

**CONTEXTUALIZING INCLUSIVE BUSINESS:
AMELIORATION OF ASEAN ECONOMIC COMMUNITY (AEC)**

Arman V. Cruz

University of the Philippines – NCPAG, Diliman
Manila, Philippines

Corresponding E-Mail: arman_cruz1023@yahoo.co.uk

Abstract

The establishment of the ASEAN Economic Community (AEC) in 2015 is a major milestone in the regional economic integration agenda in ASEAN, offering opportunities in the form of a huge market of US\$2.6 trillion and over 622 million people. In 2014, AEC was collectively the third largest economy in Asia and the seventh largest in the world.

The AEC Blueprint 2025 sets out the strategic measures under each of the five characteristics of AEC 2025. To operationalize the Blueprint's implementation, these strategic measures will be further elaborated in and implemented through the work plans of various sectoral bodies in ASEAN. The sectoral work plans will be reviewed and updated periodically to ensure their relevance and effectiveness. Partnership arrangements with the private sector, industry associations and the wider community at the regional and national levels will also be actively sought and fostered to ensure an inclusive and participatory approach to the integration process. Institutions will be strengthened and enhanced approaches to monitoring and public outreach will likewise be developed to support the effective implementation of the Blueprint.

However, the freedom to move both people and goods will greatly affect the security of a nation. This is a key issue affecting different countries within its borders. Thus, multilateral cooperation is become an essential to achieve welfare goal. Therefore, this paper will examine development issues of ASEAN Economic Community, consequently proposing measures for future beyond boundaries appertaining to one pillar of ASEAN which is the AEC.

Hence, the paper will discuss ASEAN trade and investment landscape that will impact regional integration. The role of multilateral cooperation through international agreement with consensus is very vital to increase the role of institution. This will further apply qualitative empirical research and multidisciplinary approach.

Keywords: *ASEAN; Economic Community; Regional Integration; Inclusive Business,*

**Contextualizing Inclusive Business:
Amelioration of ASEAN Economic Community (AEC)**

Arman V. Cruz

Contents

Abstract

Introduction

Boarders, Boundaries, and Beyond

ASEAN, TPP, RCEP, and AFTA

ASEAN Economic Community & The Business Advisory Council

Half a Century of Regional Integration

Trade Framework and Investment Landscape

Progress and Challenges of Regional Integration

Trade in Goods and Services

Trade Facilitation: ASEAN Single Window

Co-operation: Mutual Recognition Framework (MRA)

ASEAN Investment: Regional Value Chain

ASEAN Financial Market Integration Framework

Towards Inclusive and Sustainable Growth in ASEAN Economic Community

Pressing Issues, Challenges, and Concerns

Bibliography

Author's Profile

**Contextualizing Inclusive Business:
Amelioration of ASEAN Economic Community (AEC)**

Arman V. Cruz

Introduction

The researcher wishes to contribute to our collective understanding of Inclusive Business in ASEAN (Association of South East Asian Nations) perspective by adding empirical case evaluation on the development of ASEAN Economic Community (AEC). Issues on national boundaries become a very important topic in this century. It will be linked to the interest of the country to achieve welfare of its people. The stability of the region will be determined by the harmonious relations among member countries for an inclusive sustainable economic development that there is unity in diversity. Thus, open a new market deals through multilateral cooperation is become an essential to achieve welfare goal and the Sustainable Development Goals (SDGs).

There are many facets to explore and examine when looking at ASEAN today. Yet, what is imperative at the moment is an empirical analysis into how this Southeast Asian community of states is adapting to a milieu increasingly defined by the broad economic integration. Government and businesses across the Pacific have started to take more seriously the idea of greater commercial liberalization and interconnectedness as well as the necessity to push for a borderless region. However, it must be remembered that ASEAN is confronted with a myriad of other integration plans that will challenge the long-held inviolability.

Boarders, Boundaries, and Beyond

The role of multilateral cooperation through international agreement with consensus is very vital to increase the role of institution. However, the freedom to move both people and goods will greatly affect the security of a nation. This is a key issue affecting different countries within its borders. Thus, multilateral cooperation is become an essential to achieve welfare goal. Development issues of ASEAN Economic Community, consequently proposing measures for future beyond boundaries appertaining to one pillar of ASEAN which is the ASEAN Economic Community. This portion describes the Emerging Regionalism Economic Regional Structure such as the establishment of ASEAN, Regional Trade such as but not limited to Trans Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP), and ASEAN Free Trade Area (AFTA). The Role of ASEAN Economic Community and the Business Advisory Council will also be discussed. Updates on the 50th anniversary will also be reminisced and the impact of the transcended boundaries will be analyzed.

The ASEAN Vision 2020: “Partnering for Change, Engaging the World”, is a great challenge among ASEAN member states, will the meeting of great minds with a truly ASEAN spirit transcend all boundaries, bring us together, create a peaceful and prosperous future for all? The challenge here lies in every member state’s ability to implement such plans in a corrupt-free, peaceful and resilient environment. Many of the Southeast Asian countries are still in the process of becoming. They are buzzing, budding and booming ASEAN economies with great opportunities but they are still weak in systems and structures. How long will it take for them to rise and shine?

ASEAN, TPP, RCEP, and AFTA

The Association of South East Asian Nations (ASEAN) is a regional intergovernmental organisation comprising ten (10) Southeast Asian states which promotes Pan-Asianism and intergovernmental cooperation and facilitates economic, political, security, military, educational and socio-cultural integration amongst its members and Asian states. Since its formation on 8 August 1967 by Indonesia, Malaysia, the Philippines, Singapore and Thailand, the organization's membership has expanded to include Brunei, Cambodia, Laos, Myanmar and Vietnam. Its principal aims include accelerating economic growth, social progress, and socio-cultural evolution among its members, alongside the protection of regional stability and the provision of a mechanism for member countries to resolve differences ASEAN has established itself as a platform for Asian integrations and cooperations, working with other Asian nations to promote unity, prosperity, development and sustainability of the region, as well as working on solutions to resolve disputes and problems in the region. While mainly focusing on the Asia-Pacific nations, ASEAN also established communications with other parts of the world, to better promote world peace and stability. The organisation has a global reputation of promoting goodwill and diplomacy among nations, shutting out any opinion or decision considered biased while carrying the principle of non-interference and mutual respect.

Due to its global influence and regional success, ASEAN has been credited as one of the world's most successful and influential organisations, and an "emerging powerhouse". The organisation received high praises from world leaders and international community, and is dubbed as the centrality in the political, economic, security and socio-cultural architecture of Asia-Pacific. It is lauded as the "best-established intergovernmental institution in Asia" while achieving high approval ratings in its own region. Throughout history, ASEAN has formed a global network of alliance, cooperation and dialogues among countries and sub-regional, regional and international organisations and institutions, solidifying itself as one of the biggest players on the international stage.



Figure 1. ASEAN Map

In the process of creating the AEC, ASEAN has been promoting “free and smooth” trade and investment within the bloc. The foreign capital that has flowed into the region has been used to develop infrastructure in member countries, enhancing their advantages as production hubs. Foreign companies are expanding their operations in the

region, pushing up the income of workers and contributing to the growth of the middle class. ASEAN is now attracting global attention as a promising consumer market as it is poised to enter an era of a virtuous economic cycle.

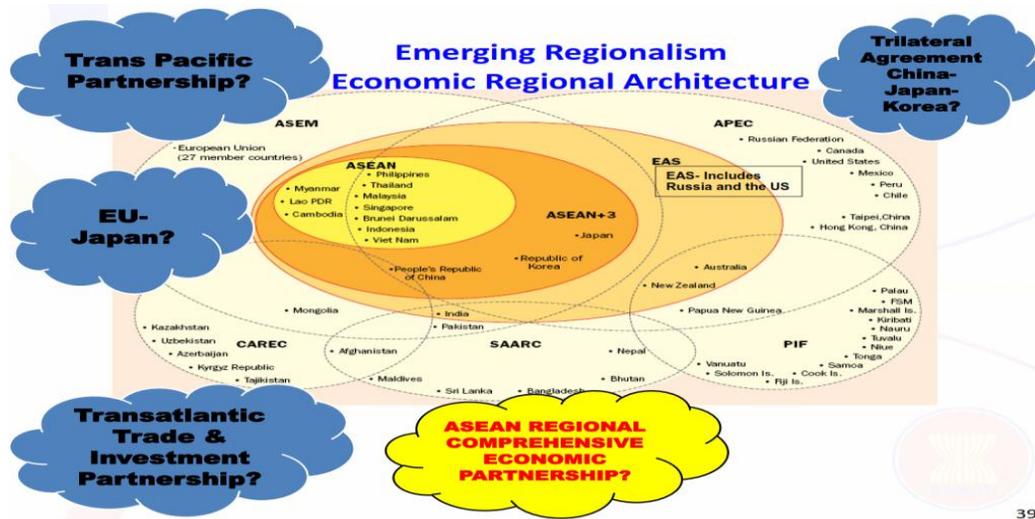


Figure 2. Emerging Regionalism: Economic Regional Architecture

The main issue right now is the Trans Pacific Partnership (TPP) and their multi-lateral agreements. The ASEAN Economic Community must put their act together to achieve high economic growth, increased trade and investments and job opportunities. According to ASEAN: *The AEC Blueprint 2025 will lead towards an ASEAN that is more proactive, having had in place the structure and frameworks to operate as an economic community, cultivating its collective identity and strength to engage with the world, responding to new developments, and seizing new opportunities. The new Blueprint will not only ensure that the 10 ASEAN Member States are economically integrated, but are also sustainably and gainfully integrated in the global economy, thus contributing to the goal of shared prosperity.*

Trade Agreements date back in the 1700s. Many treaties amongst countries have commercial reciprocity with foreign governments wherein the unconditional most-favored- nation treatment has or still is employed. What ASEAN must achieve now is the reduction of excessive trade barriers and the elimination of trade discrimination. This will surely build a foundation of balance and harmony in the region.

Bringing down the existing high tariff duties and making import restrictions less burdensome will permit the flow of desirable good from one country to another. Reciprocal reduction of tariffs and removal of trade barriers promote the sale of each country's products in the market of the other countries.

Trade disagreement between countries is one of the causes of war. The bigger the country the more weight it has. If a little country irritates big brother then the little one can be thrown out so easily; then, big brother will look for another country.

If small countries rely on big countries, their economy can easily collapse once the big country pulls out or makes it difficult for them to trade by possibly increasing tariff. Big brother can easily reduce tariff for its favored country leaving the other country out there in the cold. Big brother can easily impair the competitive strength of small countries' products in his market. Thereby, a reduction of trade between countries will happen. This reduction of trade will obviously reduce production, wealth, income and the standard of living.

In an article titled, *Free Trade Agreement Pros and Cons* by Kimberly Amadeo she enumerates six advantages and seven disadvantages to free trade and globalization. The advantages are: (1) increase economic growth; (2) more dynamic business climate; (3) lower government spending; (4) foreign direct investment; (5) global companies have more expertise; (6) local companies will receive access to the latest technologies from their multinational partners. The disadvantages, on the other hand, are: (1) increase job outsourcing – allows companies to hire foreign workers; (2) theft of intellectual property rights – many developing countries don't have laws to protect patents, inventions and new processes; (3) crowd out domestic industries – farmers lose their farms (aggravates unemployment, crime and poverty) they can't compete with subsidized agri-businesses; (4) poor working conditions due to outsourcing jobs without labor protection; (5) degradation of natural resources – emerging market countries often don't have many environmental protections; (6) destruction of native cultures; (7) reduce tax revenue – lost from import tariffs and fees. Amadeo further proposes, “the best solutions are regulations within the agreements that protect against the disadvantages.”

While, Santoso (2017), on his presentation in Wenzao Conference mentioned the role of multilateral cooperation for ASEAN transcended boundaries Negative issues are migrant problems; boarder wall; illicit trade; human trafficking; and food security. Hence, benefits mentioned are equally beneficial among member states; mutual prosperity; economic integration; peace and stability; and equal opportunity.

The Regional Comprehensive Economic Partnership (RCEP) is believed to have the potential to reshape the region's existing economic integration framework into a more committed and binding agreement that extends beyond traditional trade agreements. RCEP, which is poised to set a higher standard than the existing ASEAN-plus-one agreements, will reap higher welfare gains by countries participating in the long term.

It remains to be seen whether the final product of RCEP negotiations will be an in depth and inclusive integration or just a basic commitment to be upgraded in the years to come. Nevertheless, due to missing chapters, the RCEP will result in a somewhat diluted form of economic integration, compared to the stalled Trans-Pacific Partnership.

The six original members of ASEAN Free Trade Area (AFTA) – Singapore, Indonesia, Malaysia, the Philippines, Thailand, and Brunei – had scrapped 99.2% of their tariffs on imports from other ASEAN members as of the end of 2015. The ratio for the other four ASEAN members which joined the AFTA later, was 90.9%. Overall, 95.9% of the intra-regional tariffs had been removed.

At the same time, ASEAN is working to step up its efforts to eliminate non-tariff barriers. The ASEAN members have made significant progress toward the harmonization of quality and safety specifications and the mutual recognition of standards with regard to products such as electric and electronics equipment, cosmetics and medical products. However, much more need to be done for important product categories such as automobiles, processed foods, and construction materials.

ASEAN Economic Community & The Business Advisory Council

The establishment of the ASEAN Economic Community (AEC) in 2015 is a major milestone in the regional economic integration agenda in ASEAN, offering opportunities in the form of a huge market of US\$2.6 trillion and over 622 million people. In 2014, AEC was collectively the third largest economy in Asia and the seventh largest in the world. The AEC is set to further accelerate ASEAN's economic growth. However, the process of economic integration has just begun.

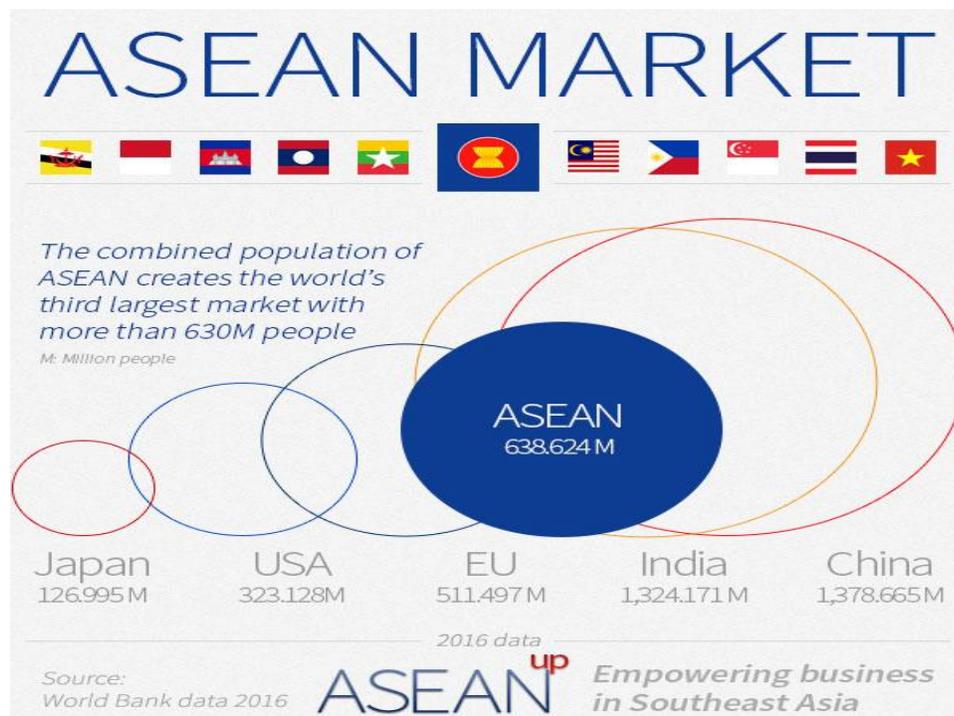


Figure 3. The ASEAN Market. World Bank data, 2016

ASEAN has been pursuing four strategic goals: 1.) a single market and production base; 2.) a competitive economic zone; 3.) well-balanced economic development; 4.) integration with the global economy. ASEAN has placed an especially

high priority on the goal of realizing a single market and production base. To achieve this goal, ASEAN is promoting measures to eliminate barriers to trade in goods and services, investment, capital flows, and the migration of skilled workers within the region.

The AEC Blueprint 2025 sets out the strategic measures under each of the five characteristics of AEC 2025. To operationalize the Blueprint's implementation, these strategic measures will be further elaborated in and implemented through the work plans of various sectoral bodies in ASEAN. The sectoral work plans will be reviewed and updated periodically to ensure their relevance and effectiveness. Partnership arrangements with the private sector, industry associations and the wider community at the regional and national levels will also be actively sought and fostered to ensure an inclusive and participatory approach to the integration process. Institutions will be strengthened and enhanced approaches to monitoring and public outreach will likewise be developed to support the effective implementation of the Blueprint.

The ASEAN Business Advisory Council (ASEAN BAC) was inaugurated in April 2003 at the ASEAN Secretariat in Jakarta, Indonesia. Its establishment was earlier mandated by the ASEAN Leaders at their 7th ASEAN summit in Bandar Seri Begawan, Brunei Darussalam on 5-6 November 2001, as the official ASEAN linkage to provide private sector feedback and guidance to boost ASEAN's efforts towards economic integration and to identify priority areas for considerations by the ASEAN Leaders. The biggest challenge for the ASEAN BAC is how they can make inclusive business in ASEAN Region.

Half a Century of Regional Integration

For the first 50 years ASEAN has tread the waters of the region. Recently, it has embarked on a deeper and seemingly dangerous path (if not prepared) of building closer ties and cooperation with global partners.

While significant achievements have been made in some areas like trade, the AEC is still long way from a fully-fledged economic community like the EU. Many issues need to be ironed out vis a vis political unity, regulatory and policy harmonization, trade in services and free movement of labor.

Asian Development Bank (2016) report shows the achievements in tariff liberalization have been offset by the rise in non-tariff measures. It finds that the number of non tariff measures increased from 1,634 to 5,975 between 2000 to 2015. There are also challenges to tackling barriers to trade services.

The ASEAN has yet to fully address issues of labor mobility to include unskilled, not just skilled, labor. Mutual recognition agreements have been reached for eight professional qualifications, but these cover only 1.5% of ASEAN's total workforce.

To address the many gaps yet to be filled, the member states, in 2015 adopted the AEC blueprint 2025. The Blueprint consists of five interrelated pillars (A Highly Integrated and Cohesive Economy; A competitive, Innovative, and Dynamic ASEAN; Enhanced Connectivity and Sectoral Cooperation; A Resilient, Inclusive, People-oriented and People-centered ASEAN; and a Global ASEAN) which are aimed towards achieving the vision of having an AEC by 2025.

Trade Framework and Investment Landscape

Active investment should continue to provide rewards as ASEAN becomes increasingly a leader rather than a follower in the application of genuine innovation. This portion focuses on the significant contributions of ASEAN's economic integration efforts to the transformation of the region as an investment destination.

Investment landscape in ASEAN has gone through significant changes over the past decade due to the dynamics of the ever changing business environment. These changes, amongst others, include a strong Foreign Direct Investment (FDI) growth momentum; the emergence of new sources of FDI; a boost in intra-regional investment and enterprise internationalization by ASEAN companies; increasing maturity of the Micro-Small and Medium enterprises (MSMEs) environment; greater influence of regional integration on location and transnational corporations' operational strategies; increase in regional production networks activities; and increasing prominence of the region in global value or supply chains. These changes are shaping a new regional investment landscape with important policy implications for the development of ASEAN. ASEAN must remain vigilant against complacency and ensure that its investment policies continue to be relevant and effective to support sustainability and growth of investment inflows into ASEAN.

Progress and Challenges of Regional Integration

ASEAN promotes inclusive and innovation-led economic growth to enhance the performance of the ASEAN Economic Community (AEC). In 2017, ASEAN members adopted the AEC 2025 Consolidated Action Plan to implement the 2025 AEC Blueprint. Endorsed by ASEAN economic ministers and the AEC Council, the Strategic Action Plan aims to foster regional integration by increasing trade and investment; integrating micro, small, medium-sized enterprises into the digital economy; and developing an innovation-driven economy. These measures reflect the main theme of the 30th ASEAN Summit in April 2017, "Partnering for Change, Engaging the World."

In the past year, regional integration has progressed most significantly in the trade of goods and services. The speed of implementing the ASEAN Trade in Goods Agreement (ATIGA) schedule varies by country. Cambodia, Lao PDR, Myanmar and Viet Nam (the CLMV countries) further reduced tariffs earlier in 2017 under the ATIGA schedule. Additionally, the digital economy will enhance the free flow of goods and services within ASEAN through the ASEAN Single Window Initiative. ASEAN member countries' advances in implementing their National Single Windows further boosted trade activities. The ASEAN Framework Agreement on Services (AFAS) and mutual recognition arrangements (MRAs) in several sectors have helped liberalizes services; the ninth package of AFAS commitments is in effect. In addition to the eight MRAs signed in the past, the ASEAN MRA for generic medical products was finalized recently.

Table 1. Timeline of ASEAN MRAs

Type of MRA	Date	Status
ASEAN MRA on Engineering Services	9 December 2005	Signed
ASEAN MRA on Nursing Services	8 December 2006	Signed
ASEAN MRA on Architectural Services	19 November 2007	Signed
ASEAN Framework Arrangement for the Mutual Recognition of Surveying Qualifications	19 November 2007	Signed
ASEAN MRA Framework on Accountancy Services	26 February 2009	Signed
ASEAN MRA on Medical Practitioners	26 February 2009	Signed
ASEAN MRA on Dental Practitioners	26 February 2009	Signed
ASEAN MRA on Tourism Professionals	9 November 2012	Signed
ASEAN MRA for Bio-Equivalence (BE) Study Reports of Generic Medicinal Products	Mid-2016	Finalised
ASEAN MRA for Automotive Products	Ongoing	Under negotiation
ASEAN MRA for Processed Food Products	Ongoing	Under negotiation
ASEAN MRA for Building and Construction Materials	Ongoing	Under negotiation

Source: OECD Development Centre compilation, based on ASEAN Secretariat.

Trade in Goods and Services

There remain various barriers to trade in services within ASEAN. Foreign ownership of companies in the service sector, for instance, is still limited to 70%. There are also restrictions on the movement of workers in the service sector. In the face of these challenges, ASEAN is trying to make gradual progress toward economic integration with an eye to 2025, the next target year, while seeking to form a consensus among the member countries.

ASEAN is working rapidly to further reduce tariffs to meet ATIGA commitments under the ASEAN Free Trade Area framework by 2018. ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) removed all import duties by 2010, except for items in the Sensitive and Highly Sensitive Lists. Tariffs were reduced more quickly than planned in the original schedule.

The CLMV countries advanced the reduction of import tariffs from 2018 to 2015 for all products except those in the Sensitive and Highly Sensitive Lists, and the tariff reduction for some sensitive products is scheduled for 2018, in accordance to the provisions of the Protocol to Amend the Common Effective Preferential Tariff (CEPT) Agreement for the Elimination of Import Duties. The AEC Blueprint has introduced the remaining products in the Sensitive List into the CEPT schedule. Tariffs on these products were decreased to between zero and 5% for Lao PDR and Myanmar in 2015, and for Cambodia in 2017.

Regarding the phasing in of the regional single market, trade in goods among ASEAN-6 countries is quiet open; the percentage of goods with zero import tariffs in the inclusion List is 99.2%. In the CLMV countries, the percentage of goods with zero import tariffs was 90.9% in 2016. Trade closeness, calculated by the percentage of products with positive tariff rates, was only 0.3% in ASEAN-6 2016. The percentage of goods with import duties in the CLMV countries was about 8.5% in 2016. For example, Lao PDR is about 10%. ASEAN member countries differ in terms of priorities and progress made in the import tariff reduction schedule. In particular, rice still shows differences among some ASEAN countries. Rice-category items show various tariff rates and paces of tariff reduction. Furthermore, ASEAN member countries` different priorities could add more complexity to the efforts of reducing and eliminating tariffs for sensitive products.

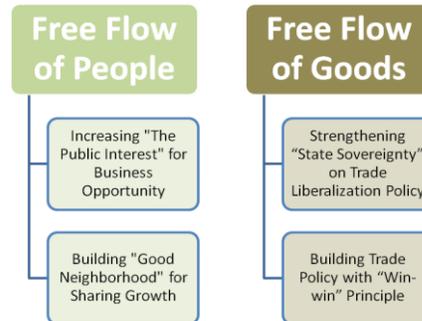


Figure 4. Opportunities on Transcended Boundaries

To date, ASEAN member states are intensifying efforts to finalize the outstanding tenth package of commitments under AFAS with the schedule for completion in 2017. The ninth package, signed in 2015 and the latest in effect, resulted from negotiations among ASEAN countries on measures that affect trade in selected services. This agreement highlights detailed commitment to liberalize the services sub-sectors in different ASEAN countries. The steps towards liberalization are based on the targeted services and deadlines set in the AEC Blueprint 2025. One of the ninth package's most ambitious targets is the requirement for members to increase their minimum ASEAN equity participation to 70% in logistics services. Efforts to liberalize logistics have been ongoing since 2005, when ASEAN members ratified the fifth package of AFAS commitments.

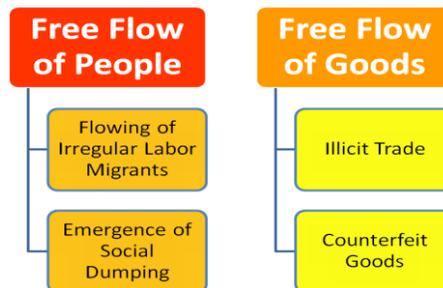


Figure 5. Threats on Transcended Boundaries

On the ground, it is worthwhile to estimate the level of openness in trade in services in ASEAN. The OECD's Services Trade Restrictiveness Index (STRI) helps participating countries compare their position with that of their trading partners. Not all the Emerging Asian economies are included in the database, but the depth of its coverage is unique nevertheless. With this index, openness in services sectors can be compared among countries or among different regions. The index takes values between zero (complete openness) and one (complete closure to foreign services providers). China, India and Indonesia are more restrictive than average on trade in most services sectors.

Opportunities in Free flow of people are: 1.) Increasing "The Public Interest" for Business Opportunity (WTO, ASEAN Agreement on Public Interest; Government affairs for the well-being of citizens; Global citizen Free Flow; Passport index which is an Indicator of the power of network). John Hanafin said that *"The desire to improve one's opportunity and security for their family transcends borders. As such, having a second citizenship has never been more relevant"*

Table 2. Passport Index

Country Rankings			
Rank regionally	Rank overall	Country	Visa-free access
1	4	Singapore	173
2	13	Malaysia	164
3	23	Brunei Darussalam	151
4	57	Timor-Leste	83
5	67	Thailand	71
6	75	Philippines	61
7	79	Indonesia	57
8	88	Cambodia	48
8	88	Laos	48
9	90	Vietnam	45
10	93	Myanmar	41

Other opportunities for Free flow of people are 2.) Building "Good Neighborhood" for Sharing Growth. The ASEAN Economic Community (AEC) 2016, has designed to allow the free flow of goods, services, investment, and skilled labor. Ease of Doing Business indicator from world bank is a form of ease of a country to be ready to share Growth wherein it allows to open investment in the region; Trade partner country has mutually shared in the growth of economy; get "win-win" solution on profit and risk sharing and open the trade network.

On other hand, there are threats on Free Flow of People. Some are: 1.) Flowing of Irregular Labor Migrants. The Chairman of Thailand's Board of Trade (BOT) said that "The major problem would be the free movement of labor ". In Malaysia, More than 70 percent of the undocumented workers are from Indonesia. Hence, in Indonesia, Chinese workers suspected of not having proper documentation; 2.) Emergence of Social Dumping. The abusive labour practices such as low wages, long working hours, verbal abuse, and unsafe working conditions. The Free flow of people is often used by the enterprise to reduce production costs.

Skilled workers` mobility within ASEAN is imperative to promote trade in services in the region. In terms of AFAS commitments, the legal framework to support skilled labor mobility on the ground has not seen much progress.

Table 3.

World Bank Ease of Doing Business Ranking 2016-2017

	2016	2017	↑↓	% Points
Brunei	97	72	↑25	65.51
Cambodia	128	131	↓3	54.79
Indonesia	106	91	↑15	61.52
Laos	136	139	↓3	53.29
Malaysia	22	23	↓1	78.11
Myanmar	171	170	↑1	44.56
Philippines	99	99	0	60.4
Singapore	3	2	↑1	85.05
Thailand	46	46	0	72.53
Vietnam	111	82	↑9	63.83

Source: World Bank Group
 Period: June 2015 - June 2016

Considering the Free flow of Goods, there are also opportunities that can be observed such as: 1.) Strengthening “State Sovereignty” on Trade Liberalization Policy on the ASEAN Trade in Goods Agreement (ATIGA) to ensure the realization of free flow of goods. The state have the power to determine the condition on which the goods may be imported or exported. 2.) Building Trade Policy with “Win-win” Principle through trade liberalization policy can lead to tremendous competition. To build cooperation on trade policy with "Win-win" principle will be very important.

Thus, there are also threats in Free Flow of Goods like: 1.) Illicit Trade on ASEAN Agreement on Custom. The term of “illicit trade” is the illegal cross-border. Hence, fake medicines & food are the main issues related to social life sustainability. 2.) Counterfeit Goods is a form of intellectual property (IP) theft in trading. In Thailand, counterfeit products accounted for over 28% of total Illicit Consumption. However, counterfeit goods may a threat to the health and safety and it needs to strict supervision.

Trade Facilitation: ASEAN Single Window

The process of simplifying and facilitating trade procedures is also still in the early stages. For instance, thus far, only five of the 10 ASEAN members have established the ASEAN Single Window system to simplify customs procedures by computerizing trade-related data for network access.

Facilitating trade is a key aspect of regional integration. The ASEAN Single Window (ASW) initiative creates a regional platform to exchange the electronic version of border documents for ASEAN public and private sectors. The ASW offers ASEAN members more efficient, effective and transparent ways of doing business in a faster processing time. The legal framework also provides for cyber security, such as data protection, confidentiality and acceptance of electronic signatures. This electronic data exchange reduces the use of paper documents and speed up customs clearance. Consequently, the initiative accelerates cargo clearance, and strengthens trade and regional economic integration in the ASEAN Economic Community. However, the progress of ASW implementation differs among ASEAN countries. The ASW has been put into operation in Indonesia, Malaysia, Singapore and Viet Nam. The Philippines has expected to connect to the ASW in the near term, Brunei Darussalam shows slow progress, with two virtual servers provisioned for testing, and two virtual servers for production.

Co-operation: Mutual Recognition Framework (MRA)

In addition to the eight previous MRAs, ASEAN recently finalized an MRA for generic medicinal products to encourage a smoother flow of generic drugs within ASEAN. In addition to the MRAs signed for selected occupations, the MRAs on automotive products, processed foods, and building and construction material are poised to be included in the list as soon as negotiations are finished.

An ASEAN Mutual Recognition Agreement (MRA) enables professional service providers registered in signatory countries to be equally recognized in another signatory country. It allows professionals in one country to move to another country, with their existing credentials being recognized by passing an exam on corporate and taxation laws and regulations in order to obtain a license to practice the profession in that country. Basis for recognition among ASEAN countries are Education, License, Competencies, Experience and other discipline Standards and Guidelines which is under the ASEAN professional agreements.

ASEAN Investment: Regional Value Chain

ASEAN is becoming a major, competitive global production centre for a growing range of products and services. The wide development gap between member states and their industrial policies produces differences in Regional and Global Value Chain (GVC) patterns by country. Regional value chains (RVCs) incorporating a number of member states are also being established, led by firms from advanced member states, (e.g. Singapore, or by foreign affiliates of firms in developed countries such as Japan). In many cases, RVCs constitute an integral part of GVCs.

The concept of GVCs is well developed: theory and evidence for them abounds (e.g. Gereffi, Humprey and Sturgen 2005). However, despite anecdotal evidence and industry cases in abundance, including in ASEAN, what is lacking is a systematic and comprehensive view of GVCs that is based on data on value added trade. A new data set on GVCs in ASEAN will provides new perspectives on trade and investment links among ASEAN economies, and between major partner countries such as Japan, China, and the Republic of Korea; on the distribution of value added resulting from trade; and how investment drives patterns of value added trade. Value chain participation indicates a country's export that is part of a multistage trade process, by adding the foreign value added used in country's own exports the value added supplied to other countries exports. Although the degree to which exports are used by other countries for further export generation may appear less relevant for policymakers, as it does not change the domestic value added contribution of trade, the participation rate is useful indicator for the extent to which a country's exports are integrated in international production networks. GVC indicators can also be used to assess the extent to which industries rely on internationally integrated production networks. A number of complex methods have been devised in the literature to measure GVC length; however, the degrees of double counting in industries, conceptually, can serve as a rough proxy for the length of value chain. Data on value added trade by industry can provide useful indications on the comparative advantages and competitiveness of countries, and hence form a basis for development strategies and policies as per UNCTAD (2013).

ASEAN Financial Market Integration Framework

A key priority of ASEAN Capital Markets Forum (ACFM) is to foster better mobility of ASEAN, thus contributing to greater regional integration. The ACFM will explore opportunities for greater cooperation in facilitating the mobility of ASEAN capital market professionals. It also aims to promote and strengthen the ASEAN identity of capital market services firm and professionals. The Movement of Natural Persons Agreement, ratified by all ASEAN countries in 2016, has boosted these efforts. Because the ratification is quite recent, each country's implementation of commitment remains a challenge and needs to be examined in the near future.

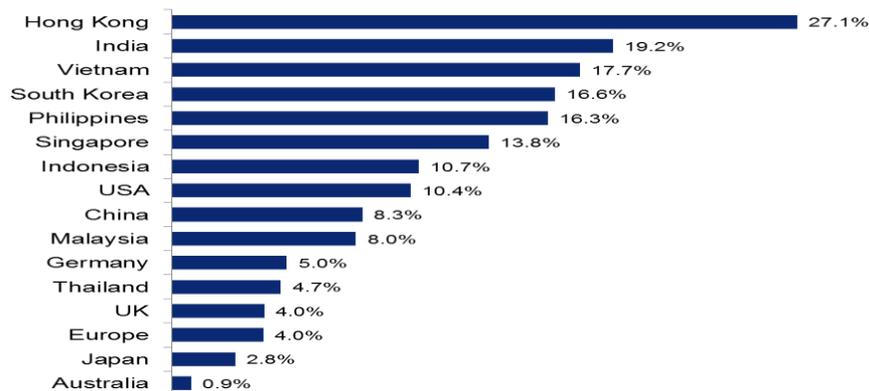


Figure 6. Net Inflows spur Asian Rally

The US gains 10% in 8M17 while Europe & China offer value. Investors rotate from DM to EM and \$45Bn cumulative inflow into EM equities as of 8M17 while HK, India, VietNam, South Korea, and Philippine lead the market. Hence, economic expansion, export recovery, technology & earnings growth drive market rally.

The Roadmap for the Integration of ASEAN in Finance is the latest regional initiative, which aims to strengthen regional self-help and support mechanisms. The implementation of the roadmap will contribute to the realisation of the ASEAN Economic Community that was launched by the ASEAN leaders in October 2003 in Bali. The AEC is the end-goal of economic integration as outlined in the ASEAN Vision 2020 and the Bali Concord II to establish a single market and production base, characterised by the free movement of goods, services, investment, and a freer flow of capital. The AEC will also facilitate the movement of business professionals, skilled labour, and talent within the region. As in the EU, adoption of an ASEAN common currency, when conditions are ripe, could be the final stage of the ASEAN Economic Community. Under the roadmap, approaches and milestones have been identified in areas deemed crucial to financial and monetary integration, namely: (a) capital market development, (b) capital account liberalisation, (c) financial services liberalisation, and (d) ASEAN currency co-operation. Capital market development entails promoting institutional capacity, including the legal and regulatory framework, as well as the facilitation of greater cross-border collaboration, linkages, and harmonisation between capital markets in the region. Orderly capital account liberalisation will be promoted with adequate safeguards against volatility and systemic risks. To expedite the process of financial services liberalisation, ASEAN has agreed on a positive list modality and adopted milestones to facilitate negotiations. Currency co-operation would involve exploration of possible currency arrangements, including an ASEAN currency payment system for trade in local goods to reduce the demand for US dollars and to help

promote stability of regional currencies, such as by settling intra-ASEAN trade using regional currencies.

While in the offing of an ASEAN common currency, the leaders of the member-states of ASEAN agreed in November 1999 to create the establishment of currency swaps, and repurchase agreements, as a credit line against future financial shocks. In May 2000, the finance minister of the ASEAN agreed through the "Chiang Mai Initiative" to plan for closer monetary and financial co-operation. The "Chiang Mai Initiative" or CMI, named after the City of Chiang Mai in Thailand, has two components: an expanded ASEAN Swap Arrangement, and a network of bilateral swap arrangements among ASEAN countries, China, Japan, and the Republic of Korea. The ASEAN Swap Arrangement or ASA preceded the regional financial crisis. ASA was originally established by the ASEAN central bank and monetary authorities of the five founding members of ASEAN with a view to help countries meet temporary liquidity problems. An expanded ASA now includes all ten ASEAN countries with an expanded facility of US\$1 billion. In recognition of the economic interdependence of East Asia, which has a combined foreign exchange reserves amounting to about US\$1 trillion, a network of bilateral swap arrangements and repurchase agreements among ASEAN countries, China, Japan and the Republic of Korea has been agreed upon. The supplementary facility aims to provide temporary financing for members which may be in balance-of-payments difficulties. In 200, 16 bilateral swap arrangements (BSAs) have been successfully concluded with a combined amount of about US\$35.5 billion. The original CMI was signed on 9 December 2009 which took effect on 20 March

2014, while the amended version, the multilateralisation of CMI (CMIM), was on 17 July 2014. CMIM is a multilateral currency swap arrangement with a total size of US\$240 billion, governed by a single contractual agreement, while the CMI is a network of bilateral swap arrangements among the "Plus Three" and ASEAN countries' authorities. In addition, an independent regional surveillance unit called the ASEAN+3 Macroeconomic Research Office (AMRO) was established to monitor and analyse regional economies, and to support the CMIM decision-making process. The amendments will effectively allow access of the ASEAN+3 member countries and Hong Kong to an enhanced CMIM package, which includes, among others, the doubling of the fund size from US\$120 billion to US\$240 billion, an increase in the level of access not linked to an International Monetary Fund program from 20%–30%, and the introduction of a crisis prevention facility. These amendments are expected to fortify CMIM as the region's financial safety net in the event of any potential or actual liquidity difficulty.

The ASEAN+3 Macroeconomic Research Office (AMRO) will serve as the independent regional surveillance unit of the CMIM. The establishment of AMRO will ensure timely monitoring and analysis of the ASEAN+3 economies, which will in turn aid in the early detection of risks, swift implementation of remedial actions, and effective decision-making of the CMIM. In particular, the AMRO will, during peace time, conduct annual consultations with individual member economies and, on this basis, prepare quarterly consolidated reports on the macroeconomic assessment of the ASEAN+3 region and individual member countries. On the other hand, the AMRO

will, during crisis time, prepare recommendations on any swap request based on its macroeconomic analysis of the swap requesting member and monitor the use and impact of funds once any swap request is approved. AMRO was officially incorporated as a company limited by guarantee in Singapore on 20 April 2011 and its office is at the Monetary Authority of Singapore complex in Singapore. Governance of AMRO is being exercised by the Executive Committee (EC) and its operational direction by the Advisory Panel (AP). AMRO is currently headed by Dr Yoichi Nemoto of Japan, who is serving his second 2-year term until 26 May 2016. Stability in the financial system is a precondition to maintain the momentum of ASEAN economic integration. In turn, the more ASEAN economies become integrated, the more feasible it is to adopt an ASEAN single currency, which is expected to reinforce even further stability and integration in Southeast Asia.

Financial integration of ASEAN will be as follows:

1. Financial services liberation, including banking integration
2. Capital account liberation: removing restrictions on foreign exchange transactions on current account, foreign direct investments, portfolio investments, etc.
3. Capital market development: harmonization of laws and regulations, and linkage of market infrastructure, etc.
4. Harmonized payments and settlement systems.

**Towards Inclusive and Sustainable Growth in ASEAN Economic Community
Pressing Issues, Challenges, and Concerns**

While ASEAN economies remain to be among the most dynamic and resilient in the world, the regional bloc must be wary of the “political consequences” of its economic relationships. ASEAN is in a very tricky political situation with its neighbor China, which also happens to be the group’s second largest trading partner after intra-ASEAN trade. The South China Sea issue is one major problem. The fact that ASEAN has managed to present a unified position based on a certain line, which has consisted of expression of concerns regarding developments in the disputed waters, requests for a peaceful resolution of territorial disputes, and calls for a code of conduct, putting internal differences aside, tends to escape notice when we overemphasize those elements of the issue where ASEAN members have failed to find a consensus. However, the Association cannot stop China’s land reclamation and construction with the power of the norms it has developed. The exposure of this reality has considerable repercussions, in that it reduces ASEAN’s ability to contribute to peace in Southeast Asia and East Asia.

On regional trade agreement, only four ASEAN members have signed the TPP, which in some respects contradicts the ASEAN Economic Community (AEC), an ASEAN framework for regional economic integration. From a long-term perspective, however, the establishment of common economic rules in Asia and the Pacific is essential for the stable development of Southeast Asia and the broader Asia-Pacific. The TPP is a framework that had the potential to spearhead this effort. The uncertain

outlook for the TPP will likely have long-term negative implications for the economies of ASEAN members. Meanwhile, negotiations for the Regional Comprehensive Economic Partnership (RCEP), a framework aimed at regional economic integration with ASEAN positioned at its center, are struggling. As with the TPP, the future of RCEP negotiations is an uncertain one.

The most critical issue confronting ASEAN is how to balance the traditional ASEAN style of respecting state sovereignty, with aspirations of new ASEAN that proactively advances regional cooperation and integration. The old style powered much of ASEAN's success, in that it allowed for slow integration while respecting the domestic politics of member countries. Yet the Association must transform itself into a body capable of cooperating on issues that have traditionally been defined as matters of state sovereignty, including reforms to domestic economic structures, if it is going to move forward with integration in real terms for economic growth.

There is a need to strengthen institutional and regional capacity through changing systems of structures, functions, revisiting agreements, and particularly the role of ASEAN secretariat, which has so far relatively lean considering sustainability of the region. Contextualize any strategy as part of a broader vision of transforming governance. Act in many dimensions not just on political and economic arena to build sustainable support among ASEAN members to have an equal benefit not letting other members behind. Reorganization imperative is anchored on the desire to align regional bureaucracy and integration with development goals, reduce the cost of meetings and dialogues, and correct mistakes in previous implementation efforts.

References

- Co, Edna & Carlos Tabunda Jr. (2017), "The ASEAN Drama: Half a Century and Still Unfolding", UP Quezon City and DAP Pasig City.
- Gereffi, Gary, John Humphrey, and Timothy Sturgeon (2005), "The governance of global value chains," *Review of International Political Economy*, vol. 12.
- Sim, Edmund "Introduction to the ASEAN Economic Community", https://web.archive.org/web/20120218183029/http://www.asil.org/aseanevent/Sim_Intro_to_ASEAN.pdf
- Santoso, Edy (2017). "Opening a new trade deals through Multilateral Cooperation to achieve transcended boundaries on movement of people and goods", Wenzao Conference.
- ASEAN Blueprint 2015.
- ASEAN@50 (2017). The ASEAN 31st Summit. Philippines
- ABIS (2017). "World Leaders' Roadmap Towards Prosperity for All". Philippines.
- "Agreement on the Common Effective Preferential Tariff Scheme for the ASEAN Free Trade Area, Singapore, 28 Jan 1992". Asean.org. Archived from the original on 14 April 2009. Retrieved 21 December 2008.
- "Asian Review", (2017). Nikkei, Integration Creating a Strong Case for ASEAN Investment. October issue.
- "Economic Outlook for Southeast Asia, China and India 2018: Fostering Growth through digitalization", OECD Development Centre / MRA.
- Fact Sheet ASEAN Economic Community (AEC)(PDF). Jakarta: ASEAN Secretariat. Jun 2013. ISBN 978-602-7643-50-5. Retrieved 15 February 2015.
- Free Trade Agreement Pros and Cons *by Kimberly Amadeo*
- "The Asean Declaration (Bangkok Declaration) Bangkok, 8 August 1967". ASEAN. Archived from the original on 11 February 2015. Retrieved 17 June 2015.
- "TPP, RCEP, FTAAP - a user's guide to alphabet soup of trade deals". November 20, 2016.
- World Bank Data (2016). The ASEAN Market.

RESEARCHER'S PROFILE:



(Photo Courtesy of ASEAN Business & Investment Summit 2017 at Solaire Resort, Manila, Philippines – ASEAN@50)

Arman Vicencio Cruz, fondly called as Monthy is a multi-awarded Business Educator who rose to become one of the country's distinguished young achievers named him as an "Emerging Guru of Financial Education in the Philippines". He is a lecturer, trainer, consultant, and a sought-after speaker of various institutions in the field of finance. He achieved work-life balance, and actively involved in various religious activities, community development, non-government organizations (NGO) affiliations, and inter-governmental functions both in National and International arena. Indeed, volunteerism is a concrete value ethics amongst his craft.

He is the Founding President of Finance Educators Association (Fin.Ed), the official organization of Finance Professors and Practitioners in Asia. He envisions upgrading the level of Financial Education in the Philippines by promoting the professional development and welfare of Finance Educators. Propagate and develop financial programs in schools as well as in formal and non-formal education --- "supporting financial inclusion for all Filipinos", as this will help equip our people with appropriate knowledge on how to properly manage their finances and make well-informed financial decisions.

Cruz is a pioneer of Academic Service Learning, an innovative pedagogy in education actuating theories versus praxis of business education that can be enhanced not only in the four corners of a formal classroom but also in a non-formal places to cater the marginalized and the disadvantage that leads to financial freedom. Indeed, he is instrumental in raising financial literacy rate in the nation. His networking with other educational institutions, government agencies, industries, business and other group enhances educational services in the country.

Prof. Arman, a License Professional Teacher and a Civil Service Professional eligible has been serving the academic world for almost a decade was the Chairman of Finance and Economics Department of Adamson University and currently elected as the Vice Chairperson of the Board for Faculty & Employees Cooperative of the same University. He is a well respected Graduate School Professor for International Financial Management at Lyceum of the Philippines University Graduate School.

He served as the Country Coordinator of a German Foundation that awards scholarship grants for the socially-challenge. He is also the Chairman of Education Commission and Lay Formation in the Diocese of Kalookan and Pastoral Council Executive Officer. He also chartered the Malabon Citizen Youth in Action. He is actively involved in the Local Government Unit both as appointive and elective official for a decade, a member of the Local School Board and a good governance advocate as he was an esteem consultant for Integrity Development Initiatives by the Center for Local and Regional Governance with Management System International (MSI) and United States Agency for International Development (USAID) programs.

Added to his craft, he has also a National Certification (NC EMS-III) by Technical Education and Skills Development Authority (TESDA) as part of Technical Education Qualification for Events Management Services. He is an associate Fellow of the Philippine Academy of Professionals in Business Education.

Cruz obtained his academic courses for Doctor of Public Administration at National College of Public Administration and Governance, University of the Philippines – Diliman. He earned his Master's degree in Business Administration at Polytechnic University of the Philippines Graduate School; Conferred Pre-Master on Education at Adamson University and he received his Bachelor of Science in Business Administration Major in Banking & Finance at University of the East as a Junior Math Wizard. Inspired by the balance and breadth of the British educational system and in respond to the emerging business trends, he strived for a Doctorate degree in Business Administration at Victoria University, The School of Management – Switzerland.