



PRESS RELEASE:

EU ASEAN Business Council Meets ASEAN Economic Ministers & European Trade Commissioner with Key Recommendations for Advancing the AEC

- The EU-ASEAN Business Council today met ASEAN Economic Ministers and European Trade Commissioner Cecilia Malmström to discuss the ASEAN Economic Community and advancing the trade and investment relationship between Europe and Southeast Asia.
- The EU-ABC also presented its latest position paper looking at the AEC 2025 Consolidated Strategic Action Plan (CSAP)
- ASEAN remains an important region for European businesses with Europe still the lead source of FDI funds to ASEAN and Europe remaining ASEAN's second largest trading partner
- The EU-ABC presented three approaches for improving global competitiveness and enhancing trade: 1) Improve physical and financial infrastructure; 2) Remove formal and informal barriers to trade & investment; 3) Educate, equip and encourage the workforce
- As the voice of European business in the region, the EU-ABC looks forward to working closely with ASEAN Member States, calling for governmental bodies and extensive involvement of private sector to keeping with clear, tangible timelines laid out in the CSAP report

Commenting on the EU-ABC's presentation to the ASEAN Economic Ministers, EU-ABC Chairman Donald Kanak said:

"The importance of EU-ASEAN trade and investment relations is undeniable with Europe being the greatest source of FDI flows into ASEAN, and ASEAN being EU's third largest trading partner outside of Europe. Today we presented recommendations in three key areas involving physical and financial infrastructure, trade facilitation and human capital -- enablers of regional competitiveness and growth that we believe are vital to advance ASEAN's goals set out in the AEC Blueprint 2025."

Commenting further on the 2025 AEC Blueprint, Chris Humphrey, Executive Director of the EU-ABC said:

"The AEC is an ongoing project that the EU-ABC has been enthusiastically supporting and promoting to our members and leaders in the region. The recently published CSAP complements the existing AEC Blueprint 2025 by providing tangible timelines to facilitate both actionable measures as well as feedback processes from stakeholders - a document highly welcomed by the EU-ABC. We hope the ASEAN member states can collectively see through the full implementation of the AEC 2025."

Chris Humphrey further commented: "The shift towards deeper economic integration would allow for enhanced competitiveness and improvements in the business environment and regulatory regimes that will benefit all businesses in Southeast Asia and continue to make ASEAN an attractive destination for FDI".

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Notes to editors:

1. EU ASEAN Trade and Investment Relationship

The commercial, trade and investment relationship between the European Union and ASEAN is strong and growing. The EU is the largest economy in the world, and is ASEAN's largest source of foreign direct investment. The EU is also ASEAN's second largest trading partner, after China. ASEAN is now the world's 6th largest economy and the EU's third largest trading partner outside of Europe.

2. About the EU-ASEAN Business Council

The EU-ASEAN Business Council (EU-ABC) is the primary voice for European business within the ASEAN region.

It is endorsed by the European Commission and recognised by the ASEAN Secretariat. Independent of both bodies, the Council has been established to help promote the interests of European businesses operating within ASEAN and to advocate for changes in policies and regulations which would help promote trade and investment between Europe and the ASEAN region. As such, the Council works on a sectorial and cross-industry basis to help improve the investment and trading conditions for European Businesses in the ASEAN region through influencing policy and decision makers throughout the region and in the EU, as well as acting as a platform for the exchange of information and ideas amongst its members and regional players within the ASEAN region.

The EU-ABC's membership consists of large European Multi-National Corporations and the nine European Chambers of Commerce from around South East Asia. As such, the EU-ABC represents a diverse range of European industries cutting across almost every commercial sphere from car manufacturing through to financial services and including Fast Moving Consumer Goods and high-end electronics and communications. Our members all have a vested interest in enhancing trade, commerce and investment between Europe and ASEAN.

The Executive Director of the EU-ASEAN Business Council is Mr Chris Humphrey, and its Chairman is Mr Donald Kanak. The Council is led by an elected Board consisting of corporate leaders representing a range of important industry sectors and representatives of the European Chambers of Commerce.

Media Contacts

Chris Humphrey
Executive Director
EU-ASEAN Business Council
Email: chris.humphrey@eu-asean.eu
Tel: +65 8168 2199

Brenda Lee
External Communications & Events Manager
EU-ASEAN Business Council
Email: Brenda.lee@eu-asean.eu
Tel: +65 9880 2261

3. EU-ABC Recommendations to on the AEC 2025 Comprehensive Strategic Action Plan

EU-ABC Views and Recommendations on CSAP

Issue	EU-ABC Views and Recommendations
Strengthening ATIGA, Removal of Non-Tariff Barriers & Harmonisation of Standards	<p>The EU-ABC recognises and applauds the great strides that ASEAN has taken to reduce and eliminate tariffs across the region. We encourage the acceleration of the process to remove remaining tariffs.</p> <p>The EU-ABC notes that NTMs across the region have, unfortunately, increased disproportionately as tariffs have come down¹. Whilst not all NTMs are Non-Tariff Barriers, it is likely that most are. NTBs remain a significant problem across ASEAN, inhibiting trade and economic development. The EU-ABC welcomes the road map and plans set out in the Masterplan on ASEAN Connectivity to identify and remove behind the border barriers to trade. We believe that the timelines and process set out in the MPAC are more realistic for dealing with this crucial issue.</p> <p>The EU-ABC also welcomes the commitment in the MPAC to involve the private sector in the process for the removal of NTBs and hopes that it will be able to play a role in the process.</p> <p>The recognition and deployment of international standards (e.g. UNECE in the Automotive sector) should occur in parallel with both the work of the ACCSQ and the removal of NTBs. Moves in this area would greatly enhance the capability of ASEAN Member States to participate fully in Global Value Chains.</p> <p>The EU-ABC also welcomes the ATR and NTRs as a step in the right direction to enhance transparency on NTMs. The EU-ABC has been actively promoting the ATR and the related complaints portal, ASSIST.</p> <p>We recommend:</p> <ol style="list-style-type: none"> 1) Speedier implementation of the work plan for the removal of the NTBs, and early involvement of Business Councils in the process of identification and prioritisation of NTBs 2) Speedier development of harmonised standards across the region in multiple sectors as a means of tackling the issue of NTBs in ASEAN. 3) Increased promotion by ASEAN of the ASSIST Portal 4) Review of taxation and duty regimes to remove discrimination between international businesses and domestic operators thus removing another area of NTBs.
Simplify and Strengthen the Implementation of the Rules of Origin (ROO)	<p>The EU-ABC Recommends the following:</p> <ol style="list-style-type: none"> 1) To stimulate intra-ASEAN trade for SMEs, increase the threshold for waiver of Certificates of Origin below a certain threshold, from USD 200 to USD 2,000 perhaps with some form of random post-use audit system to prevent abuse. 2) To increase intra-ASEAN trade and the utilisation of ATIGA, align the two ATIGA self-certification pilots to enable certified traders to issue their own Certificates of Origin valid in all ASEAN Member States 3) Review the methodology for using Rules of Origin and obtaining Certificates of Origin to allow the use of regional hubs, thus enabling greater economies of scale in ASEAN.

¹ ERIA Report: Non-Tariff Barriers in ASEAN, Figure 2.2 - <http://www.eria.org/RPR-FY2015-01.pdf>

<p>Accelerate and Deepen the Implementation of Trade Facilitation Measures</p>	<p>The EU-ABC welcomed the entry in to force of the WTO Trade Facilitation Agreement on 22nd February 2017. It is noted that 9 of the 10 ASEAN Member States have ratified the agreement, with only Indonesia having failed to do so to date. This is a significant omission given the size of the market within ASEAN.</p> <p>Trade facilitation is an increasingly important driver for the expansion of international trade. Reducing time to market is critical to be able to compete in today's globalised world and complex supply chains. The global supply chain has in recent years become increasingly sophisticated, with different parts of the manufacturing process spread around the world and around the region. Enhanced participation in global supply chain networks has also been identified as one of the key factors behind the rapid growth in ASEAN.</p> <p>Trade facilitation seeks to reduce the transaction costs faced by exporters and importers to stimulate trade, investment and improve productivity. Customs plays a critical role in facilitating trade as customs and other border procedures have a direct impact on trade costs. Streamlined procedures, simplified documentation requirements and automation are the most critical aspects for efficient customs clearance procedures. Striving to simplify, standardise and harmonise customs procedures across the region would greatly ease trade and have a direct positive impact on costs. This is clearly recognised in the AEC Blueprint 2025².</p> <p>The EU-ABC Recommends:</p> <ol style="list-style-type: none"> 1) Faster moves to implement the ASEAN Single Window preferably within the next 12 to 18 months or consideration of an “ASW minus” formula whereby those ASEAN Members States who are ready to implement can proceed now for trade between themselves; 2) Increased automation in customs filings and retrieval mechanisms 3) Full implementation the WTO Trade Facilitation Agreement across ASEAN <p>We note and welcome the commitment to “deepen public and private sector engagement”. To that end, the EU-ABC hopes that its engagement with the ASEAN Customs DGs can continue, and the promised engagement with the Customs Procedures and Trade Facilitation Working Group, and the requested dialogue with the Customs Capacity Building Working Group can be confirmed.</p>
<p>Trade in Services</p>	<p>The EU-ABC urges an acceleration of the liberalisation of Trade in Services in the region and the removal of existing restrictions in key sectors (e.g. ownership and control restrictions) to enable to the faster development of services across the region and increased competition.</p> <p>FDI rates to ASEAN have been increasing in recent years, with Europe leading the way. However, in order to remain attractive for FDI, ASEAN needs to demonstrate that the objectives of the AEC Blueprint 2025 are being sought out rapidly, with NTBs and restrictions on service industries being eroded.</p> <p>The EU-ABC will bring forward a new paper on the Insurance industry in 2017, and also plans a paper on the banking industry in the region, which will look at the need for increased liberalisation.</p>
<p>Investment Environment</p>	<p>The EU-ABC encourages the reduction and eventual removal of negative or reservation lists for investments by foreign entities. Putting in place ownership and control restrictions to reduce or prevent non-ASEAN investments distorts the market, can deny ASEAN entities access to capital and new technology, reduces FDI, and can lead to reduced competition and therefore higher costs to consumers.</p> <p>Honouring or entering into Investment Protection Agreements would greatly enhance the standing the region when it comes to attracting Foreign Direct Investment.</p> <p>The EU-ABC actively supports the ASEAN region with its goals of attracting more investment to the region. The EU-ABC will again, this year, be supporting and promoting the ASEAN Investment Forum in Frankfurt Germany and other similar events.</p>

² See Section II.A.1 Trade in Goods of the AEC Blueprint 2025

<p>Financial Integration, Financial Inclusion & Financial Stability</p>	<p>The EU-ABC welcomes all moves to further liberalise the financial services industry across ASEAN. We see a number of key areas that ASEAN needs to more rapidly address to ensure that the full potential of the AEC is realised. These include, but are not restricted to:</p> <ul style="list-style-type: none"> • Easing cross border payments and money flows to enable intra-ASEAN trade and, in particular, to assist MSMEs in cross-border transactions; • Developing deeper and more comprehensive capital and bond markets to help with long term investments which are all vital to the economic and social development of the region. • Liberalisation of the banking sector to allow more foreign banks to enter ASEAN markets <p>The EU-ABC welcomes moves to put in place enhanced and more efficient payment and settlement systems across ASEAN. Adoption of ISO 20022 is encouraged as advocated by SWIFT. A discussion paper has been published by SWIFT recently on regional financial integration in ASEAN, highlighting core problems that need to be addressed to progress towards financial integration of ASEAN markets.</p> <p>The EU-ABC will be publishing a new Insurance paper in 2017 which will, <i>inter alia</i>, look at the increasing access to insurance and the development of long-term investment vehicles.</p>
<p>Facilitating movement of Skilled Labour</p>	<p>Each ASEAN Member State should review its domestic legislation to ensure compatibility with the existing Mutual Recognition Agreements (MRAs) within ASEAN and help enhance the development of Human Capital to help ASEAN with its people-orientated and innovation objectives.</p> <p>Establishing programmes to allow MNCs to more easily move their staff around the region as part of internal management development programmes will help in the development of an internationally experienced talent pool in ASEAN.</p>
<p>Intellectual Property Rights</p>	<p>The EU-ABC will be publishing a paper in 2017 on IPR and Illicit Trade. Amongst the likely recommendations in that paper will be measures to:</p> <ul style="list-style-type: none"> ➤ Enhance the protection of trademarks and internationally recognised monikers, descriptive terms, and geographical indications (e.g. Scottish Whiskey; Appellation Controlee; Single Malt; Select Oak etc.) ➤ Promote increased public-private consultation for the development of IPR laws and enforcement action to protect against trademark infringement ➤ Promotion of increased intelligence sharing between the public and private sectors to help prevent illicit trade and counterfeiting of goods, including capacity building initiatives ➤ Measures to review and enhance customs duties and taxation regimes to disincentivise illicit trade, and ensure a more equitable taxation and duties regime, whilst also protecting government revenues. ➤ Protection of regulatory data as foreseen in TRIPS article 39.2 ➤ Accession of all ASEAN members to international treaties such as the Patent Cooperation Treaty (PCT) or the Paris Convention

Good Governance

Moves to entrench greater transparency, enhanced dialogue and consultation with industry are extremely welcomed. As a general rule, we believe that prior consultation and communication leads to better regulations and more predictability for investors. Regulatory certainty is key for a conducive business climate. Involving the private sector in the development of new policies and regulations will help aid greater understanding and should ensure that any new rules or regulations are fair, transparent and implementable in a way that is clearly understood by all.

Another measure to improve governance is to automate government services, especially in the customs and tax areas. We would recommend that: ASEAN commits to automating customs procedures by 2017; and, eliminates the need for duplicate hardcopy requirements.

The EU-ABC welcomes the intention of “strengthening governance through greater transparency in the public sector and in engaging with the private sector”. Early engagement and dialogue with the private sector is essential in Good Regulatory Practice.

In addition, new or revised policies and regulations should be preceded by robust, objective economic analyses assessing the economic impact of opening or closing a particular sector to foreign investment or adding additional non-tariff barriers. We would recommend that: ASEAN puts a mechanism in place as a mandatory measure that any trade or investment measure which impacts ASEAN integration is preceded by a regulatory impact assessment; and, that the actual impact of any regulations are regularly reviewed with the private sector so as to ensure that there are not any adverse or unforeseen negative impacts.

**Enhanced Connectivity
and Transport
Facilitation**

The EU-ABC welcomes all initiatives on facilitated cross-border procedures and greater coordination between ASEAN countries. Connectivity is a critical aspect of ASEAN's competitiveness, and it will greatly help boost intra-ASEAN trade, facilitate growth of SMEs and connect ASEAN to global production networks and supply chains. Appropriate steps taken to remove restrictions and facilitate cross-border movement of goods will encourage trade and investment, improve productivity and lower business cost.

As stated in the ASEAN Strategic Transport Plan, cross-border shipments are often hindered by the lack of seamlessness for trucks servicing supply chains throughout the ASEAN region and the lack of harmonisation and mutual recognition of documentation, procedures and standards (e.g. duplication of customs documentation, absence of proper transit procedures, varying vehicle standards, drivers' licenses, insurance) for inter-modal and multimodal transport of goods. In particular, proper transit procedures for less-than-truck load (LTL) shipments are lacking in most ASEAN countries, which means that transit goods have to go through formal import and export procedures at each border crossing. Facilitating cross-border land and multimodal transport would help maximise the efficiency of logistics services and lower costs for consumers.

Currently, the ASEAN Customs Transit System (ACTS) is being piloted in Singapore, Malaysia and Thailand, with subsequent roll-out in the CLMV. However, this pilot is being undertaken on a reduced scale and the EU-ABC urges all parties involved to expand the pilot scheme as rapidly as possible.

In order to prepare for this important project, which inevitably will lead to concrete integration of the cross-border movement of goods between the land-connected ASEAN countries, there are some critical steps that could be undertaken in 2016. The EU-ABC believes that these proposals would not entail great cost for the individual ASEAN Member States, but bring significant momentum to ASEAN economic integration and benefits to ASEAN businesses.

Recommendations:

- Develop a proposal that advances the full ratification by all Member States of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) and the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST), including all related Protocols, to pave the way for the implementation of the ACTS;
- Develop a proposal that requires ASEAN Member States to provide a timeline for preparation and finalisation of national legislation that operationalises Protocol 7 of AFAFGIT as well as the ACTS;

Strengthening the role of the private sector

The EU-ABC is very pleased to see such a strong emphasis being placed on ensuring greater private sector involvement in the development of the AEC through the CSAP, and the various changes to rule, policies, regulations and standards that will be required across the region if ASEAN is to achieve its stated aims.

It is our view that increased private sector dialogue and consultation is essential to instill a greater sense of confidence in the broader business community in the AEC and its development. Involving Business Councils, such as the EU-ABC, will have the twin effect of both allowing international business and industry to better understand and see the progress that ASEAN is making on the integration agenda, and give ASEAN and its Member States increased access to sector expertise and experience from across a broad range of industries.

To some extent, elements of the dialogue and consultation that the AEC Blueprint 2025 depicts already exist. The EU-ABC, for instance, has a regular dialogue with the ASEAN Business Advisory Council, the ASEAN Economic Ministers and the ASEAN Finance Ministers and Central Bank Governors, though we note with some disappointment that some bodies within ASEAN remain less inclined to support private sector dialogue.

We feel that more focused working level engagement, either directly with ASEAN Member States at official level, or through the various ASEAN Working Groups, would bring greater benefit to both parties. We therefore welcome the commitment in the AEC Blueprint 2025 to “implement a more inclusive and consultative process involving the private sector”³ and for “relevant ASEAN bodies to institutionalise within each body a consultative process with lead private sector entities (business associations and business councils) ... to support the implementation under the sectoral work plans”⁴. Such engagements would lead to greater focus and ensure better follow-up on concrete achievables, which ASEAN could showcase as clear success factors towards its integration efforts.

The encouragement listed in the CSAP for ACCSQ and its working groups to engage more with the private sector is particularly welcomed. It is the view of the EU-ABC that there needs to be more involvement from various industry bodies and business councils in the working of the ACCSQ and its various working group. Industry can bring technical expertise and up to date information which can assist the ACCSQ in its work, whilst ensuring greater information sharing that can only benefit the private and public sectors.

We suggest that the ATF-JCC should be setting out clear and transparent procedures for the involvement of the private sector in various ASEAN bodies and working groups, and that the private sector should have a permanent seat at ATF-JCC meetings.

³ ASEAN 2025: Forging Ahead Together, p.90, paragraph 71(i)

⁴ ASEAN 2025: Forging Ahead Together, p.90, paragraph 71(i)(b)



Media Contacts

Brenda Lee
External Communications and Events Manager
EU-ASEAN Business Council
Email: Brenda.lee@eu-asean.eu
Tel: +65 9880 2261