



ASEAN-BAC

ASEAN LEADERS & ASEAN-BAC DIALOGUE

5th Report of the ASEAN Business Advisory Council
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Chairman of the 13th ASEAN Summit
Your Majesty and Excellencies

INTRODUCTION

1. Business confidence has grown with the continued economic expansion of ASEAN through 2007 and into 2008. The dramatic economic landscape that has changed in the last 10 years and a Rising Asia provides both an opportunity as well as a threat to ASEAN. The time is ripe for ASEAN to surge ahead and exploit this “CHINDIA” and “CHINA plus One” opportunity or be left behind. Important policy directions and focused effort towards continued integration of ASEAN economies foster greater business confidence in the region and provide a vibrant and progressive ASEAN economic landscape beneficial to the business community for individual countries as well as the region.
2. Against this backdrop and on behalf of the ASEAN Business Advisory Council (ASEAN-BAC), I am pleased to present to you the following activities since our last Dialogue in Cebu, Philippines in January this year:
 - a. Fifth ASEAN Business & Investment Summit (2007 ASEAN-BIS);
 - b. Inaugural ASEAN Business Awards (ABA); and
 - c. Implementation of projects under the ASEAN Pioneer Project Scheme (APPS).
3. Our report also refers to the ASEAN Economic Community (AEC) Blueprint – ASEAN’s implementation of economic integration measures and commitments to achieve the goal of a single market and production base by 2015 – and the corresponding benefits it would bring to the business community.

HIGHLIGHTS

A. 2007 ASEAN BUSINESS & INVESTMENT SUMMIT

4. This year, the ASEAN Business & Investment Summit (ASEAN-BIS) was held on 16-18 November 2007 in Singapore, with the theme “*One ASEAN at the Heart of Dynamic Asia*”. Consistent with ASEAN’s objective in enhancing cooperation with the international community, the Business Summit saw the participation of nearly 1000 delegates from ASEAN and its key trading partners.
5. After 40 years of its establishment, ASEAN has successfully established significant changes to set the future direction of this promising region. The positioning of the business community and its support towards the AEC is a cornerstone of the 2007 ASEAN-BIS. This year ASEAN-BIS

identified the dynamic Rise of Asia and the broader perspective on crucial developments, competitiveness and opportunities for doing business in the region. Participants deliberated on key issues such as impact of the rise of China and India and the 'whys' and 'hows' of ASEAN's integration into the new economic landscape. The special highlights for business leaders were sessions with the ASEAN Economic Ministers, on convergent strategic interests concerning free trade areas (FTAs) and close partnership economic frameworks between ASEAN and its dialogue partners.

6. 2007 ASEAN-BIS is in the fifth year running and the event has been held in five member countries. It has positioned itself to become **the premier platform for private sector feedback and interaction with the region's political leaders**. This year it helps to communicate the objectives of the ASEAN Charter and reinforces the need for the formation of the ASEAN Economic Community (AEC) by 2015. In this context, the Council would like to seek the assistance of the Leaders to grant ASEAN-BAC tax-exempt status. As ASEAN-BAC is self-financed, this will help it to carry out its goals and objectives without the pressure from lack of funds to carry out its activities. As ASEAN-BAC has been incorporated pursuant to the Societies Act, 1966 Malaysia, the tax exemption status has been applied under Section 44(6) of the Malaysian Income Tax Act 1967 under the purview of the Ministry of Finance Malaysia. If granted, this will extend ASEAN-BAC with tax exemption status and donors with similar benefit for any donation made to the activities of ASEAN-BAC, including ASEAN-BIS.

B. INAUGURAL ASEAN BUSINESS AWARDS

7. To mark ASEAN's 40th Anniversary, ASEAN-BAC decided to launch the inaugural ASEAN Business Awards (or ABA) to honour outstanding and successful ASEAN enterprise that have contributed to ASEAN's economic growth and prosperity. This is the first of its kind in the Region and to date there is no such Awards in ASEAN – the timing is right! It has the dual objective of showcasing homegrown ASEAN globally competitive companies that will become role models for aspiring ASEAN companies as well as spotlight promising ASEAN SMEs to help them grow to become ASEAN MNC and potentially global players.

8. An ABA Committee was formed to spearhead the implementation of the awards. National Gateways comprising of ASEAN-BAC Council Members were nominated to ensure that good and representative applicants were being attracted for ABA. These National Gateways worked closely with their respective national chambers of commerce and industry for the necessary outreach efforts to attract the widest audience possible. Global professional services firm Ernst & Young is the Strategic Partner that has helped to conceptualise the framework of the inaugural awards. Each ASEAN country was invited to submit nominations through their respective National Gateways. Ernst & Young undertook the process of shortlisting eligible companies for on-site interviews. The finalists were selected by an independent judging panel comprising top business leaders, economists and academics from all the ASEAN countries, as listed under **Attachment I**.

9. A total of 63 home-grown ASEAN companies having met the following eligibility criteria participated in the inaugural ABA:

- ASEAN-incorporated enterprises with at least 40% ASEAN equity
- ASEAN presence (operating in two or more ASEAN countries)
- Minimum 5 years in operation, inclusive of financial statements for at least 3 years
- Annual revenue of at least US\$20 million (S\$30 million); OR fixed assets of US\$5 million (S\$7.5 million) OR minimum of 150 employees

10. The 12 finalists for the “*Most Admired ASEAN Enterprises*” appearing under **Attachment II** were selected by the distinguished panel of judges in the meeting held on 23 October 2007 in Singapore. Out of 12 finalists, four winners were presented with the “*Most Admired ASEAN Enterprise*” conferred in the four categories of *Growth; Employment; Innovation; and Corporate Social Responsibility* on 18 November 2007 during the ASEAN-BIS Gala Dinner.

11. ABA uncovers and highlights ASEAN indigenous enterprises that have progressed to become competitive players at the regional and international levels. The award also serves as a catalyst to spur more ASEAN enterprises, particularly the SMEs, to look deeper into the opportunities and prospects offered by the region. Ultimately, ASEAN-BAC hopes for this initiative to attract more ASEAN investment funds that will provide the venture capital and funding to nurture and grow these promising ASEAN companies. ABA will have the extension to assess the capability of ASEAN businesses, increase network and linkages for improved market access, technology transfer ability, improve market access and expand business ventures with regional strategic partners.

C. ASEAN PIONEER PROJECT SCHEME

12. ASEAN-BAC introduced the ASEAN Pioneer Project Scheme (APPS) at the first Dialogue session with the ASEAN Leaders in Bali in November 2003, in recognition of the ASEAN Leaders’ vision to transform the region into an ASEAN Economic Community – a common market and a single production base. ASEAN-BAC recognises that while ASEAN still lacks indigenous companies that are competitive at the regional and global levels, the region most certainly does not lack promising and astute entrepreneurs. With the APPS as a catalyst, ASEAN-BAC hopes that the ASEAN Governments can help such entrepreneurs by strengthening ASEAN’s business environment, to create a large base of vibrant indigenous ASEAN companies that will flourish and grow into ASEAN MNCs, thereby helping to integrate the ASEAN economies.

ASEAN Green Lane

13. At the Leaders Dialogue in Cebu, ASEAN-BAC presented the ASEAN Green Lane project under the APPS to promote a seamless flow of goods across ASEAN to achieve a single ASEAN market and an integrated manufacturing value chain. It was reported that this initiative is planned to be piloted between Singapore and Malaysia under the Malaysia-Singapore Business Council (MSBC) and will serve as the first step to have this project moving on to other ASEAN countries.

14. Since the last update, YCH Group has been working closely with the Malaysian Government agencies to finalize operational working details to kickstart the ASEAN Green Lane pilot trial. It is currently in the last stage of preparation and awaiting the IT testing & configuration of DagangNet’s CBeX platform (CBeX is the direct EDI linkage between Malaysia’s DagangNet & Singapore’s CrimsonLogic) to be completed. The one-month trial will begin upon MITI’s approval. Participants in this exercise include relevant Malaysian senior government agency officials from MITI, Royal Malaysia Customs, MATRADE and DagangNet.

15. The pilot test run between Malaysia and Singapore is geared to bring about a positive and beneficial outlook for the ASEAN Green Lane project. Once the pilot trial run between Singapore and Malaysia is successfully conducted, similar pilot run tests will move forward between Singapore and the Indonesian island of Batam, and between Malaysia and Thailand. It is however noted that a concerted effort in both public and private sectors are necessary to ensure that depth and breadth of this initiative can be achieved. Some activities that are crucial in providing an efficient and paperless goods flow include e-security, e-payment, e-declaration, e-clearance and e-Window. The Green Lane will bring about such optimized efficiency and visibility via integration of regional customs systems and innovative RFID technology.

ASEAN Alternative Energy Sources

16. Following our Cebu Dialogue, ASEAN-BAC pursued the aspiration of all ASEAN Leaders to develop the biofuel (Jatropha) and biodiesel (ethanol) industries. Business stakeholders and Government research institutions, including the ASEAN Centre for Energy (ACE), were brought into the consultative process.

17. From a preliminary standpoint, the business viability of ethanol is considered far better proven than jatropha. Yet, the relevant business players are challenged to convince respective Governments to begin considering other forms of energy apart from fossil fuel. The following states the preliminary policy recommendations:

- a. ASEAN should focus research on certified seed for Jatropha;
- b. Encourage competitive and sustainable feedstock production to tap on the potentially huge market demand. Incentives to be discussed with the Governments to explore production of the best feedstock available;
- c. Encourage consumption across ASEAN that could be driven by mandate or subsidies imposed by the Government. This would in turn force adaptation in the supply chain, infrastructure development and other regulations in the business chain, as in the case of Crude Palm Oil (CPO); and
- d. Pilot plants initiated by the Government can be considered to minimise the business risk for the private sector.

18. ASEAN-BAC is conscious of the intricate issues facing the development of alternative energy sources, including the potential environmental harm that biofuel and biodiesel plantations can cause. This is especially so in considering that water availability and essential food security items will become a future global concern, with their subsequent scarcity affecting the development of biodiesel and biofuel. At the same time, the depletion of fossil fuels within the next few decades will become evident. The imperativeness for ASEAN to address its sustained growth compelled by the continued rising oil price and energy demand to sustain Asia's industrialisation need is already real.

19. ASEAN-BAC would therefore like to recommend that an in-depth regional economic study to support jatropha and ethanol developments be undertaken by the relevant ASEAN institutions to trail on what was also recommended by the ASEAN Leaders at the Cebu Dialogue. ASEAN-BAC would also like to highlight that various positions made to the Council by the stakeholders suggest that the development of these alternative forms of energy will take time to realise and its outcome not guaranteed. Investment in other and existing alternative energy sources were recommended to be addressed, including solar, gas, nuclear, and water energies as they represent the region's comparative advantage as well.

ASEAN Branding

20. ASEAN-BAC is initiating the formation of an ASEAN Franchise and Retail Federation, with the objective to promote ASEAN brand names and products. Projects will be introduced under this federation to proliferate ASEAN SMEs to grow by promoting "*Made in ASEAN*" brands of products and services. Projects under consideration includes the promotion of ASEAN as a shopping paradise displaying regional products and labels prominently displayed in major shopping centers in ASEAN as part of the regional effort to boost tourism promotion. The ASEAN Budget Hotel Chain; ASEAN Food Court and Fashion Alley; and ASEAN Lifestyle Center projects are other projects in

the pipeline to link up SMEs and micro- enterprises to obtain an increased share of the ASEAN and Asian markets.

D. BLUEPRINT FOR AN ASEAN ECONOMIC COMMUNITY (AEC)

21. Following consultations with the various economic policy agencies and stakeholders in the private sector, ASEAN developed a Blueprint for achieving an ASEAN Economic Community (AEC). The Blueprint charts ASEAN's journey towards an AEC by 2015. The ASEAN Leaders will be signing a Declaration of the AEC Blueprint at this Summit.

22. We are excited by the AEC Blueprint which outlines economic integration initiatives and commitments, and the implementation timelines. Companies in the region recognise the tremendous benefits of the AEC 2015 goals, such as achieving a single market and production base for a free flow of goods, services and investments in ASEAN. With an AEC, ASEAN companies will be able to gain advantage from economies of scale, smoother business operations, and an enlarged integrated market. We also see this as a clear indicator of the region's fortitude in adapting to the ever-changing global economy climate.

23. The business community in ASEAN welcomes this initiative, and is fully supportive of ASEAN's various measures, reforms and policies, such as ASEAN's work on developing enhanced and comprehensive goods and investment agreements in place of the current AFTA CEPT and AIA Agreements respectively. We are happy to be part of the consultation process to further the achievement of an AEC and look forward to the implementation of the initiatives and realisation of the AEC 2015.

CONCLUSION

24. ASEAN-BAC deems that measures to promote greater intra-ASEAN trade and investment activities are necessitated by various agreements and other measures already undertaken at the ASEAN level. Our focus at the ASEAN-BAC level is on "making things happen" by identifying business opportunities in the market place and building awareness to encourage greater intra-ASEAN business activities and for the business community to be focused in a parallel track towards achieving the aims of ASEAN.

25. On behalf of the ASEAN Business Advisory Council, I would like to express my appreciation for your attention and look forward to a *One ASEAN at the heart of Dynamic Asia*.

