Towards a Well-Integrated and Connected Global ASEAN by 2025

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Presentation Outline

- Voices of ASEAN People: *Aspirations, Expectations, Pressing Problems*
- ASEAN Integration into 2025: *Key Global Opportunities, Risks and Implications for ASEAN*
- Pursuing Economic Integration in Interesting Times
- Realizing a Well-Integrated and Connected AEC by 2025
- Lessons from ANZ CER and ASEAN
I feel that I am a Citizen of ASEAN
Consumers have easy access to goods and services from any ASEAN country.

It is easy for skilled workers and professionals to find work in other countries in ASEAN.

ASEAN countries are well connected through roads, railways, air, and shipping.

People and businesses can communicate easily with one another through ICT.

Aspirations and Hopes by 2025

Expectations by 2025
ASEAN Global and Regional Engagement

ASEAN is a strong voice and important player in global negotiations and forums. ASEAN deeply engages powers in the region and the world (e.g., US, China) to ensure peace in the region and Asia Pacific.

Aspirations and Hopes by 2025
- 79% support
- 61% support

Expectations by 2025
- 77% support
- 61% support
There is good governance and very much less corruption.

There is equitable access to opportunities for ASEAN peoples.

ASEAN major cities are less polluted and more livable than they are today.

ASEAN is able to anticipate, respond and recover faster together from natural disasters.

Aspirations and Hopes by 2025

Expectations by 2025
Findings from the Survey Results

• There is strong aspiration for:
  – an integrated and connected ASEAN
  – a resilient, equitable and sustainable ASEAN
  – an ASEAN of good governance
  – an ASEAN with significant global and regional presence and contribution

• Gap between aspirations and expectations for 2025:
  – Narrowest: Integrated and connected ASEAN
  – Widest: ASEAN of good governance
  – Large: Equitable and sustainable ASEAN
  – Considerable: Resilient ASEAN; ASEAN’s global and regional engagement
Pressing Problems

- Corruption: 47%
- Climate change and natural disasters: 46%
- Income disparity and social inequality: 39%
- Trade, investment, and regulatory coherence: 35%
- Agriculture and food security: 33%
- Poverty: 30%
- Human rights: 28%
- Infrastructure availability and quality: 29%
- Unemployment: 31%
- Quality education provision and access: 29%

Faced by ASEAN
Faced by Country

Economic Research Institute for ASEAN and East Asia
Insights from the Survey Results

• **Significant overlap between pressing regional and national concerns.** Pressing concerns mirror aspirations-expectations gaps: E.g.,
  – Corruption
  – Income disparity and social inequality
  – Climate change, natural disasters and regional resiliency
  – Integration and trade, investment and regulatory coherence

• **Regionally concerted national actions bring synergy**
  – Synergy among AMSs
  – Synergy among blueprints: AEC + ASCC + MPAC + APSC
Insights from the Survey Results (2)

• AEC Blueprint 2025 (together with MPAC 2025 and ASCC 2025) potentially helps address many pressing problems & supports aspirations:
  – Challenge: need for widespread understanding and appreciation that AEC (and MPAC) is far more than economic integration. It is also for anti-corruption; poverty reduction and unemployment; growth with equity if done well; ASEAN as regional player (RCEP), etc.
Two Key Global Developments

Great Opportunities in Developing East Asia

- India/SA-ASEAN-China: “golden arc of opportunity”: the largest fast rising consumer market in the world; most potent global growth driver
- Risk: inequitable growth if integration not managed well

Digital Revolution and Possible 3rd Unbundling

- Digital revolution offers SME global-GVC reach.
- WB: “analog components” critical against adverse effects; e.g., over-concentration, labor-market “hollowing out”
- 3rd Unbundling (Baldwin): de-linking labor service and service provider—marked services globalization
- Address risk of “hollowing out” of labor market
Pursuing Economic Integration in Interesting Times

• **Brexit/Trumpism lesson**: inclusivity and management of adjustment are critical in an integrating world.
  – egalitarian Japan vs non-egalitarian US experiences

• **Realizing opportunities of India/SA-ASEAN-China growth corridor**: managed deepening integration with complementary structural adjustment policies.
  – ASEAN blueprints together with domestic strategies, policies and institutional improvements.

• **Key complementary measures for inclusive integration and growth** are in the ASCC; e.g., education, health and nutrition, social protection, MPAC; e.g., infra access of peripheries, and APSC; e.g., disaster response.

• **If done well, inclusive integration and growth** can prevent disaffection by populace with integration and globalization.
Integration and Community Building

• Overall: moving forward:
  – emphasize synergy among integration and domestic reform, connectivity and cooperation, together with adjustment/transition measures and institution building

• Economic integration in ASEAN is critical part of, and needs, ASEAN community building.
  – Successful AEC that delivers benefits to all people needs robust ASCC, MPAC and APSC. Complementation critical.

• Implementation and coordination! Political Will and People Support!
  – Communication and engagement critical
Services Liberalization in ASEAN

AFAS Sectors FE >= 51%

Progression of number of sectors offered by AMS in AFAS 5, 7, 8 and 9

Key Points

- Indonesia, Philippines and Thailand lowest liberalization rate commitment
- Further liberalization requires change in mindsets.
- Service revolution in global manufacturing, services GVCs, tourism boom in EA: opportunities for service-competitive AMSs
- Negative list? Link with RCEP timetable for switch to negative list?
- Measured services liberalization; sectoral annexes or chapters?
- GRP complements services lib; disciplines on domestic regulations
- Regular engagements with industry associations
Addressing NTMs in ASEAN

**NTMs in ASEAN**

![Graph showing the number of NTMs and average tariff over time]

**Findings/Solutions**

- Rising number of NTMs while tariff rates went down.
- NTMs mainly TBTs and SPS measures.
- Key measures: transparency, standards and conformance, Good Regulatory Practice (GRP) and regulatory reform, international regulatory cooperation (IRC), capacity building in few AMSs.

Source: Ing et al. (2016).
Towards Seamless Trade Facilitation in ASEAN

NSW Implementation (2014)

- AVEs of ATIGA ROOs large in some commodities
- NSWs in at least 7 AMSs; E-Form D tested in 5 AMSs
- Pilot ASEAN Customs Transit System (ACTS)
- ATF-JCC reactivated
- ASEAN Trade Facilitation Indicators/Index (ATFI) being developed
- Streamline ROOs and CO
- Full operationalization of ATR/NTR, ASW, Tariff Finder, ASSIST. Etc.

ASEAN TF Initiatives
GRP and IRC for ASEAN

**GRP/IRC in ASEAN**

- New in AEC 2025: Good governance and effective, efficient, coherent and responsive regulations and Good Regulatory Practice
- Political support through adoption of GRP principles
- Regular review of regulations
- Institutionalize GRP consultations among stakeholders
- IRC in ASEAN can lead to adoption of good practice, strengthened cross-border coordination, AMS’ regulatory convergence or concordance

**AEC and Anti-Corruption**

- NSW demands streamlined procedures, interagency coordination, transparency, and allows non-contact transactions.
- NTR/ATR: transparency
- GRP approach to addressing NTMs calls for streamlined procedures and private sector involvement.
- GRP principles and disciplines in services regulation serve as anti-corruption measures.
Pursuing Economic Integration in Interesting Times (2)

• Lessons from ANZ CER
  – Integration is a long, gradual, continuous process. Note CER process earlier than ASEAN integration process (since 1992 only)
  – Integration rests on community building: trust; understanding and connections of people, institutions, & cultures; commonality of interests
  – Integration has political and people support.
  – Integration must deliver benefits to the people

• ASEAN follows the footsteps of ANZ CER

• For ASEAN: Implement! Political Will! Partnerships!
Investment Liberalization in ASEAN

ACIA Liberalization Rate
(>=70% FE): 2015

Key Points

- Manufacturing: largely open to FE in most AMSs
- Agri + Mining: largely open in CLM; more restricted in B, I, M, P, T. *Complex non-economic sensitivities or constitutional restrictions to foreign equity control in some AMSs.*
- Enhance Investment Peer Review process
- Importance of overall investment climate, not just investment lib rate
- Sharing of best practices
Connectivity Action Plans in ASEAN

Transport

- Review MAAS, MAFLAFS, MAFLPAS & protocols for further liberalization
- Implement AFAFGIT, AFAFIST & AFAMT
- Implement ASEAN CBTP
- Develop ASEAN logistics network
- Develop KPIs on port efficiency; EDIs in ports; pilot test ASSM; Ro Ro
- SKRL, AHN, China’s BRI

ICT & E-Commerce

- ICT infrastructure development in rural areas and resiliency
- ICT regulatory cooperation and lower roaming charges
- ICT human capital devt
- Information security and assurance
- Facilitate cross-border e-commerce in ASEAN
- Develop regional data protection and privacy principles
- Harmonize legal framework for online dispute settlement