



Inspiring ASEAN Community towards 2025:

AEC and ASCC 2015 Achievements & Challenges and the Post 2015 Agenda

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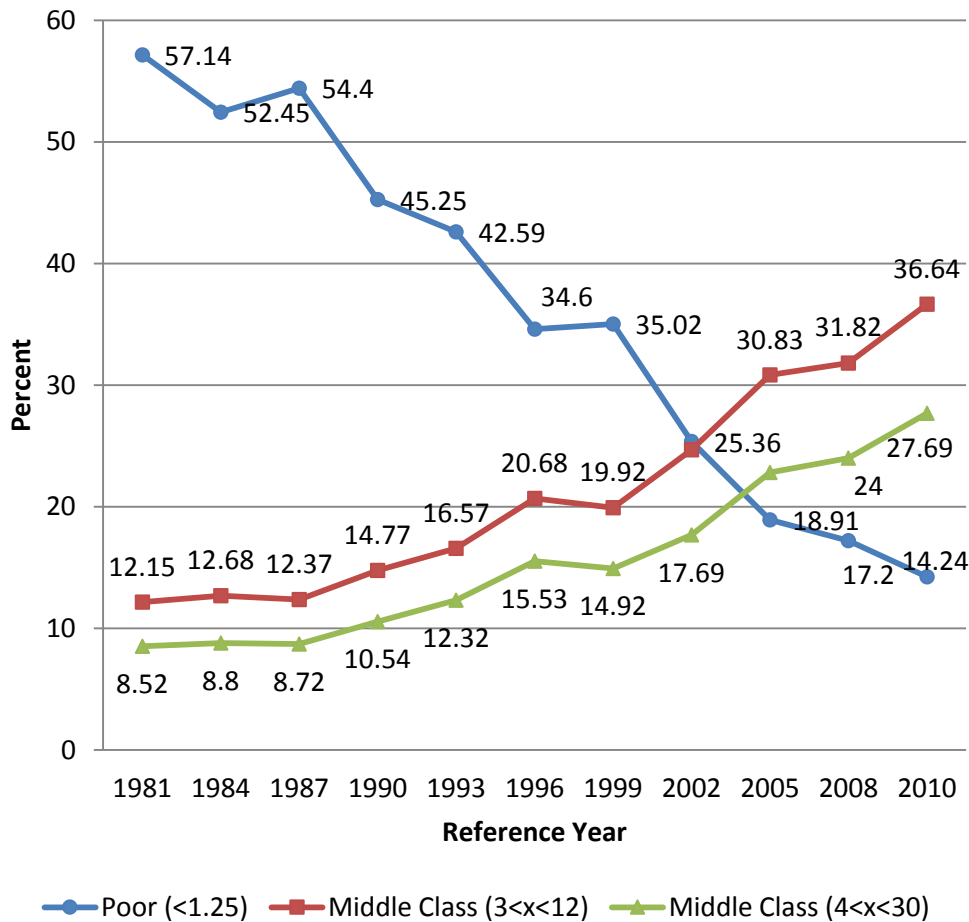


ASEAN in “Asian Century”



- **Asia** shifting from **FACTORY ASIA** towards **MARKET ASIA** and **INNOVATIVE ASIA**:
 - ASIA as growth and change driver of the world
 - East Asia is in the throes of a major economic transformation
 - More open, integrated and connected ASEAN countries can better respond to the challenges and opportunities of the emergent China & emerging India
- **RISING ASEAN *demands robustly growing integrated, contestable, competitive, dynamic, resilient and responsive ASEAN***
- **AEC Blueprint needs deeper implementation and wider coverage to support structural, policy and regulatory improvements for RISING ASEAN**
- **Successful AEC rests in part on successful ASCC (and peaceful ASEAN and Asia)**
- **In short, ASEAN Community is relevant more than ever for ASEAN in fast evolving Asia in the “Asian century”.**

ASEAN Progress (1)



➔ **ASEAN - 7 Poverty Rate:**
1990: 45%
2010: 14%
(15.6% incl Myanmar)

➔ **ASEAN - 7 Poverty Gap:**
1990: 14%
2010: 3%

➔ **ASEAN Middle Class:**
1990: 15% (11%)
2010: 37% (28%)

ASEAN 3rd largest EA economy
ASEAN 3rd most populous in world

- **ASEAN: Growing Investment Hotspot:**



– ASEAN:	USD 50 b (2008)	USD 126 b (2013)
– China:	USD 108 b (2008)	USD 124 b (2013)
– India:	USD 47 b (2008)	USD 28 b (2013)

- **ASEAN capital formation more FDI-intensive (2010-2012):**



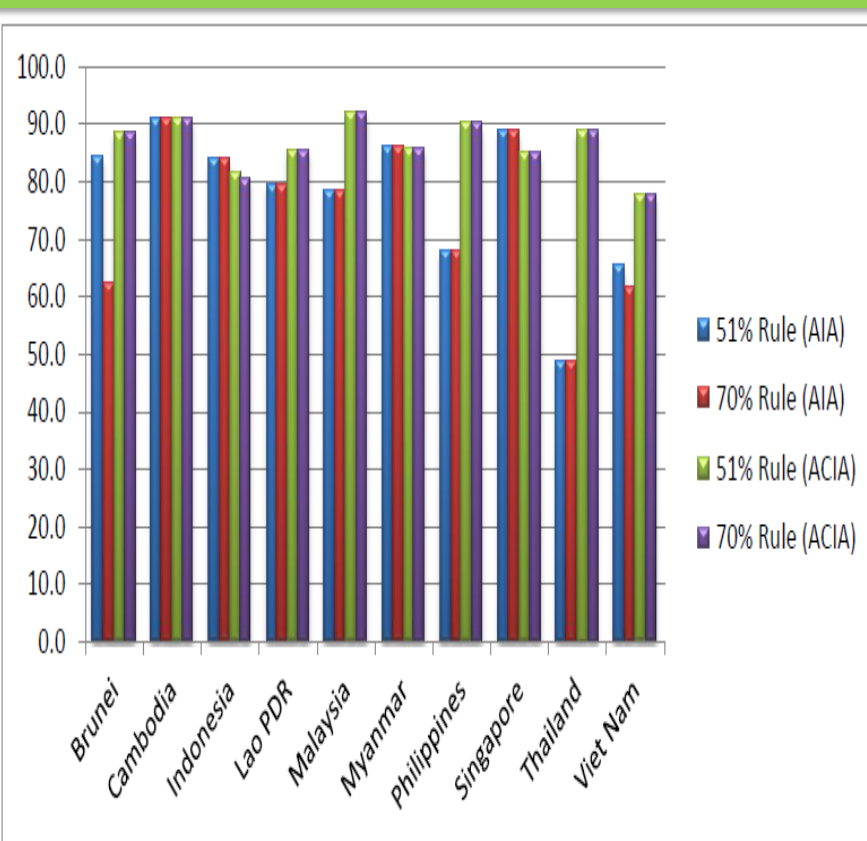
– ASEAN:	16.5	percent
– China:	4.0	percent
– India:	5.9	percent

Measures

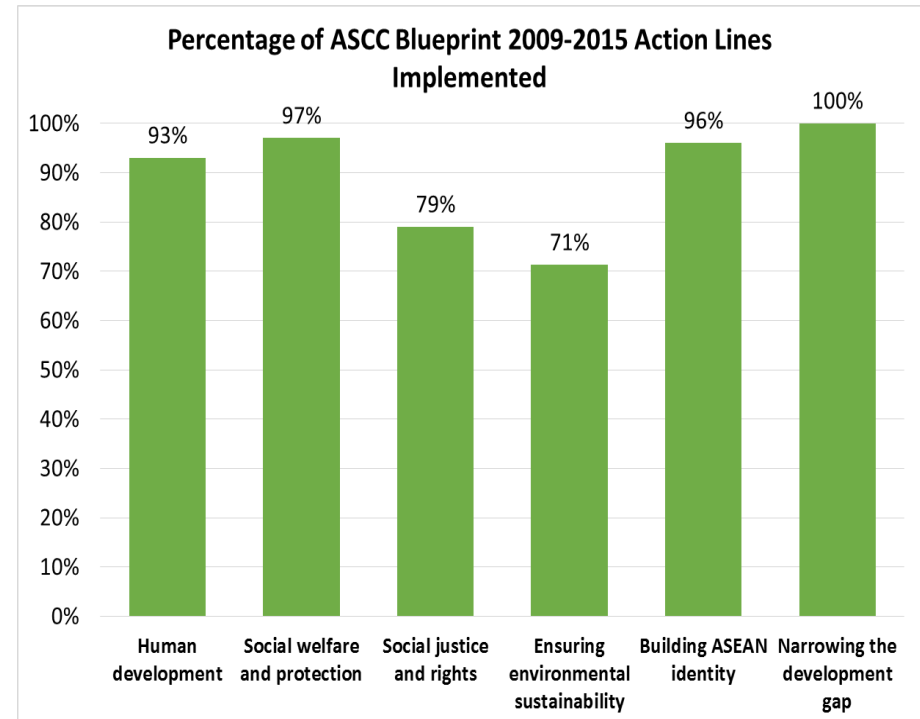
Major Examples

- 💧 **CEPT rates very low to nearly zero**
- 💧 **NSW operational in 5 AMSs**
- 💧 **ATIGA ROOs business friendly**
- 💧 **ASEAN + 1 FTAs/RCEP**
- 💧 **Chiang Mai Initiative**
- 💧 **RIATS in force under ASEAN - X**

Liberal Investment Regime in many AMSs (based on ACIA)



- **Strengthened commitment and coherence in policy frameworks and institutions in ASEAN for human development, social justice and human rights, social protection and welfare, environmental sustainability; e.g.,**
 - Declaration on Non-communicable Diseases in ASEAN
 - Declaration on Elimination of Violence on Women and Elimination of Violence on Children in ASEAN
- **Collective support and humanitarian assistance during natural disasters**



Source: ASCC MTR 2013

Selected MDGs Indicators Performance in AMSs



MDGs Targets and Indicators	Number of AMS On-Track	Number of AMS Off Track-Slow
Goal 1: Eradicate extreme poverty and hunger.		
Halve, between 1990 and 2015, the proportion of people who suffer from hunger .	3	5
Goal 2: Achieve universal primary education.		
One hundred percent total net enrollment ratio in primary education .	7	1
Goal 3: Promote gender equality and empower women.		
Eliminate gender disparity in primary education , preferably by 2005.	8	1
Goal 4: Reduce child mortality.		
Reduce by two-thirds, between 1990 and 2015, the under-5 mortality rate .	4	5
Goal 5: Improve maternal health		
Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio .	2	8
Goal 7: Ensure environmental sustainability.		
Halve, by 2015, the proportion of population without access to improved drinking water .	9	n/a
Halve, by 2015, the proportion of population without improved sanitation facilities .	7	2

Source: ADB, 2014

1

Still large number of poor & marginally non-poor in most AMSs. Hunger still a problem in few AMSs. Millions don't have full primary education. Social protection a challenge.

2

Mixed record on income inequality. Few AMSs far from social progress "frontier"

3

Need to improve competitiveness of ASEAN. Many AMSs tend to have lower productivity growth than China.

4

Need to ensure a more resilient, equitable and sustainably growing ASEAN. ASEAN prone to natural disasters. Pollution and resource degradation increasingly serious.

5

Building a fully functioning AEC and ASCC is unfinished. ASEAN largely "institutional identity". Need for making ASEAN deeply felt and owned by ASEAN peoples.

- Ensure a deeply integrated and contestable (pro-competition) ASEAN economic community well integrated with ROW
- Plug ASEAN deeply into the networked and innovative world future and ensure robust productivity growth
- Engender greater inclusiveness, resiliency and sustainability in AMSs development processes
- Engender good regulatory practice, responsive & stakeholder-centric regulatory management systems with competent and coordinated institutions
- Deepen regional cooperation and interconnectedness towards greater sense of ASEAN belongingness, commonality, identity and destiny

What matters most [with respect to AEC is not AEC 2015 per se], but (maintaining) ambition and momentum

(US Ambassador to ASEAN)

A large, green, horizontally-oriented oval with a slight gradient and a drop shadow. It contains the title text in white. A blue horizontal line extends from the left edge of the oval across the top of the slide.

**“ASEAN Miracle”:
High and Equitable Growth**

A green arrow pointing upwards, with a gradient from light green at the top to a darker green at the bottom. It has a slight shadow and is positioned on the left side of the diagram.

*Integrated
and highly
contestable
ASEAN*

A green arrow pointing upwards, with a gradient from light green at the top to a darker green at the bottom. It has a slight shadow and is positioned in the second column of the diagram.

*Competitive
and
Dynamic
ASEAN*

A green arrow pointing upwards, with a gradient from light green at the top to a darker green at the bottom. It has a slight shadow and is positioned in the third column of the diagram.

*Inclusive
and
Resilient
ASEAN*

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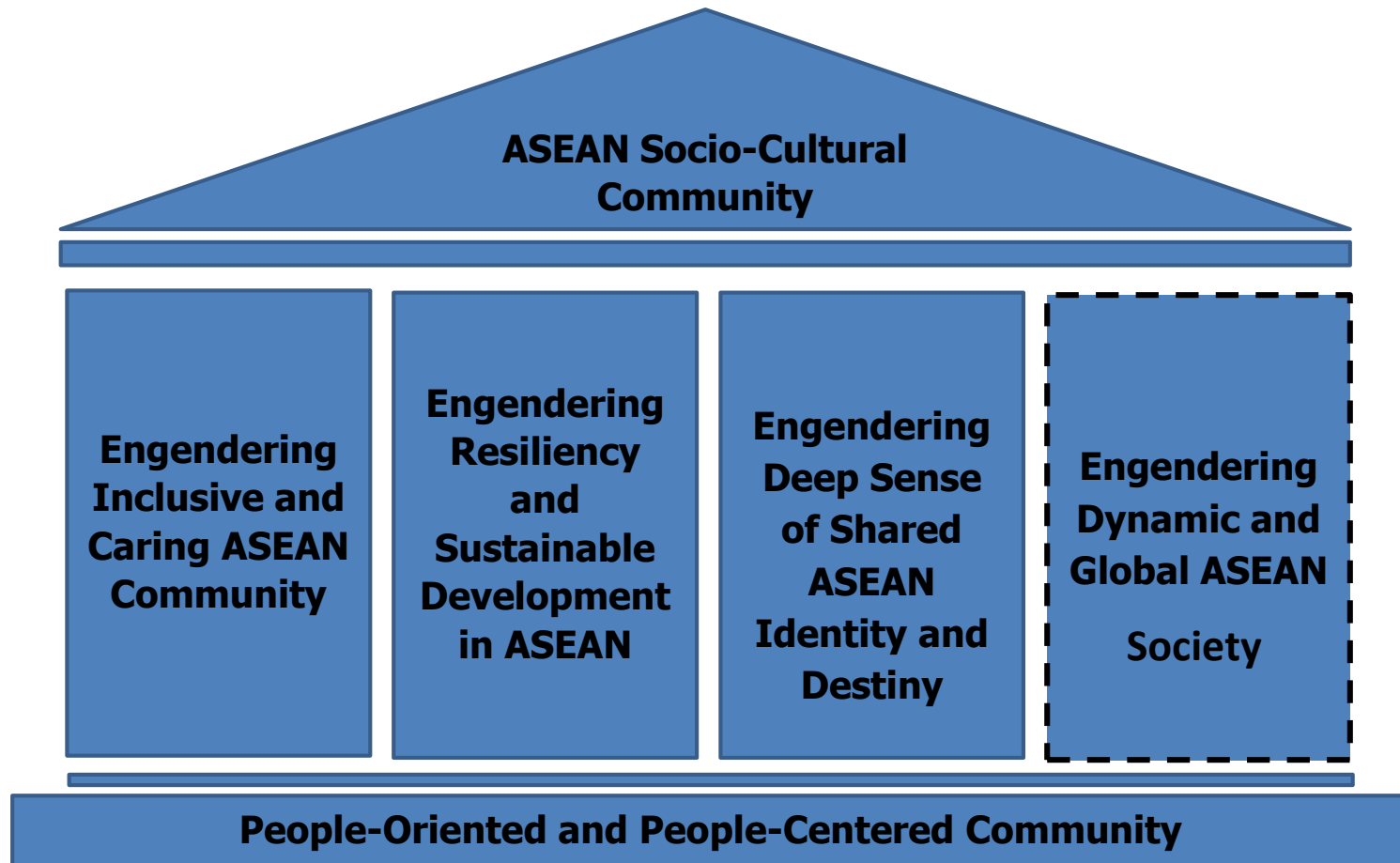
*Global
ASEAN*

A blue, rounded rectangular bar with a slight gradient and a drop shadow, positioned at the bottom of the diagram. It contains the text "Responsive ASEAN" in white.

Responsive ASEAN

One Strong Foundation and 4 Pillars

Framework



1. Integrated and Highly Contestable ASEAN



Non-protective NTMs



More efficient and seamless trade facilitation



**Highly contestable services and investment;
Effective competition policy**



Facilitative S & C



Greater connectivity and transport facilitation



Greater mobility of skilled labor

Some Observations



Key source of benefits from NSW:

- Process re-engineering and documentation harmonization in preparation stage

Key way of addressing the NTB effect of NTMs is GRP

Regional cooperation in standards and conformance may need to expand to capacity building and streamlined processes

Service Liberalization as critical component of domestic regulatory improvement process toward coherent, effective and efficient regulations

Post 2015, ASEAN need to focus more on agreement on and cooperation in Good Regulatory Practices, Regulatory Management Systems, and Responsive Regulations

Some Key Characteristics of “well performing” regulatory management systems (1)



Strong and continuing
political commitment
from the top
leadership

Importance of the use
of (international)
benchmarks and
measurements..
Usefulness of credible
monitoring.

Importance of
continuous public
engagement, esp
business groups; e.g.
PEMUDAH

Importance of
managing local
regulations, because
ultimately all business
is “local”. Vertical
regulatory coherence
between national and
local regulations is as
important as
horizontal regulatory
coherence among
regulations of related
government agencies.

Some Key Characteristics of “high performance” regulatory management systems (2)



Critical role of an MPC-type institution, that is, an institution that is credible, technically competent and relatively unbiased and independent, that will provide the factual basis and analysis to support decisions on specific regulatory issues. Best if institution is close to center of power.

Importance of a relatively competent and engaged bureaucracy. Regulatory reform is essentially a change in mindset, especially of the bureaucracy, and way of regulation to make markets do better. Thus, the critical importance of capacity building, training and retraining of the bureaucracy on matters related to regulations, etc..

Importance of transparency and a decision process that engenders predictability. Transparency, continuing conversations with stakeholders and international benchmarking encourages regulators to step back and see broad picture, instead of having myopic mind.

2. Competitive and Dynamic ASEAN



ASEAN more important player in regional and global production networks

- FDI-trade-services-IPR nexus
- Clusters and cluster policy



Invest more in technology, human resource development and innovation capacity

- Tech transfer: face to face; “invisible college”
- Moving up technology ladder



3. Inclusive and Caring ASEAN

Engender Inclusive Growth (1):

- Agricultural and rural development
- Employment biased economic growth in some AMSs
- Invest in workers and link wage growth to productivity growth

Engender Inclusive Growth (2):

SME development
Enhanced connectivity of peripheries to growth centers

Invest in Education and Human Resource Development:

“Reach the unreached”
Improve quality of schools and teachers
Improve infrastructure for accessibility for school children
Use safety net programs to raise survival rates in primary education

Invest in Health:

Priority on basic health care
Universal Health Care
Strengthen regional cooperation
Improve incentives to medical personnel in remote areas
Ease labor and investment restrictions on medical personnel and facilities within ASEAN

Strengthen Social Protection given Fiscal Space:

Focus on vulnerable women, children and elderly
Improve management of pension system and health care system
Harmonize regulatory regime on migrant workers, including establishment of training centers for workers

4. Resilient and Sustainable ASEAN



1 Resiliency and Sustainable Development intertwined through climate change (CC)

2 Bring food security – CC nexus into ASCC, not just food safety

- Understand the unequal and disaggregated impacts of CC
- Invest more in anticipatory adaptation plans
- Emphasize shared governance and community adaptation including community (food/ grain) reserves

3 Reframe Approach to Natural Resource Management “for better life”

- Emphasize bottom up approach with community involvement
- Emphasize adaptive approach with learning by doing given the risks and uncertainties of NRM
- Feedback loop from community to province to national to ASEAN for appropriate adjustments in action lines

Ensuring biodiversity conservation and sustainable use

- ## 4
- Given serious biodiversity loss in ASEAN, need to mainstream biodiversity conservation into various sectors of society and economy
 - Empower communities to preserve biodiversity in ASEAN

5 Engender Liveable ASEAN cities

- Address urban pollution and transportation bottlenecks in many AMSs
- Expand to many more ASEAN cities the existing ASEAN Initiative on Sustainable Cities (AIESC)
- Enhance international collaboration and sharing of experiences among cities on low carbon, green growth in cities

6

Promote energy security and green ASEAN

- Foster policies supportive of renewable energy and set target accordingly
- Utilize low carbon coal technologies
- Use biofuels for transport

7

Strengthen national and regional disaster risk reduction and management and financing

- Climate change, environment and disaster management as a cohesive agenda should be top agenda for ASEAN Leaders
- Disaster management calls for both strengthened disaster response (incl. more contingent resources) and Disaster Risk Reduction (DRR) roadmap with implementation plan including time line and monitoring
- Community engagement critical
- Hyogo Framework; AADMER
- Possible disaster risk financing schemes: (a) regional catastrophic insurance facility a la CCRIF; (b) ASEAN regional contingency fund for recovery and reconstruction

Concluding Remarks: AEC Blueprint Measures as Governance Reforms



AEC Blueprint is much more than liberalization.

Most of the reforms toward AEC involve changes in practices and procedures, as well as strengthening institutions and inter-agency coordination and collaboration.

In short, most of them would improve governance.

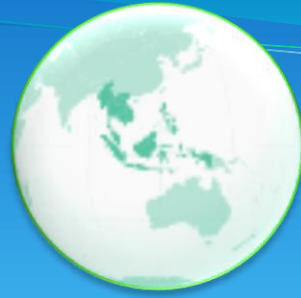
**Thus, AEC Blueprint is mainly “concerted governance reform
for deeper economic integration.”**

ASEAN RISING and the “ASEAN Miracle” framework implies the interdependence of AEC and ASCC community building. E.g.:

- Equitable growth demands not only robust SMEs, agriculture and connectivity but also better education and health of peoples
- Full liberalization in AEC is facilitated by greater sense of ASEAN identity among ASEAN peoples

Successful AEC rests in part on successful ASCC (and a peaceful ASEAN under APSC)

ASEAN needs to give great importance to ASCC Blueprint as in AEC Blueprint



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