

Is the ASEAN Economic Community possible by 2015?

Perspectives from the Business Community

ASC organised a brainstorming session at the Institute of Southeast Asian Studies (ISEAS) on the challenges in realising the ASEAN Economic Community (AEC) by 2015. The brainstorming session further explored the discussions on the same topic at the ASEAN Roundtable 2010 on 29 April 2010.

The Roundtable in April attempted to assess the state of readiness and prospects for ASEAN member countries in achieving the AEC, and the readiness of each ASEAN member in meeting their commitments for regional economic integration. The brainstorming sessions continued these discussions, delving deeper into the constraints and needs of the business community in ASEAN to participate in and contribute actively to AEC realisation.

Some highlights from the brainstorming discussions:

- Commitments made by ASEAN member states for AEC accomplishment require policy coherence at national level. This continues to be a challenge for both public and private sectors, especially in terms of coordination among different sectoral ministries and departments.
- Realising the AEC is an exercise of political will and leadership. ASEAN members are perceived to have strong political will to achieve their regional commitments, but there are gaps in private sector awareness and engagement in implementation. Many expect that regional economic integration will bring about domestic reforms, good governance and greater transparency but there also tends to be a circular reasoning that without these conditions in place, the pace of economic integration will be slow. All ASEAN members will need to overcome resistance to reform by the line agencies involved in AEC implementation, and by lobbies fearful of regional competition.
- There is more interest in the AEC from companies outside ASEAN. However, many multinational companies perceive the ASEAN market as “too fragmented” and not integrated.
- In ASEAN, private sector awareness of, consultation on, and engagement in AEC initiatives are often low and/or uneven. As a result of low awareness and poor knowledge of available mechanisms, the business community cannot engage fully in the AEC implementation processes.
- Additionally, the business community is not always consulted for its feedback on important ASEAN agreements and plans before these documents are adopted by policymakers. Regular meetings between the business community with ASEAN Leaders, ministers and senior officials at the national and regional levels will help minimise the consultation gap and ensure timely business inputs to regional plans.
- The development divide compels ASEAN to consider the areas where some members are lagging behind, to identify windows for external assistance. However, development gaps of equal import continue to exist within member states and need to be addressed. There are some perceptions that more attention and external development assistance is given to ASEAN members in mainland or continental Southeast Asia. Some ASEAN members in

maritime or archipelagic Southeast Asia still lack resources to implement regional commitments at state and local levels.

- ASEAN members are entering into individual trade agreements bilaterally rather than within the ASEAN framework. This indicates a scepticism in ASEAN's potential as a single production and factor market.
- Sub-regional arrangements and growth triangles also present a complex set of multilateral consultation and cooperation mechanisms among participating members. These result in overlapping and duplicative activities which pose a challenge for government and private sector participants.
- Issues of capacity, resources and access to information continue to be challenges. ASEAN needs to provide information on what are the benefits of the AEC to businesses. Focus of information dissemination should be on business associations rather than individual firms.
- There are some specific characteristics too with respect to the private sector among the member countries. For example, in Singapore, small and medium enterprises are the most optimistic about AEC realisation, while in Malaysia it is the bigger companies. In the Philippines, the private sector is still struggling with their own weaknesses. In Cambodia, there are complexities due to both regional and sub-regional cooperation schemes like the GMS.

Recommendations for boosting AEC implementation include: improving labour mobility across ASEAN; liberalising trade in services and addressing protectionism in the services sector; addressing non-tariff and other behind-the-border barriers; ensuring policy coherence and coordination at national level; minimising corruption; improving the investment climate in the region; and more substantive information to be shared in the AEC scorecard provided to the public. All participants called for more accessible written materials on ASEAN and AEC, to be translated and disseminated among the business communities, and updated through regular dissemination workshops and the mass media.

Notwithstanding the constraints, ASEAN will announce the achievement of the AEC and the single ASEAN Community by 2015. The implementation problems, however, still need to be addressed. The brainstorming session tried to identify and clarify in an honest way what governments, academics and especially the private sector think about the prospects of achieving the AEC by 2015, and helped to highlight issues that ASEAN policymakers should be concerned as ASEAN moves closer to 2015. The issues provide ASEAN with an undeniable incentive to make integration real, rather than on paper. The most important question is whether the region and the world will see this happen in 2015.

ASC researchers will compile the papers and views shared at the April ASEAN Roundtable 2010 and the September brainstorming session into a publication.