



MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY

# ASEAN ECONOMIC COMMUNITY (AEC) OPPORTUNITIES & CHALLENGES

4 JULY 2018

**16<sup>th</sup> ASEAN Ports and Shipping 2018 Exhibition and Conference**  
**Johor Bahru, Malaysia**

# Birth of ASEAN



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Established on  
**8 August 1967**  
(Bangkok  
Declaration)

**5 founding members:**  
Indonesia, Malaysia,  
Philippines, Singapore,  
Thailand

Brunei (1984)  
Viet Nam (1995)  
Lao PDR (1997)  
Myanmar (1997)  
Cambodia (1999)



## Southeast Asia in 1960s

### Conflicts:

- Indonesia-Malaysia (Confrontation 1962-1966)
- Philippines-Malaysia (over Sabah)
- Singapore secession from Malaysia
- Mindanao, Southern Thailand

### Communism:

- Cold War, arms race, proxy wars
- Indochina War: Vietnam, Laos, Cambodia (1955-1975)
- Burma: 1962

**Poor and low level** of economic development



# ASEAN Community



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Political-Security	Economic	Socio-Cultural
<ul style="list-style-type: none"><li>• Rules-Based, Shared Norms and Values</li><li>• Cohesive, Peaceful, Stable, Resilient with Shared Responsibility</li><li>• Dynamic and Outward Looking</li></ul>	<ul style="list-style-type: none"><li>• Single Market and Production Base</li><li>• Competitive Region</li><li>• Equitable Economic Development</li><li>• Global ASEAN</li></ul>	<ul style="list-style-type: none"><li>• Human Development</li><li>• Social Welfare and Protection</li><li>• Social Justice and Rights</li><li>• Environmental Sustainability</li><li>• ASEAN Identity</li></ul>
KLN	MITI	MOTAC



## ASEAN *Economic Community (AEC) Blueprint (2007-2015)*

provided the roadmap for **comprehensive economic integration** and to **realise the formation of AEC by 2015**, for the deeper economic integration of the region given the varying levels of economic development of the 10 nations.

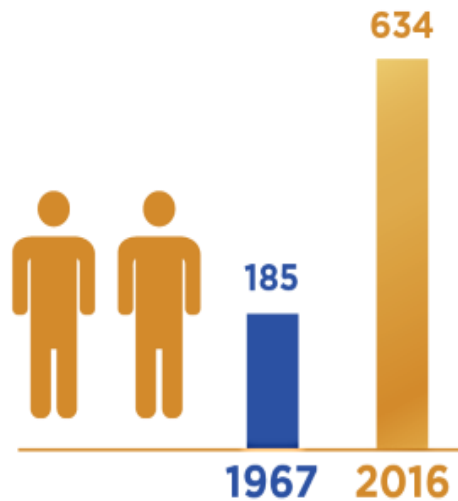
ASEAN Motto: “One Vision, One Identity, One Community”

# 50 Years Of ASEAN



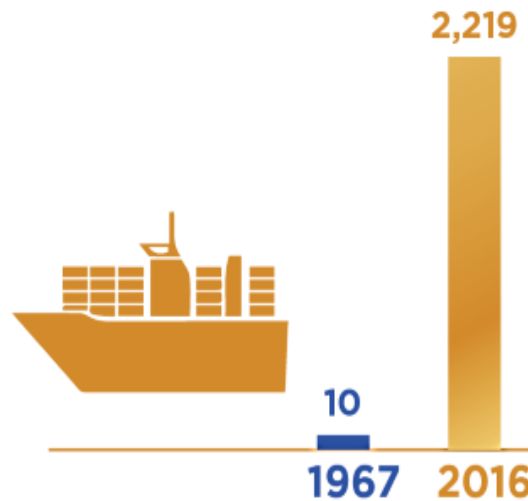
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## Population (in million)



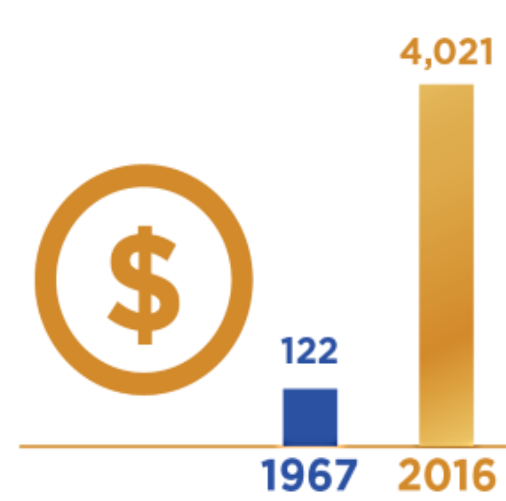
↑ 242%

## Trade (in US\$ billion)



↑ 2209%

## GDP per capita (in US\$)



↑ 3195%

# ASEAN Economic Performance



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At **US\$2.55 trillion**, ASEAN economy in 2016 was

the **6th largest in the world** & the **3rd largest in Asia.**

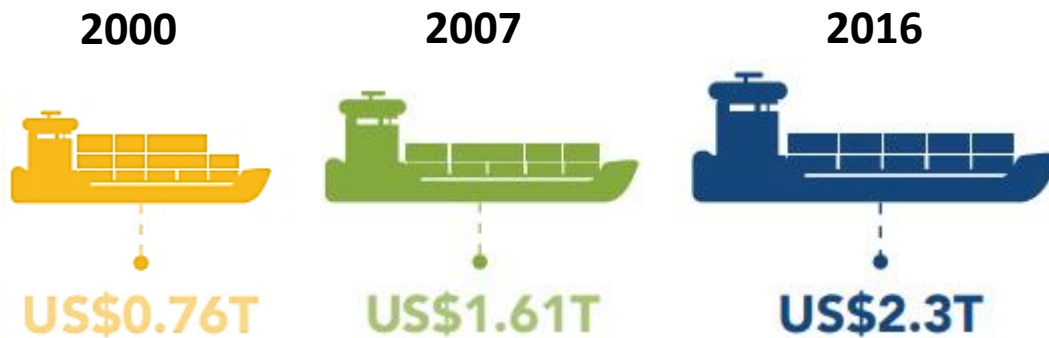






# ASEAN Trade: A More Integrated Market

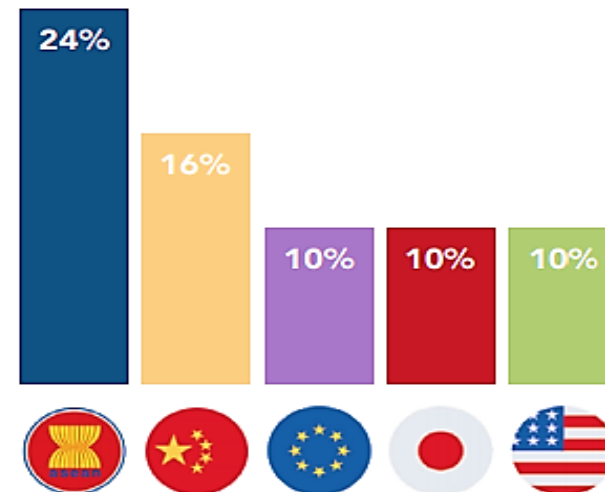
## ASEAN's Total Trade



Total ASEAN trade stood at **US\$2.3 trillion** in **2016** with intra-ASEAN trade comprising the largest share of ASEAN's total trade in 2016

## Major Trading Partner

**Intra-ASEAN** trade represented the **largest share** of ASEAN's total trade by partner in 2016





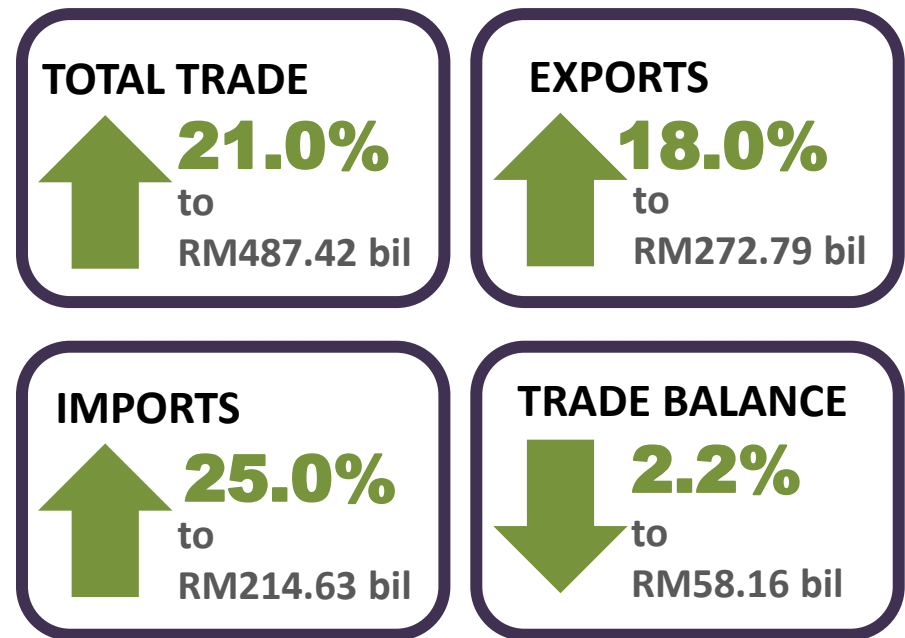
# 2017 Trade Figures

ASEAN total trade: **USD 1,817 billion** in **Q3 2017**, **22.9%** of which is intra-ASEAN.

Most ASEAN countries saw double digit y-o-y growths in goods exports notably:

- Viet Nam (21.1%)
- **Malaysia (14.5%)**
- Singapore (10.9%)

## MALAYSIA'S TRADE WITH ASEAN (2017)



Source: Department of Statistics Malaysia (DOSM)

*\*Preliminary statistics by ASEAN Secretariat, as of January 2018, with absence of 2017-Q2 for Myanmar and 2017-Q3 for Brunei Darussalam, Lao PDR and Myanmar*



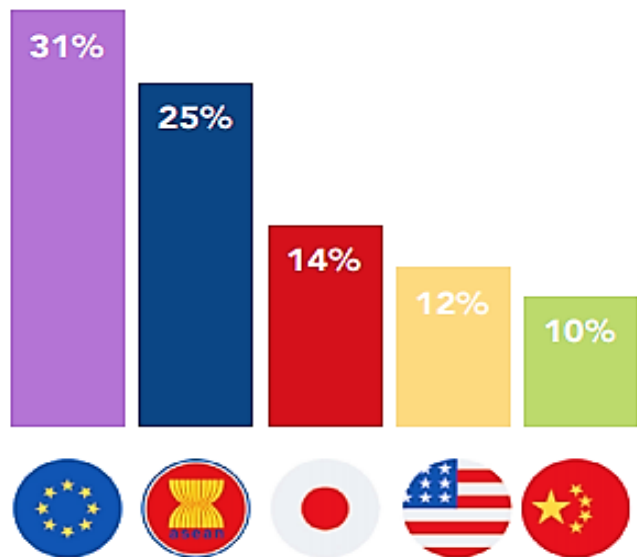
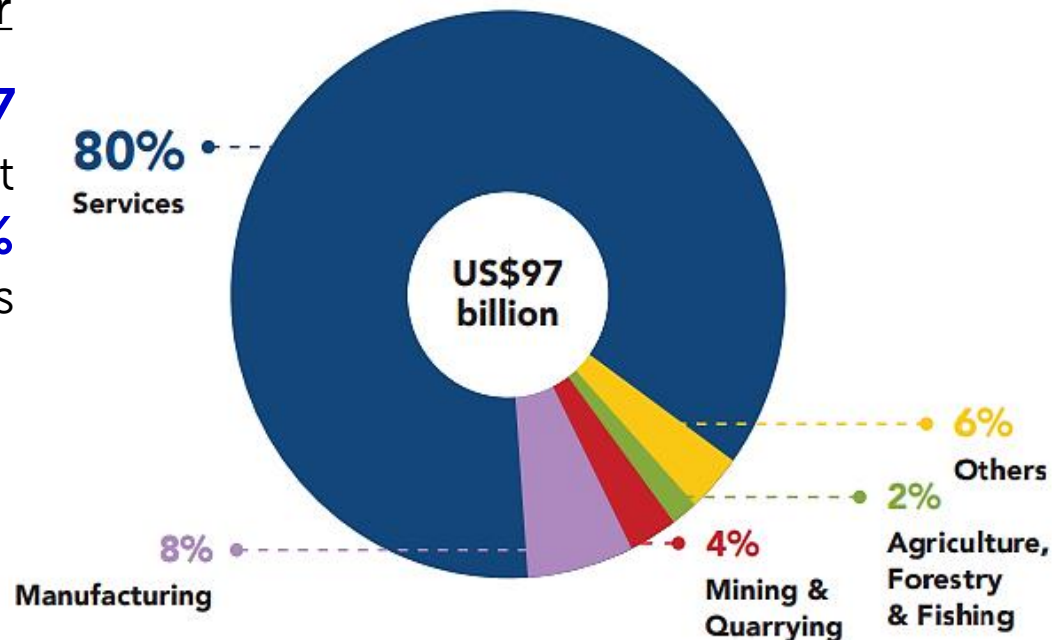
# ASEAN Investment: A World-class Investment Destination



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## Total FDI by Economic Sector

ASEAN attracted **US\$97 billion** in Foreign Direct Investment (FDI) in 2016, **80%** of which was in the services sector.



## Major Sources of FDI

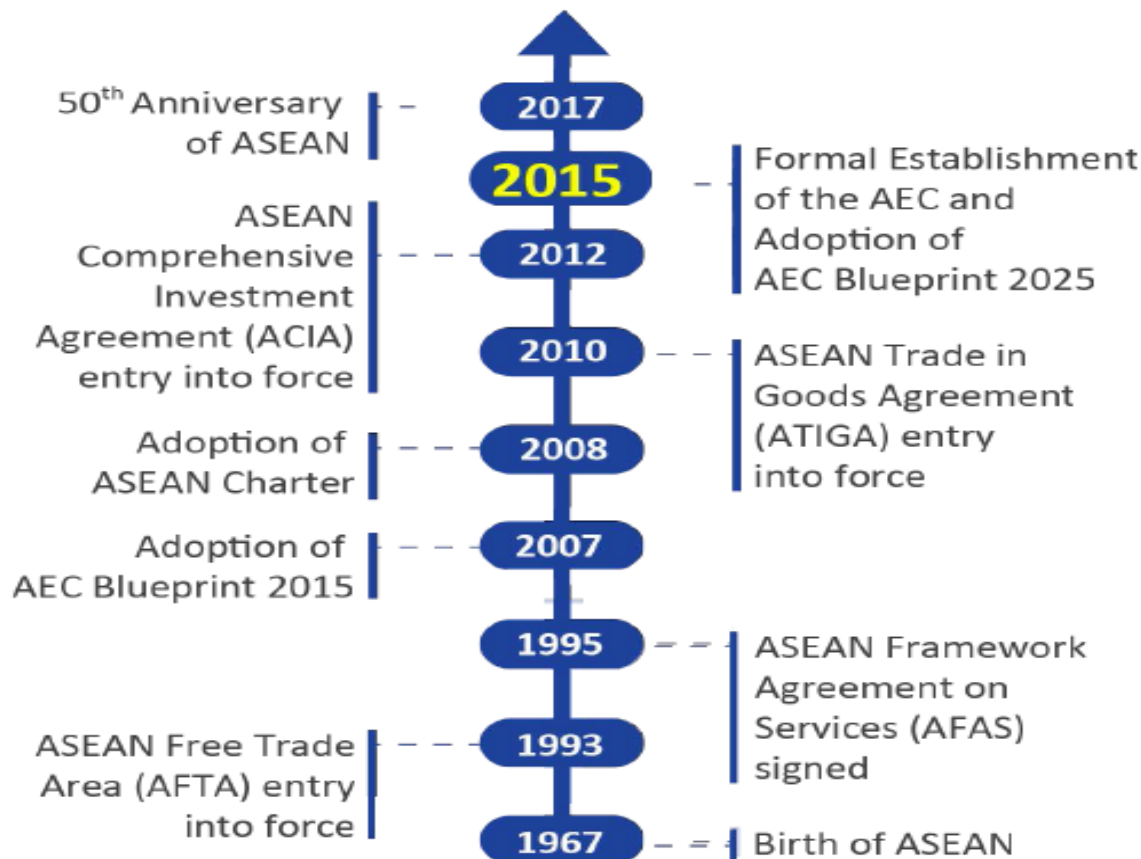
ASEAN was one of the **largest sources** of FDI flows in 2016.

# ASEAN Economic Community (AEC)



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## AEC 2025



## 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



# AEC 2015: What Have We Achieved?

## **Goods** (ASEAN Trade in Goods Agreement)

- 96% of goods traded in the region are duty-free:**
- ASEAN -6 : 99.20 % tariff lines eliminated; and
  - CLMV : 90.86 % tariff lines eliminated (remaining lines by 2018)

**Focus on trade facilitation initiatives and reduction of non-tariff barriers (NTBs)**

## **Services** (ASEAN Framework Agreement on Services)

**9 AFAS Packages: Liberalisation of 101 subsectors; foreign equity up to 70%**

**9 packages for air transport (e.g : open skies , single aviation market, aircraft repair & maintenance, aircraft leasing, cargo handling)**

**8 MRAs – Engineering, Nursing, Achitectural, Medical Practitioners, Accountancy, Dental, Surveying Qualifications, Tourism Professionals  
MNP - Business/Corporate Visitors**

# AEC 2015: What Have We Achieved?



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**Investment**  
(ASEAN Comprehensive  
Investment Agreement)

**ACIA - investment liberalization, protection, promotion and facilitation – provides business confidence.**

**FDI flows to ASEAN from 2013 to 2015 reached US\$374.5 billion.**

**Integrated  
financial system**

**Progressive liberalization of Financial services and capital market integration (e.g: Banking Integration Framework, operational flexibilities, insurance).**

**Signed 6 AFAS Financial Services liberalization packages.**

**Integrated ASEAN**

**Liberalization of passenger and cargo air transport services - Open Skies Policy and ASEAN Single Aviation Market**

**Global ASEAN  
Linkages**

**FTAs with Dialogue Partners**

# ASEAN FTAs



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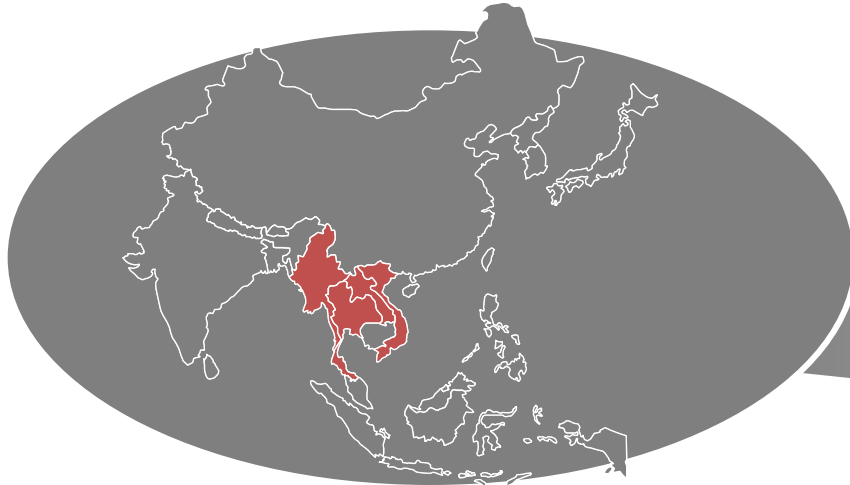
	AFTA	ACFTA	AKFTA	AJCEP	AIFTA	AANZFTA
Entry Into Force	1993	2005	2007	2008	2010	2010
Market Size (Mil.)	625	1,989	672	749	1,881	650
Economic Size (US\$ tri.)	2.5	12.8	3.9	7.1	5.0	4.1
Average Tariff Elimination (%)	96	94	93	93	80	96
Coverage	Goods Services Investment DSM	Goods Services Investment DSM	Goods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

**New FTA:** ASEAN-Hong Kong FTA (AHKFTA) & ASEAN-Hong Kong Investment Agreement (AHKIA). Signed on 12 November 2017 at the sidelines of the 31<sup>st</sup> ASEAN Summit in Manila, the Philippines.

# Regional Comprehensive Economic Partnership (RCEP)



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## Global Scale

**10 ASEAN Member States**  
China  
Japan  
Korea  
India  
Australia  
New Zealand

- 30% of Global GDP.
- More than 3.5 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, Japan, India, Australia, South Korea, Indonesia, Thailand and Malaysia).
- Collective ASEAN is the 6<sup>th</sup> largest economy in the world.



# What's Next?

- To further deepen and broaden the region economic integration, the **AEC Blueprint 2025** was **adopted** by the ASEAN Leaders in **2015** as part of the *ASEAN 2025: Forging Ahead Together*.

## 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-Oriented, People-Centred Community
- Global ASEAN



# AEC 2025 New Focus Areas



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- **E-commerce:** The proportion of the ASEAN population using the Internet rose from 12.6% to 25.8% between 2009 and 2014. Currently e-commerce only contributes **less than 1%** of total retail sales in ASEAN.
- **Global Value Chains (GVCs)** play a vital role in enhancing economic integration and liberalising trade. GVCs provide ASEAN with the opportunity to take on a more ambitious policy agenda and become a more integral part of global trade.
- **Good Governance:** ASEAN recognizes the need to continue engaging the various stakeholders to build a more dynamic AEC 2025 for greater transparency in the public sector and in engaging with the private sector; and Enhance engagement with the private sector as well as other stakeholders.



# Our Agenda in ASEAN

**ASEAN must stay the course and move forward with the deepening of economic integration:**

- ❖ **Removal of barriers**, including NTBs, red tapes and unnecessary regulations and other restrictive behind-the-border rules and regulations.
- ❖ **Harmonization or alignment of standards** in line with international norms.
- ❖ **Restrictions on foreign equity ownership and control.**
- ❖ **Restrictions on professional requirements** which **impede the movement of skilled workers and professionals** around the region.
- ❖ **Further liberalization** in trade in **services** to attract more investments from outside and inside the region.
- ❖ **Access to finance, technology and human capital.**



# AEC Priority Deliverables in 2018 under Singapore's Chairmanship



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➤ The overall Theme - ***“Resilient and Innovative”***

## Five Key Thrusts

### Promote Innovation & e-Commerce

Promote innovation, build up digital connectivity and facilitate e-Commerce flows to benefit businesses, especially MSMEs

### Improve Trade Facilitation

Reduce administrative burden, transaction costs and regulatory trade barriers

### Deepen Services & Investment Integration

Widen opportunities in the region, enhance ASEAN's investment environment, and promote Southeast Asia as a vibrant cruising destination

### Cultivate a Conducive Regulatory Environment

To create an effective regulatory regime to support the growth of a competitive, dynamic and innovative ASEAN

### Progress ASEAN's External Relations

Deepen ASEAN's ties with external partners while preserving ASEAN centrality



# AEC PRIORITY DELIVERABLES 2018

1

## Promote Innovation & E-Commerce

Promote innovation, build up digital connectivity and facilitate E-Commerce flows to benefit businesses, especially MSMEs

- i. ASEAN Agreement on e-Commerce
- ii. ASEAN Digital Integration Framework
- iii. ASEAN Innovation Network (AIN)

2

## Improve Trade Facilitation

Reduce administrative burden, transaction costs and regulatory trade barriers

- i. ASEAN-Wide Self-Certification (AWSC)
- ii. ASEAN Single Window (ASW)
- iii. ASEAN-wide MRA of Authorised Economic Operators (AEO) Programmes

3

## Deepen Services & Investment Integration

Widen opportunities in the region, enhance ASEAN's investment environment, and promote Southeast Asia as a vibrant cruising destination

- i. Conclude & sign the ASEAN Trade in Services Agreement (ATISA)
- ii. Enhance ASEAN Comprehensive Investment Agreement (ACIA)
- iii. ASEAN Declaration on Cruise Tourism

4

## Cultivate a Conducive Regulatory Environment

To create an effective regulatory regime to support the growth of a competitive, dynamic and innovative ASEAN

- i. Enhance cooperation & trade in Liquefied Natural Gas (LNG)
- ii. Sign MOU with International Renewable Energy Agency (IRENA)
- iii. Develop the ASEAN Green Building Code
- iv. Establish Framework for Capacity Building Hub for Energy

5

## Progress ASEAN's External Relations

Deepen ASEAN's ties with external partners while preserving ASEAN centrality

- i. Intensify efforts on RCEP
- ii. Keep up momentum on work programmes in ASEAN+1 FTAs
- iii. Explore deeper economic relationships with ASEAN Dialogue Partners

# Key Deliverables 2018



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1. Timely implementation of the **ASEAN-Wide Self-Certification Scheme (AWSC)** in 2018.
2. The **10<sup>th</sup> Package** of Commitments under the **ASEAN Framework Agreement on Services (AFAS)** and **ASEAN Trade in Services Agreement (ATISA)** are targeted for **signing** at the 50<sup>th</sup> ASEAN Economic Ministerial (AEM) meeting in **August 2018**.
3. The **ASEAN Agreement on e-Commerce**, one of Singapore's deliverables as ASEAN Chair for 2018, is scheduled **to be signed by AMS in 2018**.
4. The **signing** of the **First Protocol to Amend the AJCEP to incorporate the Chapters on Trade in Services, Movement of Natural Persons (MNP), and Investment** at the sidelines of the 24<sup>th</sup> AEM-METI Consultations in **August 2018**.

# ***What AEC means to Malaysia?***

- Market: 32 million vs 634 million population.
- 27.5% of Malaysia's global trade is with ASEAN.
- FDI inflows from ASEAN into Malaysia: USD5.24 billion (2016<sup>p</sup>).
- FDI flows from Malaysia into ASEAN: USD2.06 billion (2016<sup>p</sup>).
- 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.
- Regional base for Malaysian companies and SMEs.
- Investments from 3<sup>rd</sup> countries using Malaysia as a base.





# Malaysia and AEC

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.



> **2,000 Malaysian companies** operating in ASEAN countries and are participating in the economic development of ASEAN countries such as Cambodia, Lao PDR, Myanmar and Viet Nam.



# Malaysian SMEs in ASEAN market



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SUCCESS  
TRANSFORMER  
CORPORATION  
BERHAD  
(638999-W)



# Major Malaysian companies in ASEAN



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KHAZANAH  
NASIONAL



 **CIMB GROUP**

**ZICOlaw**  
Trusted Business Advisor

**PETRONAS**



**UMW**



SINCE 1955

**UEM**



**INGRESS**

**BinaPuri**  
SINCE 1975

*AirAsia*

**PATHLAB**  
Your One-Stop Healthcare Centre

**axiata**  
advancing asia



Always the  
smarter choice

**MALAYSIA  
AIRPORTS**

# ASEAN companies in Malaysia



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**SAN MIGUEL  
CORPORATION**

**TEMASEK  
HOLDINGS**



INDONESIA



**OCBC Bank**



**sembcorp**

**Keppel Corporation**



# ASEAN: Attractive Base for Foreign Companies



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SIEMENS



TOTAL



HONDA

NISSAN



Nestlé





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*Thank you*



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