

ASEAN Economic Community (AEC)

The ASEAN Economic Community Blueprint for realising the ASEAN Economic Community by 2015 was adopted and signed by the ASEAN Leaders in November 2007 in Singapore during their annual Summit Meeting.

The ASEAN Economic Community (AEC) is one of the three pillars to achieve a cohesive ASEAN Community. The other two are political / security and social cultural pillars.

AEC Blueprint is a single comprehensive document which identifies the characteristics and elements of the AEC with clear implementation targets and timelines for the various economic integration measures within ASEAN. The main objectives of AEC are to create a:

- a. single market and production base;
- b. highly competitive economic region;
- c. region of equitable economic development;and
- d. region fully integrated into the global economy.

HIGHLIGHTS OF AEC BLUEPRINT

1. Single Market and Production Base

The five (5) core elements of ASEAN single market and production base are:

- a. free flow of goods;
- b. free flow of services;
- c. free flow of investment;
- d. freer flow of capital;and
- e. free flow of skilled labour.

On trade in goods, import duties on all products except for those listed under the Sensitive and Highly Sensitive List (unprocessed agriculture products) are to be eliminated by 2010 for ASEAN-6 and 2015 for Cambodia, Lao PDR, Myanmar and Viet Nam.

As of September 2007, Malaysia 's tariff lines (AHTN 2002) totalled 12,581. Of these:

- 10,135 tariff lines at 0%;
- duty on 2,291 tariff lines (currently at 5%) will be eliminated by 1 January 2010;
- duty on 66 sensitive and highly sensitive tariff lines (tobacco, tropical fruits and rice) will be reduced to 5% in 2010 , except rice at 20%; and
- 89 tariff lines on alcoholic beverages and weapons are excluded from tariff liberalisation under the CEPT Scheme.

For trade in services, liberalisation will be achieved through five (5) more rounds of negotiations, where all restrictions on trade in services on the 128 sub-sectors (based on WTO GATS W/120 classification) are to be removed progressively. The minimum number of new sub-sectors in addition to those offered under earlier packages to be scheduled for each round of services negotiations:

<u>Year</u>	<u>No. of new sub-sectors</u>
2008	10
2010	15
2012	20
2014	20
2015	7

In addition to liberalisation of equity participation, services liberalisation also involves substantial elimination of Market Access limitations and restrictions on National Treatment. The liberalisation of services sector is subject to flexibility. A flexibility of 15 per cent covers all services sector including those under the Priority Integration Sectors, except for financial services, air transport services, and services incidental to 5 sectors under ASEAN Investment Area.

The final quantum of flexibility is subject to review upon completion of the inventory of impediments/limitations to trade in services in August 2008. This inventory is required to guide the subsequent rounds of services liberalisation under AFAS.

MITI is also working with various Ministries/ agencies in compiling a database of barriers to trade in services.

The Framework Agreement on the ASEAN Investment Area is currently under review to make ASEAN more attractive for high-quality FDI . The new Agreement will:

- incorporate additional provisions and obligations with improved features to be incorporated;
- be more comprehensive , and facilitate ASEAN in negotiating FTAs with Dialogue Partners;
- merge elements of AIA and ASEAN IGA and strengthen investor protection provisions;
- benefit ASEAN investors and companies and foreign-owned ASEAN-based companies; and
- provide better facilitation measures to be considered to promote intra-ASEAN investment.

The proposed elements of the comprehensive investment agreement would cover articles on the following pillars:

- liberalisation;
- promotion and awareness;
- facilitation and cooperation; and
- investment protection.

2. Highly Competitive Economic Region

In creating a competitive region, ASEAN will also work to enhance cooperation in new areas for instance competition policy, consumer protection, intellectual property rights, infrastructure development, taxation and e-commerce.

Region of Equitable Economic Development

The AEC also outlines the strategic work plan for equitable economic development region through:

- a. enhancing and strengthening SME competitiveness; and
- b. narrowing development gap within ASEAN.

The strengthening of ASEAN SMEs will be based on the ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014. The Blueprint outlines the framework for SME development in the ASEAN region. It comprises strategic work programmes, policy measures and indicative outputs.

To narrow the development gap, the Initiative for ASEAN Integration will serve as the platform for identifying and implementing technical assistance and capacity building programmes for both public and private sectors in ASEAN Member Countries, in particular, CLMV and the other sub-regions such as the IMT-GT and the BIMP-EAGA within ASEAN. This is to allow them to be equal partners in the development of regional production and distribution networks.

Region Fully Integrated Into Global Economy

The objective of AEC is also to make ASEAN a more dynamic region to compete in the global supply chain and to remain an attractive base for foreign direct investment . In this respect, ASEAN will work towards maintaining ? ASEAN Centrality ? in its external economic relations, especially in its negotiations for free trade areas (FTAs) and comprehensive economic partnership (CEPs) agreements.