as one, each petal representing the ASEAN’s 10 Member States and in conjunction with the ASEAN Business & Investment Summit 10th Anniversary.

The ASEAN logo is depicted as a pivotal red dot to the centre of the flower, and the orange is the colour for synergy - the energy required to move ahead together.

With the theme of “Moving. Ahead. Together”, the simpur flowers have been specifically created like a “flower windmill”. All these elements combine in unity to move in the same direction together strongly communicating the theme “Moving. Ahead. Together”. This logo symbolises working towards a better economic growth and a better life for all.
Report to ASEAN Leaders
Your Majesty,

On behalf of the ASEAN Business Advisory Council (ASEAN BAC), it is with great pleasure we present the Report to Leaders, consisting of a full report of ASEAN BAC recommendations for the Brunei Darussalam Chairmanship of ASEAN in 2013.

The recommendations are made against the backdrop of a global economy that remains challenging and changing, and while there are hopeful signs of recovery, global growth still remains subdued. The threat of global recession remains as acute as ever, as does the danger of backsliding into protection.

This year, ASEAN growth is expected to reach 5.3 per cent against IMF’s 3.3 per cent forecast for the world. We truly believe that through increased confidence, domestic spending and intra-regional trade; this positive projected growth will only gain momentum and importantly, will benefit the region’s dynamic private sector. The ASEAN region is an important contributor to the global economy with the opportunity to strengthen through increased cooperation amongst the ASEAN countries and beyond with its dialogue partners, and importantly to ensure investor confidence and a conducive business environment.

In the year 2013 and against regional challenges, ASEAN BAC focused on strengthening regional economic integration and expanding trade, promoting start ups and the sustainable development of Micro, Small and Medium Enterprises (MSMEs), and promoting the inclusion of youth and women as critical areas where the business community, governments and institutions can contribute on the process toward the ASEAN Economic Community (AEC), an integrated economic ASEAN region in 2015. In aligning regional goals, we focused our activities to support the action plan of the Chairmanship of Brunei Darussalam as well as assist ASEAN Member States and businesses to prepare for the ASEAN Economic Integration.

ASEAN BAC acknowledges the achievement of the ASEAN Member States in its continuing efforts to provide a conducive climate for local and foreign businesses to thrive in. We also acknowledge the efforts of ASEAN Member States and the ASEAN Secretariat in deepening and strengthening its public-private engagement activities with numerous ASEAN-affiliated business organisations and associations. We strongly believe that such engagements are critical to the whole process where positive feedbacks and inputs contribute to a more effective AEC building.

As the official voice of the business community around the region, the activities and recommendations reflected in our report has captured the concerns of businesses operating in the most vibrant market and is based on the preliminary findings of in-depth studies that are currently being conducted by various reputable strategic partners in collaboration with ASEAN BAC. Highlighted recommendations are aimed to level the playing field – to accelerate the deepening of regional economic integration and the widening of the inclusiveness of AEC, so its benefits could be experienced by businesses
from all layers, of size and development.

ASEAN BAC also strongly supports the goal of regional economic integration with the various Dialogue Partners through existing FTAs and the rapid development of the Regional Comprehensive Economic Partnership (RCEP). Harnessing the progress and the socialisation of these partnerships will provide more opportunities for ASEAN businesses to profit. For this purpose, we would like to strongly remind ASEAN Member States that such resulting success could only be reached if the frequency of national and regional consultations with its business chambers and associations are intensified.

We urge for further action to improve the utilisation of ASEAN+1 FTAs where benefit margins are raised through set target on tariff elimination of 95 per cent, and the adoption of a common rules of origin (ROO).

We also urge for further improvement on access to related information, as this would further improve the understanding of the related FTAs and its benefits to business. Currently, ASEAN BAC, in collaboration with its strategic partner is in the midst of developing a guidebook and is working closely with national chambers of commerce and industries to conduct several capacity building workshops aimed at increasing the awareness of ASEAN FTAs for SMEs.

Timely and effective implementation of measures towards an AEC will realise the potential of economic integration, and we see an opportunity to work together with ASEAN Member States to monitor and advance the progress of the AEC Blueprint.

We strongly believe that MSMEs continue to play a large role in driving the economies of ASEAN. Even during uncertainties and economic downturn in other parts of the world, MSMEs have remained resilient and continue to be the engine of growth and prosperity. We strongly support reducing any barriers to progress in the sustainable development of MSMEs in the region where impediments that translates to unnecessary cost to business are simply not an option in the overall economic integration of the region. We especially urge ASEAN Member States to develop support policy and related programs that would address SMEs financial constraints, enhance their understanding of overseas markets and improve their capacity to participate in regional trading activities.

This year also marks the year of many ‘firsts’ for ASEAN BAC, from the inclusion of youth and women, to deeper engagement with ASEAN's Priority Integration Sectors (PIS) and ASEAN+1 business councils.

Given that youth and women account for 50 - 95 per cent of SMEs labour force and contribute 30 - 53 per cent to the GDP of its Member States, they play a large role in contributing to the economic development of the region, and should be included in the structure of the AEC pillar.

In addition, ASEAN BAC aims to deepen its relationships with ASEAN’s 12 Priority Integration Sectors (PIS) by formally engaging the recognised regional associations. The progress of several PIS has been relatively slow and is inadequately monitored. We strongly believe engagement of regional associations will allow ASEAN BAC to better position itself in amassing the ambitions of businesses operating in different industries.

We are also pleased to report that the Council has addressed the request of the AEM in 2012 for ASEAN BAC to lead the coordination activities of ASEAN-affiliated business councils. As a stepping stone, ASEAN BAC hosted the 1st Joint Meeting of ASEAN Business Councils in August 2013. The meeting allowed for the coordination and alignment of the objectives of various business councils, with a commitment to sign a statement of cooperation between the participants.
In conclusion, ASEAN BAC will continue to work closely with all relevant stakeholders in our efforts to achieve an integrated AEC by the end of 2015. We are aware that these issues are not a quick fix and recommendations in this report will require sustained long-term policy initiatives, structural reform and the political will to implement them nationally.

We believe that business input is more critical than ever as we enter the final years in reaching the AEC. ASEAN BAC’s consultation with the Leaders, AEM, SEOM and various working groups has provided a chance for the voices of businesses to be heard. We sincerely hope that this will be maintained and that our recommendations are duly considered, for adoption and further action.

Once again, we would like to express our sincere appreciation for the endless support extended by ASEAN and for providing ASEAN BAC the opportunity to submit the attached recommendations for the attention of the Leaders.

Yours Sincerely,

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

U Win Aung
ASEAN BAC Myanmar
(Co-Chair)
CEO, Dagon International Ltd.

Neak Oknha Kith Meng
ASEAN BAC Cambodia
(Co-Chair)
Chairman, Royal Group of Companies
BRUNEI DARUSSALAM

Ms. Lisa DP Haji Ibrahim
Executive Director, Avitek Ibrahim

Mr. Soebronto Laras
President Director,
PT. Indomobil Suzuki International

Mr. U Wai Phyo
Managing Director, Cho Cho Company Ltd.

Mr. Rosdi Amin
Deputy Chief Executive Officer
HSBC Brunei

Mr. Priyono Sugiarfo
President Director
PT. Astra International Tbk

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

CAMBODIA

 zakład
Chairman, SONATRA
Import - Export

Mr. Oudet Souvannavong
ASEAN BAC Chair 2014
Managing Director, Mixai Hotels Co.,
Ltd; Mixai Techno Engineering &
Consulting Ltd.

Ms. Teresita Sy-Coson
Chairperson, SM Investments
Corporation

MALAYSIA

Okinha Van Sou Leng
Chairman, Garment Manufacturers
Association in Cambodia (GMAC)

Mr. Jay Yuvallos
President,
Interior Basic Export Group

INDESIA

Okinha Sor Sokna
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Mr. Anangga W. Roosdiono
ASEAN BAC Chair 2011
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Dato’ Syed Amin Aljeffri
ASEAN BAC Chair 2005
Chairman, Aljeffri Dean, Chartered
Accountants (M)

Dato’ Ramesh Kodammal
Managing Director,
Goldtext Exim (M) Sdn Bhd

Mr. Chua Tiam Wee
Managing Director, Pinnacle
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PHILIPPINES

Mr. Chua Tiam Wee
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MYANMAR
Dr. Robert Yap
ASEAN BAC Chair 2007
Chairman & CEO, YCH Group

Mr. Anupha
ASEAN BAC Chair 2008-2009
Executive Director
Bangkok Industrial Gas Co. Ltd

Dr. Doan Shy Khueong
Vice-President, Vietnam
Chamber of Commerce and Industry

Mr. Douglas Foe
Chairman and CEO,
Sakae Holdings Ltd

Ms. Nguyen Thi Nga
Chairman, Southeast Asia
Joint Stock Commercial Bank

Ms. Nguyen Thi Nga
Chairman, Southeast Asia
Joint Stock Commercial Bank

Mr. Ng Mien Poh
Executive Vice-President & Head
Singapore and ASEAN (utilities),
Sembcorp Industries Ltd

Ms. Dang Thi Hoang Yen
Chairwoman, Tan Tao Group
Executive Summary
EXECUTIVE SUMMARY

Against the backdrop of a global economy that remains fragile, the region’s challenges have not gone away, and in certain respect they have deepened. The threat of global recession remains as acute as ever, as does the danger of backsliding into protection. As the constraints on economic activity start to ease and with it an expected strengthening of global growth for this year, there are still lingering uncertainties coupled with vulnerability to global risk that will present challenges to achieving stable and sustained growth.

The ASEAN region is an important contributor to the global economy with the opportunity to strengthen through increased cooperation amongst the ASEAN Member States and beyond with its dialogue partners, and importantly to ensure investor confidence and an environment that is conducive for all businesses in the region.

Against the regional challenges, the ASEAN BAC focused its 2013 activities on supporting businesses and Member States to synchronise seamlessly with the region’s commitments to integrate, and importantly with ASEAN BAC’s vision for the year of “Moving. Ahead. Together”.

ASEAN BAC aims to achieve its long-term objective of building on its goals for regional economic integration, and ensuring balanced, inclusive and sustainable growth. In doing so, the Council’s direction for the year aimed to undertake three deliverables crucial to the building of the AEC:

1. Strengthen Regional Economic Integration & Expand Trade
2. Promote Start Ups and the Sustainable Development of Micro, Small and Medium Enterprises (MSMEs)
3. Promote the Inclusion of Youth and Women

As the official gateway of government-to-business interaction in Southeast Asia, ASEAN BAC continues its effort to further strengthen and deepen its ties internally with national chambers of commerce and industries and ASEAN Governments including the Senior Economic Official Meetings (SEOMs) and relevant Working Groups. Externally, ASEAN BAC has been active in engaging the various ASEAN-affiliated Business Councils, including the EU ASEAN Business Council, Russia ASEAN Business Council, UK ASEAN Business Council, US ASEAN Business Council, etc. to unify the voice of businesses with vast interest in the region.

The 2013 ASEAN BAC Report to the Leaders outline the various activities conducted by the Council which further support the AEC; and importantly include pragmatic recommendations that ASEAN BAC urge for the support of the ASEAN Member States, to be realised and implemented at will.

The Council acknowledges that issues raised with proposed recommendations may not provide a quick fix and that it will require sustained long-term policy initiatives, structural reform and the political will to implement them nationally. We are prepared to cooperate with ASEAN Member States in realising these recommendations and to further reach out to the region’s dynamic private sector in ensuring deeper understanding of ASEAN and the AEC.
The recommendations are summarised as highlighted below with details further outlined in the report:

1. Strengthen Regional Economic Integration and Expand Trade
   a. Improve the utilisation of ASEAN Free Trade Agreements (FTAs)
      • Set a target of 95 per cent tariff elimination
      • Adopt a common Rules of Origin (ROO)
      • Improve the quality of the government websites and help desks
   b. Enhance ASEAN Competitiveness
      • Encourage to adopt an ‘ASEAN Strategy’ to spur more business
      • Intensify outreach activities relevant to the interests of businesses
      • Strengthen its efforts in AEC Blueprint areas that businesses rate as among the least satisfactory
      • Further enhance support on ASEAN BAC related activities on Study and Survey
   c. Implement the ASEAN Business Travel Card (ASEAN BTC)
      • Further pursue the establishment of ASEAN Business Travel Card before AEC 2015
      • Accelerate the staged development of the ASEAN BTC
      • Work closely with ASEAN BAC Members, National Chambers of Commerce and national associations
   d. Improve on the ease of doing business in ASEAN
      • Monitor the annual progress of the AEC Blueprint
      • Encourage the model of sharing and mentorship
   e. Continue to support the development of connectivity of ASEAN and its sub-regions
      • Elevate the status of Bitung Port as an “Entry” or Gateway Port
      • Lift the import restrictions at the Bitung Port for products such as garments, electronic products, shoes, food and beverage, toys and medicine.

2. Promote Start Ups and the Sustainable Development of Business
   a. Establish ASEAN Branding for SMEs
      • Map existing sources and Priority Integration Sectors (PISs)
      • Call for Dialogue on AEC Monitoring & AEC Communication
      • Undertake “Study-cum-Study Tour” to identify Regional Cooperation Model
   b. Maximise the benefits of Regional Economic Integration for Small and Medium Enterprise (SMEs)
      • ASEAN SME WG and the SME Advisory Board to assist ASEAN BAC
      • ASEAN Member States to support in assisting ASEAN BAC
3. Promote Inclusion of Youth and Women
   a. Promote the Inclusion of Youth Entrepreneurs

   - Include the development of youth entrepreneurs under the “economic pillar” of ASEAN.
   - Foster pro-employment growth and decent job creation.
   - Promote macroeconomic policies and fiscal incentives that support youth economic empowerment.
   - Establish ASEAN youth associations.
   - ASEAN Governments to recognise a lead Young Entrepreneur Association.

   b. Promote the Inclusion of Women in business

   - Include women entrepreneurs under the “economic pillar” of ASEAN.
   - Conduct ASEAN-focused studies or surveys on the role of women in business and entrepreneurship.
   - Engage with the national women entrepreneurs association to increase membership and raise awareness on AEC.

4. Strengthen interaction with ASEAN, Dialogue Partners and Strategic Partners

   - Assist ASEAN BAC in engaging deeper with ASEAN related platforms
   - Encourage national chambers and business associations to engage with the appointed ASEAN BAC Members.
   - Further recognise ASEAN BAC as the official link to AEM and Leaders
   - Develop a joint communication plan on AEC
Main Report
MAIN REPORT

I. Background

II. Strengthen Regional Economic Integration and Expand Trade
   A. Improve the Utilisation of ASEAN+1 Free Trade Agreements (FTAs)
   B. Enhance ASEAN Competitiveness
   C. Implement the ASEAN Business Travel Card
   D. Improve on the ease of doing business in ASEAN
   E. Continue to Support the Development and Connectivity of ASEAN and its Sub-Regions

III. Promote Start Ups and the Sustainable Development of Businesses
   A. Establish ASEAN Branding for SMEs
   B. Maximise the Benefits of Regional Economic Integration for ASEAN Small- and Medium-Sized Enterprises (SMEs)

IV. Promote the Inclusion of Youth and Women
   A. Promote the Inclusion of Youth
   B. Promote the Inclusion of Women

V. Strengthen Interaction with ASEAN, Dialogue Partners and Strategic Partners

VI. Conclusion

APPENDICES

Appendix A Interim Report Study on the Utilisation of ASEAN Plus 1 Free Trade Agreement
Appendix B Preliminary Report ASEAN Competitiveness Survey 2013
Appendix C List of Strategic Partners 2013
Appendix D List of Recipients of 2013 ASEAN Business Awards

ANNEXES

Annex I Letter to AEM (dated 19 August 2013)
Annex II Letter to SEOM 3/44 (dated 4 July 2013)
Annex III Letter to ASEAN SME WG (dated 7 June 2013)
Annex IV Letter to SEOM 2/44 (dated 29 April 2013)
Annex V Letter to AFMM (dated 26 March 2013)
Annex VI The ASEAN Business Advisory Council

GLOSSARY
I. BACKGROUND

With less than three years remaining to AEC, the progress of the economic integration and its achievements to date has created mixed perceptions and some degrees of uncertainties amongst business operators. The 2011-12 ASEAN BAC Survey on ASEAN Competitiveness reflected that there is still a clear gap between the relatively high importance attached by businesses to AEC Blueprint implementation and their average satisfaction with ASEAN’s implementation. The Survey also indicated that financing still proofs to be the critical area for SME development and its internationalisation. Additionally, businesses want to see ASEAN member states step up on a few other areas related to networking and information dissemination.

Despite the shortcomings, the Survey also recorded that businesses view the ASEAN region as having good prospects for investments. With 36.5 per cent of businesses indicated an ASEAN country as offering the best prospects worldwide for their organisation’s offshore direct investments over a three-year horizon. Additionally, 88 per cent of businesses planned to invest or increase investments in at least one ASEAN Member States. ASEAN’s attractiveness was also rated higher than China’s both as a market for the sale of goods and services and as a production location.

The positive responses from the business community reflected in the ASEAN BAC Survey further strengthen ASEAN’s achievement in developing a truly integrated economic community. Echoing the statement of ASEAN Leaders at the 22nd ASEAN Summit held in April 2013, ASEAN BAC acknowledges the progress of the AEC thus far, where 259 measures or 77.54 per cent of the AEC Blueprint have been implemented. Since the adoption of the AEC Blueprint in November 2007, per capita income in the region had risen from US$ 2,267 to US$ 3,759 in 2012. The total trade of ASEAN grew by 16.8 per cent, from US$ 2.05 trillion in 2010 to US$ 2.4 trillion in 2011, as intra-ASEAN trade reached US$ 598 billion from US$ 520 billion, an increase of 15.1 per cent, over the same period. ASEAN also continued to attract foreign investors, generating record US$ 114 billion FDI inflows in 2011, a 23 per cent increase from US$ 92 billion in 2010.

In spite of the severe uncertainties elsewhere internationally, Southeast Asia continues to display robust business expansion and investment opportunities. ASEAN BAC recognises the need to enhance ASEAN competitiveness to strategically position ASEAN and its businesses. This report will clearly outline the three deliverables and actions that are currently being pursued by the council to support the goals of the AEC, as well as highlighting practical recommendations.
Regional economic integration is the backbone and aim of the AEC. The AEC Blueprint was first formulated to provide ASEAN Member States with clear objectives and time frames on how ASEAN could come together and compete with the fast growing and leading economies of the World. As ASEAN integrates internally through the development of the ASEAN FTA and other agreements, the region also takes a proactive approach in moving outward by strengthening its ties with the various Dialogue Partners.

ASEAN BAC believes that the continued push to further strengthen regional economic integration and expanding trade are keys to unleashing the growth of the region and its businesses.

This year, ASEAN BAC is in partnerships with the Lee Kuan Yew School of Public Policy (LKYSPP) of the National University of Singapore and the Economic Research Institute for ASEAN and East Asia (ERIA) to conduct studies aimed at recording business sentiments.

The activities with LKYSPP and ERIA are currently on going and these are targeted to be complete by September 2013. The recommendations and findings are in its preliminary stages and will further be refined in due course.

ASEAN BAC also believes that regional economic integration can only be truly achieved if its businesses are provided with ease of mobility to explore trade and investment opportunities with its neighbouring countries. In this regard, the Council acknowledges the statement made at the 22nd ASEAN Summit where the Leaders of ASEAN has finally endorsed that the establishment of the ASEAN Business Travel Card (ASEAN BTC) will further “ease the movement of our business people and investors”.

A. Improve the Utilisation of ASEAN+1 Free Trade Agreements (FTA)

The last two decades have witnessed how Free Trade Agreements have surged in South East Asia, how they have evolved and how they have embraced its trading partners mainly in East Asia. The ASEAN Free Trade Agreement (AFTA) was established in 1992 with six ASEAN country states and the four other states joined in the second half of the 1990s. Currently, AFTA has ten member states.

East Asian countries (ASEAN+6) have enacted as many as 156 FTAs to date (Asian Development Bank, Asia Regional Integration Centre). ASEAN itself has engaged in no less than 6 regional FTAs: ASEAN Free Trade Agreement (AFTA), ASEAN-Japan FTA (AJFTA), ASEAN-China FTA (ACFTA), ASEAN-Korea FTA (AKFTA), ASEAN-India FTA (AIFTA) and ASEAN-Australia and New Zealand FTA (AANZFTA).

While the overall trade and investment performance of ASEAN have improved in recent years, there is considerable room for further improvement of trade, services and investment, particularly in trade and investment processes and procedures in individual countries in order to optimise the use of regional cooperation.

In an effort to maximise the potential of existing ASEAN+1 FTAs, Economic Research Institute for ASEAN and East Asia (ERIA) in
collaboration with ASEAN Business Advisory Council (ASEAN BAC) and national think tanks conducted surveys on the usage of ASEAN-led free trade agreements (FTAs) by its private sector.

The objectives of this collaboration are:

1. To provide evidence on the use of FTAs by the private sector in 10 ASEAN Member States
2. To explain constraints for using FTAs
3. To provide policy interventions to optimise the use of FTAs

The surveys started in April 2013 throughout August 2013, with the Final Report scheduled to be completed by January 2014. The Interim Report attached to the 2013 ASEAN BAC Report to the Leaders only provides a snapshot of the findings and recommendations.

To date, the surveys cover 630 exporting or importing manufacturing firms and 182 services firms that use imported goods in their business operation across ASEAN countries. In addition, the surveys were also complemented by interviews and focus group discussions with firms, business associations, chambers of commerce and government officials. The sample is selected with the consideration on size, ownership, location and other firm characteristics.

The key findings to the Survey include:

I. Small Benefit Margins of FTAs:
   a. Small differences between applied tariff rates for everyone and preferential FTA tariff rates. Moreover, as tariff rates are getting lower, the number of non-tariff measures is perceived to be increasing
   
   b. While the official costs of obtaining FTA certificate of origins (COOs) are perceived to be reasonable, the procedure to obtain COOs is perceived to be quite cumbersome

II. Limited Information on FTAs

The surveys indicated that a number of SMEs responded that they do not know or have very little knowledge about FTAs. Additionally, some of the SMEs interviewed claimed that they have never used any of the FTAs, yet they complete Form D - which is a certificate to utilise ASEAN-led FTAs for their exports.

Recommendations:

- **Set a target of 95 per cent tariff elimination**

  To increase tariff margins, and thus, provide additional gain from the existing ASEAN+1 FTAs, ASEAN should set a motivated yet feasible level of tariff elimination. One of considerations could be setting a target of at least 95 per cent tariff elimination.

  In doing so, there are two approaches proposed: first, advance openness in relatively ‘easy sectors’ (i.e. sectors that have relatively common levels of openness); and second, improve both the levels of openness and the coverage of sectors that have high value added and strong regional production network.

- **Adopt a common Rules of Origin (ROO)**

  ASEAN firms do not fully benefit from the ASEAN+1 FTAs due to restrictive
ROOs, especially those in ACFTA and AIFTA. This approach is important for improvement in production networks.

At the same time, ASEAN should continue simplifying the administration of restrictiveness in ROOs. While a high level of similarities is observed in the ASEAN+1 FTAs, there remain substantial differences in details. An ROO template should adopt a relatively more liberal accumulation rule. Potential RCEP members should consider applying common ROOs in the RCEP to the existing ASEAN+1 FTAs. In this sense, applying common operational certification procedures is also crucial.

Simultaneously, Self-Certification Scheme (SCS) could also be endorsed to continue to be implemented across ASEAN Member States.

- Improve the quality of the government websites and help desks

One priority should be to improve the service quality of government websites and help desks at authorities issuing COOs. The websites and help desks should act as a front line in dealing with FTA regulations and policies for traders. Improvements should cover both hard and soft infrastructure of the website and help desk, including the skills and capacity of officials. It could start first by providing detailed information on COO requirements online, or publicly available, along with the costs of obtaining COOs and the departments that are responsible for issuing COOs, as well as the individuals in charge and their contact details. Second, the help desks and/or other units related to issuing COOs and/or providing information on COOs should be adequately trained to respond to basic questions relating to FTAs, trade agreement policy and regulations, benefits, and how to obtain a COO including FTA procedures and costs.

In addition, the information about FTAs could also be disseminated through other accessible means such as mobile phones or other communication devices.

Last, national chambers and business associations play important roles in disseminating information about FTAs and providing inputs for the governments in designing trade agreements. The majority of firms expressed that they would like to see more seminars, briefings, consultations conducted to promote the use of the existing FTAs and any new FTAs.

B. Enhance ASEAN Competitiveness

Since 2010, ASEAN BAC has partnered the LKYSPP to conduct the ASEAN BAC Survey on ASEAN Competitiveness. Two waves of the Survey had been conducted, in 2010 and 2011-2012, with the LKYSPP principal researcher adding academic rigour to the design of the survey questionnaire, analysis of the data and the development of policy recommendations. Survey findings and policy recommendations were presented to ASEAN Leaders and Economic Ministers as a collaborative effort and were well received.

The 2013 Survey collected responses from 502 businesses and analysed their sentiments towards the attractiveness of ASEAN to trade and investments, as well as the effec-
tiveness of ASEAN policy initiatives to form an AEC by the end of 2015. Additionally, the third instalment of the Survey also includes responses on how businesses assess the relative importance of different policy areas in promoting SME development and in particular SME participation in trade and investment activities in ASEAN.

The preliminary findings to the Survey include:

I. Investor interest in ASEAN Member States remains strong

Close to 94 per cent of respondents indicate that their firms have plans for investment or investment expansion in at least one ASEAN country over the next three years (2013 to 2015), up from 88 per cent from the 2011-12 Survey. The top investment destinations within ASEAN are Indonesia and Singapore, followed by Thailand, Vietnam, Myanmar and Malaysia.

II. More than half of respondents have identified ASEAN as the most attractive for outward foreign direct investments (OFDI)

57 per cent of respondents indicate an ASEAN country as the most attractive country in the world for their organisation’s offshore direct investments between 2013 and 2015. This is higher than the 37.5 per cent from the 2011-12 Survey, with the rise in share driven mostly by investors’ optimism in the prospects of Myanmar. ASEAN’s overall attractiveness vis-à-vis China seems to have increased over time, as China has been identified by a lower share of respondents as being the most attractive investment destination globally over successive waves of this Survey since 2010.

III. Businesses see ASEAN as an Integrated Investment Destination

There is evidence that businesses are increasingly seeing ASEAN as one region instead of a region of ten different markets in their investment planning. 48 per cent of respondents indicated that their organization planned its investments over the next three years in ASEAN countries by considering the investment attractiveness of the ASEAN region as a whole. This is up from 39 per cent in the 2011-12 Survey, when the question was first asked, and may indicate that a growing number of firms are pursuing an ‘ASEAN strategy’ in their investment decisions.

IV. Mixed Business Perceptions of Economic Integration

More than half of the respondents considered ASEAN economic integration to pose a low or very low threat to their organizations, rating the threat level at an average of 2.49 on a scale of 1 (very low) to 5 (very high). Additionally, close to 60 per cent of the respondents considered ASEAN economic integration to be providing high or very high opportunity for their organizations, giving the opportunity level an average rating of 3.59 on a scale of 1 (very low) to 5 (very high).

V. Businesses Expressed Slightly Above-Average Satisfaction with AEC Progress

Respondents express slightly above-average satisfaction (on a scale of 1 to 5) with the overall pace and extent of ASEAN’s implementation of measures in its AEC Blueprint towards an AEC. Their satisfaction ratings across 16 policy areas in the AEC Blueprint range from 2.97 to 3.36. The three areas that respondents are least satisfied with relate to the dis-
semination of information on AEC initiatives, consultation with businesses on AEC initiatives and enhancing the competitiveness and dynamism of ASEAN SMEs.

Recommendations:

- **Encourage to adopt an ‘ASEAN Strategy’ to spur more business**
  
  i. The first is timely and effective implementation of measures towards an AEC to realise the potential of economic integration.

  ii. The second is to continue to intensify its engagement with the business community, through the dissemination of information and consultation with businesses on AEC initiatives, which have been consistently identified by respondents in successive waves of this Survey as being among the least satisfactory areas of AEC Blueprint implementation.

- **Intensify outreach activities relevant to the interests of businesses**

  ASEAN should redouble its efforts to reach out to local small firms – to allay their fear of ASEAN economic integration as a threat to their businesses and alert them to the opportunities from an AEC.

- **Strengthen its efforts in AEC Blueprint areas that businesses rate as among the least satisfactory**

  The 2013 Survey has identified the three areas in which respondents are least satisfied, namely: dissemination of information on AEC initiatives; consultation with businesses on AEC; and enhancing the competitiveness and dynamism of ASEAN SMEs. ASEAN should also step up measures to facilitate their (SMEs) internationalisation. ASEAN could assist local small firms by addressing their financial constraints, enhance their understanding of overseas markets and improve their capabilities, so that they are enabled to make their first foray into other ASEAN countries through exporting, which requires less resources compared with OFDI. This will enable them to participate fully in the AEC and strengthen AEC’s pillar to achieve equitable economic development.

- **Further enhance support on ASEAN BAC related activities on Study and Survey**

  The success of any study or survey is dependent on the reach and the support of ASEAN governments, through related agencies. Further enhanced support of ASEAN government in terms of facilitation and resources within the target ASEAN country is critical in ensuring the dissemination of related information and surveys, the socialisation of studies, as well as endorsing the importance of the activity.

C. Implement the ASEAN Business Travel Card

ASEAN BAC supports the initiative to initiate the ASEAN Business Travel Card (ASEAN BTC) that has been recommended by the Business Council for the past few years. ASEAN BAC is most encouraged by the statement made at the 22nd ASEAN Sum-
mit where the Leaders of ASEAN has finally endorsed that the establishment of the ABTC will further “ease the movement of our business people and investors”.

The rationale originated from the success of the APEC (Asia-Pacific Economic Co-operation) Business Travel Card that was made available to eligible business entities of its Member Countries. But given that not all ASEAN Members are part of APEC, the development of such ABTC will allow greater freedom for ASEAN businessmen to move freely across its 10 Member Countries.

Additionally, it has been found that many businessmen, especially the SMEs of ASEAN that is part of APEC, finds it difficult to acquire the APEC Business Travel Card due to stringent requirements that vary from one Member State to another. It is hoped that the development of the ASEAN Business Travel Card will not only further encourage the movement of business people intra-ASEAN, but also promote intra-ASEAN trade and investment.

It is envisaged that business individuals who travel regularly in the region may apply for the card through the relevant ministries or government agencies and is subject to eligibility based on criteria that are set nationally or regionally. Upon possession, the holders of ASEAN BTC will be allowed to pass through the airports of ASEAN via its express lanes reserve for diplomatic or APEC Business Travel Card holders.

Despite the difficulty of realising the development of ABTC due to the need for coordination amongst the various ministries and stakeholder in each Member State, ASEAN BAC is optimistic that it can be done progressively in international airports where its infrastructures are well equipped, and where ASEAN Members countries are part APEC already enjoying this facility.

**Recommendations:**

- **Further pursue the establishment of ASEAN Business Travel Card before AEC 2015**

  ASEAN Member States to further pursue the establishment of ASEAN Business Travel Card before AEC 2015 by nominating a Member State willing to champion the initiative and develop a clear time frame with achievable targets.

- **ASEAN governments to accelerate the staged development of the ASEAN BTC**

  ASEAN governments to accelerate the development of the ASEAN BTC where the most readied ASEAN countries, that are already enjoying similar facilities such as the APEC business travel card, may lead a staged development.

- **Member State to work closely with ASEAN BAC Members, National Chambers of Commerce and national associations**

  Member State to work closely with ASEAN BAC Members, National Chambers of Commerce and national associations to develop domestic criteria that will determine the eligibility of applicants of ABTC.
D. Improve on the ease of doing business in ASEAN

Findings from the ASEAN Competitiveness Survey and that of other regional studies such as the World Bank Report on the Ease of Doing Business and OECD’s competitiveness study have indicated the need to address further facilitation on the ease of doing business in ASEAN. Examples of some of the improvements undertaken through national and regional reforms have also shown to reflect a conducive environment for businesses to operate.

Although there may be disputes on how some of these regional studies are conducted, it does not detract from the fact that businesses are still finding it a challenge to operate within national and regional level, especially in reducing the cost of doing business.

As indicated by the achievement of OECD, economies that rank high on the ease of doing business tend to combine efficient regulatory processes with strong legal institutions. Additionally, in countries where business regulation is efficient and information on documentation requirements and fee schedules is easily accessible, the costs to start a business are much lower.

Especially for the areas which are relevant to the work of ASEAN BAC, namely ‘Starting a Business’, ‘Getting Credit’ and ‘Trading Across Borders’, the gap between countries which are meeting the needs of businesses and those which are still at a level that is lower could be reduced through sharing of goals and experiences. This model of sharing and mentorship has been adopted by other regional groupings in which reformed countries provided technical support to other countries over a duration of time. The result was an improvement in the business environment.

Recommendations:

- **Monitor the annual progress of the AEC Blueprint**
  
  Monitor the annual progress of the AEC Blueprint with reference to regional studies and surveys on the ease of doing business. Doing so will allow the progress towards AEC to be easily compared with other regional groupings and allow ASEAN and its Member States to pinpoint chokepoints in the integration process.

- **Encourage the model of sharing and mentorship**
  
  Encourage the model of sharing and mentorship in which reformed countries provide technical support to others that may not have met the needs of businesses in the identified areas of “Starting a Business”, “Getting Credit” and “Trading Across Borders”.

E. Continue to Support the Development and Connectivity of ASEAN and its Sub-Regions

With the growing trade in the region, the ASEAN Leaders realise the importance of enhanced connectivity to further facilitate trade and hasten economic integration. As such, during the 15th ASEAN Leaders Summit in Thailand (2009), the Leaders established the High Level Task Force on ASEAN Connectivity (HLTF-AC) to craft the Master Plan on ASEAN Connectivity (MPAC).

A year after establishing the HLTF-AC, the leaders adopted the MPAC during the 17th ASEAN Leaders Summit in Vietnam. There were 15 flagship projects identified in the Master Plan foreseen to dramatically improve the
connectivity among ASEAN member states. One of the 15 flagship projects is the ASEAN Roll-On/Roll-Off (RO-RO) Shipping Initiative, one of the key strategies to enhance physical connectivity. For this particular project, the Philippines and Indonesia were chosen to be “co-shepherds” – responsible for the projects realization.

In ASEAN at present, RO-RO shipping is limited to domestic waters and is envisaged as a means to connect the eastern part of ASEAN where it is largely dominated by water. Philippines and Indonesia have an extensive RO-RO network locally. Establishing an international RO-RO network, similar to Europe and East Asia, is the main goal of the ASEAN RO-RO Initiative and the success of such initiative could be replicated in other parts of ASEAN.

Currently, from eight potential routes of RO-RO identified, only three routes were determined viable based on a study prepared by the Japan International Cooperation Agency (JICA). The routes are as follows:

1. Davao City, Philippines – General Santos, Philippines – Bitung, Indonesia
2. Dumai, Indonesia – Malacca, Malaysia
3. Belawan, Indonesia – Penang, Malaysia

There has been considerable amount of interest in the establishment of the Davao City – General Santos – Bitung route emanating from business sector based in Mindanao (Philippines) and North Sulawesi (Indonesia). The proposed route aims to connect two major islands – Mindanao and Sulawesi – by cross 343 nautical miles of sea. Assuming that the ship continuously sails at 18 knots, travel time from Davao City to Bitung would be approximately 19 hours.

Supporting this connectivity in ASEAN’s sub-region between Philippines and Indonesia will allow businessmen from both sides access into new markets. Indonesian entrepreneurs can tap the Mindanao market which has a population of 21.5 million. Likewise, Filipino businessmen can access Sulawesi’s market of 17.5 million individuals.

Based on the information gathered by the Philippine Consulate General in Manado, there is about US$ 154 million worth of commodities traded between the Philippines and North Sulawesi in 2010. The establishment of the RO-RO route can provide a more cost efficient means of transporting commodities between the two areas.

Recommendations:

- **Elevate the status of existing ports to an “Entry” or Gateway Port**

  We urge the support of ASEAN Member States to elevate the status of existing strategic ports such as Bitung Port to an “Entry” or Gateway Port (similar to Makassar, Dumai, Belawan, Jayapura, Tanjung Perak, Tanjung Emas and Tanjung Priok.)

- **Lift the import restrictions at “Entry” or Gateway Port**

  We also urge ASEAN Member States to lift the import restrictions at Bitung Port for products that include garments, electronic products, shoes, food and beverage, toys and medicine. Lifting of these import restrictions will significantly increase the viability of RO-RO operations between the Philippines and Indonesia.
Recognising that MSMEs are the growth engine of ASEAN, the Council supports programmes that are inclusive for the sustainable development of MSMEs. In addition, ASEAN BAC acknowledges the recent Chairman’s Statement made at the 22nd ASEAN Summit, where the Ministers called for the Council and the other business associations “to take an active role in undertaking communication activities on the benefits of the AEC aimed at stakeholders within as well as outside the region”.

ASEAN BAC through the support of ASEAN Secretariat and the German International Cooperation Agency (GIZ) engaged in a project to identify means of enhancing ASEAN SMEs’ access to relevant information about the AEC and the opportunities for increased cross-border trade and investment under the AEC. The initial findings to this activity were reported at the 32nd ASEAN SME Working Group Meeting, which was conducted in Vientiane, Laos in June this year.

Additionally, in supporting the efforts to empower SMEs, ASEAN BAC is collaborating with the International Institute for Sustainable Development (IISD) and the Foreign and Commonwealth Office (FCO) of the UK Government on a project titled, “Maximising the Benefits of Regional Economic Integration for ASEAN SMEs”.

A. Establish ASEAN Branding for SMEs

As indicated in the annual ASEAN BAC Survey, regional firms have a positive view of the potential of the AEC single market. However, businesses still feel that they have limited access to specific AEC information - which could be seen as the key reason for the limited use of preferential provisions in existing ASEAN economic agreements, particularly by SMEs.

The intended approach is to set up a mechanism to analyse information on AEC developments, and filter and repackage them for an SME perspective. SME Agencies in Member States are to become distribution hubs that channel relevant information products developed by the project to their SME communities. In an attempt to break down this communication barrier and provide AMS with the correct tools to enhance its SMEs, ASEAN BAC strategically partnered with GIZ and the ASEAN Secretariat to:

1. Gather sufficient information to get a comprehensive understanding of the status and needs for AEC information services for SMEs;
2. To compile an overview on existing B2B service providers in all ten ASEAN Member States.

The role of ASEAN BAC was crucial in the collaboration as it provided a clear passage to the private sector. As a key stakeholder in regional and global supply chains, the participation and collaboration of the private sector is crucial to the creation of a strong foundation for the establishment of the ASEAN Economic Community (AEC) in 2015. Recognising the need to engage the business community in the process of building a dynamic AEC, ASEAN engages actively and in many ways in dialogues with the private sector.

Secondly, in the efforts of the ASEAN to accelerate the establishment of an AEC by 2015,
SMEs development is recognised as a critical element towards narrowing the development gaps amongst and within the Member States. The Strategic Action Plan for ASEAN SME Development 2010-2015 outlines the framework for SME development in the ASEAN Region.

The reason why it is so difficult to provide adequate information on AEC to SMEs is two-fold. One reason is that SMEs are impacted not only by SMEs development programs but also by many other AEC measures that have large implications on SMEs. For example, enhanced trade facilitation measures in the AEC will ensure that SMEs can enjoy the benefits of the AEC since there is much greater efficiency in import/export and customs processes.

However, these measures are not the responsibility of SME Working Group and keeping track of developments in order to inform SMEs accordingly is challenging. The second reason is that reporting on AEC policy measures is usually intended for ASEAN Member States and administrations and comprises a lot of information that is quite abstract for most SMEs. If they read that a certain agreement has been newly ratified by a number of Member States, they will still not know what specific opportunities arise for them and by when these will become practical business reality.

Recommendations:

- **Map existing sources and potential disseminators for 1-2 PIS**

  The AEC Information Report proposes to map all PISs and foresees a lead role for SME agencies in this process. ASEAN BAC and GIZ recommend to pursue a modular approach instead and to start with one or two PIS only.

- **Call for Dialogue on AEC Monitoring & AEC Communication**

  The Leaders expects the ASEAN SME WG to assist SMEs in the process of ASEAN’s regional economic integration. However, SME WG cannot yet count on fully functioning Inter-agency Coordination and thus is unable to inform SMEs on AEC measures that have implications for SMEs, but are not under the purview of SME WG. Furthermore, only very limited information from AEC Monitoring activities is available and the AEC Communication Plan has not been implemented so far.

  SME WG, as the advocate of SMEs' interests, should therefore call for a dialogue with all relevant actors on the question “How can AEC Monitoring & AEC Communication be organised in a way that generates comprehensive and actionable information for businesses?” Relevant actors to be involved in the dialogue are Export Promotion Agencies, Investment Promotion Agencies, SEOM, ASEAN Secretariat, ASEAN BAC, national Chambers and Commerce and Industries, business associations and SME Agencies themselves.

- **Undertake “Study-cum-Study Tour” to identify Regional Cooperation Model**

  Setting-up an internet-based information portal might seem relatively easy. However, maintaining the accuracy and timeliness of information requires a reliable structure in the background – particularly if 10 different countries are involved. Some activities have been undertaken in this respect, but seem-
Practical issues to be explored include the incentives structure in the network as well as organisational and funding requirements. The study would use insights from the study tour as inputs and develop a specific model suitable for the ASEAN context.

B. Maximise the Benefits of Regional Economic Integration for ASEAN Small and Medium Sized Enterprises (SMEs)

The progress of ASEAN’s internal and external economic integration (i.e., ASEAN+1 free trade agreements and various new regional trade arrangements) have not been matched with active participation by the region’s SMEs. Surveys conducted by various national and regional think tanks, such as the ADBI and ERIA, confirm that the utilisation rates of ASEAN-led FTAs are generally low across Member States.

Moreover, those firms that are taking advantage of FTAs tend to be large and multinational in nature. The 2011-12 ASEAN BAC Survey also suggests that, while financing remained the major barrier to SMEs’ engagement in ASEAN-related arrangement, the problem was compounded by poor communication with SMEs. The survey showed that businesses were unsatisfied with the availability of platforms to promote networking among SMEs in ASEAN, the opportunity to carry out business missions to other ASEAN countries, and the availability of information on ASEAN-led activities.

To answer the problem, ASEAN BAC strategically partners with IISD through the financial support of the FCO in conducting a project to further enhance ASEAN SMEs. The activity include:

1. Development of a Guidebook for SMEs

This specific activity includes the production of an accessible, step-by-step guidebook for SMEs on how to make use ASEAN’s internal and external FTAs. The Guidebook will provide an overview of the agreements that are in place and the opportunities that they offer to SMEs in specific sectors. The Guidebook will also provide step-by-step instructions on how SMEs could make use ASEAN-led FTA initiatives (e.g. step-by-step instructions explaining on how SMEs could export their products to other ASEAN Member States and to countries in which ASEAN has FTAs/EPAs, such as the national institutions to approached, the forms needed to satisfy the exporting requirement, etc.). The project would leverage regional and national organisations that represent SMEs for help in disseminating the Guidebook.

2. SMEs Dialogue Forums in 5 ASEAN Member States

This activity relates to ASEAN BAC to partner with national Chambers of Commerce, SME associations and other stakeholders in conducting a series of dialogues that would serve two main purposes: (1) a platform for SMEs and other stakeholders to channel their concerns and aspirations concerning ASEAN’s internal and external economic integration; (2) the dissemination of information concerning ASEAN-led internal and external economic integration initiatives to the SMEs.

3. Policy Brief

This activity will entail the production of a policy brief that incorporates inputs
and recommendations from ASEAN-based SMEs, which would be fed into the existing ASEAN initiatives pursued by ASEAN to integrate SMEs in its internal and external economic integration initiatives. Through the ASEAN BAC, the recommendations provided in the policy briefs will also submit formally to ASEAN Leaders, ASEAN Economic Ministers and other ASEAN-related bodies (i.e. ASEAN Working Group on SMEs, ASEAN Working Group on Trade in Goods, the ASEAN Secretariat, etc.).

Recommendations:

- **ASEAN SME WG and the SME Advisory Board to assist ASEAN BAC**

  We urge ASEAN SME WG and the SME Advisory Board to assist ASEAN BAC in providing inputs towards the development of the Guidebook, and assist its dissemination upon completion to the relevant stakeholders.

- **ASEAN Member States to Provide Support to ASEAN BAC**

  We seek the support of ASEAN Member States in assisting ASEAN BAC to identify local institutions (i.e. Ministry of Trade, favoured business associations, etc.) to partner for the Dialogue Forums to be conducted.
The Chairmanship of Brunei Darussalam in 2013 has reaffirmed the need to forge a common ASEAN identity and build a caring and sharing society. And to truly build an integrated ASEAN market, ASEAN BAC reiterated the Leaders in recognising that the long-term goal is a people-centred and socially-responsible Community that achieves enduring solidarity and unity among all nations and people in Southeast Asia.

Similarly, businesses in ASEAN will need to adapt the same model of being socially responsible to ease through the integration process and potentially grow regionally to compete in neighbouring markets. This rationale explains on why ASEAN BAC is starting to explore initiatives, which promote the inclusion of youth and women.

Additionally, providing inclusion for youth and women makes practical business sense. Currently, youth and women account for 50 - 95 per cent of SMEs labour force and contribute 30 - 53 per cent to the GDP of its Member States, they play a significant role in contributing to the economic development of the region.

A. Promote the Inclusion of Youth

The importance of nurturing the role of the youth in promoting economic development to benefit the next generation is crucial to development of AEC. It is envisaged that development of programs, which promote the inclusion of youth and the fostering of youth entrepreneurship, will not only boost economies, but also reduce its rate of unemployment. Reducing youth unemployment to half by 2015 is one of the goals of all Members States of the United Nations as per adopted in the Millennium Declaration. It is currently recorded that over 60 per cent of the world’s youth live in Asia Pacific (+- 750 million) in which roughly 14.5 per cent or 109 million of them are the youth population in South-East Asia, and that youth unemployment in ASEAN reached 13.1 per cent as per 2012.

Youth entrepreneurs are inevitably the pioneers to the next generation of the nation social and economic development. Entrepreneurship is precisely what ASEAN Member States need to reinvigorate their economies. Youth need to be stimulated with opportunities to fulfil their capacity and actively contribute to the national and regional development.

ASEAN BAC has identified that Youth Entrepreneurs associations exist in each Member State of ASEAN. Sadly, platforms that promote interaction amongst them in which information or experiences are shared are very limited. The rationale for ASEAN BAC to provide assistance to young entrepreneurs of the region are to raise their sense of ownership of ASEAN, and provide them with the information needed to increase their competitive edge so they are able to compete in a globalised market.

In supporting the developments of youth, the Council has been active in engaging the various national Young Entrepreneurs Associations to encourage them to be connected regionally by participating in the annual ASEAN Business Awards, and being involved in regional forums such as the annual ASEAN Business and Investment Summit.
ASEAN BAC participated in the 1st ASEAN Youth Entrepreneur Seminar and Expo (ASYESE), which was held back-to-back with the 8th ASEAN Ministerial Meeting on Youth (AMMY) in May 2013 in Brunei Darussalam, and the early implementation of the ASEAN Young Entrepreneurs Festival adopted at the 7th AMMY in Viet Nam in 2011, which serves as a platform for young leaders to actively participate in exploring economic opportunities in the region.

Lastly, the Council also participated in the 1st Russia-ASEAN Youth Summit held in Moscow earlier in the year. The event promoted the interaction of youth from both regions to further strengthen its bilateral relationships.

Recommendations:

- Include the development of youth entrepreneurs under the “economic pillar” of ASEAN

We urge ASEAN to include the development of youth entrepreneurs under the “economic pillar” of ASEAN and not just under the “social-cultural pillar”.

- Foster pro-employment growth and decent job creation

We urge ASEAN to foster pro-employment growth and decent job creation through macroeconomic policies, employability, labour market policies, youth entrepreneurship and rights to tackle the social consequences of the ripple effect of the global economic crisis, while ensuring manageable financial and fiscal sustainability.

- Promote macroeconomic policies and fiscal incentives that support youth economic empowerment

We encourage the promotion of macroeconomic policies and fiscal incentives that support youth economic empowerment and stronger aggregate demand, improve access to finance and regional market, increase productive investment taking account of different economic development in each respective ASEAN Member States.

- Establish ASEAN youth associations

We encourage the establishment of youth associations of ASEAN to strengthen their regional ties and provide them a platform in which they can systematically engage ASEAN Member States nationally and regionally.

a. ASEAN Member States to endorse, support and recognise the establishment of an ASEAN Young Entrepreneurs Association where we urge ASEAN Member States to recognise a lead Young Entrepreneur Association from within their respective country.

b. To establish an integrated community of ASEAN Young Entrepreneurs to further foster networking amongst ASEAN Young Entrepreneurs within the region and beyond.

c. To strengthen engagement between national Young Entrepreneur Associations within ASEAN, and to include the development and future initiatives so their aspirations could also be absorbed under the AEC pillar.
B. Promote the Inclusion of Women

Over the course of the last thirty years, although the women of ASEAN have made advancements in health, education and employment, they continue to lag their male counterparts in contributing to the economy of the region. The reasons for this are many and varied, but to continue in this direction would put in peril ASEAN’s many achievements – especially when more than half of ASEAN’s population are women and children, and where they contribute to the development of the economy.

Women and children have to be a priority, in line with the vision to establish an ASEAN community by 2015. The existence of the ASEAN Commission on the Promotion and Protection of the Rights of Women and Children (ACWC) is a measure to ensure gender equality where women and children can play their respective role in the ASEAN building process.

The United Nations estimates that the Asia-Pacific economy would earn an additional US$89 billion annually if women were able to achieve their full economic potential. The setbacks faced in the development of women in business are similar to the challenges of SMEs, which include lack of access to credit, lack of Government support and lack of access to information (especially information on the process of export). In addition, it was found that women entrepreneurs often face the obstacle of social constraints.

In a separate study by the Asia Foundation and APEC entitled, Access to Trade and Growth of Women’s SMEs in APEC Developing Economies convened in Malaysia, Thailand, Indonesia and the Philippines; it was found that 55 per cent of women entrepreneurs are not members of any business association - an irony considering that all ASEAN Member States have national women entrepreneurs associations. The lack of participation of ASEAN women entrepreneurs in associations is an issue that needs to be seriously addressed. An association for women entrepreneurs can serve as a medium in sharing technical and regulatory assistance.

Recognising the contribution of women to the overall ASEAN community building efforts, ASEAN BAC welcomed the finalisation and adoption of the Terms of Reference of the ASEAN Women Entrepreneurs Network (AWEN), which was announced at the 11th ASEAN Committee on Women (ACW) in 2012. ASEAN BAC believes that the establishment of AWEN will further promote the activities of women entrepreneurs and provide an official channel to engage regularly with ASEAN Member States. ASEAN BAC has extended its willingness to support the development by engaging the coordinator of AWEN, the Ministry of Labour – Invalids and Social Affairs (MOLISA) of Vietnam, through its readiness to include ASEAN BAC’s female Members as Members of AWEN and to also provide other support to launch the initiative.

Recommendations:

- Include women entrepreneurs under the “economic pillar” of ASEAN

Similar with the recommendation for the Inclusion of Youth, we urge ASEAN to include women entrepreneurs under the “economic pillar” of ASEAN and not just under the “social-cultural pillar”.

- Conduct ASEAN-focused studies or surveys on the role of women in business and entrepreneurship
We encourage the conduct of ASEAN-focused studies or surveys on the role of women in business and entrepreneurship, as current available data is either for Asia wide or only available for selected ASEAN Member States.

- **Engage with the national women entrepreneurs association to increase membership and raise awareness on AEC**

We urge ASEAN Governments to engage the national women entrepreneurs association to work closely with them in developing programs aimed at: 1) increasing the membership numbers and 2) educating Members on how to take advantage of AEC.
Apart from ASEAN BAC’s regular annual consultations with the Leaders and the AEM, this year marks both the Council’s and ASEAN’s willingness to deepen its engagements. In the lead up to the consultation with the Leaders, ASEAN BAC have engaged with ASEAN to provide up to date progress of activities, through the Senior Economic Officials Meetings (SEOM) and the SME Working Group (SME WG). ASEAN BAC also attempted to engage the 17th ASEAN Finance Ministerial Meeting (AFMM) but was unsuccessful in securing a consultation with AFMM.

Since the work of ASEAN BAC increase into areas that at times cut across ministries, the Council sees the need for annual consultation with ASEAN related platforms such as the SEOM and the SME WG, as well as the AFMM. It is hoped that under Myanmar’s Chairmanship in 2014, ASEAN BAC will begin its annual consultation with the AFMM and other related ASEAN platforms.

Additionally, ASEAN BAC has also further deepened its engagements with national chamber of commerce and industries in the region and beyond.

Through its members ASEAN BAC have participated directly as speakers and as delegates in several business platforms that includes the ASEAN EU Business Summit in Hanoi, in March 2013, the first Russia ASEAN Youth Summit in Moscow last May 2013, the first Russia ASEAN Business Forum in St Petersburg and the ASEAN China Youth Entrepreneurship Symposium in Brunei Darussalam in May 2013.

Most recently, ASEAN BAC was involved in events in Jakarta and Manila organised respectively by KADIN (Indonesian Chamber of Commerce and Industries) and the Philippines Chamber of Commerce and Industries (PCCI). Both events allowed ASEAN BAC to be involved in discussions on ASEAN and further promote AEC to local businesses.

In addition, ASEAN BAC aims to deepen its relationships with ASEAN’s 12 Priority Integration Sectors (PIS) by formally engaging the recognised regional associations. The progress of several PIS has been relatively slow and is inadequately monitored. We strongly believe engagement of regional associations will allow ASEAN BAC to better position itself in amassing the ambitions of industries.

ASEAN BAC is widening its engagements with the various business councils, clubs and associations affiliated with ASEAN. In response to the request made by the AEM at the 2012 Consultation in which ASEAN BAC engaged with the private sector, the Council have taken a proactive approach to engage other ASEAN+1 Business Councils.

The 2012 ASEAN Business and Investment Summit conducted in Phnom Penh, was the first ever event in which ASEAN BAC engaged informally with other ASEAN Business Councils.

Building on the initial momentum, ASEAN BAC through the support of the Chairmanship of Brunei Darussalam has called for the 1st Joint
Consultation Meeting of ASEAN Business Councils, which was convened prior to the AEM Meeting on 18 August 2013. The kick off meeting allowed the various business councils present to understand the history, aims and direction of its counterparts. The Meeting also allowed business councils to align their recommendations for ASEAN, as well as act as meeting point in which councils are able to collaborate on future projects.

Finally, given the ever-increasing role of ASEAN BAC, the Council has officially built on strategic partnerships with reputable organisations to carry out its mandate and tasks. In addition to strategic partnership with ERIA and LKYSSP, ASEAN BAC has also established partnerships: with KPMG to administer the 2013 ASEAN Business Awards to identify the most admired ASEAN enterprises, and Indah Sejahtera Development and Services (ISDS) to revamp the ASEAN BAC’s website and to develop online forums to cater the needs of ASEAN’s SMEs, youth and women entrepreneurs, as well as that of businesses as a whole.

Recommendations:

- **Assist ASEAN BAC in engaging deeper with other ASEAN related platforms**

  AEM to assist ASEAN BAC in engaging other AEC Working Groups and provide further support for the Council to engage the AFMM especially for areas outside its jurisdictions.

- **Encourage national chambers and business associations to engage with appointed ASEAN BAC Members**

  ASEAN Member States to encourage national chambers and business associations to engage appointed ASEAN BAC Members to assist in carrying out the task to socialise ASEAN and AEC to national businesses.

- **Further recognise ASEAN BAC as the official link to AEM and Leaders**

  ASEAN Governments to fully support ASEAN BAC as the official link to AEM and Leaders; further supporting ASEAN BAC role as lead in engaged consultation with ASEAN+1 business councils to align common goals for reporting to AEM and Leaders.

- **Develop a joint communication plan on AEC ASEAN BAC and ASEAN to develop a joint communication plan on AEC.**

  The development of such plan will ensure that information shared in various platforms is consistent and applicable for businesses.
VI. CONCLUSION

The activities and recommendations proposed by ASEAN BAC in this report serve to highlight critical areas that need to be achieved by ASEAN Member States as we enter the final years of the AEC. In carrying out its mandate, ASEAN BAC needs the full support of ASEAN to respond to recommendations addressed in this report.

The additional consultations provided to ASEAN BAC in which some of these concerns have been relayed have been greatly appreciated. The Council is eager to receive the full endorsement of the Leaders for the recommendations laid out in this report that may be useful, and to work together on refining others where it may fall short.

We acknowledge that recommendations addressed in this report may not be a quick fix and that it will require sustained long-term policy initiatives, structural reform and the political will to implement them nationally. The Council is prepared to cooperate with ASEAN Governments in realising these recommendations and to further reach out to the region’s dynamic private sector in ensuring deeper understanding of ASEAN and the AEC.

ASEAN BAC also acknowledges the efforts of the Leaders to harness business views and concerns on the region’s pressing policy issues and its commitment to respond positively.
Appendices
Executive Summary

Economic Research Institute for ASEAN and East Asia (ERIA) in collaboration with ASEAN Business Advisory Council (ASEAN BAC) and national think tanks conducted surveys on the usage of free trade agreements (FTAs) by the private sector. The surveys cover 630 exporting or importing firms across ASEAN Member States countries. The surveys were complemented by interviews and focus group discussions with firms, business associations, chambers of commerce and government officials. Considering the relatively small number of manufacturing and services firms in Brunei, focus group discussions were organised instead of surveys.

The surveys started in April 2013 throughout August 2013, with the Final Report scheduled to be completed by January 2014. This Interim Report only reflects the key findings of the joint collaboration between ERIA and ASEAN BAC, and is only intended to be used for the 2013 ASEAN BAC Report to the Leaders: Moving Ahead Together.

Key Findings

The survey and focus group discussion findings reveal a moderate usage of FTAs in ASEAN. In the manufacturing sector, ASEAN Free Trade Agreement (AFTA) has the highest usage of 32 per cent for exports, while ASEAN China Free Trade Agreement (ACFTA) has the highest usage of 33 per cent for imports. In the services sector, AFTA has the highest usage of 36 per cent for imports. This translates to an overall relatively low usage of FTAs, and the main are twofold.

1. Small Benefit Margins of FTAs:
   a. Small differences between applied tariff rates for everyone and preferential FTA tariff rates. Moreover, as tariff rates are getting lower, the number of non tariff measures (NTMs) is perceived to be increasing
   b. While the official costs of obtaining an FTA certificate of origin (COO) are perceived to be reasonable, the procedure to obtain COOs is perceived to be quite cumbersome

2. Limited information about FTAs.

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1 The authors thank Shujiro Urata for his comments on earlier drafts and Robertus Herdiyanto and Riandy Laksono for their assistance. Correspondence: liliyan.ing@eria.org
Key Recommendations

Based on the survey findings, focus group discussions, and discussions among ERIA, national think tanks and ASEAN BAC, we propose the following quick win actions to increase the use of FTAs by the private sector.

1. Raise Benefit Margins of FTAs:
   a. – Set a target of 95 per cent tariff elimination
      – Set up country-level regulatory-oversight agencies to carry out NTM reviews
   b. Adopt a common rules of origin (ROO)

2. Improve the quality of government websites and help desks; raise the knowledge and skills of officials responsible for implementing FTAs; and increase the use of other means of communication, apart from government websites (e.g. mobile phones) to disseminate the information about FTAs.

In conclusion, businesses indicate that they will be better off with FTA preferential tariffs than they would be in absence. However, it is for the ASEAN Member States, in collaboration with chambers of commerce and business associations, to increase benefits of FTAs and to increase the use of FTAs by the private sector.

1. CONTEXT

The last two decades have witnessed how free trade agreements (FTAs) have surged in Southeast Asia, how they have evolved and how they have embraced its trading partners mainly in East Asia. The ASEAN Free Trade Agreement (AFTA) was established in 1992 with six ASEAN Member States and the four other states joined in the second half of the 1990s. Currently, AFTA has ten member states.

East Asian countries (ASEAN+ its 6 trading partners) have enacted as many as 156 FTAs to date (Asian Development Bank, Asia Regional Integration Center). ASEAN have engaged in no less than 6 regional FTAs: ASEAN Free Trade Agreement (AFTA), ASEAN-Japan FTA (AJCEP), ASEAN-China FTA (ACFTA), ASEAN-Korea FTA (AKFTA), ASEAN-India FTA (AIFTA) and ASEAN-Australia and New Zealand FTA (AANZFTA).

In November 2011, ASEAN initiated to form Regional Comprehensive Economic Partnership (RCEP) that is essentially aimed to level up the quality of ASEAN+1 FTAs. The members consist of ASEAN+6 FTA partners. The growing number of FTAs and Economic partnership lead us to questions:

- How do FTAs affect businesses?
- What are the benefits and costs for businesses in using FTAs?
- How do businesses use of FTAs?

There are at least two main effects of Free Trade Agreements. The first effect is a direct effect, which is a change in trade prices that will affect trading flows among FTA members and between FTA
members and non members. FTAs, under which tariffs on trade between FTA members are reduced (or eliminated), would promote trade between FTA partners, while they may reduce trade between FTA members and non-FTA members. The second effect is an indirect effect of FTA on decision to invest. FTAs may discourage market-seeking FDI from FTA partners, as FTAs would facilitate exports from FTA partners with elimination/reduction of tariffs. Alternatively, FTAs may promote export-oriented FDI, since FTAs would facilitate imports of inputs from FTA partners. Furthermore, FTAs would promote FDI, when FTAs have provisions (or an investment chapter) on FDI, which could improve FDI environment.

While the overall trade and investment performance of ASEAN have improved in recent years, there is considerable room for further improvement of trade, services and investment, particularly in trade and investment processes and procedures in individual countries in order to optimize the use of regional cooperation. This leads us to a question: What are the types of government support or private sector’s involvement that can optimise the use of FTAs?

To examine the use of FTAs by the private sector, we conduct a questionnaire survey on firms.

Objective
- To provide evidence on the use of FTAs by the private sector in 10 ASEAN countries
- To explain constraints for using FTAs
- To provide policy support to optimise the use of FTAs

Survey design

The surveys cover 630 exporting or importing manufacturing firms and 182 importing services firms (i.e. the services firms that may use imported goods and thus use FTAs, such as hotel, restaurants and retails; ICT and constructions) across ASEAN countries. The data on exporting and importing manufacturing firms are based on a 2010 survey industry, which covers all industries in the manufacturing sector. The samples are selected with consideration on size, ownership, location and other firm characteristics (see Appendix A.1 and A.2 for detail firm characteristics).2

The surveys are led by CICP Cambodia, LPEM Indonesia, NERI Lao, YIE Myanmar, MIER Malaysia, PIDS Philippines, SIIA Singapore, Chulalongkorn University Thailand, and CIEM Vietnam. Considering a relatively small number of manufacturing and services firms and activities in Brunei, focus group discussions were organised instead of surveys.

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2To obtain representative respondents, the surveys were designed to obtain the respondents which contain two groups: the first group consists of exporting and importing firms that use FTAs and the second group consists of exporting and importing firms that never use any FTAs. The number of respondents is suggested be a proportion 10% of each group. The definition of the size of firms is based on the number of employees: Small (<50 employees), Medium (51-300 employees) and Large (>300 employees) defined by the International Financial Corporation, 2012.
2. KEY FINDINGS

2.1. Key finding in the manufacturing and services sectors

Manufacturing sector

The survey findings reveal that the number of the use of COOs is moderate and COOs are largely concentrated in large firms and certain products. Table 1 shows the survey findings on the use of FTAs by agreement. Generally, the pattern of relatively high usage of FTAs is generally determined by the intensity of exports and imports between countries. The usage of FTAs in ASEAN apparently follows this pattern.

Table 1-second column shows that in exports, about 32 per cent of the total exporting manufacturing firms claim that they use AFTA for their exports. The relatively high usage of AFTA compared to the other FTAs is mainly driven by the fact that ASEAN is the main export destination for ASEAN countries. ASEAN contributed 26 per cent to total value of exports of ASEAN countries to the world in 2011. In addition, businesses are relatively more aware and familiar with the procedure of AFTA CO as AFTA has been started in 1992 while other FTAs have been in effect since 2010.

The usage of ACFTA and AKFTA for exports is also relatively higher compared the other FTAs with the usage of 21 per cent and 15 per cent, respectively. Meanwhile, only 5 per cent of the total exporting manufacturing firms claim that they use either AJCEP or AIFTA. The low usage of AJCEP is expected due to the fact that Japan has formed bilateral FTAs with most of ASEAN countries, whereas the relatively low usage of AIFTA is expected due to the fact that the flow of exports of ASEAN countries to India is relatively lower than that of exports of ASEAN to its other main trading partners, namely China, Korea, and Japan. The share of exports of ASEAN countries to India was only about 3 per cent of total ASEAN exports to the world in 2011. In Cambodia, Laos and Myanmar (CLM), on average, the usage of FTAs for exports is about half of the average of that of other ASEAN countries in AFTA, ACFTA, AKFTA and AJCEP. The usage of AANZFTA and AIFTA in CLM countries is only about 1.5 per cent or less.

Similar to the results of existing studies, our survey findings show that large firms have a tendency of using more FTAs. In exports, medium firms have a tendency of more than double of usage of FTAs than small firms, and large firms have a tendency of 60 per cent more of usage of FTAs than medium firms.

Moreover, the use of FTAs is rather concentrated in certain products. For illustration, the survey finding asserts that the use of FTAs is concentrated in Apparel and Electronics, which contributes about 18 per cent and 10 per cent, respectively, to the total use of FTA COOs in Indonesia. It also reveals that the use of FTA COOs is concentrated in Machinery and Pharmaceuticals, which contributes 13 per cent and 12 per cent, respectively, to the total use of FTA COOs in Thailand.4

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3 Previous studies assert that across 6 ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam), the total utilisation rates of FTA COOs for exports and imports was about 20% between 2006 and 2008 (Hiratsuka et al, 2009) and increased to about 25% in 2011 (Hayakawa, 2013, based on the JETRO Survey on Japanese affiliated firms). There has been a long debate on how to measure the utilisation rates of FTA (Hirmanaka, 2013). The utilisation rates based on official data on COOs and tariff lines will be presented in the final report. ERIA is currently developing methods to measure the effective use of FTAs.

4
Table 1. The survey results of the use of FTAs by the private sector in the manufacturing sector

<table>
<thead>
<tr>
<th>FTAs</th>
<th>Firms using FTAs for Exports (% of exporting manufacturing firms)</th>
<th>Firms using FTAs for Imports (% of importing manufacturing firms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FORM D (AFTA-ATIGA)</td>
<td>32</td>
<td>19</td>
</tr>
<tr>
<td>FORM E (ACFTA)</td>
<td>21</td>
<td>33</td>
</tr>
<tr>
<td>FORM AK (AKFTA)</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>FORM AANZ (AANZFTA)</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>FORM AJ (AJCEP)</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td>FORM AI (AIFTA)</td>
<td>5</td>
<td>4</td>
</tr>
</tbody>
</table>

Note:
1. The number of respondents who are exporting manufacturing firms is 514, and the number of respondents who are importing manufacturing firms is 346 (the firms which are located in export processing zone, free trade zone and special economic zone are excluded in the total importing manufacturing firms as they are eligible for tariff free imports, so that there is no necessity for them to obtain FTA COOs).
2. The interpretation of the number 32 in the table: on average, 32 per cent of the total exporting manufacturing firms in ASEAN claim that they use AFTA-ATIGA.
3. The summation of the use of FTA COOs does not necessarily 100 per cent as not all of firms use FTAs and one firm may have more than one FTA COOs.
4. Please note that the magnitudes of the usage of FTAs could be higher if we control the number of firms by export destinations and import origins. ERIA is currently developing methods to measure the effective use of FTAs in which one of them addresses the issue.

Table 1-third column shows that in imports, even though China is the second largest import origin, which contributed 13 per cent to the total value of imports of ASEAN from the world in 2011, ACFTA has the highest usage by the private sector in ASEAN. It illustrates that 33 per cent of total importing manufacturing firms claim that they use ACFTA for their imports. ASEAN countries are viewing the rise of increased trade with China with a two-sided coin of wisdom as a threat and a hope. The threat is that China may seize shares of the ASEAN domestic market with its relatively competitively priced products and the hope is that ASEAN could get relatively cheaper materials. Thus, an increase in the use of ACFTA for imports may not necessarily be a negative sign for trade (Ing (2011) for the case of Indonesia using ACFTA). Meanwhile, ASEAN is the largest import origin for ASEAN, which contributed to 23 per cent of total value of imports of ASEAN in 2011, but only 19 per cent of importing manufacturing firms claim that they use AFTA for their imports to ASEAN. The use of AKFTA for exports in ASEAN is about 8 per cent, while that of the other FTAs is less than 5 per cent.

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The official data on the use of FTAs confirm the survey findings. However, the data on the use of FTAs by products are very limited. These data are only available for Indonesia and Brunei. The number of FTA COOs in Indonesia’s exports concentrated in Textiles, Machinery and Electronics, Wood and wooden products, Plastics and rubber, and Chemicals which constitute about 58% of the total number of COOs for exports (Ministry of Trade of Indonesia, 2013). Likewise, exports using FTA COOs in Brunei is largely concentrated in mineral fuels, mineral oils and products of their distillations which contributed about 98% of total value of exports using COOs while manufactured goods only contributed about 2% of the total value of exports using COOs (Ministry of Foreign Affairs and Trade of Brunei, 2013).
Services sector

Table 2 shows that in the services sector, the use of FTAs is also relatively moderate. Interestingly, the magnitudes of the use of FTAs in ASEAN in the services sector are similar to those in the manufacturing sector. On average, 36 per cent of the total importing services firms claim that they use AFTA-ATIGA. It is followed by 27 per cent of them use ACFTA. Meanwhile, only about or less than 5 per cent use the other FTAs in ASEAN. Even though the survey findings show a relatively low usage of FTAs by now, the point is that preferential tariffs on goods can be enjoyed not only by firms in the manufacturing sector, but also firms in other sectors including the services sector. Furthermore, FTAs may also provide benefits for indirect exporters and importers.

Table 2. The survey results of the use of FTAs by the private sector in the services sector

<table>
<thead>
<tr>
<th>FTAs</th>
<th>Firms using FTAs for Imports (% of importing services firms)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FORM D (AFTA-ATIGA)</td>
<td>36</td>
</tr>
<tr>
<td>FORM E (ACFTA)</td>
<td>27</td>
</tr>
<tr>
<td>FORM AK (AKFTA)</td>
<td>5</td>
</tr>
<tr>
<td>FORM AANZ (AANZFTA)</td>
<td>3</td>
</tr>
<tr>
<td>FORM AJ (AJCEP)</td>
<td>2</td>
</tr>
<tr>
<td>FORM AI (AIFTA)</td>
<td>2</td>
</tr>
</tbody>
</table>

1. The number of respondents who are importing services firms is 46.
2. The interpretation of the number 36 in the table: on average, 36 per cent of the total importer services firms in ASEAN use AFTA-ATIGA.
3. The summation of the use of FTA COOs does not necessarily have more than one FTA COOs.

The main reasons for a relatively moderate number of the use of FTAs in both manufacturing and services sectors across ASEAN could be two fold. First is the small benefit margin of FTAs and second is the limited information about FTAs, which will be discussed in sections 2.1 and 2.2, respectively.

2.2. Reasons for a relatively low usage of FTAs

2.2.1. Small benefit margins of FTAs

Benefit margins of FTAs are defined as the difference between benefits and costs of using FTAs. The benefits can be obtained from tariff margins which is the difference between MFN applied tariff rates and FTA preferential rates; and the costs are due costs of obtaining COOs.

5The existing studies usually focus only on the use of FTAs in the manufacturing sector.
(i) Benefits of FTAs: Tariff margins of FTA

Tariff margins are relatively low already which is largely because most favoured nation (MFN) tariff rates are already low instead of exemption from FTA tariff reduction schedules. The average MFN rate of original ASEAN members was relatively low which was ranged between 7 per cent in 2005 and 6 per cent in 2010 as a result of unilateral tariff reduction driven by international commitment in the mid 1990s. On average, they offered preferential tariff rates of 2 per cent for ASEAN members over the same period so that the tariff margin is about 4-5 per cent. The tariff margins are even much lower for ASEAN trading partners. Tariff rates in Australia and Japan are already low so the tariff margins extracted from a preferential treatment seem to be very limited. For example, the average applied tariff rates of Australia was 3 per cent in 2006. The corresponding figure of Japan was 3 per cent. Hence, it is unlikely that the tariff margins will be more than 5 per cent for ASEAN members (ERIA's staff calculations, based on ASEAN Secretariat and UNCTAD, 2013).

Lying on that, it is often the case that attempting to bring a shipment through customs under an FTA may instead draws additional attention from customs officials, resulting in delays. In order to avoid administrative difficulties and delays, many firms opt to pay full duties when exporting. This indicates that the tariff margins under the existing FTAs are still perceived to not offering sufficient benefits for firms to obtain when compared to the costs.

Moreover, while tariffs get lower, the number of non tariff measures (NTMs) is perceived to be increasing as indicated in the interviews and focus group discussions.

(ii) Costs of FTAs: costs of obtaining FTA COOs

In general, tariffs were already relatively low due to the international commitments. If we cannot do much to further lower tariffs as they are relatively low already, then we have to look at the costs.

First, the costs and procedures of compliance to obtain COOs are perceived to be relatively high for small and medium enterprises (SMEs). While the official costs of obtaining COOs are perceived to be reasonable across ASEAN countries, concerns regarding the costs of applying for COOs are apparently prevalent among SMEs who would most likely not have the necessary in-house expertise. Thus, such SMEs have to engage a third-party to assist them to obtain preferential COOs, which incurs third-party fees.

Second, the ROO is perceived to be relatively high to achieve as indicated by interviews. One of ERIA-FTA studies asserts that RVC (40) or CTH is the general rule for ATIGA, AANZFTA, AJCEP and AKFTA while for ACFTA the general rule is RVC (40) and for AIFTA the general rule is the dual rule, RVC (35)+CTSH, which is considered the most restrictive as both rules need to be complied with. ATIGA has been undertaking ROO reforms, coming up with Product Specific Rules (PSRs) that are generally intended to encourage better utilisation of the FTA. ATIGA uses RVC (40) or CTSH which is more liberal than the general rule RVC (40) or CTH. All the ASEAN+1 FTAs allow back-to-back certificate origin, third country invoicing as well as accumulation of inputs from parties, provided that inputs pass origin criteria. ATIGA further also allows a partial accumulation, if at least 20 per cent of the RVC comes from the member countries. As a result, more products are allowed to obtain
FTA COOs (Fukunaga and Isono, 2013).

In addition, many exporting firms in ASEAN countries are already in either exporting free zones/free trade zones or under special arrangements with tax incentives. Most of ASEAN countries had been already in other schemes prior to the signing of FTAs, such as ITA, EPZ and GSP, which provide firms to enjoy zero-tariffs and tax incentives, and thus firms prefer to use those schemes instead of FTAs.

2.2.2. Limited information about FTAs

To date, ASEAN has engaged in at least 6 regional FTAs and a significant number of bilateral FTAs. However, on average, more than 60 per cent and about 70 per cent of respondents across countries in the manufacturing sector and the services sector, respectively, claim that the information about FTAs and how to use them is still limited or very limited. Government website is claimed as the top sources to obtain information about FTAs, including the procedures and costs of FTAs. Freight forwarding companies are the second source for information about FTAs. In certain countries, such as in Cambodia, 70 per cent of firms using FTAs claim that they are urged by the government while the other 30 per cent are requested by the trading partners. In Myanmar, interviews indicate that FTA is even still perceived as another appearance of trade restrictions.

Interestingly, the surveys and firm interviews indicate that a number of SMEs responded that they do not know or have limited knowledge about FTAs and claimed that they never used any FTAs, yet they utilised Form D for their exports (note: Form D is a certificate of AFTA-ATIGA).

3. POLICY RECOMMENDATIONS

Based on the survey findings, focus group discussions, and discussions among ERIA, national think tanks and ASEAN BAC, we propose the following quick win actions to increase the use of FTAs by the private sector.

3.1. Raise benefit margins of FTAs

(i) Set a target of 95 per cent tariff elimination and set up country-level regulatory-oversight agencies to carry out NTM reviews

To increase tariff margins, and thus, provide additional gains from the existing ASEAN+1 FTAs, ASEAN should set a motivated yet feasible level of tariff elimination. One of considerations could be setting a target of at least 95 per cent tariff elimination. In doing so, there are two approaches proposed: first, advance openness in relatively ‘easy sectors’ (i.e. sectors that have relatively common levels of openness); and second, improve both the levels of openness and the coverage of sectors that have high value added and strong regional production network.

6. On a number of products, particularly either for safety-use products, protected-sector products or high-end products, applied tariffs are still in two digits. For illustration, Indonesia still applies tariff rates of 20%, 15% and 12% on edible preparations, vehicles, and articles of apparel, respectively, in AANZFTA and AIFTA. Another example, the Philippines still also have relatively high tariff rates of 22% and 12% on processed meat and vehicles, respectively, in AJCEP and ACFTA.
Moreover, to address the issue on the number of NTMs that is perceived to be increasing as tariff rates decline, the governments of ASEAN should set up country-level regulatory-oversight agencies to carry out NTM reviews. As a first step, in the next two-three years, the ASEAN Secretariat might consider organising the collection of NTM data according to the multilateral template and using the data to produce a report on NTMs and use this as one of evaluation mechanisms to manage NTMs in the Southeast Asia. Later on, this could then be extended to RCEP members.

(ii) Adopt a common Rules of Origins

RCEP negotiations will provide an opportunity to ease the complexity in ROOs, by using business-friendly co-equal rules as much as possible. First, RVC (40) or CTH can be used as the general rule supplemented by alternative (relatively more liberal) rules. ASEAN firms do fully benefit from the ASEAN+1 FTAs due to restrictive ROOs, especially those in ACFTA and AIFTA. This approach is important for improvement in production networks.

At the same time, ASEAN should continue simplifying the administration of restrictiveness in ROOs. While a high level of similarities is observed in the ASEAN+1 FTAs, there remain substantial differences in details. An ROO template should adopt a relatively more liberal accumulation rule. Potential RCEP members should consider applying common ROOs in the RCEP to the existing ASEAN+1 FTAs. In this sense, applying common operational certification procedures is also crucial. Simultaneously, Self-Certification Scheme (SCS) could also be endorsed to continue to be implemented across ASEAN countries.

3.2. Improve the quality of the government websites and help desks

One priority should be to improve the service quality of government websites and help desks at authorities issuing COOs. The websites and help desks should act as a front line in dealing with FTA regulations and policies for traders. Improvements should cover both hard and soft infrastructure of the website and help desk, including the skills and capacity of officials. It could start first by providing detailed information on COO requirements online, or publicly available, along with the costs of obtaining COOs and the departments that are responsible for issuing COOs, as well as the individuals in charge and their contact details.

Second, the help desks and/or other units related to issuing COOs and/or providing information on COOs should be adequately trained to respond to basic questions relating to FTAs, trade agreement policy and regulations, benefits, and how to obtain a COO including FTA procedures and costs.

In addition, the information about FTAs could also be disseminated through other accessible means such as mobile phones or other communication devices.

Last, national chambers and business associations play important roles in disseminating information about FTAs and providing inputs for the governments in designing trade agreements. The majority of firms expressed that they would like to see more seminars, briefings, consultations conducted to promote the use of the existing FTAs and any new FTAs.
4. CONCLUDING REMARKS

In conclusion, businesses indicate that they will be better off with FTA preferential tariffs than they would be in absence. However, it is for the governments, in collaboration with chambers of commerce and business associations, to increase benefits of FTAs and to increase the use of FTAs by the private sector.7

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7 ASEAN should adopt an evaluation mechanism of the use FTAs, which allows the private sector to provide inputs that could used as a base to form another FTA or any other type of cooperation or any type of economic preferential agreements. In doing so, suitable methods to measure the effectiveness of FTAs or any PTAs should be implemented, and surveys or discussions with firms and business associations can complement the result findings on the effectiveness of the use of FTAs.
A.2. Firm characteristics in the services sector

a. By size

<table>
<thead>
<tr>
<th>Country</th>
<th>Vietnam</th>
<th>Thailand</th>
<th>Philippines</th>
<th>Myanmar</th>
<th>Malaysia</th>
<th>Laos</th>
<th>Indonesia</th>
<th>Cambodia</th>
</tr>
</thead>
</table>

- Small
- Medium
- Large

b. By ownership

<table>
<thead>
<tr>
<th>Country</th>
<th>Vietnam</th>
<th>Thailand</th>
<th>Philippines</th>
<th>Myanmar</th>
<th>Malaysia</th>
<th>Laos</th>
<th>Indonesia</th>
<th>Cambodia</th>
</tr>
</thead>
</table>

- Fully Domestic
- Fully Foreign
- Joint Venture

Note: The surveys cover 162 importing service firms across ASEAN countries, excluding Brunei. The missing information will add up the percentage of survey firms to 100%.
Appendix B

Selected Key Findings

2013 ASEAN BAC Survey on ASEAN Competitiveness

Marn-Heong Wong and Andre Wirjo, Lee Kuan Yew School of Public Policy

A. Background

The ASEAN Business Advisory Council (ASEAN BAC) partnered with the Lee Kuan Yew School of Public Policy, National University of Singapore for the third time to conduct the 2013 ASEAN BAC Survey on ASEAN Competitiveness across all ten Member States between May and August 2013. As with the last two Surveys in 2010 and 2011-12, the 2013 Survey aimed to collate business sentiments towards the attractiveness of ASEAN to trade and investments and the effectiveness of ASEAN policy initiatives to form an ASEAN Economic Community (AEC) by the end of 2015.

Respondents included businesses that were respondents to the past two waves of the Survey, past nominees of ASEAN BAC’s ASEAN Business Awards, as well as businesses that had been identified from various company databases. In order to reach out to as many businesses as possible, potential respondents could choose to be interviewed in any of the national languages of ASEAN Member States or to self-administer the survey. Preliminary results were reported to ASEAN Economic Ministers at their consultation session with ASEAN BAC on September 2013 in Bandar Seri Begawan.

B. Respondent profile

502 usable responses were collected at the end of the survey period. Indonesia, Singapore, Thailand and Vietnam together contributed approximately 72 per cent of the respondents (Figure 1(a)). The higher share of respondents from these states was partly by design, as these are the larger economies by population size and/or GDP.

By firm-size categories, 49 per cent of the respondents were from small firms, while 23 and 28 percent were from medium-sized and large enterprises respectively (Figure 1(b)). Similar to the previous surveys, firms are classified by employment size thresholds in this report, where small, medium and large firms are defined as those having less than 50 employees, 50-200 and more than 200 employees respectively.¹

¹The Survey Project Lead Researcher is Dr. Marn-Heong Wong, Assistant Professor at the Lee Kuan Yew School of Public Policy.
By firm age, 7 per cent of the respondents were relatively young firms that had been in operation for less than two years. Approximately 60 per cent of the firms had been in operation for at least 10 years (Figure 1(d)).

**Figure 1: Respondent profile**

(% of Respondents)

- **a. Respondent location**
  - Malaysia 22%
  - Thailand 21%
  - Indonesia 15%
  - Singapore 20%
  - Vietnam 15%
  - Philippines 9%
  - Brunei 9%
  - Myanmar 8%
  - Less than 4%

- **b. Firm size**
  - Small 49%
  - Medium 21%
  - Large 20%

- **c. Foreign equity ownership**
  - 60% Foreign
  - 1-5% Foreign
  - 6-25% Foreign
  - None 25% Foreign

- **d. Firm age**
  - Below 1 year 7%
  - 1-5 years 12%
  - 6-8 years 15%
  - Above 10 years 40%

Source: Authors’ calculations based on survey data

**B.1 International Activities of ASEAN-based firms**

- **i. Export**

  About 45 per cent of businesses in the sample indicated that they exported to other countries (Figure 2). There was wide variation across countries, where the share of firms having export activities ranged from 19 per cent for Indonesia to 66 per cent for Singapore.

  A lower share of wholly locally-owned firms (40 per cent) engaged in export activities relative to firms with some degree of foreign ownership (56 per cent), where the share increased with the level of foreign ownership.

  In terms of firm size, a higher share of large enterprises (56 percent) had export activities relative to small (35 per cent) and medium-sized firms (54 percent), concurring with the general view that smaller firms, constrained by their resources, face greater barriers when attempting to undertake export activities.
More than 60 per cent of exporters indicated that they exported to at least one ASEAN country within the first three years of their export activity.

**Figure 2: Share of exporters and non-exporters**

a. Overall and by firm size  

b. Exporters by country  

(% of Respondents)

Source: Authors’ calculations based on survey data

**ii. Outward FDI**

Close to a quarter of businesses in the sample undertook outward foreign direct investment (OFDI) activities (referred to as ‘OFDI firms’ in Figure 3). Similar to export activity, there was wide variation in the share of firms that undertook OFDI across countries, ranging from 10 percent for Vietnam to 47 percent for Singapore.

Wholly locally-owned firms (13 per cent) were much less likely to have undertaken OFDI than firms with some degrees of foreign ownership (42 per cent). The share of firms engaged in OFDI is lower the higher their level of foreign ownership.

By firm size, a higher share of large enterprises (44 per cent) undertook OFDI relative to small (9 per cent) and medium-sized firms (28 per cent). The lower share of firms that undertook OFDI (both overall and by firm size) via-a-vis export activity is in line with the view that OFDI is an activity that requires more resources in general and the smaller the firms, the less resources it has to do so. Indeed, a higher share of small firms (34 per cent) shared that financing presented a high or very high constraint for their businesses to undertake OFDI relative to large enterprises (23 per cent).

Close to 70 per cent of businesses undertook OFDI in at least one other ASEAN country in the first three years of engaging in this activity. Of those that invested in ASEAN countries, establishment of branches/subsidiaries was the most common form of OFDI, as indicated by 75 per cent of respondents. Joint ventures with local companies in other ASEAN countries appeared to be less favoured form of OFDI, as only 46 per cent of respondents indicated that they were involved in it.
Firms not engaged in international activities

34 per cent of businesses that did not export and/or undertake OFDI indicated that they planned to do so over the next three years (2013-2015).

Unawareness of the AEC and the possible opportunities it offers did not seem to be a differentiating factor between businesses that had not internationalized but planned to engage in international activities over the next three years and those that did not plan to do so. 70 per cent of businesses in the former category indicated that their organizations were aware of ASEAN’s plan to form an AEC, while 72 per cent of businesses in the later categories also replied in the affirmative.

Of the respondents that did not plan to internationalize over the next three years, a quarter were from Indonesia. Thailand, Vietnam and Brunei together contributed another 50 per cent. By equity ownership, about three-quarters of these respondents were wholly locally-owned. In terms of firm size, about 61 per cent were small firms while 21 per cent were large firms.

The most common main reason for not planning to internationalize over the next three years, as given by 65 per cent of the respondents, was their intention to focus on the local market. Financial constraint came in a distant second, as indicated by 17 per cent of the respondents, which comprise small and medium-sized firms. Large enterprises did not cite financial constraint as the main reason. Other reasons given included greater competition abroad, complex regulations, lack of knowledge and human capital, difficulty in finding partners and that the decision to internationalize was not made by the local unit.

C. **ASEAN’s competitiveness for investments**

Approximately two-thirds of the businesses already engaged in exported and/or OFDI activities or planned to do so over the next three years (2013-2015) were asked questions designed to collate their perspectives on ASEAN’s competitiveness for investments and their assessment of the importance and effectiveness of ASEAN’s implementation of measures towards closer economic
integration. These results are compared with findings from other studies where available to highlight similarities or differences. They are also compared with results from the 2010 and 2011-12 Survey where appropriate, to note if responses had changed over time. The following are the key findings based on this group of businesses.

ASEAN’s investment attractiveness in the global economy

57 per cent of businesses that undertook export and/or undertook OFDI activities or planned to do so over the next three years selected an ASEAN country as offering the best prospects worldwide for their organization’s OFDI over a three-year horizon (2013-2015), with Myanmar, Malaysia, Singapore and Indonesia among the more frequent choices (Figure 4). This proportion was much higher than the 36.5 per cent in the 2011-12 Survey. Myanmar notably increased its share of investor interest as a top prospective investment destination from 2 percent in the 2011-12 Survey to 12 per cent in the 2013 Survey. The growing interest in Myanmar is also corroborated by findings in the 2014 ASEAN Business Outlook Survey conducted by the American Chamber of Commerce of executives of US companies based in ASEAN countries (AmCham in Singapore 2013) (henceforth referred to as the ‘AmCham Survey’).

The share of respondents stating China as the most attractive investment destination was 17 percent in the 2013 Survey, down from 28 per cent in the 2011-12 Survey, which might reflect the impact of rising production cost on its attractiveness. Indeed, China dropped out of the top spot for the very first time since 2001 in the 2013 A.T. Kearney FDI Confidence Index. The A.T. Kearney report (2013) further noted that companies in labour-intensive, low-margin sectors had started to move to lower cost Asian countries which included Cambodia and Vietnam. The AmCham survey, however, found that US companies’ enthusiasm for diversifying investment or business from China into ASEAN had lessened compared with 2012.

Figure 4: Country that offers the best prospects for organization’s outward foreign direct direct investments over the next three years (2013 - 2015)

(% of respondents)

By firm size

Source: Authors’ calculations based on survey data
By firm size, a similar share of small (61 per cent) and large (60 per cent) firms perceived one of the ASEAN countries as offering the best prospects for their OFDI. This was unlike findings in the 2011-12 and 2010 Surveys, where an ASEAN Member States was the top prospective investment destination for a higher share of small firms than large firms. A higher share of large enterprises (18 per cent), relative to their small counterparts (14 per cent), favoured China as the most attractive investment destination. However, it is interesting to note that the share of respondents from large enterprises selecting an ASEAN country as the most attractive investment destination in the 2013 Survey was three times those selecting China, as opposed to the previous two Surveys where the share of large enterprise respondents selecting an ASEAN country were about the same as those selecting China. This may be a sign that large firms are increasingly acknowledging the greater attractiveness of an ASEAN country over China for their investment. Medium-sized firms appear to have a more diversified choice of top prospective investment destinations, with 32 per cent selecting a country outside of ASEAN and China.

D. Investment attractiveness among ASEAN countries

Reflecting ASEAN’s continued attractiveness to investors, 94 per cent of businesses planned to invest or increase investments in at least one ASEAN country (including the country in which they were based) over the next three years (2013-2015). Over 40 per cent of businesses intended to invest in Singapore, Malaysia, Indonesia and Thailand. This is followed by Myanmar (38 per cent) and Vietnam (36 per cent) (Figure 5).

The share of businesses planning to invest in ASEAN Member States was considerably higher than the share of firms (73 per cent) planning to expand in ASEAN countries in the AmCham Survey. In that survey, Indonesia was the top destination, followed by Vietnam, Thailand, Myanmar and Malaysia. In the A.T. Kearney report, the top ASEAN destinations were Singapore, Thailand, Indonesia and Malaysia.

The attractiveness of each ASEAN member economy for investments was also rated by respondents on a scale of 0 (very low) to 10 (very high). Thailand received the highest rating of 6.25. This was followed by Singapore (5.97), Indonesia (5.92), Vietnam (5.87), Malaysia (5.67) and Myanmar (5.65). Respondents were more likely to give higher rating to the country where they were based.

79 per cent of respondents identified access to a new or growing market as one of the main reasons for their firms to invest or increase investments in ASEAN countries over the next three years (2013-2015). The other two main reasons were to supply main or leading customers and to access low-cost production facilities, as indicated by more than half and about a third of the respondents respectively. This observation was consistent across all firm-size categories.
Figure 5: ASEAN Member States that organisations plan to invest in over the next three years;

Notes: (1) Value next to each bar reflects the percentage of respondents that plan to invest or increase investments while value within the bar shows respondents’ average rating on the investment attractiveness of each country. (2) Each respondent was allowed to select multiple responses. Percentages do not sum up to 100%.

Source: Authors’ calculations based on survey data

ASEAN as an integrated investment destination

48 per cent of respondents indicated that their organisation planned its investments over the next three years in ASEAN Member States by considering the investment attractiveness of the ASEAN region as a whole (Figure 6). This is up from 39 per cent in the 2011-12 Survey, when the question was first asked, and may indicate that a growing number of firms are pursuing an ‘ASEAN strategy’ in their investment decisions. This observation is supported by the findings in the AmCham survey, where 54 per cent of US companies based in ASEAN Member States indicated that they had an ASEAN regional strategy based on the AEC’s goals.

By firm size, a higher share of large firms (62 per cent) considered the investment attractiveness of the ASEAN region as a whole relative to small firms (41 per cent) and medium-sized firms (43 per cent).

These findings suggest that ASEAN’s move to create a single market and production base is gaining recognition and may reflect in part the fruits of ASEAN member governments’ outreach efforts. However, it is noted in the Surveys on ASEAN Community Building Effort 2012 conducted by the ASEAN Secretariat (2013) that businesses held the view that ASEAN could do more in organizing promotional activities to stimulate interests and awareness through the media. They also felt that the channels being utilized were not effective enough and instead should be more tailored for the target audience, taking into account language barriers and educational level differences among
Figure 6: Organisation’s consideration of ASEAN’s investment attractiveness as a whole in planning investments in ASEAN Member States

Source: Authors’ calculations based on survey data

E. Business perceptions of ASEAN economic integration

ASEAN economic integration as a threat or as an opportunity

More than half of the respondents considered ASEAN economic integration to pose a low or very low threat to their organizations (Figure 7a), rating the threat level at an average of 2.49 on a scale of 1 (very low) to 5 (very high). By firm size, a higher share of large enterprises (59 per cent) perceived ASEAN economic integration to be of low or very low threat relative to the small and medium sized-firms (52 per cent). By degree of equity ownership, a smaller share of wholly locally-owned firms (48 per cent) perceived ASEAN economic integration to be of low or very low threat relative to firms with some degrees of foreign ownership (62 per cent). The higher the level of foreign ownership, the higher would be the share of firms that perceived ASEAN economic integration to be of low or very low threat for their businesses.

Close to 60 per cent of the respondents considered ASEAN economic integration to be providing high or very high opportunity for their organizations (Figure 7b), giving the opportunity level an average rating of 3.59 on a scale of 1 (very low) to 5 (very high). A higher share of large enterprises (61 per cent) and medium-sized firms (60 per cent) considered ASEAN economic integration to present a high or very high level of opportunity for their organization, compared with small firms (52 per cent). By degree of foreign equity ownership, a somewhat smaller share of wholly locally-owned firms (55 percent) perceived ASEAN economic integration to offer their business high or very high opportunity relative to firms with some degrees of foreign ownership (59 per cent).
Figure 7: Organisation’s view of ASEAN economic integration as a threat and as an opportunity

a. Threat

b. Opportunity

Source: Authors’ calculations based on survey data

Satisfaction level with AEC Blueprint implementation

Respondents expressed slightly above-average satisfaction with ASEAN’s overall implementation of the AEC Blueprint, giving it an average rating of 3.11 (on a scale of 1 to 5). Their level of satisfaction across 16 selected policy areas were all slightly above average, except for one area – dissemination of information, which was slightly below average, with the ratings ranging from 2.97 to 3.36 (Figure 8). The three areas that respondents were most satisfied with related to the elimination of tariffs (3.36), protection of investors and their investments (3.30) and promotion of joint investment missions that focus on regional clusters and production networks (3.29) as well as increasing foreign equity participation in services sectors (3.29). The three areas that respondents were least satisfied with related to the dissemination of information (2.97), consultation with businesses (3.07) and transparency of non-tariff barriers (3.16). Consultation with businesses and dissemination of information had been among the least satisfactory areas rated by businesses over the last two waves of the Survey.
Source: Authors’ calculations based on survey data

F. Summary remarks and policy recommendations

This report has presented selected key findings from the 2013 ASEAN BAC Survey on ASEAN Competitiveness, which collated responses from businesses across all ten ASEAN Member States, comprising a mix of small, medium and large firms. More than 70 per cent of businesses in the sample were either wholly locally-owned or had less than 10 per cent foreign equity ownership. Thus, the findings could be considered to reflect more of the views of local ASEAN businesses.

Around one third of businesses did not engage in export or OFDI activities and had no plans to do so in the next three years. The majority of these were either small firms or wholly locally-owned firms. Aside from the intention to focus on the local market, financial constraint and competition from abroad were among the main reasons given by these firms for not engaging in international activities.

Investor interest in ASEAN Member States remains strong. More than half of the businesses that had internationalized or planned to do so within the next three years indicated an ASEAN Member States as the most attractive country in the world for their outward foreign direct investment, and 94 percent planned to invest or increase investments in an ASEAN country over the next three years.
There is encouraging sign that a growing number of businesses have an ‘ASEAN strategy’ that view ASEAN’s attractiveness as a whole in planning their investments in ASEAN countries. Close to half of the businesses took into account ASEAN’s overall attractiveness in their investment plans, up from two-fifths in the 2011-12 Survey.

The majority of businesses perceived ASEAN economic integration to present more of an opportunity rather than a threat. However, more of the small or wholly locally-owned firms assessed the threat of ASEAN economic integration for their organization to be higher and the opportunity offered lower compared with medium and large firms and those with some degree of foreign ownership.

Businesses expressed slightly above-average satisfaction with ASEAN’s overall implementation of the AEC Blueprint. Their level of satisfaction across 16 selected policy areas were all slightly above average, except for one area. Businesses were least satisfied with the dissemination of information, consultation with businesses and enhancing the transparency of non-tariff barriers. Consultation with businesses on AEC initiatives and dissemination of information on AEC initiatives had been among the least satisfactory areas rated by businesses over the last two waves of the Survey.

Arising from these findings, ASEAN BAC would like to make the following policy recommendations to ASEAN:

1. While there has been a rise in the number of businesses viewing ASEAN as an integrated investment destination, more than half of the businesses still considered only the attractiveness of individual ASEAN country or neighbouring groups of ASEAN Member States in planning their investments. ASEAN could spur more businesses to adopt an ASEAN strategy through a two-pronged approach:

   i. The first is timely and effective implementation of measures towards an AEC to realize the potential of economic integration.

   ii. The second is to continue to intensify its engagement with the business community, through the dissemination of information and consultation with business on AEC initiatives, which have been consistently identified by respondents in successive waves of this Survey as being among the least satisfactory areas of AEC Blueprint implementation.

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\[i\] The employment size thresholds used here are consistent with the definitions recommended by the European Commission (2003). The firm size classification here is based solely on the number of employees and does not take into account other possible dimensions such as threshold revenue.

\[ii\] A qualification applies that differences in responses between the 2013, 2011-12 and 2010 surveys could also be due to differences in the composition of respondents in the two surveys and might not indicate a change over time.
(2) In particular, ASEAN should redouble its efforts to reach out to local small firms – to allay their fear of ASEAN economic integration as a threat to their businesses and alert them to the opportunities from an AEC.

(3) As local small firms are more likely not to be engaged in export or outward foreign direct investment activities at this point in time, ASEAN should also step up measures to facilitate their internationalization. ASEAN could assist local small firms by addressing their financial constraints, enhance their understanding of overseas markets and improve their capabilities, so that they are enabled to make their first foray into other ASEAN countries through exporting, which requires less resources compared with OFDI. This will enable them to participate fully in the AEC and strengthen AEC’s pillar to achieve equitable economic development.

References


ASEAN Secretariat, 2013. Surveys on ASEAN Community Building Effort 2013, Jakarta: ASEAN Secretariat.


Appendix C

List of Strategic Partners 2013

Lee Kuan Yew School of Public Policy (LKYSPP)

Project: ASEAN BAC Survey on ASEAN Competitiveness (2013)

ASEAN BAC continues to collaborate with LKYSPP for a survey on ASEAN Competitiveness 2010-2012. The objective of the survey is to provide sector feedback to the ASEAN governments, most especially in prioritizing the implementation of related ASEAN working groups work plans. The survey tracks business sentiments towards the attractiveness of ASEAN to trade and investments and the effectiveness of ASEAN Economic Community (AEC) Blueprint implementation.

Profile

A leading global university centred in Asia, the National University of Singapore (NUS) is Singapore’s flagship university which offers a global approach to education and research with a focus on Asian perspectives and expertise.

Its 16 faculties and schools across three campus locations in Singapore – Kent Ridge, Bukit Timah and Outram – provides a broad-based curriculum underscored by multi-disciplinary courses and cross-faculty enrichment. NUS’ transformative education includes programmes such as student exchange, entrepreneurial internships at NUS Overseas Colleges, and double degree and joint degree programmes with some of the world’s top universities, offering students opportunities and challenges to realise their potential. The learning experience is complemented by a vibrant residential life with avenues for artistic, cultural and sporting pursuits. Over 37,000 students from 100 countries further enrich the community with their diverse social and cultural perspectives.

NUS has three Research Centres of Excellence (RCE) and 23 university-level research institutes and centres. It is also a partner for Singapore’s 5th RCE. The University shares a close affiliation with 16 national-level research institutes and centres. Research activities are strategic and robust, and NUS is well-known for its research strengths in engineering, life sciences and biomedicine, social sciences and natural sciences. Major research thrusts have been made recently in several fields such as quantum technology; cancer and translational medicine; interactive and digital media; and the environment and water. The University also strives to create a supportive and innovative environment to promote creative enterprise within its community.

NUS is actively involved in international academic and research networks such as the Association of Pacific Rim Universities (APRU) and International Alliance of Research Universities (IARU).
Economic Research Institute for ASEAN and East Asia (ERIA)

Project: Utilisation of ASEAN+ 1 Free Trade Agreements (FTA)

ASEAN BAC is partnered with ERIA for a study on the Utilisation of ASEAN Plus 1 (ASEAN+1) Free Trade Agreements (FTA). Utilization of ASEAN Plus 1 Free Trade Agreements is a project to stock takes of the bottleneck issues faced by private sector in utilizing the ASEAN+1 FTAs, with a view to support the development process of the Regional Comprehensive Economic Partnership (RCEP).

Profile

ERIA works very closely with both the ASEAN Secretariat and 16 Research Institutes to undertake and disseminate policy research and provide analytical policy recommendations to Leaders and Ministers at their regional meetings.

ERIA will intellectually contribute to the regional efforts for East Asian Economic Integration in wide-ranging policy areas from Trade/Investment to SMEs, Human Resource development, Infrastructure, Energy, etc. ERIA's main task will be to provide the policy analyses and recommendations to Leaders/Ministers in strong partnership with the ASEAN Secretariat and existing research institutes. Capacity Building aimed at strengthening policy research capacities especially in the less developed countries is another important issue for ERIA.

International Institute for Sustainable Development (IISD)

Project: Maximizing the Benefits of Regional Economic Integration for ASEAN SMEs.

ASEAN BAC is in partnership with IISD in developing proposal aimed to regionalize ASEAN SMEs. The background of conducting this activity is to recognize the need and importance for SMEs to be internationalized should AEC is to be achieved.

Profile

The International Institute for Sustainable Development is a Canadian-based, international public policy research institute for sustainable development.

Since it was first articulated in the Brundtland Commission’s Our Common Future in 1987, sustainable development has never been superseded by a more compelling or universally-acceptable expression of humanity’s shared goals. At its simplest level, any form of development that is not sustainable contains the seeds of its own destruction. For development to be sustainable, it must not only generate wealth: it must also advance social justice, reduce and eventually eliminate poverty, and remain within the limits imposed by ecosystem and resource resilience.
GIZ

Project: ASEAN Branding Project for SME.

ASEAN BAC is in partnered with GIZ to increase SME awareness of ASEAN and the ASEAN Economic Community (AEC) by conducting studies on 1) AEC Information for SMEs and 2) B2B activities in ASEAN.

Profile

GIZ operates in many fields: economic development and employment promotion; governance and democracy; security, reconstruction, peace building and civil conflict transformation; food security, health and basic education; and environmental protection, resource conservation and climate change mitigation. We also support our partners with management and logistical services, and act as an intermediary, balancing diverse interests in sensitive contexts. In crises, we carry out refugee and emergency aid programmes. As part of our services, we also second development advisors to partner countries.

Through programmes for integrated and returning experts, we place managers and specialist personnel in key positions in partner countries. We also promote networking and dialogue among actors in international cooperation. Capacity development for programme participants is a major component of our services, and we offer our programme participants diverse opportunities to benefit from the contacts they have made. We also give young people a chance to gain professional experience around the world – exchange programmes for young professionals lay the foundations for successful careers in national and international markets.

KPMG

Strategic Partner of the 2013 ASEAN Business Awards

ASEAN BAC is in partnered with KPMG to ensure the high quality and independency of ASEAN Business Award 2013. KPMG administered the implementation of the nominations, assessments and selections. Companies shortlisted by KPMG will be brought to the attention of an independent judging panel comprising of top ASEAN business leaders, economists and academics.

Profile

KPMG firms are some of the world’s leading providers of audit, tax and advisory services. They operate in 156 countries and have more than 152,000 people in all member firms around the world. We aim to respond to the complex business challenges facing our clients. We adopt a global approach spanning professional disciplines, industry sectors and national borders.

We are organized around our Audit, Tax and Advisory practices. Audit is an independent service that enhances the reliability of
information used by investors and other stakeholders. Attitudes to tax are changing. Organizations of all sizes are ever more exposed to new trends in tax regulation, not just locally but globally. Advisory works with the world’s leading organizations to create and protect the sustainable value of their business/or organization – focusing in the areas of Management Consulting, Risk Consulting and Transactions & Restructuring.

Indah Sejahtera Development and Service (ISDS)

ASEAN BAC in partnered with ISDS to design and develop an ASEAN BAC website that acts as a portal for all the related ASEAN-BAC activities of the Council.

Profile

Indah Sejahtera Development & Services Sdn. Bhd. (ISDS) is a 100% Bruneian owned company registered under companies act in June 1999 and is managed professionally by an excellent management team. Indah Sejahtera is in the business of providing Information Technology Services to both the Government Departments and Private Sectors in Brunei Darussalam since 1999.

In September 2010, Indah Sejahtera attained the AAB Status which is one of AITI’s efforts to promote industry development through accreditation of Brunei Darussalam’s home grown ICT industry businesses. This accreditation provides that Indah Sajehtera maintains a minimum level of Technical, financial and commercial strength and basic competency.

In October 2011, Indah Sejahtera got the ICTAB qualification from AITI to participate in the Government Tenders. ICTAB status is the requirement to ensure that Government ICT Projects are carried out successfully by competent ICT vendors. As such, The Authority for Info-communications Technology of Brunei Darussalam (AITI) has developed the ICT Accredited Business (ICTAB) initiative for ICT businesses to be accredited as a prerequisite before participating in any Government ICT tender projects. This is further classified into several classes based on the businesses’ local ownership structure, financial strength and manpower capabilities.
List of Recipients of 2013 ASEAN Business Awards

CRITERIA LARGE

CSR
• Keppel Land Limited (Singapore)
• Charoen Pokphand Foods Public Company Limited (Thailand)
• Astro Malaysia Holdings Berhad (Malaysia)

Employment
• DBS Bank (Singapore)

Growth
• OKH Global Limited (Singapore)
• PetroVietnam Drilling & Well Services Corp (Vietnam)
• Serrano Holdings Pte Ltd (Singapore)

Innovation
• Delta Electronics (Thailand) Public Company Ltd (Thailand)
• PT Dasa Windu Agung (Indonesia)
• DBS Bank (Singapore)

CRITERIA SME

CSR
• Magsaysay Maritime Corporation (Philippines)
• BMC Food Industries Sdn Bhd (Brunei Darussalam)

Employment
• Natural Health Farm Marketing Sdn Bhd (Malaysia)
• Megamas Training Company Sdn Bhd (Brunei Darussalam)
• EON The Stakeholder Relations Firm (Philippines)

Growth
• BMC Food Industries SdnBhd (Brunei Darussalam)
• EON The Stakeholder Relations Firm (Philippines)
• Batamindo Shipping & Warehousing Pte Ltd (Singapore)

Innovation
• Rigel Technology(s) Pte Ltd (Singapore)
• BiomaxTechnologiesPte Ltd (Singapore)
• Alleira Batik (Indonesia)
Annexes
H.E. Pehin Lim Jock Seng
AEM Chair 2013
Minister of Foreign Affairs and Trade II
Ministry of Foreign Affairs and Trade
Brunei Darussalam

Your Excellency Pehin Lim,

ASEAN BAC would like to take the opportunity to praise the achievement of the ASEAN governments in its continuing efforts to provide a conducive climate for local and foreign businesses to thrive in. Additionally, ASEAN BAC acknowledges the efforts of ASEAN Governments and the Secretariat in deepening and strengthening its public-private engagement activities with numerous ASEAN-affiliated business organisations and associations. Such engagements have yielded positive feedbacks and inputs for a more effective ASEAN Economic Community (AEC) building and conducive environment for business and investment.

As stated by the ASEAN Chair during the recently held 22nd ASEAN Summit in Brunei Darussalam, “the total trade of ASEAN grew by 16.8%, from US$2.05 trillion in 2010 to US$2.4 trillion in 2011, as intra-ASEAN trade reached US$598 billion from US$520 billion, an increase of 15.1 per cent, over the same period. ASEAN also continued to attract foreign investors, generating a record US$114 billion FDI inflow in 2011, a 23 per cent increase from US$92 billion in 2010”.

By the end of 2012, growth of ASEAN’s economies was recorded at an estimated 5.2 per cent; projecting an undeniably strong economic outlook for the ASEAN region. We are certain that supported by increased confidence, domestic spending and intra-regional trade; this positive growth will only gain increased momentum and importantly, will benefit the region’s dynamic private sector.

In 2013, ASEAN BAC focused its activities to support the action plan of the Chairmanship of Brunei Darussalam as well as assist ASEAN Governments and businesses to prepare for the ASEAN Economic Community (AEC). In doing so, ASEAN BAC is currently undertaking three key main deliverables which are focused on: Strengthening Regional Economic Integration & Expanding Trade; Promoting Start Ups and Sustainable Development of Micro-Small-and Medium Enterprises (MS-MEs); and Promoting the Inclusion of Youth and Women.

We strongly believe that the activities and recommendations reflected in the 2013 ASEAN BAC Report to the AEM, has captured the aspirations of businesses operating in the most vibrant market as well as in-depth studies conducted by ASEAN BAC with various reputable strategic partners. High-
lighted recommendations are aimed to accelerate the deepening of regional economic integration and the widening of the inclusiveness of AEC, so its benefits could be experienced by businesses from all layers.

MSMEs continue to play a large role in driving the economies of ASEAN. In recent times of uncertainties and economic downturn in other parts of the world, the MSMEs of ASEAN have remained resilient and continued to be the engine of growth and prosperity. Currently, ASEAN BAC is in the midst of developing a Guidebook and is partnering with national chambers of commerce and industries to conduct several capacity building workshops aimed at increasing the awareness of ASEAN related FTAs for the MSMEs.

ASEAN BAC supports the goal of economic integration with the various Dialogue Partners through existing FTAs and through the rapid development of the Regional Comprehensive Economic Partnership (RCEP). Harnessing the progress and the socialisation of these partnerships will provide more opportunities for ASEAN businesses to profit. However, we would like to strongly remind ASEAN Governments that such success could only be reached if the frequency of national and regional consultations with its business chambers and associations are intensified.

This year also marks the year of many ‘firsts’ for ASEAN BAC. We are currently widening our network and engaging the youth and women entrepreneurs of ASEAN. Given that youth and women account for 50 - 95 per cent of SMEs labour force and contribute 30 - 53 per cent to the GDP of its Member States, they play a large role in contributing to the economic development of the region, and should be included in the structure of the AEC pillar.

In addition, ASEAN BAC aims to deepen its relationships with ASEAN’s 12 priority integration sectors (PIS) by formally engaging the recognised regional associations. The progress of several PIS has been relatively slow and is inadequately monitored. We strongly believe engagement of regional associations will allow ASEAN BAC to better position itself in amassing the ambitions of businesses business operating in different industries.

We are also delighted to report that the Council has addressed the request of the AEM in 2012 for ASEAN BAC to lead the coordination activities of ASEAN affiliated business councils. As a stepping-stone, ASEAN BAC recently hosted the 1st Joint Meeting of ASEAN Business Councils in which it was attended by 15 business councils and associations. The Meeting was a proven success as it allowed the councils to coordinate and align the various objectives.

In conclusion, ASEAN BAC will continue to work closely with all relevant stakeholders in our efforts to achieve an integrated AEC by the end of 2015. We are aware that these issues are not a quick fix and recommendations in this report will require sustained long-term policy initiatives, structural reform and the political will to implement them nationally.

We believe that business input is more critical than ever as we enter the final years in reaching AEC. ASEAN BAC’s consultation with the Leaders, AEM, SEOM and various working groups has provided a chance for the voices of businesses to be heard. We sincerely hope that our voices are heard and our recommendations are adopted for further action.
Once again, we thank you for your kind attention, for giving ASEAN BAC the opportunity to raise its concerns and for your endless support.

Sincerely,

Fauziah DSP Hj Talib
ASEAN BAC Chair 2013
H.E. Dato Paduka Lim Jock Hoi
ASEAN SEOM Chair 2013
Permanent Secretary
Ministry of Foreign Affairs and Trade
Brunei Darussalam

Your Excellency Dato Lim,

Greetings from the ASEAN Business Advisory Council (ASEAN BAC). We hope this letter finds you in the very best of health.

Since our last meeting in May, we are happy to report that our Business Council has intensified the number of engagements with the various stakeholders of ASEAN. ASEAN BAC believe that these engagements are crucial in ensuring that all businesses in the region remain relevant and well-equipped in entering the final stages of AEC.

A. Progress on ASEAN BAC Projects

2013 ASEAN BAC Survey on ASEAN Competitiveness

ASEAN BAC is in partnership with the Lee Kuan Yew School of Public Policy (LKYSSP) of the National University of Singapore (NUS) to conduct the 2013 ASEAN BAC Survey on ASEAN Competitiveness. This is the third wave of the Survey and is aimed at tracking business sentiments towards the attractiveness of ASEAN in trade and investments, and the effectiveness of the AEC Blueprint. Additionally, the Survey also includes responses on how businesses assess the relative importance of different policy areas in promoting SME development and in particular SME participation in trade and investment activities in ASEAN.

It is targeted that preliminary findings of the Survey will be presented to the AEM during the Council’s annual consultation in August 2013.

Study on Utilisation of ASEAN+1 FTAs

In the efforts to maximise the potential of existing ASEAN+1 FTAs, ASEAN BAC is also in strategic partnership with the Economic Research Institute for ASEAN and East Asia (ERIA) to Study the Utilisation of ASEAN+1 FTAs. This is a project to stock take the bottle neck issues faced by the private sector in utilising the ASEAN+1 FTAs, with a view to support the development process of the RCEP.
Currently, researchers from ERIA and other partner institutions are in the midst of interviewing companies from the manufacturing and services sector to collect the necessary data. We are targeting some initial findings to be reported at the upcoming Consultation with the AEM.

Maximizing the Benefits of Regional Economic Integration for ASEAN SMEs

We are happy to report that the Foreign Commonwealth Office (FCO) of the UK Government has approved the joint-proposal developed by ASEAN BAC and the International Institute for Sustainable Development (IISD). The proposal highlights joint activities between ASEAN BAC and IISD, as follows: 1) Produce a “Guidebook for Southeast Asian SMEs on Taking Advantage of Economic Integration”; 2) Conduct SMEs Dialogue Forums in 5 ASEAN Member States; and 3) Produce Policy Brief on “Maximising the Benefits of Economic Regionalisation for ASEAN-Based SMEs”.

We are targeting that the drafting of the Guidebook will commence at the end of this month and Dialogue Forums to begin as early as September 2013.

B. ASEAN BAC – ASEAN SME Working Group Consultation

In response to ASEAN BAC’s request to consult with the ASEAN SME Working Group (WG), ASEAN BAC was invited to the 32nd ASEAN SME WG Meeting held on 25 June in Vientiane, Laos. The Consultation was the first ever consultation conducted between the Business Council and an ASEAN Working Group. At this opportunity, ASEAN BAC was able to share with the Working Group the themes and deliverables for 2013, and highlight activities of the Council which are pertinent to the development of micro, small and medium enterprises (MSMEs).

In response, the Working Group recommended that ASEAN BAC should:

1. Consider expanding the outreach of MSMEs to be inclusive of handicaps and the underprivileged;
2. Provide rewards for the winners of the ASEAN Business Awards so as to encourage more participation from the private sector such as a voucher or scholarship to participate at an incubation centre in AMS; and
3. Look into future initiatives or projects that the ASEAN BAC can collaborate with the ASEAN SMEWG.

C. ASEAN BAC and ASEAN+1 Business Councils

ASEAN BAC participated as delegates and speakers at the Russia-ASEAN Business Council in conducting the first ever Russia-ASEAN Business Forum on 23 June 2013 in St Petersburg, Russia. The business forum brought together key business leaders from Russia and ASEAN to discuss opportunities for closer economic and business relations between the two regions.

The Business Forum highlighted once again the importance of ASEAN as a destination for trade and investment by our Dialogue Partner. It was reiterated that ASEAN presents a huge potential for Russia. With its young population, expanding middle class, rising consumer spending, and increased investments in infrastructure, ASEAN will be growing in the next couple of years, and Rus-
sian business would be wise to take part of this amazing growth story. It was also noted that there were opportunities to encourage information sharing between ASEAN and Russia, to improve on our understanding of each other, and identify common areas of interest.

To further align objectives of the various ASEAN+1 Business Councils, ASEAN BAC will coordinate the First ever Joint Meeting amongst the various Business Councils on August 18 2013 in Brunei Darussalam (time and venue to be confirmed) on the side-line of the ASEAN Business and Investment Summit. We hope that such Meeting will better align the various objectives of the Councils and allow the private sector to move in unison more efficiently.

D. ASEAN Business and Investment Summit

The ASEAN Business and Investment Summit (ASEAN BIS) is organised by the ASEAN BAC, as the avenue to promote public and private sector partnership in the region. The Business Summit is an annual event, and the 2013 ASEAN BIS marks the event’s 10th year anniversary. The Council is targeting a congregation of approximately 500 delegates who are prominent dignitaries, regional and global businessmen, academicians and policy-makers originating mainly from ASEAN Member States, and Dialogue Partner Countries.

The 2013 ASEAN BIS will be held on August 19-22 2013 in Brunei Darussalam and will look into topics such as the opportunities from the RCEP, the inclusion of Youth & Women in the ASEAN process and mitigating present gaps in investment in ASEAN, amongst others. Additionally, promoting dialogue on issues important to businesses, such as the way forward on Energy, Connectivity, Finance and Innovation our programme ensures that benefits derived from ASEAN’s growth and the AEC can be realised by all businesses, including SMEs.

In our efforts to recognise ‘The Most Admired ASEAN Enterprises’, the Council is also conducting the sixth year of the ASEAN Business Awards (ABA). ABA was conceived to be the first of its kind in the region, with the dual objectives of showcasing home grown ASEAN companies that have become role models for other aspiring companies, as well as providing a spotlight for promising ASEAN SMEs that have the potential to be global players. This year’s Business Awards will aim to identify achievers in the categories of growth, innovation, employment, CSR and young entrepreneurs (YE). The deadline for nominations for ABA 2013 has closed and we are delighted to report that we have attracted a total of 69 companies for 2013 – an improvement in numbers from previous years, and the first time we have the participation of businesses from all ASEAN member countries. Recipients to the prestigious Awards will receive their awards on the Joint AEM-ASEAN BAC Gala Night of the ASEAN Business and Investment Summit (ASEAN BIS).

Given the sheer importance of the ASEAN BIS to the business community, we reiterate our request for support from SEOM Leaders and ASEAN Governments, to assist in socialising the program and to identify at least 10 key industry players as delegations to the Business Summit.

In conclusion, ASEAN BAC will continue to work closely with all relevant stakeholders in our efforts to achieve an integrated AEC by the end of 2015. We are most encouraged that Brunei’s Chairmanship year has provided us with many first – the first time to engage with SEOM and SMEWG, and...
the first time we have had response to 2012 recommendations to the AEM and Leaders. Additionally, we acknowledge the efforts toward reinforcing dialogue sessions with ASEAN, and certainly appreciate its proactive platform to enable ASEAN and business to move ahead together.

Following on the positive initial engagements with the SEOM last May, we request that the Council be included once again in the agenda of the upcoming SEOM 3/44 Meeting, this month, in Brunei Darussalam.

Such consultation will allow the Council to present the progress of the highlighted initiatives, and engage in a dialogue with ASEAN's Senior Economic Officials in readiness for the councils’ report to AEM in August and to the Leaders.

Once again, we thank you for your kind attention, for giving ASEAN BAC the opportunity to raise its concerns and for your endless support.

Sincerely,

Fauziah DSP Hj Talib
ASEAN BAC Chair 2013

cc: H.E. Pehin Lim Jock Seng, Chair of ASEAN Economic Minister 2013
H.E. Lim Hong Hin, Deputy Secretary-General of ASEAN for AEC
Dear Mrs Leano,

ASEAN Business Advisory Council (also known as ASEAN BAC) would like to take the opportunity to commend the achievement of the ASEAN governments in its continuing efforts to provide a conducive climate for small and medium enterprises (SMEs) in the region to thrive in.

Additionally, ASEAN BAC acknowledges the efforts of ASEAN Governments and the Secretariat in deepening and strengthening its public-private engagement activities with various SMEs and relevant agencies. Such engagements have yielded positive feedbacks and have certainly improved the awareness of ASEAN Economic Community (AEC) amongst the backbone of ASEAN economies.

As stated by the ASEAN Chair during the recently held 22nd ASEAN Summit in Brunei Darussalam, “the total trade of ASEAN grew by 16.8%, from US$2.05 trillion in 2010 to US$2.4 trillion in 2011, as intra-ASEAN trade reached US$598 billion from US$520 billion, an increase of 15.1 per cent, over the same period. ASEAN also continued to attract foreign investors, generating a record US$114 billion FDI inflow in 2011, a 23 per cent increase from US$92 billion in 2010”.

By the end of 2012, growth of ASEAN’s economies was recorded at an estimated 5.2 per cent; projecting an undeniably strong economic outlook for the ASEAN region. We are certain that supported by increased confidence, domestic spending and intra-regional trade; this positive growth will only gain increased momentum and importantly, will benefit the region’s SMEs.

In supporting the outcomes set by ASEAN, we aim to achieve the long-term objective of:

- Building on our goal for regional economic integration, and ensuring balanced, inclusive and sustainable growth

In doing so, this year the Council will aim to strengthen its foundation and build on past successes, with focus on three deliverables crucial to the development of the AEC:

- Strengthening the Regional Economic Integration & Expanding Trade
- Promoting start ups and the development of MSMEs
- Promoting the inclusion of Youth and Women
1. Strengthening Regional Economic Integration & Expanding Trade

ASEAN BAC acknowledges the progress of the AEC reported at the 22nd ASEAN Summit where “259 measures or 77.54 per cent of the AEC Blueprint have been implemented”. In accordance with our mandate to further add value to the ASEAN integration process, ASEAN BAC aims to assist the Governments and private sector of ASEAN by measuring the true potential of regional integration and its potential impacts to businesses.

In line with this effort and specifically, to track business sentiments towards the attractiveness of ASEAN in trade and investments, and the effectiveness of the AEC Blueprint, ASEAN BAC is currently in strategic partnership with the Lee Kuan Yew School of Public Policy (LKYSSP) to conduct the 2013 ASEAN BAC Survey on ASEAN Competitiveness. The Survey also includes responses on how businesses assess the relative importance of different policy areas in promoting SME development and in particular SME participation in trade and investment activities in ASEAN.

ASEAN BAC also welcomes the progress made towards realising the Regional Comprehensive Economic Partnership (RCEP). We support the Chairman’s Statement at the 22nd ASEAN Summit, towards “broadening and deepening of existing ASEAN+1 FTAs and envision the RCEP to be a platform for future trade and investment integration in Asia and the rest of the world”.

In the efforts to maximise the potential of existing ASEAN+1 FTAs, ASEAN BAC is also in strategic partnership with the Economic Research Institute for ASEAN and East Asia (ERIA) to Study the Utilisation of ASEAN+1 FTAs. This is a project to stock take the bottle neck issues faced by the private sector in utilizing the ASEAN+1 FTAs, with a view to support the development process of the RCEP.

In supporting its deliverables for the year, ASEAN BAC had included as part of its work plan, the need to address the ease of movement of business people across ASEAN Member States, with the establishment of an ASEAN Business Travel Card (ABTC). Thus, we are most encouraged by the statement made at the 22nd ASEAN Summit where the Leaders of ASEAN has endorsed that the establishment of the ABTC will further “ease the movement of our business people and investors”.

2. Promoting Start Ups and Sustainable Development of Micro-Small-and Medium Enterprises (MSMEs)

Recognising that MSMEs are the growth engine of ASEAN, the Council supports programmes that are inclusive for the sustainable development of MSMEs. In addition, ASEAN BAC acknowledges the recent Chairman’s Statement made, where the Ministers called for the council and the other business associations “to take an active role in undertaking communication activities on the benefits of the AEC aimed at stakeholders within as well as outside the region”.

Consistent with this, ASEAN BAC through the support of ASEAN Secretariat and the German International Co-operation Agency (GIZ) are engaged in a project to identify means of enhancing ASEAN SMEs’ access to relevant information about the AEC and the opportunities for increased cross-border trade and investment under the AEC. The consultants to this project are currently travelling throughout the region collecting data from national SME agencies, business associations, SMEs
and national chambers and commerce.

In supporting the efforts of “relevant Minsters to empower SMEs, especially in the Priority Integration Sectors, through training, advisory and financial support…and the call on business organisations to lend support”, ASEAN BAC is collaborating with the International Institute for Sustainable Development (IISD) in preparing a joint-proposal for the Foreign Commonwealth Office titled, “Maximizing the Benefits of Regional Economic Integration for ASEAN SMEs”. The proposal highlights joint activities between ASEAN BAC and IISD, as follows: 1) Produce a “Guidebook for Southeast Asian SMEs on Taking Advantage of Economic Integration”; 2) Conduct SMEs Dialogue Forums in 6 ASEAN Member States; and 3) Produce Policy Brief on “Maximising the Benefits of Economic Regionalisation for ASEAN-Based SMEs”.

3. Promoting the Inclusion of Youth and Women

Given that youth and women account for 50 - 95 per cent of SMEs labour force and contribute 30 - 53 per cent to the GDP of its Member States, they play a large role in contributing to the economic development of the region, and should be included in the structure of the AEC pillar.

Echoing the views of Leaders at the 22nd ASEAN Summit, ASEAN BAC also “recognised the importance of nurturing the role of the youth in promoting economic development to benefit the next generation”. In supporting the developments of youth, the Council has been active in engaging the various national Young Entrepreneurs Associations to encourage them to be connected regionally by participating in our annual ASEAN Business Awards, and being involved in regional forums such as our annual ASEAN Business and Investment Summit.

In supporting the developments and empowering Women Entrepreneurs in ASEAN, the Council has initiated an outreach activity to the Ministry of Labour – Invalids and Social Affairs of Vietnam to provide assistance towards the establishment of the first ASEAN Women Entrepreneurs’ Network. Additionally, ASEAN BAC will be working closely with other institutions (both banking and non-profit organisations) to address issues such as ‘access to capital for MSMEs in ASEAN’ as well as ‘access to credits for women entrepreneurs in ASEAN’.

In addition, we are happy to report that the Council is currently coordinating and aligning the various objectives of ASEAN+1 business councils and associations. We hope to conduct the first ever Joint-Meeting between ASEAN BAC and active ASEAN+1 Business Councils this coming August in Brunei Darussalam.

In our efforts to recognise ‘The Most Admired ASEAN Enterprises’, the Council is also conducting the sixth year of the ASEAN Business Awards (ABA). ABA was conceived to be the first of its kind in the region, with the dual objectives of showcasing home grown ASEAN companies that have become role models for other aspiring companies, as well as providing a spotlight for promising ASEAN SMEs that have the potential to be global players. This year’s Business Awards will aim to identify achievers in the categories of growth, innovation, employment, CSR and young entrepreneurs (YE). The deadline for nominations for ABA 2013 has closed and we are delighted to report that this is the first time ever that we have received participants from all ASEAN Member States,
and that awards will given out on the Gala Night of the ASEAN Business and Investment Summit (ASEAN BIS).

The ASEAN BIS is organised by the ASEAN BAC, as the avenue to promote public and private sector partnership in the region. Annually, the congregation on average attracted a total of 700 to 1000 delegates who are prominent dignitaries, regional and global businessmen, academicians and policy-makers generating mainly from ASEAN Member States, Dialogue Partners and the rest of the world. This year’s ASEAN BIS will be held on 19-22 August in Brunei Darussalam and will look into topics such as the opportunities from the RCEP, the inclusion of Youth & Women in the ASEAN process and mitigating present gaps in investment in ASEAN, amongst others. Additionally, promoting dialogue on issues important to businesses, such as the way forward on Renewable Energy, Connectivity, Finance and Innovation our programme ensures that benefits derived from ASEAN’s growth and the AEC can be realised by all businesses, including SMEs.

Given the sheer size and importance of ASEAN BIS, the Council seeks the kind support of the ASEAN SME Working Group to assist in socialising the program and to identify at least 10 key industry players as delegations to the Business Summit.

In conclusion, ASEAN BAC will continue to work closely with all relevant stakeholders in our efforts to achieve an integrated AEC by the end of 2015. We are cognisant that these issues are not a quick fix and will require sustained long-term policy initiatives, structural reform and the political will to implement them nationally.

We believe that the inputs of SMEs and the views of ASEAN BAC are critical to the building process of an economic community. With that in mind, we request that the Council be included in the agenda of the upcoming ASEAN SME Working Group to be held in Vientianne, Laos in June 2013.

Such consultation will allow the Council to present the various highlighted initiatives, and engage in a dialogue with the SME Working Group in readiness for the councils’ report to AEM in August and to the Leaders.

Once again, we thank you for your kind attention, for giving ASEAN BAC the opportunity to raise its concerns and for your endless support.

Sincerely,

Fauziah DSP Hj Talib
ASEAN BAC Chair 2013

Cc: H.E Dato Paduka Lim Jock Hoi, ASEAN SEOM Chair 2013 and Permanent Secretary Ministry of Foreign Affairs and Trade, Brunei Darussalam
H.E. Dato Paduka Lim Jock Hoi
ASEAN SEOM Chair 2013
Permanent Secretary
Ministry of Foreign Affairs and Trade
Brunei Darussalam

Your Excellency Dato Lim,

Greetings from the ASEAN Business Advisory Council (ASEAN BAC). We hope this letter finds you in the very best of health.

ASEAN BAC would like to take the opportunity to commend the achievement of the ASEAN governments in its continuing efforts to provide a conducive climate for local and foreign businesses to thrive in. Additionally, ASEAN BAC acknowledges the efforts of ASEAN Governments and the Secretariat in deepening and strengthening its public-private engagement activities with numerous ASEAN-affiliated business organisations and associations. Such engagements have yielded positive feedbacks and inputs for a more effective ASEAN Economic Community (AEC) building and conducive environment for business and investment.

As stated by the ASEAN Chair during the recently held 22nd ASEAN Summit in Brunei Darussalam, “the total trade of ASEAN grew by 16.8%, from US$2.05 trillion in 2010 to US$2.4 trillion in 2011, as intra-ASEAN trade reached US$598 billion from US$520 billion, an increase of 15.1 per cent, over the same period. ASEAN also continued to attract foreign investors, generating a record US$114 billion FDI inflow in 2011, a 23 per cent increase from US$92 billion in 2010”.

By the end of 2012, growth of ASEAN’s economies was recorded at an estimated 5.2 per cent; projecting an undeniably strong economic outlook for the ASEAN region. We are certain that supported by increased confidence, domestic spending and intra-regional trade; this positive growth will only gain increased momentum and importantly, will benefit the region’s dynamic private sector.

In supporting the outcomes set by ASEAN, we aim to achieve the long-term objective of:

- Building on our goal for regional economic integration, and ensuring balanced, inclusive and sustainable growth

In doing so, the Council’s direction for this year will aim to undertake three deliverables crucial to the building of the AEC:
1. Strengthening Regional Economic Integration & Expanding Trade

ASEAN BAC acknowledges the progress of the AEC reported at the 22nd ASEAN Summit where “259 measures or 77.54 per cent of the AEC Blueprint have been implemented”. In accordance with our mandate to further add value to the ASEAN integration process, ASEAN BAC aims to assist the Governments and private sector of ASEAN by measuring the true potential of regional integration and its potential impacts to businesses.

In line with this effort and specifically, to track business sentiments towards the attractiveness of ASEAN in trade and investments, and the effectiveness of the AEC Blueprint, ASEAN BAC is currently in strategic partnership with the Lee Kuan Yew School of Public Policy (LKYSSP) to conduct the 2013 ASEAN BAC Survey on ASEAN Competitiveness. The Survey also includes responses on how businesses assess the relative importance of different policy areas in promoting SME development and in particular SME participation in trade and investment activities in ASEAN.

ASEAN BAC also welcomes the progress made towards realising the Regional Comprehensive Economic Partnership (RCEP). We support the Chairman’s Statement at the 22nd ASEAN Summit, towards “broadening and deepening of existing ASEAN+1 FTAs and envision the RCEP to be a platform for future trade and investment integration in Asia and the rest of the world”.

In the efforts to maximise the potential of existing ASEAN+1 FTAs, ASEAN BAC is also in strategic partnership with the Economic Research Institute for ASEAN and East Asia (ERIA) to Study the Utilisation of ASEAN+1 FTAs. This is a project to stock take the bottle neck issues faced by the private sector in utilizing the ASEAN+1 FTAs, with a view to support the development process of the RCEP.

As has been reported and recommend to both ASEAN Leaders and the AEM for the past few years, ASEAN BAC proposed the development of an ASEAN Business Travel Card (ABTC). We are most encouraged by the statement made at the 22nd ASEAN Summit where the Leaders of ASEAN has finally endorsed that the establishment of the ABTC will further “ease the movement of our business people and investors”.

2. Promoting Start Ups and Sustainable Development of Micro-Small-and Medium Enterprises (MSMEs)

Recognising that MSMEs are the growth engine of ASEAN, the Council supports programmes that are inclusive for the sustainable development of MSMEs. In addition, ASEAN BAC acknowledges the recent Chairman’s Statement made, where the Ministers called for the council and the other business associations “to take an active role in undertaking communication activities on the benefits of the AEC aimed at stakeholders within as well as outside the region”.

Consistent with this, ASEAN BAC through the support of ASEAN Secretariat and the German International Co-operation Agency (GIZ) are engaged in a project to identify means of enhancing ASEAN
SMEs’ access to relevant information about the AEC and the opportunities for increased cross-border trade and investment under the AEC. The consultants to this project are currently travelling throughout the region collecting data from national SME agencies, business associations, SMEs and national chambers and commerce.

In supporting the efforts of “relevant Minsters to empower SMEs, especially in the Priority Integration Sectors, through training, advisory and financial support...and the call on business organisations to lend support”, ASEAN BAC is collaborating with the International Institute for Sustainable Development (IISD) in preparing a joint-proposal for the Foreign Commonwealth Office titled, “Maximizing the Benefits of Regional Economic Integration for ASEAN SMEs”. The proposal highlights joint activities between ASEAN BAC and IISD, as follows: 1) Produce a “Guidebook for Southeast Asian SMEs on Taking Advantage of Economic Integration”; 2) Conduct SMEs Dialogue Forums in 6 ASEAN Member States; and 3) Produce Policy Brief on “Maximising the Benefits of Economic Regionalisation for ASEAN-Based SMEs”.

3. Promoting the Inclusion of Youth and Women

Given that youth and women account for 50 - 95 per cent of SMEs labour force and contribute 30 - 53 per cent to the GDP of its Member States, they play a large role in contributing to the economic development of the region, and should be included in the structure of the AEC pillar.

Echoing the views of Leaders at the 22nd ASEAN Summit, ASEAN BAC also “recognised the importance of nurturing the role of the youth in promoting economic development to benefit the next generation”. In supporting the developments of youth, the Council has been active in engaging the various national Young Entrepreneurs Associations to encourage them to be connected regionally by participating in our annual ASEAN Business Awards, and being involved in regional forums such as our annual ASEAN Business and Investment Summit.

In supporting the developments and empowering Women Entrepreneurs in ASEAN, the Council has initiated an outreach activity to the Ministry of Labour – Invalids and Social Affairs of Vietnam to provide assistance towards the establishment of the first ASEAN Women Entrepreneurs’ Network. Additionally, ASEAN BAC is working closely with the World Bank to address issues such as ‘access to credits for women entrepreneurs in ASEAN’.

In addition, we are happy to report that the Council is currently coordinating and aligning the various objectives of ASEAN+1 business councils and associations. We hope to conduct the first ever Joint-Meeting between ASEAN BAC and active ASEAN+1 Business Councils this coming August in Brunei Darussalam.

In conclusion, ASEAN BAC will continue to work closely with all relevant stakeholders in our efforts to achieve an integrated AEC by the end of 2015. We are cognisant that these issues are not a quick fix and will require sustained long-term policy initiatives, structural reform and the political will to implement them nationally.

We believe that business input is critical to the ASEAN process for regional economic integration
and therefore request that the Council be included in the agenda of the upcoming SEOM 2/44 Meeting in Brunei Darussalam, especially through a formal consultation session with SEOM.

Such consultation will allow the Council to present the various highlighted initiatives, and engage in a dialogue with ASEAN’s Senior Economic Officials in readiness for the councils’ report to AEM in August and to the Leaders.

Once again, we thank you for your kind attention, for giving ASEAN BAC the opportunity to raise its concerns and for your endless support.

Sincerely,

Fauziah DSP Hj Talib
ASEAN BAC Chair 2013

cc: H.E. Pehin Lim Jock Seng, Chair of ASEAN Economic Minister 2013
    H.E. Lim Hong Hin, Deputy Secretary-General of ASEAN for AEC
His Excellency Pehin Dato Abd Rahman Ibrahim  
Chair of ASEAN Finance Minister  
Minister of Finance II  
Ministry of Finance  
Government of Brunei Darussalam  
Commonwealth Drive BS8710, Brunei  

Your Excellency Pehin Dato Abd Rahman,  

The ASEAN Business Advisory Council (ASEAN BAC) would like to take the opportunity to commend the achievement of the ASEAN governments and ASEAN Finance Ministers in its continuing efforts to provide a conducive climate for local and foreign businesses to thrive in.  

By the end of 2012, growth was recorded at an estimated 5.2 per cent, projecting an undeniably strong economic outlook for the ASEAN region. We are certain that, supported by increased confidence, domestic spending and intra-regional trade, this positive growth will only gain increased momentum and importantly, will benefit the region’s dynamic private sector.  

Recalling the Chair’s Statement at the 19th ASEAN Summit in Bali for the need, ‘to enhance ASEAN cooperation to support and promote equitable development by way of exchanging best practices and innovative initiatives’, the Council praise ASEAN Governments for organising the 1st ASEAN Conference on Financial Inclusion in Jakarta on 27-28 June 2012. The conference has laid common understanding amongst ASEAN Member States that the collaboration and cooperation should be more intensified, by designing and formulating a dedicated Forum within ASEAN to exchange information and identify best practices on Financial Inclusion – providing access to finance, financial security of people within the region and enhancing economic activities.  

In supporting the outcomes set by ASEAN, we aim to achieve the long-term objective of:  

- Building on our goal for regional economic integration, and ensuring balanced, inclusive and sustainable growth  

Consistent with our efforts to continually bridge ASEAN with the private sector, the council initiated two waves of surveys which measured ASEAN’s competitiveness from the perspectives of more than 400 companies. Findings from these surveys were brought to the attention of the Leaders and the ASEAN Economic Ministers (AEM) during the council’s annual consultations. In the 2011-12 Survey, the council highlighted that although Small Medium Enterprise (SME) account for 96 per cent of all enterprises and contribute significantly to employment and GDP, it was reported that
across 17 government initiatives, financing is still the most critical area for SME development and its internationalisation. The World Bank’s Survey also shows that only an estimated 52 per cent of the community have access to formal financial services in ASEAN.

Programs targeted to assist Micro, Small, Medium Enterprises (MSMEs) have often fallen short of meeting its objectives where typical crosscutting issues require effective coordination of more than one government agencies. Access to finance is not a new stumbling block and has been identified by the ASEAN SME Working Group in its Strategic Plan for ASEAN SME Development 2010-2015. The council believes that the success of pushing through many of the SME-related initiatives also lies under the purview of the ASEAN Finance Minister; in which the Ministry can further promote developments of a comprehensive ASEAN-wide financing schemes and financial inclusion for MSMEs, youth and women within the region.

The council is well aware that most Member States currently have dedicated schemes that promote the interest of MSMEs, youth and women on national levels. We envisage that the council’s involvement could be initiated by reviewing best practices of existing regional and national financing schemes - to identify the types of financing available at the various stages of development, and to identify any discrepancies on achieving a business friendly framework on financing. Given the need for business perspective and as the representing voice for business communities within ASEAN, we believe that the council can play a significant role in sharing our concerns and identifying prioritised areas, as well as provide valuable business inputs at the relevant platforms led by the ASEAN Finance Ministers and related Senior Officials.

In conclusion, we are cognisant that these issues are not a quick fix and will require sustained long-term policy initiatives and structural reform. We therefore request that as Chair of ASEAN Finance Ministers, dialogue and required actions on these issues are initiated amongst the AFM and between the AFM and the ASEAN BAC members of respective ASEAN Member States - in a concerted effort to create an environment that is conducive to private sector investment and inclusive growth.

In view of the foregoing, we sincerely hope that the agenda of the upcoming 17th ASEAN Finance Ministers’ Meeting (AFMM) will include points raised in this letter, especially on the need for AFM to assist in promoting financial inclusions for MSMEs, Youth and Women of ASEAN.

Once again, we thank you for your kind attention, for giving ASEAN BAC the opportunity to raise its concerns and for your endless support. On behalf of the ASEAN BAC, we wish you a successful meeting ahead.

Sincerely,

Fauziah Binte DSP Hj Talib
ASEAN BAC Chair 2013

Neak Oknha Kith Meng
ASEAN BAC Co-Chair

Dato’ Syed Amin Aljeffri
ASEAN BAC Secretary

cc. Chair of ASEAN Economic Minister
Founding Structure

The ASEAN Business Advisory Council (ASEAN BAC) was established by the ASEAN Heads of State and Government at the 7th ASEAN Summit in November 2001, Bandar Seri Begawan, Brunei Darussalam. Inaugurated at the ASEAN Secretariat in Jakarta, Indonesia in April 2003, ASEAN BAC’s primary mission is to promote public-private sector partnership to achieving the integration for the creation of an ASEAN Economic Community (AEC). Currently, the Business Council serves as the official linkage between ASEAN Governments and businesses through annual formal dialogues.

ASEAN BAC comprises of prominent individuals from the private sector that are appointed directly by respective Heads Of State and Government. Each Member State is represented by a maximum of three Members which also includes the representation of small or medium-sized enterprises (SMEs). The term of each appointee as well as its administrative arrangements are determined by the member states.

The ASEAN BAC Secretariat is based in Jakarta, Indonesia and supports the mandates of the Council and its Members.

ASEAN BAC in 2013

Theme & Deliverables

In 2013, Brunei Darussalam took the Chair of ASEAN BAC, with the implementation of Co-Chairs making up of the Chairs from previous (2012) and upcoming year (2014), Cambodia and Myanmar Co-Chairs respectively. This organisational structure was set up for the purpose of ensuring continuity in the work program.

Under the Chairmanship of Brunei Darussalam, ASEAN BAC adopted the theme of “Moving. Ahead. Together.”, with a commitment to align its objectives with regional goals and ensuring the inclusion of all businesses; and more importantly strongly emphasising on strengthening ties between governments, businesses and institutions through continual dialogue and identified prioritised areas of concerns.

This year, ASEAN BAC aims to further reinforce its foundation and accelerate progress for a seamless regional economy by achieving outcome on a number of important areas, namely focusing on three key thrusts areas (deliverables);

• Strengthen Regional Economic Integration and Expand Trade
• Promote Start Ups and the Sustainable Development of micro, small and medium enterprises (MSMEs), and
Promote the inclusion of Youth and Women

The Council recognises the importance of MSMEs, especially as the engine of growth in the ASEAN region, and that youth and women also plays a large role in contributing to ASEAN’s economic development.

Strategic Partners

To achieve the deliverables set out for the year, ASEAN BAC entered into strategic partnerships with six reputable organisations which include: the Economic Research Institute of ASEAN and East Asia (ERIA); Lee Kuan Yew School of Public Policy (LKYSPP); Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ); International Institute for Sustainable Development (IISD); KPMG Ltd.; and Indah Sejahtera Development Services (ISDS).

Council Meetings

As of the date of this report, ASEAN BAC convened four Council Meetings: Brunei Darussalam (23 January); Hanoi, Vietnam (9 March); Kuala Lumpur, Malaysia (31 May); and Brunei Darussalam (19 August). In addition, the Council organised its 8th Annual General Meeting and the 1st Joint Consultation Meeting of ASEAN Business Councils in May and August respectively.

The final Council meeting of the year will be held in Yangon, Myanmar in November 2013 to conclude on the years’ activities, discuss the way forward (2014-2015) and to handover the chairmanship to Myanmar.

Strengthen ties with ASEAN

ASEAN BAC strengthened its ties with ASEAN by starting the year with a presentation from the SEOM Brunei Chair 2013 and the Deputy Secretary General of ASEAN Secretariat, specifically to share ASEAN 2013 deliverables. In turn ASEAN BAC also took the opportunity to present its deliverables for 2013 with ASEAN.

Following this, ASEAN BAC also consulted with SEOM on 29 April and 4 July, as well as the ASEAN SME WG in Vientiane, Laos on 21 June to share the progress of its activities and to align its work with ASEAN. This led to the development of a Preliminary Report and consultation with AEM in Brunei Darussalam on 19 August.

Strengthen ties with Business Councils

In addition, ASEAN BAC continued to promote ASEAN and AEC outward by strengthening its ties with ASEAN+1 Business Councils to support events such as the 3rd EU-ASEAN Business Summit (10 March) and the 1st Russia-ASEAN Business Forum (22 June).

The Brunei Chairmanship also saw the first ever Joint Consultation with ASEAN Plus 1 Business Councils and other business associations held in the month of August. It brought together the
following: Australia-ASEAN Business Council (AABC), Canada-ASEAN Business Council (Canada-ABC), China ASEAN Business Council (China ABC), East Asia Business Council (EABC), EU-ASEAN Business Council (EU ABC), ASEAN-India Business Council (AIBC), ASEAN Japan Business Council (AJBC), ASEAN New Zealand Combined Business Council (AANZBC), Russia-ASEAN Business Council (RABC), UK-ASEAN Business Council (UKABC) and the US-ASEAN Business Council (US ABC), as well as business associations represented by the ASEAN Business Club (ABC), the Asia House (AH), Europe-ASEAN Business Alliance (EABA) and the Federation of Japanese Chamber of Commerce and Industry in ASEAN (FJCCIA). The purpose of the consultation was to primarily enable the various business councils and associations to introduce themselves and share their respective goals and work programs, and to further align common areas of interests. This meeting led to the development of a Statement of Cooperation that will be signed between ASEAN BAC and the various approved business councils and associations.

Studies and Related Work

The AEC Blueprint and the 2011-12 ASEAN BAC Survey on ASEAN Competitiveness provided strong foundations for the studies and related work conducted under the Chairmanship of Brunei Darussalam. Under the Council’s partnership with ERIA and LKYSPP, the final reports of the studies and related surveys undertaken will include findings that will be made available to the public by the end of the year. Data collected from both partnerships are currently being further processed where it is important to note that the findings reflected in the main report of this document are only preliminary in nature.

ASEAN BAC is also developing the Guidebook for Southeast Asia SMEs on Taking Advantage of Economic Integration. The publication is the collaborative effort between the Council and IISD through funding from UK’s Foreign Commonwealth Office (FCO). The Guidebook will be made available to the public before the end of this year.

Outreach

ASEAN Business & Investment Summit

In line with the mandate of ASEAN BAC to promote AEC to the business community, ASEAN BAC conducted the 10th ASEAN Business and Investment Summit (ASEAN BIS) in Brunei Darussalam on 19-21 August. The annual event provides the business community with an opportunity to highlight prioritised concerns needed to boost trade and investment; and importantly, as the ASEAN economic community takes shape, to ensure that economic growth is on track, sustainable and inclusive.

With the aim to increase ASEAN’s attractiveness as a region for trade and investment and enhanced regional competitiveness, the summit highlighted on a Special Dialogue with the Economic and Trade Minister of ASEAN and its Dialogues Partners. Participants had the opportunity to engage with ASEAN leader(s), economic ministers and key decision makers. The 2013 ASEAN BIS was attended by 300 delegates, which consisted of captains of industries, high-ranking government officials and prominent academics.
ASEAN Business Awards

To further promote ASEAN and the AEC to the business community, ASEAN BAC also conducted the 6th ASEAN Business Awards (ABA) where recipients were honoured with the prestigious awards at the Gala Dinner of ASEAN BIS on 20 August. The awards recognise outstanding ASEAN large businesses, SMEs and Young Entrepreneur for excellence in four key areas: Growth, Employment, Innovation and Corporate Social Responsibility.

Under the ASEAN BAC Brunei Chairmanship, the Young Entrepreneur criteria, under the innovation category was introduced for the first time.

This year the number of applicants for the awards rose to 68 companies in ASEAN Member States. ASEAN BAC along with KPMG Ltd., analysed the applications, sought additional information and selected 30 companies for consideration by the ABA judging panel. These eminent judges carefully considered and selected the ABA recipients.

Other Outreach Activities

Throughout the year, ASEAN BAC Chair and its Brunei Members participated in the ASEAN Youth Entrepreneurs Seminar and Expo (20-22 May), 1st Russia ASEAN Youth Summit in Moscow, Russian Federation (13-14 May), AEC Briefing Business Series in Jakarta Indonesia with KADIN (18 July), AEC Exchange Forum on “Ensuring Financial Stability Through Regional Cooperation” in Manila, Philippines (23 July) and 11th MAP CEO Conference in Manila, Philippines (10 September).

In addition, several outreach activities to assist women entrepreneurs associations were conducted with Vietnam’s Ministry of Labour, Invalids and Social Affairs (10 March) in Hanoi and with the Women’s Institute of Management in Kuala Lumpur, Malaysia (30 May).

Future Work

2014 will mark the first year ever for Myanmar to chair both ASEAN and ASEAN BAC. With great attention being focused towards the development of Myanmar, ASEAN BAC remains fully committed towards achieving its mandate to provide ASEAN Governments with private sector feedback that are aligned with the AEC Blueprint.
## Calendar of Events

<table>
<thead>
<tr>
<th>No</th>
<th>Event</th>
<th>Dates (2013)</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>ASEAN BAC 50&lt;sup&gt;th&lt;/sup&gt; Meeting, Bandar Seri Begawan, Brunei</td>
<td>23 January</td>
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<tr>
<td>2</td>
<td>ASEAN BAC 51&lt;sup&gt;st&lt;/sup&gt; Meeting, Hanoi, Vietnam</td>
<td>9 March</td>
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<td>3</td>
<td>Third EU-ASEAN Business Summit, Hanoi, Vietnam</td>
<td>10 March</td>
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<tr>
<td>4</td>
<td>Outreach Activities with Vietnam’s Ministry of Labour, Invalids and</td>
<td>10 March</td>
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<td></td>
<td>Social Affairs</td>
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<td>5</td>
<td>Consultation with SEOM, Bandar Seri Begawan, Brunei</td>
<td>29 April</td>
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<tr>
<td>6</td>
<td>First Russia ASEAN Youth Summit, Moscow, Russia</td>
<td>13-14 May</td>
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<tr>
<td>7</td>
<td>ASEAN Youth Entrepreneurs Seminar and Expo, Bandar Seri Begawan, Brunei</td>
<td>20-22 May</td>
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<tr>
<td>8</td>
<td>Outreach Activities with Women’s Institute of Management, Kuala Lumpur, Malaysia</td>
<td>30 May</td>
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<tr>
<td>9</td>
<td>ASEAN BAC 52&lt;sup&gt;nd&lt;/sup&gt; Meeting, Kuala Lumpur Malaysia</td>
<td>31 May</td>
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<tr>
<td>10</td>
<td>First Russia ASEAN Business Forum</td>
<td>22 June</td>
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<tr>
<td>11</td>
<td>Consultation with the ASEAN SME WG, Vientiane, Laos</td>
<td>24 June</td>
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<tr>
<td>12</td>
<td>Consultation with SEOM, Bandar Seri Begawan, Brunei</td>
<td>4 July</td>
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<tr>
<td>13</td>
<td>AEC Briefing Business Series with KADIN, Jakarta, Indonesia</td>
<td>18 July</td>
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<tr>
<td>14</td>
<td>AEC Exchange Forum on “Ensuring Financial Stability Through Regional Cooperation”, Manila, Philippines</td>
<td>23 July</td>
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<tr>
<td>15</td>
<td>First Joint Consultation Meeting with ASEAN Plus 1 Business Councils</td>
<td>18 August</td>
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<tr>
<td>16</td>
<td>Consultation with AEM, Bandar Seri Begawan, Brunei</td>
<td>19 August</td>
</tr>
<tr>
<td>17</td>
<td>ASEAN BAC 53&lt;sup&gt;rd&lt;/sup&gt; Meeting, Bandar Seri Begawan, Brunei</td>
<td>19 August</td>
</tr>
<tr>
<td>18</td>
<td>10&lt;sup&gt;th&lt;/sup&gt; ASEAN Business and Investment Summit (ASEAN BIS),</td>
<td>19-21 August</td>
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<tr>
<td></td>
<td>Bandar Seri Begawan, Brunei</td>
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<tr>
<td>19</td>
<td>11&lt;sup&gt;th&lt;/sup&gt; MAP CEO Conference, Manila, Philippines</td>
<td>10 September</td>
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<tr>
<td>20</td>
<td>ASEAN BAC 54&lt;sup&gt;th&lt;/sup&gt; Meeting, Yangon, Myanmar</td>
<td>29 November</td>
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</table>

Note: For more information on ASEAN BAC 2013 activities, kindly refer to www.asean-bac.org
Glossary
### GLOSSARY

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AANZFTA</td>
<td>ASEAN-Australia and New Zealand Free Trade Agreements</td>
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<td>ACFTA</td>
<td>ASEAN-China Free Trade Agreement</td>
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<td>ACW</td>
<td>ASEAN Committee on Women</td>
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<tr>
<td>ADBI</td>
<td>Asian Development Bank Institute</td>
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<tr>
<td>AEC</td>
<td>ASEAN Economic Community</td>
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<td>AFMM</td>
<td>ASEAN Finance Ministerial Meeting</td>
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<td>AFTA</td>
<td>ASEAN Free Trade Agreement</td>
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<tr>
<td>AIFTA</td>
<td>ASEAN-India Free Trade Agreement</td>
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<td>AJCEP</td>
<td>ASEAN-Japan Comprehensive Economic Partnership</td>
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<tr>
<td>AJFTA</td>
<td>ASEAN-Japan Free Trade Agreement</td>
</tr>
<tr>
<td>AKFTA</td>
<td>ASEAN-Korea Free Trade Agreement</td>
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<tr>
<td>AMMY</td>
<td>ASEAN Ministerial Meeting on Youth</td>
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<tr>
<td>ASEAN</td>
<td>Association of South East Asian Nations – 10 ASEAN Member States consisting of Brunei Darussalam, Cambodia, Indonesia, Laos PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam</td>
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<tr>
<td>ASEAN BAC</td>
<td>ASEAN Business Advisory Council</td>
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<td>ASEAN BTC</td>
<td>ASEAN Business Travel Card</td>
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<tr>
<td>AYESE</td>
<td>ASEAN Youth Entrepreneur Seminar and Expo</td>
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<tr>
<td>ATIGA</td>
<td>ASEAN Trade in Goods Agreement</td>
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<tr>
<td>AWEN</td>
<td>ASEAN Women Entrepreneurs Network</td>
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<tr>
<td>CLM</td>
<td>Cambodia, Lao and Myanmar</td>
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<tr>
<td>COO</td>
<td>Certificate of Origins</td>
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<tr>
<td>CTH</td>
<td>Change of Tariff Heading</td>
</tr>
<tr>
<td>CTSH</td>
<td>Change of Tariff Sub-Heading</td>
</tr>
<tr>
<td>ERIA</td>
<td>Economic Research Institute for ASEAN and East Asia</td>
</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>FCO</td>
<td>Foreign and Commonwealth Office</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FTA</td>
<td>Free Trade Agreements</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
</tr>
<tr>
<td>IISD</td>
<td>International Institute for Sustainable Development</td>
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<tr>
<td>JICA</td>
<td>Japan International Cooperation Agency</td>
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<tr>
<td>LKYSPP</td>
<td>Lee Kuan Yew School of Public Policy</td>
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<tr>
<td>MFN</td>
<td>Most Favoured Nation</td>
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<td>MPAC</td>
<td>Master Plan on ASEAN Connectivity (MPAC)</td>
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<td>MSME</td>
<td>Micro, Small and Medium Enterprises</td>
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<tr>
<td>NTM</td>
<td>Non-Tariff Measures</td>
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<tr>
<td>PIS</td>
<td>Priority Integration Sectors</td>
</tr>
<tr>
<td>OCP</td>
<td>Operational Certification Procedure</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>OFDI</td>
<td>Outward Foreign Direct Investment</td>
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<td>SEOM</td>
<td>Senior Economic Official Meeting</td>
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<td>SME</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SME WG</td>
<td>Small and Medium Enterprises Working Group</td>
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<tr>
<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
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<td>ROO</td>
<td>Rules of Origin</td>
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<tr>
<td>RORO</td>
<td>Roll-On/Roll-Off</td>
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<tr>
<td>RVC</td>
<td>Regional Value Content</td>
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<td>SCS</td>
<td>Self-Certification Scheme</td>
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ASEAN BAC Secretariat

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ASEAN Business Advisory Council

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