



EU-ASEAN BUSINESS COUNCIL

**Working with ASEAN:
Supporting European
Business**

March 2016



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1 Phillip Street
#12-01
One Royal Phillip
Singapore 048692

info@eu-asean.eu

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INTRODUCTION



*Mr. François Guibert,
Chairman, EU-ASEAN
Business Council*

The EU-ASEAN Business Council (EU-ABC) was established with one overarching goal in mind: to deepen and grow the existing trade and investment relationship between ASEAN and Europe. We are pleased to note, therefore, some key developments over the past year since our last general policy paper in April 2015.

The European Commission has now successfully negotiated another bilateral Free Trade Agreement with an ASEAN Member State: Vietnam. That agreement is the one of the deepest and most comprehensive that the European Union (EU) has negotiated with an emerging economy. Both sides deserve praise and admiration for this achievement. In addition, the European Commission has announced its intention to begin FTA negotiations with the Philippines. That again is most welcome and we hope that those negotiations can be conducted swiftly and with a similar outcome to those with Vietnam. The EU-ABC will certainly do all that it can to support the process. We also hope that there will be an early resumption of negotiations with Malaysia and, perhaps, an

announcement about FTA negotiations with other ASEAN countries - ideally a region-to-region deal will not be too far off.

Perhaps of more long term significance to the region was the declaration at the ASEAN Leaders' Summit in Kuala Lumpur in November 2015, of the inauguration of the ASEAN Economic Community (AEC). The EU-ASEAN Business Council is a strong supporter of this ambitious project. Once fully implemented, the AEC will be a significant game-changer in the economic, social and industrial development of ASEAN and its Member States.

As Chairman of the EU-ABC I am delighted that as part of our ongoing dialogue with our partners in ASEAN we are, in this paper, pledging to work more closely with ASEAN and its Member States to continue to assist them in the development of the AEC. Both ASEAN and the European Union recognise that by deepening regional integration we can create a more competitive economy, encourage further investment and boost the economic and social development of our regions. The EU-ABC is delighted to play a part in this, and welcomes the opportunity to have an ongoing dialogue and closer working relationship on trade and investment issues with our partners in ASEAN and the European Union.

The European business presence in ASEAN is significant and growing. The EU remains the largest source of foreign direct investment to ASEAN, and ASEAN's second largest external trading partner, after China. There are well over 11,000 European businesses with a presence in this dynamic and diverse region, many of whom use South East Asia as the base for their entire Asia operations.

European businesses - many of them represented by the EU-ABC - are world leaders in their fields and have much to contribute as the ASEAN region seeks to develop and enhance its competitiveness, overall business environment, regulatory regimes and as it moves towards increased economic integration, drawing upon their own experiences from EU integration.

EUROPEAN BUSINESSES
WELCOME THE KUALA
LUMPUR DECLARATION ON
THE ASEAN COMMUNITY'S
2025 VISION AND LOOK
FORWARD TO WORKING
WITH PARTNERS ACROSS
SOUTH EAST ASIA AS THE
REGION CONTINUES TO
INTEGRATE, GROW AND
BECOME A MAJOR DRIVER OF
GLOBAL ECONOMIC GROWTH

EU-ABC PRESS RELEASES, 23RD NOVEMBER
2015

EXECUTIVE SUMMARY

EUROPE CONTINUES
TO BE THE SECOND
LARGEST TRADING
PARTNER OF ASEAN
AFTER CHINA.

*DGTrade, Trade in goods with
ASEAN, October 2015*

The EU-ABC welcomes the AEC Blueprint 2025 and the commitments contained within it. The EU-ABC is especially pleased to note the several references within the new AEC Blueprint to the need for more and enhanced dialogue and consultation with the private sector. In that regard, **we respectfully request ASEAN and its Member States to actively involve the EU-ABC in working level discussions on the development of policies, rules, regulations and standards needed to ensure the full implementation of the AEC by 2025 to the benefit of ASEAN and European businesses alike.**

European businesses are fully committed to ASEAN and the European business community welcomed the formal launch of the AEC at the end of 2015. The AEC marks an important milestone in ASEAN's development. It is, as is clearly recognised in the AEC Blueprint 2025, just the beginning of a longer journey to the creation of a fully integrated and harmonised region. Much work lies ahead. **The EU-ABC looks forward to working with ASEAN and its various working groups to help the region achieve its ambitions in this respect.**

The ultimate aim of the EU-ABC is to further the trade and investment relationship between our two regions. A major milestone would be the establishment of a comprehensive ASEAN-EU Free Trade Agreement (FTA). In the shorter term, we will support the work of the EU on the finalisation of the bilateral FTAs between the EU and ASEAN Member States that are currently under negotiation. We also encourage the recommencement of negotiations where talks have stalled in recent years and the beginning of the negotiations with other ASEAN Member States. We see no reason why several negotiations could not take place in parallel. The EU-ABC also expects to play a full and active role in any pre-negotiation discussions on an ASEAN-EU FTA and suggests that the European Commission and ASEAN put in place a work programme as a precursor to formal negotiations to serve as a scoping exercise with a view to ironing out any difficulties.

The EU-ABC is perhaps uniquely placed to offer support and assistance to ASEAN as it continues along the economic integration path. We were greatly encouraged by the AEC Blueprint 2025, especially the commitments to greater private sector dialogue and consultation. Industry has an important and vital role play in the economic and social development of regions, so it is vital that the voice of business is heard and taken account of as moves are made to further harmonise rules, regulations and standards across ASEAN and to ensure there is true free movement of goods, services, investment and capital.

We note the commitment in the AEC Blueprint 2025 that *“the immediate priority is to complete the implementation of measures unfinished under the AEC Blueprint 2015 by end-2016”*¹. There is much that needs to be done in this respect, especially in the area of Non-Tariff Barrier elimination and trade facilitation - a key deliverable for Laos during its Chairmanship. This is a hugely ambitious target but some early quick wins are possible. **As a first step, ASEAN Member States should implement and operationalise all protocols of AFAFGIT, AFAFIST and ACTS and to get the National Trade Repositories set up, as a stepping stone towards the ASEAN Trade Repository.** A full list of our suggested short-term goals for the AEC are set out below.

The EU-ABC would like to express its gratitude to ASEAN for the opportunity to engage in an ongoing dialogue with our ASEAN partners and looks forward to working with ASEAN as it continues to develop and augment the AEC through the 2025 Blueprint.

¹ See paragraph 4 of the introduction to the AEC Blueprint 2025, ASEAN Secretariat.

Suggested Short-term Recommendations/Goals for ASEAN in 2016

AEC 2025 Reference	EU-ABC Short-term Recommendations/Suggested 2016 ASEAN Goals
Trade in Goods (Section II.A.1)	<ul style="list-style-type: none"> ➤ Ratification and transposition of key ASEAN agreements into national law such as: <ul style="list-style-type: none"> ➤ ASEAN Framework Agreement on the Facilitation of Goods In Transit (AFAFGIT); ➤ the ASEAN Framework Agreement for the Facilitation of Inter-State Transport (AFAFIST); ➤ Operationalise the ASEAN Customs Transit System pilot programme involving Singapore, Thailand and Malaysia including an Authorised Transit Trader programme. ➤ Implementation of the ASEAN Harmonised Tariff Nomenclature (AHTN) as the one and prevailing tariff nomenclature in all ASEAN Member States for all its trade.
Trade in Services (Section II.A.2)	Establish formal plans, with concrete dates, for the removal of foreign equity constraints in key sectors (e.g. insurance; transport and financial services).
Investment Environment (Section II.A.3)	Respective ASEAN Member States to submit a timeline for when commitments on majority FDI ownership thresholds to be brought in line with the ACIA are to be implemented.
Financial Integration, Financial Inclusion & Financial Stability (Section II.A.4)	<ul style="list-style-type: none"> ➤ Establish an ASEAN Payments Council. The role of this council is to initiate, promote and manage the standardisation of payments in ASEAN. The first order of business is to harmonise cross-border payments through a scheme for cross border credit transfers. ➤ Ongoing dialogue with Central Bank Governors and Deputy governors is fully supported and required to drive this market coordination and harmonisation together with the Working Committee on Payments & Settlement Systems (WCPS).
Facilitating movement of Skilled Labour & Business Travellers (Section II.A.5)	Each ASEAN Member State review its domestic legislation to ensure compatibility with the existing Mutual Recognition Agreements (MRAs) within ASEAN.
Enhancing Participation in Global Value Chains (Section II.A.6)	In order to facilitate SME participation in global value chains, ASEAN to introduce a threshold for waiver of Certificate of Origin for shipments below USD 2,000.
Good Governance (Section II.B.6)	Establish an ASEAN-wide guideline for Good Governance and Good Regulatory Practice including the automating of Government procedures and filings wherever practically possible.
Effective, Efficient, Coherent and Responsive Regulations and Good Regulatory Practice (Section II.B.7)	<ul style="list-style-type: none"> ➤ ASEAN to put a mandatory mechanism in place that any trade or investment measure which impacts ASEAN integration is proceeded by a regulatory impact assessment. ➤ The actual impact of any regulations to be regularly reviewed with the private sector so as to ensure that there are not any adverse or unforeseen negative impacts.

<p>Enhanced Connectivity and Sectoral Co-operation (Section II.C)</p>	<ul style="list-style-type: none"> ➤ ASEAN to ensure ratification of the AFAFGIT and the AFAFIST in order to pave the way for the implementation of the pilot project of the ACTS. ➤ ASEAN Member States to submit a plan for targeted transposition into national law of the AFAFGIT and AFAFIST. ➤ All ASEAN Member States to use the AHTN as the one and prevailing tariff code for all trade. ➤ Commitment to automate all customs procedures by 2017.
<p>Strengthening the role of MSMEs (Section II.D.1)</p>	<ul style="list-style-type: none"> ➤ ASEAN to implement a so called “de minimis” baseline of USD 100 to exempt low-value shipments from duties, taxes and burdensome paperwork such as licensing requirements. ➤ To help dismantle the barriers to cross-border e-Commerce for ASEAN’s SMEs, in 2016 ASEAN to formulate an action plan which identifies said barriers and recommends concrete solutions to overcome them.
<p>Strengthening the role of the private sector (Section II.D.2)</p>	<p>ASEAN to quickly formalise the involvement of Business Councils in ASEAN Working Groups which are key to fulfilling the objectives of the AEC 2025 Blueprint, as full dialogue and consultation partners.</p>

EUROPE & ASEAN'S TRADE AND INVESTMENT RELATIONSHIP

1st

The EU is the largest source of FDI Funds for ASEAN

29.3bn

The EU's FDI inflow to ASEAN in US Dollars in 2014

26%

Percentage share of FDI inflows to ASEAN from the EU

31%

Percentage increase in FDI from the EU to ASEAN 2014 vs 2013

€156bn

Total FDI stocks held in ASEAN by the EU in 2013

Source: ASEAN Investment Report 2015; DGTrade/Eurostat; ASEAN Statistical Database

In the context of Europe's overall trade and investment profile, the importance of the relationship between Europe and ASEAN should not be underestimated. There is a long history between the two regions, driven originally by trade and commerce. That relationship remains as strong and important as ever. It is, therefore, the view of the EU-ABC that **Ministers, Commissioners, senior officials, multinational corporations and small businesses in both regions should pay more attention to the development and enhancement of region-to-region trade relations.**

There has been important progress in recent years to deepen the EU-ASEAN trade relationship. The EU-ABC has welcomed the conclusion of deep and comprehensive FTAs between the EU and Singapore and between the EU and Vietnam. We also very much welcome the commencement of negotiations on an FTA with the Philippines. **We further urge the European Commission to recommence negotiations with Malaysia and to look seriously at either restarting "parked" discussions with other ASEAN Member States or commencing more FTA negotiations with others in the region.** We believe that scoping discussions with ASEAN, which should involve the private sector, on a possible deep and comprehensive region-to-region FTA should be begun sooner rather than later.

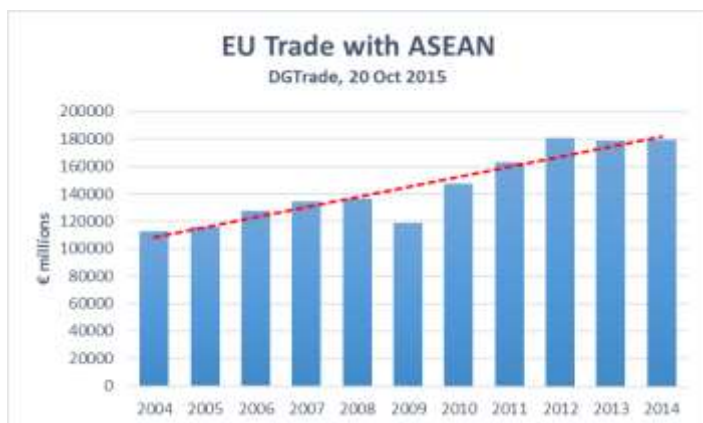
THE EU IS THE LARGEST SINGLE SOURCE OF FDI INFLOWS TO ASEAN WITH MORE THAN THE US AND JAPAN COMBINED IN 2014

ASEAN Foreign Direct Investment Statistics Database as of 26 May 2015

Forward momentum needs to be maintained during this critical period in ASEAN's integration, and **the EU-ABC encourages the European Commission to take a more proactive and involved position with regard to ASEAN**, especially given ASEAN's growing political, economic and demographic importance globally.

There is tremendous potential for ASEAN and the EU to harness their booming trade relationship in service of their larger strategic goals. ASEAN and the EU both emphasise the instrumental role trade plays in

achieving their respective medium-term goals, particularly in uplifting their populations from poverty, in delivering more and higher quality jobs, and in facilitating cooperation in key innovation sectors such as energy and transportation. This potential will only grow as the ASEAN Economic Community continues to develop and deepen, and as ASEAN reinforces its central role in the Asia Pacific region through initiatives such as the Regional Comprehensive Economic Partnership and the ASEAN+3 mechanisms.



EU investments are centred on long-term relationships, sustainable development and fair employment conditions and European companies are bound by strong compliance legislation and policies. European companies present in ASEAN today largely focus on supplying the market with high-quality products, services and technological solutions and, therefore, contribute significantly to the medium and long-term development goals of ASEAN and its Member States.

EU'S TRADE WITH ASEAN IN 2014 WAS US\$47 BILLION MORE THAN US-ASEAN TRADE

ASEAN Statistical Database, Table 24, as of 21 Dec 2015

2nd

Europe is ASEAN's second largest trading partner

€1597bn

Total value of trade in Goods alone between the EU and ASEAN 2004-2014

14%

Share of ASEAN's external trade held by Europe (EU+EFTA)

59.4%

Growth rate of EU-ASEAN Trade in Goods from 2004 to 2014

45%

Growth rate of ASEAN exports to the EU from 2004 to 2014

Source: ASEAN Investment Report 2015; DGTrade/Eurostat; ASEAN Statistical Database

THE IMPORTANCE OF ASEAN

5.2%

Predicted average GDP growth rate in ASEAN 2016-2020

622m

Total population in ASEAN as of 2014 - with average growth rates of 1.2%

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

Sources: ASEAN Statistical Database; OECD; McKinsey Global Institute

The ASEAN region is a centre of global economic activity and key driver of world growth. If the region were to be viewed a single economic entity ASEAN would be the world's seventh largest economy, 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 growth rate has been above 5% in recent years. It is predicted to be 5.2% on average for the next five years³ making ASEAN a continuing bright star in the global economy.

ASEAN itself, as a region, is a trading hub with the rest of the world. Nearly 76% of total ASEAN trade is with the rest of the world, with only 24% of trade being amongst the ASEAN Member States (compared to around 60% for intra-EU trade). The fact that intra-ASEAN trade is relatively low, and that ASEAN trades so much with the rest of the world, demonstrates two things of note for European businesses. 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 demonstrably 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.

Some key characteristics of ASEAN today are:

- Growing economies (averaging 5+% per annum)
- Favourable demographic dividend
- Improving education levels
- Growing middle class and disposable income levels
- Significant infrastructure requirements (not just transport and power, but housing, utilities etc.)
- Low inflation
- Politically stable
- Geographically well positioned

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

THE ASEAN ECONOMIC COMMUNITY & ASEAN VISION 2025

The EU-ABC is a strong supporter of, and proponent for, the ASEAN Economic Community. We applaud the leadership within ASEAN for their foresight and determination in developing the AEC and other elements of the ASEAN Community. **The increasingly open trade policies that are unilaterally being developed in much of the region are also welcomed.**

We believe that, once fully implemented, the AEC will indeed act as an accelerator for the economic and social development of the ASEAN region, bringing significant benefits to every part of the region and its citizens, and increasingly putting ASEAN at the centre of the global economy. The potential for the region, and the opportunities within it, as noted in the previous section, are there for all to see. The AEC will help to realise that potential and opportunity, so long as all of the elements in both the 2015 and 2025 Blueprints are fully implemented in the respective Member States.

The EU-ABC and its Members, stand ready to work with ASEAN, ASEAN Member States and related bodies and institutions to help ensure that not only is the AEC fully implemented to the benefit of all, but that it is the significant success that it is intended to be.

AEC Blueprint 2015 & Kuala Lumpur Declaration on the AEC



“ASEAN
RECONGNISES
THAT REGIONAL
ECONOMIC
INTEGRATION IS
A DYNAMIC,
ONGOING
PROCESS”

ASEAN Economic Community
Blueprint 2025, November
2015

On 22nd November 2015 at the ASEAN Leaders’ Summit in Kuala Lumpur, the Heads of Government of ASEAN’s ten Member States formally declared the establishment of the “ASEAN Community”, one pillar of which is the ASEAN Economic Community⁴. Despite that, many aspects of the AEC remain to be fully implemented. Nevertheless, the fact that ASEAN has collectively taken a bold and seemingly irreversible step towards economic integration, and has indeed put in place many of the necessary multilateral framework agreements between its Member States to make the AEC not only a reality but meaningful, should not be dismissed. To have done so over an eight-year period since the launch of the original AEC Blueprint 2015 in 2007, without having a strong supra-national institution like the European Commission and binding legislation to coax Member States, is all the more remarkable. The commitment of ASEAN’s lesser developed Member States in implementing the various ASEAN agreements, is particularly laudable.

Despite this progress, it is an undeniable fact that the practical perception of the AEC amongst the business community at large is that many of its ultimate goals, in terms of concrete achievements at the national level, remain some way off. **As things stand today there is still no true free movement of goods, services, skilled labour or investment across the region.** Progress has undoubtedly been made in each of these areas, progress that is directly attributable to the AEC, but more needs to be done to turn the intent of the various framework agreements into on-the-ground reality for businesses in the region and, ultimately, to ensure the benefits are felt by all citizens across ASEAN.

⁴ <http://www.asean.org/storage/2015/12/KL-Declaration-on-Establishment-of-ASEAN-Community-2015.pdf>

ASEAN 2025: Forging Ahead Together & The AEC Blueprint 2025

The EU-ABC strongly welcomes and endorses the AEC Blueprint 2025. We note in particular the key elements of the new Blueprint and the commitments contained within it. We congratulate ASEAN for looking to build upon the 2015 Blueprint and to further deepen and enhance the AEC.

To summarise, ASEAN's aim is to achieve⁵, by the end of 2025:

- A well-integrated and connected economy within the global economic system;
- A business-friendly, trade-facilitative, market driven and predictable environment which inspires investor confidence;
- A region with a key role in global value chains and increasing participation in high value added and knowledge-based activities;
- A competitive and dynamic region that inspires innovation and where businesses of all sizes thrive and where consumers' rights are protected;
- A community where the benefits from economic integration are equitably shared among and within ASEAN Member States, including micro, small and medium enterprises, youth, and women entrepreneurs; and,
- A connected region where improvements in transport linkages and infrastructure help peoples and businesses move efficiently and work more productively across borders, expand market reach and strategically source goods and services.

These goals undoubtedly require ambitious implementation of the current and future commitments under the AEC in each of the respective Member States. It also requires that the current barriers which hamper a smooth flow of trade and investment are dismantled.

Within the detail of the AEC Blueprint 2025 there are a number of elements that the EU-ABC and its Members particularly welcome as these areas will help to foster and maintain investor confidence in the region, so long as international businesses can see that real and tangible progress being made.

It is essential, as a starting point, that those elements from the 2015 Blueprint that remain to be fully implemented are not forgotten and are dealt with as a priority. The EU-ABC therefore notes the statement in the 2025 Blueprint that *"the immediate priority is to complete the implementation of measures unfinished under the AEC Blueprint 2015 by end-2016"*⁶ This would involve ASEAN collectively removing, for example, all non-tariff barriers to trade by the end of 2016, as the elimination of non-tariff barriers was a key commitment under the 2015 Blueprint. Whilst that may remain an ambitious timetable to achieve, some real and tangible progress on the removal of NTBs during the course of 2016 is possible and will undoubtedly help to bolster international investor confidence in South East Asia.

There are many elements within the new Blueprint that the EU-ABC welcomes. However, we strongly feel that the Blueprint needs to contain target dates, and concrete measurable - and perhaps more realistic - outcomes, for each of its commitments and "characteristics" in order to help focus minds and ensure that key areas are delivered on as early possible in order to bolster business confidence in the both the ASEAN region and the integration process.


 A graphic consisting of a blue triangle pointing to the right, with a quote in orange text overlaid on it.

"FREE FLOW OF
GOODS WOULD
REQUIRE NOT
ONLY ZERO
TARIFFS BUT
THE REMOVAL
OF NON-TARIFF
BARRIERS AS
WELL"

ASEAN Economic Community
Blueprint 2015, November
2007

⁵ See <http://www.asean.org/asean-2025-at-a-glance/>

⁶ See paragraph 4 of the introduction to the AEC Blueprint 2025, ASEAN Secretariat.

AEC Blueprint 2025: Key Measures & Commitments

AEC 2025 Reference	Measure or Commitment	EU-ABC Commentary
Trade in Goods (Section II.A1)	Achieve “a greater free flow of goods” through continuing “to reduce or eliminate border and behind-the-border regulatory barriers that impede trade” and to achieve a “seamless movement of goods within the region”.	<p>This should be the central and main tenet of the AEC. Much work remains to be done especially in the area of Customs facilitation; removal of NTBs; the full automation of Customs Procedures; establishment of National Single Windows and (eventually) the ASEAN Single Window; the development of trade repositories; and, the harmonisation of standards and regulations across the region.</p> <p>We note the establishment of the ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC) and hope that the EU-ABC will be invited to play a full and active role in it.</p> <p>Some low-hanging fruits include the ratification and transposition of key ASEAN agreements into national law such as:</p> <ol style="list-style-type: none"> i. ASEAN Framework Agreement on the Facilitation of Goods In Transit (AFAFGIT); ii. the ASEAN Framework Agreement for the Facilitation of Inter-State Transport (AFAFIST); iii. Operationalise the ASEAN Customs Transit System pilot programme involving Singapore, Thailand and Malaysia including an Authorised Transit Trader programme.; iv. Implementation of the AHTN as the one and prevailing tariff nomenclature in all ASEAN Member States for all its trade. <p>Note: The EU-ABC will be publishing a paper later in 2016 on Customs and Transit Issues that will be positioned to assist ASEAN in the development of measures aimed at achieving a greater free flow of goods across the region.</p>
Trade in Services (Section II.A.2)	“The objective is to further broaden and deepen services integration within ASEAN”. “Review existing flexibilities, limitations, thresholds and carve-outs as appropriate”.	The EU-ABC believes that a liberalised, vibrant and highly competitive services sector is essential to the economic development of the region. We therefore fully support the intentions behind this element of the AEC Blueprint 2025, especially when it comes to removing foreign equity constraints in key sectors (e.g insurance; transport and, financial services). In this regard, we believe that the “ASEAN minus X” formula has not helped ASEAN achieve its goals of the AEC, even in sectors that in the AEC Blueprint 2015 were regarded as a priority for integration.

Investment Environment (Section II.A.3)	<p>“ASEAN aims to enhance further its attractiveness as an investment destination globally through the establishment of an open, transparent and predictable investment regime”.</p>	<p>This is key to maintaining FDI inflows to the region. Foreign investors will be looking for real and tangible progress not just on this element of the AEC but on all the measures in the new Blueprint, especially on the degree of openness to FDI in various sectors, and the development of new regulations and implementation measures related to the AEC. Measures to ensure level playing fields, promote a truly competitive environment, and to enhance private-public sector consultation are essential in this respect.</p> <p>Recommendation: In the short-term, we recommend that the respective ASEAN Member States submit a timeline for when the commitments of majority FDI ownership thresholds are to be brought in line with the ACIA are to be implemented. As a first step, this could be done for sectors that have been identified as priority sectors for ASEAN integration.</p>
Financial Integration, Financial Inclusion & Financial Stability (Section II.A.4)	<p>“strengthen financial integration to facilitate intra-ASEAN trade and investment by increasing the role of ASEAN indigenous banks, having more integrated insurance markets...” “further commitment to liberalise financial services...” “Expand the scope of financial access”</p> <p>“payment and settlement systems will be further enhanced”</p> <p>“harmonisation of standards and market practices based on international best practices (such as ISO 20022)”</p>	<p>It is the view of the EU-ABC that moving to deepen financial integration in ASEAN, increase financial inclusion and literacy in the region, and to liberalising financial markets across South East Asia are all essential to achieve the overall aims of the AEC.</p> <p>Increased competition, by allowing more access for international players, in all sections of the financial services industry will result in more choice of service providers and will promote innovation in the delivery of financial services and products - moves that will assist the end consumer and access to finance for SMEs.</p> <p>Modernisation of payment and settlement systems and adoption of ISO 20022 standards for cross-border transactions will improve the attractiveness of ASEAN for trade, investment and capital markets. This will ensure investments in new infrastructure are maximised and that the goals of market integration are expedited.</p> <p>The ASEAN region requires a Payments Council. The role of this council is to initiate, promote and manage the standardisation of payments in ASEAN. The first order of business is to harmonise cross-border payments through a scheme for cross border credit transfers. The Working Committee on Payments & Settlement Systems (WCPSS), ASEAN Bankers Association (ABA) and EU-ABC, and global neutral cooperatives (e.g. SWIFT) are uniquely placed to support this initiative.</p> <p><i>Note: On Insurance, the EU-ABC published a paper in 2015 looking at the insurance industry in the region and made several recommendations aimed at increasing insurance penetration rates and providing more competition and increases in long term investment funds. An update on that paper will be published shortly.</i></p>

<p>Facilitating movement of Skilled Labour & Business Travellers (Section II.A.5)</p>	<p>“Expand and deepen commitments under the ASEAN Agreement on MNP where appropriate; and, reduce if not standardize documentation requirements.”</p>	<p>The EU-ABC generally welcomes any moves to ease the movement of skilled labour. We hope that ASEAN can look at measures to ease the movement of staff within companies across the region as part of management development and training programmes, or to fill short-term gaps in specific skills areas. In addition, the national legislation in each Member States needs to be reviewed so that it is compatible with the existing Mutual Recognition Agreements (MRAs) within ASEAN.</p>
<p>Enhancing Participation in Global Value Chains (Section II.A.6)</p>	<p>“Enhancing ASEAN Member States’ GVC participation either through the removal of restrictions (market access and discriminatory measures) or better trade facilitation and regulatory coherence”.</p>	<p>The proposal to remove “restrictions (market access and discriminatory measures)” and to make improvements in the area of trade facilitation and regulatory coherence is very much welcomed.</p> <p>We believe that this goes to the heart of what is essential for the AEC to be fully implemented. The EU-ABC is grateful for the opportunity to participate in the ASEAN Policy Labs looking at Seamless Logistics and Regulatory Excellence which have recently been established as a means of tackling some of the issues highlighted here. In this regard, we would welcome discussions on the implementation of the ASEAN Agreement on Customs as well as the alignment of each of the Member States to the WTO Trade Facilitation Agreement.</p> <p>Recommendation: In the short-term, in order to facilitate SME participation in global value chains, we would recommend that ASEAN introduces a threshold for waiver of Certificate of Origin for shipments below USD 2,000.</p>
<p>Effective Competition Policy (Section II.B.1)</p>	<p>“Enforceable competition rules that proscribe anti-competitive activities are an important way to facilitate liberalization and a unified market and production base...” “...implement national competition laws in all ASEAN Member States based on international best practices...”</p>	<p>The EU-ABC very much welcomes the intentions set out in the AEC Blueprint 2025 regarding competition law.</p> <p>We believe that strong competition laws will help drive dynamic and diverse economies, so long as they can tackle entrenched monopolistic positions.</p> <p>We would hope that such moves would also be extended to ensuring open, transparent and competitive tendering for government contracts across the region. We would also welcome an enforcement mechanism within ASEAN to this commitment.</p>

Strengthening Intellectual Property Rights Co-operation (Section II.B.3)	<p>“Intellectual Property (IP) has an important role in contributing to the achievement of national and regional socio-economic development goals. Protecting intellectual property rights (IPR) is critical for ASEAN Member States to move higher up the technology ladder...”</p>	<p>The members of the EU-ABC have keen interest in this topic. We welcome the intention to “enhance effective co-operation on the regional IPR enforcement and to promote building respect for IP”. Measures to tackle illicit and counterfeit trade across the region should be a priority both to protect IPR and, more importantly, consumer wellbeing.</p> <p>Note: The EU-ABC will be producing a position paper on the subject of IPR and Illicit Trade in the first half of 2016 which we hope will prove useful to ASEAN as it develops an enhanced regulatory and enforcement regime in this area.</p>
Taxation Co-operation (Section II.B.5)	<p>“Concerted efforts to support the completion and improvement of network of bilateral tax agreements to address issues of double taxation...” “Explore the possibility of collaboration in excise taxation and information sharing among ASEAN Member States on common excisable products.”</p>	<p>Moves to remove double taxation issues, simplify tax regimes and, hopefully, to harmonise the approach and methodology for excise taxation will be welcomed by the EU-ABC.</p> <p>Note: We intend to develop ideas in this area during the course of 2016 for the consideration of the relevant authorities in the region.</p>
Good Governance (Section II.B.6)	<p>“ASEAN recognizes the need to continue engaging the various stakeholders to build a more dynamic AEC 2025...” “Promote a more responsive ASEAN by strengthening governance through greater transparency in the public sector...” “Enhance engagement with the private sector...to improve the transparency and synergies of government policies...”</p>	<p>Moves to entrench greater transparency and 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.</p> <p>Another measure to improve governance is to automate government services, especially in the customs and tax areas. We would recommend that:</p> <ul style="list-style-type: none"> ➢ ASEAN commits to automating customs procedures by 2017; ➢ Eliminates the need for duplicate hardcopy requirements.

<p>Effective, Efficient, Coherent and Responsive Regulations and Good Regulatory Practice (Section II.B.7)</p>	<p>“The drive towards a competitive, dynamic, innovative and robustly growing ASEAN entails that the regulations are non-discriminatory, pro-competitive, effective, coherent and enabling of entrepreneurship, and the regulatory regime responsive and accountable.” Regulations should “effectively address the identified problem while minimizing the cost of compliance...as well as preventing unwarranted distortions and inconsistency arising from the regulations.”</p>	<p>As with the section on Good Governance, 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.</p> <p>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:</p> <ul style="list-style-type: none"> ➤ 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; ➤ 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.
<p>Enhanced Connectivity and Sectoral Co-operation (Section II.C)</p>	<p>“Enhance economic connectivity involving various sectors, namely, transport, telecommunications and energy”</p>	<p>Connectivity in ASEAN is a large concept, but one that is essential to the economic and social wellbeing of the region. The EU-ABC is supportive of moves to “establish an integrated, efficient and globally competitive logistics” industry and to “operationalize” AFAFGIT and take forward areas such as the ASEAN Customs Transit System</p> <p>Additionally, we also believe that “a strong ICT infrastructure with pervasive connectivity in ASEAN can facilitate the creation of a business environment that is conducive to attracting and promoting trade, investment and entrepreneurship”. Putting in place the relevant incentives, policies and regulatory frameworks to assist with Digital Innovation in the region, especially for financial services and healthcare purposes, should be key aim for ASEAN.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> ➤ A first step would be for ASEAN to ensure ratification of the AFAFGIT and the AFAFIST in order to pave the way for the implementation of the pilot project of the ACTS. ➤ ASEAN Member States to submit a plan for targeted transposition into national law of the AFAFGIT and AFAFIST. ➤ All ASEAN Member States to use the AHTN as the one and prevailing tariff code for all trade. <p>Note: We will be producing a paper on Customs and Transit issues which will be aimed at assisting developments in this key area.</p>

<p>Strengthening the role of MSMEs (Section II.D.1)</p>	<p>“A more structured and targeted MSME programme will be instituted to enhance MSME competitiveness, resilience and to enable greater benefits from ASEAN integration.”</p>	<p>Given the size of the contribution to MSMEs to the broader ASEAN economy it is essential that this sector both feels the benefits of the AEC process and is seen not to be excluded.</p> <p>If ASEAN can deliver on the other commitments within the AEC, most notably the removal of NTBs and measures to ease the free flow of goods and services, then many of the benefits of the AEC should naturally flow to MSMEs.</p> <p>The other key element though is access to finance and capital for which a variety of solutions, including policy instruments, government guidelines and initiatives, as well as having a vibrant and competitive financial services industry will be needed.</p> <p>Short-term recommendations: Bolstering cross-border e-Commerce is a key measure to support MSME development and encourage internationalisation. Therefore, measures that facilitate trade and the movement of goods are of particular importance.</p> <ul style="list-style-type: none"> ➤ As a first step, we would recommend that ASEAN implements a so called de minimis baseline of USD 100, which exempts low-value shipments from duties, taxes and burdensome paperwork such as licensing requirements. ➤ To help dismantle the barriers to cross-border e-Commerce for ASEAN’s SMEs, we would recommend that ASEAN in 2016 formulates an action plan which identifies said barriers and recommends concrete solutions to overcome them.
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WORKING BETTER WITH ASEAN: HELPING TO BUILD A STRONGER ASEAN

“THE ROLE OF THE PRIVATE SECTOR IN ASEAN INTEGRATION IS IMPORTANT AS A KEY STAKEHOLDER IN THE PROCESS. IN THE AEC 2025 ENVIRONMENT, IT IS RECOGNISED THAT GREATER INVOLVEMENT OF THE PRIVATE SECTOR AND MORE STRUCTURED PARTICIPATION WILL BE BENEFICIAL TO THE ACHIEVEMENT OF ASEAN GOALS”

AEC Blueprint 2025, paragraph 70, Section II.D.2

Section II.D.2 of the AEC Blueprint 2025 deals with role of the private sector in helping to build the ASEAN Economic Community. 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, 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. We also run the ASEAN-EU Business Summit and, in association with the European Chambers of Commerce in South East Asia, regular seminars and events focused on issues connected with the AEC.

However, in addition to these high-level meetings and events, 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 be 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”⁷ 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”⁸. 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 EU-ABC is very grateful to have already been invited to participate in a series of “policy labs” that have been established under the Connectivity element of the AEC (namely, “Infrastructure Finance”, “Skills, Education & Mobility”; “Seamless Logistics”; “Regulatory Excellence”; and, “Digital Innovation”). We view

⁷ ASEAN 2025: Forging Ahead Together, p.90, paragraph 71(i)

⁸ ASEAN 2025: Forging Ahead Together, p.90, paragraph 71(i)(b)

these as an exciting development and are looking forward to participating to the fullest extent possible in this process.

In addition to these “policy labs” we do feel that we could make valuable contributions in the following areas and groups:

- ASEAN Trade Facilitation Joint Consultative Committee (ATF-JCC)
- Insurance - ASEAN Insurance Regulators Meeting & any working group on the ASEAN Insurance Integration Framework
- Financial Services - Working Committee on ASEAN Financial Services Liberalisation (WC-FSL)
- The Working Committee on Payments & Settlement Systems (WCPSS)
- ASEAN Experts Group on Competition (AEGC)
- The ASEAN Committee on Consumer Protection (ACCP)
- Customs & Transit Issues - Coordinating Committee on Customs (CCC) & ASEAN Customs Directors General Meeting; Logistics and Transport Services Working Group (LTSSWG)
- IPR & Illicit Trade - ASEAN Working Groups related to the development of IP policy and IPR enforcement
- Agri Food - Prepared Foodstuff Product Working Group (PFPWG)
- Automotive - Automotive Product Working Group (APWG)
- Standards & Harmonisation - ASEAN Consultative Committee on Standards and Quality (ACCSQ)

We therefore respectively ask the ASEAN Economic Ministers and ASEAN Finance Ministers, in line with the commitments contained in the AEC Blueprint 2025 for increased and enhanced private sector dialogue and consultation, to give favourable consideration to our request to participate in these groups and any other relevant groups. Doing so would give European business continued confidence in the ASEAN Integration project.

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 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, Agri-Food & FMCG, IPR & Illicit Trade, Market Access & Non-Tariff Barriers to Trade, and Financial Integration.

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 is Mr François Guibert.

Membership

The EU-ABC’s membership consists of large European Multi-national Corporations and the eight 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.

Membership



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.

ANNEX 1: RECOMMENDATIONS FROM APRIL 2015 PAPER

Trade	Tariffs	The phasing out and eventual elimination of tariffs to trade for the movement of goods and services within ASEAN and between ASEAN and the EU will lead to enhanced trade and greater investment.
	Non-Tariff Barriers	The phasing out and eventual elimination of non-tariff barriers to trade for the movement of goods and services within ASEAN and between ASEAN and the EU, which will spur regional trade, attract investment and ultimately improve consumer choice and innovation.
	Intellectual Property Rights and Illicit Trade	Enhanced protection of Intellectual Property Rights and a clamp down on illicit trade will give companies greater confidence to invest and trade in ASEAN, and will provide enhanced protection to consumers whilst also improving government revenues.
	ASEAN Single Window & WTO Trade Facilitation Agreement	Rapid implementation of the ASEAN Single Window (ASW) and effective ratification and implementation of WTO “Bali Package” relating to trade facilitation will ease cross-border intra-ASEAN trade.
	Harmonisation of customs and immigration procedures	A single, harmonised customs regime, with even-handed and regularised enforcement, would reduce the cost of doing business in ASEAN, make cross-border trade simpler and cheaper, and would make cross-border enforcement mechanisms more effective.
Investment	Harmonisation of Standards and Regulations	The harmonisation, alignment or mutual recognition of standards and regulations in various business and industry sectors will ease intra-regional trade and ensure a commonality of approach. Standards and regulations should be in line with accepted International best practice.
	Removal of long term investment constraints	Putting in place mechanisms and appropriate tools and systems to promote long term investments in ASEAN will both help to deepen the investment profile of European businesses and assist ASEAN in its long term funding requirements for socio-economic and infrastructure development.
	Foreign Ownership	Liberalising foreign ownership rules in sectors where restrictions exist would allow for fair and open competition, increased access to international best practices, and increased Foreign Direct Investment.
Competitiveness	Support for SMEs	Provision of targeted support for SMEs in the region, particularly in SME financing would help promote sustainable economic development and inclusive growth.

	Movement of Labour	The implementation of measures to ease the movement of skilled and key staff around the region, including the adoption of an ASEAN Business Travel Card to allow for visa free travel, will aid businesses in the development and deployment of human capital.
	Public Procurement	Increased and improved transparency in public procurement processes will mean better and more competitive bids, resulting in greater value for money for governments.
Continued Dialogue	ASEAN-EU Mechanisms of Cooperation	Formalised consultative and dialogue process between ASEAN, the EU and business community on the development of trade, investment and commercial policy in both ASEAN and the EU.

