



## ASIA OPPORTUNITIES : *Asean Economic Community (AEC)*

Under the Asean Economic Community (AEC), a single regional market of Asean countries has been formed in 2015. The regional integration's objective is to create a competitive market of over 600 million people in Asean countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. There will be free flow of goods, services, investment capital and skilled labor following the liberalization. These will include tariff reductions, streamlining of certain administrative procedures.

Even though, according to the Bangkok Post in Thailand, the AEC Scorecard at the moment shows the region behind schedule, having achieved only 73.6% of Phase 1 goals, it still offers a big opportunity in Asia as it will be viewed as a single

large market. Further the integration will help increase Asean competitiveness with China and India. The delayed issues, such as agriculture, non-tariff barriers, integration of the less-developed CLMV (Cambodia, Laos, Myanmar (Burma), Vietnam) members, and financial integration remain to be worked out. According to the US International Trade Commission report on AEC ([www.us-asean.org/ASEAN/pub4176.pdf](http://www.us-asean.org/ASEAN/pub4176.pdf)), the challenges were seen in the area of importing and exporting which vary widely among Asean members. For example, procedures for trading are relatively easy to complete in Singapore, Thailand, and Malaysia, but very difficult in Laos and Cambodia. The quality of logistics services also varies among the Asean members, such as customs brokerage, freight forwarding, and express delivery.



## ASEAN Economic Community



Logistics services are world-class in Singapore but poor in Laos, Cambodia, and Burma.

### Benefits of the Asean Economic Community (AEC)

- It will open more **regional cooperation** and will improve the scale efficiencies, dynamism and competitiveness of Asean members. AEC will enable easier movement of goods, services, investment, capital and people. Ultimately, it will offer new ways of coordinating supply chains, or access to new markets for established products.

- All Asean countries are **more important to foreign investors** if they are considered as one mode in a larger regional market of nearly 600 million people - a single market. The Asean Free Trade Agreement will be expanded to zero tariffs on almost all goods. Asean plans to remain engaged with the global economy through regional-level free trade agreements - today, Asean has such agreements with China, Japan, Korea, India, Australia and New Zealand.

- The USITC's Asean: Regional Trends in Economic Integration, Export Competitiveness, and Inbound Investment for Selected Industries Report noted that the AEC is coming at a time when it is recognized that

**investment in emerging markets is more desirable than in the US and Europe.** "There will be no shortage of funding coming from within Asean, the Asia Pacific or even the US and Europe. These investments can bring about badly needed capital for some countries, allowing them to leapfrog from the 20th century into the 21st in terms of competition in mature countries such as Thailand and Malaysia", said the report.

- **SMEs** accounted for 96% of enterprises and between 50-85% of domestic employment across Asean. Integrating these SMEs and supporting them in the initial period will be a challenge throughout ASEAN but particularly in the lesser developed ASEAN countries. Singapore government fully realizes the challenge and the opportunity that the AEC will represent to SMEs and is putting both the planning talent and the resources to better support their SMEs. While Vietnam and Thailand are starting to verbalize and meet to develop more effective plans for SME integration and support, it is obvious that these plans are probably behind where they need to be. In countries, such as Cambodia, Laos and Myanmar (Burma), plans are even further behind and more in

need of support and resources.

- **Tourism opportunity.** Asians travels more in the region and there are more travelers from other countries that have begun to reach out to Asia as new visitors. MICE tourism opportunities are particularly large and hopefully countries that have the most experience in this area such as Thailand and Singapore will render their assistance to those with weak

- **Internationalization of health care under the AEC.** Health care is one of the sectors to be internationalized. This is definitely a big challenge as it is more complicated than just the popularity of Singapore and Thailand's "medical tourism" that patients travel from one country to another seeking better care at lower cost. The legal and licensing frameworks are still needed to be worked out. However, it offers potentials for the free-flow of health services, etc. in the region.

### Current Situation

- **The AEC development** has been criticized for being "**too slow**" and some observers have said that the issues that have been delayed were those of importance and could make or break the success of the integration.

- **Infrastructure development** among the Asean countries: both the development of hard infrastructure such as roads, ports, airports, etc. and soft infrastructure such as human resource and training are being concentrated.

Hard infrastructure: Many countries' governments have plans to upgrade their infrastructure. Thailand's government has also been talking to China

about the high-speed train project linking Laos and Thailand's Nong Khai to the southern border and Malaysia.

For soft infrastructure, better English speaking countries in Asean, such as Singapore, Malaysia and the Philippines will have an advantage over countries like Thailand. According to the Bangkok Post, Thailand has established the "English Speaking Year 2012" program in preparation for the merging of the AEC.

- **The banking sector** will particularly need to stay ahead of the game to facilitate investors and to support their moves throughout the region. Singaporean and Malaysian banks and telecoms, for instance, have invested heavily in the region and seem to be slightly ahead of other competitors in better preparing themselves for the AEC.

- **Executives have to adjust strategy.** Inside the AEC, managers will increasingly have to pursue sales opportunities across the region while focusing relentlessly on cost efficiencies by integrating their operations across the region, managing through lean techniques but also developing effective corporate centralization. Externally, managers in countries such as the US, Canada and Europe are going to have to start paying better attention to this new opportunity.

### Whats Next?

In Thailand, Siam Cement, one of Thailand's largest conglomerates, is gearing up to spend 75% of its \$5-billion investment budget for 2012-16 to acquire assets, many in Asean countries, according to the Bangkok Post, and there are other large compa-

nies such as CP or BGH that are doing the same. The AEC is definitely a work in progress. Some efforts will go faster and bear quicker fruit than others; others will face more challenges and may be less crisply implemented. Still, we believe the future is clearly in favor of the AEC and that it offers clear opportunities and challenges that all businesses

need to be thinking about and preparing for. Those who fail to do so, have no one to blame but themselves for missing out on a wonderful new opportunity for sales, investment and engagement with Asia.

**Summarize from article by Christopher W. Runckel**  
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## INDONESIA: ECONOMY

Southeast Asian Countries	2016	2017
Brunei Darussalam	1.0	2.5
Cambodia	7.0	7.1
Indonesia	5.2	5.5
Lao People's Dem. Rep.	6.8	7.0
Malaysia	4.2	4.4
Myanmar	8.4	8.3
Philippines	6.0	6.1
Singapore	2.0	2.2
Thailand	3.0	3.5
Vietnam	6.7	6.5
<b>Average</b>	<b>4.5</b>	<b>4.8</b>

Source: Asian Development Outlook 2016