CARI Briefing

LATEST DEVELOPMENTS ON AEC

Menara CIMB, KL Sentral
31 May 2018
50 YEARS OF ASEAN

Population (in million)
- 1967: 185
- 2016: 634
- Increase: 242%

Trade (in US$ billion)
- 1967: 10
- 2016: 2,219
- Increase: 2,209%

GDP per capita (in US$)
- 1967: 122
- 2016: 4,021
- Increase: 3,195%

Source: ASEAN Secretariat
ECONOMIC PROGRESS

ASEAN has almost doubled its share in the world GDP from 3.3% in 1967 to 6.2% in 2016, to become the world 6th & Asia’s 3rd largest economy.

Evolution of ASEAN GDP and GDP per capita (at current prices)

Source: ASEAN Secretariat
ASEAN total merchandise trade in 2016 stood at US$2.2 trillion, with intra-ASEAN trade comprising the largest share at almost 24%.

Source: ASEAN Secretariat
TRADE

The shares of ASEAN merchandise exports and imports in the world grew significantly to reach **7.2%** and **6.6%** respectively in 2016.

**Evolution of ASEAN total trade in services (US$ billion)**

- **Exports of services**
- **Imports of services**

Trade in services quadrupled between 1999 and 2016 to reach **US$681 billion**.

**Source:** ASEAN Secretariat
ASEAN total trade: **USD 1,817 billion** in **Q3 2017**, 22.9% of which is intra-ASEAN.

Most ASEAN countries saw double digit y-o-y growths in goods exports notably:
- Viet Nam (21.1%)
- **Malaysia (14.5%)**
- Singapore (10.9%)

**MALAYSIA’S TRADE WITH ASEAN (2017)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Total Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL TRADE</td>
<td>21.0%</td>
<td>RM487.42 bil</td>
</tr>
<tr>
<td>EXPORTS</td>
<td>18.0%</td>
<td>RM272.79 bil</td>
</tr>
<tr>
<td>IMPORTS</td>
<td>25.0%</td>
<td>RM214.63 bil</td>
</tr>
<tr>
<td>TRADE BALANCE</td>
<td>2.2%</td>
<td>RM58.16 bil</td>
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</tbody>
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*Preliminary statistics by ASEAN Secretariat, as of January 2018, with absence of 2017-Q2 for Myanmar and 2017-Q3 for Brunei Darussalam, Lao PDR and Myanmar*
2018 TRADE FIGURES

MALAYSIA’S TRADE WITH ASEAN (Jan - March 2018)

- **TOTAL TRADE**: 2.2% to RM121.06 bil
- **EXPORTS**: 2% to RM67.76 bil
- **IMPORTS**: 2.4% to RM53.3 bil
- **TRADE BALANCE**: 0.6% to RM14.47 bil

Source: MATRADE
2018 TRADE FIGURES

MALAYSIA’S TRADE WITH ASEAN (Jan - March 2018)

TOTAL TRADE
- 2.2% to RM121.06 bil

EXPORTS
- 2% to RM67.76bil

IMPORTS
- 2.4% to RM53.3bil

TRADE BALANCE
- 0.6% to RM14.47 bil

Source: MATRADE
INVESTMENT

In 2016, ASEAN attracted US$96 billion of FDI, with intra-ASEAN investment accounting for almost 25% of total inflows.

Evolution of extra-ASEAN and intra-ASEAN FDI inflows (in US$ billion) and share of intra-ASEAN to ASEAN total FDI (in %)

Source: ASEAN Secretariat
INVESTMENT

Agriculture, Forestry and Fishing
Mining and quarrying
Manufacturing
Services
Others

1.7%

ASEAN FDI inflows by sectors

1999
2016

50.8%
80.8%

18.6%
6.4%
24.2%
6.2%
8.3%

Services sector constituted the largest share of FDI inflows to ASEAN, reaching almost 81% in 2016.

Source: ASEAN Secretariat
AEC 2025 MONITORING AND EVALUATION (M&E) FRAMEWORK

• Adopted and endorsed in 2016.
• Consists of four key components, namely: (i) compliance monitoring; (ii) outcomes monitoring; (iii) impact evaluation; and (iv) report, verification and review.

Main Features

Annual Prioritisation
• A systematic progress reporting on compliance.
• Sectoral bodies will submit their prioritised measures on an annual basis to the Committee of the Whole for the AEC (CoW), drawing from their Sectoral Work Plans.
• Implementation status of annual priorities is updated and circulated through SEOM on a regular basis (at least quarterly) and will presented during selected key meetings.

Country Visit
• A tool for technical verification, specifically on compliance monitoring under the AEC 2025 M&E Framework.
## IMPLEMENTATION STATUS OF ANNUAL PRIORITIES

<table>
<thead>
<tr>
<th>Year</th>
<th>Total no. of priorities</th>
<th>No. of implemented priorities</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>118</td>
<td>81 (72 as of 31 Dec 2017, additional 9 thereafter)</td>
<td>Out of 37 unimplemented 2017 priorities, 30 are carried over to 2018, 1 on hold (AIFTA), and 6 are still targeted for 2018 completion.</td>
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<tr>
<td></td>
<td><strong>60 priorities under AEM/SEOM’s purview</strong></td>
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<tr>
<td>2018</td>
<td>158</td>
<td>10 (as of Q1 2018)</td>
<td>Includes 6 that are priorities for 2018 but will be fully completed in 2019.</td>
</tr>
<tr>
<td></td>
<td><strong>67 priorities under AEM/SEOM’s purview</strong></td>
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## PRIORITIES IMPLEMENTED IN 2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Priorities</th>
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| 2017 | • Finalise the Guidelines for ATF-JCC Coordination Mechanism with the Relevant Sectoral Bodies and engagement with the private sector;  
• Develop the ASEAN Seamless Trade Facilitation Indicators;  
• Complete the Review of 1998 ASEAN Framework Agreement on Mutual Recognition Arrangement;  
• Commence the baseline report on GVCs;  
• Incorporate good governance elements in the ASEAN Work Plan on Good Regulatory Practice;  
• Adopt the TOR of the WG on E-Commerce and ASEAN Work Programme on E-Commerce;  
• Complete baseline survey report on KPIs for SAP SMED 2015 and commence work on the new ASEAN SME Policy Index 2018; and  
• Review and update the Rules of Procedures for Private Sector Engagement. |
<table>
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<th>Year</th>
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| 2018 | • Live operation of the ASEAN Single Window among the five (5) exchange-ready Member States (Indonesia, Malaysia, Singapore, Thailand and Viet Nam) on 1 January 2018;  
• conclusion of the negotiation to address key areas of differences to facilitate the timely operationalisation of the ASEAN-wide Self-Certification Scheme;  
• the signing of the ASEAN Framework Agreement on the Facilitation of Cross-Border Transport of Passengers by Road Vehicles (CBTP) by all AMS;  
• the full ratification of Protocol 1 (Designation of Transit Transport Routes and Facilities) of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) on 5 February 2018;  
• the signing of Protocol 2 (Designation of Frontier Posts) of the AFAFGIT by all AMS in 2018; and  
• the adoption on the ASEAN’s Joint Declaration on Cruise Tourism at the 32nd ASEAN Summit in April 2018. |
COUNTRY VISIT

Objective of Country Visit (CV)

(i) To verify AMSs’ compliance on AEC commitments
(ii) To discuss current initiatives in implementing AEC commitments
(iii) To review actual implementation on the ground; and
(iv) To discuss the challenges in the implementation of AEC commitments.

Current status and Way Forward

- Pilot CV in Lao PDR in Dec 2016; full-blown CV in the Philippines in Oct 2017 and Indonesia in December 2017
- TOR was adopted at the Prep-SEOM for 24th AEM Retreat
- CV in 2018 – Brunei & Malaysia
- Date for CV in Malaysia: October/November 2018
AEC PRIORITY DELIVERABLES 2018 UNDER SINGAPORE’S CHAIRMANSHIP

Overall Theme - “Resilient and Innovative”

Five Key Thrusts

1. **Promote Innovation & E-Commerce**
   - Promote innovation, build up digital connectivity and facilitate E-Commerce flows to benefit businesses, especially MSMEs
   - i. ASEAN Agreement on e-Commerce
   - ii. ASEAN Digital Integration Framework
   - iii. ASEAN Innovation Network (AIN)

2. **Improve Trade Facilitation**
   - Reduce administrative burden, transaction costs and regulatory trade barriers
   - i. ASEAN-Wide Self-Certification (AWSC)
   - ii. ASEAN Single Window (ASW)
   - iii. ASEAN-wide MRA of Authorised Economic Operators (AEO) Programmes

3. **Deepen Services & Investment Integration**
   - Widen opportunities in the region, enhance ASEAN’s investment environment, and promote Southeast Asia as a vibrant cruising destination
   - i. Conclude & sign the ASEAN Trade in Services Agreement (ATISA)
   - ii. Enhance ASEAN Comprehensive Investment Agreement (ACIA)
   - iii. ASEAN Declaration on Cruise Tourism

4. **Cultivate a Conducive Regulatory Environment**
   - To create an effective regulatory regime to support the growth of a competitive, dynamic and innovative ASEAN
   - i. Enhance cooperation & trade in Liquified Natural Gas (LNG)
   - ii. Sign MOU with International Renewable Energy Agency (IRENA)
   - iii. Develop the ASEAN Green Building Code
   - iv. Establish Framework for Capacity Building Hub for Energy

5. **Progress ASEAN’s External Relations**
   - Deepen ASEAN’s ties with external partners while preserving ASEAN centrality
   - i. Intensify efforts on RCEP
   - ii. Keep up momentum on work programmes in ASEAN+1 FTAs
   - iii. Explore deeper economic relationships with ASEAN Dialogue Partners
• Key measures implemented in this period include, among others:

i. the **live operation** of the **ASEAN Single Window** among the five (5) exchange-ready Member States (Indonesia, Malaysia, Singapore, Thailand and Viet Nam) on 1 January 2018;

ii. **conclusion of the negotiation** to address key areas of differences to facilitate the timely operationalisation of the **ASEAN-wide Self-Certification Scheme**;

iii. the **signing** of the **ASEAN Framework Agreement on the Facilitation of Cross-Border Transport of Passengers by Road Vehicles (CBTP)** by all AMS;

iv. the **full ratification** of **Protocol 1 (Designation of Transit Transport Routes and Facilities)** of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (**AFAFGIT**) on 5 February 2018;

v. the **signing** of **Protocol 2 (Designation of Frontier Posts)** of the **AFAFGIT** by all AMS in 2018; and

vi. the **adoption** on the **ASEAN’s Joint Declaration on Cruise Tourism** at the 32nd ASEAN Summit in April 2018.
At the 24th ASEAN Economic Ministers’ Retreat in February, the Ministers endorsed the key thrusts and economic priority deliverables for Singapore’s ASEAN Chairmanship in 2018 which is driven by the overall theme of “Resilient and Innovative.”

- Objective: to deepen regional connectivity to position ASEAN as a region for seamless economic activity and growing opportunities, especially in e-Commerce and the digital economy.

- Six (6) AMS including Malaysia have completed their 10th Package of Commitments under the ASEAN Framework Agreement on Services (AFAS) and the Protocol to Implement the Package is targeted for signing at the 50th AEM meeting in August 2018.

- Negotiations on the ASEAN Trade in Services Agreement (ATISA) are also nearing conclusion and targeted for signing also at the 50th AEM meeting.
  - transition from the traditional positive-list to negative-list approach
  - aimed at enhancing ASEAN’s business environment to further promote cross-border trade in services.
MAJOR OUTCOMES OF THE HIGH LEVEL MEETINGS

• The development of an ASEAN Agreement on Electronic Commerce is also well underway.
  o Aims to facilitate cross-border e-commerce transactions, contribute to creating an environment of trust and confidence in the use of e-Commerce, and
  o deepen cooperation among ASEAN Member States to further develop and intensify the use of e-Commerce to drive economic growth and social development in the region.
  o targeted for signing in 2018.

• Country Visit Report of the Philippines and Indonesia which were conducted in 2017 have been circulated to the AMS in March 2018.
1. NON-TARIFF MEASURES/ NON TARIFF BARRIERS

- **NTMs** - allowed as long as they are transparent, justifiable and applied on non-discriminatory manner.
- **NTBs** - subsets of NTMs and are considered as measures that have potentially trade-distorting effects.

The 31 AFTA Council (Aug 2017) – Mandated SEOM to develop guidelines to address NTM/NTB issues.

SEOM via ATF-JCC Meeting drives the initiative with inputs from various sectoral bodies. Concept note developed by Malaysia (country coordinator for CCA) serve as inputs for the current draft guidelines developed by ASEC.

The finalised guidelines to be submitted to the 32nd AFTA Council in Aug 2018.
2. GOOD REGULATORY PRACTICE (GRP) IN ASEAN

ASEAN WORK PLAN ON GRP (2016-2025)
Adopted in 2017

ASEAN GRP CORE PRINCIPLES
Target date for adoption 2018

REVIEW OF ASEAN GRP GUIDE 2009
Post 2018 and beyond

ASEAN-OECD GOOD REGULATORY PRACTICE NETWORK (GRPN) – platform to enhance knowledge and learn best practices in developing ASEAN GRP
3. TRADE FACILITATION

- AEC 2025 Trade Facilitation Strategic Action Plan (ATF-SAP)

  ➢ Endorsed by the 49th AEM-31st AFTA Council in Sept 2017
  ➢ The measurable targets/goals:
    • To achieve the target of 10% reduction in trade transaction costs by 2020
    • To double intra-ASEAN trade between 2017 and 2025; and
    • To improve performance of ASEAN in the global rankings and surveys in trade facilitation.

- **Among the Key Measures** - Full utilisation/operationalisation of:
  (i) ASEAN Trade Repository (ATR)
  (ii) ASEAN Solutions for Investment, Service and Trade (ASSIST)
  (iii) ASEAN Single Window
  (iv) ASEAN Wide Self-Certification
  (v) ASEAN Customs Transit System
4. MICRO, SMALL AND MEDIUM ENTERPRISES (MSMES)

Establishment of the ASEAN Market Place (aMP) by a consortium of 7 ASEAN telcos:

One-stop **community portal** for ASEAN SMEs to create opportunities via **business matching** and **market regionalisation** by transforming the way business is done.
5. PRIVATE SECTOR ENGAGEMENT

- AEC 2025 recognised that greater involvement of the private sector and more structured participation are essential in realising ASEAN’s economic integration.
- The ASEAN Business Advisory Council (ASEAN BAC) as the apex private sector body in ASEAN was established as mandated by the Leaders at the 7th ASEAN Summit on 5-6 November 2001.
- ASEAN BAC Malaysia is led by Tan Sri Dato’ Dr. Mohd Munir Abdul Majid, Chairman of Bank Muamalat.
- The Rules of Procedures for Private Sector Engagement has also been endorsed to ensure more effective Public-Private Sector Engagement.
6. MYASEAN INTERNSHIP

- Aims to increase overall awareness on ASEAN among youth in Malaysia, by offering Malaysian students the chance to intern in South East Asia and ASEAN students to work in Malaysia.
- Officially announced the Business Leaders Dialogue on 26 August 2014 and subsequently launched by MITI on 26 January 2015.

166 Placements made across the region

9 Nationalities have participated in the programme

26 Companies across 10 sectors
Current Status

• Signed on 12 November 2017 at the sidelines of the 31st ASEAN Summit in Manila, the Philippines.

• Malaysia, Brunei Darussalam, Singapore and Hong Kong, China also signed a Side Agreement on the Definition of “Natural Person of a Party” under the AHKIA, which aims to maintain the current status whereby a natural person (Nationals and Permanent Residents – PRs) of the four countries will be accorded substantially the same treatment in respect to measures affecting investment.

• All Agreements are expected to enter into force on 1 January 2019.

• Hong Kong, China has committed HKD 25 million (approximately USD 3.2 million) over the period of five years to implement the Economic and Technical Co-operation (ECOTEC) Work Programme upon the entry into force of the AHKFTA.
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<thead>
<tr>
<th>Current Status</th>
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<tbody>
<tr>
<td>• The 4\textsuperscript{th} RCEP Intersessional Ministerial Meeting was held on 3 March 2018 in Singapore to stock-take on the direction of negotiation and provide guidance for issues raised by the Trade Negotiating Committee (TNC).</td>
</tr>
<tr>
<td>• Following this, at the recently held 22\textsuperscript{nd} RCEP Round, which was held in Singapore from 28 April to 8 May 2018, the TNC and all Working Groups and Sub-Working Groups intensified their efforts to progress the negotiations in priority areas. Progress is noticeable in market access negotiations and text negotiations across areas of RCEP negotiations.</td>
</tr>
<tr>
<td>• Stakeholder engagement was also held on 3 May 2018 in the areas of Rules of Origin, Electronic Commerce and Intellectual Property. The event was participated by the TNC together with the relevant Working Groups and Sub-Working Group as well as representatives from the business sector, academia, non-government organisations and other stakeholders.</td>
</tr>
<tr>
<td>• The 4\textsuperscript{th} RCEP Intersessional TNC Meeting will be held on 25-29 June 2018 in Tokyo, Japan, while the 5\textsuperscript{th} RCEP Intersessional Ministerial Meeting will be held on 1 July 2018, also in Tokyo, Japan.</td>
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Thank You