



AEC WILL CONTINUE TO EVOLVE AND STRENGTHEN WELL BEYOND 2015

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The launch of the ASEAN Economic Community (AEC) at the end of 2015 will be a milestone in South-East Asia's economic integration. Together with the two other pillars – the ASEAN Political Security Community (APSC) and the ASEAN Socio-Cultural Community (ASCC) – the AEC promises to deliver on the bread-and-butter issues that are crucial to the achievement of shared prosperity and sustainable development for all countries in the region.

ASEAN has already made significant strides in its economic integration, such as tariff elimination and facilitating trade in goods. The AEC rests on a foundation built over the past several decades, including earlier ASEAN initiatives such as the ASEAN Free Trade Area (AFTA) and the ASEAN Framework Agreement on Services (AFAS). ASEAN's economic integration is an ongoing process and can be expected to strengthen and evolve further beyond 2015.

One key goal of the AEC is to enhance intra-ASEAN trade and become a single market and production base. Average intra-ASEAN tariffs fell from 13 per cent in 1993 to near-zero in 2013. ASEAN has eliminated nearly all tariffs, with only a few sensitive products remaining on the list. ASEAN has also been

working to eliminate non-tariff barriers and promote facilitation of cross-border intra-ASEAN trade, including eliminating unnecessary impediments to trade.

A more integrated ASEAN can be expected to enjoy greater economies of scale in production and improved efficiency through specialization. Enhanced market access and reduced transaction costs across ASEAN countries have enhanced ASEAN productivity and competitiveness. According to a joint study by the Asian Development Bank (ADB) and International Labour Organization, the AEC could generate 14 million jobs by 2025.

Wealth distribution projections also appear positive. The ADB predicts that the size of the middle class in ASEAN will more than double by 2018, and will rise to 65 per cent of the population in 2030. Increased income and employment creation will further enhance ASEAN's attractiveness as a large consumer market of more than 600 million people (9 per cent of the world's total population).

The next key steps towards full realization of the AEC include liberalization of trade in services, investment and labour mobility. In most ASEAN economies, services have

been increasing as a share of GDP. As a result, AFAS will improve the efficiency and competitiveness of ASEAN by progressively improving market access and removing restrictions. The AEC will continue efforts to create more efficient services suppliers in the post-2015 period. The growth of the services sector will add to ASEAN's growth momentum. Meanwhile, the ASEAN Comprehensive Investment Agreement provides an investment regime that offers stronger legal protection for foreign investors.

Deepening economic integration within ASEAN has enabled it to be outward looking and better equipped to actively engage in FTAs with external partners. ASEAN's emergence as the de facto FTA hub in the broader Asian region through the Regional Comprehensive Economic Partnership (RCEP), currently being negotiated, is a testament to ASEAN's resilience and continuing evolution.

In the post-2015 period, the AEC can be counted on to build upon its achievements and continue to work to further improve the lives of its millions of people.