

ASEAN ECONOMIC COMMUNITY: ISSUES AND CHALLENGES

SPECIAL TOPIC

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What is ASEAN?

- Association of Southeast Asian Nations (ASEAN) is a political, economic, and cultural organization of countries located in Southeast Asia. Founded in 1967, its aim is to foster cooperation and mutual assistance among members. The countries meet annually every November in summits.
- Members: Brunei Darussalam, Cambodia, Indonesia, Laos, Myanmar, Malaysia, the Philippines, Singapore, Thailand and Vietnam
 - 1961 – ASA
 - 1967 – ASEAN
 - 1992 - CEPT
 - 1997 – ASEAN + Three (China, Japan & S. Korea)
 - 2005 - Environment and democracy
 - 2013 – Completed FTAs with (Australia, New Zealand, China, India, Japan, South Korea) on 2013
 - 2015 – Target ASEAN ECONOMIC COMMUNITY
- Organization for nation building through economic cooperation, integration and free trade
- Regional peace & stability
- Increase regional competitive advantage as a production base geared for the world market

Fundamental principles?

- mutual respect for the independence, sovereignty, equality, territorial integrity, and national identity of all nations;
- the right of every State to lead its national existence free from external interference, subversion or coercion;
- non-interference in the internal affairs of one another;
- settlement of differences or disputes by peaceful manner;
- renunciation of the threat or use of force; and
- effective cooperation among themselves

Performance

1. The ave. of economic growth of ASEAN-5 (1989–2009: Singapore 6.73 %, Malaysia 6.15 %, Indonesia 5.16 %, Thailand 5.02 % and the Philippines 3.79 %). It were better than average [APEC](#) economic growth with 2.83 % which all of ASEAN countries were included.
2. Foreign Direct Investment (2009-10) grew from \$37.9 billion to \$75.8 billion. 22 % came from the [European Union](#), 16 % from ASEAN followed by Japan and US.

Note: US, Europe, Japan & China may have negative impacts on ASEAN in the future

Agenda & Decision making process

- ◉ Track I – intergovernmental processes
- ◉ Track II – civil societies & government links
- ◉ Track III – communities & people links

Note: All decisions on treaties and free trade areas, declarations and plans of action, are made by Heads of Government, ministers and senior officials. But there is little knowledge of the masses they represent.

ASEAN Summits

- ◉ 1987 – every five years
- ◉ 1992 – every three years
- ◉ 2001 – annually for immediate concerns (hosting is in alphabetical order except Myanmar in 2006 due to US and Europe pressures)
- ◉ 2008 – every two years
- ◉ Other meetings such as commemorative summits, ministerial meetings & other non-regular meetings are held anytime based on members' consensus

Economic Community

- ◉ ASEAN has emphasised regional cooperation in the “three pillars” of security, sociocultural and economic integration. ASEAN has made the most progress in economic integration, aiming to create an ASEAN Economic Community (AEC) by.

Steps undertaken towards AEC

1. 1992 - Adapts CEPT scheme to allow free flow of goods among ASEAN members (Myanmar, Vietnam, Laos and Cambodia) not fully meeting AFTA's obligations yet.
2. Aimed to create:
 - single market and production base
 - highly competitive economic region
 - region of equitable economic development
 - region fully integrated into the global economy

Note: By 2015 tariffs will be reduced to zero level

Steps undertaken towards AEC

3. The ASEAN Comprehensive Investment Area (ACIA) will encourage the free flow of investment within ASEAN. The main principles of the ACIA are as follows:
 - All industries are to be opened up for investment, with exclusions to be phased out according to schedules
 - National treatment is granted immediately to ASEAN investors with few exclusions
 - Elimination of investment impediments
 - Streamlining of investment process and procedures
 - Enhancing transparency
 - Undertaking investment facilitation measures

Note: By 2015 full realization of ACIA

ASEAN seven packages of commitments under AFAS.

- Single Aviation Market - liberalise air travel between its member states, allowing ASEAN to directly benefit from the growth in air travel around the world, and also freeing up tourism, trade, investment and services flows between member states
- Free Trade Agreements With Other Countries
- ASEAN six majors (2010)
 - [Indonesia](#): 822.631 billions (1,027 billions)
 - [Thailand](#): 318.85 billions (584 billions)
 - [Malaysia](#): 247.781 billions (412 billions)
 - [Singapore](#): 222.7 billions (291 billions)
 - [Philippines](#): 216.96 billions (373 billions)
 - [Vietnam](#): 119.0 billions (275 billions)

Recent trends and issues

- Intra-ASEAN travel - with free visa among ASEAN countries, a huge intra-ASEAN travel occurred and on the right track to establish an ASEAN Community in the years to come. In 2010, 47 percent or 34 million from 73 million tourists were intra-ASEAN travel.
- Intra-ASEAN trade
 - Until end of 2010, Intra-Asean trade were still low which mainly of them were mostly exporting to countries outside the region, except Laos and Myanmar were ASEAN-oriented in foreign trade with 80 percent and 50 percent respectively of their exports went to other ASEAN countries

Enhancements

1. Cultural Activities
 - **Examples:** [ASEAN University Network](#), the [ASEAN Centre for Biodiversity](#), the [ASEAN Outstanding Scientist and Technologist Award](#), and the Singapore-sponsored [ASEAN Scholarship](#)
2. S.E.A. Write Award - works that are honoured include poetry, [short stories](#), novels, plays, [folklore](#) as well as scholarly and religious works – ceremonies held in BKK with Thai Royal family
3. [Association of Southeast Asian Institutions of Higher Learning](#) - a non-governmental organisation founded in 1956 that strives to strengthen higher learning institutions, especially in [teaching](#), research, and [public service](#), with the intention of cultivating a sense of regional identity and interdependence.

Enhancements

4. Heritage Parks is a list of [nature parks](#) launched 1984 and relaunched in 2004. It aims to protect the region's natural treasures. There are now 35 such protected areas, including the [Tubbataha Reef Marine Park](#) and the [Kinabalu National Park](#) Ao Phang-nga Marine National Park Iglit-Baco National Park
5. **Official song**
 - [The ASEAN Way](#) – the official regional [anthem](#) of ASEAN, music by Kittikhun Sodprasert and Sampow Triudom [Thailand](#); Lyrics by Payom Valaiphatchra [Thailand](#).
 - [ASEAN Song of Unity](#) or [ASEAN Hymn](#), music by [Ryan Cayabyab](#) [Philippines](#).
 - [Let Us Move Ahead](#), an ASEAN song, composed by Candra Darusman [Indonesia](#).
 - [ASEAN Rise](#), ASEAN's 40th Anniversary song, composed by [Dick Lee](#) [Singapore](#); lyrics by [Stefanie Sun](#) [Singapore](#).

Enhancements

4. **Sports – Examples** SEA Games, is a biennial multi-sport event involving participants from the current 11 countries of Southeast Asia. The games is under regulation of the Southeast Asian Games Federation with supervision by the [International Olympic Committee](#) (IOC) and the [Olympic Council of Asia](#).
5. ASEAN Para Games patterned after the [Paralympic Games](#), are played by physically challenged athletes with [mobility disabilities](#), [visual disabilities](#),
6. **Football Championship**
 - The [ASEAN Football Championship](#) is a biennial [Football](#) competition organised by the [ASEAN Football Federation](#), accredited by [FIFA](#) and contested by the national teams of Southeast Asia nations. It was inaugurated in 1996 as Tiger Cup, but after [Asia Pacific Breweries](#) terminated the sponsorship deal, "Tiger" was renamed "ASEAN".

Criticisms from Non-ASEAN



Criticisms from Non-ASEAN member

- ◉ too soft in promoting human rights and democracy in the junta-led Myanmar. Covers the characteristics of the products
- ◉ less successful at restraining its members and resolving border disputes such as those between Myanmar and Thailand and Indonesia and Malaysia.
- ◉ the organisation is viewed as imperialistic that threatens a nation's sovereignty.
- ◉ ASEAN has been criticized as a mere [talking shop](#).

Challenges

- ◉ ASEAN will have to boost intra-regional business activities in order to maintain current economic growth rates.
- ◉ While focusing on market potentials and resource accumulation, give priority to the "software side", to improve the quality of production, goods, services and resources. At the same time, regional governments should provide new infrastructure to improve the intra-regional economy, which will help to provide a cushion against outside risk.

Challenges

- ◉ ASEAN economies are still perceived as potential areas for growth. But the growth so far owes much to sheer size of Asian populations, which create a huge market for businesses. At the same time, labour in the region is still attractive due to the low level of wages. But economies of many have not been driven by high-quality labour or sophisticated industrialisation thus, they have yet to fully improve their human resources.
- ◉ **Regional cooperation can play an important role in providing supportive infrastructure. For example, Member-countries could help improve their human resources by providing infrastructure to promote education, in order to enable people to stay competitive at the regional and international level. An improvement in the quality of human resources would result in the overall better well-being of people and create sustainable demand to drive growth in the long term.**

Challenges

- ◉ **The government must also help provide supportive logistics systems to promote the exchange of knowledge, to enable workers to achieve their full potential.**
- ◉ The Bank of Thailand has predicted that the Thai economy next year will grow by 4.8 per cent. Thailand is set to enjoy satisfactory growth because its economy has become more dependent on our neighbours in the region.
- ◉ But the region, like others, is not free from risk factors. To prevent possible disruption to this growth forecast, countries in the region should further coordinate on cooperation to ensure the stability of currencies. Unstable regional currencies and government policies that may have unpredictable results are among the risks to economic growth in the region.
- ◉ While it remains unlikely that Asian countries will coordinate their fiscal and monetary policies in the same way as EU members have done, Thailand, along with other East Asian countries, should exchange views with its neighbours on how to coordinate policy platforms. **After all, we face similar challenges. We will have to strike a balance between keeping inflation under control while stimulating desired economic growth.**

Are we ready?

- ◉ In economics, some would argue that, perhaps we are. If we talk about culture, awareness and identity, I would say no. How can we, after all, be ready for something that very few people know of?
- ◉ Creating an economic community with citizens who are almost indifferent to each other would be problematic. If there's no sense of identifying with people from our region, how can we have interconnected trading networks and businesses? Without focusing on making people aware they are part of ASEAN, how can we expect them to work together smoothly?
- ◉ One of the strongest criticisms of ASEAN is that it is exclusive to leaders, and that awareness does not trickle down to ordinary citizens. This is, perhaps, partially true. There is a need for greater awareness and knowledge in the region about the region. I think this is a prerequisite to a successful ASEAN Economic Community.
- ◉ Southeast Asia has great potential and so does economic integration in 2015. It must, however, follow the right preparatory steps. Perhaps, there should be equal focus on strengthening the economic and the community aspects of the AEC.

Focus for sustainability?

- ◉ To sustain high rates of economic growth, ASEAN countries will need to maintain high rates of productivity growth and increase participation rates. Policies that give priorities to human resource development will not only help achieve this, but also enhance equity and, hence, the sustainability of the growth process. The region has already led the developing world in emphasizing the importance of investing in **education and health**, which has produced visible payoffs for sustained, high-quality growth. Maintaining the region's edge in skill intensity and, thereby, in the competitiveness of the manufacturing sector, now means putting increasing emphasis on the acquisition of higher skills, **through secondary education and vocational training**, especially female education and training. It has become a truism that more than ever, economic efficiency, together with social equity and progress, go hand in hand.

SALAMAT PO

THANK YOU

KAPKUN KRUB

