



Governance and AEC – 2015:

Where are we headed?

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Governance in the context of AEC - 2015

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OVERVIEW

- **ASEAN, AEC – principles, progress and challenges**
- **Moving towards an integrated market and production base**
- **Where does governance fit into ASEAN and AEC?**
- **How can public sector play a role in a stronger, better integrated ASEAN?**
- **Discussion**



ASEAN Community

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ASEAN Charter



- In 2003, ASEAN leaders signed the Bali Concord II to establish ASEAN Community in 2020
- In 2007, ASEAN Leaders signed the Sebu Concord ASEAN Community in 2015
- In 2007, ASEAN Economic Ministers ratified the AEC Blueprint which is a work plan to establish the (ASEAN Economic Community : AEC)
- In Nov 2007, ASEAN Leaders signed the "ASEAN Charter" and the workplan to establish the AEC และ to confirm commitment to establish AEC by 2015

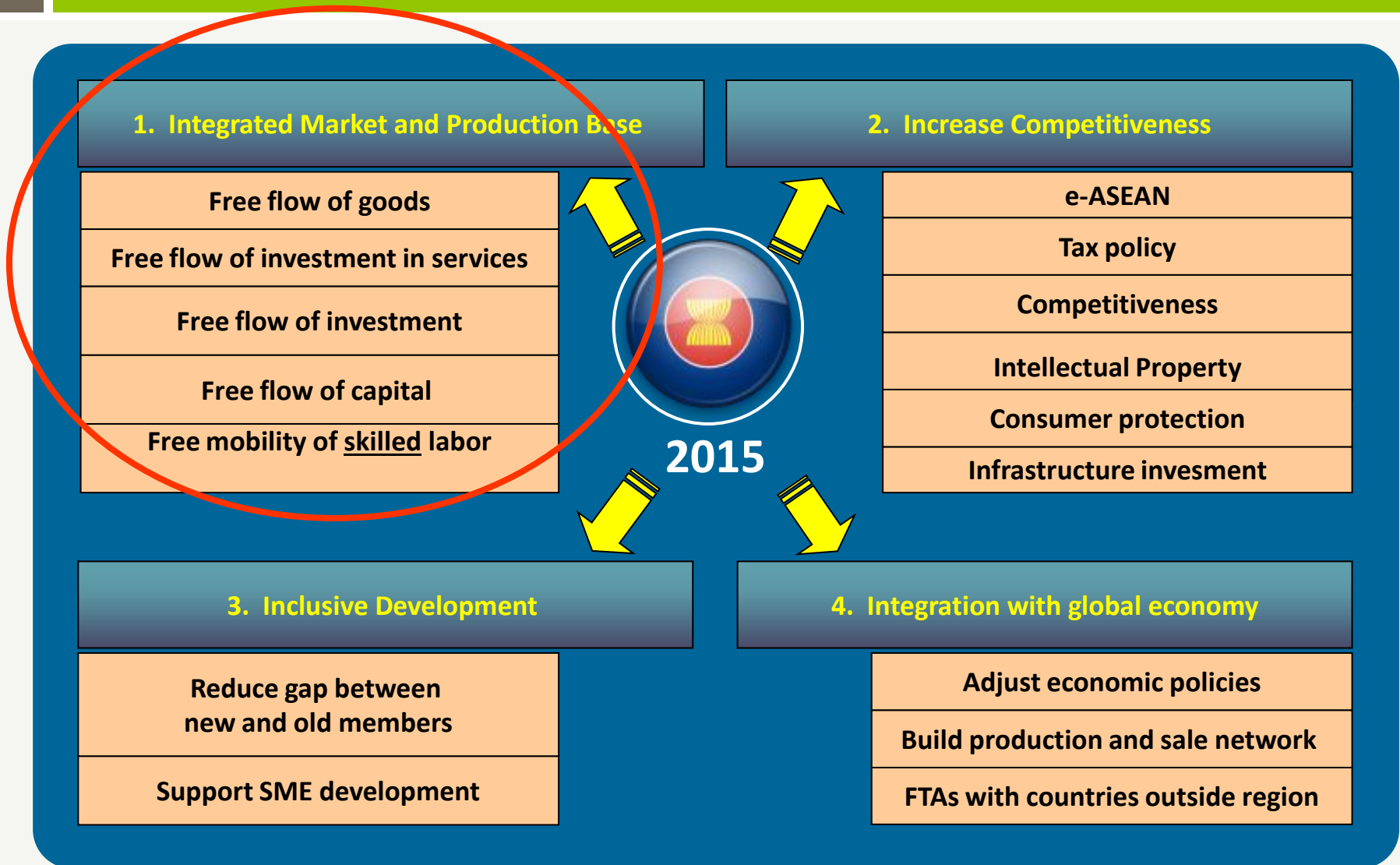
One Vision, One Identity, One Community



ASEAN Economic Community (AEC) Framework

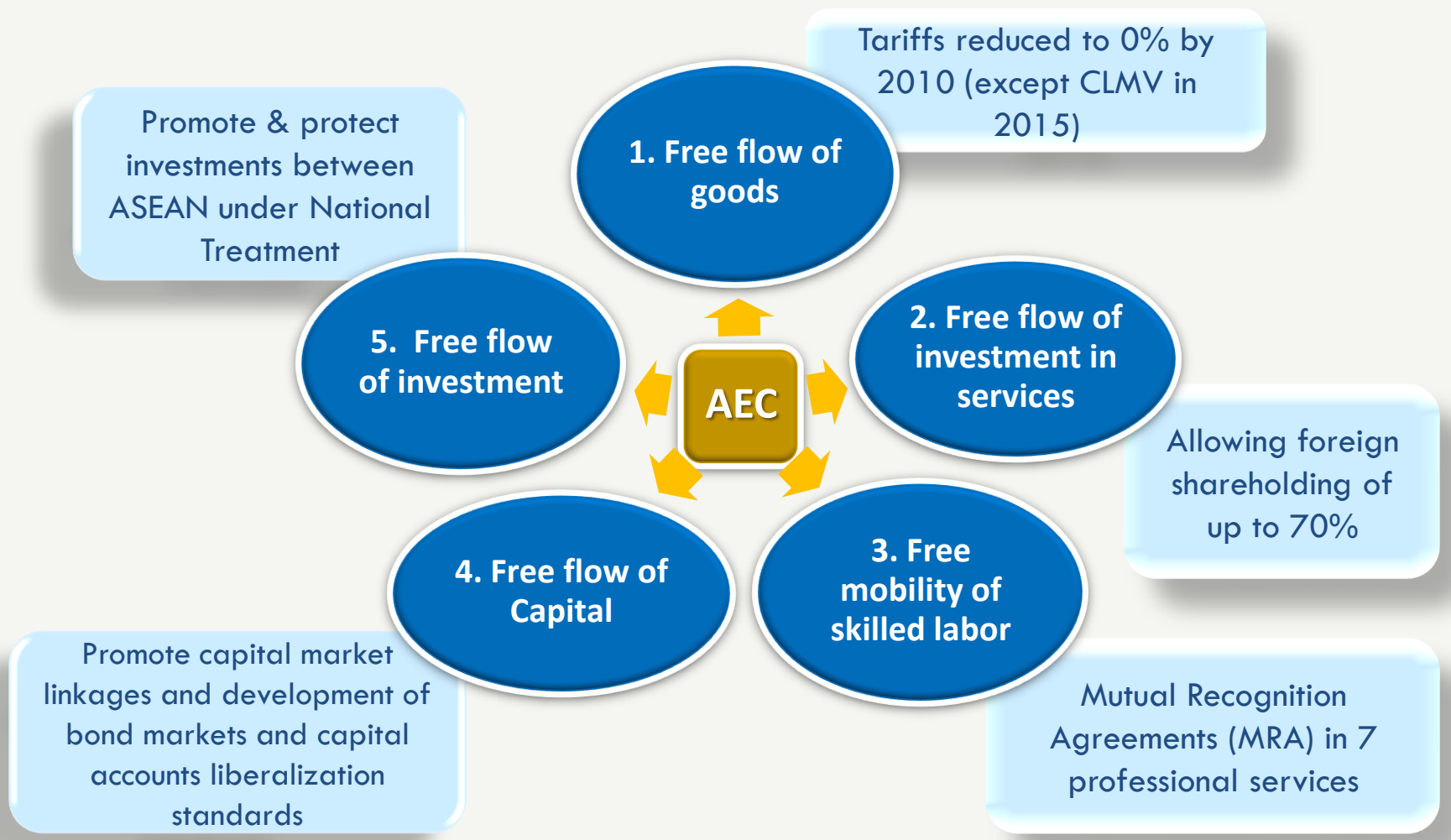
Target: Greater trade between member countries, mobility between population, and competitiveness

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AEC Framework: Integrated Market and Production Base





1. Free flow of goods

Tariffs of ASEAN-6 has been 0% under AFTA since 2010

AFTA	1993	2004	2005	2006	2007	2008	2009	2010	2012	2013	2015
Trade in Goods	Normal Track							ASEAN-6 Tariff 0%	CLMV		ASEAN-10 Tariff 0%

Exceptions

Sensitive List

- Tariffs must be <5%
- Thailand has 4 product lines – cut flowers, dried coconut, potato, coffee beans

Highly Sensitive List

- No tariff reduction required
- Malaysia and Philippines – Rice
- Indonesia – Rice and sugar

ASEAN Trade Facilitation Framework

To reduce Non-tariff barriers such as customs, trade procedures, phytosanitary standards, etc.

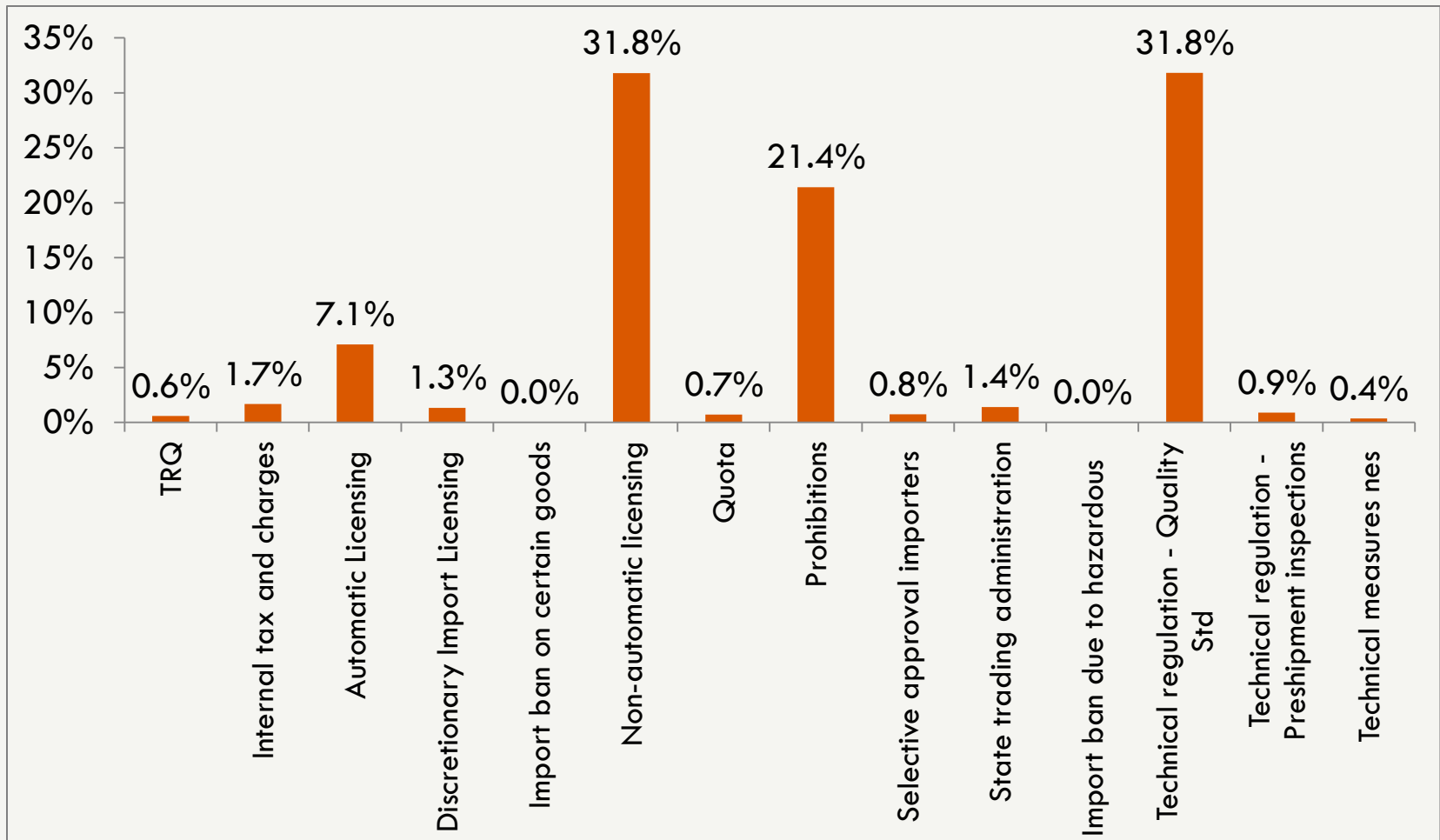


1. Free flow of goods

Non-Tariff barriers have prevailed

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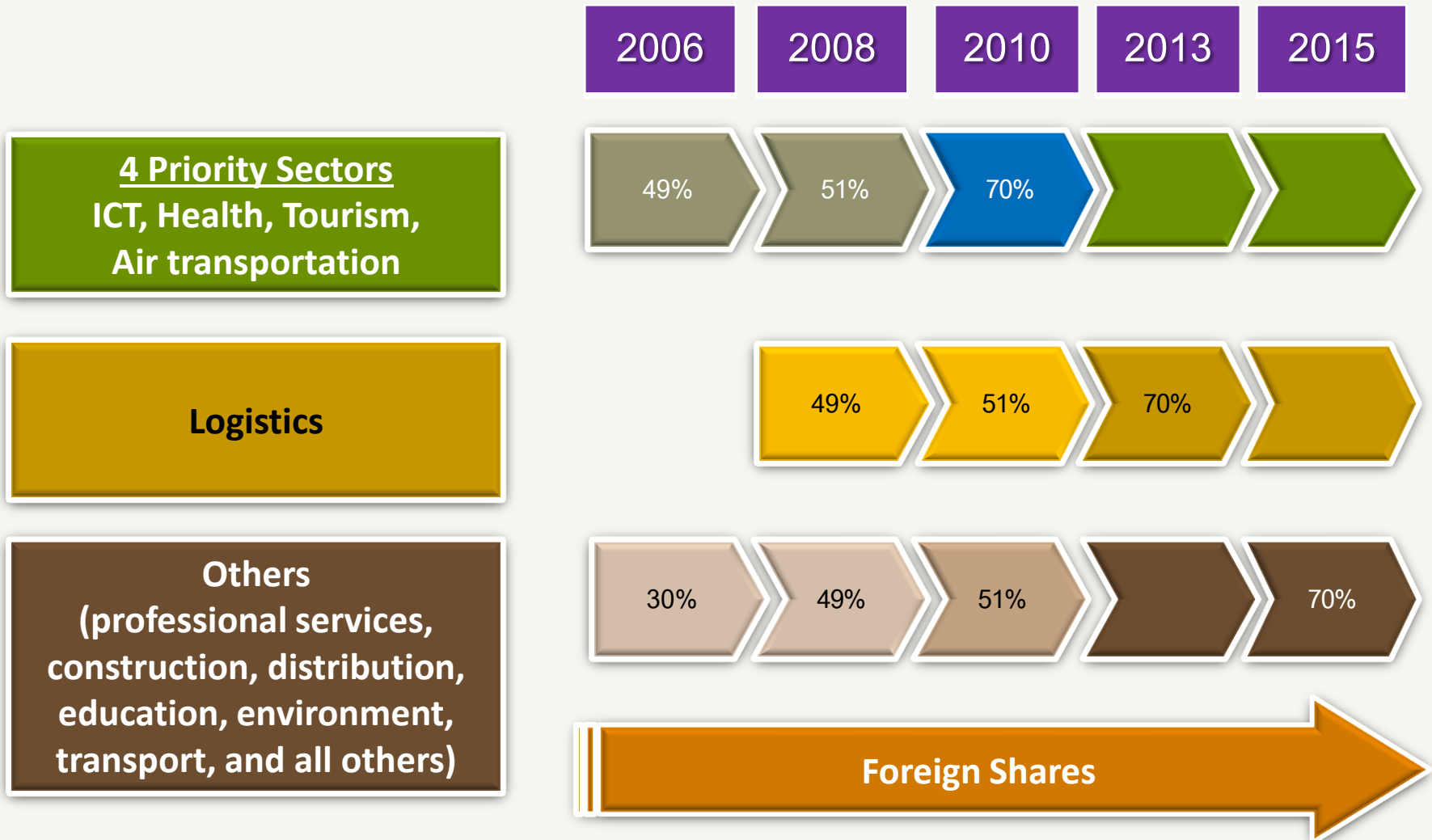
Percentage of all non-tariff barriers in ASEAN





2. Free flows of investment in services:

Increase foreign shares in service businesses up to 70%





2. Free flows of investment in services

Implementation of AEC milestones are delayed

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AEC Blueprint established service liberalization goals that need to be implemented through 4 Rounds of negotiations in **ASEAN Framework Agreement on Services (AFAS)** producing 7th – 10th packages

Delayed

Package of Services Commitments	Signed	Modality
1 st Package (Round 1)	Dec 1997	Request and offer approach
2 nd Package (Round 1)	Dec 1998	Request and offer approach
3 rd Package (Round 2)	Dec 2001	Common sub-sectors (if minimum 4 countries => multi-lateralize)
4 th Package (Round 3)	Sep 2004	Modified common sub-sectors/ (If minimum 3 countries => multilateralize but ASEAN minus X)*
5 th Package (Round 4)	Dec 2006	"
6 th Package (Round 4)	Nov 2007	"
7 th Package (Round 5)	Feb 2009	Negotiation according to AEC Blueprint
8 th Package (Round 5)	Postponed from Aug 2011	"
9 th Package	Due to be completed in 2013	"
10 th Package	Due to be completed in 2015	Accomplish AEC ultimate goals

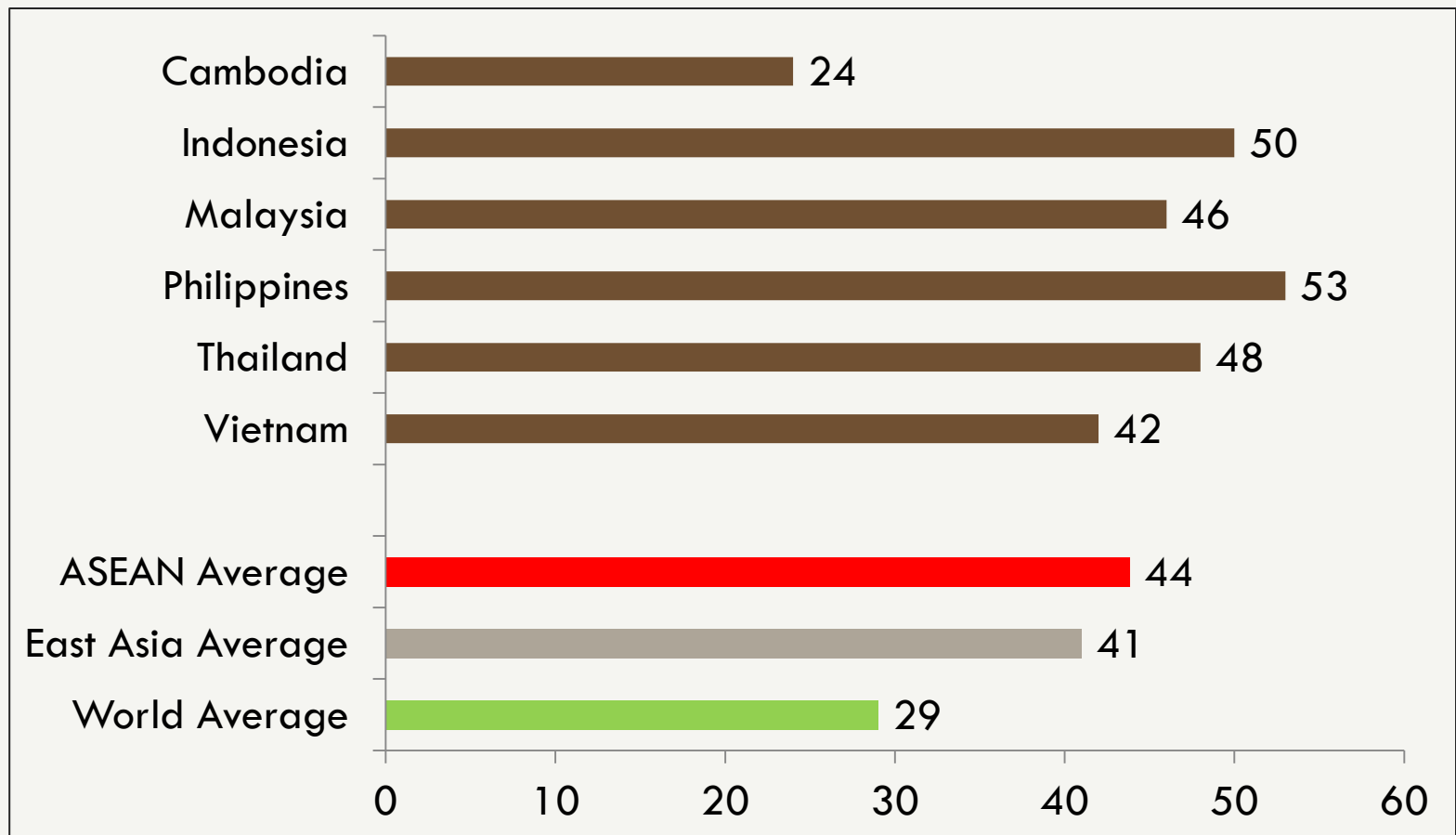


2. Free flows of investment in services

ASEAN remains relatively restrictive in its services trade policies

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Services Trade Restrictiveness Index (STRI)



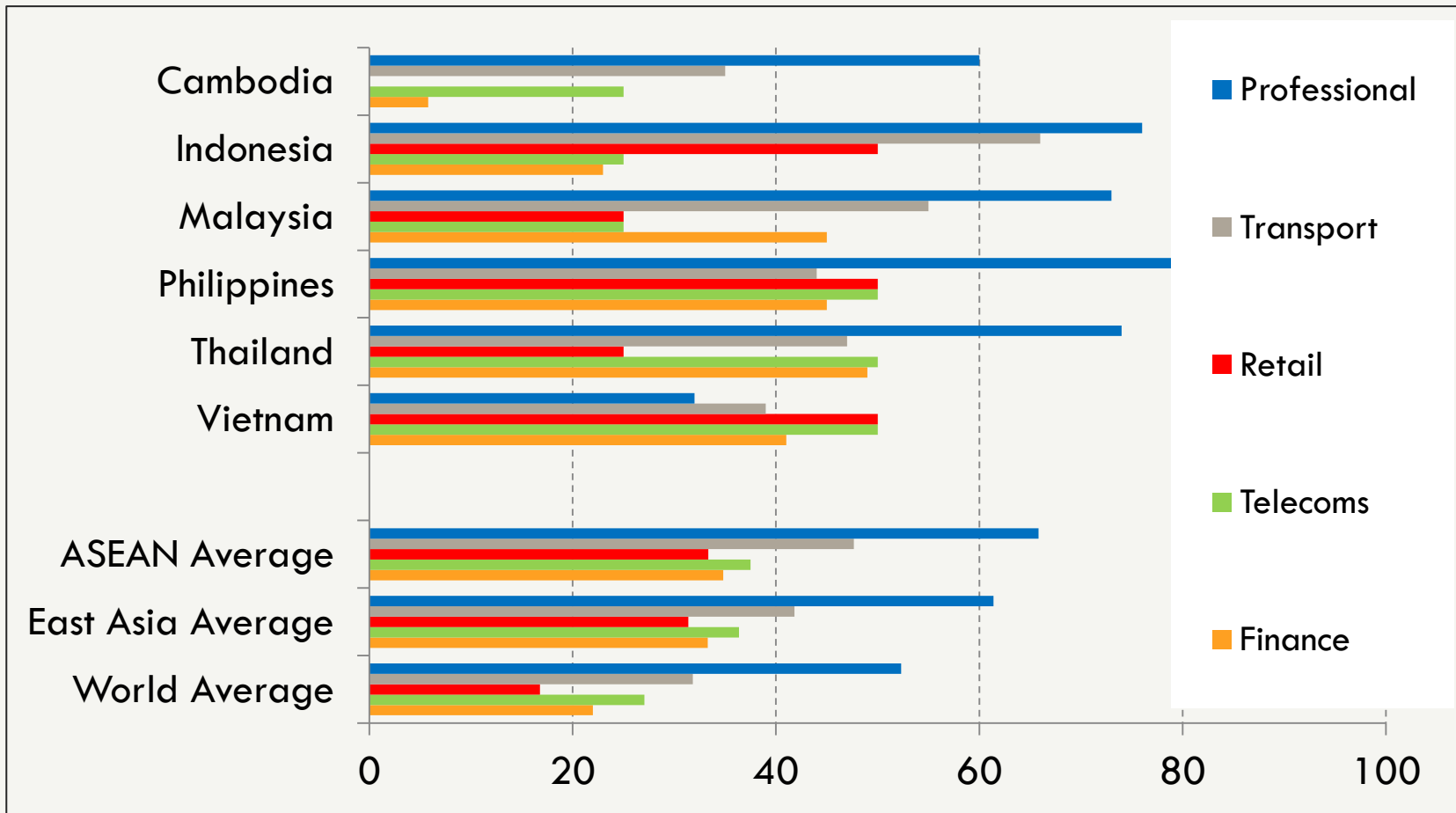
Source: ASEAN Integration Monitoring Report (AIMR), 2013



2. Free flows of investment in services

Services Trade Restrictiveness Index (STRI), 2008

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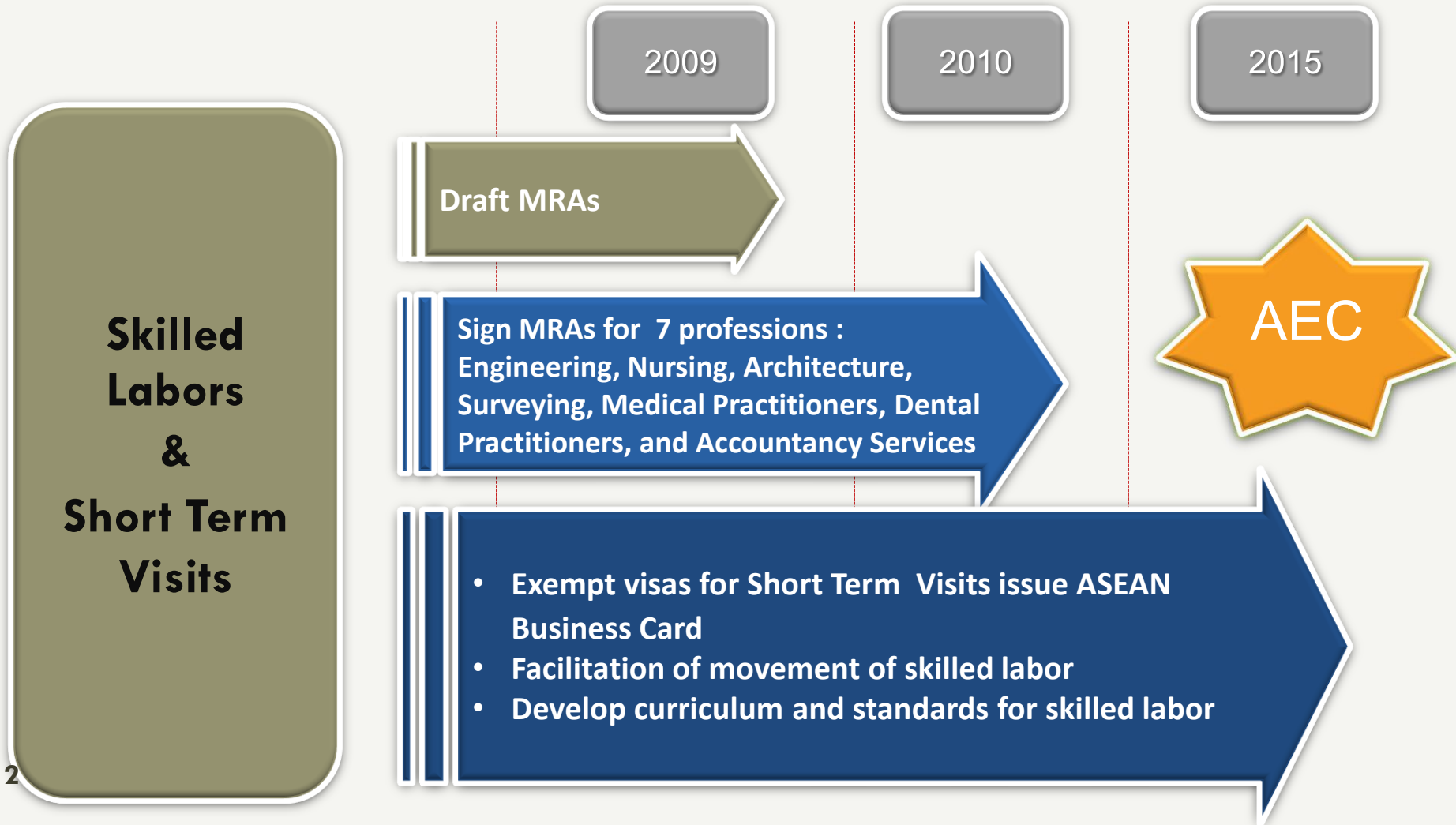


Source: ASEAN Integration Monitoring Report (AIMR), 2013



3. Free mobility of skilled labor: Mutual Recognition Agreements (MRA) of professional services

AEC only applies to 7 professions





3. Free mobility of skilled labor:

Engineering & Architecture have made most progress on implementation of MRAs

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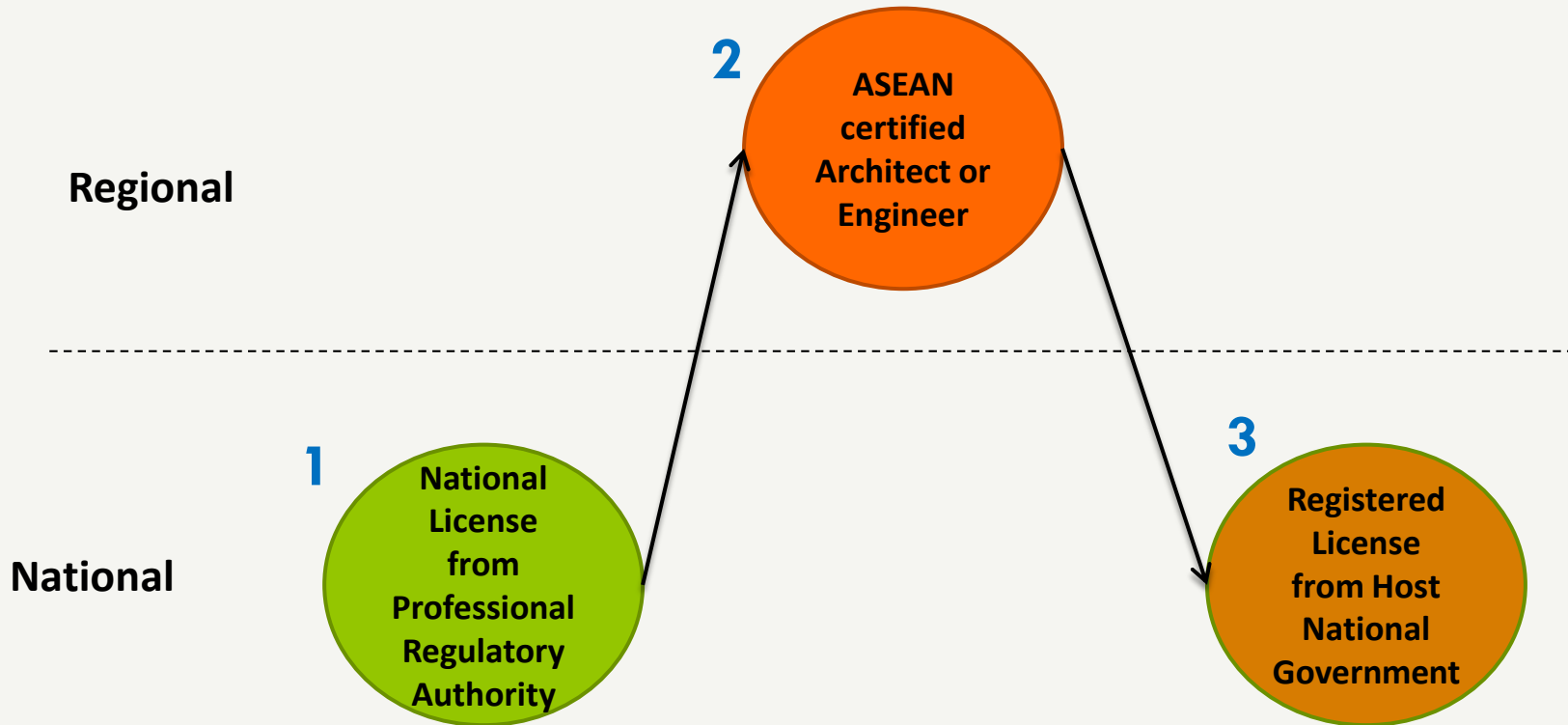
MRA on sector	Detail
Engineering and architecture	Provide recognition for registered ASEAN architects and engineers by providing harmonized standards and qualifications. Member states that would like to participate must notify ASEAN Secretary General (opt in)
Nursing services	Promote exchange of expertise, experience and best practices.
Surveying qualifications	Lay down broad principles and framework for negotiating bilateral and multilateral MRAs
Medical Practitioners, Dental Practitioners, and Accountancy Services	Provide bilateral registration processes. Members that wish to defer implementation must notify ASEAN Secretary General. (opt out)



3. Free mobility of skilled labor

Many behind-the-border barriers still exist

Mobility of Architect and Engineering professionals under AEC





3. Free mobility of skilled labor

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Other ASEAN countries have made headway

Number of Engineers Registered under ASEAN chartered professional engineers (ACPEs)

Country	Numbers of ACPEs
Malaysia	163
Singapore	196
Indonesia	99
Vietnam	84
Thailand	0
Total	

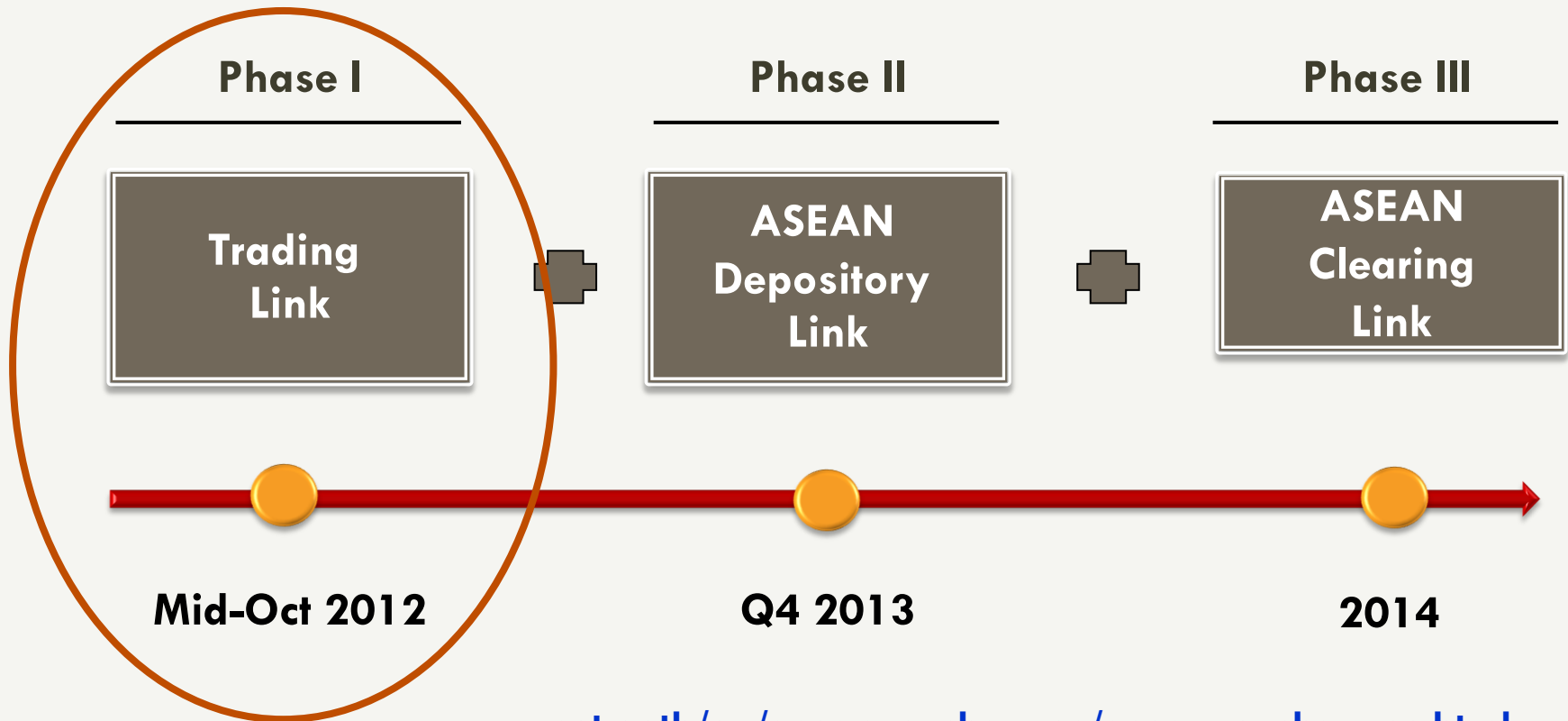
Source: ACPECC website, <http://www.acpecc.net>
As of October 2012



4. Free Flow of Capital: ASEAN Linkages

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Thailand, Malaysia, and Singapore stock exchanges have joined the trading link so far (enabling investors to trade stocks of these 3 countries using brokerage firms in any of the 3 countries)



www.set.or.th/en/asean_exchanges/asean_exchanges.html





AEC and Governance – what do we observe?

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Within AEC, governance and public sector performance relevant for multiple dimensions

- **Integrated market and production base:**
 - **Free flow of goods and services**
 - **Simple, transparent regulations and practices which are consistently applied – efficient interaction between private and public sector**
- **Increased competitiveness**
 - **tax policy, consumer protection, infrastructure investment – all directly related to public sector performance**



AEC and Governance – what do we observe?

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Within AEC, governance and public sector performance relevant for multiple dimensions

- **Inclusive development**
 - **Reducing disparities – both within countries and across countries**
 - **WDR 2009 on Economic Geography - strengthening services for those most in need a key strategy for sustainable growth**
- **Integration with global economy**
 - **Good governance and public sector performance increasingly demanded, especially by more advanced economies – opportunity for ASEAN to become a leader**



Are standards for governance and public sector performance realistic?

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- **AEC integration has tangible, concrete, measurable steps which can be implemented**
 - Reducing tariffs by X %
 - Increasing labor mobility for Y professional services
- **What about governance? Are their similar standards which can be adapted? Is harmonization desirable – or possible?**



Are standards for governance and public sector performance realistic? Case study: Tourism

20 ASEAN Tourism Master Plan 2011-2015 aims to re-structure the tourism markets, promote and develop quality of tourism to create ASEAN Tourism Connectivity Corridors, and support tourism travel of youths





Are standards for governance and public sector performance realistic?

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Case study : Tourism

- **Selected actions under Tourism Plan:**
 - **Exchange of information and experience;**
 - **Coordination and/or harmonization of tourism policies and programs**
 - **Safety and stability**
 - **Quality**
 - **Joint approaches in addressing international and regional tourism issues in areas of common interest**



Where could ASEAN begin with governance??

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Objectives

- **Strengthen and promote ASEAN as a leader in good governance and public sector performance**
- **Enhance cooperation and collaboration in governance and public sector performance, drawing on public, private and civil society**
- **Provide a common forum for discussion of major governance issues and developments, and for sharing of experience**
- **???**



Where could ASEAN begin with governance??

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Possible areas for collaboration

- **Defining governance – what is the “ASEAN” approach?**
- **Service delivery performance**
 - **Service delivery performance indicators for some key public services**
 - **Fiscal information – citizen’s budget, budget in brief, standardized approach**
- **Best practices in public procurement, especially for infrastructure investment and Public Investment Management**
- **Collaboration between SAIs**
- **Regular forum for discussion of key governance issues**
- **???**



THANK YOU

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