



ASEAN-BAC

10th AEM & ASEAN-BAC CONSULTATION

Report of the ASEAN Business Advisory Council

Presented by Okhna Kith Meng
Chairman, ASEAN Business Advisory Council

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H.E. Cham Prasidh, Senior Minister and Minister of Commerce of The Kingdom of Cambodia and Chairman of the 2012 AEM,

Excellencies, ASEAN Economic Ministers,

H.E. Mr Surin Pitsuwan, Secretary General of ASEAN

Senior Officials and Delegates,

INTRODUCTION

I am honoured and delighted to be sitting here today. On behalf of the ASEAN Business Advisory Council (**ANNEX A**), I would like express my gratitude to the Governments of ASEAN Member States and the ASEAN Secretariat in its continuous efforts in facilitating the activities of the private sector towards an ASEAN Economic Community (AEC).

Today, I am pleased to present the 10th ASEAN-BAC Report to the AEM. This Report will highlight our efforts in continuing to bridge the public and private sectors of the region as we have been mandated by the Leaders of ASEAN. We hope that these activities along with key findings of the *2011-12 ASEAN-BAC Survey on ASEAN Competitiveness* and the recommendations provided in this Report may be taken into consideration by the AEM to be implemented nationally.

PREPARATION OF THE 2012 ASEAN BUSINESS AND INVESTMENT SUMMIT (ASEAN-BIS)

Since the last AEM-ABAC Consultation, ASEAN-BAC has actively taken part in relevant forums organised at the ASEAN level. These activities are in fulfilment of our mandate to promote public-private sector partnership, consolidate private sector feedback, with the view to identifying the policy recommendation areas as means to achieving the ASEAN economic integration.

In 2011, ASEAN-BAC was instrumental in organising the ASEAN-BIS in Bali. Under the Chairmanship of Indonesia, the event was attended by 6 Heads of States, 7 Ministers and more than 1,000 Captains of Industries from all corners of the Globe who were active in discussing issues relevant to ASEAN's competitiveness vis-à-vis other regions. Following the success of the ASEAN-BIS, ASEAN-BAC has also been very active in the past year in engaging the Dialogue Partners of ASEAN and relevant business organisations in strengthening cooperation. In the past year, ASEAN-BAC assisted in the organisation of the 2nd ASEAN-EU Business Summit and the ASEAN Latin Business Forum 2012. In the past, ASEAN-BAC's role has often been limited to working within the confinement of the interests of ASEAN Member States, but as the region becomes more influential, it is only natural that our institution evolve in facilitating the interest shown by our Dialogue Partners and the rest of the world.

This year, under the Chairmanship of Cambodia, ASEAN-BAC will organise the 10th ASEAN-BIS on 16-18 November in Phnom Penh. The Business Summit will look into crucial areas shaping the environment in which ASEAN businesses operate. To name a few, these areas include: the promotion to use renewable energy; the development of hard and soft infrastructure to support ASEAN connectivity; creating opportunities for ASEAN-grown entrepreneurs; the greater role small and medium enterprises (SME) are to play in the region's development and in narrowing development gaps; and acting as a platform to launch the ASEAN Comprehensive Investment Agreement (ACIA) to the private sector.

On that note, I would like to take this opportunity to invite Your Excellencies and your respective business delegates to support and actively participate in the coming ASEAN-BIS.

KEY FINDINGS OF THE 2011-12 ASEAN-BAC SURVEY ON ASEAN COMPETITIVENESS

In 2011, ASEAN-BAC once again collaborated with the Lee Kuan Yew School of Public Policy, an autonomous graduate school of National University of Singapore, in conducting a The *2011-12 ASEAN-BAC Survey on ASEAN Competitiveness*. The Survey consists of findings of 405 firms interviewed throughout ASEAN Member States. The 2011-12 ASEAN-BAC Survey aims were to track business sentiments towards the attractiveness of ASEAN to trade and investments and the effectiveness of AEC Blueprint implementation. Furthermore, the Survey also includes a special section that collates responses on how businesses assess the relative importance of different policy areas in promoting SME development, in particular, SME participation in trade and investment activities in ASEAN.

Today, I would like to highlight to the AEM some of the key points of the 2011-12 ASEAN-BAC Survey, which include the following findings:

1. **The ASEAN region has good prospects for attracting investments.** 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 (2011/12 – 2013/14). 88 per cent of businesses planned to invest or increase investments in at least one ASEAN country. Additionally, 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.
2. **ASEAN's overall attractiveness influence business investment decisions.** A significant 39 per cent of businesses considered the investment attractiveness of ASEAN as a whole when planning their investments in ASEAN countries over the next three years. This might suggest that ASEAN's move to create a single market and production base is gaining recognition; some two-thirds of the businesses that considered ASEAN's overall attractiveness had at least general knowledge of ASEAN policy initiatives.
3. **There is a clear gap between the relatively high importance AEC measures indicated by respondents and their level of satisfaction.** Using a 1 to 5 scaling system, the Survey compared 14 policy areas of the AEC Blueprint. The areas of implementation that businesses had identified as being among the least satisfactory related to increasing foreign equity participation in services sectors, consultation with businesses, development and implementation of mutual recognition of professional qualifications, development or enhancement of national competition policies and dissemination of information.
4. **Financing is a critical area for SME development and internationalisation, but businesses want to see ASEAN member governments step up on a few other areas related to networking and information dissemination.** Financing was rated by businesses to be by far the most important across 17 government initiatives, followed by the promotion of SME innovations and creativity. However, the areas that businesses across a number of ASEAN countries were least satisfied with included platforms to promote networking among SMEs in ASEAN, business missions to other ASEAN countries, information on opportunities from ASEAN and ASEAN-plus FTAs and FTA-related documents, and information on SME Service Centres, non-bank funding availability and available technology for SMEs in ASEAN.

ASEAN-BAC RECOMMENDATIONS

In response to the key findings indicated by the Survey, ASEAN-BAC wish to recommend the following policy recommendations to be considered by the AEM:

1. A measure of ASEAN's success in forging closer economic integration will lie in a rise in the number of businesses that would plan their investments in ASEAN countries by adopting an ASEAN-wide perspective. To this end, ASEAN needs to not only ensure the continuous effective

implementation of measures towards an AEC but also raise awareness among businesses of the measures being undertaken so that they can better exploit the opportunities that arise.

In facilitating this process, ASEAN-BAC plans to formulate an *ASEAN-Brand Guideline* that will allow eligible products and services from the region to market as ASEAN-brands. We hope that the guideline will be completed later in 2012 and can be adopted by ASEAN Member States as well as the ASEAN Secretariat for standardisation purposes. For the past five years, ASEAN-BAC has conducted the ASEAN Business Awards (ABA) alongside strategic partners such as KPMG and Ernst and Young in identifying 40 successful ASEAN enterprises (large corporations and SMEs) that have contributed to ASEAN's economic growth and prosperity (**ANNEX B**). As a start, we recommend that the AEM allow past and future winners of the ABA as the benchmark for the Guideline and the pioneers of the ASEAN-brand.

2. Although there are positive indication of improvements in the business environment in ASEAN, the 2011-12 Survey have indicated that there are sizeable gaps which exist in areas between the level of importance and satisfaction in the categories of investment protection, simplification of customs procedures and enhancing the transparency of non-tariff barriers. The Survey also suggested that there were also a few common factors among the top constraints faced by businesses in a number of ASEAN countries which include corruption; laws and regulations; tax rates and administration; infrastructure; and business licensing and operating permits. These findings accord with those in the Global Competitiveness Report 2011-2012 (World Economic Forum 2012).

In this aspect, ASEAN-BAC strongly encourages that ASEAN Member States to accelerate its push for regional regulatory reforms in the concerned areas. ASEAN-BAC understand the complexity and the sensitivity of the issues addressed, and we are willing to do our utmost in continuing to work closely with ASEAN Governments, national Chambers of Commerce and business organisations to promote policy adjustments in areas where they are needed the most. We are certain that such efforts would reinforce competitiveness and strengthen gains in opening trade borders among ASEAN Member States.

3. In the area of promoting SME development and internationalisation, ASEAN, especially the ASEAN SME Working Group and the newly developed ASEAN SME Advisory Board, could reference the views of businesses from the Survey in their prioritisation and implementation of work plans. As indicated in the Survey, financing was assessed to be by far the most important area followed by the promotion of SME innovations and creativity.

In response, the Council has continued in the development of the ASEAN Trade and Investment Centre (ATIC) in all Member States. We are proud to report that ASEAN-BAC Philippines has entered into partnership agreement with the Philippine Chamber of Commerce and Industry (PCCI) to house the first ATIC in the region. This centre will serve as platform for the joint collaboration between ASEAN-BAC and PCCI in pushing for the agenda of the AEC specifically in the areas of assisting SMEs to become more aware of the benefits of the integration of ASEAN, as well as providing constructive advice to government to facilitate national and sectorial reforms and enhance competitiveness. On that note, we recommend that all ASEAN Member States to collaborate with national ASEAN-BAC Members, Chambers of Commerce and SME promotion agencies to encourage the development of ATIC in their respective states.

Additionally, ASEAN-BAC also acknowledge efforts by the ASEAN Governments in providing financial assistance for the developments of SME specifically through programs such as SME credit schemes provided through respective state-owned banks. However, ASEAN-BAC wish to encourage ASEAN Governments to also accelerate the establishment of an ASEAN-wide SME credit systems for enhancing SME access to bank lending and loan guarantee; as well as strengthening the regional-network of existing national SME agencies amongst Member States.

In doing so, ASEAN-BAC hopes that the SME can also benefit services offered by commercial banks in the region.

4. ASEAN-BAC commemorates the adoption of the ASEAN Framework on Regional Economic Comprehensive Partnership (RCEP) at the 19th ASEAN Leaders Summit in Bali. We are proud that RCEP is an ASEAN-led process which sets out the principles under which ASEAN would engage interested ASEAN FTA partners based on mutual interest, transparency and best practices, and subsequently other external economic partners, in establishing a regional comprehensive economic partnership agreement.

Prior to moving forward with RCEP, ASEAN-BAC plans to inventorise the bottleneck issues which currently can be found in existing ASEAN+1 FTAs. At the moment, there are limited studies available which aim specifically compares these agreements. We hope that such study can be launched at the end of 2012, and can be taken into the consideration in further formulating RCEP.

CONCLUSION

With AEC targeted in 2015, there is still a great deal of efforts that need to be addressed equally by the Governments and the private sector of ASEAN. ASEAN-BAC believes that in these final years, the success of AEC can only be achieved if commitments and decisions adopted are followed through with the political-will of Member States to promote them aggressively on national level.

Once again, I would like to thank you for this opportunity and your kind attention. ASEAN-BAC would be pleased to further deliberate on the above and other concerns of the AEM.

