

Setting the momentum for Asean integration
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The stage is set for the establishment of the Asean Community by 2015. The Asean Charter is the first step in that direction, but a more substantive push is still needed, writes S. PUSHPANATHAN

ASEAN's economic ministers are holding their 39th annual meeting this week in Manila. They will address a number of key issues bearing on the establishment of the Asean Community, in particular the Asean Economic Community (AEC).

Asean leaders at their summit in Cebu in January had agreed to accelerate from 2020 to 2015 the establishment of the Asean Community, comprising the Asean Security Community, AEC and Asean Socio-Cultural Community.

The Asean Charter will be one key item that the ministers will discuss, as it is expected to be signed by the Asean leaders at their November summit in Singapore. Economic integration is to be a catalyst for community building, and the economic ministers have a key role in ensuring the economic community is in place in the next eight years. This will be a challenging but achievable task.

Asean has in place many initiatives, plans and agreements in support of economic integration, though their implementation could be more concerted. The charter will certainly address some of the concerns of the economic ministers, such as the creation of more rules-based systems for the economic community, speedier implementation of the various economic agreements, and maintaining the central role of Asean in wider regional economic processes under Asean+3 and the East Asia Summit. Another key document that the ministers are expected to consider and finalise by November will be the AEC blueprint: A master plan identifying priorities and actions to establish the economic community by 2015.

The blueprint focuses on building an Asean single market and production base with a free flow of goods, services, investment, skilled labour and freer flow of capital in a competitive economic region.

Promoting equitable development will be another aspect of the blueprint, such that the less-developed countries in Asean will be able to catch up with the rest and enjoy the benefits of integration. There will also be emphasis on plugging Asean into the global economy by strengthening the global supply chain, multilateral co-operation and free trade arrangements between Asean and its dialogue partners.

Over the last six months, senior officials have worked intensively with the Asean secretariat, various economic committees, the private sector, academia and civil society organisations in drafting the blueprint. A schedule attached to the blueprint will indicate clear targets and timelines for each action or measure to be achieved by 2015 by the member countries.

A communications plan is being drawn up by the Asean secretariat to help promote the economic community and the blueprint to all stakeholders, so that the development of the community is not just confined to governments. The key driver of the community is expected to be the private sector.

Unlike other Asean plans, the blueprint will incorporate mechanisms to track implementation of commitments under the various economic agreements and promote compliance assessment. This is to ensure that there is no slack in economic integration, especially given the tight deadline. Further improvements and refinements to the community will take place after 2015 as the community evolves.

The ministers will also discuss regional trade and investment issues. While Asean is now close to the full implementation of the Asean Free Trade Area (Afta), ministers will look at charting the next course of action to further strengthen Afta through measures such as eliminating non-tariff barriers (NTBs) and instituting trade facilitation measures, including Customs co-operation, harmonisation of standards and logistics co-operation.

In this connection, the ministers will touch on the enhancement of the Common Effective Preferential Tariff (CEPT) Agreement of 1992, which gave birth to Afta, so that it can be geared towards supporting the AEC by reducing trade-related transaction costs.

On trade in services, the emphasis will be to gradually liberalise the sector by 2015. This sector now constitutes more than 50 per cent of Asean's total trade. Besides, foreign direct investment is increasingly linked to the services sector. In this regard, making the Asean Investment Agreement (AIA) of 1998 more attractive to investors will entail inscribing liberalisation, promotion and awareness, facilitation and co-operation and protection aspects into the AIA, so that more new investment can be attracted to the region than just re-investment by existing investors.

While the flow of direct investment into Asean reached a peak of more than US\$50 billion (RM174 billion) last year, China and India are increasingly getting a better share of new foreign direct investment flowing into Asia.

One area the ministers may want to focus on could be the implementation of the road-maps of the eleven priority sectors for Asean economic integration.

There has been some progress in the integration of the electronics, automotive, and textiles and apparels sectors, but much more has to be done. The priority integration sectors are to be implemented in the Asean-6 countries of Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand by 2010. More importantly, they will serve as an anchor for the vertical integration of Asean.

A related development will be the signing of a protocol on logistics to include it as the 12th priority integration sector. This will contribute towards the goal of integrating Asean into one seamless market for goods, services and investment and encouraging the establishment of more regional production networks.

On external economic relations, the ministers will discuss the ongoing free trade agreement (FTAs) negotiations between Asean and China, India, Japan, South Korea, Australia and New Zealand, with a view to completing the negotiations within the agreed timelines.

The ministers' deliberation at the 39th AEM will set the momentum for building the Asean economic community as well as the stage for deliberations at the Asean Summit in November, where key documents such as the Asean Charter and AEC blueprint will be concluded.

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