MALAYSIA AND ASEAN ECONOMIC COMMUNITY (AEC)

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Objectives of AEC Consultations

1. Apprise Stakeholders on AEC 2015 and AEC Awareness Programme

2. Malaysia's Preparations for Chairmanship of ASEAN in 2015

3. Feedback from Stakeholders on AEC and Other Integration Initiatives in ASEAN

4. Enhanced ASEAN Economic Integration 2016-2025 (Post 2015)

ASEAN'S STRENGTHS

Introduction to ASEAN

Established on 8 August 1967 by the Founding Fathers:

- Tun Abdul Razak (Malaysia)
- Thanat Koman (Thailand)
- Narciso Ramos (The Philippines)
- Adam Malik (Indonesia)
- S. Rajaratnam (Singapore)

10 Members of ASEAN

Malaysia
(8 August 1967)

Indonesia
(8 August 1967)

Singapore
(8 August 1967)

The Philippines
(8 August 1967)

Thailand
(8 August 1967)

Brunei Darussalam
(7 January 1984)

Viet Nam
(28 July 1995)

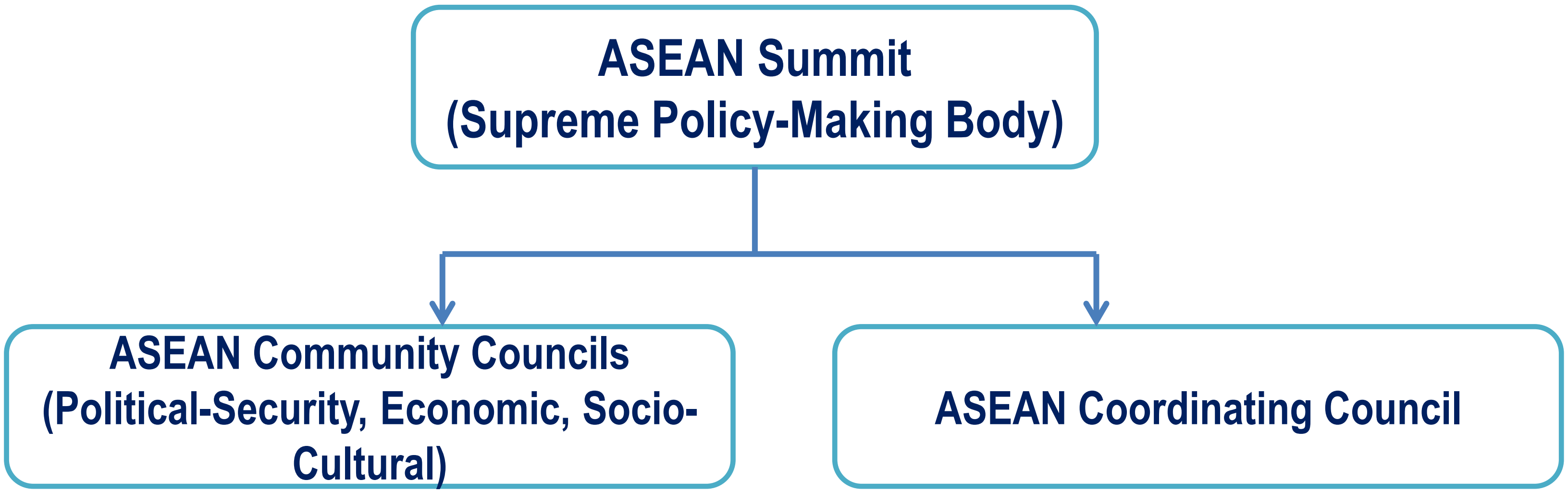
Lao PDR
(23 July 1997)

Myanmar
(23 July 1997)

Cambodia
(16 December 1998)

Inter-Governmental Organization

ASEAN as an inter-governmental organization conferred legal personality with the adoption of the ASEAN Charter in 2008:



- **ASEAN Secretary General assisted by 4 Deputy Secretaries General and the Committee of Permanent Representatives (CPR).**
- **77 Countries have Accredited Ambassadors to ASEAN.**

ASEAN Identity

- **Motto:** One Vision, One Identity, One Community
- **Flag:**

- **Emblem:**
- **ASEAN Day:** Celebrated on 8 August every year

- **Anthem:** "The ASEAN Way"

Raise our flag high, sky high
Embrace the pride in our heart
ASEAN we are bonded as one
Look-in out to the world.
For peace, our goal from the very start
And prosperity to last.
We dare to dream we care to share.
Together for ASEAN
we dare to dream,
we care to share for it's the way of ASEAN.

ASEAN Community 2015

THREE PILLARS

POLITICAL-SECURITY PILLAR

Rules-based Community of Shared Values and Norms, Good Governance, Human Rights and Adherence to the Principles of Democracy

ECONOMIC PILLAR

Single Market and Production Base, Competitive Economic Region, Equitable Economic Region and Linkages to Global Economy

SOCIO-CULTURAL PILLAR

Education and Human Resource Development, Science and ICT, Entrepreneurship, Poverty Alleviation, Social Safety Net, Health, Natural Disasters, Environment, ASEAN's Cultural Heritage and Regional Identity

ASEAN's Milestones

- **1967** – Birth of ASEAN
- **1977** – ASEAN Preferential Trading Arrangement
- **1992** – ASEAN Free Trade Area (AFTA) / CEPT Agreement
- **1995** – ASEAN Framework Agreement on Services (AFAS)
- **1997** – ASEAN Investment Agreement (AIA)
- **1997** – ASEAN Vision 2020
- **1998** – Hanoi Plan of Action (HPA)
- **2002** – Initiative for ASEAN Integration (IAI)
- **2003** – Bali Concord II
- **2004** – Vientiane Action Programme
- **2007** – ASEAN Economic Community Blueprint *(Acceleration of AEC to 2015)*
- **2008** – Entry into Force of ASEAN Charter
- **2009** – Cha-am Hua Hin Declaration on the Roadmap for the ASEAN Community (2009-2015)
- **2010** – ASEAN Connectivity Master Plan 2010

ASEAN's Economic Assets (2012)

10 Countries

4,435,670 Sq Km

617 Million Population

US$2.3 trillion GDP

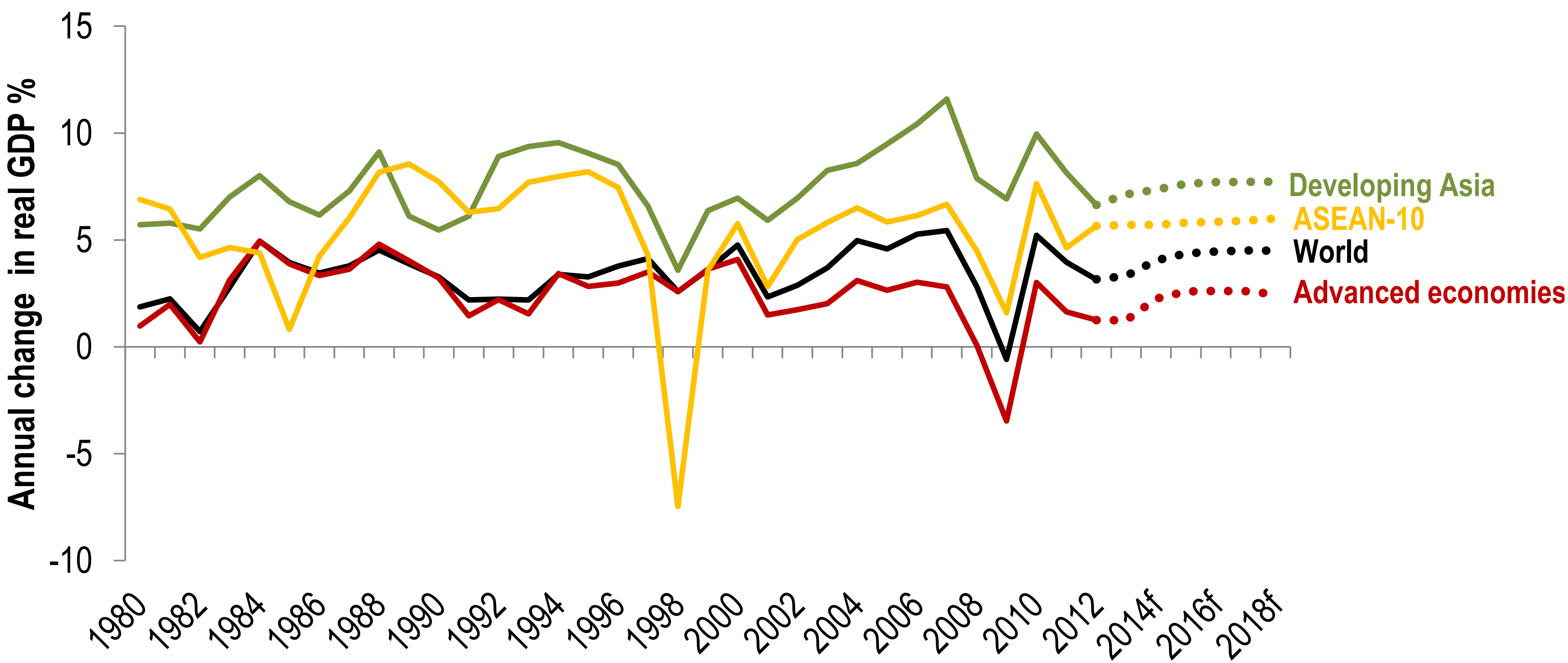
US$3,748 GDP Per Capita

US$2.4 trillion Total Trade

US$110 billion FDI Inflows

ASEAN's Growing Economy

Except for in the mid-1980s and late 1990s (Asian Financial Crisis), ASEAN-10's growth has exceeded the global average, but below that of the broader Developing Asia, which has been powered by China and India.



Source: International Monetary Fund's (IMF) World Economic Outlook April 2013

ASEAN-EU-China-India

2012	EU	CHINA	INDIA
Population (million)	502	1,354	1,223
Land Area (million km^2)	4.4	9.6	3.3
GDP (US$ billion)	16,415	8,250	1,947
GDP Per Capita (US$)	32,710	6,095	1,592
Exports (US$ billion)	5,803	2,050	305
Imports (US$ billion)	5,938	1,820	489
GDP Growth (%)	-0.2	7.8	4.9

WHY AEC 2015
MAKES BUSINESS SENSE?

AEC 2015

OBJECTIVES:

- Reducing development gap among ASEAN Member States (3 tiers of ASEAN nations)
- Promoting equitable and sustainable economic growth
- Enhancing connectivity to establish a highly integrated ASEAN

Stakeholders' Perspectives on AEC 2015

- ASEAN's economic integration has created opportunities for businesses in Agriculture, Mining, Real Estate, Healthcare, Tourism, Aviation, Education, IT & Telecommunication, Energy, Banking and Manufacturing.

- ASEAN's pace of economic integration has to be accelerated to tap on these opportunities.

- ASEAN still continue to face many challenges which must be overcome through deeper integration.

- Examples of the challenges are…

Challenges for AEC 2015

- Tariff and Non-Tariff Barriers and Local Protectionism
- Inconsistent Regulations and Policies Across ASEAN
- Weak Infrastructure Links Among ASEAN Nations
- Diverse Levels of Market Maturity
- Restrictions on Foreign Investment and Labour
- Shortages of the Right Types of Workers
- Cultural Diversity Across ASEAN

Malaysia's Strategic Location

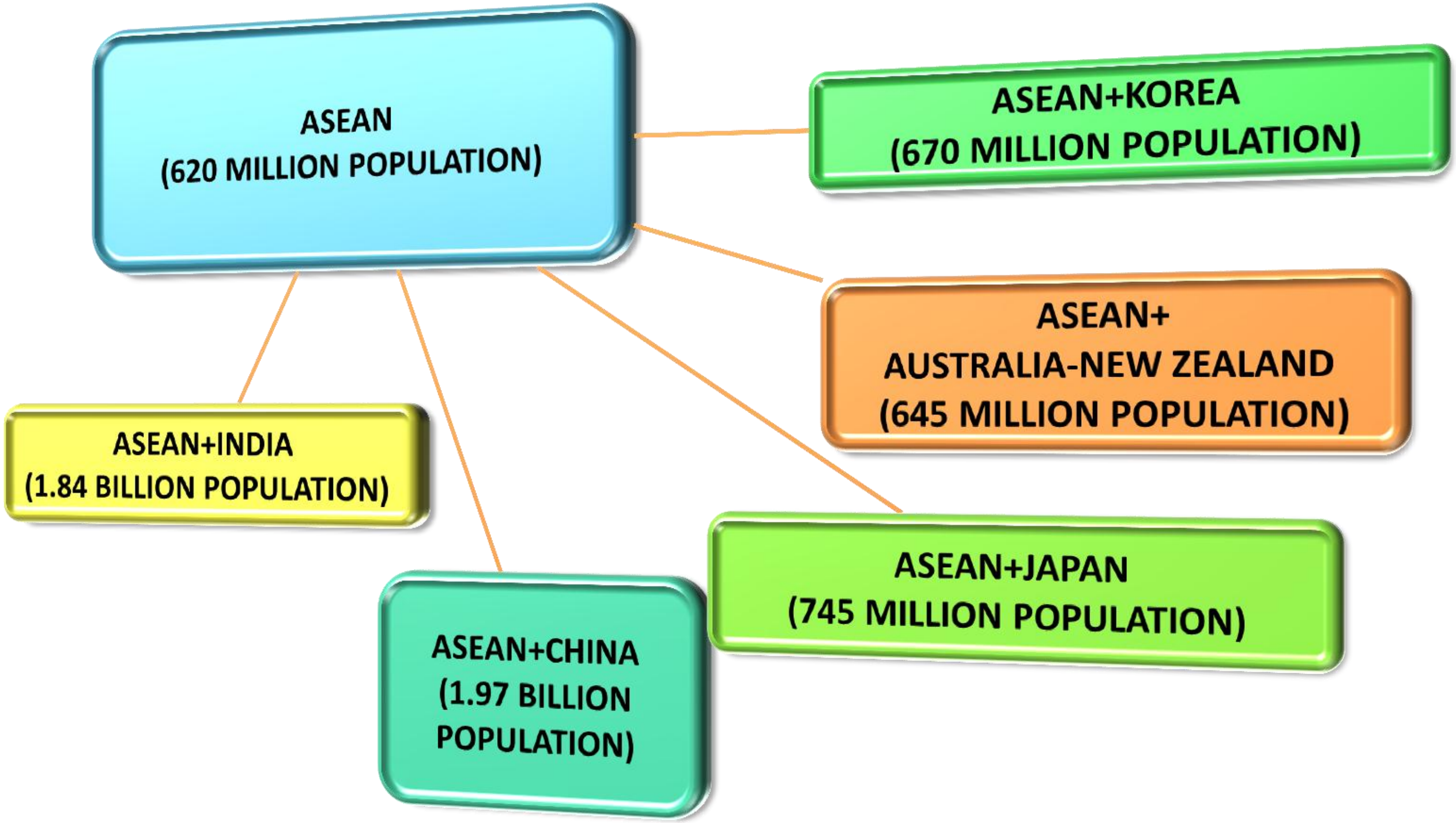
ASEAN Economic Integration

- ✓ 10 ASEAN countries with a Single Duty Free Market (20 times of Malaysia)
- ✓ Vibrant Region with Increasing Middle Class Population
- ✓ Manufacturing and Investment Base to Export Worldwide
- ✓ Rich in Natural Resources and Human Capital

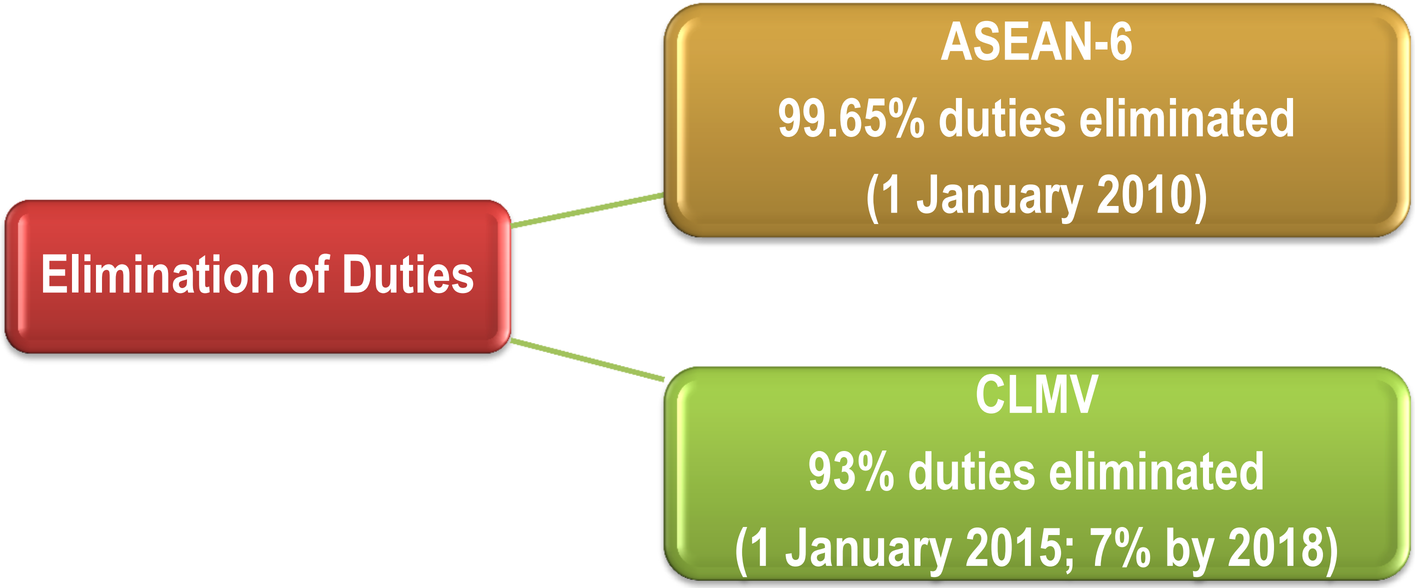
Indicators (2012)	*Malaysia*	*ASEAN*
Market Size	*30 million*	*617 million*
Total Trade	*US$424 billion*	*US$2.4 trillion*
GDP	*US$305 billion*	*US$2.3 trillion*
GDP Growth	*5.1%*	*5.7%*

Benefits of AEC

- Connected to trading partners through Preferential Trading Agreements – Market size of 3.5 billion – 48% of world population (7.3 billion)



Single Duty Free Integrated Market



Non-Tariff Barriers (NTBs) – A Frequent Complaint

- **ASEAN Economic Ministers have made reducing NTBs as priority towards AEC 2015. A systematic approach taken to address NTBs – 6 pilot cases identified; 2 have been resolved. More cases will be identified through a compliance review mechanism.**

Liberalization of Services Sector

12 Broad Sectors

128 Sub-Sectors


Business Services


Educational Services


Tourism and Travel Related Services


Communication Services


Environmental Services


Recreational, Cultural and Sporting Services


Construction and Related Engineering Services


Financial Services


Transport Services


Distribution Services


Health Related and Social Services


Other Services

Liberalization of Services Sector

- 1st Package 1997
- 2nd Package 1998
- 3rd Package 2001
- 4th Package 2004
- 5th Package 2006
- 6th Package 2007
- 7th Package 2009
- 8th Package 2010
- 9th Package 2014
- 10th Package 2015

Mode 1: Cross Border Supply	:	No Limitation, except where not feasible
Mode 2: Consumption Abroad	:	No Limitation, except where not feasible
Mode 3: Commercial Presence	:	ASEAN Equity >70%
Mode 4: Presence of a Natural Person	:	MNP Agreement; 7 MRAs

Examples of Liberalization

Sub-Sectors		AEC		AFAS 7					
		Targets	Year	THA 18/5/09	MYS 16/10/09	SIN 01/10/09	PHI 17/08/09	IND 09/05/09	BRN 23/10/09
Healthcare	Hospital Services	51% 70%	2008 2010	49%	51%	51%	40%	49%	100%
	Medical & Dental Services	51% 70%	2008 2010	49%	51%	100%	-	49%	100%
	Dental Services	51% 70%	2008 2010	49%	51%	100%	-	49%	-
Logistics	Maritime Freight Forwarding	49% 51% 70%	2008 2010 2013	49%	49%	100%	40%	49%	49%
	Storage & Warehouse Services for Maritime Transport	49% 51% 70%	2008 2010 2013	49%	49%	100%	100%	49%	49%

Tapping on ASEAN's Talent Pool

- **ASEAN Movement of Natural Persons Agreement (MNP)**
  - ✓ **Business Visitors**
  - ✓ **Intra-Corporate Transferees**
  - ✓ **Contractual Service Suppliers**

- **Mutual Recognition Agreements (MRAs)**
  -  **Engineering Services**
  -  **Nursing Services**
  -  **Architecture Services**
  -  **Accountancy Services**
  -  **Medical Practitioners**
  -  **Dental Practitioners**
  -  **Surveyors**

ASEAN Comprehensive Investment Agreement

- **Covers Manufacturing & Related Services, Agriculture, Fishery, Forestry and Mining & Quarrying**

Including:	Examples:
Moveable and immoveable property and property rights	Machinery, factory building, leases, liens, mortgages, charges
Shares, stocks, bonds and debentures	Shares, bonds held in a company or corporation
Intellectual property rights and goodwill	Patents, trademarks, geographical indications, trade secrets, industrial designs, copyrights
Claims to money or to any contractual performance related to a business	Profit sharing agreement, partnership agreement
Rights under contracts, including turnkey, construction, management, production or revenue sharing contracts	Turnkey construction management, project management, production sharing agreement
Business concessions required to conduct economic activities and having financial value conferred by law or under a contract	Expressway build, operate and transfer concession, including the rights to collect toll, and mining concession

Collaboration in Other Sectors

Transport Services

- ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT)
- ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST)
- ASEAN Framework on Multimodal Transport (AFAMT)
- ASEAN RORO Shipping Network and Short Sea Shipping
- ASEAN Open Skies Agreement
- ASEAN Single Aviation Market

➢ **Created opportunities for low-cost carriers and logistics service providers.**

Collaboration in Other Sectors

ICT

- ASEAN Broadband Corridor
- Lower Intra-ASEAN Mobile Roaming Charges
- ASEAN Network Security Action Council

Energy

- ASEAN Power Grid
- Trans-ASEAN Gas Pipeline
- ASEAN Petroleum Security Agreement

Minerals

- ASEAN Minerals Database and Information System
- ASEAN Minerals Cooperation Action Plan 2011-2015

ASEAN-EU: A Comparison

AREAS	ASEAN	EU
Intra-parties trade	Nil Import Duty, except for a few products	Nil Duty
Trade in Services	Subject to Domestic Regulations. Equity Ownership 70-100%	Free/Equity Ownership 100%
External Trade	Maintain National MFN Import Duty	Common External Tariff
Trade Policy	Individual National Policy	Single EU Wide Policy
Single Currency	National Currency	Common Currency
Capital Movement	Freer	Free
Movement of Labour	Only Skilled Workforce	Free Movement of Labour
Authority	Retain National Sovereignty unless agreed under the ASEAN Agreements. Adherence to ASEAN Charter. ASEAN Secretariat – Legal entity without power	EU Brussels vested with wide Authority to Decide: • European Central Bank • European Parliament • European Court • European Legal System • European Competition Policy

ASEAN'S ENGAGEMENT WITH FTA PARTNERS

ASEAN+1 FTAs

	AFTA	ASEAN-China FTA	ASEAN-Korea FTA	ASEAN-Japan CEP	ASEAN-India FTA	ASEAN-Australia-New Zealand FTA
Entry into force	1993	2005	2007	2008	2010	2010
Market size (million)	599	1,939	647	726	1,814	625
Econ size (US$ trillion)	1.9	7.7	2.9	7.3	3.4	3.2
Coverage	Goods Services Investment	Goods Services Investment	Goods Services Investment	Goods (services & investment in bilateral EPAs)	Goods	Goods Services Investment, etc.
Duty phase out date (A6+DP/CLMV)	2010/ 2015 (2018)	2012 2018	2012 2018 (V) 2020 (CLM)	10-15 years from EIF 2026 (CLM)	2017 2020 (P) 2022 (CLMV)	2020 2022 (V) 2025 (ICLMV)
ROO	40% or CTH PSRs	40% Limited PSRs	40% or CTH PSRs	40% or CTH PSRs	35%+CTSH	40% or CTH PSRs
Total trade (US$, billion)	519.8	751.8	618.4	726.4	575.2	582.6

New Regional Economic Architecture

REGIONAL COMPREHENSIVE ECONOMIC PARTNERSHIP (RCEP)

AFTA	ACFTA	AKFTA	AJCEP	AIFTA	AANZFTA	ASEAN's other external economic partners

ASEAN ECONOMIC COMMUNITY

AEC POST-2015

Post-2015 ASEAN Economic Vision

- **Two Post-2015 Studies have been completed**
  - ✓ "Moving ASEAN and AEC Beyond 2015" by Economic Research Institute for ASEAN and East Asia (ERIA)
  - ✓ "Vision Paper on the AEC Beyond 2015" by Rajaratnam School of International Studies and Institute of Southeast Asian Studies (RSIS/ISEAS)

- **A Working Group established with Malaysia the Chair**
  - ✓ Examine and consolidate the recommendations of the two studies
  - ✓ Develop a draft framework for enhanced ASEAN economic integration for the next ten years (AEC 2016-2025)

- The draft framework will be tabled at the 46th AEM Meeting in August 2014 in Nay Pyi Taw, Myanmar

Post-2015 ASEAN Economic Vision

- **Possible Areas/Measures for ASEAN to Focus on:**
  - ✓ ***Addressing structural and regulatory barriers and instituting greater trade facilitative measure;***
  - ✓ ***Promoting investment in the services sector by streamlining domestic regulations and removing impediments;***
  - ✓ ***Promoting new and improving infrastructure facilities;***
  - ✓ ***Enhancing financial services liberalization;***
  - ✓ ***Promoting the adoption of new technologies to ensure sustainable development;***
  - ✓ ***Adopting a regional comprehensive IPR and competition policies; and***
  - ✓ ***Strengthening human resource development and enhancing greater mobility among skilled workers in the region*****.**

BENEFITS TO MALAYSIA

Malaysia's Trade with ASEAN

	ASEAN's Global Trade	Intra ASEAN Trade	Malaysia's Total Trade	Malaysia's Total Trade with ASEAN
2012 (US$ bil)	2,388.6	598.2 (25%)	423.9	115.8 (27.3%)
2001 (US$ bil)	320.6	77 (24%)	161.7	38.8 (23.9%)

Source: MATRADE

Malaysia's FDI Flows

Year	Malaysian Investment in ASEAN (US$ Billion)	ASEAN FDI Inflows into Malaysia (US$ Billion)
2013	5.8	6.2
2012	7.2	7.5
2011	8.3	7.2
2010	7.7	5.0
2009	4.3	4.7
2008	7.8	5.8

Source: BNM

Malaysian Companies in the Region

>1000 MALAYSIAN COMPANIES

Accounting and Audit, Banking, Garment, Oil Palm Plantation, Telecommunication, Engineering, Financial Services, Hotel, Oil and Gas, Manufacturing, Machinery and Equipment, Electrical and Electronics, IT, Logistics, Hospitality Services, Garments, Automotive, Agriculture (Rubber), Insurance, Properties and Construction, Glassware and Airlines

COUNTRIES	NO. OF MALAYSIAN COMPANIES *
Thailand	**250**
Singapore	**150**
Indonesia	**200**
Philippines	89
Cambodia	66
Brunei	32
Viet Nam	25
Myanmar	20
Lao PDR	18

Source: MIDA

*The list of number of companies is not exhaustive

Malaysian Regional Champions…

PETRONAS

UEM

Kencana Petroleum

SapuraCrest Petroleum

KHAZANAH NASIONAL

UMW

YTL

SINCE 1955

Sime Darby

INGRESS

CIMB GROUP

BinaPuri

SINCE 1975

axiata

advancing asia

DiGi

Always the smarter choice

AirAsia

MALAYSIA AIRPORTS

ASEAN Companies in Malaysia

Bangkok Bank

CPF

Thai Summit Autoparts

SAN MIGUEL CORPORATION

TEMASEK HOLDINGS

wilmar

PT Rajawali (Hotel)

RGM INDONESIA

sembcorp

OCBC Bank

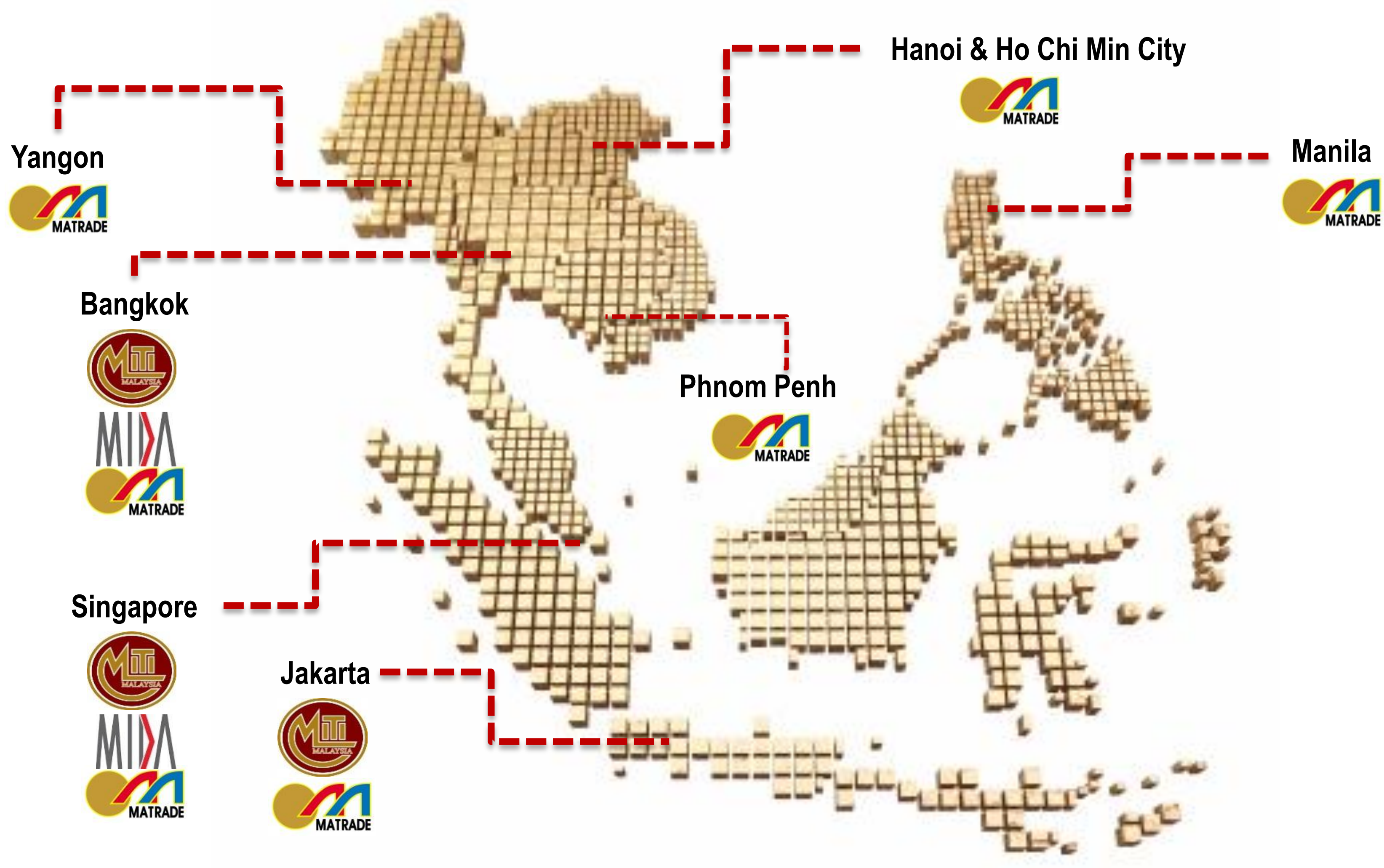
DBS

FPT

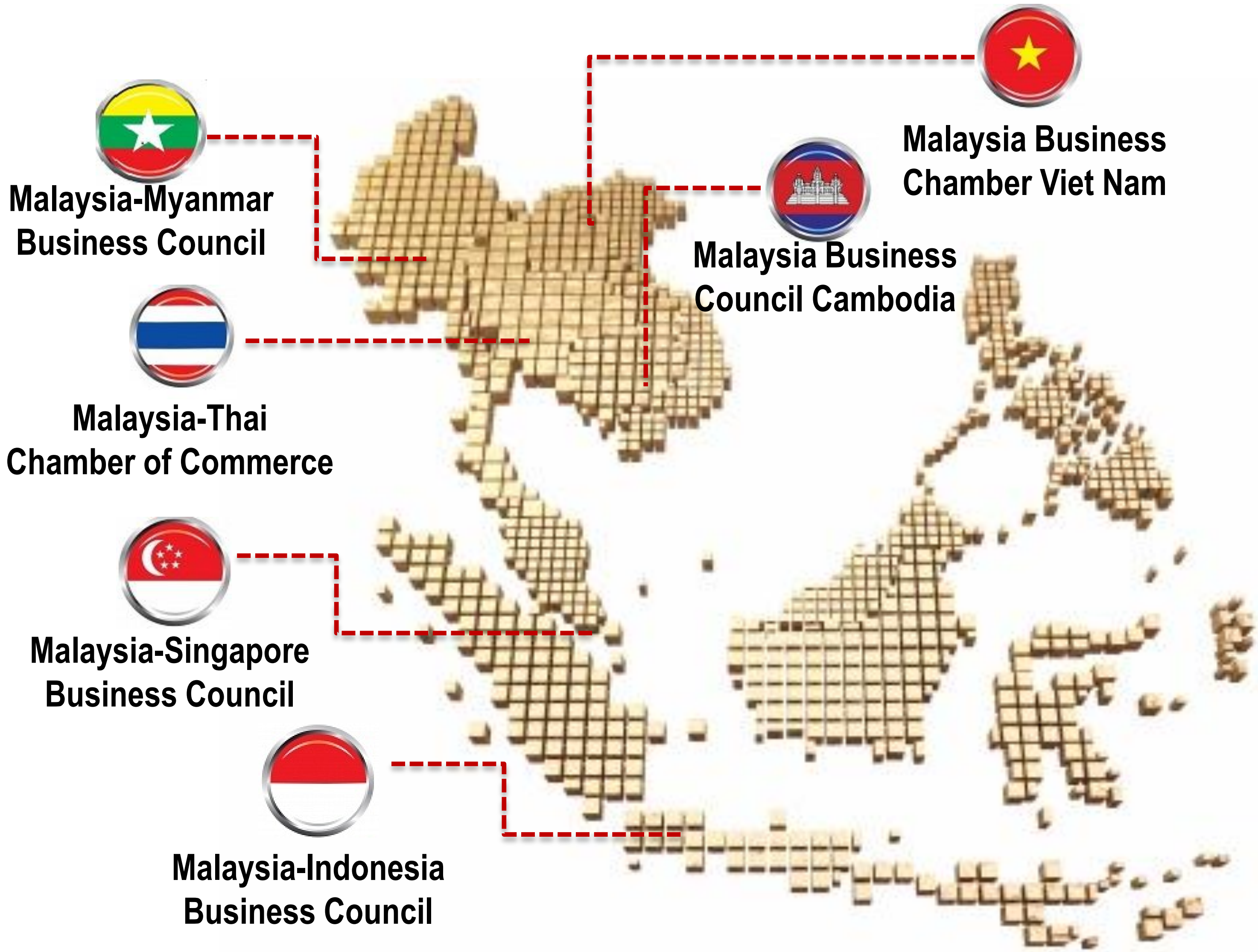
FPT Viet Nam

Keppel Corporation

MITI & Agencies’ Offices in the Region



Malaysian Business Organizations



What Would be Achieved in 2015

- Single Market – Substantial Elimination of Import Duties on Goods
- Substantial Liberalization of Services Sub-Sectors
- Comprehensive, Open and Transparent Investment Regime
- Improved Logistical Connectivity, Encompassing Transport, Facilitation in Movement of Goods and Open Skies
- Trade Facilitation through Improved Customs Clearance Procedures and ASEAN Single Window
- Implementation of Self-Certification Scheme for Preferential Trade
- Enhanced Cooperation in the Areas of Consumer Protection, IPR and Competition Policy
- Creation of Highly Integrated ASEAN
- Vision for Post-2015 Economic Integration

THANK YOU

For Further Information:

www.asean.org
www.miti.gov.my