



**THE FIRST ASEAN ECONOMIC COMMUNITY SYMPOSIUM
19 September 2012, Jakarta, Indonesia**

SUMMARY OF DISCUSSION

INTRODUCTION

1. The First ASEAN Economic Community Symposium, with the theme “ASEAN Economic Community by 2015? Private Sector Perspectives”, was convened on 19 September 2012 in Jakarta, Indonesia. The Symposium brought together over 200 participants from public and private sectors, ASEAN Dialogue Partners, donors and development agencies, academia, civil society organizations, and media.
2. The Symposium, which is intended to be organized annually starting this year, provided a good opportunity to exchange views with key stakeholders, particularly the private sector, on the strategic measures and concrete steps being implemented to support ASEAN economic integration. It also served as a platform to raise public awareness and build support for the implementation of measures in the AEC Blueprint.
3. The Symposium was divided into six sessions, including the opening and wrap-up session. The main sessions focused on key integration areas under the AEC, namely: (a) ASEAN Open Skies—Smooth or Bumpy Rides Ahead; (b) ASEAN Single Window—Seamless Movement of Goods in the Making; (c) ASEAN Comprehensive Investment Area—Able to Compete for a Large Share of FDIs; and (d) Finance Integration—Able to Weather through Internal and External Shocks. The Symposium Programme appears as **ANNEX 1**.

SESSION I: OPENING AND DIALOGUE

4. The Symposium was opened by Dr. Lim Hong Hin, ASEAN Deputy Secretary-General of ASEAN for ASEAN Economic Community; and Mr. Iman Pambagyo, Director-General of International Trade Cooperation, Indonesia Ministry of Trade.
5. In his remarks, Dr. Lim highlighted the progress achieved so far under the four pillars of the AEC, where 72 percent of AEC measures being targeted over the last three years (2008-2011) have been implemented. Despite these gains, implementing the AEC is still

a challenge mainly due to inability of countries to comply with the decisions, protocols and treaties at the national level. To address this issue, Dr. Lim emphasized the need for countries to incorporate regional initiatives within their national development plans and strategies in order to make commitment to AEC strong. He also reiterated the importance of prioritizing efforts toward key integration areas where significant progress can be achieved. Recognizing the role of the private sector in driving the AEC, he urged the participants to support the AEC and encouraged market players to engage in the integration process more. Dr Lim's speech appears as **ANNEX 2**.

6. Mr. Pambagyo expressed his appreciation to the ASEAN Secretariat for organizing the Symposium as quite timely, considering some doubts and skepticism about the realization of the AEC in 2015. He reiterated the importance of regulatory reforms and the specific adjustments needed by ASEAN member states to fully implement their regional commitments. He also underlined the importance of private sector involvement by providing recommendations on what the government should do to establish seamless movement of goods and services, attract more foreign direct investments (FDIs), and weather external shocks through deeper economic integration. Mr. Pambagyo's speech appears as **ANNEX 3**.
7. During the dialogue that followed immediately after the opening, Dr. Lim and Mr. Pambagyo highlighted ASEAN's strong commitment toward achieving AEC 2015. It was recognized that although the building of AEC had remained on track, a few AEC measures and actions are still pending, notably on trade facilitation (e.g. customs modernization, standard and conformance), service and investment liberalization, and ratification of transport agreements. Failure to address these delays could adversely affect the speed of realizing the AEC. They also recognized the importance of maintaining the credibility of ASEAN integration process by ensuring that realistic results are achieved by 2015, including efforts to promote equitable economic development to reduce the development gap in the region. Against these many challenges, it was stressed that all key stakeholders, particularly the private sector, will need to have the shared responsibilities to advance the AEC agenda.

SESSION 2: ASEAN OPEN SKIES

8. Session 2 focused on the progress of, and reviewed the issues and challenges in, creating a single aviation market in ASEAN. In her main presentation, which appears as **ANNEX 4**, Ms. Parichat Kotcharat, Deputy Director-General of the Department of Civil Aviation of Thailand, discussed the various initiatives by the region to achieve full liberalization of air transport services in ASEAN, including the Roadmap for Air Travel Sector, ASEAN Open Skies Agreements, and the ASEAN Single Aviation Market (ASAM) Agreement. She acknowledged that while the establishment of ASAM is expected to generate significant impact (e.g., increased passenger and cargo traffic), there are key

elements of this integrated aviation market that need to be addressed. These include elements related to economic feasibility of ASAM such as market access, airline ownership and control, commercial activities, and dispute resolution. In addition, there are technical elements related to aviation safety, security and traffic management. Thus, a challenge now is how to fully implement ASAM by 2015.

9. During the discussion led by Prof. Dr. Alan Tan from the National University of Singapore and the panel of experts (Ms. Wiryanti Sukamdani, President of ASEAN Tourism Association; Mr. Pyrasak Duangkaew, Chief of Air Services Agreement, Department of Civil Aviation of Thailand; Mr. Raman Narayanan, Regional Head, ASEAN Affairs of Air Asia; and Ms. Elly Hutabarat, Chairperson of Association of Air Ticketing Companies in Indonesia (ASTINDO), the following views and issues transpired:
- (i) *Open Sky Policy and ASEAN Single Aviation Market:* Both initiatives are regarded as the right policy and direction that can significantly contribute toward the AEC 2015. However, to achieve full “Open Skies and Markets”, more freedoms such as the 7th freedom of traffic rights for ASEAN aviation are needed.
 - (ii) *Open Skies Agreements:* Ratification and full implementation of the Open Skies Agreements by all ASEAN Member States are imperative and remain the key challenges to the realization of an ASEAN Single Aviation Market. Tremendous benefits could only be gained if all Member States ratify and implement the Agreements.
 - (iii) *Harmonization of Standards and Regulations and Airport Infrastructure:* With an integrated aviation market, increased passenger and cargo loads, demand for more services, and increased traffic would lead to airport congestions. Thus, the next logical key focus would be on to increase airport infrastructure and landing slots to meet the increasing demand for aviation services in the coming years. In addition, there is a need to harmonize regulations and standards particularly on aviation safety, aviation security, air traffic management, and free movement of aviation services professionals.
 - (iv) *Routes Operation:* With the working progress of ASEAN Single Aviation Market and the concept of ASEAN as one destination, the registered ASEAN airlines/ carriers should be recognized or treated as “ASEAN” carriers by every ASEAN Member State, and hence a single (ASEAN) hub/destination should be opened for the operations of ASEAN carriers to any city within the region. This means practically “ASEAN” carriers should have freedom to choose an ASEAN city as a hub or destination for their operation (similar to the EU’s model for a single air transport market).

SESSION 3: ASEAN SINGLE WINDOW

10. Session 3 of the Symposium focused on one of the trade facilitation initiatives being undertaken in ASEAN to facilitate the movement of goods. The speaker, Ms. Marianne Wong Mee Wan, Chair of the Working Group on Technical Matters of the ASEAN Single Window (TWG), outlined how the ASEAN Single Window (ASW) and the National Single Windows (NSWs) could play an important role in seamless movement of goods, in particular the ASEAN Customs Transit System (ACTS) which is also being developed in ASEAN. As an infrastructure for electronic data/information/document exchange, the ASW can generate a number of benefits including faster clearance for frontier posts and faster discharge of transit procedure and release of goods. Ms. Wong's presentation appears as **ANNEX 5**.
11. Mr. Rachid Benjelloun, Principal Associate, Nathan Associates Inc., who is also a representative of the USAID-funded ASW Project, moderated the discussions. Together with the three panelists from the private sector (Mr. Michael Keong, Director, Regional Logistics, Levi Strauss, Asia Pacific Division Pte.Ltd; Mr. Sjaak De Klein, Vice President, Asia Road Network and General Manager of YCH Thailand; and Mr. Franciscus Welirang, Vice President Director of PT Indofood Sukses Makmur Tbk), they discussed the practical implications of the ASW as well as the challenges and ways forward in implementing it, particularly the following:
- (i) *Private sector involvement*: Given the important role of the private sector in providing input for business process analysis, data standardization and harmonization, consultation with the industry/private sector is crucial. Thus, a regular forum for public-private sector engagement should be held both at the regional and national levels for ASW and NSWs, respectively.
 - (ii) *Physical infrastructure readiness*: ASW will need to be supported by National Single Window (NSW) efforts otherwise the work to achieve ASW would be affected. The ability to expedite clearance through electronic Single Window (SW) systems is easily negated by congested ports or roads and, generally, poor infrastructure, which is a continuing concern of traders and investors in many ASEAN member states.
 - (iii) *SMEs' IT readiness*: Lack of IT readiness by Small and Medium Enterprises (SMEs), i.e. access to or willingness to use IT tools, prevents them from participating in SW initiatives including e-clearance initiative. The same can be said about many other government agencies in ASEAN, which are used to paper processing and are not equipped, by choice or by lack of resources, to use electronic SW systems.

- (iv) *Legal framework for the implementation of SW:* SW legal readiness, both at the national and regional level, is paramount, from having appropriate e-commerce legislation to specific provisions on electronic signatures liability in a SW environment, and use of electronic evidence in judicial proceedings. This is an area of concern for the private sector in having a predictable e-commerce environment and should be a priority area for member states.
- (v) *Regulatory streamlining and harmonization:* Development of the NSW and ASW will in tandem also need the domestic laws to be simplified and streamlined. SWs are not as effective as when trade laws and regulations are burdensome and disparate among member states. It is critical that SW initiatives be accompanied by regulatory simplification and streamlining and that such initiatives be coordinated as much as possible among member states.
- (vi) *Need for capacity building:* An effective ASW depends on effective and inclusive NSWs. Thus, it is necessary to strengthen existing NSWs that are at different level of developments, and expedite their development. In addition, pre-arrival clearance needs to be operationalized at the national level from both technical and legal perspectives, since it is a key to supply chain integration in ASEAN and to paperless clearance. Finally, National Trade Repositories (NTRs), where traders can check tariffs and trade related regulations by HS/AHTN code, would be very useful for both traders and would be investors, and need to be operationalized in each member state and then linked into an ASEAN Trade Repository.

SESSION 4: ASEAN INVESTMENT AREA

12. This session discussed the challenges of making ASEAN as an attractive destination for FDI in the region. Despite the fact that ASEAN has generated increasing inflows over the last five years amounting to US\$392.4 billion, the region's share to global FDI inflows remains small at 7.7 percent. However, compared with the BRIC countries, ASEAN's share of global FDI is still higher than BRIC countries except China but the gap with China is narrowing. According to Dato' Noharuddin Nordin, CEO of the Malaysian Investment Development Authority (MIDA) and the main speaker for the session, a key challenge for ASEAN is to ensure that it remains attractive to investors amid increasing competition for FDI. As an investment bloc, it is crucial that ASEAN intensifies support for private-sector led initiatives, by providing the right regulatory environment for business. There is also a need to leverage on global MNCs already present in the region and to encourage the growth of ASEAN multinationals to sustain inflows by 2015 and beyond. Dato' Noharuddin's presentation appears as **ANNEX 6**.

13. During the discussion, the panelists led by Hjh Nor Ashikin Hj Johari, Assistant Director, Department of International Trade, Ministry of Foreign Affairs and Trade of Brunei Darussalam, and the representatives from the private sector (Mr. Stuart Dean, CEO of GE ASEAN; Mr. Vicente Socco, Executive Vice President of Toyota Motor Asia Pacific; Mr. David Kiu, Regional Director, Global Government Relations & Public Policy of Procter & Gamble; and Mr. Paul Apthorp, Director of Greater Mekong Sub-region Business Forum) deliberated on two issues: how to promote ASEAN as an investment destination and how to address impediments related to investment facilitation in ASEAN.
- (i) *Promoting ASEAN as an integrated investment bloc:* ASEAN potential can be enhanced by the creation of single market and production base. Regional initiatives such as the ASEAN Comprehensive Investment Agreement (ACIA), ASEAN Framework Agreement on Services (AFAS), ASEAN Trade in Goods Agreement (ATIGA) as well as the various Free Trade Agreements can play an important role in facilitating such investments. However, in view of intensifying competition for global FDI, ASEAN should “rethink” and change the way it promotes FDIs from individual national perspectives to one of regional perspective. ASEAN will also need to inherently create more excitement about the AEC by providing credible, transparent and realistic outcomes for the investors. For example, the idea of breaking down ASEAN into corridors, not necessarily based on geographical corridors, but into corridors of opportunities that realistically benefit the business such as through creating value chains and business ecosystems can be further explored.
 - (ii) *Investment facilitation:* Key priorities should continue to focus on reducing operational costs for investments to flourish. Investments are not done in isolation and will include supply chain connectivity and it is important for the investors to be ensured of smooth flow of goods. Regulatory impediments should be effectively addressed, in addition to different standards and requirements in the different member states, poor infrastructure and logistics connectivity, and lack of transparency. It is imperative that ASEAN continues with its integration efforts and creates the business friendly environment to do business.

SESSION 5: ASEAN FINANCE INTEGRATION

14. This session focused on whether integration in the financial sector in ASEAN is worth pursuing or not, particularly with regard to the on-going financial market stresses. The speaker in this session was Mr. Lee Chuan Teck, Assistant Managing Director of the Monetary Authority of Singapore (MAS). He underscored the importance of looking at the challenges faced by member states amid the weaker external environment. These include possible slowdown of regional trade and financial contagion as spillovers from

the Eurozone debt crisis. If not responded properly, those external shocks could transform into internal problems. Mr. Lee argued that to enhance financial stability in the region, member states need to participate actively in the regional finance cooperation initiatives and complement it with national fiscal strength, external balance strength and financial sector strength. Mr. Lee's presentation appears as **ANNEX 7**.

15. Several issues were raised in the discussions led Dr. Ponciano Intal, Senior Researcher at the Economic Research Institute for ASEAN and East Asia (ERIA) and the panelists (Mr. Surinder Kathpalia, Managing Director & Head of ASEAN of Standard and Poor's; Mr. Neeraj Swaroop, Regional CEO for South East Asia for Standard Chartered Bank; and Dr. Yoichi Nemoto, Director of the ASEAN+3 Macroeconomic Research Office (AMRO). These issues are the following:

- (i) *Deepening of banking and capital markets:* Since the banking sector still constitutes a very large portion of the financial sector in the region, strong supervision and monitoring must continue and the Basel III standard regulatory for banks must be fully implemented. Islamic financial institutions should also be further developed as some member states are at the forefront in this financial sub-sector. Because the high savings in ASEAN seemed to flow out of the region, member states need to expedite the uniform bond markets in the region. The existing different rules and regulations across the region make it costly to invest in ASEAN capital markets. Local currency bond markets need further development and reforms. In view of the Quantitative Easing 3 (QE3) policy by the US, it is necessary to strengthen the regional equity markets since the immediate impact of such easing is in the equity markets.
- (ii) *Development of financial infrastructure and financial inclusion:* Considering the role of increased financial flows to support trade integration, the development of financial infrastructure to facilitate financial integration is crucial. Moreover, it is equally important that as integration deepens, and to support equitable growth in ASEAN, access to finance should be increasingly promoted through such initiatives as financial inclusion.

SESSION 6: WRAPPING UP AND CLOSING

16. At the conclusion of the Symposium, two important takeaways were discussed. The first takeaway is on the overall importance of the AEC. It was widely recognized that realizing the AEC will bring tremendous benefits for the region and individual countries of ASEAN, in terms of promoting trade and investment, expanding markets and production networks, as well as in narrowing development gaps. In an increasingly interdependent world, the AEC becomes the region's important strategy to enhance its competitiveness, sustain economic growth, and address the various development challenges facing the region. Thus, it is imperative that ASEAN member states continue to commit to deeper

economic integration by ensuring the timely implementation of AEC measures and adhering to the commitments made under the AEC. Along these lines, countries must continue to pursue regulatory reforms and transpose domestic laws and regulations in line with their regional commitments.

17. Second, in as much as the AEC is a market-driven process, its success depends so much on how effective the markets are engaged in the entire process of integration. All stakeholders, particularly the private sector, should step up their commitments and mechanisms involving different stakeholders should be explored. One important mechanism is the public-private sector engagement that should be given utmost priority. Through such engagement, government policy makers should be able to assess the impact and effectiveness of policies being undertaken are aligned with the AEC priorities. At the same time, it should provide the private sector an opportunity to discuss their business operations within the broader integration agenda under the AEC, and to discuss how the various AEC initiatives may or may not work with the markets.
18. Recognizing the importance of public outreach to effectively communicate the goals of the AEC, particularly to the market players, the participants supported the idea of holding the AEC Symposium as annual event. As such, it was further recognized that the AEC Symposium should serve as a platform for public-private sector engagement and to showcase the ASEAN's commitment to achieve economic integration by 2015.
