

ASEAN-EU RELATIONS: ENHANCING TRADE & INVESTMENT IN SOUTHEAST ASIA



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Table of Contents

Introduction	3
Executive Summary	5
ASEAN FDI & Trade Statistics	7
EU-ASEAN Trade and FDI Statistics	8
Summary of the 2017 Business Sentiment Survey	9
Customs & Trade Facilitation Recommendations	10
Automotive Sector Recommendations	14
Infrastructure Finance & Capital Market Development Recommendations	20
Financial Inclusion, Sustainable Finance & Payments Systems Recommendations	21
Insurance & Disaster Risk Finance Recommendations	22
Digital Economy Recommendations	23
About the EU-ASEAN Business Council	24

INTRODUCTION

Last year ASEAN celebrated its 50th Anniversary. The EU, itself, celebrated its 60th Anniversary. And the EU and ASEAN celebrated 40 years of official relations. All of these anniversaries were a cause for celebration. ASEAN has achieved much in its first 50 years, and the EU-ASEAN relationship has also grown from strength to strength - not just in terms of trade and investment, but also in terms of political, security and social connections.

Now, however, is not the time for either bloc to rest on their respective laurels. More needs to be done to support economic progress and to further EU-ASEAN trade and investment relations.

The global trading and investment climate has become more competitive. Global trade in goods grew by only 1.6% in 2016 according to the WTO, and ASEAN's trade with the World actually dipping slightly in 2016.

FDI to ASEAN has also declined, falling by 20% in 2016: the second consecutive year that it has fallen. If it were not for a 46% increase in FDI from the EU to ASEAN, that overall picture would have been worse. EU FDI to ASEAN again outstripped that of the United States and Japan combined.

The EU remains as ASEAN's second largest trading partner (and ASEAN the EU's third largest trading outside of Europe). Given this, the EU-ASEAN trade and investment relationship should be of paramount importance to both sides, and the views of European industry on how to expand and improve the relationship should remain of keen interest to policy makers both in ASEAN and in Brussels.



*Mr. Donald Kanak,
Chairman, EU-ASEAN
Business Council*

**86% OF RESPONDENTS
EXPECT THEIR LEVEL OF
TRADE AND INVESTMENT
IN ASEAN TO INCREASE
OVER THE NEXT 5 YEARS**

EU-ABC BUSINESS SENTIMENT SURVEY
2017

European industry overwhelmingly sees ASEAN an attractive region for growth and investment, as our 2017 Business Sentiment Survey showed. But the survey also showed a strong call for more progress on government initiatives to reach trade agreements, reduce barriers to trade, and realize the vision of the ASEAN Economic Community.

This year marks the fifth consecutive year that the EU-ASEAN Business Council has formally met the ASEAN Economic Ministers, and we are grateful for an opportunity to share our views and ideas on how to continue growth and prosperity. During that time ASEAN has declared the establishment of the ASEAN Economy Community - but much remains to be done. Most of the AEC measures remain

incomplete, not started or not implemented. To name just three areas: there has been limited progress on harmonisation of standards; customs procedures remain burdensome and slow; and non-tariff barriers to trade have hardly been tackled at all. European industry, and we believe our ASEAN business counterparts, hold the same view and would hope to see more urgency and progress on all of these areas.

We would also hope that officials of both ASEAN nations and the EU will look for areas of compromise and flexibility to progress the bi-lateral discussions that are underway (Philippines-EU, Indonesia-EU), to ratify and implement the agreements that have been reached (Singapore-EU, Vietnam-EU), and to restart negotiations that are currently dormant (Malaysia-EU). Progress on a framework agreement that might lead to region-to-region FTA discussions still seems some way off, but these talks are of great importance as well.

Improving the trade and investment climate will help boost economic development and bring wider benefits to more people through job opportunities, greater consumer choices, and access to technology and innovation. The EU can, and should, play a significant role in helping ASEAN achieve its aims in all those areas, be it through enhanced dialogue or through the continued support that it already provides to the ASEAN integration process. Without cementing the trade and investment relationship through dialogue and reaching key agreements, Europe runs the risk of falling behind other ASEAN trading partners. The EU also stands to gain through increased trade with and investment from ASEAN, as ASEAN businesses expand internationally.

A handwritten signature in black ink, reading "Donald P. Kanak".

Donald Kanak
Chairman
EU-ASEAN Business Council

March 2018.

EXECUTIVE SUMMARY

5.2%

Predicted average
GDP growth rate in
ASEAN 2016-2020

629m

Total population in
ASEAN as of 2015 -
with average growth
rates of 1.3%

90m

Estimated number of
people moving to
cities in ASEAN by
2030

163m

Number of
consuming
households in ASEAN
by 2030 - double the
number of 2013

ASEAN is a centre of global economic activity and key driver of world growth. If the region were to be viewed as a single economic entity, ASEAN would be the world's sixth largest economy¹, and by some projections rapidly heading to being the fifth largest² and potentially the fourth largest.

ASEAN's growth rates have been remarkable and look set to remain so. Across the ten Member States, the average GDP growth rate has been above 5% in recent years and is predicted to remain at such levels for the next five years³.

However, FDI to ASEAN has fallen for the last two years since its peak in 2014. In 2016 FDI flows to the region fell by 20%, despite a record 46% increase from the EU. ASEAN trade with the world has also fallen, despite World trade increasing, albeit only modestly. Intra-ASEAN trade has also fallen as a percentage of overall trade and in absolute terms.

Only 23% of ASEAN's trade is amongst its Members (compared to around 60% for intra-EU trade). The fact that intra-ASEAN trade is relatively low and has fallen in recent years, and that ASEAN trades so much with the rest of the world, demonstrates two things: first, there is huge scope for developing an intra-ASEAN strategy as, given the expanding economies in the region and the rapid economic and social development growth trends, the domestic markets in the region will grow rapidly. Secondly, ASEAN is a place from where companies can set up manufacturing and production bases and then easily trade with the rest of the world - ASEAN's geographical position and its relatively low cost of production naturally lend itself to this position.

But making these opportunities a reality, and helping the region continue to develop economically and ensuring that that economic development is distributed to even the most remote areas of ASEAN, requires faster movement on the AEC; increased ASEAN integration; and, faster movement on establishing trade deals with third parties.

¹ See: <http://data.worldbank.org/data-catalog/GDP-ranking-table>

² Redrawing the ASEAN Map, Table 2 "What if ASEAN were on country...", Economist Intelligence Unit 2014 - GDP 2013 was US\$2,398bn ranking ASEAN at 7th in the World; projected GDP in 2018 is US\$3,875bn ranking ASEAN at 5th.

³ OECD, Economic Outlook for South East Asia, China and India 2016, Table 1, p.26

WE WELCOMED THE ADOPTION OF THE ASEAN SEAMLESS TRADE FACILITATION INDICATORS (ASTFI) THAT PROVIDES A TOOL FOR MEASURING TRADE FACILITATION AT THE NATIONAL AND REGIONAL LEVELS, AND IMPROVING THE OVERALL TRADING ENVIRONMENT IN THE REGION. WE LOOKED FORWARD TO THE POTENTIAL CONTRIBUTION OF THIS METHODOLOGY IN ACHIEVING THE 10% TARGET REDUCTION IN TRADE TRANSACTIONS COST BY 2020 SIMULTANEOUS TO THE DOUBLING OF INTRA-ASEAN TRADE BETWEEN 2017 AND 2025.”

Paragraph 53, Chairman’s Statement at 31st ASEAN Summit, 13th November 2017 (emphasis added)

ASEAN has set itself some very lofty targets, namely to double intra-ASEAN trade by 2025 and to achieve a 10% reduction in the cost of trade transactions by 2020. That 2020 target is only two years away. Neither of these targets will be hit without some bold decisions being taken across the region to facilitate more trade; increase investment in infra-structure; do more to boost and support e-Commerce and the digital economy (and not hinder it through such matters as enforced data localisation measures); and enhance the provision of financial services, through measures to raise competition which in turn would lead to higher rates of financial inclusion. The EU-ASEAN Business Council has produced a raft of recommendations covering all of these areas, and more, each of which are aimed at helping the region achieve its overall objectives for the AEC.

Since December 2015, progress has been slow in a number of areas. Customs Procedures remain burdensome and slow; only an ASEAN Trade Repository has been set-up for listing Non-Tariff

Measures, with another portal for reporting Non-Tariff Barriers (NTBs); Harmonisation of standards remains restricted to a small area.

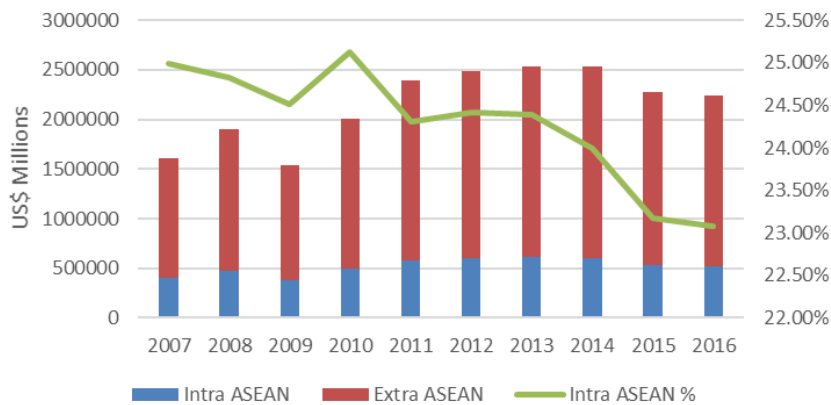
The private sector, as represented by the various Business Councils, has been attempting to support ASEAN on these matters. Collectively, we developed a proposal to expedite customs clearances for low-value shipments, designed specifically to help MSMEs and e-Commerce. It was not a perfect proposal but should have been a starting point for a more in-depth discussion. Instead, Customs Authorities in the region rejected it, making it clear they would not entertain further discussion. Yet finding a way to make measures such as these work would have demonstrated commitment to meeting the 10% target. Implementation of other measures in our Customs & Trade Facilitation Paper would also help in meeting that target. In the following pages we have listed out all of the recommendations from all of our recent position papers. We look forward to a discussion on them with the ASEAN Member States and the Secretariat.

Whilst European businesses remain overwhelmingly optimistic about ASEAN (as can be seen from the results of our 2017 Business Sentiment Survey, the highlights of which are set out in this paper), it is clear that more work needs to be done.

ASEAN Trade & FDI Statistics

ASEAN Trade in Goods

Source: ASEAN Statistical Year Book 2016/2017



-9.3%

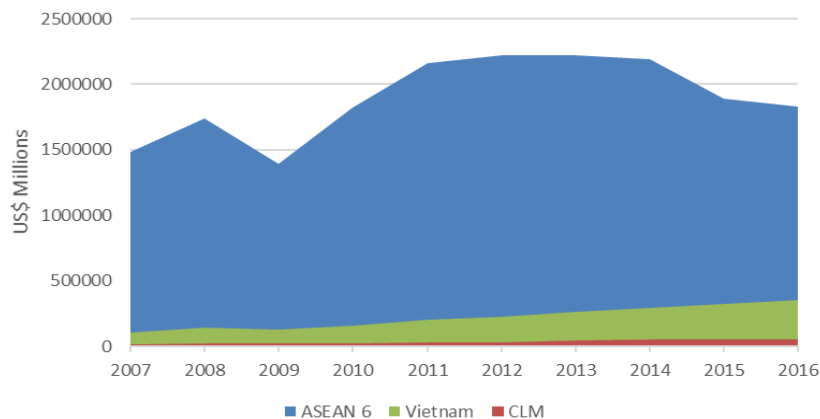
Fall in total ASEAN Trade with the World since 2014 (Goods and Services)

23%

Intra-ASEAN Trade in Goods now only accounts for 23% of all ASEAN Trade. Intra-ASEAN Trade has been falling as percentage of total ASEAN Trade since 2013

ASEAN Trade in Goods: ASEAN-6 vs Vietnam vs CLM

Source: ASEAN Statistical Yearbook 2016/2017

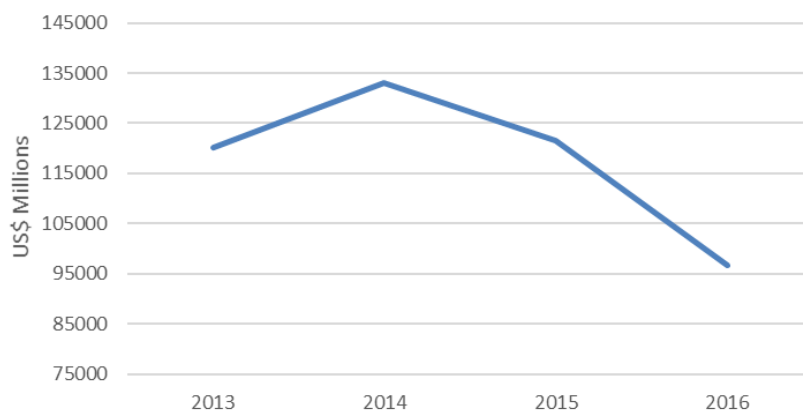


11%

Growth rate of CLM trade in Goods 2014 to 2016. ASEAN-6 Trade in goods fell by almost 20% over the same period whilst Vietnam grew by more than 16%

ASEAN FDI Inward Flows

Source: ASEAN Investment Report 2017



-27.3%

Fall in FDI Flows to ASEAN since the peak in 2014. FDI has fallen for 2 years.

EU-ASEAN Trade & Investment Statistics

#1

EU is yet again the largest source of FDI to ASEAN.

46%

The increase in FDI flows to ASEAN from the EU in 2016

US\$30.5bn

Total FDI Flow from the EU to ASEAN, some US\$16.5bn more than the next largest external source of FDI (Japan)

#2

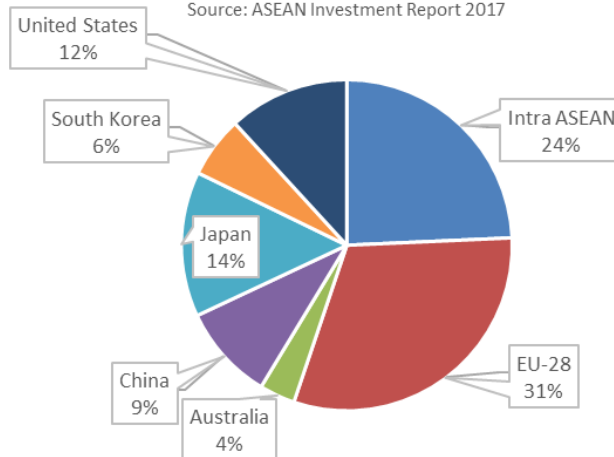
The EU remains the second largest trading partner of ASEAN

US\$233bn

Total trade in goods between the EU and ASEAN in 2016.

ASEAN FDI Flows 2016

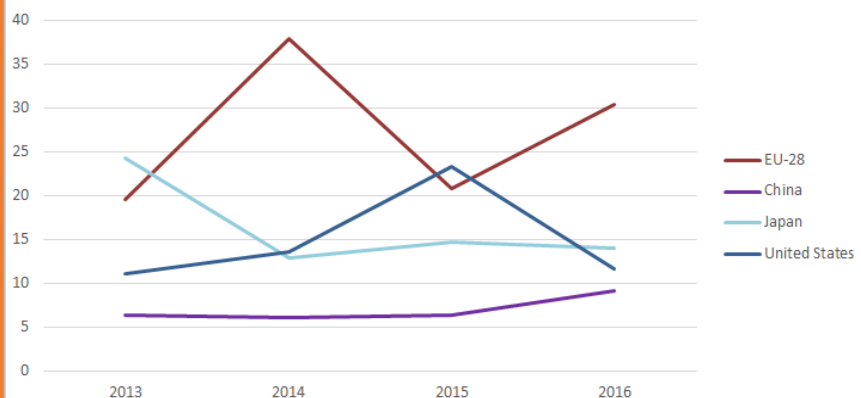
Source: ASEAN Investment Report 2017



FDI Flows to ASEAN (Major Partners)

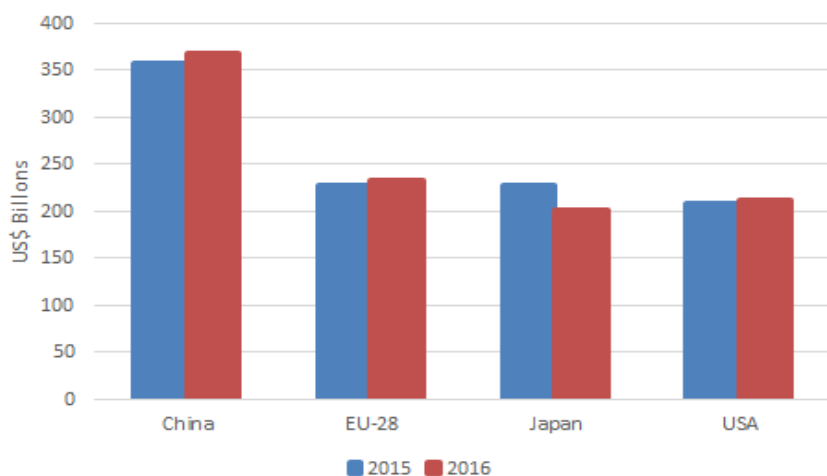
US\$ Billions

Source: ASEAN Investment Report 2017



ASEAN Trade in Goods with Selected Partners

Source: ASEAN Statistical YearBook 2016/2017



2017 Business Sentiment Survey - Key Findings

- **94%** plan to expand or maintain their operations and headcount in ASEAN (up on 2016 and 2015)
- **94%** of respondents believe that the EU should accelerate the negotiation of FTAs with the ASEAN Region
- **88%** believe the EU should pursue a region-to-region FTA with ASEAN
- **86%** of respondents expect their level of trade & investment in ASEAN to increase over the next 5 years (an increase over 2016 and 2015)
- **75%** of respondents project an increase in ASEAN profits in 2017
- **71%** of respondents said that ASEAN has become more important in terms of worldwide revenues over the last 2 years
- **71%** feel that further ASEAN economic integration is important to their business (up from 2016 and 2015) but only **47%** feel that the AEC has made a positive impact on the business to date.
- **55%** feel that they are at a competitive disadvantage without an EU-ASEAN FTA

Customs & Trade Facilitation: 2018 Update

The recommendations listed below first appeared in a position paper from the EU-ABC in 2016. Our most recent Customs & Trade Facilitation Paper (released in March 2018) provides some updates on the recommendations and the progress to date. Below we have reproduced the recommendations in a consolidated list.

Issue	EU-ABC Views and Recommendations
Simplification of Certificates of Origin (CoO)	<p><i>To stimulate intra-ASEAN trade for MSMEs, increase the threshold for waiver of Certificates of Origin below a certain threshold - from USD 200 to a higher level</i></p> <p>Despite a proposal submitted to the Co-ordinating Committee on Customs from the Joint Business Councils (JBC), aimed at simplifying procedures for low value shipments designed specifically to assist MSMEs in ASEAN, there again has been no discernible progress on this issue. The CCC, at its October 2017 meeting, rejected the JBC proposal outright. The JBC accepted that its proposal was far from perfect, but it did represent a good starting point for further discussion.</p> <p><i>It is the EU-ABC's recommendation that the ASEAN Trade Facilitation-Joint Consultative Committee takes up the JBC proposal and instigate a working group to examine and develop it further.</i></p> <p><i>The EU-ABC continues to recommend that the need for a CoO be waived for goods below a certain threshold with the current USD200 threshold to be raised to a mutually agreed level across ASEAN. Abuse of Self-certification can be minimised by post-clearance audits by customs authorities.</i></p> <p>We note that CPTPP includes provision for self-certification amongst the 11 members of that agreement, including Singapore, Malaysia, Brunei and Vietnam.</p>
	<p><i>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.</i></p> <p>The EU-ABC welcomes the significant progress that has been made on merging the two self-certification pilot schemes and urges the ASEAN Member States to move to implement the single scheme as soon as possible.</p>

Issue	EU-ABC Views and Recommendations
ASEAN Harmonised Tariff Nomenclature (AHTN)	<p><i>We recommend that all ASEAN Member States implement the AHTN as the sole and prevailing tariff nomenclature across ASEAN.</i></p> <p>Latest indications from ASEAN are this is now in the process of being fully implemented. Again, this is welcomed by the EU-ABC.</p>
Tracking and transparency of customs declarations	<p>For those ASEAN Member States that already possess an automated customs clearance environment, <i>we recommend that import declarations are made retrievable for traders. This would enable visibility and certainty of the entire customs clearance and import process.</i></p> <p><i>The EU-ABC recommends that Customs authorities continue to work on solutions that would increase transparency and availability of information.</i></p>
ASEAN transit transport agreements	<p><i>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;</i></p> <p><i>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 ASEAN Customs Transit System (ACTS).</i></p> <p>We understand that the remaining protocols of both AFAFGIT and AFAFIST have now been signed by all ASEAN Member States and that ratification of them can be expected in 2018. This is very much welcomed.</p> <p>We further understand that ACTS will become fully operational in 2018 for Singapore, Malaysia and Thailand, and a road map to expand ACTS to the CLMV is being developed.</p> <p><i>The EU-ABC recommends that ACTS be rolled out to the CMLV as soon as is possible and full implementation for Singapore, Malaysia and Thailand be in place well before the end of 2018.</i></p>
Facilitation of clearance for e-Commerce shipments to support MSMEs	<p><i>To stimulate cross-border e-Commerce for MSMEs in ASEAN, undertake the following:</i></p> <ul style="list-style-type: none"> ➤ <i>Introduce simplified clearances for low-value shipments in line with WTO and WCO Guidelines for eg. minimal data elements, consolidated clearance, importer/exporter registration exemptions, common value threshold for such shipments etc.;</i> ➤ <i>Introduce a moratorium on new border measures which may negatively impact cross-border clearances of e-Commerce shipments;</i> ➤ <i>Exempt, as far as possible, licensing or permit requirements by other government agencies for low-value shipments, bearing in mind the need for some licences to apply regardless of shipment value (e.g. those relating to public health and safety).</i> <p>The EU-ABC, as part of the Joint Business Councils and under the auspices of the ASEAN Business Advisory Council, has supported a proposal on expedited clearances and simplified customs procedures for low value shipments. That proposal, which has been discussed at the Co-ordinating Committee on Customs (CCC) and at the ATF-JCC, was specifically designed to help e-Commerce and MSMEs in ASEANs. Regrettably, the CCC has dismissed the proposal.</p> <p>Whilst we remain open to discuss improvements to the proposal, it did represent a good starting point for looking at measures that would expedite clearances for low value shipments and reduce the cost of shipping and trade transaction costs. We hope that the ATF-JCC will revisit the proposal.</p> <p><i>Recognising that there are some elements of the JBC proposal that are problematic for authorities, and the need to refine the proposal further, the EU-ABC recommends that the ATF-JCC establishes a sub-group to review the JBC proposal and develop a system that achieves the aims of the proposal and meets</i></p>

Issue	EU-ABC Views and Recommendations
	<p><i>the concerns of ASEAN Member States. That group should involve directly members of the JBC.</i></p> <p>For the second bullet point in the original recommendation (moratorium on new legislation) we suggest replacing it with a requirement that new legislation is evaluated and assessed on its necessity, usefulness and impact before it is implemented. Governments also need to bear in mind that any unilateral regulation taken will also work against other governments as every country importing goods is also a country exporting goods.</p>
Private Sector Consultation	<p><i>ASEAN to set up a dialogue mechanism with the private sector on a sectoral basis (Committee or Sub-Committee level) to more effectively involve the private sector in advancing ASEAN connectivity and trade facilitation issues;</i></p> <p><i>ASEAN to consider selected representatives from the private sector to participate in Committee or Sub-Committee meetings related to connectivity and transportation on an observer basis.</i></p> <p>The EU-ABC is pleased to participate in the ATF-JCC along with ASEAN BAC and other members of the Joint Business Council. We look forward to the consultation process be extended both in terms of time and quality, with regular and meaningful exchanges of ideas and responses between meetings and well in advance of any meetings.</p> <p>This requires more regular dialogue and more timely responses from the ASEAN Secretariat and ASEAN Member States to proposals and suggestions received. Maintaining an up-to-date and public register of ALL recommendations received with full details of actions taken or reasons for non-action is vital to this process.</p> <p>The EU-ABC requests, again, for involvement with the CPTFWG, the CCBWG, and the Customs Enforcement Working Group.</p>
ASEAN Position on Trade Facilitation in RCEP negotiations	<p>Given ASEAN centrality in the on-going negotiations with other parties for the Regional Comprehensive Economic Partnership (RCEP) Agreement, <i>some of the proposals made in this paper can also be taken to the RCEP negotiations to amplify the benefits for ASEAN and other RCEP countries.</i></p> <p>Progress on the RCEP has not been as speedy as many had hoped or expected. We hope that the negotiations can be concluded now in 2018, as long as it is a deep and comprehensive agreement that improves conditions for trade and investment between the countries involved.</p>
Ratification and Enforcement of the WTO Trade Facilitation Agreement (TFA)	<p><i>ASEAN Member Countries to ratify the WTO Agreement on Trade Facilitation. As the Agreement is now in force at the WTO, ASEAN Member Countries to ensure its full and complete implementation, based on the commitments submitted to the WTO.</i></p> <p>We are pleased to note that all 10 ASEAN Member States have now ratified the WTO-TFA.</p> <p>We continue to urge the ASEAN Members States to establish their Trade Facilitation Committees as soon as possible and to involve the private sectors in them, perhaps through local European Chambers of Commerce in the case of European industry.</p> <p>We understand that under the WTO-TFA there is a requirement for countries to communicate all of their commitments. We continue to urge the ASEAN Member States to make those commitments publicly available to increase understanding for the private sector and note that some ASEAN Member States have more readily filed with the WTO than others.</p>
Automated customs clearance procedures	<p><i>As a first step towards the implementation of NSWs, and ultimately the ASW, ASEAN Member States should commit to fully automating customs clearance procedures before the end of 2017. This should also imply removal of all duplicate paper procedures;</i></p>

Issue	EU-ABC Views and Recommendations
	<p><i>Introduce a 24/7, fully electronic payment system for duties and taxes, which would lower costs for ASEAN's business and cut customs clearance times by one day, before the end of 2017.</i></p> <p>We note the good progress that is being made across the region on fully establishing the NSWs and the moves towards the ASW, with several Member States now exchanging Form D data. We urge all ASEAN Member States to have their NSWs fully functional with all relevant agencies on the system by the end 2018.</p> <p><i>We recommend that all Customs authorities move to fully automated paperless systems and set out clear timelines for doing so, with on line payments for taxes and duties.</i></p>
Removal of Non-Tariff Barriers & Harmonisation of Standards ⁴	<p>In order to promote trade and reduce any non-tariff measures, the governments across ASEAN should have a strong commitment to implementing and abiding by harmonised standards, or at the very least to put in place binding Mutual Recognition Agreements (MRAs) to avoid country specific requirements and different interpretations. The recognition and deployment of international standards (e.g. UNECE in the Automotive sector or Organisation of Vine and Wine (OIV) for the wine 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><i>We recommend:</i></p> <ol style="list-style-type: none"> <i>1) The implementation of the work plan, to a firm timeline, for the removal of the NTBs, and early involvement of Business Councils in the process of identification and prioritisation of NTBs</i> <i>2) The development of harmonised standards across the region, or binding MRAs, in multiple sectors as a means of tackling the issue of NTBs in ASEAN. This should be done to a firm and clear timeline.</i>
Mutual recognition of AEO programmes	<p><i>All ASEAN Member States to formulate an Authorised Economic Operator (AEO) programme, which is aligned with the WCO SAFE Framework and which includes logistics providers and customs brokers;</i></p> <p><i>Drafting of an agreement that pursues intra-ASEAN Mutual Recognition Agreements (MRA) of AEO programmes, including Authorised Transit Trader programme as set out in AFAFGIT Protocol 7.</i></p>
Pre-arrival and post-clearance audits	<p><i>Introduction of pre-arrival clearance and post-clearance audits across all ASEAN Member States. By 2017, this could be done for reliable traders, logistics companies and customs brokers, as a way of building capacity and mutual trust.</i></p>
Advance rulings	<p><i>Introduction of advance rulings in classification, valuation and determination of rules of origin, including "in principle" issues; unitisation of Advanced Customs Agreement to eliminate the uncertainty in trade transaction and prevent dispute between Customs authorities and traders. Introduction of a clear dispute resolution mechanism for national and region-wide valuation and classification matters.</i></p> <p>We note that advance rulings have been introduced for some areas by some of the ASEAN Member States. We continue to urge broader and deeper implementation</p>

⁴ These recommendations first appeared in the EU-ABC's paper to the AEM in March 2017 "The AEC Blueprint 2025: Recommendations for advancing economic prosperity". See www.eu-asean.eu/publications

Automotive Paper

The recommendations below first appeared in the EU-ABC's Automotive Paper of October 2017.

Issue	EU-ABC Views and Recommendations
Emission Standards	<p>Raise emission standards across the region to: facilitate reductions in the environmental impact of vehicles; support more efficient technologies; and, to facilitate export business.</p> <ul style="list-style-type: none"> • <i>Acceleration of Euro Standards (especially Euro4) throughout ASEAN, in accordance with fuel quality road map.</i> • <i>Develop a clear timeline for the implementation of emission standards to support long-term business planning.</i> • <i>Harmonise to Euro emissions standards and certification throughout ASEAN to further integrate ASEAN Markets and facilitate increased intra-ASEAN trade.</i>
Fuel Standards & Infrastructure	<p>Harmonise fuel regulations and fuel properties throughout ASEAN in line with international/Euro standard guidelines.</p> <ul style="list-style-type: none"> • <i>Provide clarity on national fuel standards, fuel properties and infrastructure road maps.</i> • <i>Develop new fuel availability road maps to match proposed new emission regulations.</i> • <i>Ensure fuel availability (fuel introduction) and country-wide accessibility (fuel infrastructure) prior to new emission regulation implementation.</i>
CO ₂ based vehicle taxation	<p>To enhance business planning, the overall approval process should be clear, simple, and not bureaucratic with definite and reasonable approval timelines.</p> <p>Related requirements to be processed in close consultation with the industry and with a view to minimise any additional costs or burdens to the industry or end-consumers.</p> <p>Details of approval procedures should be announced in advance to provide sufficient lead time for business preparation prior to implementation (recommended that a 3-year notice period be provided)</p> <ul style="list-style-type: none"> • <i>Introduce technology neutral taxation schemes that are based on CO₂ emissions or fuel consumption to encourage a broad introduction of environmentally friendly low emission vehicles.</i> • <i>CO₂ based vehicle taxation for passenger cars should fully recognise test results of relevant UN regulation certificates as an alternative for excise tax assessment</i> • <i>Agreement on a stepwise harmonisation of tax systems across ASEAN markets.</i> • <i>Linear system on the basis of CO₂ is preferable, with huge steps regarding thresholds to be avoided.</i> • <i>Alternative drive trains e.g. xEVs (BEV, PHEV) should be categorised as low emission vehicles with consequential lower levels of taxation in order to give OEMs the opportunity to offer the technology at customer acceptable prices.</i> • <i>Implementation of a harmonised system is of key importance to the automotive industry.</i> • <i>Long-term orientation to safeguard lead time for development and also for customers</i>
Biofuels	<p>Acceleration of Euro emission standards requires supportive biofuel regulations, especially fuel quality improvements (desulphurisation, exclusion of corrosion and material incompatibility risks).</p> <ul style="list-style-type: none"> • <i>Increase private-public sector consultation on biofuel policies.</i>

	<ul style="list-style-type: none"> • <i>When discussing the content rates of biofuels, the impact on engines and vehicle performance (including vehicles in use) should be studied carefully along with the stabilisation of biodiesel quality.</i> • <i>Ensure biofuel standards across ASEAN are aligned and in step with acceleration of improved emission standards as per the above.</i> • <i>Diesel will remain a highly relevant technology to help reduce ASEAN's CO₂ footprint.</i>
Road Safety Standards	<p>Enable ASEAN automotive companies to raise the quality of their production by harmonising global safety regulations (UNECE 1958/98) into national law. This facilitates ASEAN products to access foreign markets (e.g. US, EU, CN, JP) that have adopted and recognise modern safety standards.</p> <p>Reduction of road accidents and fatalities to protect ASEAN consumers and help governments in achieving road safety targets which they committed to in the ASEAN Regional Road Safety Strategy 2015.</p> <ul style="list-style-type: none"> • <i>Promote the recognition and deployment of UN regulations across ASEAN</i> • <i>Put in place a road map to harmonise national with international automotive standards (UN Regulations) which would have a significant positive impact on the development of the ASEAN automotive industry and allow local manufacturers to export to all countries who are contracting parties of the UNECE 1958/98 Agreement (including the EU).</i> • <i>Adjust regulations to ensure that the most significant safety technologies are made compulsory: e.g. Electronic Stability Control (ESC) for passenger cars and light commercial vehicles and Anti-Lock Braking System (ABS) for two-wheelers > 125 cc.</i>
Road Safety Initiative	<p>Implementation of an integrated approach that combines consumer awareness, safer infrastructure, safer vehicles and increased post-crash efficiency.</p> <p>The availability of high-quality and comparable data relating to all road users, including cyclists and pedestrians, is essential for developing and designing highly effective systems.</p> <ul style="list-style-type: none"> • <i>Revise safety regulation and formulation of new equipment obligations for vehicles, based on differentiated cost/benefit analysis that is tailored to different vehicles and their intended uses.</i> • <i>Development and maintenance of road infrastructure and connectivity.</i> • <i>Support of safety promotion campaigns in conjunction with experienced organisations, e.g. ASEAN NCAP, and the industry.</i> • <i>Should include measures to cover infrastructure requirements to promote greater use of vehicle-to-x (v2x) communication.</i> • <i>Promote advance driver assistance systems.</i>
MRA on Type Approval & Harmonisation of Regulatory Regime on Automotive Sector (including homologation and certification processes)	<p>The harmonisation of automotive product standards is an essential basis for a single manufacturing base as envisioned under the AEC.</p> <p>All ASEAN Members states should continuously engage in further development of the MRA on Type Approval, including its second phase encompassing 32 standards.</p> <p>All ASEAN member states should avoid complexity and inefficiency in the implementation of the ASEAN MRA.</p>

	<p>ASEAN MRA on Type Approval should not be limited to automotive products (components/systems) manufactured within ASEAN only.</p> <p>Accept the widely recognised EU–type approval and E-mark as proof of UN compliance.</p> <ul style="list-style-type: none"> • <i>All AMS to review their national legislation in order to align with the regional initiatives on market integration</i> • <i>AMS should conduct regular simulation exercises to clarify different interpretations and thereby ensure smooth implementation for the future.</i> • <i>AMS to implement already identified UN Regulations whilst finalising the ones still to be harmonised.</i> • <i>Formulation of long-term integration plan (based on 1958 UN ECE Agreement) - endorsement by ACCSQ and SEOM.</i> • <i>Establishment of a schedule for implementation by AMS utilising the inherent flexibility of the 1958 UNECE agreement.</i> • <i>Development of ASEAN Agreement on Harmonisation of Automotive Regulatory Regimes, which would supplement the MRAs.</i> • <i>Participation of private sector groups (including EU-ABC Automotive Group) in APWG meetings under ACCSQ.</i> • <i>All AMS agree to become contracting parties to the 1958 UNECE Agreement (schedule to be agreed and adequate time for CLMV).</i> • <i>All AMS to adopt UN Vehicle classification either as a part of the framework/agreement or as a guideline.</i> • <i>All AMS agree to adopt UN vehicle classification system in national regulation.</i> • <i>All AMS agree to adopt the type approval approach for motor vehicle regulation (progressing from recognition certification of components to recognition of type approvals).</i> • <i>All AMS legislation to advance adoption of UN regulations in national legislation.</i> • <i>AMS can go beyond the MRA and harmonisation of technical requirements and to look into harmonising the regulations.</i> • <i>ASEAN, through APWG, to establish targets for harmonisation through adoption of UN regulations.</i> • <i>AMS to agree on and implement identical testing procedures using the same methodologies, standards and application regulations</i>
NTB Removal (including national testing requirements)	<p>Removal of policies, practices, and other measures used to control, discourage or prevent competitive development, foreign investment and trade not in the usual form of a tariff (e.g. import quotas, national testing requirements, local content, etc.)</p> <ul style="list-style-type: none"> • <i>Recommend that ASEAN adopt the automotive sector as an early initiative for identifying and scheduling the removal of NTBs.</i> • <i>ASEAN to establish a dedicated working group which would work with industry groups to identify the NTBs affecting the sector, utilising the ASEAN Trade Repository and National Trade Repositories as a starting point.</i> • <i>Develop a programme for the removal of NTBs in line with the concepts set out in the Master Plan on ASEAN Connectivity 2025 (MPAC2025).</i>

	<ul style="list-style-type: none"> • <i>Based on the work under the short-term recommendation, put in place a firm timetable for ASEAN Member States to remove the identified NTBs affecting the automotive sector, with the target of removing them by no later than the end of 2021.</i>
IPR and Illicit Trade	<p>Increase co-operation between enforcement agencies and private sector to help move towards the elimination of illicit trade in auto-parts</p> <ul style="list-style-type: none"> • <i>Authorities and industry need to work closer together to protect interests and rights of consumers. Enhanced co-operation in the areas of product identification, and enforcement of IP rights should be implemented to ensure that illicit trade and IP infringement do not have an adverse impact on public safety and the revenues of manufacturers and governments.</i>
National Automotive Policies (NAPs) - Need to focus on high tech and innovation; removal of contradictory policies	<p>Increased synergy between the AMS on the development of NAPs to ensure that domestic focussed market distortions do not impinge on overall AEC related aims and objectives.</p> <p>Industrial schemes promoting innovation for optimum production conditions are to be welcomed.</p> <p>Transparent and WTO-conform schemes are essential for long-term planning security.</p> <ul style="list-style-type: none"> • <i>Establish regular private-public sector dialogue in the development and revision of NAPs early on.</i> • <i>Industry policy concepts should not discriminate against imports and foreign investors, and should be in compliance with WTO rules.</i>
Electric and autonomous mobility policies in ASEAN	<p>The political will to promote not only electric but also autonomous drive systems - with autonomous and connected vehicles having the potential to make transport more efficient, sustainable and safe - must find its expression in national automotive policies and initiatives. This should also include commercial vehicles, e.g. for delivery/logistics.</p> <p>Levers to facilitate necessary framework conditions include a supportive regulatory framework, as well as compatible European and international standards and available infrastructure. The legal framework needs to be aligned with the progress of technology in order to avoid an imbalance between what can be achieved by technology and what is permitted by law.</p> <p>A look at the international scene clearly shows that financial inducements have also a particularly strong effect.</p> <ul style="list-style-type: none"> • <i>Enhancing dialogue between private and public sector to formulate and implement necessary and ideally uniform international framework conditions for the ongoing development and successful introduction of this technology.</i> • <i>Government support of market uptake of electrified vehicles necessary.</i> • <i>Incorporate learnings from benchmark countries in local policies.</i> • <i>Availability of sufficient charging infrastructure is key to success.</i> • <i>Need for national or/and cross ASEAN programs to initiate built up of networks on the basis of international standards (fast charging with Combined Charging System CCS).</i>

	<ul style="list-style-type: none"> • <i>Co-operation with Grid companies requested.</i> • <i>Billing systems have to be developed.</i> • <i>AD: Set up cross sector working group to discuss the role of digitalisation as enabler of AD and a driver of future mobility.</i> • <i>Coverage of infrastructure to be developed from pilot regions to market wide networks.</i> • <i>Establishment of an intelligent infrastructure to support vehicle-to-x (V2X) communication.</i> • <i>Ensure safe access to vehicle data e.g. via Extended Vehicle.</i> • <i>A harmonised legal framework that applies across borders is a requirement for the ongoing development and successful introduction of this technology.</i>
Free Trade Agreements with the European Union	<p>Elimination of automotive duties (incl. parts and components) between the EU and AMS.</p> <p>Application of EU-standard Rules of Origin wherever practicable. Elimination of NTBs.</p> <p>Promotion of recognition and deployment of UNECE regulations. Efficient dispute settlement and safeguard mechanism with effective monitoring system.</p> <p>Follow-up process with business to monitor implementation. Support for region-to-region FTA as a means of advancing ASEAN wide standards.</p> <ul style="list-style-type: none"> • <i>EU-ASEAN FTAs to speed up the reduction of tariffs to more reasonable timelines.</i> • <i>Increased consultation with the European automotive industry operating within ASEAN from FTA negotiators.</i> • <i>EU-ASEAN FTAs to speed up the reduction of tariffs to more reasonable timelines.</i> • <i>Acceleration of move towards a region-to-region FTA as a means of supporting enhanced ASEAN integration.</i>
RCEP & TPP11	<p>Inclusion of automotive chapter in RCEP. Increased transparency in negotiations process. Increased protection for foreign direct investment.</p> <ul style="list-style-type: none"> • <i>Increased dialogue with industry bodies to ensure greater transparency and the development of a usable and meaningful agreement.</i>
Free Movement of Labour	<p>Facilitate mobility of skilled labour within ASEAN to counter shortage of skilled labour.</p> <ul style="list-style-type: none"> • <i>Establish express visa system for internal intra-ASEAN staff movements for those on management development programmes or those identified to help staff shortages.</i> • <i>Accelerate the ASEAN MRA programme for more areas of skilled labour that impact on the automotive sector.</i>
Vocational, Technical Training / Dual education schemes	<p>Establish vocational training programs, supported by public and private sector partnerships to help fill skill shortages gaps.</p> <ul style="list-style-type: none"> • <i>Development of private/public sector vocational training programmes.</i> • <i>Increase national efforts to incorporate industrial training schemes as part of national curriculums.</i>

Infrastructure Finance & Capital Market Development

Issue	Recommendation
Enhance Private Sector involvement in infrastructure finance	➤ Introduce region-wide standardised reporting, documentation and benchmarking to help develop markets and make it quicker and easier for companies to assess projects and so facilitate private finance.
	➤ Give greater urgency to improve investment conditions and the offering of non-discriminatory regulatory regimes that encourage greater participation by insurers in long-term investments, especially those aimed at supporting infrastructure development.
	➤ Expand public-private sector blended finance initiatives. Create the right risk-return profile by encouraging other financial actors to pick up some of the risks typically associated with large scale infrastructure projects that the private sector finds difficult to take on its own.
	➤ Accelerate the implementation of clear and transparent PPP regimes across ASEAN, including open and transparent bidding processes.
Project Bankability	➤ Ensure there is a pipeline of bankable projects through both the development and operational phases of the lifecycle - this will have the greatest impact on both the provision of infrastructure and the development of capital markets to finance it.
	➤ Developing a pipeline of bankable projects will require standardisation of documentation (wherever possible in the local context), transparent regulations and dispute resolution procedures, and a role for MDBs to mitigate credit risk.

Financial Inclusion, Sustainable Finance & Payments Systems

Issue	Recommendations
Payment Systems	
Fast-tracking regional payments integration; Reduce inefficiencies in cross-border payments and trade; and, include mid-smaller size banks in payments innovation initiatives	Promote wide-scale adoption in ASEAN banks of community-based initiatives like SWIFT gpi that are not commercially driven, remain market & segment-neutral, remain fully inclusive and provide a ready platform for regional payments integration within ASEAN markets, and also with extra-ASEAN markets.
Developing safe, reliable and efficient national payment schemes	Central banks and financial services authorities must assess global best practices, expertise and proven solutions that provide required levels of performance, security and resiliency.
Sustainable Finance	
Promote greater use of Sustainable Finance vehicles to open up new funding sources for infrastructure and investment in ASEAN.	<p>ASEAN Governments should continue to work closely with financial institutions and trade bodies to develop and ASEAN-wide framework for Green Bonds and blended finance e.g. as ACMF has done on the development of ASEAN Green Bond Standards⁵</p> <p>ASEAN Governments should actively encourage the use of sustainable finance, linked to ESG measures, when seeking to raise funds for projects under their direct control, and also encourage SOEs and Private corporations to make greater use of ESG measures in their everyday planning and operations. In this respect recommendations by the High Level Expert Group on Sustainable Finance for the European Commission should be considered for ASEAN measures.</p> <p>More education for issuers and investors to raise awareness of the commercial imperative of Green Bonds should be undertaken by Governments across the region</p>
Banking Regulatory Framework in ASEAN	
The impact of extra territorial legislation resulting in contradictory or duplicative or equivalence requirements can be mitigated through co-operation, coordination and dialogue amongst regulators.	<p>The EU should be more conscious of the impact on non-EU markets and the market participants would benefit from better regulatory coordination when drafting new legislation. Improved coordination in implementation and monitoring of compliance will ultimately lead to more stable and accessible financial markets and a level playing field.</p> <p>To prevent market disruption, facilitate cross-border flows and encourage economic growth, the equivalence process must be simplified and outcomes-based or a proportionate equivalence process allowed based on systemic impact to the EU financial markets.</p> <p>Regulators are encouraged to conduct in-depth research on any potential unintended consequences, particularly for non-systemically important local financial institutions and foreign financial institutions located in that jurisdiction where it may be appropriate to apply proportionate rules.</p>

⁵ See: http://www.theacmf.org/ACMF/upload/ASEAN_Green_Bond_Standards.pdf .

Insurance & Disaster-risk Finance

Issue	EU-ABC Views and Recommendations
Establish a well-functioning insurance market and promote the use of public-private partnerships (PPP) in disaster risk finance	➤ Have effective pre-financing measures in place that provide liquidity for relief efforts as soon as the disaster strikes.
	➤ Put different measures in place that come to play at different loss levels is economically more viable and sustainable. The Southeast Asian Disaster Risk Insurance Facility (SEADRIF), a recent regional risk pool initiative at an opt-in basis, will only be able to bring limited value in the immediate to short-term future.
	➤ Expand and advance the work done by the ASEAN Disaster Risk Finance and Insurance (ADRFI) working group.
	➤ Build on and replicate the UN Central Emergency Response Fund (UN CERF) by extending the mandate of the ASEAN Disaster Management and Emergency Relief (ADMER) Fund to include the use of innovative risk financing measures, such as risk transfer solutions.
	➤ Agree on a public-private partnership under the lead of a partnering donor to tap into additional disaster aid funding as well as insurance expertise for an effective and sustainable emergency response.
Promote long-term investments by insurance companies	➤ Improve investment conditions and the offering of non-discriminatory regulatory regimes that encourage greater participation by insurers in long-term investments.
	➤ Foster standardisation of reporting, documentation and benchmarking to develop capital markets.
	➤ Promote green financing, such as Green bonds, earmarking proceeds for projects that deliver environmental and climate-friendly investments. Continue to support the development of the ASEAN Green Bond Principles for developing the market.
	➤ More public and multilateral action to expand private-sector blended finance. As with multilateral bodies, national governments should also be encouraged to develop local capital markets facilities to do the same. Create more capacity and facilities to reward “crowding in” of private finance.
	➤ Build a pipeline of approved investment-ready projects. Prioritise projects, with the projects that can be designed to be investible with only private funding accelerated.
Expand regulatory initiatives that support innovations with value-add to customers	➤ Establish a dedicated office overseeing insurtech.
	➤ Approach regulations that address issues raised by new technologies. Eg. Statutory tariffs that regulate allowable premiums, commissions and coverage may hinder innovative developments in new distribution channels; Safeguards and regulations in the areas of robotics and artificial intelligence.
	➤ Enhance cooperation and collaboration between regulators
	➤ Promote collaboration between the regulator and the industry to develop innovations, such as financial industry application programming interfaces (API).
	➤ Promote cross-border flow of information. Assess the adequacy of their data frameworks and pursue equivalence regimes in order to allow for free flow of data across borders.

Digital Economy

Issue	Recommendations
Data Localisation	<p>EU-ABC suggests that <i>the goal to encourage privacy and security may not be best achieved by data localisation, but instead by actively maintaining data and taking advantage of updated secured technologies. Such enhanced technologies in the world can be used synonymously with the free flow of data to protect citizens' and governments' data securely</i></p> <p><i>We recommend ASEAN's member states to permit the free flow of data across borders under explicit consent of the owners to avoid such productivity loss and to the detriment of the ASEAN economy</i></p>
Payment & Settlement Systems	<p>Fast-tracking regional payments integration; Reduce inefficiencies in cross-border payments and trade; and, Include mid-smaller size banks in payments innovation initiatives.</p> <p><i>Promote wide-scale adoption in ASEAN banks of community-based initiatives like SWIFT gpi that are not commercially driven, remain market & segment-neutral, remain fully inclusive and provide a ready platform for regional payments integration within ASEAN markets, and also with extra-ASEAN markets.</i></p> <p>Developing safe, reliable and efficient national payment schemes</p> <p><i>Central banks and financial services authorities must assess global best practices, expertise and proven solutions that provide required levels of performance, security and resiliency.</i></p>
E-Commerce & the movement of goods	<p><i>Introduce simplified clearances for low-value shipments in line with WTO and WCO Guidelines for e.g. minimal data elements, consolidated clearance, importer/exporter registration exemptions, common value threshold for such shipments etc.</i></p> <p><i>Introduce a requirement that new legislation is evaluated and assessed on its necessity, usefulness and impact before it is implemented. Governments also need to bear in mind that any unilateral regulation taken will also work against other governments as every country importing goods is also a country exporting goods;</i></p> <p><i>Exempt, as far as possible, licensing or permit requirements by other government agencies for low-value shipments, bearing in mind the need for some licences to apply regardless of shipment value (e.g. those relating to public health and safety);</i></p> <p><i>Consider an ASEAN-wide 'trusted trader accreditation program' for e-Commerce sites and shippers to address customs control concerns, without impairing legitimate e-Commerce trade facilitation</i></p> <p><i>Governments need to be open to work in partnership to implement risk mitigation mechanisms while ensuring expedited clearance.</i></p> <p><i>Governments need to be open to work in partnership to implement risk mitigation mechanisms while ensuring expedited clearance.</i></p> <p><i>Establish and promote a 'Digital Service Hub' that will enhance trade supply chain and also improve the competitiveness of ASEAN SMEs in a low-cost manner – planned for completion by 2021 in the ASEAN Strategic Action Plan for SME Development 2016-2025;</i></p> <p><i>Promote the development and utilisation of e-commerce platforms to encourage expansion of SMEs – planned for completion by 2020 in the ASEAN Strategic Action Plan for SME Development 2016-2025.</i></p> <p><i>Enhance information on markets, FTAs, and potential partners (ASEAN SME Service Centre) – planned for completion by 2018 in the ASEAN Strategic Action Plan for SME Development 2016-2025</i></p>

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 recognised by both the European Commission and 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 conducts its activities through a series of advocacy groups focused on particular industry sectors and cross-industry issues. These groups, usually chaired by a multi-national corporation, draw on the views of the entire membership of the EU-ABC as well as the relevant committees from our European Chamber of Commerce membership, allowing the EU-ABC to reflect the views and concerns of European business in general. Groups cover, amongst other areas, Insurance, Automotive, IPR & Illicit Trade, Customs & Trade Facilitation, Healthcare and FMCG.

Executive Board

The EU-ABC is overseen by an elected Executive Board consisting of corporate leaders representing a range of important industry sectors and representatives of the European Chambers of Commerce in South East Asia. The Executive Board is led by its Chairman Mr Donald Kanak.

Membership

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.

Our Members



To find out more about the benefits of Membership and how to join the EU-ASEAN Business Council please either visit www.eu-asean.eu or write to info@eu-asean.eu.

