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**STRAITS TIMES**

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**SPECIAL**

# AEC: A COMMUNITY OF OPPORTUNITIES



**ASEAN 50**  
★ ★ ★ ★ ★ 2017 ★ ★ ★ ★ ★



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

**PARTNERING FOR CHANGE,  
ENGAGING THE WORLD**



**AEC: A COMMUNITY  
OF OPPORTUNITIES**



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY



**MESSAGE FROM PRIME MINISTER  
DATUK SERI NAJIB RAZAK**

# A great economic promise

**F**IRST and foremost, I would like to congratulate the International Trade and Industry Ministry for taking the initiative to collaborate with the private sector in the publication of the Asean @ 50 special pullout.

This year marks the 50th anniversary of Asean since its establishment on Aug 8, 1967.

Asean was built on a foundation of prosperity when it was established 50 years ago. Indeed, in those 50 years, Asean has made great strides.

Since its inception, many initiatives have been taken to deepen regional economic integration to make Asean a single market and production base.

Between 1975 and last year, for instance, the Asean economy multiplied significantly from US\$87.2 billion to US\$2.55 trillion. With a GDP of US\$2.55 trillion, collectively Asean is the sixth largest economy in the world.

In December 2015, during Malaysia's chairmanship of Asean, the Asean community was established, comprising the Asean Political-Security Community, the Asean Economic Community and the Asean Socio-Cultural Community.

Malaysia's tenure as the Asean chair also witnessed the adoption of the Asean Community Vision 2025 and its pillars' blueprints, namely the Asean Political-Security Community Blueprint 2025, the Asean Economic Community Blueprint 2025 and the Asean Socio-Cultural Community Blueprint 2025.

The harmony between Southeast Asia's nations has allowed for resources to be focused on bringing economic benefits to our people, including Malaysia, consolidating regional stability and staying true to the vision of Asean's founding fathers.

We have achieved a critical mass to take us forward. Our economies are

growing faster than most of the rest of the world, and it is expected that by 2050, the Asean economy will reach US\$9.2 trillion, making it the fourth largest in the world.

For the Asean Community to be real, it must be something that is part of our lives. It must be something that touches the rakyat's hearts. Asean must be seen as a source of cohesion, solidarity, support, unity, friendship, strength and greater prosperity.

As we celebrate a half century of Asean, what better way for us to do that than working towards making economic integration efforts a reality.

Then we can begin to make the next 50 years of Asean a fulfillment of that sense of promise that our first five decades have led us to.

There is so much to look forward to in Asean, this region of great economic promise. Together, the promise will be fulfilled.



**MESSAGE FROM INTERNATIONAL TRADE AND INDUSTRY MINISTER  
DATUK SERI MUSTAPA MOHAMED**

## Asean will continue to rise

THE year 2017 started with a high prospect for Asean.

After eight years of preparation, Asean leaders launched the ambitious Asean Economic Community (AEC) in 2015, a treaty aimed at creating a single, seamless production base and consumer market.

The work, however, does not stop there as Asean today is more connected than ever.

The Asean Economic Community (AEC) Blueprint 2025 outlines measures that will be taken by Asean in the next 10 years to broaden and deepen economic integration, with a shared vision of creating a truly economic integrated region.

This year also marks the 50th anniversary of Asean with the theme "Partnering for Change, Engaging the World".

Since it was founded 50 years ago, Asean has evolved into one of the world's most dynamic regions with accelerated economic performance in recent years.

That has been attributed to Asean's economic cooperation and integration initiatives taking shape over the past

two decades.

The economic development of Asean, which has a population of 630 million people, has grown rapidly and registered a strong gross domestic product (GDP) growth of between 4.6 per cent and 7.6 per cent from 2010 to last year.

This year's GDP growth is expected to be 4.8 per cent, much better than the growth forecast for many countries.

With a record US\$2.4 trillion GDP in 2015, Asean is the third largest economy in Asia and the sixth largest economy in the world.

Investments in Asean are at an all-time high. Foreign direct investment in Asean achieved a double-digit growth of 11.5 per cent compound annual growth rate from 2005 to 2015.

Research houses have expressed confidence that Asean could be the fourth largest single market in the world by 2050, after the European Union, the United States and China.

Several new key growth areas have been identified and will be the focus for Asean in the next 10 years, namely e-commerce, global value chain (GVC),

and good regulatory practice (GRP).

These areas will be the key enablers for Asean to increase its competitive edge in moving the region up the global value chain into higher technology and knowledge-intensive manufacturing and services industries.

Where there is optimism, therein lies the challenge. Most of all, non-tariff barriers and measures, or NTBs and NTMs, must be reduced and ultimately removed.

This is a stubborn worldwide problem, but it is in Asean's own interests to lead the way in this endeavour.

For Asean to reach that target economic total of US\$9.2 trillion, NTBs and NTMs have to be reduced by at least 50 per cent and coordinated efforts are required to deal with this problem.

Many people are looking at China and India as the next economic powerhouses in Asia, but the world will continue to observe the rise of Asean.

Let us together celebrate this golden jubilee of Asean that is indeed a community of opportunities not only for Asean people, but also for people outside the region.







## MESSAGE FROM FOREIGN MINISTER DATUK SERI ANIFAH AMAN

ASEAN has come a long way to become what it is today. Fifty years ago, what began as a group of five nations coming together to preserve regional peace, has now become a family of 10 nations of varied identity, cultures and religions, yet embracing the same ideals of shared cooperation for peace and mutual prosperity.

Throughout the years, Asean has been a platform for integration and cooperation.

The 10 member states have worked with each other and with other nations to promote unity, development and sustainability. The spirit of friendship has allowed us to resolve disputes and problems peacefully so that we could move forward together as a region.

Looking back, it is without doubt that Asean is a success story. Asean has demonstrated impressive growth and remarkable progress.

Asean's average annual growth over the last decade is 6 per cent, compared with the global average of 4 per cent. Asean's projected to become the world's fourth-largest single market by 2030.

This has resulted in our people living better lives, enjoying better quality products and services, as well as earning higher incomes.

Our most recent milestone was the establishment of the Asean Community in 2015.

The Asean Community aspires to unite and leverage the resources and expertise available within and to strive for the collective good of the people of Asean.

The need to stand collectively as a community cannot be stressed hard enough.

As a group, Asean can capitalise on its economic strength, pooling its resources to become a competitive

# Proud to be Asean citizens



global player, bringing greater economic development and wealth to the region, including to Malaysia.

As Asean becomes a regional player, it could deepen its cooperation

with dialogue partners, strengthen engagement with external parties and reach out to new potential partners for mutually beneficial relations, as well as respond collectively and

constructively to global developments.

At its heart lies the people. The Asean Community Vision 2025, with its goals of being people-oriented and people-centred, must not remain a hollow rhetoric.

All of us in Malaysia, as well as our friends in nine other member states, have a duty to realise this aspiration.

The next part of this voyage will be for the people to be involved in Asean, to comprehend and appreciate what Asean has done for them.

It is our sincere hope that the people can understand and feel the benefits of Asean so that they may participate in Asean community-building processes.

We want people to be proud to say that "saya warga Asean", or "I am a citizen of Asean".

On this occasion, I would like to commend the International Trade and Industry Ministry for its initiative to have this special pullout in conjunction with the golden jubilee of Asean.

On behalf of the Foreign Ministry, I am proud of the collaboration with the International Trade and Industry and Tourism and Culture ministries in driving the Asean agenda at the national level.

Together with other stakeholders, I believe this is a positive step in making Asean a people-centred, people-oriented community.



*After 50 years, Asean is doing very well. The formation of the Asean Economic Community (AEC) in 2015 has definitely brought tangible benefits to Malaysia and the world. It has also led to the narrowing of development gap and promoted equitable development in the region that improved the overall wellbeing and quality of life of the people in the region.*

**DATUK SERI ONG KA CHUAN**  
International Trade and Industry Minister II



*The Asean Economic Community (AEC) has attracted the attention of global investors who are seeing Asean as one of the regional markets with huge potential and providing these investors preferential networks of markets globally. Today, Asean is host to over 25,000 foreign companies from the European Union, the United States, Japan, China, South Korea, India, Australia, New Zealand and others.*

**DATUK CHUA TEE YONG**,  
Deputy minister (trade),  
International Trade and Industry Ministry

## MESSAGE FROM TOURISM MINISTER DATUK SERI MOHAMED NAZRI ABDUL AZIZ

# Cultural programmes boost ties

As the national focal point for the Asean Socio-Cultural Community (ASCC) pillar, the Tourism and Culture Ministry is honoured to join the commemorative celebration of this remarkable milestone, Asean @50, marking 50 years of diplomatic relations and friendship among Asean countries.

2017 is a significant year for Asean, which turns half a century old.

ASCC focuses on the progressive development of Asean in various areas of cooperation among Asean member states (AMS), such as rural development and poverty eradication, social welfare, health, environmental sustainability as

well as capacity building and human development.

The ASCC pillar, through its 15 sectoral bodies, gives priority to improving the economy and standard of living of the target groups. As a result, ASCC initiatives have given Asean a better quality of life and economic development.

As the relevant ministry for the Asean Ministers Responsible for Culture and Arts, the growing cultural cooperation and exchange programmes fosters ties among the people of Asean based on the principle of mutual respect.

For instance, cultural exchange programmes will provide more opportuni-

ties for us to learn and enjoy each other's culture, heritage and tradition.

In addition to this, the role of culture as a factor for social and economic growth is seen with the increased number of tourists, residents and investors taking part in cultural activities and festivals, and the rapid development of culture industries.

To this point, I believe that the 50th anniversary of Asean will create more awareness among youth about the importance of understanding each other's culture and diversity.

I appreciate the opportunity given to us to witness and experience this celebration.





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# On track to become fourth largest economy



International Trade and Industry Minister Datuk Seri Mustapa Mohamed (left) with counterparts at the 48th Asean Economic Ministers meeting Vientiane, Laos last year.

DATUK SERI MUSTAPA MOHAMED

**W**E celebrate the 50th year of Asean's establishment with pride. It has achieved remarkable economic and social progress through economic integration, political, security and socio-cultural cooperation.

Collectively, Asean is the sixth largest economy in the world with a combined gross domestic product (GDP) of US\$2.6 trillion.

Its average GDP per capita rose from US\$955 between 1996 and 2001 to US\$1,863 (2002 to 2009) and to US\$3,818 (2010 to 2015).

Since 1993, the average growth rate has been 4.7 per cent. Some Asean countries are now posting growth rates exceeding 6 per cent, despite the subdued global economy.

Now the fourth largest labour market in the world with a population of 630 million people, Asean is projected to rank as the fourth-largest economy in the world by 2050.

It has created the emergence of a middle class of around 100 million and growing, making Asean a lucrative consumer market for global sellers.

Economic integration began with the Asean Free Trade Area (Afta) in 1993 and grew with the Asean Economic Community (AEC).

Attractive investment incentives and economic reforms pursued by member states spurred the grouping into becoming one of the most dynamic business and investment hubs in Asia Pacific.

The removal of barriers to trade and investments, open skies and other trade initiatives pursued by Asean as part of AEC have made the region more attractive to the flow of foreign investments, capital, technology and skilled people.

It has opened up opportunities, not only for multinationals and large com-

panies, but also for small- and medium-scale enterprises.

Today, Asean is host to more than 25,000 companies from the European Union, the United States, Japan, China, Korea, India, Australia and New Zealand.

Almost all global MNCs have their operations in the region.

Regional integration offered these investors an enormous integrated market, which has expanded from 355 million people in 1995 to 630 million people in 2015, with 65 per cent of the population below 35.

Multinational corporations as well as Asean companies big and small continue to expand in the region, with investments in manufacturing and the services sector.

The top Asean companies are major investors in infrastructure projects (ports, airports, road and rail), telecommunications, financial, plantations, real estate and distribution (retail and wholesale), and they compete with foreign companies.

Asean has been one of the major beneficiaries among developing countries for foreign direct investments.

Foreign direct investment in Asean increased from US\$23.54 billion in 1995 to US\$96.72 billion last year, a more than four-fold increase.

Total trade increased nearly six-fold since the beginning of Afta, from US\$430 billion in 1993 to US\$2.55 trillion last year, while intra-Asean trade surged by more than six-fold in the same period from US\$82 billion to US\$521.7 billion.

Malaysia is one of the major beneficiaries of AEC with more than a one-quarter, or 28 per cent, of the country's trade with Afta valued at RM402.65 billion last year compared with RM57.9 billion in 1993.

It was also noted that 29 per cent

of Malaysia's total exports is to Asean countries, while imports consisted of 25 per cent last year.

From January to May this year, trade with Asean climbed 25.6 per cent at RM197.97 billion compared with the corresponding period in 2015.

This is a reflection that Asean remains a lucrative and growing market for Malaysian companies.

Many companies, including SMEs, are exporting products — ranging from toothpaste to sophisticated and high-technology products, such as auto parts, components for the oil and gas sector, electrical and electronic products, and processed food — to the region.

Malaysia has also emerged among the top 10 investing nations with businesses that were initially concentrated in the manufacturing sector before it became more diversified.

Investments in the services sector are also becoming more dominant. Many local banks, telecommunication and companies and airlines have a regional presence in Asean.

Malaysian construction firms have been awarded projects to build toll roads, hotels, regional administrative capitals and also build and manage airports.

There is a growing number of Malaysian companies that have regional footprints. Besides the large players, many Malaysian SMEs also have investments in the region.

It is estimated that there are more than 1,500 Malaysian companies operating in Asean.

The country is also benefiting from investments from traditional source countries, such as Singapore, Indonesia, the Philippines and Thailand.

Continuous improvements in the business environment in the region offer ample opportunities for Malaysian companies.

AEC, however, is far from perfect. Non-tariff barriers and non-transparent procedures, the need to comply with national standards and rules and regulations are among the obstacles or challenges faced by companies in doing business.

Businesses have to look at AEC as a process and work in progress as barriers will continue to be reduced over time.

A new AEC 2025 Blueprint with 500 action lines has been adopted to deepen integration and boost Asean's competitiveness as well as to forge a cohesive economy to ensure Asean remains on the path of growth.

The path to rapid development of the region has not been smooth or without challenges.

Asean has had to overcome the challenges posed by the 1997 financial crisis, which led to devaluation of currencies, drop in asset prices, closure of businesses, and later, the 2008 global economic crisis.

In 2003, it was agreed for Asean to deepen economic integration with the formation of the Asean Economic Community (AEC).

AEC was established to accelerate economic growth, boost trade development in the region, and allow the freer movement of goods, services, skilled labour and capital.

Afta became the turning point towards rapid economic transformation of the region, culminating in the establishment and realisation of the Asean Economic Community (AEC) at the 27th Asean Summit in Kuala Lumpur in 2015.

It also provided Asean a stronger voice in dealing with trading partners. AEC became also the driving force in fostering integration in Asia.

Asean widened its reach to engage major trading partners in free trade agreements (FTAs), namely, China,



**Micro, Small- and Medium-scale Enterprises (MSMEs) account for the largest number of enterprises operating in Asean. Some of these enterprises are benefiting from the establishment of the Asean Economic Community (AEC) and from the preferential treatment obtained under Asean free trade agreements.**

**DATUK AHMAD MASLAN**  
Deputy minister (industry),  
International Trade and  
Industry Ministry

Japan, South Korea, India, Australia and New Zealand from 2004 to 2010.

This move promoted confidence in investors and businesses in the region. It offered them preferential market access to these countries.

Asean is taking the lead to negotiate the world's largest FTA with these six countries to form the Regional Comprehensive Economic Partnership agreement.

Negotiations are ongoing and when concluded and implemented, will create the largest integrated market of 3.5 billion people.

Asean can look back with pride that it has come a long way in realising the goals of the 1967 Bangkok Declaration.

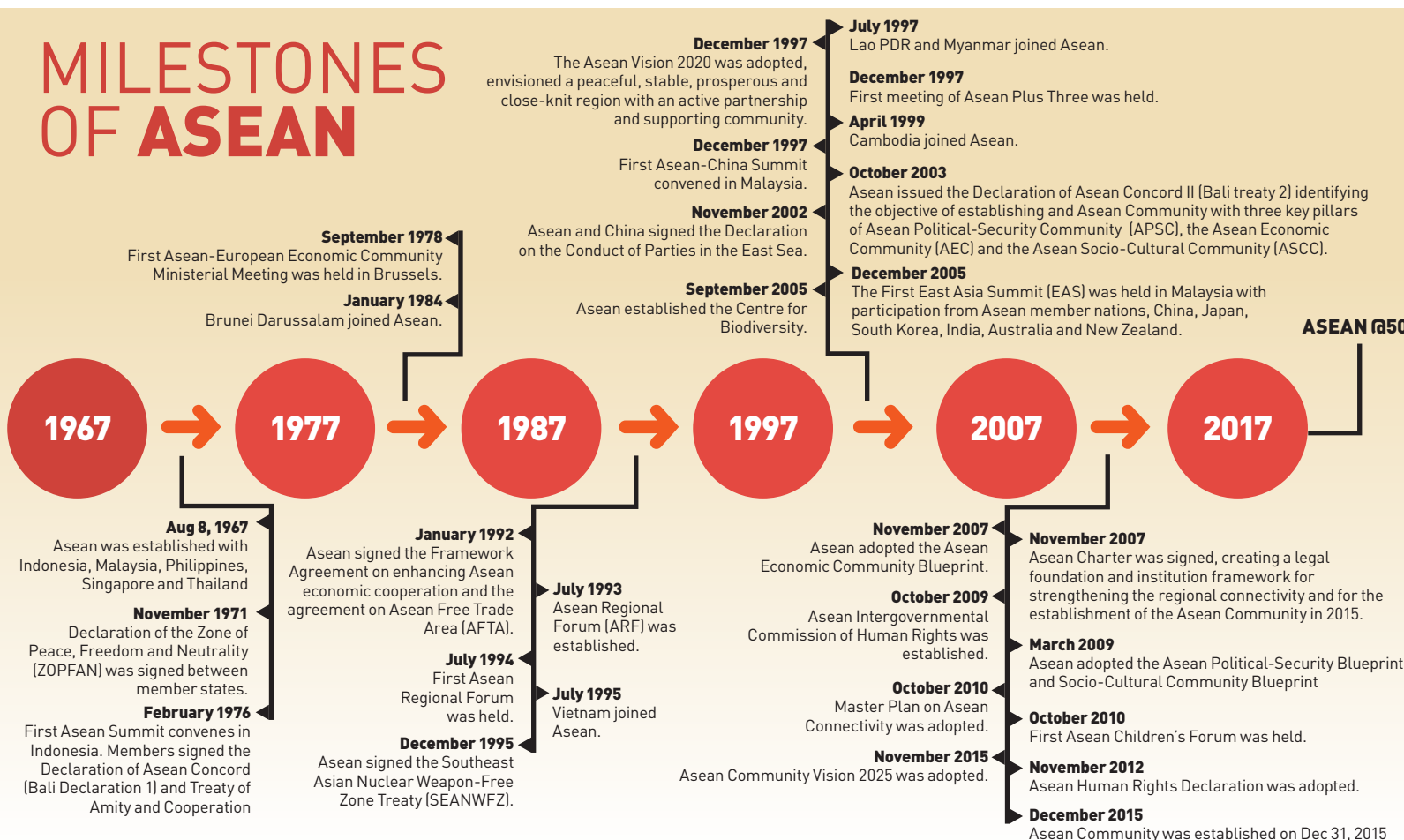
It is no longer a loose organisation but one that has evolved to become a permanent and stronger regional grouping with the adoption of the Asean Charter, providing it with a definitive legal framework for further integration.

The writer is international trade and industry minister





# MILESTONES OF ASEAN



*This year sees ASEAN celebrate its 50th anniversary and there is indeed much to celebrate in terms of our collective achievements. Just as importantly, the 50th anniversary is also a moment to think about the future of the region and what lies ahead for us as a strong, growing community.*

**TAN SRI JAMALUDIN IBRAHIM,**  
President and Group Chief Executive of Axiata



With a diverse portfolio in mobile networks, infrastructure and digital services, Axiata is one of Asia's largest telecommunications groups. Through our operating companies and businesses, we serve over 320 million customers in ten countries across Asia, including the fast-growing ASEAN economies of Malaysia, Indonesia, Cambodia, Singapore, and Myanmar.

Axiata has been investing in economy-generating and socially beneficial digital services to bring greater development to communities across Asia. Keeping with our commitment of building local digital ecosystems, we established the Axiata Digital Innovation Fund in Malaysia and Cambodia, with other countries in the plan, to invest and spur the growth of digital talent and drive the digital economy.

We believe the digital economy can bring up to a USD1 trillion uplift to the ASEAN GDP in the next decade<sup>1</sup>. We at Axiata are proud to support this agenda and help accelerate the digital revolution in ASEAN.

With the broader goal of Advancing Asia by piecing together the best in innovation, connectivity and talent, we are with you every step of the way, ASEAN.

<sup>1</sup>ASEAN Digital Revolution, Axiata - A.T. Kearney, 2016

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DATUK SERI J. JAYASIRI

**E**CONOMIC integration is an ongoing process in any regional grouping. As such, the establishment of the Asean Economic Community in 2015 is not the end but rather the beginning of economic integration in region.

In 2014, an Asean Coordinating Committee Working Group at senior officials' level was set up and chaired by Malaysia to develop the post-2015 regional integration blueprint.

With the cooperation of all 10 members, the Asean Community [AC] 2025 Blueprint was formulated and launched at the 27th Asean Summit in Kuala Lumpur in 2015.

AC 2025 included the blueprints for the three core pillars of Asean: political-security community, economic community and socio-cultural community.

The AEC 2025 Blueprint was prepared after the review of the implementation of the AEC 2015 Blueprint and the findings and recommendations of two studies undertaken by the Economic Research Institute of East Asia and Asean and the Rajaratnam School of International Studies.

AEC 2025 also considered proposals put forward by the Asean Business Advisory Council and other corporate panels and stakeholders within and outside the region.

The AEC 2025 Blueprint is more

# AEC the beginning of economic integration



Datuk Seri J. Jayasiri

comprehensive in scope and coverage for economic integration and it is more ambitious than the previous plan.

The overall vision is to build on the earlier vision of a single market and production base to create a highly integrated and cohesive economy that can drive growth in the region over the next 10 years.

AEC 2025 comprises five interrelated and mutually reinforcing characteristics, which outline the vision for integration as follows:

**A HIGHLY** integrated and cohesive economy;

**A COMPETITIVE**, innovative and dynamic Asean;

**ENHANCED** connectivity and sectoral cooperation;

**A RESILIENT**, inclusive, people-oriented and people-centred region; and,

**A GLOBAL** Asean.

The overall goal is that new measures must be taken to improve, broaden and deepen integration of Asean to remain competitive and sustain growth.

Under the new blueprint, growth and the dynamism of Asean as an economic entity is expected to be generated or sustained through robust productivity growth, innovation, leveraging information, communication technology, adjusting to industry 4.0 technologies, human resources development and strengthening Asean's global economic engagement.

Its main thrust is to put people in

the centre of development through an inclusive approach.

In other words, regional integration must benefit all levels of people, with no group or groups of people or sub-regions or areas excluded.

Vital to the integration is the promotion and development of micro, small- and medium-scale enterprises (MSMEs), which account for more than 95 per cent of enterprises in the region.

Senior economic officials have developed a Consolidated Strategic Action Plan (CSAP) to translate the measures outlined in AEC 2025 into action lines for implementation until 2025.

CSAP has more than 500 action lines covering the 150 over measures outlined in the blueprint and provides greater transparency and certainty to investors and businesses on liberalisation and facilitation measures to be implemented over the next 10 years.

Among the steps to be taken are:

**COMPLETE** elimination of tariffs and to reduce and eliminate border and behind-the-border regulatory barriers

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**Lion Group is proud to be part of Malaysia and Asean with one common vision to promote progress and development, and peace and stability in the region. We can tap on the strengths of Asean with its 600 million population, cross-border policies that facilitate free flow of trade and inter-regional trade agreements with other countries/regions.**

**TAN SRI WILLIAM CHENG**  
Lion Group Executive Chairman

## Together with ASEAN @ 50: One Vision, One Identity, One Community



### RETAIL



Parkson Malaysia



Parkson China



Parkson Vietnam



Parkson Indonesia



Parkson Myanmar

**Lion Group** was established in the 1930s and today, has operations in Malaysia, China, Singapore, Indonesia, Vietnam, Hong Kong, Myanmar, Cambodia, USA and Mexico. Its main businesses are in retail, property development and steel.

It operates a chain of 133 Parkson department stores in Malaysia, China, Vietnam, Indonesia and Myanmar, offering customers diversified shopping experiences, international brands and enhanced F&B services.

In the Property sector, the Group is involved in property development and management of various types of properties including townships, high-rise serviced suites, office towers, industrial parks, shopping malls and golf course.

The Group's steel manufacturing operations supply steel for a wide range of applications from construction to fabrication, engineering and manufacturing.

From supplying steel to building homes and townships, and offering consumers lifestyle choices and conveniences, Lion Group is proud to be part of the Malaysian and ASEAN business community, and contributes to the economic development in the country and the region.

### PROPERTY



Bandar Mahkota Cheras Township

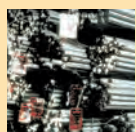
### STEEL



Hot Rolled & Cold Rolled Coils



Hot Briquetted Iron



Round Bars



Wire Rods



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(From left) Singaporean Prime Minister Lee Hsien Loong, Thai Prime Minister Prayuth Chan-ocha, Vietnamese Prime Minister Nguyen Tan Dung, Laotian Prime Minister Thongsing Thammavong, Malaysian Prime Minister Datuk Seri Najib Razak, Myanmar President U Thein Sein, Sultan of Brunei Sultan Hassanal Bolkiah, Cambodian Prime Minister Hun Sen, Indonesian President Joko Widodo and Philippine President Benigno Aquino III at the opening of the 26th Asean Summit 2015 at the Kuala Lumpur Convention Centre. PIC BY GHAZALI KORI



Asean foreign ministers at the government guest house near Bangkok, Thailand. (From left) Thai Foreign Minister Tun Thanat Khoman, Indonesian Foreign Minister Adam Malik, Philippine Foreign Minister Narciso Ramos, Malaysian Foreign Minister Tun Abdul Razak Hussein and Singaporean Foreign Minister S. Rajaratnam.



A general view of the Second Asean Heads of Government summit with the five Asean heads of states and governments at their seats on the raised dais facing more than 500 delegates and distinguished guests gathered for the opening ceremony in Kuala Lumpur on Aug 5, 1977. Seated at the main table are the delegates from Indonesia, the Philippines, Singapore, Thailand and Malaysia.



United States President Barack Obama speaking at the Asean Business and Investment Summit on Nov 21, 2015, in Kuala Lumpur.



The signing of the Asean Declaration (Bangkok Declaration) by the founding fathers of Asean, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand on Aug 8, 1967 in Bangkok, Thailand.





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2017



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY



# RCEP helps Asean make its mark globally

DATUK ISHAM ISHAK

**O**N the back of increasingly demanding and competitive international trade, Asean has very little choice but to maximise the interconnectivity among members.

Besides deepening economic integration among the 10 member states, one of the core elements of the Asean Economic Community (AEC) is to integrate the region and thrusting it into the heart of the global economy.

Negotiating economic partnership agreements (CEPs) and free trade agreements with major trading partners has been one of the initiatives adopted by Asean, most recently in AEC 2025 and previously through its economic blueprint.

From an economic standpoint, Asean is generally dependent on trade and foreign direct investments.

This has resulted in its members pursuing open and outward-looking economic policies.

Interestingly, trade contributes more than 94 per cent of Asean's gross domestic product (GDP).

Following the 1997 financial crisis, Asean recognised the importance of boosting cooperation with other fast-growing economies in East Asia: China, Japan and South Korea.

Subsequently, these Asean+3 processes were institutionalised into a formal mechanism.

An East Asia Vision Group (EAVG) was established and one of the recommendations made by EAVG was to foster closer economic linkages between Asean and the three countries.

Asean economic ministers were engaging economic ministers from these partner countries on annual consultations.

Eventually, trade and economic work programmes were developed with these countries to forge closer economic partnerships.

An expert group was then established to explore the feasibility of an East Asia Free Trade Area (Eafta), comprising Asean and the three countries.

At the same time, another expert group was also founded to look into the viability of creating an Asean+6 FTA that comprises Asean, China, Japan, South Korea, India, Australia and New Zealand.

While Eafta and Asean+6 feasibility studies were ongoing, economic ministers had recommended that deeper economic integration could be formed through individual FTAs with the six countries or through Asean+1 FTA.

Thus, between 2002 and 2009, Asean negotiated CEPs/FTAs with China, Japan, South Korea, India, Australia and New Zealand.

The first FTA negotiated by Asean was with China, which entered into



**Minister of International Trade and Industry (MITI) Datuk Seri Mustapa Mohamed chairing the 3rd Regional Comprehensive Economic Partnership (RCEP) Ministerial Meeting at Kuala Lumpur Convention Centre (KLCC).**  
PIC BY ASYRAF HAMZAH



**Datuk Isham Ishak**

force in 2005, followed by the Asean-South Korea FTA in 2007, Asean-Japan Comprehensive Economic Partnership Agreement in 2008, Asean-India FTA in 2010 and Asean-Australia-New Zealand FTA in 2010.

The FTAs with China, Japan, South Korea and India started with the agreements on trade in goods, and subsequently, Asean negotiated the services and investment agreements with these countries.

Asean's FTA with Australia and New Zealand was even more comprehensive, covering goods, services, investment,

movement of natural persons and other trade-related aspects.

Tariffs or important duties have been substantially eliminated under these FTAs.

As of last month, 93.2 per cent of the import duties have been abolished under the Asean-China FTA; Asean-Japan FTA (90 per cent); Asean-South Korea (90 per cent); Asean-India (79 per cent); and Asean-Australia-New Zealand FTA (92 per cent).

In other words, Asean has extensive preferential market access for exports to these countries, and similarly, those countries have preferential access to Asean states.

In 2012, Asean's trade with the six countries totalled US\$862.3 billion, or 34.9 per cent of Asean's global trade.

These countries also emerged as major investors in Asean and collectively, they accounted for 47.5 per cent of the total foreign direct investment flows to Asean, amounting to US\$51.4 billion.

In November 2013, Asean and the leaders of the six countries formally started negotiations for the Regional Comprehensive Economic Partnership (RCEP) agreement.

RCEP is targeted at contributing to the expansion in trade and investments, closing development gaps, boosting economic connectivity, integrating companies, especially small- and medium-

scale industries into the regional and global supply chain, while also sustaining and promoting economic growth in the region.

More significantly, it comprises countries that are growing rapidly with GDP rates of more than 5 per cent.

India, China and eight Asean member states are forecasted to post GDP growth of between 4 and 8 per cent last year.

Likewise, five of the eight Asean member states are expected to grow beyond 6 per cent.

Asean is forecasted to grow by 5.1 per cent from this year to 2021, while China and India are expected to grow by 6 per cent and 7.3 per cent during the same period.

RCEP is thus a significant FTA that provides impetus for growth to the region.

In the long run, it shall also provide a solid foundation for Asean to consolidate its free trade agreements with Australia, China, Japan, South Korea, India and New Zealand, as well as addressing the concerns of businesses requiring to meet multiple sets of rules to benefit from the FTA.

A cornerstone of RCEP is to ensure a leap towards promoting trade openness by reducing barriers to trade and investments.

It is expected to transform the region's economic landscape and subject countries in the region to global trade rules.

Apart from covering 50 per cent of the global population, RCEP accounts for one third of the global output and 28.3 per cent of the global trade.

Collectively, Asean and the six countries accounted for 60.4 per cent of Asean's global trade and 51.6 per cent of its FDI flows.

The other major trading partners of Asean are the European Union and the United States, which accounted for 10 per cent and 9.3 per cent of its trade.

The principles and objectives for negotiating RCEP are based on three goals:

**FIRSTLY**, RCEP aims to have a broader and deeper engagement, with significant improvements over Asean+1 FTA;

**SECONDLY**, RCEP must recognise the individual and diverse circumstances of participating countries; and,

**FINALLY**, including provisions to facilitate trade and investment and to boost transparency in trade and investment relations between participating countries, as well as to help participating countries' engagement in global and regional supply chains.

Overall, RCEP is indeed value-adding to Asean+1 FTA that contributes to strengthening regional integration and, at the same time, promoting companies in the region to be locked into the global supply chain.



**The full implementation of the AEC will provide the country with greater opportunities to invest and engage with the Asean community as we continue to work hard to improve connectivity in the region and boost tourism and trade in Asean. The most convenient way to move around Asean is by air, given that we live in places separated by large bodies of water, as well as being home to the two largest archipelago nations in the world — Indonesia and the Philippines. The challenge has always been to provide affordable air transportation, and AirAsia has lived up to our promise so far and achieving the full implementation of AEC will be the catalyst for a new chapter of not only air travel but also the general economy in Asean.**

**AIREEN OMAR,**  
CEO of AirAsia Bhd

Notwithstanding some of these narratives, and in true Asian spirit, the early conclusion of RCEP in whatever form shall be a significant milestone to Asia, as it makes its mark as the primary growth engine of the global economy.

The writer is deputy secretary-general (trade), International Trade and Industry Ministry





# Consult Asean youth on the future they want

TAN SRI DR MOHD MUNIR  
ABDUL MAJID

**T**O have existed for 50 years is no mean achievement. In the period from 1967 when it was established, Asean negotiated through the peak and aftermath of the Vietnam War, and consolidated its regional position by admitting former communist enemy and marginal Southeast Asian states to membership before the end of the 20th century.

The foundation and structures of regional peace, stability and cooperation have been well laid starting with the TAC (Treaty of Amity and Cooperation) in 1976. Asean has grown to be the seventh largest in the world, with the prospect of being the fourth largest by 2050, if not earlier.

The incremental moves towards economic cooperation culminated in pronouncement of the AEC (Asean Economic Community) at the end of 2015. Even if yet to be fulfilled, AEC is a significant milestone in Asean's history.

Intra-regional trade and investment have also grown. While not at EU (European Union) levels, intra-Asean trade comprised the largest share of Asean's total trade, at a quarter of the whole. Intra-Asean FDI (foreign direct investment) is second only to the EU in 2014, having risen by over 60 per cent over the previous seven years.

There are a number of ways of looking at these positive developments, but they come down to the question whether they are good or not good enough. Those supporting the case for Asean's slow and steady approach point to the progress that has been made and argue that it is because of this approach that the diverse member states of Asean have held together, unlike the rushed and formalistic course taken by other regional organisations, including the EU, which has resulted in desultory gains and/or in membership distress.

Asean may be 50, which is a fine achievement. However it cannot continue in the way it has done in the past in a fast changing world that will



**Tan Sri Dr Mohd Munir  
Abdul Majid**

define the future.

The prime conditions are reduction of non-tariff barriers (which have been increasing rather than coming down), final reduction of tariffs to zero and a reduction in intra-Asean export costs

by 20 per cent.

The way Asean works is not going to fulfil any of these requirements any time soon and Asean is not going to be a single production base that it puts itself out to be. It will not achieve the future size it frequently advertises. It will be sub-optimal.

It could be argued it was better to be sub-optimal and survive than to go for it and break up. However, if Asean does not change in the way it makes decisions, very consensually and slowly, there already are a couple of global developments which could cause it to be a historical memory.

In terms of economic integration particularly, we have noted Asean's commendable progress.

Indeed the way Asean economic ministers especially have worked towards this end is notable. They recognised the Asean Business Advisory Council as the apex organisation to coordinate private sector views and inputs in the AEC 2025 Blueprint.

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**Nestlé remains bullish on the Asean region. The Asean Economic Community (AEC) enhances market integration and greater connectivity for a more conducive business environment. Malaysia is a key market in Asean and AEC opens up greater opportunities for Nestlé Malaysia, as the Group's largest Halal producer and region's key exporter.**

**ALOIS HOFBAUER,**  
Chief Executive Officer,  
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**AEC: A COMMUNITY  
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In fact, the consultation with the private sector that has been put in place is a form of democratisation in a kind of functional integration.

This is good structural decision-making progress, but the rate of gain against the issues of the day is not sufficient to fulfil the promises of the AEC or the sweeping economic challenges presented by geopolitical and technological change.

The rise of China will have an impact on Asean cohesion and on its centrality. Economically, Asean may not develop into the AEC as envisaged, however fast or slowly.

Different member countries are pulled towards China's economic pole in different ways. Cambodia and, to a lesser extent, Laos, are very China-centric. Already the CLMV (Cambodia, Laos, Myanmar and Vietnam) countries, plus Thailand, are in an economic development orbit with Yunan and Guangxi.

This region, with a combined population of 400 million (against Asean total of 625 million), has a GDP half of Asean's and is growing at well above Asean's average growth rate, with very strong sub-regional economic linkages.

Had the TPP (Trans-Pacific Partnership) materialised, there would have been another mix and configuration of economic, and political relationships

# China's rise will affect Asean cohesion

with only four Asean members (Brunei, Malaysia, Singapore and Vietnam) set to join.

China's BRI (Belt and Road Initiative), while improving intra-Asean connectivity, will also spawn newlines of communication, whether a revival from historic times or not.

China's economic and financial muscle exercised in individual Asean countries can have outcomes adversely affecting regional integration as planned and, indeed, affect different Asean economies in different ways.

The point is, China's rise, in economic terms alone, will shake up easy assumptions about Asean integration in the coming years.

When its economic dominance inevitably expresses itself in a commanding way in the political-military sphere, there will be a differently-paced rush by Asean member states towards association or alliance with China, depending to an extent on how present and credible America is in the region at that time.

This is not all. The digitisation of

the economy - not just e-commerce, but robotics, Internet-of-Things, Artificial Intelligence - will have a sweeping impact on Asean economies, particularly the MSME sector.

The most consequential outcome will be displacement of employment. A study in Malaysia puts the probability factor of displacement in unskilled and semi-skilled employment at around 0.8.

This means that Asean states looking to attract investment in manufacturing, for instance, because of their low cost of labour, like Indonesia and Myanmar, may not have their employment and economic growth plans fulfilled.

This means economic disparities among Asean countries could widen and cause strains on regional cohesion, as those further up the digital curve pull away.

For those struggling with the new economy, the social and political cost of a large pool of unemployed will find an outlet in protectionism that could reverse the process of Asean integration.

The challenges ahead are huge. We

need to give those for whom that future belongs a voice in addressing them and to suggest what future they want for Asean, how they want Asean to operate.

While we need the voice of experience as well to discuss with them afterwards the future they may propose, we must allow the younger population (Asean boasts a youthful population of 60 per cent under 35 years of age), to have their say.

We need an Asean Youth Council (presided by an experienced Asean hand, such as a respected former secretary-general of the secretariat) comprising up to 10 from each member country to discuss and come up with proposals on the Asean they want in the future they see.

Their proposals should be made public. They could perhaps begin their work in Asean's 51st year in 2018.

The Asean of the future may not be according to script. A very different world beckons. It is better to have a relevant Asean than one living in the past, however commendable that past may have been.



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**MAC NGAN BOON**

Managing Director, Muhibbah Engineering (M) Bhd

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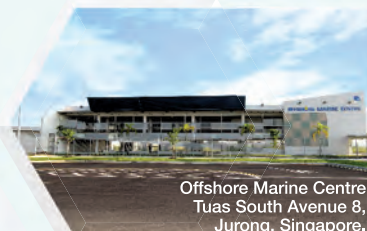
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# Boosting SMEs in digital economy

DATUK MICHAEL KANG

THE Asean Economic Community (AEC) materialised on Jan 1 last year, marking a huge step forward for Asean countries in terms of trade liberalisation and integration.

At the core of Asean's commitment to market integration is trade facilitation, and the Asean Economic Ministers adopted the Asean Trade Facilitation Framework, which set the target to reduce 10 per cent of trade transaction costs by 2020.

Several measures for trade facilitation have been put in place.

One of these is the Asean Trade Repository, a one-stop online database on Asean trade- and customs-related information, where the public can access information on national trade repositories.

Other measures include the Asean tariff finder, a cost-free search engine for tariff and tariff-related

information, and the Asean Solutions for Investments, Services and Trade (Assist), a non-binding and consultative mechanism for the expedited and effective solution of operational problems encountered by Asean-based enterprises on cross-border issues related to the implementation of economic agreements.

The implementation of these measures is encouraging, as they would reduce the costs of compliance due to complexities of international trade for small- and medium-scale enterprises (SMEs).

The easy access to information and consultative mechanism, offered by these platforms, will help SMEs to gather information and understanding in the planning for export and cross-border investment at affordable costs.

Another measure for strengthening SMEs' ability in financing is the adoption of Asean Institutional Framework on Access to Finance for MSMEs (Micro, Small- and Medium-scale Enterprises).



Datuk Michael Kang

This institutional set-up promotes financial inclusion and ensures greater access to financing for MSMEs.

When the institutional framework is fully translated into practical measures at national level, it is expected that

SMEs will have more alternatives to traditional financing.

The growing importance of e-commerce in the region is acknowledged by Asean leaders, and that measures have been taken under the framework of AEC to speed up the integration of SMEs into the digital economy.

The establishment of the Asean Coordinating Committee on Electronic Commerce is to set out the roadmap and programmes on e-commerce.

This initiative is expected to boost cross-border trade and capitalise on a more digitally connected Asean.

With the success of these initiatives, we would foresee the formation of a highly integrated and cohesive Asean e-trade platform that encompasses physical and digital infrastructure that facilitates the single market vision.

This marks a good opportunity for Malaysia's SMEs to take the lead in making Malaysia the hub in e-commerce for Asean.

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*Marrybrown is fortunate to be part of Asean Economic Community with access to 12 countries' 600 million consumers. Our professional team is able to move freely to the 6 countries that we are operating in and the opportunities are endless. Due to free trade flows, we see a significant interest in our brand in Asean.*

**DATIN NANCY LIEW,**  
Founder & Group  
Managing Director,  
Marrybrown Sdn. Bhd.





AEC: A COMMUNITY OF OPPORTUNITIES



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY



# Helping SMEs maximise opportunities

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The launch of the world's first digital free trade zone (DFTZ) in Malaysia, which serves as a regional e-fulfillment centre and the regional hub for SMEs and marketplaces, will give Malaysia's SMEs a comparative advantage in penetrating the AEC market.

With the operations of DFTZ in October, it would offer a conducive environment for SMEs to access markets outside Malaysia.

According to last year's report by Google and Temasek, it is anticipated that the digital economy in Southeast Asia would be worth US\$200 billion and the e-commerce market would reach US\$88 billion by 2025.

The driving factors behind the anticipated growth include a growing young regional population, growth of the Internet and its services, growth of Internet users, a rapidly growing middle class, and a lack of organised retail.

E-commerce is on its way to becoming an important economic sector, with more and more SMEs adopting this new business model in Malaysia.

It's estimated that about 10 per cent of Malaysian SMEs are involved in



Entrepreneur Latifah Ab Rahman with her Squeeze Neat juice drink product at the Asean Young Entrepreneur's Carnival 2016 held at Matrade. PIC BY SADDAM YUSOFF

e-commerce.

These SMEs have been accumulating experiences and strengths in mastering the technologies and skills, and they are well prepared to gain a foothold in AEC by capitalising on their comparative advantages.

In view that many SMEs are lagging behind in mastering skills and knowledge on digital economy, we propose that the government work with trade associations to set up capacity-

building programmes for SMEs.

The programmes should focus on assisting SMEs to boost value-add by taking a comprehensive approach, that is, developing entrepreneurial skills, improving branding, adopting technology such as IoT and e-commerce in production, management and marketing, increasing productivity through automation and skill training for workers, boosting quality of goods and services by attaining certification.

The next step for Malaysian SMEs is to maximise opportunities. Asean leaders in the public and private sectors should work hand in hand to reach out to Asean SMEs.

Long-term and consistent measures should be introduced to SMEs to scale up SMEs participation and to scale down on remaining barriers.

The writer is national president, SME Association of Malaysia



*Asean is not just a story of regionalism. It is a successful model of integration and cooperation which have helped companies create greater operational efficiency and become more competitive in the global marketplace. We look forward to capitalizing on further growth here through the recently established Asean Economic Community.*

**AZHAR ABDULLAH,**  
Managing director,  
Schlumberger Malaysia.



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# Free trade agreements with dialogue partners



## CHINA

THE Asean-China Framework Agreement on Comprehensive Economic Cooperation was signed in November 2002 to establish the Asean-China Free Trade Agreement (ACFTA). ACFTA came into force on Jan 1, 2010, and fully realised on Jan 1, 2015.

The "Protocol to Amend the Framework Agreement on Comprehensive Economic Cooperation and Certain Agreements thereunder between Asean and China" (ACFTA Upgraded Protocol) was signed on Nov 21, 2015 and entered into force on July 1 last year. The upgraded protocol is expected to bring Asean and China closer to realising their twin goals of two-way trade and investment of US\$1 trillion and US\$150 billion respectively by 2020.

China continued to be Asean's largest trading partner with total bilateral trade at US\$355.1 billion last year, accounting for 15.2 per cent of Asean's total trade. Foreign Direct Investment (FDI) flows from China to Asean amounted to US\$9.2 billion last year, positioning China as Asean's fourth largest source of FDI.

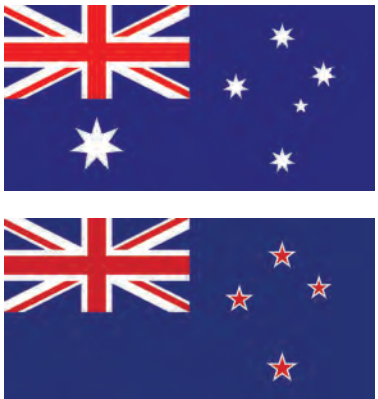


## JAPAN

ASEAN and Japan signed the Asean-Japan Comprehensive Economic Partnership (AJCEP) on April 14, 2008. The agreement entered into force on Dec 1, 2008. AJCEP (Goods) was fully realised by Asean-6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand) and Japan in 2015 when tariffs on substantially all products have been eliminated.

The negotiations on trade in services, including the Financial and Telecommunication annexes and Movement of Natural Persons (MNP) Chapters, as well as the investment negotiation have been concluded. Asean and Japan are finalising the protocol to amend the AJCEP Agreement to incorporate the Chapters on Trade in Services, Movement of Natural Persons (MNP), and Investment. The protocol is targeted to be signed at the end of this year.

Japan is Asean's third largest trading partner and the second largest source of foreign direct investment (FDI). Last year, two-way trade between Asean and Japan reached US\$221.7 billion, accounting for 10 per cent of Asean's total trade. FDI inflows from Japan to Asean was valued at US\$14 billion and accounted for 14.5 per cent of total FDI inflows to Asean.



## AUSTRALIA AND NEW ZEALAND

ECONOMIC ministers of Asean, Australia and New Zealand signed the AANZFTA Agreement on Feb 27, 2009, in Thailand. It is Asean's first comprehensive FTA negotiations with dialogue partners covering all sectors, i.e. trade in goods; investment; trade in services; financial services; telecommunications; electronic commerce; movement of natural persons; intellectual property; competition policy; and economic cooperation.

AANZFTA is a comprehensive and single-undertaking free trade agreement that opens up and creates new opportunities for 660 million people of Asean, Australia and New Zealand. Total trade between Asean and Australia and New Zealand grew to US\$53.8 billion last year, accounting for 2.4 per cent of Asean's total trade. Foreign direct investment flows from Australia and New Zealand to Asean amounted to US\$3 billion last year.



## SOUTH KOREA

THE Framework Agreement on Comprehensive Economic Cooperation between Asean and the South Korea was signed in Kuala Lumpur on Dec 13, 2005. To achieve the objectives of the Framework Agreement, the Asean-Korea Trade in Goods (AKTIG) Agreement was signed on Aug 24, 2006 and took effect in 2007. Meanwhile, the Asean-South Korea Trade in Services Agreement was signed on Nov 21, 2007, and came into force on May 1, 2009, and the Asean-South Korea Investment Agreement was signed on June 2, 2009 and took full effect on Sept 1, 2009. Subsequently, the Asean-South Korea Free Trade Area (AKFTA) came into effect on Jan 1, 2010.

At the Asean-South Korea Commemorative Summit, the leaders agreed to target US\$200 billion of two-way trade volume by 2020. The total value of Asean and the South Korea two-way trade reached US\$125.1 billion last year making South Korea the fifth largest trading partner of Asean. Foreign direct investment flow from South Korea to Asean grew to US\$6.1 billion last year. This makes South Korea the 5th largest investment partner of Asean.



## INDIA

AT the 2nd Asean-India Summit in 2003, the leaders signed the Asean-India Framework Agreement on Comprehensive Economic Cooperation as a basis for the establishment of an Asean-India Free Trade Area (FTA). The Asean-India Trade in Goods Agreement (AITIGA) entered into force on Jan 1, 2010. The Asean-India Trade in Services Agreement (AITISA) was signed on Nov 13, 2014, and entered into force on July 1, 2015, for six Asean member states, namely Brunei, Malaysia, Myanmar, Singapore, Thailand, and Vietnam, as well as India. The agreement has also entered into force for Laos and the Philippines on Sept 15, 2015 and Dec 6, 2016. The Asean-India Investment Agreement (AIIA) was signed on Nov 12, 2014, and entered into force on July 1, 2015, for six Asean member states, namely Brunei, Malaysia, Myanmar, Singapore, Thailand, and Vietnam, as well as India. The agreement has also entered into force for the Philippines on March 17 last year.

The signing of the AITIGA on Aug 13, 2009 in Bangkok paves the way for the creation of one of the world's largest free trade areas (FTA) with almost 1.8 billion people and a combined GDP of US\$4.5 trillion. Last year, the total merchandise trade reached US\$56.4 billion. During the same period, foreign direct investments flows from India to Asean reached US\$1 billion.

## UNDER NEGOTIATIONS



## RCEP

THE Regional Comprehensive Economic Partnership (RCEP) negotiation was launched in November 2012. The 16 participating countries are the 10 Asean nations, Australia, China, Japan, South Korea, India and New Zealand.

RCEP is an Asean driven initiative that aims to integrate economically the 16 countries in Asia and Oceania countries. The Leaders of the 16 RCEP participating countries agreed that RCEP shall involve broader and deeper engagement with significant improvements over Asean free trade agreements (FTAs) and comprehensive economic partnership agreements (CEPs) with these countries.

RCEP accounts for 50 per cent of the world population (3.53 billion), 30.4 per cent of world GDP (US\$22.5 trillion), 28.7 of world trade (US\$9,547.2 billion) and 30.6 per cent of the world output (US\$22.4 trillion). Total trade of RCEP last year was significant at US\$9.6 trillion and total FDI inflows to the 16 countries amounting to US\$120 billion.



## HONG KONG

ASEAN agreed to pursue a free trade agreement (FTA) with Hong Kong at the 19th Asean Economic Ministers' (AEM) retreat on March 8, 2013, in Hanoi, Vietnam. The negotiations commenced in July 2014.

Hong Kong was Asean's seventh largest trading partner in 2015. As a group, Asean was Hong Kong's second largest trading partner in 2015, after China. Total trade between Asean and Hong Kong reached US\$ 90.2 billion in 2016 or 4 per cent of Asean's total trade. Total foreign direct investment (FDI) flows from Hong Kong to Asean amounted to US\$9.6 billion or 10 per cent of Asean's total FDI in the same year.

Since China launched its economic reform and open door policies in 1978, Hong Kong has become the premier gateway into and out of China for international trade and investment across Asia and the world, including Asean.