

EVOLVING WITH THE AEC

BY CHESTER TOH & TAN JEN LEE

SMEs are consistently referenced throughout the latest AEC Blueprint which seeks to promote productivity, technology and innovation among these companies



PHOTO: REUTERS

AGREED among Asean member states in 2007, the 2015 Blueprint set out four key pillars, 17 core elements and 176 priority measures for the implementation of the Asean Economic Community (AEC). Broadly, the four key pillars are the creation of a single market and production base, a competitive economic region, equitable economic development and integration into the global economy.

Significant progress has been made on the implementation of measures under these four key pillars. For instance, intra-regional tariffs across most Asean states have been virtually eliminated although developing countries such as Cambodia, Laos, Myanmar and Vietnam have been given a longer timeline until 2018 to fulfil these tariff elimination commitments.

Asean has also concluded three priority sector Mutual Recognition Arrangements (MRAs) for medicinal products, cosmetics as well as electrical equipment and electronics to standardise the safety and quality standards of such products across the region. The AEC Blueprint also sought to create a level playing field through the adoption of harmonised legal and regulatory frameworks in areas of competition, consumer protection and intellectual property policy.

To encourage cross-border labour mobility, eight MRAs have been concluded for services including engineering, nursing, architectural and medical services, giving skilled workers in these fields the flexibility of having their qualifications or certificates recognised in different Asean member states. With a combined population amounting to the third largest workforce in the world after China and India, knowledge-sharing and professional collaboration are necessary for the AEC to reach its full potential in the near future.

ROUTE TO FURTHER INTEGRATION

The 2025 Blueprint consists of five new interrelated and mutually reinforcing goals: 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 Asean; as well as a global Asean.

Building on the foundations created by the 2015 Blueprint, the succeeding 2025 Blueprint aims to complete the full rollout of the Asean Single Window, a digital facility initiative that harmonises cross-border customs documentation, as well as the refinement of the Rules of Origin and Asean Self-Certification scheme. Such projects are intended to simplify customs procedures and facilitate trade, in turn encouraging more investors and small and medium-sized enterprises (SMEs) to expand into Asean. Specific sectors including transport, information and communication technology (ICT), e-commerce and health care have also been identified as key industries for enhanced sectoral cooperation.

SMEs in particular, are consistently referenced throughout this new Blueprint. Comprising over 95 per cent of the enterprises in Asean and generating jobs for the majority of the region's labour force, SMEs are recognised as the backbone of Asean economies. The latest Blueprint seeks to promote productivity, technology and innovation among SMEs, and supports enterprising SMEs by improving access to finance, facilitating market access and participation in global value chains.

NON-TARIFF BARRIERS

Many Asean economies still impose minimum local equity participation requirements for foreigners looking to invest in specific industries such as distribution or retail of consumer

goods and foodstuffs. Foreign investors will therefore need to source for local partners and manage a joint venture relationship that can sometimes be fraught with difficulties.

The development gaps between Asean members can also mean that each country may have different strategic interests when it comes to priority industries. Thailand and Indonesia may be keen to promote the automotive industry while Myanmar or Brunei on the other hand may prioritise resource-based industries. This weakens the effect of measures targeted to reduce non-tariff barriers in certain priority industries, especially if selected member states react by imposing protectionist policies to preserve national interests.

To navigate this problem from a political, social and economic perspective, Asean leaders will not only need to improve transparency of such non-tariff policies but also strengthen coordination with the private sector across Asean in order to understand how best to tackle domestic trade protectionist policies. Communication is vital in the next phase of creating an integrated AEC so that Asean-wide standards or conformity rules are designed with country-specific concerns in mind.

MOVING INTO THE DIGITAL AGE

Digital technology has become increasingly pervasive since the earlier days of introduction of the 2015 Blueprint. It is therefore no surprise that the 2025 Blueprint has focused on ICT advancement and e-commerce as key drivers in Asean's economic and social transformation into a single, integrated market. Myanmar, for example, saw its Internet usage rate surge from 0.1 per cent in 2008 to 19.3 per cent in 2016.

However, as Asean works towards building a digitally enabled regional economy and facilitating cross-border trade through e-commerce strategies, the major challenge will be to establish a secure, reliable and sustainable digital economy. According to a recent study by Deloitte, Singapore is one of the top five countries most vulnerable to cyber security attacks due to its high Internet usage and Internet-reliant economy. The Philippines, Malaysia, Thailand and Indonesia have also experienced an increase in the frequency and scale of cyber attacks over the past few years.

Although many Asean countries do not have dedicated laws on cyber security, the shift into the e-commerce and digital transactions age may prompt a change. Cambodia and Singapore are in the process of drafting laws targeted at cyber crime while Vietnam has recently enacted the Law on Cyber-Information Security to complement its existing Law on E-Transactions and provisions under the Vietnam Penal Code.

Such developments in national legal frameworks must be supported by more proactive Asean cyber security initiatives. For instance, the establishment of national Computer Emergency Responses Teams (CERTs) in Asean member states in the mid-2000s has been lacklustre given that the effectiveness of each CERT is heavily dependent on a country's available resources and capabilities.

To re-energise efforts in tackling cybercrime, Singapore plans to enhance cyber security resources and sharing of know-how between Asean countries through its S\$10 million funding into the Asean Cyber Capacity Programme launched late last year. It remains to be seen how such programmes will measure up against the growth rate of ICT infrastructure and globalisation initiatives under the 2025 Blueprint.

LOOKING AHEAD

The new Blueprint has sought to moderate its past "top-down" approach with a consultative approach involving stakeholders such as private corporations and SMEs. With transparency, proper communication and a responsive regulatory regime over the next decade, the AEC has the potential to evolve into a sustainable, integrated single market. ■

Chester Toh is partner and head of Integrated Regulatory Practice, while Tan Jen Lee is an associate at Rajah & Tann Singapore