

Asean Economic Community needs higher transparency

By

Sanchita Basu Das

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IN THE recently concluded 26th Asean Summit, it was noted that there has been substantial progress in implementing the AEC (Asean Economic Community) Blueprint. In the chairman's statement, it was highlighted that Asean leaders "welcomed the full implementation to date of 458 measures of the AEC Scorecard targeted for Asean-wide implementation over the period 2008-2015". It further mentioned that the Asean economic ministers have been commended for "identification of pending prioritised key deliverables with the highest trade impact and that can be implemented within the year". Finally, the chairman's statement declared that given the two factors of fully implemented measures and the high-priority measures, the current rate of implementation of the AEC Scorecard stands at 90.5 per cent out of 506 measures.

What does this mean for people? What do they understand from the above on the region's move to an economic community by Jan 1, 2016? Let me divide "people" into three groups - academics or analysts following AEC; businessmen and Asean citizens.

For the first group, these statements have limited meaning. While there is public information on AEC measures of the 2007 Blueprint, there is a lack of information on "prioritised key deliverables". This makes it difficult for observers to validate the 90 per cent-plus achievement rate of AEC targets. Asean thus lacks transparency. In order to comprehensively measure the progress in implementing AEC commitments, one needs access to information of related AEC actions in the individual member economies. But currently, that is not forthcoming. Moreover, the AEC Scorecard that had earlier been published by the Asean secretariat, covering the periods of 2008-2009 and 2010-2011, has been stopped. Although there is no concrete reason for discontinuing the scorecards, it did seem that it was perceived to be sending wrong messages of the low implementation rate. While the first scorecard for 2008-09 reported an implementation rate of around 87.6 per cent of 105 total measures, the second scorecard for 2010-11 reported a lower rate of 56.4 per cent of 172 measures. This would not be acceptable in the case of Asean as this not only lowers the member countries' credibility in meeting the commitments, but also hampers its strategic objective of a united front in the international community.

EXPANDED BUSINESS SPACE

For businessmen, AEC is expected to provide an expanded production space where they can undertake activities without worrying about existing national (or administrative) boundaries within the region. They can exploit the economies of scale of 617 million people and the differing comparative advantages of the constituent members in the region. But creating such an expanded production space requires that all barriers to trade in goods and services, as well as investment, be fully removed. Does the 90.5 per cent number reported in the chairman's statement imply such an unrestricted business environment? The answer would be mostly 'No'. One issue that emerged in almost all the business surveys done recently is that although tariffs have been reduced or eliminated among Asean countries, there remains the prevalence of non-tariff barriers. These include non-automatic licensing, technical regulations, quality standards, administrative costs attached to the use of preferential measures, and lack of physical and institutional connectivity. Businessmen have also complained of a lack of information on AEC measures as a key reason for their limited interest in the regional matters.

EXPANDED CONSUMER MARKET

For the ordinary Asean citizen, again, the 90 per cent number does not have much meaning. For them, progress in AEC implies access to an expanded market from where they can fulfil their consumption needs or enjoy higher incomes as a result of the trickle-down impact from growth and development from implementing AEC measures.

However, these are difficult to deduce and are, in most cases, long-term phenomena. Nevertheless, one could say that Asean initiatives such as visa-free travel for Asean citizens and the opening up of air transportation services under the Asean open skies agreement are useful for the common people of the region.

Another place where Asean people can observe the impact of AEC is in the labour market. But developments are not so positive there. While the structural impact of reallocation of resources from less productive to more productive economic activities due to AEC measures will take time to materialise, the impact of the mutual recognition arrangements for movement of skilled professionals in the region is limited as domestic rules and regulations governing these professions still apply. Usually, the domestic rules and practices are used to protect domestic professionals and skilled workers from foreign competition.

Therefore, for AEC observers and direct beneficiaries, the 26th Asean Summit chairman's statement on the AEC is of little relevance. Aggregate numbers such as 458 measures or 90.5 per cent implementation rate fail to reveal the

true nature of implementation issues for individual member states and, hence, for Asean as a region.

The current form of reporting of AEC implementation needs to be strengthened significantly. The scorecard needs to be enriched with information on member states' implementation process so as to increase transparency and to make Asean businesses and citizens understand the Asean economic processes. The AEC Scorecard should be viewed as a tool for encouraging member states to comply with the measures stipulated under the AEC Blueprint. The country-wise scores should create incentives for improvement by highlighting what works and what would not. However, as Asean is an inter-governmental organisation without a supranational institution, only time will tell whether such an effective scorecard mechanism can be developed or not in the future.

The writer is an ISEAS fellow and lead researcher (economic affairs) at the ASEAN Studies Centre, ISEAS, Singapore