

Below the logo, there are three thick, curved lines that sweep across the page. The top line is blue, the middle line is yellow, and the bottom line is red, creating a dynamic, flowing effect.

# ASEAN ECONOMIC COMMUNITY **HANDBOOK FOR BUSINESS**

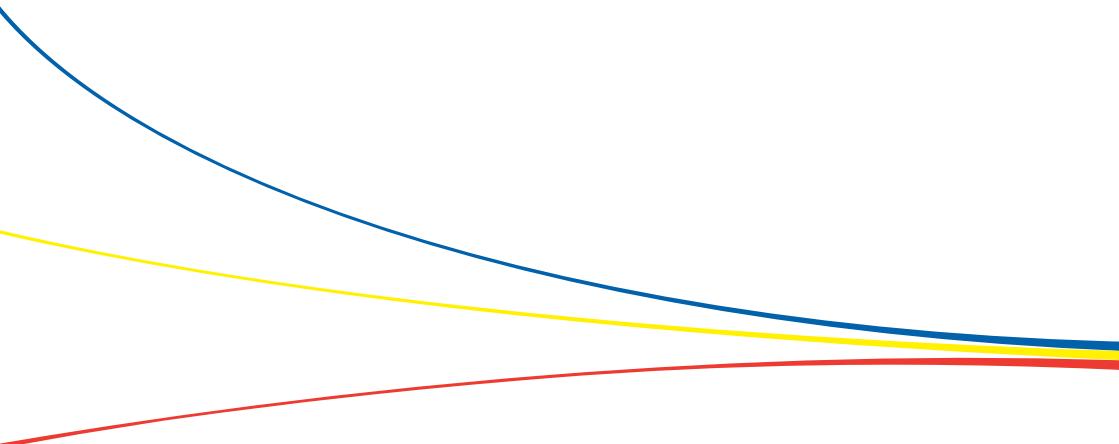




# **ASEAN ECONOMIC COMMUNITY**

# **HANDBOOK FOR BUSINESS**

The ASEAN Secretariat  
Jakarta



The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967. The Member States of the Association are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.

The ASEAN Secretariat is based in Jakarta, Indonesia.

For inquiries, contact:

The ASEAN Secretariat

Public Outreach and Civil Society Division

70A Jalan Sisingamangaraja

Jakarta 12110

Indonesia

Phone : (62 21) 724-3372, 726-2991

Fax : (62 21) 739-8234, 724-3504

E-mail : [public.div@asean.org](mailto:public.div@asean.org)

General information on ASEAN appears online at  
the ASEAN Website: [www.asean.org](http://www.asean.org)

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# History of ASEAN

ASEAN – the Association of Southeast Asian Nations – was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (also known as the Bangkok Declaration) by the Founding Members of ASEAN, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam joined on 7 January 1984, Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up today's 10 Member States of ASEAN.

The two-page ASEAN Declaration contains the aims and purposes of the Association, which include cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law, and adherence to the principles of the United Nations Charter.

With a shared vision of ASEAN as a unified body of Southeast Asian nations living in peace, stability and prosperity, and bonded together in partnership for dynamic development and as a community of caring societies, ASEAN Leaders in 2003 resolved to establish an ASEAN Community in 2020. In 2007, the Leaders affirmed their strong commitment to regional integration and agreed to accelerate the establishment of an ASEAN Community by 2015.

The three pillars of the ASEAN Community—the ASEAN Political-Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community—will work in tandem to realise ASEAN's regional integration under the guidance of the ASEAN Charter.

The ASEAN Charter provides the ASEAN Community's legal status and institutional framework, codifies ASEAN norms, rules and values, and sets clear targets and guidelines for accountability and compliance. With its entry into force on 15 December 2008, the Charter serves as the foundation for ASEAN's new legal framework and the establishment of new organs and mechanisms to boost ASEAN's community-building process.



# Foreword by H.E. Dr. Surin Pitsuwan, **Secretary-General of ASEAN**



The participation and collaboration of all stakeholders, particularly the private sector, is crucial to the creation of a strong foundation for the establishment of the ASEAN Economic Community (AEC) in 2015. The private sector as the main driver of regional and global supply chains plays a critical role in ensuring the successful realisation of ASEAN as a single market and production base.

Recognizing the need to engage the business community in the process of building a dynamic AEC, ASEAN Heads of Governments have engaged actively in dialogues with the private sector, both in their home countries and at the sidelines of ASEAN Summits. Various other ASEAN forums and activities have been created for the participation of the private sector, such as the ASEAN Economic Ministers' dialogue with business groups and industry associations in the region, as well as with foreign ASEAN-based chambers of commerce and industry associations. ASEAN senior officials and sectoral bodies also have actively engaged in discussions with business representatives to encourage their participation in the ASEAN integration process.

As Secretary-General of ASEAN, I have taken it upon myself to further engage and challenge the private sector to be fully involved in the AEC building process. Despite our ongoing efforts, much work must still be done to promote awareness among the ASEAN general public and business community of the ongoing developments leading up to the realisation of the AEC in 2015.

Against this backdrop, the *ASEAN Economic Community Handbook for Business* has been developed to provide the most up-to-date and easy to comprehend information on the AEC for the private sector, civil society and the general public.

It is my fervent hope that the Handbook will assist companies in charting their business plans and enhance the engagement of regional and transnational businesses in commercial activities and services throughout ASEAN. I also hope the Handbook will serve as a useful guide for small and medium enterprises to help them expand their businesses activities across the ASEAN region and strengthen their links with the global economy.

I wish the ASEAN business community every success!

Thank you.

# Message by H.E. S. Pushpanathan,

## Deputy Secretary-General of ASEAN for ASEAN Economic Community



The signing of the ASEAN Charter and adoption of the ASEAN Economic Community (AEC) Blueprint by the ASEAN Heads of Government in 2007 has provided the momentum for the realisation of the AEC in 2015.

ASEAN has achieved steady progress in implementing the measures under the AEC Blueprint. The key accomplishments include the elimination of almost all tariffs lines among the more developed ASEAN Member States under the ASEAN Free Trade Area; the signing of the ASEAN Trade in Goods Agreement and ASEAN Comprehensive Investment Agreements; several rounds of ASEAN services liberalisation; the conclusion of free trade arrangements with Australia, New Zealand, China, India, Japan and the Republic of Korea; adoption of the Master Plan on ASEAN Connectivity, the establishment of the Chiang Mai Initiative Multi-lateralisation and launching of the ASEAN Infrastructure Fund.

The ASEAN Heads of Government have acknowledged the importance of engaging the private sector to ensure its active involvement in the regional economic integration process. The vital role of the business community in promoting economic integration and strengthening ASEAN economies has already borne fruit. Through their investments, ASEAN companies have promoted economic growth, created jobs, brought in technology and encouraged innovation. With the realisation of the AEC in 2015, the private sector can be expected to continue to invest, compete and contribute further to the region's competitiveness and to its broad-based, sustainable and inclusive economic growth and development.

In this regard, the continued partnership between governments and the private sector will be critical in strengthening regional economic integration. As we develop the AEC, private-sector feedback and involvement will play an increasingly pivotal role in the formulation and implementation of policies, schemes, initiatives, laws and regulations supporting regional integration. Only through such engagement and partnership can we realise the AEC and bring its full benefits to our people.

We have prepared the *ASEAN Economic Community Handbook for Business* with the aim of engaging the private sector and other stakeholders, including Dialogue and Development Partners, civil society and academia, and sharing up-to-date information on the progress of ASEAN's regional economic integration. This reader-friendly Handbook will hopefully support the AEC Roadmap for the successful realisation of an integrated ASEAN in 2015, while highlighting the many exciting opportunities for businesses in ASEAN.

Pleasant reading! Thank You.

# Introduction to the ASEAN Economic Community (AEC)

The ASEAN Economic Community (AEC) is founded on a vision of a single market and production base for ASEAN Member States to promote the free movement of goods, services, investment and skilled labour across the ASEAN region. The AEC aims to foster equitable economic development across the region and the creation of a highly competitive economic region that will be fully integrated into the global economy.

In 2003, ASEAN Leaders agreed to establish by 2020 an ASEAN Community comprising three pillars — the ASEAN Political-Security Community (APSC), ASEAN Economic Community (AEC) and ASEAN Socio-Cultural Community (ASCC). In 2007, they affirmed this commitment with the decision to accelerate the creation of an ASEAN Community by 2015. In particular, ASEAN Leaders agreed to hasten the process of regional economic integration with the adoption of the ASEAN Economic Community (AEC) Blueprint in 2007 for the establishment of the ASEAN Economic Community by 2015.

## **Single Market and Production Base**

The realisation of ASEAN Economic Community will see the transformation of ASEAN into a single market and production base that will enhance ASEAN's competitiveness. The AEC will foster the regional integration of priority sectors and allow for the free movement of business persons, skilled labour and talents. An ASEAN single market and production base comprises five core elements: free flow of goods; free flow of services; free flow of investment; free flow of capital; and free flow of skilled labour.

Tariffs will be eliminated and non-tariff barriers will be gradually phased out. ASEAN investors will be free to invest in all sectors throughout the region. There will be a free movement of professionals and skilled labour. Simple, harmonised and standardised trade and customs requirements are expected to reduce transaction costs.

A single market for goods and services will boost the development of production networks in the region and enhance ASEAN's capacity to serve as a global production centre to better meet the demands of the global supply chain.

The industry sectors targeted to benefit from the single market and production base include the following priority integration sectors: agro-based products, air travel (air transport), automotive, e-ASEAN, electronics, fisheries, healthcare, rubber-based products, textiles and apparel, tourism, wood-based products, and logistic services..

## **Competitive Economic Region**

The ASEAN Economic Community aims to create a stable, prosperous and highly competitive economic region that prioritizes six core elements: competition policy; consumer protection; intellectual property rights; infrastructure development; taxation; and e-commerce.

ASEAN is committed to fostering a culture of fair competition by introducing competition policies and laws to ensure a level playing field among ASEAN Member States and enhanced regional economic performance.

## **Equitable Economic Development**

The AEC framework for Small and Medium Enterprise (SME) development in the ASEAN region aims to enhance the competitiveness of small and medium businesses by facilitating increased access to information, financing, technology and human resource development and skills. These initiatives are aimed at bridging the development gaps within ASEAN and enhancing the economic integration of Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) — to enable all ASEAN Member States to move forward in a unified manner and to ensure all countries in the region benefit equally from the economic integration process.

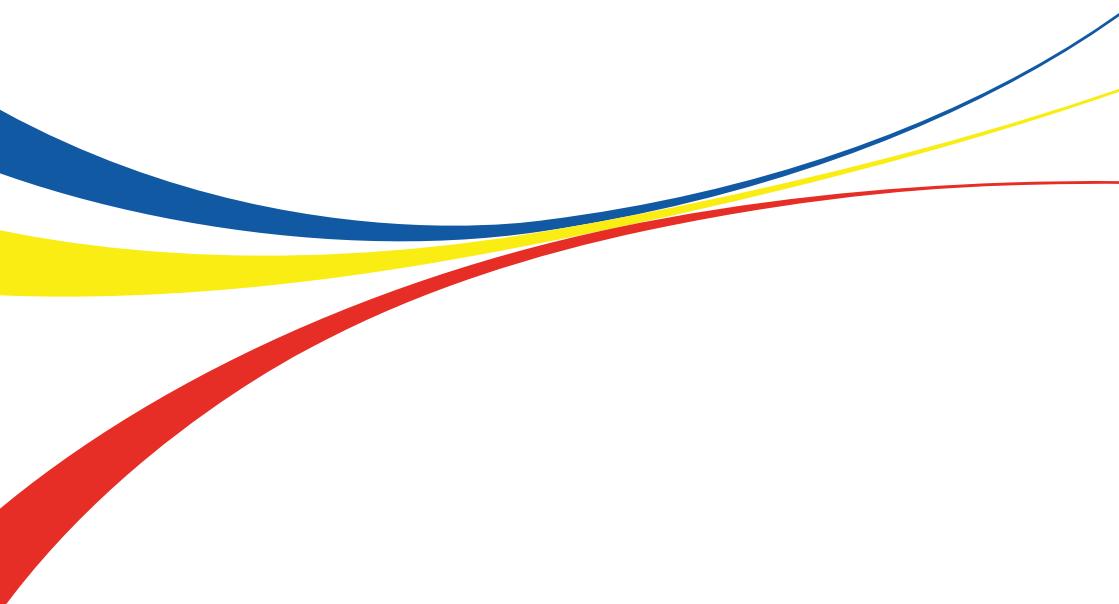
## Integration into the Global Economy

ASEAN operates in an increasingly globalised environment, with interdependent markets and globalised industries. ASEAN must, therefore, look beyond the borders of AEC and consider regulations outside the region in forming policies related to AEC, including the adoption of international best practices and standards in production and distribution. This will be critical in enabling businesses in the region to compete successfully in global markets, achieve production objectives to become key global suppliers and ensure the ASEAN market remains attractive to foreign investors.

ASEAN Member States aim to enhance their participation in global supply networks by upgrading their industrial capability and productivity. The AEC will maintain “ASEAN Centrality,” and proactive role in its engagement with ASEAN FTA partners and other external economic partners in the evolving regional architecture.



# TRADE FACILITATION





# Trade Facilitation

As ASEAN moves towards establishing the ASEAN Economic Community (AEC) by 2015, steps to improve trade facilitation, including the removal of non-tariff trade barriers to promote the free movement of goods in the region, have been taken to enhance trade among ASEAN Member States (AMS).

To encourage the free flow of goods and the development of an integrated regional production network, ASEAN Member States adopted the Trade Facilitation Work Programme and the Trade Facilitation Indicators in 2008 and 2009, respectively. The Trade Facilitation Work Programme is a programme for trade facilitation reforms to enhance trade within the ASEAN region by reducing transaction costs. The ASEAN Trade Facilitation Indicators are quantifiable indicators to measure the impact of trade facilitation reforms on both the public and private sectors.

## Tariff Liberalisation

In January 2010, Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand (ASEAN-6) eliminated intra-ASEAN import duties on 99.65% of their tariff lines. Of these zero-tariff goods, 24.15% are from the Priority Integration Sectors (PIS) —i.e. agro-based products, automotive, e-ASEAN, electronics, fisheries, healthcare products, rubber-based products, textiles and apparels, and wood-based products — 14.92% are iron and steel products, 8.93% are machinery and mechanical appliances and 8.3 % are chemical related products.

Similarly, Cambodia, Lao PDR, Myanmar and Viet Nam have reduced their import duties to 0-5% on 98.86% of their tariff lines. In addition to the goods noted above, other products originating in ASEAN, such as prepared foodstuffs, furniture, plastics, paper, cement, ceramics, glass and aluminium can enjoy duty-free entry into Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand.

(Detailed information on import duties of products for intra-ASEAN trade (ATIGA Tariff Schedule) is accessible on the ASEAN Secretariat website at <http://www.asean.org/25053.htm>.)

## **Improving Transparency of Trade**

ASEAN is working towards establishing an ASEAN Trade Repository (ATR) by 2015 that will serve as a gateway for regulatory information at both regional and national levels. The ATR will provide information on regulations related to: tariff nomenclature; preferential tariffs offered under the ASEAN Trade in Goods Agreement (ATIGA); Rules of Origin (ROO); Non-tariff Measures (NTMs); national trade and customs laws and rules; documentary requirements; and lists of authorised traders of ASEAN Member States.

Once established and fully functioning, the ATR will be made available on the Internet for exporters, importers, traders, government agencies, researchers and the general public.

## **Rules of Origin Reforms**

To expedite the clearance of goods by customs authorities and increase transparency in cross-border transactions, ASEAN Member States are developing the ASEAN Single Window (ASW), a coordinated regional system that will provide an integrated partnership platform among government agencies and end-users for the free movement of goods throughout the ASEAN region.

The ASEAN Rules of Origin (ROO) are also being continuously revised to respond to changes in global production processes, and to make these regulations more trade-friendly and as liberal as those contained in the ASEAN Free Trade Area arrangements. The ROO revisions undertaken to

date have introduced other origin criteria to give economic operators wider options for achieving ASEAN-origin status for regionally traded products. The revised ROO is reflected in the Products Specific Rules (PSR), which provide a choice of rules from a RVC<sup>1</sup>-based rule of origin, a CTC<sup>2</sup>-based rule of origin, a specific manufacturing or processing operation, or a combination of any of these.

ASEAN Member States are also considering the establishment of a self-certification scheme for the declaration of origin. The self-certification scheme to be implemented in 2012 enables “certified economic operators” like exporters, traders and manufacturers who have demonstrated their capacity to comply with origin requirements to self-certify the originating status of goods, instead of having to present a Certificate of Origin (CO) issued by government authorities.

**For more information:**

Trade and Facilitation Division  
Haridass Nagalingam (haridass.nagalingam@asean.org)

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1 Regional Value Content  
2 Change in Tariff Classification



# ASEAN Trade in Goods Agreement (ATIGA)

Establishing a single market and production base to allow for the free flow of goods by 2015, requires integrating existing and additional measures relevant to the trade of goods under one umbrella. To achieve this, the ASEAN Economic Ministers agreed in August 2007 to enhance the Common Effective Preferential Tariff for ASEAN Free Trade Agreement (CEPT-AFTA) to make it a more comprehensive legal instrument. This led to the signing of the ASEAN Trade in Goods Agreement (ATIGA) in February 2009.

## Key Elements of the ATIGA

- i) ATIGA consolidates and streamlines all the provisions in the CEPT-AFTA and formalises several ministerial decisions. As a result, the ATIGA has become the single legal instrument for providing guidance to the private sector and for the government officials who will implement and enforce the Agreement.
- ii) The ATIGA annex provides the full tariff reduction schedule of each ASEAN Member State and spells out the tariff rates to be applied on each product for each year up to 2015. This makes tariff reduction schedules transparent and predictable for the business community. The complete Legal Enactments for the ATIGA Tariff reduction schedules of all ASEAN Member States have been issued and uploaded on the ASEAN website (<http://www.asean.org/25053.htm>).
- iii) The ATIGA comprises elements to ensure the free flow of goods within ASEAN, including the following: tariff liberalisation, removal of non-tariff barriers, rules of origin, trade facilitation, customs, standards and conformance, and sanitary and phyto-sanitary measures. The ATIGA contains comprehensive coverage of commitments related to trade in goods, along with institutional arrangements and mechanisms for its implementation. This will allow for the synergy of actions among the various ASEAN sectoral bodies.

- iv) To realize the objective of eliminating non-tariff barriers, the provisions on non-tariff measures (NTMs) in the ATIGA have been enhanced further through codification of measures and the establishment of a mechanism to monitor the committed elimination of non-tariff barriers.
- v) The ATIGA also includes the ASEAN Framework on Trade Facilitation. Subsequently, ASEAN has developed the Trade Facilitation Work Programme for the period of 2009-2015 and is exploring the possibilities of utilising the World Bank Ease of Doing Business indicators as a basis to assess the progress of trade facilitation in ASEAN.

## **Entry into Force of the ATIGA**

With the entry into force of the ATIGA in May 2010, importers and exporters benefit from the lower tariffs and reduced non-tariff barriers. ASEAN consumers, at the same time, benefit from having access to a greater variety of goods at lower prices.

After the entry into force of the ATIGA, certain ASEAN agreements relating to trade in goods such as the CEPT Agreement and selected Protocols will be superseded. However, the superseded agreements shall not be administratively annexed to the ATIGA until all relevant subsisting agreements are amended, endorsed and signed.

### **For more information:**

Trade and Facilitation Division  
Panadda Dasananda ([panadda.d@asean.org](mailto:panadda.d@asean.org))

# ASEAN Customs Modernisation

Customs administrations in the ASEAN Member States are accelerating the reform and modernisation of customs techniques and procedures in order to enhance trade facilitation.

The Strategic Program of Customs Development (SPCD) stipulates the release of any container for shipment within 30 minutes. With a view to modernising customs operations, Information and Communication Technology (ICT) applications have been introduced to clear goods through customs in the ASEAN Member States in accordance with international standards. This has contributed to reducing both processing costs and the time required for release of shipments from customs control. ASEAN Customs Administrations are also working in partnership with industries and businesses to strengthen and improve the level of service and compliance.

With tariffs going down to zero on 99.65% of traded lines for the ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand) and 0-5% on 98.86% of traded lines for the remaining four countries since January 2010, customs agencies are accelerating efforts to enhance trade facilitation to expedite customs clearance.

## Progress and Achievements

- ASEAN customs administrations adopted the ASEAN Customs Vision 2015 at the 17<sup>th</sup> Meeting of the ASEAN Customs Directors-General in Vientiane, Lao PDR, in June 2008.
- Substantial progress has been achieved in reviewing the ASEAN Agreement on Customs (1997) to support the realisation of the ASEAN Economic Community. New provisions enable ASEAN customs practices to align to international conventions and standards, such as the Revised Kyoto Convention, WTO Agreement on Customs Valuation

and the implementation of the World Customs Organization SAFE Framework of Standards.

- Member States are now reviewing the ASEAN Harmonized Tariff Nomenclature 2007/1 for the AHTN 2012. The latter will be fully aligned with amendments to the Harmonized Commodity Description and Coding System (HS) 2007 by World Customs Organisation for HS 2012. Client Service Charters have been adopted by ASEAN customs administrations as a commitment to good governance.
- The Customs Integrity Blueprint and Human Resource Development Blueprint were also adopted to better serve the public.
- The ASEAN Customs Valuation Guide, the ASEAN Cargo Processing Model and the Customs Post Clearance Audit Manual were developed and are being used by Member States.
- Efforts to facilitate regional connectivity and activate the ASEAN Customs Transit System under the ASEAN Framework Agreement on Facilitation of Goods in Transit have been intensified. It is expected that Protocol 7, ASEAN Customs Transit System, under this Agreement will be signed in 2012.
- ASEAN Customs Administrations play an active part in enabling the operation of National Single Windows and the ASEAN Single Window, which will provide a common partnership platform among regulatory and enforcement agencies and economic operators in expediting customs clearance and release of goods.

- ASEAN Customs Administrations adopted the ASEAN Customs Risk Management Guide at the 19<sup>th</sup> Meeting of the ASEAN Customs Directors-General. The Guide provides guidelines for Member States in expediting customs clearance while promoting compliance with regulations and legislation.

## Future Directions

ASEAN will continue to modernise customs techniques and enhance the delivery of customs services to the public, in line with the ASEAN Economic Community Blueprint. Implementing provisions of the Customs Chapter and the Trade Facilitation Chapter of the ASEAN Trade in Goods Agreement will be key to realizing the free flow of goods envisioned by the ASEAN Economic Community.

### For more information:

Trade and Facilitation Division  
Roeun Socheat (roeun.socheat@asean.org)



## ASEAN Single Window (ASW)

The ASEAN Single Window (ASW) is a key component of ASEAN's plan to realise the ASEAN Economic Community by 2015. The ASW, when fully operational, will enhance trade facilitation and the movement of goods in the region by providing architecture for the electronic exchange of cargo clearance data among ASEAN Member States (AMS). National Single Windows (NSWs), which connect to each other via the ASW, allow traders to submit trade-related documents in one place and enable agencies within a Member State to process and deliver decisions through the same point where the submission was made.

Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand have activated their NSWs and are currently at various levels of operational development. In these AMS, ASEAN businesses and industries are increasingly making use of NSWs for submitting and processing customs declarations and fulfilling regulatory requirements. Cambodia, Lao PDR, Myanmar and Viet Nam are in early phases of development and are implementing e-customs applications, which include document submission, selectivity, duty payment and release. Lao PDR and Vietnam have made important strides recently to launch NSW development.

In 2010, ASEAN adopted the ASEAN Data Model (ADM) as a working document, which seeks to harmonize data requirements for 13 forms used in the trading process in ASEAN and allow AMS to use a common language in exchanging data electronically. AMS are now working to upgrade the ADM based on the most recent World Customs Organization Data Model.

Brunei Darussalam, Indonesia, Malaysia and the Philippines have successfully conducted the electronic exchange of information on the ASEAN Trade in Goods Agreement (ATIGA) Form D using a regional platform. Through this activity some live data is being exchanged between Malaysia and Indonesia, which allows goods to clear customs faster

through the use of electronic forms rather than waiting for hard copies to be submitted by traders.

ASEAN has also developed a software application for the electronic processing of the ASEAN Customs Declaration Document (ACDD), which will allow an export declaration to be exchanged between customs administrations to expedite clearance of goods.

ASEAN Member States have invested substantial effort and resources in designing the ASW and are now beginning to work on the required information and communications technology (ICT) infrastructure and the legal mechanisms for exchanging data electronically among AMS. A secure and reliable ICT infrastructure and legal framework will provide the basis for technical and legal interoperability among Member States. The AMS signed a Memorandum of Understanding for the Implementation of the ASW Pilot Project in 2011, which will allow the participating Member States to test the ASW design.

Some other major key areas under consideration by ASEAN Member States in establishing the ASW are: business processes, data harmonisation, sustainability and security.

Initiating partnerships between the trading community and economic operators will be critical as these parties play a key role in the realisation of the ASW. In this context and as a next step, ASEAN Member States have agreed to private sector consultations and have developed a work programme to engage the private sector.

**For more information, please contact:**

Trade and Facilitation Division  
Haridass Nagalingam ([haridass.nagalingam@asean.org](mailto:haridass.nagalingam@asean.org))

# Conformity Assessment in ASEAN

Mutual Recognition Arrangements (MRAs) are agreements made between two or more parties to mutually recognise or accept aspects of each other's assessments of product standards. Having an MRA would reduce the need for a product to undergo multiple tests in order to be sold or used in different ASEAN countries. MRAs can help reduce business costs on test reports and increase the certainty of market access for products. Consumers also are assured of the quality of the products in the market that have been tested in accordance with the requirements of the MRAs.

The ASEAN Framework Agreement on Mutual Recognition Agreements signed in 1998 has provided a framework for ASEAN Member States to adopt MRAs for different sectors. MRAs are concluded at the government-to-government level for product classes regulated by the governments.

## **ASEAN Sectoral MRAs**

To date, ASEAN has concluded two sectoral MRAs, namely in the electrical and electronic sector and the pharmaceutical sector.

The ASEAN Electrical and Electronic Mutual Recognition Arrangement, signed in 2002, covers electrical and electronic equipment (EEE) that is connected to low voltage power supply or is battery powered. There are currently 17 testing laboratories and three certification bodies listed under this MRA. Under this MRA, any EEE product that has been tested and/or certified by a listed testing laboratory or certification body would be accepted as having met the regulatory requirements of all ASEAN Member States.

The ASEAN Sectoral Mutual Recognition Arrangement for Good Manufacturing Practice (GMP) for Manufacturers of Medicinal Products, signed in 2009, calls for the mutual recognition of GMP certifications and/or

inspection reports issued by Listed Inspection Bodies of ASEAN Member States within the scope of the MRA.

MRAs for agro-based products and automotive sectors are being developed and are expected to be concluded in 2012.

**For more information:**

Trade and Facilitation Division  
Shirley V. Ramesh ([shirley@asean.org](mailto:shirley@asean.org))

# Harmonising Standards and Technical Regulations

Divergences in national product standards often act as impediments to trade. Doing business in the ASEAN Economic Community will require a harmonisation of product standards and technical regulations, as well as mutual recognition of test reports and certification.

Different standards or excessive technical regulations can serve as major obstacles for producers and exporters. The harmonising of standards, technical regulations and conformity assessment procedures will play a key role in trade facilitation.

ASEAN is also developing the rules for the application of an ASEAN conformity marking scheme, which will indicate whether a product is in conformity with the ASEAN Harmonised Technical Regulations/ Requirements. The ASEAN Conformity Mark will demonstrate that the product has complied with the harmonised requirements of ASEAN Member States.

## Alignment with International Standards and Practices

ASEAN's approach to preparing, revising or applying standards, technical regulations and associated conformance regulations has been based on international standards and practices. This includes alignment, as much possible, with obligations under the Agreement on Technical Barriers to Trade (TBT), except where legitimate reasons for deviations exist.

The ASEAN Policy Guideline on Standards and Conformance, which was adopted in 2005, sets guiding principles for implementing joint efforts of ASEAN Member States in the area of standards and conformance, both in regulated and non-regulated sectors.

The ASEAN Good Regulatory Practice Guide provides guidance to regulators in ASEAN Member States to assist in the preparation and adoption of efficient regulatory arrangements aimed at improving the consistency and transparency of technical regulations to reduce regulatory barriers to trade.

## Harmonisation of Standards

In 1997, work on harmonising standards began with the identification of 20 priority products. As a result, a total of 58 standards for electrical appliances and three standards for rubber-based products sector were harmonised. Progress also has been reported in the pharmaceutical sector.

Product and Corresponding Standards	Progress Made
<b>Electrical Appliances</b> ISO, IEC & ITU	58 harmonised standards 71 harmonised standards
<b>Electrical safety</b> IEC	10 harmonised standards
<b>Electromagnetic components</b> CISPR	
<b>Rubber-based products</b> ISO	3 harmonised standards
<b>Pharmaceuticals</b> International Conference on Harmonisation Requirements (ICH)	Completion of the ASEAN Common Technical Dossiers (ACTD) and ASEAN Common Technical Requirements (ACTR)

The harmonisation of standards in other sectors earmarked as priorities for economic integration are under way. These include agro-based products,

cosmetics, fisheries, pharmaceuticals, rubber-based products, wood-based products, automotive, construction, medical devices, traditional medicine and health supplement sectors.

## **Harmonisation of Technical Regulations**

ASEAN has harmonised the technical regulations for the cosmetics sector (under the ASEAN Harmonised Cosmetic Regulatory Scheme signed in 2003) and the electrical and electronics sector (under the ASEAN Harmonised Electrical and Electronics Equipment Regulatory Regime) were signed in 2005.

The harmonisation of technical regulations for other sectors is under way for agro-based products, automotive, medical devices, traditional medicine and health supplement sectors.

### **For more information:**

Trade and Facilitation Division  
Shirley V. Ramesh ([shirley@asean.org](mailto:shirley@asean.org))



# Ensuring Safe Pharmaceutical Products in ASEAN

In 2009, ASEAN Economic Ministers signed the ASEAN Sectoral Mutual Recognition Arrangement (MRA) for Good Manufacturing Practice (GMP) Inspection of Manufacturers of Medicinal Products at the 14<sup>th</sup> ASEAN Summit in Pattaya, Thailand.

The MRA for GMP Inspection of Manufacturers of Medicinal Products calls for the mutual recognition of GMP certifications and inspection reports across the ASEAN region. These certificates and inspection reports will be used as the basis for regulatory actions such as the granting of approvals or licenses to manufacturers, supporting post-market assessments of standards conformity of these products, and providing information on the manufacturer's facilities including in-house or contracted testing laboratories. The reports will also include information from pharmaceutical companies about the dosage forms manufactured at the facility and whether the manufacturer has complied with GMP requirements.

Under this MRA, a facility manufacturing medicinal products must ensure it is licensed to manufacture medicinal products or carry out the manufacturing operation in question. The facility shall be regularly inspected for compliance with GMP standards. The facility shall also demonstrate that it complies with the Pharmaceutical Inspection Cooperation Scheme (PIC/S) Guide to GMP for Medicinal Products or equivalent GMP code to fulfil the obligations under this MRA.

## **Benefits of Mutual Recognition Arrangement for Pharmaceuticals**

Compliance with this MRA will ensure the safety, quality and efficacy of medicinal products manufactured in the ASEAN region. It will ensure medicinal products across the ASEAN region are consistently produced and controlled in accordance with the agreed principles of good

manufacturing practices and quality standards among ASEAN regulators. This will enhance the competitiveness of manufacturers as well as increase consumers' confidence in their products.

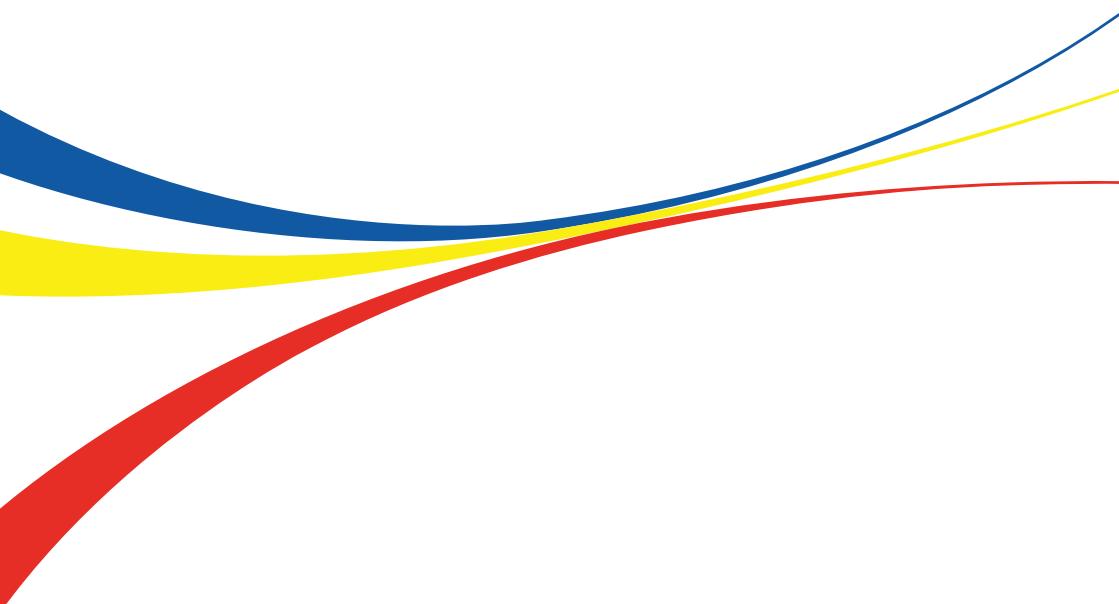
The MRA will benefit both manufacturers and consumers of pharmaceutical products. Business costs for manufacturers will be reduced as they will not need to undergo repetitive testing or certification processes. Consumers will benefit from the assurance that the medicinal products they consume are safe and effective.

**For more information:**

Trade and Facilitation Division  
Shirley V. Ramesh ([shirley@asean.org](mailto:shirley@asean.org))

# TRADE IN SERVICES

Trade in  
Services





# ASEAN Framework Agreement on Services (AFAS)

The services sector is a major and expanding component of the Gross Domestic Product (GDP) of ASEAN Member States (AMS), presently accounting for 40% to 60% of GDP. ASEAN's export of commercial services has been expanding steadily, from US\$79 billion in 2003 to US\$219 billion in 2010. Likewise, ASEAN's import of commercial services expanded from US\$ 104 billion in 2003 to US\$ 229 billion in 2010.

In recognition of the growing importance of intra-ASEAN integration in the services sector, the ASEAN Economic Ministers (AEM) signed the ASEAN Framework Agreement on Services (AFAS) in 1995 in Bangkok, Thailand. AFAS aims to:

- enhance cooperation in services among ASEAN Member States to improve the efficiency and competitiveness of ASEAN services industries, diversify production capacity and supply, and distribution of services;
- eliminate substantial barriers to trade in services;
- liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken under the General Agreement on Trade in Services of the World Trade Organization.

Under AFAS, Member States engage in successive rounds of negotiations to liberalise trade in services within the ASEAN region. The negotiations aim to achieve increasingly higher levels of commitments, which are set forth in service commitment packages annexed to the Framework Agreement.

## **What Has Been Achieved?**

Since the signing of AFAS in 1995, ASEAN has concluded five rounds of negotiations resulting in seven packages of commitments under AFAS. These include a wide range of services sectors under the purview of the ASEAN Economic Ministers (AEM), such as business and professional services, construction, distribution, education, environmental services, healthcare, maritime transport, telecommunications and tourism.

These packages are implemented via Protocols signed by the AEM and provide details of liberalisation of the services sub-sectors where commitments are made. (Full details are available at <http://www.asean.org/20071.htm>).

Starting from the fifth package, an AFAS package would comprise all commitments made by ASEAN Member States under the World Trade Organisation (WTO), under earlier AFAS packages, and improved or new commitments made in the current package. Hence, stakeholders would have full information of the services commitment made by ASEAN Member States in both the WTO and AFAS by perusing the latest AFAS package.

In addition to these AFAS packages, there have also been four additional packages of financial services commitments signed by ASEAN Finance Ministers (see <http://www.asean.org/19833.htm>) and three additional packages for air transport services signed by ASEAN Transport Ministers (see <http://www.asean.org/19867.htm>).

## **The Latest AFAS Commitments**

ASEAN Member States continue to improve their commitments. The 8<sup>th</sup> Package, the most ambitious set of commitments to date, is targeted to be completed by 2011. Subject to a limited pre-agreed flexibility, the

commitments shall be in line with the targets set under the AEC Blueprint, which include:

- Scheduling no restrictions for cross border supply and consumption abroad (Modes 1 and 2);
- Allowing for foreign equity participation of 51% or more (Mode 3);
- Progressively removing other restrictions.

ASEAN Member States are expected to continue expanding the depth and breadth of their services commitments towards achieving free flow of services by 2015.

**For more information:**

Services & Investment Division  
Tan Tai Hiong ([hiong@asean.org](mailto:hiong@asean.org))



# Mutual Recognition Arrangements (MRA) in Services

Mutual Recognition Arrangements (MRA) in the services sector, a relatively recent development in ASEAN, enables the qualifications of services suppliers recognised by the relevant authorities in their home country to be mutually recognised by other signatory Member States. This promotes the flow of professional services providers in the ASEAN region, in accordance with relevant domestic rules and regulations.

## **ASEAN MRA in Services**

The ASEAN Framework Agreement on Services (AFAS), signed by ASEAN Economic Ministers (AEM) in 1995 in Bangkok, Thailand, recognises the importance of MRA in overall services integration in ASEAN. Article V of AFAS provides that:

“Each Member State may recognise the education or experience obtained, requirements met, or licences or certifications granted in another Member State, for the purpose of licensing or certification of service suppliers. Such recognition may be based upon an agreement or arrangement with the Member State concerned or may be accorded autonomously.”

ASEAN Heads of States/Governments at their 7<sup>th</sup> Summit held in 2001 in Bandar Seri Begawan, Brunei Darussalam, mandated the start of negotiations on MRA to facilitate the flow of professional services under AFAS. The ASEAN Coordinating Committee on Services (CCS) established an Ad-hoc Expert Group on MRA under its Business Services Sectoral Working Group in July 2003 to begin negotiations on MRAs in services. Subsequently, the CCS established the Healthcare Sectoral Working Group in March 2004, which held negotiations on MRAs in the healthcare sector.

## **What Has Been Achieved?**

The following Mutual Recognition Arrangements in the services sector have been concluded and signed by the ASEAN Economic Ministers:

- MRA on Engineering Services (2005)
- MRA on Nursing Services (2006)
- MRA on Architectural Services and Framework Arrangement for the Mutual Recognition of Surveying Qualifications (2007)
- MRA Framework on Accountancy Services, MRA on Medical Practitioners, and MRA on Dental Practitioners (2009)

An MRA on Tourism Professionals was adopted at the 12<sup>th</sup> Meeting of ASEAN Tourism Ministers (MATM) in 2009 in Ha Noi, Viet Nam.

Various mechanisms are being established to administer the implementation of MRAs in the services sector to ensure that professionals across the ASEAN region derive tangible benefits from the agreements.

The MRAs for engineers and architects provide a coordinating mechanism, while the MRAs for medical and dental practitioners focus on cooperation, with the aim of facilitating the recognition of qualified practitioners in other ASEAN Member States. The MRAs on accountancy and surveying services provide a framework of broad principles for further bilateral and multilateral negotiations among ASEAN Member States.

### **For more information:**

Services & Investment Division  
Tan Tai Hiong ([hiong@asean.org](mailto:hiong@asean.org))

# INVESTMENT

Investment





# ASEAN Comprehensive Investment Agreement (ACIA)

ASEAN aims to enhance its attractiveness as an investment destination as it moves towards regional integration in 2015. In February 2009, ASEAN Ministers signed the ASEAN Comprehensive Investment Agreement (ACIA) with a view to creating a free, open and transparent investment regime in line with ASEAN's economic integration goals.

ACIA, as its title suggests, is a comprehensive investment agreement that seeks to promote a more liberal, facilitative, transparent and competitive investment environment. Building upon two earlier ASEAN Investment Agreements — the 1987 ASEAN Agreement for the Promotion and Protection of Investments, also known as the ASEAN Investment Guarantee Agreement (ASEAN IGA) and the 1998 Framework Agreement on the ASEAN Investment Area (commonly known as "AIA Agreement"), ACIA:

- reaffirms the IGA and AIA provisions on national treatment and most-favoured-nation treatment;
- improves upon the provisions of these two earlier agreements, based on international best practices;
- contains forward-looking provisions on the four pillars of liberalisation, protection, facilitation and promotion.

ACIA's comprehensive provisions will enhance protection of investments and improve investors' confidence in the region. The Agreement contains new provisions on investor-state dispute settlements, transfers and treatment of investments. It adopts a negative list approach to listing of reservations and provides for further liberalization within set timelines in accordance with the AEC phases. It also contains new articles on Prohibition of Performance Requirements (TRIMs) and on Senior Management and Board of Directors.

ASEAN's ongoing efforts to create a more favourable region-wide investment environment seek to enhance investment flows, attract more investors into the region and increase intra-ASEAN investments. ACIA aims to boost investors' confidence in the region and encourage further development of intra-ASEAN investments, especially among multinational companies based in ASEAN and the expansion of the SME investments within ASEAN, to enhance their contributions to the economic development and integration of the ASEAN region.

**For more information:**

Services & Investment Division ([investment@asean.org](mailto:investment@asean.org))

# FINANCIAL INTEGRATION

Financial  
Integration





# Financial Integration in the ASEAN Economic Community

The integration of ASEAN financial and capital markets by 2015, as envisaged by the ASEAN Economic Community Blueprint, will be a smoothly functioning regional financial system, with more liberalised capital account regimes and interlinked capital markets that will facilitate greater trade and investment flows in the region.

As indicated in the Roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin), financial integration in ASEAN will be accomplished through the following initiatives: Financial Services Liberalisation, Capital Account Liberalisation and Capital Market Development.

## **Financial Services Liberalisation**

ASEAN's progressive liberalisation of financial services by 2015 aims to promote trade liberalization by allowing greater access to financial services. In May 2011, ASEAN Finance Ministers concluded the fifth round of negotiations with the signing of the Protocol to Implement the Fifth Package of Commitments on Financial Services under the ASEAN Framework Agreement on Services (AFAS). Subsequently the 6<sup>th</sup> Round of Negotiations was launched to further increase business access to financial services.

## **Capital Account Liberalisation**

The removal of capital controls and restrictions, including the elimination of restrictions on current account transactions and Foreign Direct Investment (FDI) and portfolio flows (inflows and outflows), aims to facilitate the freer flow of capital in the ASEAN region. Substantial progress has been made in relaxing the limitations on foreign exchange purchases and other payments for invisible transactions and current transfers. ASEAN Member States have completed the assessment and identification of rules for freer flows of FDI and have started similar assessment exercises for portfolio investments.

They have also begun to amend laws and regulations to promote FDI and portfolio investments.

## **Capital Market Development**

The construction of long-term infrastructures for developing ASEAN capital markets aims to promote cross-border collaboration among the various capital markets in the region. An “Implementation Plan for an Integrated Capital Market” has been developed to enhance market access, linkages and liquidity.

To address market gaps in both developed and newer ASEAN markets, a two-pronged approach to capital market development has been adopted. An action group also was established to engage dialogue among market experts to address existing obstacles to the creation of an integrated ASEAN bond market.

Capacity building and technical assistance programs for capital market development will be strengthened. An ASEAN Bond Market Development Scorecard was created to ensure the compliance of ASEAN capital markets with standards and a common framework in facilitating cross-border offerings and investment.

In April 2011, the ASEAN Exchanges initiative was launched at the 15<sup>th</sup> ASEAN Finance Ministers’ Meeting in Bali, Indonesia, to promote ASEAN as an asset class through an electronic linkage of stock markets in the region.

## **East Asian Financial Stability and Integration**

ASEAN is pursuing a number of initiatives to support financial stability in East Asia and to encourage greater financial integration with China, Japan and the Republic of Korea. One key initiative is the Chiang Mai Initiative

Multilateralisation (CMIM), a US\$120 billion multilateral currency swap facility launched in March 2010 and designed to assist countries with short-term liquidity difficulties.

The Asian Bond Markets Initiative (ABMI), launched in 2005, aims to develop and deepen local currency bond markets in ASEAN+3 countries (China, Japan and the Republic of Korea). Under the ABMI Roadmap, priorities focus on strengthening bond issuance, facilitating demand, enhancing regulatory regimes and building bond market infrastructure. In May 2010, the Credit Guarantee and Investment Facility (CGIF) was launched to enhance corporate bond issuance in the ASEAN+3.

## **Strengthening Regional Economic Surveillance and Monitoring**

An ASEAN Surveillance Process was implemented in 1999 to support regional policy dialogues, economic reviews and economic and financial integration. The ASEAN Integration Monitoring Office (formerly called the Macroeconomic and Finance Surveillance Office) was officially established in May 2010 to enhance the surveillance capacity of the ASEAN Secretariat to monitor regional economic integration, while at the same time ensuring the creation of the ASEAN Economic Community by 2015.

### **For more information:**

Finance Integration Division  
Aladdin Rillo ([aladdin@asean.org](mailto:aladdin@asean.org))



# Chiang Mai Initiative Multilateralisation (CMIM)

In March 2010, the Chiang Mai Initiative Multilateralisation (CMIM) took effect after it was ratified by five ASEAN Member States and the ASEAN+3 countries (China, Japan and the Republic of Korea).

The CMIM — a US\$120 billion multilateral currency swap facility designed to address short-term liquidity difficulties in the ASEAN region and supplement existing international financial arrangements — was first conceived in 2000 at the ASEAN+3 Finance Ministers Meeting in Chiang Mai, Thailand. The Initiative offers a framework for liquidity support comprising an expanded ASEAN Swap Arrangement (ASA) and a network of bilateral swaps (BSAs) among ASEAN and the ASEAN+3 countries.

To enhance the effectiveness of BSAs, the ASEAN+3 Finance Ministers agreed in 2006 to create an advanced framework of liquidity support, or CMI Multilateralisation. In 2007, the Ministers decided the CMIM should take the form of a “self-managed reserve pooling” arrangement governed by a single contractual agreement.

## Membership and Contribution

CMIM members include the ten ASEAN Member States and the ASEAN+3 countries (including Hong Kong). Of the US\$120 billion total contributions to CMIM, US\$24 billion come from ASEAN and US\$96 billion from the ASEAN+3 countries.

As a reserve pooling arrangement, CMIM members contribute to the facility in the form of a commitment letter. Each of the contributing parties will transfer the amount of its contribution on a pro-rata basis according to their respective commitments to the requesting party after the swap request has been approved. In effect, when there is no request for funds, the parties will continue to manage their reserves.

## **Terms and Conditions of Swaps**

All parties to the CMIM can access the facility. The maximum amount that each country can draw is up to a certain multiple of its contribution. Within such an amount, up to 20% can be drawn without linkage to the International Monetary Fund (IMF) facilities. The rest of the funds can be drawn if an IMF programme already exists or a potential programme is to be in place. Each currency swap shall mature 90 days after the date of drawing, and can be renewed up to seven times. For drawing without IMF linkage, the swap is renewable up to a maximum of three times. Borrowing is in US Dollars and is charged at a certain interest (London Interbank Offered Rate or LIBOR plus a premium).

## **Swap Activation Procedures and Decision-Making**

Under the CMIM, each requesting party can borrow from the facility through the coordinating countries (the co-chairs from ASEAN and ASEAN+3 countries). The actual approval and disbursement of funds shall be made no later than two weeks after a request for drawing is received. Once the request is approved, all swap providing countries must transfer the funds to the account of the requesting party, who in turn must transfer the equivalent amount in local currencies to the accounts of swap providing countries. All decisions regarding operational issues (i.e., approval of drawing, renewal of drawing, and waiver of conditions) will be made by ASEAN+3 Finance and Central Bank Deputies. In turn, the ASEAN+3 Finance Ministers will be responsible for decisions related to fundamental issues such as the size of funds, contributions and membership to CMIM.

## Role of Regional Surveillance

The ASEAN+3 Macroeconomic Research Office (AMRO), an independent regional surveillance office, has been established in Singapore to support decision-making processes for CMIM. AMRO also will be responsible for conducting surveillance for CMIM operations.

### **For more information:**

Finance Integration Division  
Aladdin Rillo ([aladdin@asean.org](mailto:aladdin@asean.org))



# Food, AGRICULTURE AND FORESTRY

Food,  
Agriculture  
and Forestry





## ASEAN Cooperation in Food, Agriculture and Forestry (FAF)

The food, agricultural and forestry sectors are a top priority for ASEAN, considering their economic, social and environmental importance as well as their contribution to food security and poverty alleviation as the region moves towards establishing the ASEAN Community by 2015. ASEAN is committed to achieving a single market and production base and increasing the competitiveness of FAF products in international markets.

ASEAN cooperation in agriculture and forestry aims to increase the competitiveness of the region's agricultural products by ensuring the production of high quality, safe and healthy foods. The harmonisation of standards, assurances of food safety and standardisation of trade certification will be critical in this effort. ASEAN Member-States have developed good agricultural practices (GAP), standards for the production, harvesting and post-harvest handling of food products, including a maximum pesticide residue limit. The accreditation of livestock and livestock products enterprises, as well as guidelines on good management practices and a code of conduct for responsible fisheries are also national priorities for the AEC agro-industry. The food, agriculture and forestry sectors are also committed to cooperating on key emerging issues related to food security, mitigation and adaptation to climate change and sanitary and phytosanitary (SPS) measures.

Ensuring food security will continue to be a fundamental goal of development initiatives in the ASEAN Economic Community. In response to increasing concerns about food security ASEAN Member States have adopted the ASEAN Statement on Food Security, ASEAN Integrated Food Security

(AIFS) Framework and Strategic Plan of Action on ASEAN Food Security (SPA-FS) to improve the livelihoods of farmers and ensure long-term food security in the region.

The ASEAN Multi-Sectoral Framework on Climate Change: Agriculture and Forestry towards Food Security (AFCC) addresses the impact of climate change on the agriculture and forestry sectors. Forests provide critical economic, environmental and socio-cultural benefits. The promotion of Sustainable Forest Management (SFM) practices , Forest Law Enforcement and Governance (FLEG), and initiatives like Reducing Emissions from Deforestation and Forest Degradation (REDD), which aim to cut carbon emissions and reduce deforestation, will play key roles in protecting forests while aiming to achieve economic growth targets.

To ensure sustainable forest management and address the threats and challenges faced by the forestry sector in the region, ASEAN has adopted a number of guidelines and standards, namely: (i) ASEAN Criteria and Indicators for Sustainable Management of Tropical Forests; (ii) ASEAN Guidelines for the Implementation of IPF/IFF (Intergovernmental Panel on Forests/Intergovernmental Forum on Forests) Proposals for Action; (iii) ASEAN Guidelines on Phased Approach to Forest Certification (PACt); and (iv) ASEAN Criteria and Indicators for Legality of Timber. ASEAN also has reaffirmed its commitment to combating illegal logging and its associated trade with the adoption of Ministerial Statement on Strengthening Forest Law Enforcement and Governance (FLEG). These guidelines and standards provide common approaches for ASEAN Member States to ensure optimum use of forest resources in sustainable fashion.

## Challenges and Future Outlook

The production of tradable agriculture and forest products is an essential component for the realisation of an ASEAN single market. This calls for an appropriate set of macroeconomic policies for sectoral integration in the areas of quality education for farmers; adoption of suitable technologies for increasing food production and improving food security and safety; and communication and marketing arrangements to increase farmers' access to information, capital and inputs for efficient production at reduced cost.

Developing sustainable management practices to protect forests and respond to climate change will be critical in meeting increasing consumer demands for sustainably produced goods and positioning the ASEAN region to be competitive in emerging carbon markets.

**For more information:**

Agriculture Industries & Natural Resources Division  
Suriyan Vichitlekarn ([suriyan@asean.org](mailto:suriyan@asean.org))



# ASEAN Integrated Food Security (AIFS) Framework

Amidst efforts to stabilize highly fluctuating food prices following the 2008 global financial crisis, ASEAN must adopt a long-term strategy for ensuring long-term food security in the region.

The ASEAN Integrated Food Security (AIFS) Framework and the Strategic Plan of Action on ASEAN Food Security (SPA-FS) adopted by ASEAN Leaders at the 14<sup>th</sup> ASEAN Summit in 2009 provide a five-year action plan for ASEAN Member-States to integrate efforts in strengthening food security in the region. The AIFS Framework promotes the strengthening of food security and the development of sustainable food production through improvements in agricultural infrastructure, minimising post-harvest losses, reducing transaction costs, maximizing agricultural resources, promoting agricultural innovation through research and development , increasing agricultural productivity and accelerating transfer and adoption of new technologies. The AIFS Framework aims to strengthen national food security programmes and provide mechanisms for ensuring regional food security reserves as food aid for emergencies and large-scale calamities.

Additional initiatives for enhancing food security include enhancement of conducive markets and trade to encourage sustainable growth in food production, encouraging greater public and private sector investments in food and agro-based industry development, and strengthening integrated food security information systems (i.e. early warning, monitoring and surveillance mechanisms). A functional market and trade system would facilitate free flow of food products among countries from food surplus to food deficit countries. This is how regional efforts in ASEAN Community building has embedded the food security objectives, which could be promoted through public-private partnerships, improving the food value chain and cross-border trade facilitation.

Emerging issues related to food security, such as the development of bio-fuels and the impact of climate change on food security, also form an integral part of the AIFS Framework. In response to these issues, ASEAN has endorsed the ASEAN Multi-Sectoral Framework on Climate Change: Agriculture, Fisheries and Forestry towards Food Security (AFCC) and the Comprehensive Strategy on Food Security and Bio-energy Development. These supplementary initiatives enhance resilience of food production systems and contribute to greater food security in the region.

The ASEAN Ministers on Agriculture and Forestry, in collaboration with other relevant ASEAN sectoral bodies, will oversee the implementation and monitoring of the AIFS Framework and SPA-FS. Consultations will be sought with all stakeholders at the regional and national levels, as well as partnerships with international organisations and donor agencies such as the Food and Agriculture Organisation, World Bank, International Rice Research Institute, International Fund for Agricultural Development and Asian Development Bank.

**For more information:**

Agriculture Industries & Natural Resources Division  
Suriyan Vichitlekarn ([suriyan@asean.org](mailto:suriyan@asean.org))

# Food Safety

Over the years, ASEAN has made a concerted effort to enhance food control systems and procedures to ensure the freer movement of safe, healthy and quality foods within the region. Meeting internationally recognised standards for food safety will be critical in increasing the region's competitiveness in global food markets. This will require harmonising standards for food quality, food safety and trade certification for food and agricultural products across the region.

## Key Measures Ensuring Food Safety

In 2004, the ASEAN Food Safety Network was established as an integrated platform for ASEAN officials to exchange information on food safety, discuss common approaches in implementation of food safety systems at the national level, and discuss issues of common concerns related to using food safety requirements as Technical Barriers to Trade (TBT).

In 2006, the ASEAN Good Agricultural Practices for Fresh Fruit and Vegetables (ASEAN GAP) was adopted to establish region-wide standards for the production, harvesting and post-harvest handling of fruits and vegetables. ASEAN GAP aims to ensure the quality and safety of fruits and vegetables produced in the region. In addition, ASEAN GAP also ensures that food is produced and handled in a manner that will not harm the environment or the health, safety and welfare of workers in the agriculture and food sectors.

To date, ASEAN has established a total of 802 harmonised maximum residue limits (MRLs) for 63 pesticides. Common standards for the production and packaging of mango, pineapple, durian, papaya, pomelo, rambutan, guava, lansium, mandarin, mangosteen, watermelon, young coconut, banana, garlic, shallot, jackfruit, cucumber, melon and salacca have been adopted to ensure the quality and freshness of these products. ASEAN has also endorsed a total of 49 harmonised standards for animal

vaccines, 13 criteria for the accreditation of livestock establishments and three criteria for the accreditation of livestock products.

With a view to establish food safety assurance systems, significant progress has been made in other important areas affecting food safety. ASEAN is strengthening its genetically modified food testing network, developing guidelines for good management practices for shrimp, developing a code of conduct for responsible fisheries and implementing the Hazard Analysis and Critical Control Point (HCCP) for the production of fish and fisheries products.

## **Tackling the Threat of Avian Influenza**

The outbreak of avian influenza in recent years has brought greater attention to the issue of food safety in the region. Human cases of avian flu have been linked to direct exposure to dead or diseased poultry during slaughter and food preparation. ASEAN has responded by adopting the Roadmap for an HPAI-free ASEAN Community 2020, a long-term strategy to progressively prevent, control and eradicate the disease in the region. Among various measures contained in the Roadmap, effective disease control at the source, enhanced disease diagnostics, early surveillance capacity and timely sharing of disease outbreak information are envisaged to enhance food safety in poultry products in the region.

In close collaboration with stakeholders, donor countries and international organisations such as Asian Development Bank (ADB), Food and Agriculture Organisation (FAO) and Office International des Epizooties (OIE), ASEAN is also strengthening capacity building to assure the safety of food products and standardize poultry handling in the region.

### **For more information:**

Agriculture Industries & Natural Resources Division  
Suriyan Vichitlekarn ([suriyan@asean.org](mailto:suriyan@asean.org))

# Climate Change

Managing the threat of climate change to the environment and economic development has become a top priority for ASEAN. Owing to its long coastlines, high population concentrations and economic activity in coastal areas, and heavy reliance on agriculture, fisheries, forestry and other natural resources, Southeast Asia is one of the world's most vulnerable regions to climate change. The impacts of global warming are affecting all sectors. Responding to this challenge, the region has adopted the ASEAN Multi-Sectoral Framework on Climate Change and Food Security (AFCC) to mitigate climate change and strengthen the resilience of communities and ecosystems.

Endorsed in 2009 by the ASEAN Ministers on Agriculture and Forestry (AMAF), the AFCC addresses food security issue through sustainable, efficient and effective use of land, forest, water and aquatic resources by minimizing the risks and impacts of climate change. The AFCC tackles climate change as a cross-sectoral issue; cooperation among sectors in adaptation and mitigation efforts is indispensable.

AFCC aims to promote the sustainable management of land, forest and water resources through a regional coordination of adaptation and mitigation strategies to minimize the risks and impacts of climate change. The AFCC provides guidelines for the ASEAN Member States to:

Integrate climate change mitigation and adaptation strategies into economic and social development policy frameworks.

Cooperate on the implementation of adaptation and mitigation measures.

- Strengthen national and regional knowledge sharing, communication and networking on climate change and food security.
- Develop a more comprehensive multi-sectoral strategic framework and a roadmap for long-term implementation of climate change mitigation and adaptation strategies.

## **Challenges and Way Forward**

Climate change is a cross-sectoral issue and requires coordination at the local, national and regional levels to enhance collaboration among the economic, environment, development, energy, agriculture, fisheries, livestock and forestry sectors. Strategies for mitigating and adapting to climate change must incorporate the sustainable management of natural resources and ensure food security across the ASEAN region.

Promoting capacity building and educational initiatives to increase public awareness about global warming will also play a critical role in pursuing an integrated regional response to the adverse impacts of climate change.

### **For more information:**

Agriculture Industries & Natural Resources Division  
Suriyan Vichitlekarn ([suriyan@asean.org](mailto:suriyan@asean.org))

# Sustainable Forest Management (SFM)

Sustainable Forest Management (SFM) initiatives must take a multi-dimensional perspective, taking into account economic, social and environmental factors. Efforts to ensure that goods and services derived from forests meet current needs must secure their continued contribution to long-term development.

Promoting sustainable management of forests in the ASEAN region must prioritize the eradication of illegal logging and its associated trade, capacity building, technology transfer, enhancing public awareness and strengthening law enforcement and governance.

The ASEAN Criteria and Indicators (C&I) for Sustainable Management of Tropical Forest, endorsed by the ASEAN Ministers on Agriculture and Forestry in 2007, provides a framework for defining sustainable forest management and assessing progress towards this goal. It is a tool to help identify trends in the forestry sector and the effects of forest management interventions over time and to facilitate decision making for national forest policy. The ultimate aims of this tool are to promote improved forest management practice and to advance the development of a healthier and more productive forest resource base.

ASEAN has developed the online and offline Monitoring, Assessment and Reporting (MAR) Format with agreed Criteria and Indicators (C&I) to assist Member States to monitor their progress on the implementation of SFM. ASEAN Member States agreed to use the online MAR Format as a regional reporting mechanism. Testing of the online MAR format, supported by capacity building activities at the regional and national levels have been conducted.

To improve capacity building and public awareness and support for sustainable forest management, ASEAN has partnered with the Food and Agriculture Organization of the United Nations (FAO) to implement the project "Strengthening Monitoring, Assessment and Reporting on

Sustainable Forest Management in Asia" (MAR-SFM). The project will improve online and offline MAR formats and applications in the ASEAN region through workshops on the application of offline MAR formats for SFM for Forest Management Units (FMU) in ASEAN. It will also provide a comparative analysis between regional and national C&I frameworks and MAR implementation mechanisms.

An eight-year (2008-2015) action plan to improve Forest Law Enforcement and Governance (FLEG) was endorsed by the ASEAN Ministers on Agriculture and Forestry in 2008. The plan calls for ASEAN Member States to promote sustainable forest management practices to safeguard forests and boost supplies of sustainably extracted timber and enhance the region's competitiveness in emerging markets for sustainably produced forest products.

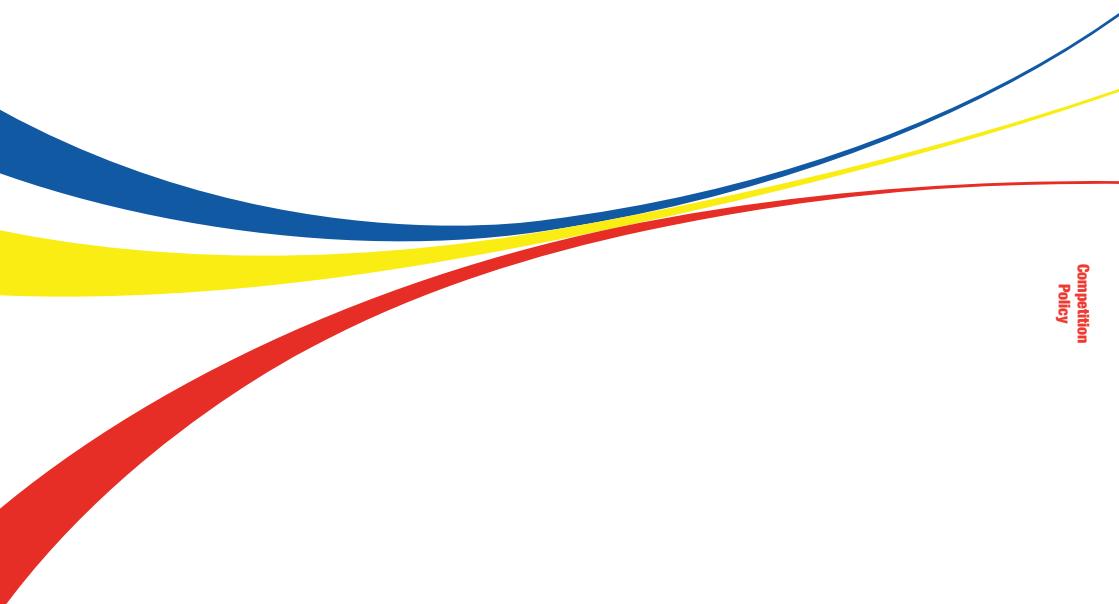
## **Challenges and Way Forward**

Strengthening forest law enforcement and governance to enhance the long-term competitiveness of ASEAN's forest products will play a key role in improving the livelihoods of forest-dependent communities and reducing poverty across the region. In this regard, the ASEAN Guidelines on Phased Approach to Forest Certification (PACT) and the ASEAN Criteria and Indicators (C&I) for Legality of Timber have been endorsed by ASEAN. The PACT provides for a series of planned actions to be carried out by Forest Management units with the purpose of conforming to performance standards required by a certification scheme and verified by an independent body (third party). The ASEAN C&I for Legality of Timber provides regional reference for the verification of timber legality in ASEAN, particularly in the region's timber-producing countries.

### **For more information:**

Agriculture Industries & Natural Resources Division  
Suriyan Vichitlekarn ([suriyan@asean.org](mailto:suriyan@asean.org))

# COMPETITION POLICY





# Competition Policy in ASEAN

ASEAN Member States, in accordance with the ASEAN Economic Community (AEC) Blueprint, have committed to introducing national competition policy and law (CPL) by 2015. This is to ensure a level playing field and to foster a culture of fair business competition for enhanced regional economic performance in the long run.

At present, only Indonesia, Singapore, Thailand and Viet Nam have economy-wide competition laws and institutions that oversee the implementation of these laws. Malaysia has adopted a competition law that is expected to go into force in 2012. Other ASEAN Member States have relied on sector-level policies and regulations to achieve competition policy objectives.

## **The ASEAN Experts Group on Competition (AEGC)**

In August 2007, the ASEAN Economic Ministers endorsed the establishment of the ASEAN Experts Group on Competition (AEGC) as a regional forum to discuss and cooperate on CPL. The AEGC has agreed to focus on strengthening competition-related policy capabilities and best practices among Member States, developing the ASEAN Regional Guidelines on Competition Policy and compiling a Handbook on Competition Policies and Laws in ASEAN for Businesses. Both the Guidelines and the Handbook were launched in 2010 during the 42<sup>nd</sup> ASEAN Economic Ministers (AEM) Meeting in Da Nang, Viet Nam. These two documents can be downloaded from:

[http://www.asean.org/publications/  
ASEANRegionalGuidelinesonCompetitionPolicy.pdf](http://www.asean.org/publications/ASEANRegionalGuidelinesonCompetitionPolicy.pdf)

<http://www.asean.org/publications/HandbookonCompetition.zip>

The launch of the Guidelines and Handbook was followed by region-wide socialisation workshops in several ASEAN Member States for government officials and the private sectors for advocacy and outreach purposes. These two publications and subsequent workshops were intended to help foster a level playing field, raise awareness concerning fair business competition among the regional enterprises and trans-national businesses, and ultimately enhance economic performance and competitiveness of the ASEAN region.

Plans are under way to develop a regional Plan of Action on Competition Policy by 2015. Based on the AEC Blueprint, this Plan will emphasize capacity building and the introduction of best practices. Additionally, a manual and related Action Plans on Regional Core Competencies, including Strategy and Tools for Regional Advocacy on Competition Policy and Law will be developed and issued.

## **Challenges and Opportunities Ahead**

Along with the challenges ahead, there will be opportunities for ASEAN Member States to further develop policy and legislation to enhance fair and healthy business competition within the AEC's single regional market and production base. This will be essential in strengthening ASEAN's position as a leading, competitive player in global and regional supply chains.

### **For more information:**

Competition, Consumer Protection and Intellectual Property Rights Division  
Thitapha Wattanapruettipaisan ([thitapha@asean.org](mailto:thitapha@asean.org))

# CONSUMER PROTECTION

Consumer  
Protection





# Consumer Protection in the ASEAN Economic Community

Consumer protection is an essential tool in building a people-oriented ASEAN Economic Community. The AEC prioritises the interests and welfare of consumers in the implementation of strategies for achieving an integrated economic region. Consumer protection laws must ensure fair competition and the free flow of information in the marketplace. As of 2011, Indonesia, Malaysia, Philippines, Singapore, Thailand and Viet Nam have principal consumer protection legislations in place. A consumer protection law was also passed by the National Assembly of Lao PDR in June 2010 and was promulgated by the President in September 2010. The remaining ASEAN Member States are applying other related legislation to achieve consumer protection objectives and are in the process of drafting consumer protection policies and laws.

## **The ASEAN Committee on Consumer Protection (ACCP)**

Consumer protection is a new area of regional cooperation in ASEAN. As initiated under the ASEAN Economic Community (AEC) Blueprint, the inter-governmental ASEAN Coordinating Committee on Consumer Protection, later renamed the ASEAN Committee on Consumer Protection (ACCP), was established in 2007. The ACCP, and its three Working Groups, serve as the focal points to implement and monitor regional arrangements and mechanisms to foster consumer protection in the ASEAN Economic Community.

In order to steer the implementation of initiatives and commitments under the AEC Blueprint, a strategic approach towards consumer protection has been adopted by the ACCP. This approach contains policy measures and detailed priority actions with specific timeframes for implementation, including the development of a (i) notification and information exchange mechanism by 2010; (ii) cross-border consumer redress mechanism by 2015; and (iii) strategic roadmap for capacity building.

## **Challenges and Opportunities Ahead**

The ACCP is a sectoral body created to oversee consumer protection and will address capacity-building needs at the regional and national levels. Substantial technical and financial assistance will be required to develop and promote national policies, laws and institutional arrangements to safeguard consumer protection in the ASEAN Economic Community's integrated single market.

Globalisation and regional integration will introduce additional considerations related to consumer protection that must be managed by all Member States. These include the increasing volumes and value of domestic and cross-border trade, as well as the rapid progress in communications, production and e-commerce technology.

**For more information:**

Competition, Consumer Protection and Intellectual Property Rights Division  
Thitapha Wattanapruettipaisan ([thitapha@asean.org](mailto:thitapha@asean.org))

# ASEAN INTELLECTUAL PROPERTY RIGHT

ASEAN  
Intellectual  
Property  
Right





# ASEAN Cooperation in Intellectual Property Rights

The creation, commercialisation and protection of intellectual property (IP) and IP Rights (IPRs) have been a significant source of comparative advantage for ASEAN companies and are a major driver of the region's economies.

In accordance with the ASEAN Economic Community (AEC) Blueprint, ASEAN Member States (AMSSs) have agreed to jointly implement the ASEAN Intellectual Property Action Plan 2004-2010 and the Work Plan for ASEAN Cooperation on Copyrights (Work Plan). Since the completion of the IP Action Plan 2004-2010, the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) has adopted the ASEAN IPR Action Plan 2011-2015, with Philippines as the lead country in the preparation of this Plan.

The IPR Action Plan calls for the creation of an ASEAN filing system for design, to facilitate design filings by users and promote coordination among IP offices in the region. To ensure a common regional profile on IP, ASEAN Member States have agreed to accede to common international treaties including the Madrid Protocol for the registration of marks. The Action Plan also provides for the exchange of information among national enforcement agencies in the protection of IPRs and regional cooperation in newer IPRs such as traditional knowledge (TK), genetic resources (GR) and traditional cultural expressions (TCE).

## **ASEAN Working Group on Intellectual Property Cooperation (AWGIPC)**

The AWGIPC has served as a consultative body for ASEAN cooperation on IP since 1996. Such cooperation has continued to build on the simplification, harmonisation, registration and protection of IPRs in ASEAN.

In meeting the scheduled commitments under the AEC Blueprint, ASEAN Member States have conducted country and regional studies on the economic contribution of copyright industries. Meetings have been convened on accession to the Madrid Protocol. Pilot projects have been launched by AMSs on the ASEAN Patent Examination Co-operation (ASPEC) and the ASEAN “IP DIRECT”. These two cooperative initiatives help to share patent examination workloads and facilitate access to IP-related information in the region. AWGIPC also has made a concerted effort to share policy experiences and to monitor regularly compliance of laws and regulations in AMSs to the Agreement on Trade-Related Aspects of IPRs.

The AWGIPC has collaborated with many partners and organisations, including the ASEAN Intellectual Property Association, Australia and New Zealand, China (State Intellectual Property Office – SIPO), the European Commission, Japan (Japan Patent Office – JPO), the US Patent and Trademark Office (USPTO) and the US Department of Justice, and the World Intellectual Property Organization (WIPO). A long-term cooperation programme with USPTO from 2004 to 2010 has been extended until 2015. The programme focuses on capacity building and training for IP-related professionals and business persons in the region, with an emphasis on the protection, enforcement and commercialization of IPRs.

Meanwhile, a large-scale, four-year ASEAN Project on the Protection of Intellectual Property Rights (ECAP III), which is a follow-up project to ECAP II, was launched in January 2010. The project aims to contribute to ASEAN community building through the better and fuller utilization of IP and IPRs in the region.

Technical issues related to intellectual property and intellectually property rights have become increasingly complex. The expansion of patent and copyright protection to cope with the rapid progress in biotechnology and communications technology have been extended over an increasingly wide range of fields, including traditional knowledge (TK), genetic resources (GR) and traditional cultural expressions.

IP infrastructure and expertise vary enormously among AMSs. There is a significant gap between ASEAN-6 and ASEAN-4 (Cambodia, Lao PDR, Myanmar and Viet Nam). Such differences have implications on the nature and intensity of regional cooperation, and technical assistance needs within ASEAN, as well as between different sub-groups of AMSs.

There is a very limited supply of IP-related skilled and experienced human resources and institutional capacity in ASEAN. Efforts have been made to implement an “ASEAN-helps-ASEAN” approach wherever feasible, including the exchange of policy lessons learned by Member States from signing on to international treaties and implementing programmes to protect intellectual property rights.

**For more information:**

Competition, Consumer Protection and Intellectual Property Rights Division  
Thitapha Wattanapruettipaisan ([thitapha@asean.org](mailto:thitapha@asean.org))



# INFRASTRUCTURE DEVELOPMENT

Infrastructure  
Development





# ASEAN Cooperation in the Transport Sector

ASEAN cooperation in the transport sector aims to develop an efficient, secure and integrated transport system to support the realisation of the ASEAN Economic Community by 2015.

Achieving regional connectivity through improving ASEAN's competitiveness and attractiveness to investments, facilitating the flow of goods, services and people, and integrating with the global economy, will remain the ultimate objective of ASEAN transport cooperation in the period of 2011-2015 and beyond.

Under the current ASEAN Strategic Transport Plan 2011-2015 (also referred to as the Brunei Action Plan), ASEAN Member States will continue to undertake concerted actions in the areas of land transport, air transport, maritime transport and transport facilitation with a view to creating a regional transport system that enhances economic connectivity within the ASEAN region.

1. **Air Transport:** establish ASEAN Single Aviation Market (ASAM), promote environment-friendly aviation and enhance engagement with dialogue partners to promote greater connectivity.
2. **Land Transport:** establish a safe, efficient, environmental-friendly and integrated regional land transport system to promote trade and tourism within ASEAN and with neighbouring countries.
3. **Maritime Transport:** establish an integrated, competitive and seamless maritime transport network, paying explicit attention to promote maritime safety and security, and environment- and user-friendly ports.

- 4. Transport Facilitation:** establish an integrated, efficient and globally competitive multimodal transport system to enhance regional and global connectivity, as well as pursuing green logistics for global environment preservation.

To facilitate the seamless movement of goods in the region, ASEAN Member States have concluded the following transport facilitation agreements:

1. ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT)
2. ASEAN Framework Agreement on Multimodal Transport (AFAMT)
3. ASEAN Framework Agreement on Facilitation of Inter-State Transport (AFAFIST)

The transport facilitation agreements aim to simplify and harmonise trade/transport procedures and documentation, formulate uniform guidelines and requirements for the registration of transit transport and multimodal transport operators, and promote ICT applications for seamless cargo transportation.

The Transit Transport Coordination Board (TTCB) is the main body responsible for the overall coordination and implementation of the transport facilitation agreements. To maximize the benefits of an integrated transit and transport system, which will enable the freer movement of goods and vehicles across ASEAN borders, Member States are taking necessary actions to comply with the provisions and requirements of the transport facilitation agreements.

For air passenger services, agreements for unlimited 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> freedom traffic rights from and to any points with international airports within and between the sub-regions of ASEAN, and between the capital cities of ASEAN Member States, are already in place. Similar freedom rights have been expanded to services among other ASEAN cities through the ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS), which was concluded in 2010.

Member States also have committed to the full liberalisation of air freight services and to accord full 3<sup>rd</sup>, 4<sup>th</sup> and 5<sup>th</sup> freedom rights to international freight services among any points with international airports within ASEAN. Work is ongoing to develop an implementing framework for the realisation of an ASEAN Single Aviation Market.

ASEAN negotiations with China for 3<sup>rd</sup> and 4<sup>th</sup> freedom traffic rights have been concluded and will be followed by negotiations with India and the Republic of Korea.

In order to accomplish an integrated, efficient and competitive maritime transport system, ASEAN will revitalise its efforts to establish an ASEAN Single Shipping Market (ASSM) by accelerating the formulation of the basic strategy for an ASSM and by developing a relevant framework for the implementation of the strategy. In addition, Member States need to enhance the capacity of the 47 designated ports of the ASEAN Port Network.

In order to facilitate land transport across the region, the completion of the ASEAN Highway Network (AHN) and the Singapore-Kunming Rail Link (SKRL) has become the priority agenda in the ASEAN Transport Cooperation. The two projects represent the vision for the ASEAN transport and logistics backbone. The SKRL, which is a flagship project of the

ASEAN-Mekong Basin Development Cooperation (AMBDC), has its main route through Singapore-Malaysia-Thailand-Cambodia-Viet Nam-China (Kunming) with spur lines in Thailand-Myanmar and Thailand-Laos. The project includes constructing railway stations and related infrastructure.

The AHN consists of 23 designated routes totaling about 38,400 kilometers in all the 10 ASEAN States and connects capitals, sea ports, airports and areas with high potential for investment and tourism. It will provide increased transport access for the poor and communities in remote areas and will serve as an essential infrastructure and logistics support facility for ASEAN connectivity. Accelerating the implementation of the AHN Project, and especially completing the missing sections, will play a vital role in improving the quality of road infrastructure in the ASEAN Member States.

Currently, the highest priority is given to upgrade existing “below Class III” sections of the Transit Transport Routes (TTR), with a total road length of 2,000 km in Indonesia (AH-25), Lao PDR (AH-12 and AH-15), and Myanmar (AH-1, AH-2 and AH-3) by 2012. The second priority is given to the construction of the missing links in Myanmar (201 km), as well as the upgrading of other “below Class III” sections in Indonesia (AH-150 and AH-151), Lao PDR (AH-131 and AH-132), Malaysia (AH-150), Myanmar (AH-111 and AH-112) and Viet Nam (AH-12 and AH-132), with a total length of 4,537 km. ASEAN Member States are expected to fulfill the target set in MU on the AHN, which specifies that the AHN routes be upgraded to at least Class II by 2020.

**For more information:**

Infrastructure Division

Tran Dong Phuong ([phuong@asean.org](mailto:phuong@asean.org)) and Megasari Widyat (mega@asean.org)

# Information and Communication Technology (ICT)-Creating an Inclusive, Vibrant and Integrated ASEAN

ASEAN cooperation on Information and Communication Technology intensified in 2000, with the signing of the e-ASEAN Framework Agreement. This agreement set the objectives for regional cooperation on ICT (a) to develop, strengthen and enhance the competitiveness of the ICT sector in ASEAN; (b) to reduce the digital divide within individual ASEAN Member States and amongst ASEAN Member States; (c) to promote cooperation between the public and private sectors in realising e-ASEAN; and (d) to promote the liberalisation of trade in ICT products, ICT services and investments to support the e-ASEAN initiative.

## **Focus and Progress — ASEAN ICT Master Plan 2015**

To steer ICT development toward the establishment of the ASEAN Economic Community by 2015, the ASEAN ICT Master Plan 2015 (AIM2015) was launched in January 2011 in Kuala Lumpur, Malaysia, to provide strategic guidelines for ICT businesses in the region to bridge the digital divide within ASEAN and to enhance competitiveness of the ICT sector.

Under AIM2015, ASEAN Member States will focus on achieving targets and objectives driven by six strategic thrusts of the AIM2015, namely in the areas of: (i) economic empowerment; (ii) people empowerment and engagement; (iii) innovation; (iv) infrastructure development; (v) human capital development; (vi) bridging the digital divide.

To achieve these targets, a systematic approach includes an action plan for the timely implementation of AIM2015. The ASEAN Telecommunications and IT Senior Officials (TELSOM) and the ASEAN Telecommunication Regulators Council (ATRC) have set the necessary mechanisms to promote coordination among regulators, policy makers and operators to implement AIM2015.

To advance ASEAN's status as an inclusive and vibrant ICT hub, the ASEAN Internet Exchange (AIX) initiative is being discussed with an aim to boost inter-regional connectivity, reduce latency and lower Internet costs. The region-owned domain name — dot ASEAN (.asean) — will be studied for its potential contributions to the regional visibility and creation of the ASEAN Economic Community's single market and production base.

Other key projects are being developed to promote E-Commerce, establish a CA-CA (Certificate Authority) Interoperability Framework in ASEAN, and lower mobile roaming charges in the region.

The ASEAN ICT Fund will continue to be utilised to support implementation of the AIM2015 and to encourage resource mobilisation from Dialogue Partners, international organisations and the ICT industry.

## **Other ICT Connectivity Policies and Projects**

The ASEAN ICT sector is committed to promoting the development of the ICT workforce and competitiveness of the ICT market and online businesses. To enhance ASEAN's position as a regional key player in the global ICT sector, ASEAN's ICT cooperation with dialogue partners has been initiated with China, Japan, the Republic of Korea (ASEAN+3), and with the European Union, India and International Telecommunication Union. Joint programs with ASEAN+3 have been strengthened, especially with regard to issues related to human resources and communication systems in rural areas.

Discussions are under way to develop the ASEAN ICT Awards and the ASEAN Chief Information Officers (CIOs) Forum, to promote ICT adoption by SMEs, the ASEAN Broadband Corridor and common standards for network security cooperation and to reduce international mobile roaming

charges in the region. Public-private partnerships to develop the region's ICT sector are being explored at various levels, from projects to policy and regulatory consultations.

**For more information:**

Infrastructure Division

Tran Dong Phuong ([phuong@asean.org](mailto:phuong@asean.org)) / Nguyen Ky Anh ([kyanh@asean.org](mailto:kyanh@asean.org))



# Ensuring Energy Security in ASEAN

## Overall Objective and Strategy

The overall objective of ASEAN energy integration is to enhance energy security and sustainability for the ASEAN region, giving due attention to issues of health, safety and environment. ASEAN energy cooperation, currently carried out under the ASEAN Plan of Action on Energy Cooperation (APAEC) 2010-2015, focuses on seven main programme areas: (i) ASEAN Power Grid (APG); (ii) Trans-ASEAN Gas Pipeline (TAGP); (iii) coal and clean coal technology; (iv) renewable energy; (v) energy efficiency and conservation; (vi) regional energy policy and planning; (vii) civilian nuclear energy.

## Focus and Progress

ASEAN Member States are actively engaged in efforts to integrate energy efficiency and conservation (EE&C) and renewable energy (RE) development in the region. Many projects have been launched on institutional capacity building, promoting private sector involvement in EE&C and RE regional programmes, and expanding markets for EE and RE products.

The APAEC 2010-2015 has set a target for ASEAN to pursue the reduction of regional energy intensity by at least 8% by 2015 (based on 2005 level) and a 15% collective target for regional renewable energy in the total power installed capacity by 2015. To achieve these targets, Member States have agreed to develop joint regional activities and strategic projects, such as the Promotion of Energy Efficiency and Conservation (PROMEEC) and the ASEAN Energy Manager Accreditation Scheme (AEMAS). These projects aim to increase institutional and human capacity building—with emphasis on energy intensity assessment guidelines, EE&C policy, energy audit, standards and labeling—and to promote the harmonisation of energy testing procedures in the ASEAN region.

- Implementation of the ASEAN Power Grid (APG) project, estimated at US\$5.9 billion, is currently in progress with four ongoing interconnection projects and 11 additional projects being planned for interconnection by 2015. The APG has worked on completing key bilateral power connections — in Udon Thani (Thailand) – Nabong (Lao PDR), and (ii) Lao PDR – Cambodia. These projects are scheduled for completion in 2012.
- In addition to the completion of the ASEAN Interconnection Master Plan Study II, ASEAN is also working to develop alternative energy options, including indigenous energy sources, clean coal technology and nuclear power to meet future electricity demand.

Member States have agreed to intensify intra-ASEAN trade in coal and to promote cleaner coal technology. An ASEAN Coal Security Agreement (ACSA) and ASEAN Agreement on Coal Use and Trading are being considered to ensure the stability of coal supplies in the region.

The Trans-ASEAN Gas Pipeline (TAGP) project, a US\$7 billion project to interconnect the region's gas pipeline infrastructure and to transport gas across the borders of the Member States, has completed eight bilateral gas pipeline interconnection projects that are currently operational.

The Nuclear Energy Cooperation Sub-sector Network (NEC-SSN) was established to promote cooperation among ASEAN Member States on the development of nuclear energy in the region. The NEC-SSN aims to look into the economic feasibility of nuclear energy, and encourages the exchange of information and assistance to promote safe and sustainable civilian nuclear power programmes, and urges the support of international organisations and donor countries.

To enhance ASEAN's position as a key regional energy player, ASEAN's energy cooperation with dialogue partners have included various activities, programmes and projects, including those under the ASEAN+3 framework and the East Asia Summit process.

ASEAN has engaged in formal consultations with the European Union, Russia and the United States to promote partnerships for developing the region's energy sector. ASEAN also has sought the cooperation of international organisations and institutions, such as the Economic Research Institute for ASEAN and East Asia (ERIA), the International Energy Agency and (IEA) and the Asian Development Bank (ADB), to strengthen the capacity of ASEAN energy regulators and to promote affordable and sustainable energy.

**For more information:**

Infrastructure Division

Tran Dong Phuong ([phuong@asean.org](mailto:phuong@asean.org))/ Nguyen Ky Anh ([kyanh@asean.org](mailto:kyanh@asean.org))



# Tourism in the ASEAN Economic Community

The tourism sector is a leading industry in the ASEAN region, not only in terms of generating and distributing valuable foreign exchange revenues, but also as a vehicle to showcase the diversity and richness of the various cultures and peoples of Southeast Asia. As one of the priority sectors targeted for integration by the ASEAN Economic Community, tourism performed an outstanding 11% growth in 2010, with total international tourist arrivals reaching more than 73 million. Intra-ASEAN travel is also a major source market for the region, making up 47% of all tourist arrivals in 2010.

The ASEAN Economic Community initiatives to promote cooperation on tourism across the region aim to: (i) facilitate travel into and within ASEAN; (ii) enhance cooperation in the tourism industry to improve efficiency and competitiveness; (iii) substantially reduce restrictions to trade in tourism and travel services; (iv) establish an integrated network of tourism and travel services in order to maximise the complementary nature of the region's tourist attractions; (v) enhance the development and promotion of ASEAN as a single tourism destination with world-class standards, facilities and attractions; (vi) enhance mutual assistance in human resource development and strengthen cooperation to develop, upgrade and expand tourism and travel facilities and services; (viii) create favourable conditions for the public and private sectors to create partnerships for tourism development, intra-ASEAN travel and investment in tourism services and facilities.

## **ASEAN Tourism Strategic Plan (ATSP)**

In January 2011, ASEAN Tourism Ministers endorsed the ASEAN Tourism Strategic Plan (ATSP) 2011-2015, a successor to the Roadmap for Integration of Tourism Sector (RITS) completed in 2010. In accordance with the overall goals of the ASEAN Economic Community by 2015, the ATSP will contribute to promoting growth, integration and competitiveness of the

region's tourism sector, while deepening social and cultural understanding and facilitating travel into and within ASEAN.

ASEAN Member States are developing new ASEAN tourism marketing strategies to strengthen and renew the activities of the Visit ASEAN Campaign promoting ASEAN as a single tourism destination, in line with the ASEAN Tourism Agreement signed by ASEAN Leaders in 2002.

The ASEAN Tourism Promotional Chapter (APCT) in Australia conducted major tourism consumer shows in Brisbane, Melbourne and Sydney to coordinate joint tourism promotional activities for ASEAN. To further expand ASEAN marketing efforts in major source markets, ASEAN is establishing APCT in Mumbai and Dubai in 2011-2012.

## **AEC Tourism Standards**

To enhance Southeast Asia's reputation as a world-class tourism destination, ASEAN is developing new comprehensive tourism standards for improving quality of services and a regional certification process for hotel, homestead, public toilet and spa services.

The ASEAN Green Hotel Awards of 2008 and 2010 recognized hotels in the region that fulfilled the ASEAN Green Hotel Standards. In line with the ATSP, ASEAN Member States are reviewing the criteria, requirements and certification process of the ASEAN Green Hotel Standards.

To enhance the mobility of tourism professionals and to ensure their equal treatment across the ASEAN region, Member States have begun implementing the ASEAN Mutual Recognition Agreement (MRA) Work Plan. The Work Plan aims to enable ASEAN Member States to implement MRA requirements on the establishment of National Tourism Professional Boards, Tourism Professionals Certification Board and development of

training materials, or “toolboxes,” in their respective countries. As the first activity, the housekeeping toolboxes for hotel facilities will be completed in July 2012.

**For more information:**

Infrastructure Division

Tran Dong Phuong ([phuong@asean.org](mailto:phuong@asean.org)) and Eddy Krismedi ([eddy@asean.org](mailto:eddy@asean.org))



# SMALL AND MEDIUM ENTERPRISES

Small and  
Medium  
Enterprises





# ASEAN Small and Medium Enterprises (SMEs)

Small and medium enterprises (SMEs) are the backbone of ASEAN economies, and their development is essential for achieving long-term and sustainable economic growth. SMEs account for more than 96% of all enterprises and provide 50% to 85% of domestic employment in ASEAN Member States. In addition, SMEs contribute 30% to 53% of gross domestic product (GDP) and produce between 19% and 31% of exports.

The ASEAN Strategic Action Plan for SME Development 2010-2015, endorsed by the ASEAN Economic Ministers (AEM) in 2010, provides guidelines for regional cooperation to foster the development of SMEs. The Action Plan aims to enhance the competitiveness and resilience of small and medium businesses as ASEAN moves towards the single market and production base of the ASEAN Economic Community (AEC).

The ASEAN SME Advisory Board, endorsed at the 42<sup>nd</sup> AEM Meeting in August 2010 and formally established in June 2011, serves as a networking platform for the heads of ASEAN SME agencies and private sector representatives. The Advisory Board will provide policy inputs to ASEAN Ministers to ensure equitable and inclusive economic development and the continued growth of SMEs in the ASEAN Economic Community.

An Expert Panel on SME Access to Finance has also been established to provide financial expertise and recommendations on regional projects to enhance SMEs' access to finance. The Panel will also provide guidance on best practices, challenges and key success factors for SME access to finance.

## Current Focus

The Action Plan for SME Development comprises strategic work programmes, policy measures and indicative outputs to be implemented by ASEAN SME agencies, in collaboration with the private sector.

The AEC Blueprint calls for five major deliverables to be established by SMEs in the ASEAN region: (a) a common curriculum for entrepreneurship in ASEAN, with Indonesia and Singapore as lead countries (2008-2009); (b) a comprehensive SME service centre with regional and sub-regional linkages in Member States, with Thailand and Viet Nam as lead countries (2010-2011); (c) SME financial facilities in each Member State, with Malaysia and Brunei Darussalam as lead countries (2010-2011); (d) a regional program of internship for staff exchanges and visits for skills training, with Myanmar and Philippines as lead countries (2012-2013); and (e) a regional SME development fund for use as a funding source for SMEs that are undertaking business in ASEAN, with Lao PDR and Thailand as lead countries (2014-2015).

The ASEAN SME Working Group, made up of representatives from the SME agencies in ASEAN has held joint consultations with SME Agencies of the ASEAN+3 nations (China, Japan and the Republic of Korea) and with Japan, which have resulted in valuable exchanges of best practices and collaborations on several SME projects and workshops.

The ASEAN SME Working Group and the ASEAN Business Advisory Council are working towards including additional SME award categories in the ASEAN Business Award (ABA). The winners of ABA will be recognised as the “Most Admired ASEAN Enterprise” in the areas of growth, innovation, employment and corporate social responsibility (CSR). The prizes are presented annually at the ASEAN Business & Investment Summit (ASEAN-BIS).

To further give recognition to noteworthy small and medium businesses in the ASEAN region, a *Directory of Outstanding ASEAN SMEs*, launched in 2011 lists recognised SMEs in each ASEAN Member State and will be published on an annual basis.

## Future Challenges

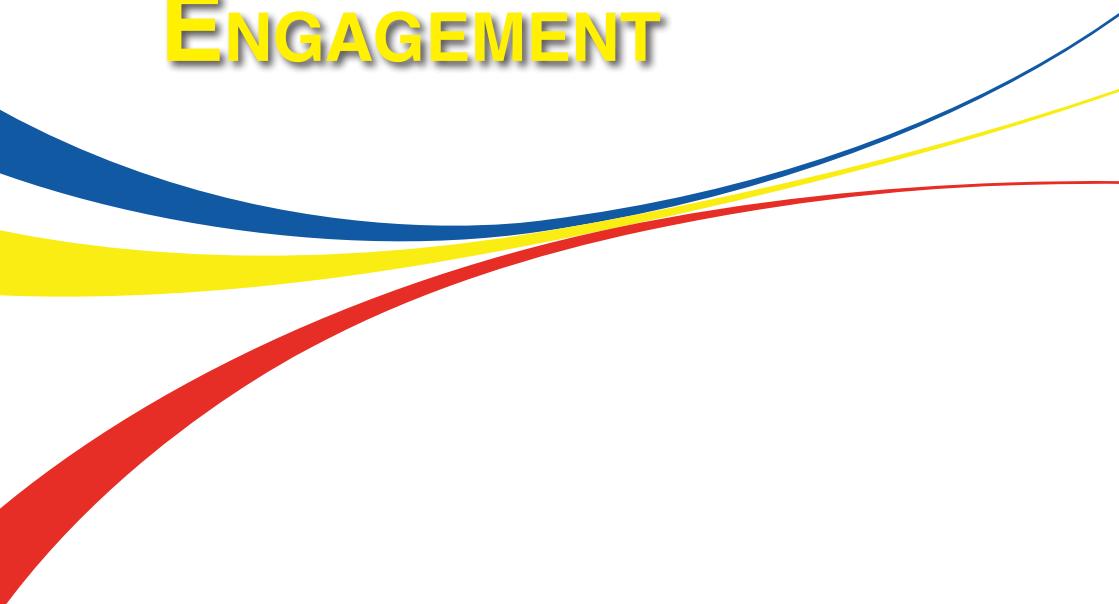
Funding SME activities will remain a challenge in the regional integration process in realising the AEC. To date, some of the SME initiatives have been implemented under the self-help or ASEAN-helps-ASEAN approach, which encourages each individual Member State to mobilise its own resources to fund SME development projects, or enlist the support of other Member States.

### **For more information:**

Competition, Consumer Protection and Intellectual Property Rights Division  
Penchan Manawanitkul ([penchan.manawanitkul@asean.org](mailto:penchan.manawanitkul@asean.org))



# PUBLIC-PRIVATE SECTOR ENGAGEMENT



Public-Private  
Sector  
Engagement



# Public-Private Sector Engagement (PPE) in the ASEAN Economic Community

The private sector is the cornerstone of the new architecture of interdependence among East Asian economies, and between East Asia and the global economy at large. A key stakeholder in regional and global supply chains that will fuel the newly integrated ASEAN economies, the private sector's role and contribution is important in the realisation of the ASEAN Economic Community (AEC) by 2015.

The AEC will continue to foster public-private sector engagement (PPE) to improve the coherence, transparency and synergies of government policies and business actions across industries and sectors in the ASEAN region. Private sector inputs and partnership are essential not only in designing regional strategies and initiatives, but also in identifying problems in realising regional integration as the foundation for the AEC.

## Forging Public-Private Partnerships in the AEC

Public-private sector engagement within ASEAN is taking place at many levels. Many sectoral bodies have been established to support ASEAN strategies and programmes in regional development and integration. There are currently about 100 sectoral bodies with mandate relating to the AEC alone. Resource constraints, a comprehensive agenda and the large number of meetings of AEC sectoral bodies mean that not all of the work of these sectoral bodies will have the full engagement of the private sector. As of 2011, about 35% of AEC sectoral bodies have engaged private-sector associations and representatives, either on a regular or ad hoc basis.

The ongoing dialogue between ASEAN and private sector representatives has produced several important recommendations in support of more effective ASEAN economic integration. ASEAN Economic Ministers have held annual meetings with the ASEAN Business Advisory Council (ASEAN-BAC) and with representatives of industry associations and business councils within ASEAN and with dialogue partner countries.

ASEAN has held ongoing discussions with the Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA), the East Asia Business Council (EABC), the US-ASEAN Business Advisory Council (US-ABC) and the recently formed EU-ASEAN and the UK-ASEAN Business Councils.. Industry associations, such as the ASEAN Federation of Textile Industries (AFTEX) and the ASEAN Automotive Federation (AAF), have been actively engaged in the process of regional integration. ASEAN also has held discussions with representatives of the logistics services industry, the electronics and electrical and the pharmaceutical sectors.

Trade fairs and expositions held in recent years have attracted joint public-private sector participation. The Shanghai World Expo in 2010, the 7<sup>th</sup> China - ASEAN EXPO (CAEXPO), the 7<sup>th</sup> China - ASEAN Business and Investment Summit in Nanning-China in October 2010, the 1<sup>st</sup> ASEAN-India Business Fair (AIBF) in New Delhi in March 2011, and the 1<sup>st</sup> ASEAN-EU Business Summit in Jakarta in May 2011 presented opportunities for ASEAN businesses to exhibit their products and explore the enormous business opportunities and potential markets within ASEAN and outside the region.

The 8<sup>th</sup> CAEXPO, held in Nanning, China, in October 2011 focused on the theme “Environment Protection Cooperation” to mark the 20<sup>th</sup> anniversary of the ASEAN-China dialogue relations and the first anniversary of the ASEAN-China Free Trade Agreement.

## **Moving Forward**

The enormous potential of public-private partnerships in ASEAN has yet to be fully tapped. The public-private sector consultations and dialogues have become a permanent agenda in the ASEAN Ministers and Senior Officials meetings to ensure greater mutual synergies in the implementation of

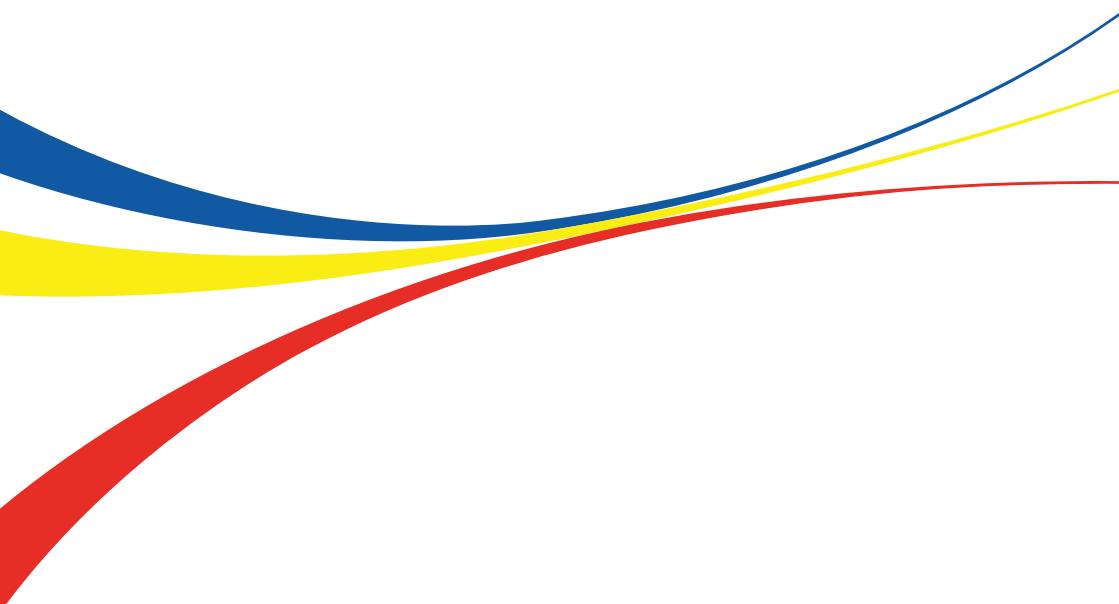
regional development and integration measures. They have endorsed the “Rules of Procedures for Private Sector Engagement” to ensure more effective engagement with the private sector. Plans are now under way to foster cooperation among ASEAN bodies, private-sector entities and regional and international business communities, especially those with trade and investment activities in ASEAN.

**For more information:**

Competition, Consumer Protection and Intellectual Property Rights Division  
Penchan Manawanitkul (penchan.manawanitkul@asean.org)



# NARROWING THE DEVELOPMENT GAP



Narrowing the  
Development  
Gap



# Initiative for ASEAN Integration (IAI) and Narrowing the Development Gap (NDG)

Narrowing the development gap in ASEAN will be critical in achieving balance in the support and participation of all Member States as the region moves towards economic integration to establish the ASEAN Economic Community by 2015.

The Initiative for ASEAN Integration (IAI) launched at the 2000 ASEAN Summit recognized the key roles of development and poverty alleviation in achieving economic integration in the region. The IAI is directed primarily towards Cambodia, Lao PDR, Myanmar and Viet Nam and the sub-regional groupings of the Greater Mekong Sub-region (GMS), the Brunei Darussalam– Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA) and the Indonesia–Malaysia–Thailand Growth Triangle (IMT-GT). The Initiative aims to assist Member States in meeting ASEAN-wide development targets and commitments for economic integration. Sub-regional integration will serve as a fundamental building block of the ASEAN Economic Community.

## **IAI Work Plan**

IAI Work Plans have been designed to guide regional efforts to narrow development gaps in the AEC. The first IAI Work Plan (2002-2008), endorsed by the Leaders at the 8<sup>th</sup> ASEAN Summit in 2002, prioritized infrastructure (transport and energy) and human resource development, including public sector capacity building, labour and employment and higher education. Other development priorities include tourism, information and communication technologies (ICT), as well as the promotion of trade in goods and services, customs, standards and investments.

The second IAI Work Plan, endorsed at the 14<sup>th</sup> ASEAN Summit in 2009 and effective until 2015, is based on key programme areas in the ASEAN Political-Security Community Blueprint, ASEAN Economic Community

Blueprint and the ASEAN Socio-Cultural Community Blueprint. Important sectors include agriculture, trade facilitation, investment, services and SME development.

While both IAI Work Plans are devoted largely to developing soft infrastructure, development of physical transport and communication infrastructure networks and the completion of road, rail, air and sea linkages within ASEAN are now key areas of focus.

## **IAI Development Cooperation Forum**

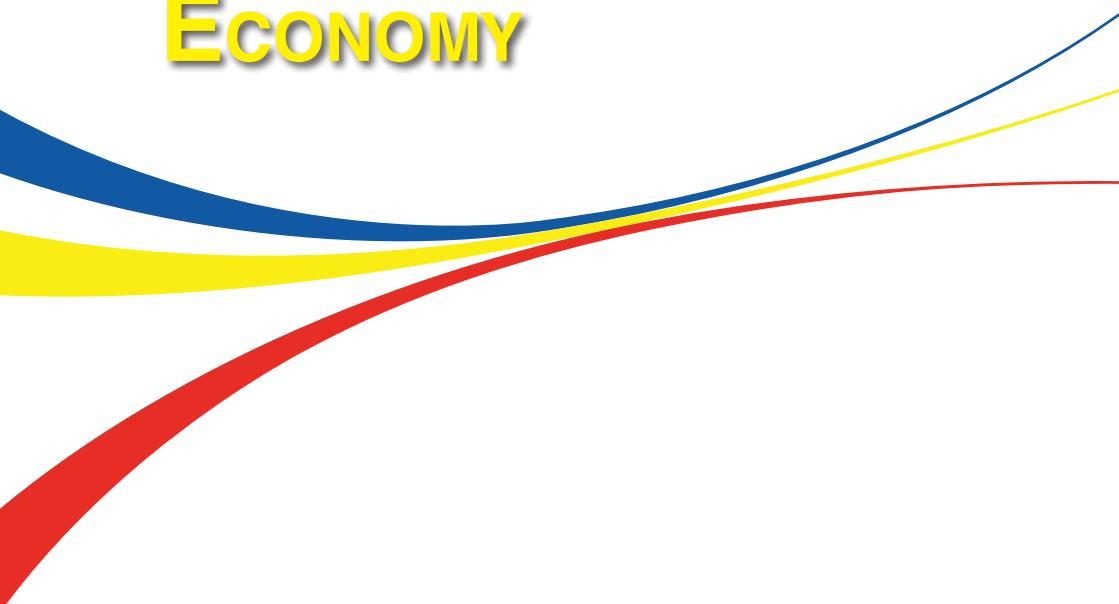
To accelerate the pace of implementing IAI development strategies, ASEAN has organised the IAI Development Cooperation Forum (IDCF) to serve as the main venue for engaging ASEAN's dialogue partners and donors to participate in the IAI Work Plan. Three forums held in 2002, 2007 and 2010 have affirmed commitments from the ASEAN-6, dialogue partners and international agencies to engage in a joint effort to achieve the goal of a more balanced and inclusive ASEAN Community.

### **For more information:**

IAI and NDG Division

Rony Soerakoesoemah ([iai.asec@asean.org](mailto:iai.asec@asean.org))

# INTEGRATION INTO THE GLOBAL ECONOMY





# ASEAN-China Free Trade Area (ACFTA)

In 2002, ASEAN Member States and the People's Republic of China signed the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China. The agreement provides the legal basis for ASEAN and China to negotiate further agreements leading to the creation of the ASEAN-China Free Trade Area (ACFTA) in December 2009.

China has since become ASEAN's largest trading partner, with trade values reaching US\$231.2 billion in 2010, about 11.3% of ASEAN's total trade. In terms of consumer market size, the ACFTA is the world's largest free trade zone, representing a market of 1.94 billion consumers with a combined gross domestic product (GDP) of about US\$7.6 trillion (in 2010).

## Free Flow of Goods

The Agreement on Trade in Goods signed in 2004 laid down the modality for tariff reduction and elimination for tariff lines categorised as either 'Normal Track' or 'Sensitive Track'.

Normal Track: Tariffs on almost all tariff lines in this category have been eliminated by ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and China as of 1 January 2010. The remaining few products in this category (i.e. not exceeding 150 tariff lines) will have tariffs eliminated not later than 1 January 2012, as part of the flexibility provided in the modality. For Cambodia, Laos, Myanmar and Viet Nam, tariff elimination will have to be completed by 1 January 2015, with flexibility to eliminate tariffs on products not exceeding 250 tariff lines by 1 January 2018.

Sensitive Track: Products in this Track were further categorised as Sensitive (SL) or Highly Sensitive Lists (HSL) and will be subject to tariff reduction within the time frames specified in the Agreement. Tariffs of products in the

SL will be reduced first to 20%, followed by a subsequent reduction to the 0-5% tariff band. For those in the HSL, tariffs will be reduced to not more than 50%.

The ACFTA does not allow exclusion of products. The Rules of Origin for the ASEAN-China Free Trade Area follows a general rule of 40% regional value content, with a limited number of products subject to product specific rules.

## **Free Flow of Services**

The Agreement on Trade in Services between ASEAN Member States and China, signed on 14 January 2007, is the second enabling Agreement under the 2002 Framework Agreement. It aims to liberalise and substantially eliminate discriminatory measures with respect to trade in services among the parties in various service sectors. By applying the GATS Plus principle, the level of liberalisation commitments under this Agreement would be considerably higher than the commitments made by participating countries under the General Agreement on Trade in Services (GATS) in the WTO. ASEAN and China embarked on a second round of negotiations in 2008 with the aim of substantially improving the first package of specific commitments. The Protocol to Implement the Second Package of Commitments under the Trade in Services Agreement is expected to be signed at the sidelines of the 14<sup>th</sup> ASEAN-China Summit in November 2011.

## **Free Flow of Investment**

To promote and facilitate investment flows, ASEAN and China also signed an Investment Agreement in August 2009 in Bangkok, Thailand. The agreement, which went into effect in January 2010, aims to create a favourable environment for investors from ASEAN and China. The agreement stipulates key protection elements for ensuring fair and equitable

treatment for investors, non-discriminatory treatment on nationalisation or expropriation and compensation for losses. It also has provisions allowing for transfers and repatriation of profits in freely usable currency and provides investors recourse to arbitration to settle investor-state disputes.

**For more information:**

External Economic Relations Division  
Anna M. Robeniol ([anna@asean.org](mailto:anna@asean.org))



# ASEAN-Japan Comprehensive Economic Partnership (AJCEP)

The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement, which was signed in April 2008 and went into effect in December 2008, is comprehensive in scope and covers trade in goods, trade in services, investment and economic cooperation. As of 2010, ASEAN and Japan had a combined GDP of US\$7.2 trillion, with total bilateral trade between ASEAN and Japan valued at US\$203.9 billion, making Japan ASEAN's third largest trading partner.

The AJCEP will help continue the momentum for further invigoration of trade and investment in the region by allowing more goods and services to reach ASEAN and Japanese consumers at lower prices through reduced or zero tariffs. Increasing the exchange of goods and services through a lowering of tariffs is expected to contribute to improved standards of living for both trading partners.

## Tariff Reduction and Elimination

Under the terms of the AJCEP Agreement, Japan must eliminate 92% of its tariff rates based on tariff lines and trade value for goods in the Normal Track within 10 years of the Agreement's entry into force (EIF). The ASEAN 6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and Viet Nam must eliminate 90% of its tariff rates based on the tariff lines and trade value for goods in the Normal Track within 10 years of EIF of the Agreement. For Cambodia, Laos and Myanmar, 90% of tariff rates based on either tariff line or trade value for goods in the Normal Track must be eliminated within 13 years of EIF.

For goods under the Highly Sensitive List, Sensitive List and Exclusion List, the modality varies and the tariff cuts were negotiated bilaterally between ASEAN Member States and Japan, taking into account the sensitivities of the parties.

## **Rules of Origin**

Rules of origin (ROO) established under the AJCEP are aimed at encouraging regional cumulation of inputs that benefit both ASEAN industries and Japanese companies operating in ASEAN, including Mitsubishi, Toyota and other electronic companies with operations and huge investments in ASEAN countries.

The AJCEP's ROO has a "general rule" of RVC (Regional Value Content) 40% or CTH (Change in Tariff Heading) that allows exporters and manufacturers to choose which rule to apply to make them eligible for the preferential tariff (lower or 0) tariff under the Agreement.

## **Services and Investment**

The Trade in Services Agreement and the Investment Agreement are currently being negotiated and are targeted for completion in 2012.

## **Dispute Settlement Mechanism**

A Dispute Settlement Chapter has been provided to address disputes that may arise from the TIG Agreement through consultations, good offices, conciliation and mediation, arbitral tribunal or any other relevant international agreement.

## **Overall Benefits**

Japan's total foreign direct investment (FDI) to ASEAN reached US\$56 billion from 2002 to 2010. This is expected to grow as AJCEP continues to fuel investments, narrowing the economic divide between ASEAN and Japan.

### **For more information:**

External Economic Relations Division  
Anna M. Robeniol ([anna@asean.org](mailto:anna@asean.org))

# ASEAN-Korea Free Trade Area (AKFTA)

In 2005, ASEAN and Korea signed the Framework Agreement on Comprehensive Economic Cooperation (Framework Agreement), leading the way to four more agreements that formed the legal instruments for establishing the ASEAN-Korea Free Trade Area (AKFTA).

Korea is now ASEAN's fifth largest trading partner, with trade in 2010 valued at US\$98.1 billion. Foreign direct investment flows from Korea into ASEAN in 2010 were valued at US\$3.7 billion.

## Trade in Goods

The ASEAN-Korea Trade in Goods (AK-TIG) Agreement signed in 2006, sets out the preferential trade arrangement in goods among the 10 ASEAN Member States and Korea, which principally involves tariff reduction and elimination for all tariff lines over a transition period. Since January 2010, Korea and ASEAN-5 (Brunei Darussalam, Indonesia, Malaysia, the Philippines and Singapore) have eliminated tariffs on almost 90% of Normal Track products.

The newer members of ASEAN — Viet Nam, Cambodia, Lao PDR and Myanmar — were granted a longer transition period for tariff reduction and elimination in recognition of their development status. For Viet Nam, at least 50% of tariff lines under the Normal Track will enjoy a 0-5% tariff rate by January 2013, and by January 2015 for Cambodia, Lao PDR and Myanmar (CLM).

Tariff lines enjoying the reduced tariffs rates of 0-5% will reach 90% coverage by 2016 for Viet Nam and 2018 for CLM. By 2017 and 2020 products under the Viet Nam and CLM's Normal Track, respectively would have full market access, that is, at zero tariff. Thailand, which acceded to the AK-TIG in 2007, has a different schedule. Tariffs for products in the Normal Track would be reduced over a transition period and will be eliminated by either 2016 or 2017.

## **Trade in Services**

The ASEAN-Korea Trade in Services (AK-TIS) Agreement, signed in 2007, provides the platform for further expanding market access for ASEAN and Korean service providers. Building on their existing commitments in the WTO under the General Agreement on Trade in Services (GATS), ASEAN and Korea both increased their commitments through the addition of new sectors and sub-sectors, easing restrictions on a wide range of service sectors including business, construction, education, communication services, the environment, tourism services and transport services.

## **Investment**

The ASEAN-Korea Agreement on Investment (AK-AI) signed in 2009 aims to provide a transparent, facilitative and a more secure environment for ASEAN and Korean investors. The agreement includes provisions for: fair and equitable treatment and full protection and security of covered investments; transfers of funds relating to covered investments; and compensation in the event of nationalisation or expropriation of covered investments.

Since the agreement went into effect in 2009, ASEAN and Korea have continued to pursue the completion of built-in-agenda items, such as the development of market access commitments or schedules of reservations. ASEAN and Korea will hold discussions on these agenda items and plan to conclude discussions within five years from the agreement's entry into force.

## **Dispute Settlement Mechanism**

The ASEAN-Korea Agreement on Dispute Settlement Mechanism, signed in 2005, provides a mechanism for disputes that may arise from the free trade agreements through consultations, good offices, conciliation and

mediation, arbitral tribunal or any other relevant international agreement. (The Dispute Mechanism Settlement Mechanism does not apply to specific Articles under Trade in Services, Investment, Economic Cooperation and Other Areas, as well as Annex on Economic Cooperation.)

**For more information:**

External Economic Relations Division  
Anna M. Robeniol ([anna@asean.org](mailto:anna@asean.org))



# ASEAN-India Free Trade Area

The ASEAN-India Trade in Goods (AITIG) Agreement was signed in 2009 and went into effect in January 2010, paving the way for the creation of one of the world's largest free trade areas. The ASEAN-India market comprises 1.8 billion people with a combined GDP of approximately US\$3.28 trillion, as of 2010. ASEAN-India trade was valued at US\$55.3 billion in 2010, making India ASEAN's sixth largest trading partner.

## Free Trade in Goods

The AITIG provides for a progressive tariff reduction and/or elimination of originating goods (subject to compliance with the rules of origin) traded for the 10 ASEAN Member States and India. Under the Normal Track, tariffs imposed by Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand and India will be eliminated by 2016. Tariffs imposed between the Philippines and India under the Normal Track will be eliminated by 2019. A longer time frame has been granted for Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) to eliminate tariffs of goods under the Normal Track.

Under the Sensitive Track, goods with applied most-favoured-nation (MFN) rates of above 5% will be reduced to 5% by 2016 for Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand and India; 2019 for the Philippines and India; and 2021 for Cambodia, Lao PDR, Myanmar and Viet Nam.

The AITIG also provides for different tariff rates for special products, such as crude and refined palm oil, coffee, black tea and pepper. There are also goods placed under the highly sensitive lists and exclusion lists, subject to an annual review in keeping with efforts to improve market access for these products.

A general rule of RVC (Regional Value Content) 35% + CTSH (Change in Tariff Sub-Heading) is applied as the criterion for goods to be considered as originating and eligible for preferential tariff treatment. Product specific

rules are being negotiated to provide alternative rules for certain products and sectors.

## **Services and Investment**

Negotiations on services and investment agreements are ongoing and are targeted for completion in 2012.

### **For more information:**

External Economic Relations Division  
Anna M. Robeniol ([anna@asean.org](mailto:anna@asean.org))

# ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)

The Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) aims to integrate 12 markets into a single market of 625 million people with a combined GDP of US\$2.61 trillion and a trade value of US\$62.3 billion, as of 2010. The AANZFTA was signed in 2009 and went into effect in January 2010.

Despite the global financial crisis and the decline of global foreign investment flows, total level (or stock) of foreign direct investment (FDI) from Australia-New Zealand in ASEAN has continued to grow.

The AANZFTA Agreement is the first plurilateral agreement for both ASEAN and Australia. (New Zealand has a plurilateral agreement with Brunei, Singapore and Chile). It is also the first region-to-region engagement for ASEAN and the first agreement that Australia and New Zealand have jointly negotiated. The agreement covers trade in goods and services, electronic commerce, investment, dispute settlement mechanism and specific provisions on customs procedures, sanitary and phytosanitary (SPS) measures, standards and technical regulations, intellectual property rights and competition.

## Obligations under the AANZFTA Agreement

ASEAN Member States, Australia and New Zealand are bound by the AANZFTA Agreement to progressively liberalise tariffs since the Agreement went into effect in 2010 and to eliminate tariffs on at least 90% of all their tariff lines within specific timeframes. They have also agreed to liberalise barriers to trade in services and allow for greater market access for services suppliers. [The implementation of the AANZFTA by individual AMS is at different periods according to the time taken for the agreement to be converted to domestic regulation. The entry into force is counted when Australia, New Zealand and an AMS start to enforce. To-date, Indonesia has not enforced the Agreement.]

The AANZFTA Agreement provides for the free movement of people engaged in trade and investment activities in the region and provides protection for investments, including compensation for losses, transfers relating to profit and capital, and transfer of rights or claims to investments. Under the terms of the agreement, ASEAN, Australia and New Zealand have also agreed to facilitate the movement of goods by implementing specific provisions on rules of origin, customs procedures, sanitary and phytosanitary (SPS) measures and standards, technical regulations and conformity assessment procedures.

Schedules of specific commitments in relation to trade in goods (tariffs), trade in services (including financial services and telecommunication services) and movement of natural persons are annexed to the AANZFTA Agreement.

## **Benefits of the AANZFTA Agreement**

The AANZFTA Agreement opens up business opportunities in ASEAN, Australia and New Zealand. It allows greater market access for exporters and manufacturers in the region, promotion of economies of scale in production, opportunities for networking and enhanced collaboration among economic operators in the region. AANZFTA aims to create a business environment that promotes certainty, predictability and transparency, so that economic operators are assured that commercial activities will not be unnecessarily interrupted or disrupted.

### **For more information:**

External Economic Relations Division  
Anna M. Robeniol ([anna@asean.org](mailto:anna@asean.org))





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