ASEAN Business Advisory Council

Report to ASEAN Leaders

November 2015

Business for the People
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About the ASEAN Business Advisory Council (ASEAN-BAC)

Launched in April 2003, ASEAN-BAC was set up with the mandate to provide private sector feedback and
guidance to boost ASEAN’s efforts towards economic integration. Aside from providing private sector feedback
on the implementation of ASEAN economic cooperation, the Council also identifies priority areas for
consideration of the ASEAN Leaders. Accordingly, ASEAN-BAC’s activities are primarily focused on reviewing and
identifying issues to facilitate and promote economic cooperation and integration. The Council also submits
recommendations for the consideration of the Leaders and the ASEAN Economic Ministers (AEM). Since 2013,
ASEAN-BAC also pursues additional Dialogue at the Senior Economic Officials Meeting (SEOM). This year, ASEAN-
BAC had a formal engagement with ASEAN Finance and Central Bank Deputies during the annual ASEAN Finance
Ministers Meeting, where a proposal was made for ASEAN-BAC to be accorded regular consultation with ASEAN
Finance Ministers in the future. In addition to these activities, ASEAN-BAC also extensively engages the private
sector on matters relating to the AEC, both within and beyond the Southeast Asian region.

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12 November 2015  

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

YAB Dato' Sri Chair,  

As we welcome the momentous occasion of the ASEAN Community announcement in 2015, ASEAN-BAC is pleased to present the ASEAN-BAC November 2015 Report to ASEAN Leaders, the second official report by ASEAN-BAC to Leaders this year.  

ASEAN-BAC will firstly highlight two achievements that we are proud to have championed under the Malaysia Chairmanship, namely the establishment of ASEAN Micro and SME Growth Accelerator Exchange (GAX) and the formation of ASEAN Young Entrepreneurs Council (AYEC). GAX is an initiative driven by the private sector to facilitate SMEs to grow, compete, and sustain their business capabilities. This platform will provide e-finance, e-payments, and e-logistics to support the development of e-commerce activities in the region and will be launched on 21st November 2015. On the second achievement, the AYEC will be inaugurated at the ASEAN Business Awards (ABA) Gala Dinner on 20th November 2015. AYEC was not only designed to promote the inclusion of young entrepreneurs in the AEC but also as a platform for networking and the sharing of best practices among the young entrepreneurs within the region. As an ASEAN community, we have the potential to reap demographic dividends the youthful generation of ASEAN has to offer, and this platform will prove useful in connecting the young entrepreneurs in regional economic integration activities.  

Further to these achievements, ASEAN-BAC appeals to ASEAN Leaders to at least give instructions for the resolution of some outstanding issues that remain. One of our concerns is the inclusion of women entrepreneurs into the economic pillar, in addition to the existing inclusion of women under the socio-cultural pillar of ASEAN. This is followed by our continuous concerns on “low hanging fruits” that have been recommended since the beginning of the year.  

Moving forward, our Report will give attention to strategic issues that ASEAN-BAC will pursue as part of its Post-2015 AEC Agenda. Some of the critical issues that will be highlighted in this Report include inputs on the ASEAN Decision Making Structure, Elimination of NTBs and NTMs, Financial Services and Capital Markets, E-commerce, Freer Movement of Skilled Labour, Responsible Business Practices, Workers’ Issues, Competition Policy, Consumer Protection and Sustainable Development. These measures, once implemented, could help ASEAN to leverage on AEC to be a more structured, well organised, and well-prepared regional bloc to strengthen the current trend of investments flowing into ASEAN. This by itself is one way of measuring success for AEC.
On behalf of ASEAN-BAC, we would like to express our gratitude for the continuous support that ASEAN has extended to our Council and the opportunity for ASEAN-BAC to present our annual recommendations.

Sincerely yours,

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Specific ASEAN-BAC Achievements

In our report to Leaders in April 2015, we had affirmed that our November report will be focused on Post-2015 ASEAN Economic Community (AEC) issues. Before we do that, allow us to highlight 2 (two) achievements which ASEAN-BAC is proud to have championed which will be in place as the AEC is inaugurated.

First, we are happy to inform Leaders that an ASEAN Micro and SME Growth Accelerator Exchange (GAX) has been established, driven by the private sector. GAX is a platform which provides e-finance, e-payments and e-logistics facilities to SMEs and other micro institutions and individuals. The Peer-to-Peer and Crowdfunding financing is a first step that will provide the small companies and people of ASEAN with the facilities to sustain themselves, compete and to grow.

We believe this ASEAN-BAC driven project which has been taken up by the private sector will encourage many competing offerings to SMEs, including by conventional banks using electronic platforms and means across the region, especially of course in the less developed parts of ASEAN. 21st November 2015 is the official launch date of GAX, and ASEAN-BAC will monitor the progress of GAX just as it will continue to focus on the needs of the SMEs, especially in relation to access to finance, even as it reports this concrete achievement. Leaders are invited to refer to Annex 1 on the report of activities and future plans of the ASEAN-BAC SME Working Group.

The second achievement ASEAN-BAC wishes to report is the formation of the ASEAN Young Entrepreneurs Council (AYEC), inaugurated at the ASEAN Business Awards (ABA) Gala Dinner on 20th November 2015. ASEAN-BAC has carefully incubated the formation of AYEC over a number of years, making sure its aims and objectives are carefully established, and that it would be a dynamic body that will help drive ASEAN’s economic future. As ASEAN Leaders are aware, 60 per cent of the region’s population are 35 years of age or under. It is only appropriate and sensible that this segment of the ASEAN population be given the platform from which to fulfill their potential.

ASEAN-BAC believes AYEC should be given full access to participate in private sector interaction with ASEAN officials and ministers in the ASEAN economic integration decision-making process, only reporting to ASEAN-BAC as the mandated private sector representative body, for integrative and coordinating purposes. Please read Annex 2 for the report on the activities of the ASEAN-BAC Young Entrepreneurs Working Group.
Critical issues to be solved by the Leaders

ASEAN-BAC would also like to underline to Leaders, before this report addresses Post-2015 matters, the many outstanding issues that remain to be addressed, despite the very many years during which they have been highlighted. ASEAN-BAC wishes to appeal to ASEAN Leaders to at least give instruction for the resolution of some of them on a prioritized basis, before the year is out or in the very first year of the existence of the AEC in 2016:

1. The ASEAN-BAC Women Entrepreneurs Working Group (see report on its activities in Annex 3) has for some years now been making the point that the potential and concerns of women entrepreneurs should be taken up in the economic pillar of the ASEAN community, and not be lumped with "women's issues" of the socio-cultural pillar. ASEAN-BAC would like to see clear instruction for this to be done by establishing and activating a women entrepreneurs official working committee within the economic pillar.

2. ASEAN-BAC has many times highlighted some "low hanging fruits", which if they were in place, would give meaning of some "ASEANness" to the ASEAN people at the ground level. We note that ASEAN Lanes have now been introduced at points of entry to many ASEAN countries. This must be made a common feature in ALL ASEAN countries and at EVERY point of entry. We do not think it is difficult to do so and it is incumbent upon ASEAN Leaders to see to this even as they grandly commemorate the ASEAN community.

It is also not difficult to have the ASEAN Business Travel Card (ABTC). There is already the APEC (7 ASEAN countries are members) Business Travel Card. Based on this, the ABTC can be issued just like supplementary credit cards are issued, beginning with the 7 ASEAN member countries of APEC, which could later be expanded to all member states.

It is also not difficult to have banners proclaiming ASEAN food stalls and cafes in major towns and points of entry into ASEAN. Such banners would be an easy hit to advertise ASEAN to its peoples and to foreigners.

Finally, the "My ASEAN Internship Programme" can without much difficulty be introduced across ASEAN to promote exchange of students across the region amongst ASEAN universities, vocational, technical and trade institutes. Such exchange and training will be of great benefit, particularly for the less developed economies of the region. We ask that JUST THESE FOUR EASY STEPS be taken to show that ASEAN Leaders are serious about the ASEAN community and are to be believed when they talk about a "people-centric" ASEAN. Of course there is more, much more, that have to be done but they would be a good start.
3. The removal of non-tariff barriers and measures (NTBs and NTMs) was actually the prime objective of the AEC Blueprint of 2007. Here we are on the cusp of establishment of the AEC, yet so many NTBs and NTMs still exist that inhibit trade and frustrate the objective of a single market and production base, the free movement of skilled labour, investment and capital, a competitive and open regional economy to the outside world and equitable economic development. In this report ASEAN-BAC does not wish to embark on a recitation of those many NTBs and NTMs and proposals on how they could be removed. (They are particularly well documented in the Lift-the-Barriers Reports of the ABC - ASEAN Business Club - in 2013, 2014 and 2015). What we would like to do is to propose a focused removal of NTBs and NTMs in four identified sectors which are close to the people, in line with the proclaimed people-centric ASEAN.

This approach and the four sectors had been agreed in our dialogue with ASEAN Economic Ministers last August. What we ask of ASEAN Leaders is to give instruction that the removal of the NTBs and NTMs in the four sectors - healthcare, agri-food, retail (especially e-commerce) and logistics (see Annex 4) - be completed in 2016 on a concentrated basis and in close consultation with the private sector through establishment of special working groups for this purpose. This would be a great start for the AEC as well as for the proposed greater consultation with the private sector in the post-2015 agenda.
Post-2015 AEC Priorities

1. ASEAN Decision-Making Structure

As the mandated private sector representative body ASEAN-BAC urges that the consultation process with the private sector be enhanced and better structured going forward, as mentioned in the post-2015 AEC plan. ASEAN-BAC itself should be strengthened with better human and financial resources. The steps to achieve all round improvement should take into account the shortfalls of the consultation process leading up to 2015, as well as the need for further deepening of the AEC going forward:

- The ASEAN decision-making structure involves a maze of committees and working groups and special task forces under at least 10 ministerial portfolios which is deep and vertical with poor horizontal coordination. As we know in business, vertical organizational structures result in silos and uncoordinated activities. This has to be corrected through more lateral interface. An enhanced consultation process with the private sector must ensure there is a nexus between inter-dependent activities and projects. Horizontal coordination does not only concern the private sector, and it has to start with the coordination of the Governments’ committees and sector working groups.

- The most significant miss in the consultation process between ASEAN-BAC and the official decision-making structure has been the absence of any involvement or relationship with the financial and capital markets official sector. This is to be regretted as finance is the lifeblood of the real economy, but ASEAN-BAC is confined to only dealing with the real economy through its exclusive close relationship with Economic Ministers and officials. The nexus between ASEAN-BAC and the financial/capital markets ministers/officials must be established. There was a kind of breakthrough this year when the ASEAN-BAC chair was given some time at the ASEAN Finance and Central Bank Deputies Meeting, but this is a far cry from private sector representation and involvement in the financial/capital markets integration process.

The chair of ASEAN-BAC had a subsequent meeting with the Malaysian Secretariat after which he wrote to the ASEAN Secretary-General (see Annex 5) seeking a clear and officially established consultation process with finance ministers, central bank governors and securities markets regulators as well as customs Directors General. We ask that ASEAN Leaders sanction this as a crucial part of enhancing the consultation process with the private sector. In this regard, the proposal by the ABC, which has also been put forward to ASEAN Leaders by ASEAN-BAC, that a private sector financial services and
capital markets expert group be formed to assist in financial sector integration, should be approved and taken up.

- The further enhancement of the private sector integration process across the whole ASEAN decision-making structure requires a joint cooperative effort which should be the first order of business in 2016 to be completed before the first summit that year under the chairmanship of Laos. It must involve careful identification in a work smart way of private sector involvement that would make a difference in the speed and meaningful outcome of ASEAN economic integration.

2. Elimination of NTBs and NTMs

Apart from the four sectors for focused removal of NTBs and NTMs in 2016, the wider effort across-the-board should continue in 2016 and beyond. While ASEAN is not the worst in the world for imposition of NTBs and NTMs, ASEAN member states are willing to accept the Peer Review System in Geneva under the WTO, but not within ASEAN. Why is this the case? Would it not be good discipline to introduce in the ASEAN integration process? We recommend that this be done. ASEAN-BAC would also like to reiterate its support for the Pathfinder Project to remove NTBs and NTMs on an intensive basis.

ASEAN-BAC itself is looking into meaningful monitoring of progress in the removal of NTBs and NTMs through a portal advertising NTBs and NTMs experienced by the private sector. This will provide good and actual feedback on progress in the removal of barriers. Indeed ASEAN-BAC proposes, more generally, that there be a joint scorecard between the official and private sectors to monitor progress in the post-2015 AEC against stated objectives.

Meanwhile, ASEAN-BAC will be conducting a further study on NTBs and NTMs in collaboration with the New Zealand ASEAN Business Council, CIMB ASEAN Research Institute and ERIA which will run into the post-2015 period.

3. Financial Services and Capital Markets

Financial services liberalization and capital market development and integration are not just about regulation BUT MUST INVOLVE help for SMEs and the issue of digitalization of financial services –Financial Technology (FinTech). Post-2015 AEC would be deficient if the opportunities offered by digitalization are not addressed. Regulation to allow the use and benefit of technology in banking, finance and capital markets should be put in place. Otherwise ASEAN will be left behind as the U.S., Europe and China - and their banks and financial markets continue to forge ahead.

With due recognition of finance as the lifeblood of the ASEAN economy and the identification of SMEs as the primary economic driver in the AEC, greater coordination between financial and economic discussions between public and
private sectors can be enhanced through provision for discussions between the proposed Financial Services and Capital Markets Expert Group with both finance and Economic Ministers and top-level task forces and working groups. Where necessary, issues related to utilisation of technology in access to finance can also be taken up with necessary ASEAN ICT Working Groups. An example of issues that can be taken up by such coordination is the issue related to cross-border e-payment solutions. The inclusion of inputs from the already established ASEAN Capital Markets Forum (ACMF) should also be taken into account and duly considered.

4. E-commerce

Only one per cent of total retail sales in ASEAN are through the Internet. The figure for developed economies is around 8 per cent - and growing fast. E-commerce in ASEAN therefore has the potential to grow by eight times. This must be facilitated in the next couple of years by addressing the ASEAN payments systems and logistical problems. Otherwise, again, retail giants from outside the region and their settlement engines will dominate e-commerce in ASEAN.

ASEAN internet marketplaces such as the www.aseansme.org portal undertaken by the ASEAN SME Working Group, along with other private sector-driven B2B and B2C market places have made significant progress in improving access to market information and the cultivation of the ASEAN business information infrastructure. While these marketplaces are useful avenues for business sourcing and the manifestation of regional market players, actual online transactions remain hindered by lack of harmonisation in online trade regulations.

The fundamental elements in maximising the potential of e-commerce in ASEAN primarily entail the facilitation of:

a. **Establishment and harmonization of cross-border e-payment regulations** – The lengthy procedures in the current ‘Know Your Customer (KYC)’ will need to support the prevalence of local e-payment providers in expanding their regional activities. A useful initiative would be for the establishment of a regional oversight body to be able to address cross-border e-payment barriers such as withholding tax measures and dispute resolution for both trade settlement and retail purchases.

b. **Logistics and Customs procedures** – With the success of the ‘National Single Windows (NSWs)’ pilot projects, the full implementation of the ‘ASEAN Single Window (ASW)’ must proceed expeditiously to address customs issues and promote greater trade facilitation. At the same time, in view of the significant progress ASEAN has made in the reduction of tariffs, the ASW will better enable regional players to utilise the ASEAN Free Trade Area (AFTA).
c. **Increased internet penetration** – As the ICT industry continues to rapidly evolve, more specifically on increased access to internet via mobile (up to 30% of the 250 million internet users in ASEAN access the internet via mobile), mobile internet access has facilitated various issues related to internet penetration. ASEAN-BAC reiterates the call for the full implementation of the ASEAN ICT Master plan, taking into account the need for greater cross-border connectivity and flexibility in movement of information.

5. **Freer Movement of Skilled Labour**

As a crucial element in the ASEAN integration and community building process, ASEAN-BAC looks forward to the continuous implementation of the packages under the ASEAN Framework Agreement on Services (AFAS), which includes the ASEAN Movement of Natural Persons (MNP) Agreement. Specifically, ASEAN-BAC hopes for the successful implementation of the 10th package under AFAS and for the benefits to be sufficiently utilised by private sector activities.

ASEAN-BAC notes that the MNP only addresses temporary movement of persons pursuant to mode 4 of AFAS (which allows for ASEAN companies to temporarily send personnel to other ASEAN countries to render services via movement of business visitors, contractual service suppliers and intra-corporate transferees) and proposes for specific initiatives addressing the various categories of personnel. For example, ASEAN-BAC has repeatedly called for the implementation of an ASEAN Business and Travel Card (ABTC) for business visitors which can facilitate movement and tracking of business persons within the region.

Besides proposing specific initiatives such as the ABTC, Mutual Recognition Arrangements (MRAs) for professionals under the MNP remains an indispensable catalyst to spur freer movement of skilled labour within the region. Earlier this year, a workshop organised by ASEAN-BAC on MRAs of professionals under the MNP included discussions with various regional professional bodies and associations as well as research institutes. Findings from the workshop include notable development in the professions of engineering and architecture, primarily on project-basis collaborations and cross-reference consultations (ASEAN-BAC had in fact already called for the completion of MRAs for engineers and architects in its April 2015 Report to ASEAN Leaders, and for such completed models to be examples for the other professional sectors to emulate). However, recurring issues highlighted at the workshop that prevent movement of professionals in other sectors include work permit issues, varying standards of practice, language and cultural barriers, stringent qualification examinations for practice and foreign equity restrictions. In view of these prevailing issues that significantly hamper progress, ASEAN-BAC reiterates the call for public sector assistance in accelerating the Mutual Recognition
Arrangements (MRAs) discussions for the outstanding professions, and for the expeditious completion and adoption of the ASEAN Qualification Reference Framework (AQRF) by all 10 AMS.

For equitable progress in movement of skilled labour, there should be strong emphasis and specific initiatives for human capital development in the movement of skilled labour in ASEAN (such as the ASEAN-BAC proposal and support for ASEAN Internship Programmes), which inter-relates with various elements such as the harmonisation of standards and certifications for ASEAN skilled labour, training programmes on ASEAN standards of practice and promotion of labour migration rights in business practice. Possible establishment of ASEAN certification bodies for various professions can be productive in benchmarking qualifications for practice in the region. Public-private partnerships for cross-border infrastructure projects can also prove useful grounds for collaboration of professionals between AMS nationalities.

6. Responsible Business Practices

The steps taken to include CSR as a strategic objective within the AEC have resulted in increased recognition by most ASEAN Member States (AMS) on the importance of CSR in the existing ASEAN integration process. Nonetheless, there remains a perpetual need to continuously and proactively encourage regional businesses to incorporate CSR initiatives as a prerequisite within their business practices.

Awareness remains a major issue in the advocacy of CSR activities in ASEAN business practice, specifically its correlation with human rights which can benefit businesses in addressing social issues in the region. In efforts to heighten awareness, initiatives such as the setting up of a mechanism to facilitate sustainable trilateral dialogue between ASEAN businesses and Civil Society Organisations (CSOs) should be mobilised to promote awareness and action on these issues. As a stakeholder in the process, private sector input and partnerships are necessary in providing timely feedback on guidelines and its’ implementation.

Governments play a pivotal role in encouraging businesses to adopt human rights considerations in business decisions. This can be promoted by developing clear regional guidelines with emphasis on human rights in business practices. It is equally important that these guidelines be compatible with accepted international business standards such as the ISO 26000 and UN Guiding Principles on Business and Human Rights, to name a few.

7. Workers’ Issues

Movement of human capital within the region has been an increasingly visible issue in AEC integration discussions. In view of the invaluable community-
building benefits, it is crucial for AMS to highlight the necessary actions to be taken to protect and promote the rights of migrant labour within the region. More specifically, provision for fair and equal treatment in the workplace for migrant labour should be included in the ASEAN integration process, where in some cases foreign workers are vulnerable and exploited by their employers. Therefore, employers and employees should transparently conform to recognised standards and practices, and for the region to formally adopt “Decent Work” principles in the integration process to increase employability of workers and improve competitive dimensions of businesses. Such principles should not only promote labour rights but also skills development, acknowledgement of fundamental rights and social protection.

Human trafficking activities for forced labour still exist despite efforts to reduce such exploitation. With the fact that forced labour is morally unacceptable, ASEAN must take action in the elimination of forced labour in labour migration, and further enforce the implementation of comprehensive laws and regulations to circumvent this. Private sector awareness can be heightened by conducting information sharing sessions administered by policy makers to elaborate on possible risks and repercussions from forced labour elements in business operations.

Such information sharing initiatives could also act as a one-stop solution to provide relevant information on potential employment of migrant labour. Furthermore, it must be imposed on recruitment agencies to register themselves with necessary authorities and to remove any intermediaries in their operations. Monitoring of these agencies is paramount in the regulating of these recruitment agencies. ASEAN must formulate a regional guideline that conforms to the regional minimum standards to protect and promote human rights as well as provide decent work environment for migrant labour.

8. **Competition Policy and Consumer Protection**

By the end of this year, all 10 AMS should already have completed their national competition policy and laws in support of the regional economic integration. Subsequently, businesses are expected to be more active in developing market-led innovations to promote healthy competition in the marketplace. Regional private sector players are required to be better informed on progressive development of rules and regulations on competition and consumer protection. Implementation of such policies can better ensure the AEC to be more meaningful to the people.

ASEAN-BAC recognises the importance of having simple and clear competition policy, as well as consumer protection guidelines to further enhance the uniformity of these issues. This will better enable businesses to plan and prepare accordingly to positively affect their bottom line. In recognition of the private sector as primary beneficiaries, policy makers must communicate regularly with
business communities to obtain practical feedback and to have a clearer understanding of private sector issues on such policies. In addition to this, the promotion of best practices and regular dialogue with non-ASEAN stakeholders can advance the regional view on competition policy and laws, much in line with the focuses of the ASEAN Expert Group on Competition (AEGC).

9. **Sustainable Development under the ASEAN Economic Vision 2015 – 2025**

Sustainable development is a much-discussed issue that is certain to gain further traction and importance in the post-2015 AEC agenda. Elements of sustainability have a broad and diverse meaning to various stakeholders, with some views related to environmental sustainability and other perceptions involve making a positive impact on community. Indeed, the ASEAN Charter (2008) describes the ASEAN Sustainable Development deliverables as “to ensure sustainable development for the benefit and future generations and to place the well-being, livelihood and welfare of the peoples at the centre of the ASEAN community building process”.

With due importance placed on economic development, social equity and environmental sustainability, coordination between the three ASEAN Community pillars is necessary to achieve the desired outcome truly beneficial to the ASEAN population at large. Heightened awareness and real targets such as to reduce inequality between ASEAN Member States (AMS) and the safeguarding of access to sustainable energy at affordable rates will require extensive discussions and forums involving both the public and private sectors. Non-governmental organizations (NGOs) which are vocal and sensitive to social and environmental issues should be closely engaged and their inputs duly considered in the policy-making process.

More specific to sustainability for businesses, examples can be taken from developed economies where an organisation’s sustainable practices can influence a consumer’s decision at point of purchase. Inculcating emphases such as the sourcing of raw material from local farmers rather than non-ASEAN sources, utilisation of clean energy and internationalization of ASEAN businesses are pertinent points to be considered and promoted amongst SMEs.

With regard to sustainable energy, it is noted that much ground work and researches have been done by a number of Japanese entities with and without direct communication with various related ASEAN public sector groups. Specific and full-scale Japanese-driven forums on energy and environmental industries and where they could be set up in ASEAN should be explored, and where feasible, for such findings to be endorsed and adopted. Due emphasis should also be placed on measuring sustainability, with appropriate measuring mechanisms to be introduced and implemented with benchmarks.
Concluding Remarks

In our report, which has come in three parts, ASEAN-BAC has not asked for the moon. It has tried to be succinct and to prioritize. We feel most of all that meaning must be given to the establishment of the ASEAN community, even at this late stage and particularly in the very first year of community existence. It is easy to always push out, to make more and more promises, but only for the longer and longer future.

The people of ASEAN, and the business community in particular, will not fall for that, and would like to see more concrete action and less wordy promises. The disarray in handling the Haze (smog) crisis which this year has been the worst and which has been going on for 18 years does not speak well for ASEAN cooperation and integration - the ASEAN people absolutely and physically experience this. ASEAN Leaders must do better to reassure them.

We have ourselves sought to champion specific initiatives even as we make proposals to ensure the AEC would have meaning to the people and businesses. There is a need for sharp improvement in cross-pillar and cross-sectoral coordination. Private sector and think-tank representation in the other pillars is sadly insufficient, unlike in the economic pillar.

While we appreciate the dialogue with ASEAN Leaders for the beneficial progress of the private sector in the ASEAN economy, we hope Leaders will respond to the proposals we have made by acting on them and prevent the perception of having a dialogue to be more in form, not substance.
Annex 1

ASEAN-BAC Small Medium Enterprises (SME) Working Group

Despite the fact that ASEAN constitutes of 10 ASEAN Member States with a market to nearly 630 million people and $2.4 trillion of combined GDP\(^1\), ASEAN MSMEs are still encountering various hurdles in day-to-day business operations. Together with micro-enterprises, SMEs account for more than 96 per cent of all enterprises and 50 to 85 per cent of domestic employment\(^2\). The ASEAN Economic Community (AEC) is believed to bring less impact to MSMEs than to large or multinational corporations.

ASEAN-BAC has taken an initiative to further foster MSMEs activities by establishing ASEAN-BAC MSMEs Working Group which aims to receive feedback from MSMEs on the national level through the Working Group members. ASEAN-BAC reached a decision to put priority on 4 (four) key drivers of business growth, access to finance; access to technology; access to market; and access to human capital.

Inadequate access to finance has always been one the major hurdles faced by MSMEs that limit them to grow their businesses. In practice, most MSMEs are not eligible to get a loan from large domestic banks because of collateral issues. Nevertheless, MSMEs could obtain their loans from co-operative banks at a lower cost as compared to the large domestic banks or foreign-owned banks. Alternatively, MSMEs can consider getting investment from alternative financing such as Equity Crowdfunding, Angel Investors, Private Equity, Venture Capital, and so on. Considering that alternative financing is still new to MSMEs in most AMS, there is a need to socialise these alternatives to the MSMEs.

ASEAN-BAC recognises the importance of an adequate access to technology for MSMEs in order to better use the available information and communication technology to uplift the opportunities for MSMEs in doing business. For instance, e-commerce is the best practice to amplify the potential market. Therefore, by enabling the environment for MSMEs in using e-commerce and other digitalization infrastructure, ASEAN-BAC believes that it will help to equip ASEAN MSMEs with the necessary platform to accelerate their performance and compete in the regional market.

To help MSMEs with the appropriate access to market, SME Centers on each AMS have to play a crucial role in supporting the MSMEs. The SME Centers have to become one-stop information providers with the objective of avoiding insufficient business information.

Human capital is the most important asset to the development of any enterprises including MSMEs. Most often MSMEs face challenges in having the right human

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\(^1\) ASEAN Statistic Yearbook 2014, ASEAN Secretariat
\(^2\) ASEAN SMEs, [www.asean.org](http://www.asean.org).
capital which usually stems from skills mismatch. In order to minimize the mismatch of skills, one such example among others that could be implemented is to enhance the education system in AMS. Another could be a governmental support in the form of training and development in related industries. These two approaches if well executed could help to boost the productivity of MSMEs and lift the skill set of ASEAN people that eventually will bring an inclusive growth to the region. To further strengthen ASEAN MSMEs, ASEAN-BAC firmly believes that not only should we focus on those 4 (four) key drivers of business growth, but also we shall look into the importance of access to capacity building.

Furthermore, there is also a need to take into account the best practice in other region to support its MSMEs. ASEAN-BAC believes that if public and private sectors can share mutual efforts and have a better understanding on MSMEs’ business environment, together we can provide them a concrete support to eliminate hurdles. Thus, they can contribute more to the economic growth by increasing productivity and creating more jobs.
Annex 2

ASEAN-BAC Young Entrepreneurs Working Group

With the region’s population of over 600 million and a growth of 1.3 per cent\(^1\), more than 65 per cent of ASEAN’s population is under the age of 35.\(^2\) As stressed by President Obama during his visit to Malaysia in 2014, ASEAN youth is a crucial asset to ASEAN that will shape the region’s progress and future. In terms of entrepreneurial activity, nurturing them with the right approaches and providing them the essential infrastructure will help them to rise through difficult challenges.

A notable difference between youth employment and young entrepreneurs is that the latter is about business creation while the former is about job creation. In order to achieve the business creation, ASEAN-BAC feels the needs to concentrate on providing them an enabling entrepreneurial ecosystem so as to create significant opportunities for the entrepreneurs. By saying so, we emphasize the importance to understand that the ecosystem in each AMS might vary from one to another. Each ecosystem must be crafted in accordance with the social, cultural and economic situation in the host country. It is of critical importance that the AMS work together to implement a dynamic and conducive entrepreneurship ecosystem in the ASEAN way to leverage and empower young entrepreneurs across the region.

Recognising the importance of young entrepreneurs and their contribution to the economic development, ASEAN-BAC initiated the ASEAN-BAC Young Entrepreneurs Working Group (ASEAN-BAC YE WG) which has already shown their efforts in promoting entrepreneurship to young generation in ASEAN countries. In response to one of ASEAN-BAC deliverables in the past coupled with the endorsement from ASEAN Economic Ministers, the launching of ASEAN Young Entrepreneurs Council (AYEC) in November 2015 can be considered as one of the concrete outcomes and ASEAN-BAC’s commitment to support young entrepreneurs in the region.

\(^1\)ASEAN Statistic Yearbook 2014. ASEAN Secretariat
Annex 3

ASEAN-BAC Women Entrepreneurs Working Group

Since the ASEAN-BAC Brunei Darussalam Chairmanship in 2013, ASEAN-BAC has recognised the importance of fostering the growth of women entrepreneurship in the region. With the hope that the ASEAN Economic Community (AEC) will bring opportunities for women entrepreneurs, ASEAN-BAC created the ASEAN-BAC Women Entrepreneurs Working Group (ASEAN-BAC WE WG). One of the Working Group’s objectives is to strengthen and combine the voices of women entrepreneurs through better cohesion amongst the diverse range of women organisations within the ASEAN region.

With a total population of nearly 630 million people in the region, women constitute half of the ASEAN population. As previously mentioned by Former U.S. Secretary Hillary Clinton during her speech at Singapore Management University, “No nation can achieve the kind of growth that we all want and need if half of the population never gets to compete. And we cannot afford any longer to exclude the energy and talent that women add to our economies.” Hillary Clinton’s speech stressed the importance of women in driving economic growth in the region. Even though women face many of the same hurdles as MSMEs in doing business, there are also unique challenges that need to be addressed.

To promote, encourage and facilitate the participation of Women Entrepreneurs in the economic growth of the region, ASEAN-BAC has been advocating the inclusion of women entrepreneurs’ under the Economic Pillar of ASEAN to the ASEAN Leaders since 2013. The proposed inclusion of women entrepreneurs’ under the Economic Pillar is in addition to the existing inclusion of women’s issues under the Socio-Cultural pillar of ASEAN as we feel that issues pertaining to women in business need to be addressed more appropriately under the Economic Pillar.

One of the areas that ASEAN-BAC believes needs to be addressed under the Economic Pillar of ASEAN is to create a more enabling regulatory environment for Women Entrepreneurs and to enhance women’s connectivity and capacity in doing business, which would enable women to unleash their full potential in the economic development of ASEAN.

ASEAN-BAC also acknowledges the need to recognise women entrepreneurs’ achievements and involvement in their economies. One of our latest initiatives is to highlight the profile of women entrepreneurs on the ASEAN-BAC website, with the aim of providing role models for women entrepreneurs in the region. Besides this initiative, our annual ASEAN Business Awards is also a valuable platform to promote the recognition of women in entrepreneurship; this year, a new category of the

1 ASEAN Statistical Yearbook 2014. ASEAN Secretariat.
awards was introduced for women entrepreneurs to further promote and acknowledge the entrepreneurial activities of women in the region.

Given the fact that women are significant contributors to the economic and social development of ASEAN, ASEAN-BAC will continue to promote women’s participation in the region and will identify key priority areas to focus on annually as well as continue to raise the awareness of women in the region. ASEAN-BAC believes that including Women Entrepreneurs under the Economic Pillar of ASEAN will be an important step towards providing women with an enabling environment that will enhance and facilitate the ability of women entrepreneurs to contribute to the collective goal of the economic success of ASEAN and the AEC.
Annex 4

Leveraging ASEAN Value Chains

To leverage on the ASEAN Value Chain we need to first narrow the economic gap in CLMV countries. We seek endorsement from ASEAN leaders both in the government and private sectors to support the implementation and execution of ASEAN Interchange hubs, the first one is to be based in the Lao PDR. The interchange will showcase a model that will realize the full intent of the ASEAN Framework Agreement for Goods in Transit, as well as the Greater Mekong Sub region-Cross Border Transport Agreement (GMS-CBTA) that will harmonize and facilitates cross border transportation and trade in ASEAN. Further participation of other ASEAN member states in the CBTA such as Malaysia and Singapore with ASEAN cross border initiative such as ASEAN Single Window (ASW) and ASEAN Green Lane (AGL), a fully integrated supply chain that spans across Asia, in tandem with China’s One Belt One Road (OBOR) strategy and ASEAN RO-RO networks (ARN), will be developed. ASEAN BAC has already initiated a project scheduled for 2016 to set up the first building block for the above plan and will be tabled in next year’s Lao PDR Chairmanship.

Marine Connectivity

In the year 2013, ASEAN-BAC expressed its support to the ASEAN Roll-On/Roll-Off (RO-RO) shipping initiatives. One of which is the route between Davao City – General Santos Port in Philippines and Bitung Port in Indonesia. Private players were ready to launch (with shipper from the Philippines and business groups from both sides eager to commence) and to serve as model to be replicated in many areas especially the archipelagic members states of ASEAN.
Annex 5
Letter from ASEAN-BAC Chair to ASEAN Secretary-General on Private Sector Participation in the ASEAN Financial Services and Capital Markets (FSCM)

ASEAN Business Advisory Council

23 September, 2015

H.E. Le Luong Minh Secretary-General, ASEAN 70A, Jl, Sisingamangaraja Jakarta, 12110 Indonesia

Excellency,

PRIVATE SECTOR PARTICIPATION IN THE ASEAN FINANCIAL SERVICES AND CAPITAL MARKETS (FSCM) DECISION MAKING PROCESS

On behalf of Asean Business Advisory Council (Asean-BAC) I write to formally seek its representation on the Asean Finance and Central Bank Deputies Meetings, and for Asean-BAC to have regular dialogues with Asean Finance Ministers in the same manner that it has with Asean Economic Ministers.

As you are aware, Asean-BAC is the body mandated by Asean leaders to represent the private sector. However, since it was set up in 2003, it has not had much interaction with the financial services and capital markets pillar of the regional economic integration process. Finance, as you are well aware, is the lifeblood of the real economy. Without its facilitation many of the initiatives in the real economy will not be achieved. Asean-BAC therefore should be well represented in the FSCM process, just as the private sector generally should be invited to participate in relevant working groups and committees in that process.

I had the privilege of making these points at the Asean Finance and Central Bank Deputies Meeting on 19th March 2015 and, I believe, formal decisions are ready to be made in support of better Asean-BAC and private sector representation and involvement in the FSCM decision making process.

I look forward therefore to hearing from you on this so that I can inform my fellow council members and other private sector organizations that Asean-BAC engages,

With highest regard and best wishes,

Yours sincerely,

Tan Sri Dato' Dr. Mohd Munir Abdul Majid
Chairman