

## **Assessment of Impediments & Actions Required for Achieving an ASEAN Economic Community by 2015**

In 2003 ASEAN embarked on a bold project of integrating the ten Southeast Asian economies and establishing an ASEAN Economic Community (AEC) by 2020. Later in 2007, the deadline was brought forward to 2015. The AEC, along with two other pillars - the ASEAN Security Community and the ASEAN Socio-cultural Community 6 make up the ASEAN Community as declared in the Bali Concord II.

The AEC Blueprint which was adopted in 2007, during Singapore's chairmanship of ASEAN meetings, laid out the map to achieve the AEC by 2015. It included the action plans, timelines, and targets to advance the AEC process. This is a clear departure from ASEAN's tradition, as it has not been its practice to devise a blueprint to achieve its objectives.

However, ASEAN is largely still a voluntary organisation with decisions being taken in consensus manner. Although the AEC Blueprint has become a binding document for member countries, there is a serious lack of capacity in ASEAN to enforce its decisions either at the regional or at the national level. Moreover, in many places, the Blueprint remains vaguely defined, and milestones are missing. Some details of the plan have been left out, perhaps in recognition of the fact that an agreement on several aspects of community building cannot be reached until there is greater confidence in the process and the existence of a development gap amongst member countries.

Nevertheless, ASEAN leaders will gloriously announce the realisation of the AEC sometime in 2015. This is because failure to do so will add to more competitive pressures from China and India and will send the wrong signal to the international community. But the question here is: on what basis are the ministers going to announce the achievement of the AEC? Or what are the criteria for ASEAN to say that they have achieved it?

Keeping this in mind, the ASEAN Studies Centre (ASC) at the Institute of Southeast Asian Studies (ISEAS), along with the Asian Development Bank (ADB), are collaborating on a project study on the “*Assessment of the Impediments and Actions Required for Achieving an ASEAN Economic Community by 2015*”. The project will be carried out over two years with experts from both academia and think-tanks.

The project will also incorporate a *primary survey* to assess the business sector’s views on the prospects of achieving an AEC by 2015. This is of special significance as it is the ASEAN-based businesses that will ultimately make regional economic integration operational. However, at the current juncture, the ASEAN business sector is not sufficiently involved in the building of the AEC. It has not been kept sufficiently informed of developments and is not effectively consulted in policy making. ASEAN firms often think nationally and defensively about competition from the region or elsewhere. Their views about economic integration also differ according to their size. The needs of SMEs with respect to regional integration are not sufficiently taken into account. All this will hinder ASEAN to form an effective community by 2015.

Thus, the key objectives of the study are to:

1. Look at the current state of progress for some key aspects of the AEC. This includes the non-tariff barrier, services sector liberalisation, investment liberalisation, dispute settlement mechanism, free trade agreements, regional competition policy, sub-regional developments and institutional architecture.
2. Determine the barriers to form a competitive ASEAN region by 2015. This will encompass socio-economic, technical and regulatory barriers.
3. Incorporate views of the business community on the AEC. Until now there is very little awareness about ASEAN economic integration among the ASEAN private sector. Even the ASEAN scorecard deals with paper measures and regional

agreements and does not tell the businessmen how these measures are actually implemented and benefiting their businesses.

4. Establish priorities and determine what is essential for the AEC. This could constitute the core areas that can be seen as the seeds of integration and can lead the region to become a single market and production base. These measures should be achieved efficiently by 2015.

### *Scope of the Study*

The study will comprise eight background papers and one business survey:

1. Non-tariff barriers
2. ASEAN Dispute Settlement
3. Trade in Services
4. Investment Liberalisation
5. Regional Guidelines on Competition Policy and Intellectual Property Rights in ASEAN
6. Sub-regional Cooperation and Connectivity
7. ASEAN Free Trade Agreements
8. ASEAN Institutional Architecture
9. Business Survey

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