



MCA Youth Strategic Conference 2016 “AEC and Outlook on ASEAN Economic Development”

**13 August 2016 (Saturday)
Dewan San Choo, Wisma MCA, Kuala Lumpur**

Establishment of the ASEAN Community: 31st December 2015



- The ASEAN Economic Community (AEC) is now a reality. It is no longer a myth.
- Step-by-step integration has driven both political development and economic growth

ASEAN Economic Community (AEC)

AEC Timeline



The journey towards AEC

Building:

Contribution to well-being
of the people

Strengthen the economic
development

Enhance the extra- and
intra- ASEAN trade and
investment

ASEAN Economic Community

AEC 2015 (2008 – 2015)

- Single Market and Production Base
- Competitive Region
- Equitable Economic Development
- Global ASEAN



Transformation
to become a
more cohesive
economy by
2025

AEC 2025 (2016 – 2025)

- Highly Integrated and Cohesive Regional Economy
- Competitive, Innovative and Dynamic Community
- Enhance Connectivity and Sectoral Cooperation
- Resilient, Inclusive, People-Orientated, People-Centred Community

ASEAN Motto: “One Vision, One Identity, One Community”

ASEAN: Collectively, A Community of Opportunities – Single Market and Production Base

Huge Market:
625 million people,
3rd largest market

External Trade:
US\$2.28 trillion

FDI:
USD 119.4 billion

	2014 (%)	2015 (%)	2016 (%)	2017 (%)
World	3.4	3.1	3.2	3.5
Advanced Economies	1.8	1.9	1.9	2.0
Developing Economies	4.6	4.0	4.1	4.6
ASEAN	4.6	4.4	4.5	4.8

4th largest by 2050 (McKinsey & Co)

Highly Connected Region and
Globally Engaged: Free Trade Agreements
with major regional economies.

GDP:
USD 2.43 trillion, 6th
largest economy

Young, educated
labour force
70% < 35 years of
Age

Steady economic
growth rate
2007-2015: 5.1%

EU versus ASEAN

EU	ASEAN
Member States voluntarily cede national sovereignty in many areas to carry out common policies and governance. Not a super-state .	Member States voluntarily agree to achieve binding friendship and cooperation without cede national sovereignty.
Shared values: liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law.	ASEAN Charter: Peace, stability, economic development, narrowing the development gap, non-interference in the affairs of the other members, strengthen democracy, good governance, protect human rights, rule of law.
Largest economic region in the world.	6 th largest in the world, 3 rd largest in Asia
World's largest donor providing assistance to developing countries.	Dependent on assistance to promote development

AEC 2015: What Have We Achieved?

- Focus on trade facilitation initiatives and reduction of non-tariff barriers (NTBs). Virtual elimination of intra-ASEAN tariffs: elimination of import duties on 97% of the products traded.
- Removal of barriers to trade in services and investment – Allowed more than 51% of foreign equity ownership and 100% for manufacturing.
- Progressive liberalization of Financial services and capital market integration (e.g: Banking Integration Framework, operational flexibilities, insurance).
- Trade Facilitation: ASEAN Solutions for Investment, Services and Trade (ASSIST), ASEAN Single Window (ASW), ASEAN Trade Repository (ATR), ASEAN-Self Certification System.

AEC 2015: What Have We Achieved?

- Harmonization of standards and technical requirements on:
 - ✓ 20 priority products & 81 standards for safety and specification requirements covering electrical and electronics equipment, rubber gloves and condoms, rubber-based and prepared foodstuff products;
- MRAs have been established for Electrical and Electronic Equipment, ASEAN Cosmetics Directive, ASEAN Medical Device Directive, Traditional Medicines and Health Supplements.
- Continued improvement in connectivity in the region. Liberalization of passenger and cargo air transport services - Open Skies Policy and ASEAN Single Aviation Market

Outlook of ASEAN Economic Development

- Growth: 4.5% of economic growth in 2016, mainly driven by public and private consumption, acceleration in infrastructure investment, and improvement in business environment.
- Risks:
 - Infrastructure investment takes time to be materialized.
 - Consumption-driven growth is less sustainable than productivity-driven growth.
 - Low commodity prices could affect financial stability and growth of the commodity exporting Countries.
 - Structural rebalancing in the Chinese Economy.
 - Monetary policy normalization.
 - Stability in the Eurozone.
- Guided by AEC Blueprint 2025, ASEAN will focus on its economic fundamentals, productivity and supply capacity to boost long-term competitiveness and economic resilience.

ASEAN Economic Community 2025

- Adopted by Leaders at 27th ASEAN Summit in Kuala Lumpur.
- By 2025, AEC is envisaged to be one that is highly integrated and cohesive; competitive, innovative and dynamic.
- **5 Characteristic** of AEC Blueprint 2025:
 1. A Highly Integrated and Cohesive Economy;
 2. A Competitive, Innovative and Dynamic ASEAN;
 3. Enhanced Connectivity and Sectoral Cooperation;
 4. A Resilient, Inclusive and People-Oriented, People-Centered ASEAN; and
 5. A Global ASEAN.
- **Implementation and Monitoring of AEC 2025:**
 - Strategic measures for each of the five AEC Blueprint characteristics;
 - Implementation of Blueprint will be monitored and enforced by ASEAN Economic Council;
 - The monitoring of the implementation and compliance of strategic measures will be conducted by ASEAN Secretariat – ASEAN Integration Monitoring Directorate; and
 - Increased effort to have active consultation and engagement with private sector and other stakeholders for successful attainment of the AEC 2025 vision.

AEC 2025 : Feedback from Private Sector

➤ **Customs & Transit Issues**

- ✓ Implementation of ASEAN Customs Transit System (ACTS)
- ✓ Harmonisation of region-wide customs regimes, full automation of customs procedures, moving towards NSWs and ASW

➤ **Non Tariff Barriers**

- ✓ Finalise National Trade Repositories as a stepping stone to ASEAN Trade Repository (ATR)
- ✓ With ATR as a basis, identify priority NTBs for future elimination

➤ **Healthcare & Life Sciences**

- ✓ Harmonised regulations & testing regimes; market entry restrictions

➤ **Financial Services Liberalisation, Insurance & Tax Issues**

- ✓ Removal of restrictions on insurance market
- ✓ Payment & Settlement Systems
- ✓ Long term investment constraints
- ✓ Taxation Co-operation & Excise Duties

➤ **IPR & Illicit Trade**

- ✓ Enforcement mechanisms; Protecting IPR; Highlighting counterfeit and illicit trade issues

➤ **Digital Innovation**

- ✓ ICT regulation; e-commerce; inclusion

➤ **Automotive**

- ✓ Harmonised regulations and testing regimes; national automotive policies; skills shortages

➤ **Private Sector Dialogue/Consultation.**

**These are also ASEAN's
priorities under AEC 2025**

ASEAN FTAs: Complementing AEC Integration

STRATEGIC PARTNERS OF ASEAN

European Union ?

Eurasian Economic
Union ?

ASEAN-Hong Kong SAR

RCEP

ASEAN-China

ASEAN-Korea

AEC

Canada?

ASEAN-Japan

ASEAN-Australia &
New Zealand

ASEAN-India

ASEAN FTAs

	AFTA	ACFTA	AKFTA	AJCEP	AIFTA	AANZFTA
Entry Into Force	1993	2005	2007	2008	2010	2010
Market Size (Mil.)	625	1,989	672	749	1,881	650
Economic Size (US\$ tri.)	2.5	12.8	3.9	7.1	5.0	4.1
Average Tariff Elimination (%)	96	94	93	93	80	96
Coverage	Goods Services Investment DSM	Goods Services Investment DSM	Goods Services Investment DSM	Goods Services Investment DSM	Goods Services Investment DSM	Goods Services Investment DSM, MNP E-Commerce IPR Competition Econ Coop
<u>ON-GOING FTAs NEGOTIATIONS</u>						

Regional Comprehensive Economic Partnership Agreement (RCEP)

ASEAN – Hong Kong FTA

- > 3 billion people (almost 50% of global population)
- RCEP economies combined GDP > USD17 trillion
- RCEP economies > 40% world trade

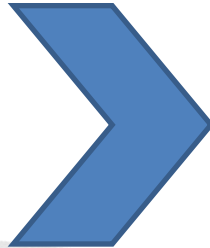
Regional Comprehensive Economic Partnership (RCEP)



Global Scale

10 ASEAN Member States

China
Japan
Korea
India
Australia
New Zealand



- 30% of Global GDP.
- More than 3.3 billion people (almost 50% of world population).
- Biggest set of producers and consumers.
- Growing economies in Asia & Oceania.
- Connected through ASEAN +1 FTAs.
- Top economies in the world (China-2, Japan-3, India-10, Australia-13, South Korea-15, Indonesia-16, Thailand-30, Malaysia-36).
- Collective ASEAN is the 7th largest economy in the world.

Rationale of RCEP

The Regional Comprehensive Economic Partnership (RCEP) aims to:

- ❖ streamline and consolidate the existing ASEAN+1 FTAs with China, Japan, Korea, India, Australia and New Zealand
- ❖ improve commitments and reduce the gaps in the ASEAN+1 FTAs to create a highly competitive economic area
- ❖ provide for the strengthening of the regional production and supply network, and integration into the global economy

Facts

- RCEP will involve more than 3 billion people (almost 50% of global population)
- Top economies in the world (China-2, Japan-3, India-10, Australia-13, South Korea-15, Indonesia-16, Thailand-30, Malaysia-36). RCEP economies combined GDP is more than USD17 trillion: able to compete with other liberalised economies
- RCEP economies command more than 40% world trade.
- Biggest set of producers and consumers.

- Over 2,000 Malaysian companies operating in ASEAN countries and are participating in the economic development of countries such as Cambodia, Lao PDR, Myanmar and Viet Nam.
- Malaysia is one of the top 10 nations investing in ASEAN. Investments are diversified:
 - ✓ banking (Maybank, CIMB, Hong Leong, Public Bank, RHB);
 - ✓ plantation sector;
 - ✓ toll roads, upgrading and management of airports;
 - ✓ Construction of railway tracks, special economic zones, townships; and
 - ✓ Restaurants, cafes, shopping malls, and inland ports.

Malaysia and AEC

- Market size: 30 million vs 625 million; 27% of Malaysia's global trade is with ASEAN; FDI inflows from ASEAN into Malaysia: USD6.95 billion (2015) and FDI flows from Malaysia into ASEAN: USD8.72 billion (2015).
- Employment opportunities for Malaysians, especially for engineers, technicians, financial analysts, accountants and in other specialized skills, as ASEAN companies expand into Malaysia and vice-versa.
- MSMEs are moving out and tapping on the opportunities available under AEC.

Tapping Opportunities in AEC & ASEAN FTAs

- The world economic situation remains volatile and recovery in global trade is still slow.
- IMF has continued to revise global economic growth downward from 3.4 per cent in January 2016 to 3.2 per cent in April 2016 and now to 3.1 per cent, and growth is only expected to increase marginally to 3.4 per cent in 2017.
- ASEAN is among the fastest growing region and projected to grow by 4.5% in 2016 and 4.8% in 2017.
- ASEAN has to look at its own internal market to generate growth.
- Cambodia, Lao PDR, Myanmar, Viet Nam and Thailand (CLMVT) – new concept that is developing based on the huge potential these countries offers – rich in resources, labour force (150 million) and are having the highest GDP growth in ASEAN.

Malaysian SMEs in ASEAN market



SUCCESS
TRANSFORMER
CORPORATION
BERHAD
(638999-W)



List of Malaysian Networks



Malaysia-Myanmar Business Council

< 300 companies



Malaysia-Thai Chamber of Commerce

< 1,000 companies



Malaysia-Singapore Business Council

< 1,000 companies



a) Malaysia-Indonesia Business Council



b) Malaysian Chambers Jakarta

< 1,000 companies



Malaysia Business Council of Cambodia

< 200 companies



Malaysia Business Chamber Viet Nam

< 700 companies



Malaysia-Philippines Business Council

< 200 companies



a) Malaysia-Laos Business Council

< 200 companies



b) Malaysia Business Chamber at Laos

(25 companies)



Thank you
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