

ASEAN ECONOMIC COMMUNITY

Handbook for Business 2012

one vision
one identity
one community



ASEAN Economic Community Handbook for Business 2012

The ASEAN Secretariat
Jakarta

The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967.
The Member States of the Association are Brunei Darussalam, Cambodia, Indonesia,
Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam.
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History of ASEAN

ASEAN - the Association of Southeast Asian Nations- was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (also known as the Bangkok Declaration) by the Founding Members of ASEAN, namely Indonesia, Malaysia, the Philippines, Singapore and Thailand. Brunei Darussalam joined on 7 January 1984, Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and Cambodia on 30 April 1999, making up today's 10 Member States of ASEAN.

The two-page ASEAN Declaration contains the aims and purposes of the Association, which include cooperation in the economic, social, cultural, technical, educational and other fields, and in the promotion of regional peace and stability through abiding respect for justice and the rule of law, and adherence to the principles of the United Nations Charter.

With a shared vision of ASEAN as a unified body of Southeast Asian nations living in peace, stability and prosperity, and bonded together in partnership for dynamic development and as a community of caring societies, ASEAN Leaders in 2003 resolved to establish an ASEAN Community in 2020. In 2007, the Leaders affirmed their strong commitment to regional integration and agreed to accelerate the establishment of an ASEAN Community by 2015.

The three pillars of the ASEAN Community—the ASEAN Political-Security Community, ASEAN Economic Community and ASEAN Socio-Cultural Community—will work in tandem to realise ASEAN's regional integration under the guidance of the ASEAN Charter.

The ASEAN Charter provides the ASEAN Community's legal status and institutional framework, codifies ASEAN norms, rules and values, and sets clear targets and guidelines for accountability and compliance. With its entry into force on 15 December 2008, the Charter serves as the foundation for ASEAN's new legal framework and the establishment of new organs and mechanisms to boost ASEAN's community-building process.

Foreword by H.E Dr. Surin Pitsuwan

Secretary-General of ASEAN



With three more years to go by 2015, ASEAN is now at a critical juncture of realizing the ASEAN Economic Community. As such, stakeholders' inputs and partnership are essential both in designing regional strategies as well as in identifying problems and bottlenecks during the implementation of the strategies to achieve meaningful regional economic integration. It is in this context that private sector engagement assumes greater importance. Since AEC is a market-driven process, ASEAN needs to actively engage the private sector to shape and improve coherence, transparency and attain synergies between government and business sectors in building the AEC.

Over the years, ASEAN has invested considerable efforts in strengthening dialogue and consultations with private sector bodies, business groups and industry associations, through various mechanisms at regional and national levels. This wider engagement has both broadened and deepened our understanding of the private sector support for the ASEAN integration process.

This year the emergence of new private sector-led mechanisms to promote AEC is encouraging. I am pleased to note the formation of the new Canada-ASEAN Business Council and the first Business Summit organized by US-ASEAN Business Council based on Business to Business (B2B) and Business to Government (B2G) engagement model. The 1st AEC Symposium also kicked off this year, bringing together key market players and business leaders in ASEAN discuss AEC issues.

Despite all these efforts, there still remains a gap in the understanding by the private sector of what constitutes the AEC, how is it going to be realized and what are the implications for the markets. This ASEAN Economic Community Handbook

for Business 2012 is intended to fill this gap. It also serves as a guide for all companies, be it ASEAN/non-ASEAN based or large/small, to assist in placing ASEAN in their business plans.

As the AEC draws near, all stakeholders including the private sector have to be ready. It is therefore my hope that the Handbook will deepen our understanding of the connections between private sector and the broader AEC outcomes.

Trade Facilitation

Trade facilitation initiatives in ASEAN are spearheaded by the implementation of the ASEAN Trade in Goods Agreement (ATIGA) and Agreement on Customs. These agreements are supported by work done by several sectoral bodies plan and execute the trade facilitation measures, guided by the provisions and the requirements of ATIGA and the Agreement on Customs. The progress being made by these sectoral bodies forms the backbone for achieving the targets of the AEC Blueprint and establishing the ASEAN Economic Community by 2015.

The Coordinating Committee on the Implementation of the ATIGA (CCA) oversees the implementation of the ATIGA and supervises the implementation of the provisions of the agreement and its trade facilitation initiatives.

The customs integration initiative is led by the ASEAN Customs Directors-General (D-G) Meeting which makes policy decisions and provides guidance to the customs integration process amongst the ASEAN member states (AMSs). The Customs D-G meeting, supported by the Coordinating Committee of Customs, coordinates the activities of three working groups, covering initiatives in trade facilitation, enforcement and compliance and capacity building.

Another important component of the trade facilitation initiatives of ASEAN is the setting up of the ASEAN Single Window (ASW). This initiative is led by the ASW Steering Committee (ASWSC), composed of officials from both customs and trade related agencies of the AMS. The ASWSC oversees the overall direction and the implementation of the ASW and is supported by the Technical Working Group and the Legal Working Group which looks into the technical architecture and the legal basis for the final implementation of the ASEAN Single Window Programme.

The development and harmonisation of common standards, technical regulations and conformity assessment forms an integral part of the trade facilitation efforts under the ASEAN Economic Community building process. The development of the standards and conformance initiatives is spearheaded by the ASEAN Consultative Committee on Standards and Quality (ACCSQ). The committee, which comprises senior officials from the standards and regulatory related agencies and institutions in the AMS, provides guidance in formulating policies and recommendations on the harmonisation of standards, technical regulations and conformity assessment procedures.

To achieve the requirements of the ATIGA in harmonisation of standards and regulatory measures, the ACCSQ is supported by three main working groups covering standards, accreditation and conformity assessment and legal metrology. The ACCSQ is also supported by eight product working groups based on the selected priority integration sectors which includes Cosmetics, Automotive, Electrical and Electronics, Rubber Based, Prepared Foodstuff, Traditional Medicine, and Health Supplements, Medical Devices and Pharmaceuticals. These product working groups discuss issues related to harmonisation of standards, regulatory measures and mutual recognition arrangements (MRAs) with a view to facilitate support the essence of making ASEAN a single production base through the relevant product sectors

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ASEAN Trade in Goods Agreement (ATIGA)

Key Achievements in ATIGA:

Tariff Liberalisation

ASEAN has achieved significant progress in tariff liberalization amongst the AMSs. As of January 2010, Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand (ASEAN-6) have eliminated intra-ASEAN import duties on 99.65 per cent of their tariff lines. Cambodia, Lao PDR, Myanmar, and Viet Nam have reduced their import duties to 0-5 percent on 98.86 per cent of their tariff lines. However the AMS are allowed to maintain tariffs on some products classified under the Sensitive List (SL), Highly Sensitive List (HSL), and General Exception List (GEL).

Addressing Non-Tariff Barriers

Having made good progress on in tariff reduction, focus and much emphasis is now being given to addressing the non-tariff measures (NTM) that may have non-tariff barrier (NTB) effects and also at and behind the border barriers. The CCA is now in the process of establishing a robust mechanism to identify and eliminate NTB effects on NTMs with the cooperation of the AMSs. In its efforts to address this issue, the CCA has established an NTM database maintained by the ASEAN Secretariat, where regular updates are made by the AMSs.

The CCA is currently engaging with the three prioritized regional private sector associations, which are textile, automotive, and electronics, to identify NTBs faced by each industry at implementation point and to find ways on how best to address these impediments to trade facilitation. The CCA meeting also provides a forum for the AMSs to discuss and to take follow-up actions on actual cases of impediments encountered by their private sector and reported through the CCA representative of the AMSs concerned. The AMSs are also encouraged to have regular dialogue with their industries and individual companies at a national level to identify and flash out issues on the trade impediments faced by the business communities.

Self-Certification System

Another initiative of trade facilitation that is being developed by AMSs in ensuring free flow of goods is the introduction of the self-certification system. The self-certification system that is being developed will allow the exporters to declare and self-certify the ASEAN product content in their exported products on pre-agreed export documents. To operationalize this trade facilitation measure, AMS will select eligible exporters as 'certified exporters' and empower them to make self-declaration on the agreed export documents. These certified exporters will be selected by the AMS concerned based on the criteria set by the AMSs.

The Self-Certification System in ASEAN commenced with three participating Member States including Brunei Darussalam, Malaysia, and Singapore in November 2010 and Thailand subsequently joined in October 2011. Currently the First Pilot Project of the Self-Certification System is being implemented with the participation of four member states.. The Second Self-Certification Pilot Project is currently being developed by Indonesia, Lao PDR, and the Philippines, which is expected to start implementation at the later part of 2012. On the completion of the pilot project stage, participants of the two pilot projects will merge to have an ASEAN-wide implementation of the Self-Certification System by 2015. The successful implementation of the ASEAN-wide Self Certification System will provide the business community an added advantage in managing the cost and time of doing business in the region. The system will also allow for building trusts through consultation and greater transparency between the business community and the public sector.

Enhancement of CEPT Rules of Origin (ROO) Requirements

Establishing acceptable and operational ROO criteria proves to be an important task for ensuring the success in achieving the core element of "Free Flow of Goods", the Sub-Committee on ATIGA Rules of Origin (SC-AROO) is tasked to identify the most appropriate and trade facilitative ROO giving wider options to economic operators, which is a very challenging area of trade facilitation. To this effect, a Pilot Sector Study on the most appropriate Rules of Origin (ROO) to facilitate the integration of ASEAN production networks has been completed for automotive products and the SC-AROO is now working on other products such as iron and steel.

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ASEAN Customs Modernisation

Customs Modernisation and Integration

With the signing of the updated version of the ASEAN Agreement on Customs, the customs administrations in the AMS are accelerating the necessary reforms and modernisation of the customs techniques and procedures to enhance trade facilitation. The ASEAN Customs D-G's meeting in Manila, recently, endorsed the Strategic Plans for Customs Development (SPCD) for 2011-2015. The SPCD covers a wide range of activities including Customs Tariff Classification, Valuation, Origin Determination of Goods, E-Customs, Customs Clearance, Customs Transit's Private Sector Engagement, Authorised Economic Operators, Knowledge Based Service, Enforcement and Mutual Assistance, Post Clearance Audit, Public Security and Protection of Society, Reform and Modernisation, HR/Admin Development and Narrowing Development Gap.

The adoption and the timely implementation of these SPCD will ensure the enhancement of trade facilitation through the reduction of both processing cost and time required for the release of shipments. The SPCD will also have a positive impact on the general customs administration and improve its efficiency in deliverance.

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ASEAN Single Window (ASW)

The ASEAN Single Window (ASW) is a key component of ASEAN's plan to realise the ASEAN Economic Community by 2015 and to enhance trade facilitation. The ASW, when fully operational, will enhance trade facilitation and facilitate the movement of goods in the region by providing the relevant architecture for the electronic exchange of cargo clearance documents among ASEAN Member States (AMS). A fully operational National Single Window (NSW) will allow traders to submit trade-related documents in one place and enable related agencies within a Member State to process and deliver decisions through the same point where the submission was made.

Currently the AMS are at various levels of development of their National Single Windows. In some of the AMS, businesses and industries are increasingly making use of the existing NSWs for submitting and processing customs declarations and fulfilling regulatory requirements. This exchange will extend beyond borders with the implementation of the ASW**.** A Pilot Project on ASW is being implemented now where seven countries are participating in this pilot project, using two test documents that are being exchanged via the regional ASW architecture.

The pilot project which is expected to be completed by the end of 2012 will provide the necessary inputs for further upgrading. A scaling up of this pilot project is also being considered by the participating member states once the scale down version of the pilot project is completed which will see an increase in the types of documents from the current two documents.

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Conformity Assessment in ASEAN

Mutual Recognition Arrangements (MRAs) are agreements made between two or more parties to mutually recognise or accept aspects of each other's assessments of product standards. Having an MRA would reduce the need for a product to undergo multiple tests in order to be sold or used in different ASEAN countries. MRAs can help reduce business costs on test reports and increase the certainty of market access for products. Consumers also are assured of the quality of the products in the market that have been tested in accordance with the requirements of the MRAs.

The ASEAN Framework Agreement on Mutual Recognition Agreements signed in 1998 has provided a framework for ASEAN Member States to adopt MRAs for different sectors. MRAs are concluded at the government-to-government level for product classes regulated by the governments.

ASEAN Sectoral MRAs

To date, ASEAN has concluded two sectoral MRAs, namely in the electrical and electronic sector and the pharmaceutical sector.

The ASEAN Electrical and Electronic Mutual Recognition Arrangement, signed in 2002, covers electrical and electronic equipment (EEE) that is connected to low voltage power supply or is battery powered. There are currently 22 testing laboratories and 5 certification bodies listed under the MRA. EEE product that has been tested and/or certified by a listed testing laboratory or certification body under the EE MRA would be accepted as having met the testing and certification requirements of ASEAN Member States.

The ASEAN Sectoral Mutual Recognition Arrangement for Good Manufacturing Practice (GMP) for Manufacturers of Medicinal Products, signed in 2009, calls for the mutual recognition of GMP certifications and/or inspection reports issued by Listed Inspection Bodies of ASEAN Member States within the scope of the MRA.

MRAs for agro-based products and automotive sectors are being developed and are expected to be concluded in 2012.

Harmonising Standards and Technical Regulations

Divergences in national product standards often act as impediments to trade. Doing business in the ASEAN Economic Community will require a harmonisation of product standards and technical regulations, as well as mutual recognition of test reports and certification.

Different standards or excessive technical regulations can serve as major obstacles for producers and exporters. The harmonising of standards, technical regulations and conformity assessment procedures will play a key role in trade facilitation.

ASEAN is also developing the rules for the application of an ASEAN conformity marking scheme, which will indicate whether a product is in conformity with the ASEAN Harmonised Technical Regulations/Requirements. The ASEAN Conformity Mark will demonstrate that the product has complied with the harmonised requirements of ASEAN Member States.

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Alignment with International Standards and Practices

ASEAN's approach to preparing, revising or applying standards, technical regulations and associated conformance regulations has been based on international standards and practices. This includes alignment, as much possible, with obligations under the Agreement on Technical Barriers to Trade (TBT), except where legitimate reasons for deviations exist.

The ASEAN Policy Guideline on Standards and Conformance, which was adopted in 2005, sets guiding principles for implementing joint efforts of ASEAN Member States in the area of standards and conformance, both in regulated and non-regulated sectors.

The ASEAN Good Regulatory Practice Guide provides guidance to regulators in ASEAN Member States to assist in the preparation and adoption of efficient regulatory arrangements aimed at improving the consistency and transparency of technical regulations to reduce regulatory barriers to trade.

Harmonisation of Standards

In 1997, work on harmonising standards began with the identification of 20 priority products. As a result, a total of 58 standards for electrical appliances and three standards for rubber-based products sector were harmonised. Progress also has been reported in the pharmaceutical sector.

Product	Standards	Progress Made
Electrical appliances	ISO, IEC & ITU	58 harmonised standards
Electrical safety	IEC	71 harmonised standards
Electromagnetic components	CISPR	10 harmonised standards
Rubber-based products	ISO	3 harmonised standards
Pharmaceuticals	International Conference on Harmonisation Requirements (ICH)	Completion of the ASEAN Common Technical Dossiers (ACTD) and ASEAN Common Technical Requirements (ACTR)

The harmonisation of standards in other sectors, earmarked as priorities for economic integration are under way. These include agro-based products, cosmetics, fisheries, pharmaceuticals, rubber-based products, wood-based products, automotive, construction, medical devices, traditional medicine and health supplement sectors.

Harmonisation of Technical Regulations

ASEAN has harmonised the technical regulations for the cosmetics sector (under the ASEAN Harmonised Cosmetic Regulatory Scheme signed in 2003) and the electrical and electronics sector (under the ASEAN Harmonised Electrical and Electronics Equipment Regulatory Regime) were signed in 2005.

The harmonisation of technical regulations for other sectors is under way for agro-based products, automotive, medical devices, traditional medicine and health supplement sectors.

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ASEAN Framework Agreement on Services (AFAS)

The services sector is a major and expanding component of the Gross Domestic Product (GDP) of ASEAN Member States (AMS), presently accounting for 40 to 60 per cent of GDP. ASEAN's export of commercial services has been expanding steadily, from US$80 billion in 2003 to US$253 billion in 2011. Likewise, ASEAN's import of commercial services expanded from US$ 104 billion in 2003 to US$ 262 billion in 2011.

In recognition of the growing importance of intra-ASEAN integration in the services sector, the ASEAN Economic Ministers (AEM) signed the ASEAN Framework Agreement on Services (AFAS) in 1995 in Bangkok, Thailand. AFAS aims to:

- enhance cooperation in services among ASEAN Member States to improve the efficiency and competitiveness of ASEAN services industries, diversify production capacity and supply, and distribution of services;
- eliminate substantial barriers to trade in services; and
- liberalise trade in services by expanding the depth and scope of liberalisation beyond those undertaken under the General Agreement on Trade in Services of the World Trade Organization.

Under AFAS, Member States engage in successive rounds of negotiations to liberalise trade in services within the ASEAN region. The negotiations aim to achieve increasingly higher levels of commitments, which are set forth in service commitment packages annexed to the Framework Agreement.

What Has Been Achieved?

Since the signing of AFAS in 1995, ASEAN has concluded 8 (eight) packages of commitments under AFAS. These include a wide range of services sectors under the purview of the ASEAN Economic Ministers (AEM), such as business

and professional services, construction, distribution, education, environmental services, healthcare, maritime transport, telecommunications and tourism.

These packages are implemented via Protocols signed by the AEM and provide details of liberalisation of the services sub-sectors where commitments are made. (Full details are available at http://www.asean.org/20071.htm).

Starting from the fifth package, an AFAS package would comprise all commitments made by ASEAN Member States under the World Trade Organisation (WTO), under earlier AFAS packages, and improved or new commitments made in the current package. Hence, stakeholders would have full information of the services commitment made by ASEAN Member States in both the WTO and AFAS by perusing the latest AFAS package.

In addition to these AFAS packages, there have also been five packages of financial services commitments signed by ASEAN Finance Ministers (see http://www.asean.org/19833.htm) and seven packages for air transport services signed by ASEAN Transport Ministers (see http://www.asean.org/19867.htm).

The Latest AFAS Commitments

ASEAN Member States continue to improve their commitments. The 8th Package is the latest and most ambitious set of commitments to date. Subject to a limited pre-agreed flexibility, the commitments shall be in line with the targets set under the AEC Blueprint, which include:

- Scheduling no restrictions for cross border supply and consumption abroad (Modes 1 and 2);
- Allowing for foreign equity participation of 51 per cent or more (Mode 3); and
- Progressively removing other restrictions.

ASEAN Member States are expected to continue expanding the depth and breadth of their services commitments towards achieving free flow of services by 2015.

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Mutual Recognition Arrangements (MRA) in Services

Mutual Recognition Arrangements (MRA) in the services sector, a relatively recent development in ASEAN, enables the qualifications of services suppliers recognised by the relevant authorities in their home country to be mutually recognised by other signatory Member States. This promotes the flow of professional services providers in the ASEAN region, in accordance with relevant domestic rules and regulations.

ASEAN MRA in Services

The ASEAN Framework Agreement on Services (AFAS), signed by ASEAN Economic Ministers (AEM) in 1995 in Bangkok, Thailand, recognises the importance of MRA in overall services integration in ASEAN. Article V of AFAS provides that:

"Each Member State may recognise the education or experience obtained, requirements met, or licences or certifications granted in another Member State, for the purpose of licensing or certification of service suppliers. Such recognition may be based upon an agreement or arrangement with the Member State concerned or may be accorded autonomously."

ASEAN Heads of States/ Governments at their 7th Summit held in 2001 in Bandar Seri Begawan, Brunei Darussalam, mandated the start of negotiations on MRA to facilitate the flow of professional services under AFAS. The ASEAN Coordinating Committee on Services (CCS) established an Ad-hoc Expert Group on MRA under its Business Services Sectoral Working Group in July 2003 to begin negotiations on MRAs in services. Subsequently, the CCS established the Healthcare Sectoral Working Group in March 2004, which held negotiations on MRAs in the healthcare sector.

What Has Been Achieved?

The following Mutual Recognition Arrangements in the services sector have been concluded and signed by the ASEAN Economic Ministers:

- MRA on Engineering Services (2005)
- MRA on Nursing Services (2006)
- MRA on Architectural Services and Framework Arrangement for the Mutual Recognition of Surveying Qualifications (2007)
- MRA Framework on Accountancy Services, MRA on Medical Practitioners, and MRA on Dental Practitioners (2009)

An MRA on Tourism Professionals was adopted at the 12th Meeting of ASEAN Tourism Ministers (MATM) in 2009 in Ha Noi, Viet Nam.

Various mechanisms are being established to administer the implementation of MRAs in the services sector to ensure that professionals across the ASEAN region derive tangible benefits from the agreements.

The MRAs for engineers and architects provide a coordinating mechanism, while the MRAs for medical and dental practitioners focus on cooperation, with the aim of facilitating the recognition of qualified practitioners in other ASEAN Member States. The MRAs on accountancy and surveying services provide a framework of broad principles for further bilateral and multilateral negotiations among ASEAN Member States.

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ASEAN Comprehensive Investment Agreement (ACIA)

ASEAN aims to enhance its attractiveness as an investment destination as it moves towards regional integration by 2015. ASEAN Ministers signed the ASEAN Comprehensive Investment Agreement (ACIA) with a view to creating a free, open and transparent investment environment in line with ASEAN's economic integration goals. The ACIA, together with its Schedule (Reservation Lists) took effect on 29 March 2012.

ACIA, as its name suggests, is a comprehensive investment agreement. It builds upon and improves on precursor ASEAN Investment Agreements — the 1987 ASEAN Agreement for the Promotion and Protection of Investments, also known as the ASEAN Investment Guarantee Agreement (IGA) and the 1998 Framework Agreement on the ASEAN Investment Area (AIA), ACIA:

- reaffirms the IGA and AIA provisions on national treatment and most favoured-nation treatment;
- has a balanced focus covering the four pillars of liberalisation, protection, promotion and facilitation;
- is based on international best practices with its comparable provisions on liberalisation and protection; and
- adopts a negative list approach to listing of reservations and provides for further liberalization within set timelines in accordance with the AEC phases.

The Agreement also contains new provisions on Investor-State Dispute Settlement, Transfers, Treatment of Investments, and new articles on Prohibition of Performance Requirements and Senior Management and Board of Directors.

ACIA is expected to provide greater confidence to investors, to invest and maintain their investment in ASEAN, as it creates a more conducive investment environment. It aims to increase intra-ASEAN investments, especially by multinational companies, and encourage expansion by small and medium enterprises, to contribute to the economic growth and integration of the ASEAN region.

The ACIA and its Schedule can be accessed from the following links:

- http://www.aseansec.org/documents/FINAL-SIGNED-ACIA.pdf
- http://www.aseansec.org/20632_a.htm

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Financial Integration in the ASEAN Economic Community

The integration of ASEAN financial and capital markets by 2015, as envisaged by the ASEAN Economic Community Blueprint, will be a smoothly functioning regional financial system, with more liberalised capital account regimes and interlinked capital markets that will facilitate greater trade and investment flows in the region.

As indicated in the Roadmap for Monetary and Financial Integration of ASEAN (RIA-Fin), financial integration in ASEAN will be accomplished through the following initiatives: Financial Services Liberalisation, Capital Account Liberalisation and Capital Market Development.

Financial Services Liberalisation

ASEAN's progressive liberalisation of financial services by 2015 aims to promote trade liberalization by allowing greater access to financial services. In May 2011, ASEAN Finance Ministers concluded the fifth round of negotiations with the signing of the Protocol to Implement the Fifth Package of Commitments on Financial Services under the ASEAN Framework Agreement on Services (AFAS). Subsequently, the 6th Round of Negotiations was launched to further increase business access to financial services. The Protocol to implement the Sixth Package of Commitments on Financial Services Liberalization under ASEAN Framework Agreement on Services (AFAS) is planned to be signed by ASEAN Finance Ministers in April 2014.

Capital Account Liberalisation

The removal of capital controls and restrictions, including the elimination of restrictions on current account transactions, Foreign Direct Investment (FDI), portfolio flows (inflows and outflows) and other type of flows, aims to facilitate the freer flow of capital in the ASEAN region. Substantial progress

has been made in relaxing the limitations on foreign exchange purchases and other payments for invisible transactions and current transfers. ASEAN Member States have completed the assessment and identification of rules for freer flows of FDI, portfolio investments, and other type of flows and have started similar assessment exercises for restrictions on repatriation/ surrender requirements. They have also begun to amend laws and regulations to promote FDI and portfolio investments.

Capital Market Development

The construction of long-term infrastructures for developing ASEAN capital markets aims to promote cross-border collaboration among the various capital markets in the region. An "Implementation Plan for an Integrated Capital Market" has been developed to enhance market access, linkages and liquidity.

To address market gaps in both developed and newer ASEAN markets, a two-pronged approach to capital market development has been adopted. An action group also was established to engage dialogue among market experts to address existing obstacles to the creation of an integrated ASEAN bond market.

Capacity building and technical assistance programs for capital market development will be strengthened. An ASEAN Bond Market Development Scorecard was created to ensure the compliance of ASEAN capital markets with standards and a common framework in facilitating cross-border offerings and investment.

On the ASEAN Capital Market Forum's (ACMF) initiatives, the significant progress that has been made since the 15th AFMM includes (1) the completion of the fully harmonized ASEAN Disclosure Standards which is a set of common prospectus disclosure requirements to be adopted by ASEAN jurisdictions for cross-border primary offerings of securities; (2) the signing of the Memorandum of Understanding on the Expedited Review Framework for Secondary Listings by the stock exchanges and securities regulators of Malaysia, Singapore and Thailand to facilitate speedier processing of applications for secondary listings on participating stock exchanges; and (3) the launch of the ASEAN Corporate Governance Scorecard for assessing and ranking ASEAN public listed companies.

East Asian Financial Stability and Integration

ASEAN is pursuing a number of initiatives to support financial stability in East Asia and to encourage greater financial integration with China, Japan and the Republic of Korea. One key initiative is the Chiang Mai Initiative Multilateralisation (CMIM), a US$240 billion multilateral currency swap facility launched in March 2010 and designed to assist countries with short-term liquidity difficulties. The CMIM commenced with US$120 billion when it was first launched but in light of the recent global crisis, ASEAN+3 countries have agreed to double it and to introduce a new facility on crisis prevention, which is called the CMIM Precautionary Line (CMIM-PL).

The Asian Bond Markets Initiative (ABMI), launched in 2005, aims to develop and deepen local currency bond markets in ASEAN+3 countries (China, Japan and the Republic of Korea). Under the ABMI Roadmap, priorities focus on strengthening bond issuance, facilitating demand, enhancing regulatory regimes and building bond market infrastructure. In May 2010, the Credit Guarantee and Investment Facility (CGIF) were launched to enhance corporate bond issuance in the ASEAN+3.

Strengthening Regional Economic Surveillance and Monitoring

An ASEAN Surveillance Process was implemented in 1999 to support regional policy dialogues, economic reviews and economic and financial integration. The ASEAN Integration Monitoring Office (formerly called the Macroeconomic and Finance Surveillance Office) was officially established in May 2010 to enhance the surveillance capacity of the ASEAN Secretariat to monitor regional economic integration, while at the same time ensuring the creation of the ASEAN Economic Community by 2015.

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ASEAN Cooperation in Food, Agriculture and Forestry (FAF)

The food, agricultural and forestry sectors are a top priority for ASEAN, considering their economic, social and environmental importance as well as their contributions to food security, poverty alleviation, rural development, trade facilitation and ASEAN Community building.

ASEAN cooperation in food, agriculture and forestry aims to increase the competitiveness of the region's agri-food and forestry products by ensuring the production of high quality, safe and healthy products. In the implementation of relevant measures outlined in the Roadmap for an ASEAN Community (2009-2015), good progress has been made in the integration of the three priority sectors, namely Agro-based, Fisheries, and Wood-based Products. Good progress was also observed in the development of ASEAN agri-food standards, including food safety and quality assurance to enhance intra- and extra-ASEAN trade and long-term competitiveness of ASEAN's food, agriculture and forestry products. Support from the stakeholders, including dialogues and development partners gave significant weight in the implementation of the cooperative programmes and activities to meet the target of ASEAN Community Building by 2015. The food, agriculture and forestry sectors are also committed to cooperating on key emerging issues related to food security, bioenergy development, mitigation and adaptation to climate change and sanitary and phytosanitary (SPS) measures.

Ensuring food security will continue to be a fundamental goal of development initiatives in the ASEAN Economic Community (AEC). In response to increasing concerns about food security, ASEAN Member States have adopted the ASEAN Statement on Food Security, ASEAN Integrated Food Security (AIFS) Framework and Strategic Plan of Action on ASEAN Food Security (SPA-FS 2009-2013) to improve the livelihoods of farmers and ensure long-term food security in the region. Significant achievements have been made in the implementation of the AIFS Framework and SPA-FS. Foremost, these included the entry-into-force of the ASEAN Plus Three Emergency Rice Reserve (APTERR) Agreement; launching of

ASEAN-U.S. Cooperation on Maximizing Agriculture Revenue through Knowledge Enterprise and Trade (MARKET); initiative to support the strengthening of ASEAN Food Security Reserve Board (AFSRB) and the preparation for the self-sustained ASEAN Food Security Information System (AFSIS); preparation of a comprehensive study and joint policy forum on Foreign Direct Investment in agriculture production in ASEAN; conduct of the 2nd AMAF-Private Sector Dialogue; and conduct of Mid-Term Evaluation of AIFS and SPA-FS, including the identification of flagship initiatives to strengthen food security arrangements and contribute to the attainment of AEC targets.

The ASEAN Multi-Sectoral Framework on Climate Change: Agriculture and Forestry towards Food Security (AFCC) as adopted by the 31st AMAF Meeting in 2009 substantiated the AIFS Framework and the SPA-FS based on close linkages between food security and impacts of climate change. Good progress have been observed in the implementation of AFCC through collaborative initiatives with dialogue and development partners related to climate change, namely, German-ASEAN Programme on Response to Climate Change: Agriculture, Forestry and related Sectors (GAP-CC); ASEAN-Swiss Partnership on Social Forestry and Climate Change (ASFCC); ASEAN-Korea Network on Climate Change Adaptation in Aquaculture; impacts of climate change in the fisheries and aquaculture sector under the Maximizing Agricultural Revenue through Knowledge, Enterprise Development, and Trade Project (MARKET); Workshop on Climate Change Adaptation and Mitigation in Agriculture Sector in India and ASEAN Countries; ASEAN-Australia Development Cooperation Programme Phase II (AADCP II) Project on REDD Plus; and new initiative with FAO on Biomass Energy for Food Security. The 1st Ad-hoc Steering Committee on Climate Change and Food Security was conducted to effectively monitor the progress of work and coordinate activities (i.e. Climate Smart Agriculture and low carbon green growth in agriculture and forestry sectors) being implemented by various subsidiary bodies and partners.

Forests provide critical economic, environmental and socio-cultural benefits. Significant progress have been made in forestry sector including the Prevention of Trans-boundary Haze Pollution; Sustainable Forest Management in ASEAN; Pan ASEAN Timber Certification Initiative; Forest Products Promotion Scheme; Herbal and Medicinal Plants; Forest Products

Development; Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); ASEAN Wildlife Law Enforcement Network (ASEAN-WEN); ASEAN Social Forestry Network (ASFN); International Forest Policy Processes; Forest Law Enforcement and Governance (FLEG); Asia Forest Partnership (AFP); and ASEAN Regional Knowledge Network on Forests and Climate Change (ARKN-FCC).

Under the AMAF Plus Three cooperation in food, agriculture, and forestry sectors, which corresponds to the Second Joint Statement on East Asia Cooperation and the ASEAN Plus Three Cooperation Work Plan (2007-2017), significant progress have been made in the implementation of cooperation projects under the ASEAN Plus Three Cooperation Strategy (APTCS) Framework consisting of six (6) Strategic Areas, namely, Strengthening Food Security, Biomass Energy Development, Sustainable Forest Management, Climate Change Mitigation and Adaptation, Animal Health and Disease Control and Cross-Cutting Issues. The activities included capacity building in agriculture production, post-harvest handling, training and extension, research and development in the areas of crops, livestock, fisheries, and forestry.

Challenges and Future Outlook

While noting and appreciating on-going progress and significant achievements under the food, agriculture and forestry cooperation, moving towards AEC in 2015 remains big challenges. Redouble efforts are needed for the effective and timely realisation of integration and community-building targets. These are to ensure that the ASEAN Community Blueprints' measures are implemented according to the strategic timeline, including their integration into national policy and programmes. ASEAN Member States committed to intensify, strengthen efforts and fast track implementation of measures at both national and regional levels. Strategies needs to be identified to fill gaps and develop supporting initiatives, prioritise key measures and develop a list of yearly targeted achievements on the implementation of the Community Blueprints.

Implementing various measures under AEC towards 2015, efforts should be made to look into synergy and coordination on various initiatives that contribute to ASEAN Community Building in food, agriculture and forestry sector. To support for the attainment of the priority policies and measures, ASEAN Member States agreed to look into possible and effective ways of streamlining the processes and modus operandi of Subsidiary Bodies, taking into account their potential synergies and respective complementarities. This streamlining process will be guided by a rational and flexible approach, and will be directed towards ensuring the achievement of AEC targets by 2015 in a more focused, high-impact, and realistic manner.

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ASEAN Integrated Food Security (AIFS) Framework

Amidst efforts to stabilize highly fluctuating food prices following the 2008 global financial crisis, ASEAN must adopt a long-term strategy for ensuring long-term food security in the region.

The ASEAN Integrated Food Security (AIFS) Framework and the Strategic Plan of Action on ASEAN Food Security (SPA-FS) adopted by ASEAN Leaders at the 14th ASEAN Summit in 2009 provide a five-year action plan for ASEAN member states to integrate efforts in strengthening food security in the region. The AIFS Framework promotes the strengthening of food security and the development of sustainable food production through improvements in agricultural infrastructure, minimising post-harvest losses, reducing transaction costs, maximizing agricultural resources, promoting agricultural innovation through research and development, increasing agricultural productivity and accelerating transfer and adoption of new technologies. The AIFS Framework aims to strengthen national food security programmes and provide mechanisms for ensuring regional food security reserves as food aid for emergencies and large-scale calamities.

Good progress has been made in the Implementation of AIFS Framework and SPA-FS (October 2011 – September 2012) particularly on Awareness Raising, Coordination and Consultation in which a series of awareness raising and consultation activities have been conducted. With regard to progress on Components and Strategic Thrusts of AIFS Framework and SPA-FS, under the Component 1 on Food Security Emergency/Shortage - the ASEAN Plus Three Emergency Rice Reserve (APTERR) Agreement has entered into force on 12 July 2012. With regard to the Component 2 on Sustainable Food Trade Development, the ASEAN Rice Trade Forum will be continued following the implementation of the Pilot-testing of ASEAN Rice Trade Forum held in June 2012 in Siem Reap, Cambodia. The ASEAN-U.S. Cooperation on Maximizing Agriculture Revenue through Knowledge Enterprise and Trade (MARKET) was also officially launched at the ASEAN Secretariat on 29 March 2012. For the Component 3 on Integrated Food Security Information System, numerous activities have been implemented under the scheme of the AFSIS Project with technical support from the MAFF Japan, the FAO, and the ADB through a number of trainings and cooperation developments. With successful implementation of the ASEAN Food Security Information System (AFSIS) Project, achievements were made

on establishment of food security information network system, including website and databases, Early Warning Information, Agricultural Commodity Outlook Reports as well as supporting human resources development activities. The Project will be transformed into the ASEAN Plus Three Food Security Information System as a self-sustained mechanism while AFSIS 's activities will continue to implement under the approved Workplan for 2013-2015. Regarding the Component 4 on Agricultural Innovation, numerous initiatives being implemented through the MARKET project works to promote and strengthen engagement with private sectors and civil societies with the view of encouraging a closer cooperation and greater investment in food and agro-based industry to enhance food security. The 2nd AMAF-Private Sector Dialogue on Food Security was conducted on 27 September 2012 in Vientiane. Interlinkages of Food Security and Bioenergy were addressed under the framework of ASEAN Plus Three Comprehensive Strategy on Food Security and Bioenergy Development (APTCS-FSBD). A High Level Consultation Meeting on Bio-energy and Food Security between SOM-AMAF Plus Three and SOM-Energy will be convened in cooperation of the ASEAN Secretariat and FAO on 30-31 October 2012 in Bangkok.

In attempt to accumulate knowledge and experience as well as to assess the implementation of SPA-FS since 2009, a mid-term evaluation has been conducted since July 2012. On 17 and 18 September 2012, the Mid-term Evaluation Meeting was conducted to evaluate the progress in implementation of the SPA-FS. The Meeting concluded that the AIFS Framework remained valid and some of the activities within the SPA-FS matrix should be strengthened to ensure full implementation by 2013. The Meeting also agreed that the Framework should be continued for a second phase beyond 2013 and recommended the creation of an ad-hoc task force to undertake final evaluation of the AIFS Framework and SPA-FS, update the AIFS Framework and develop second phase of SPA-FS, with support from the ASEAN Secretariat.

Public Private Partnerships

Assuring citizens' physical and economic access to adequate food to lead healthy lives has become an area of particular concern for governments around the world, including in Southeast Asia, since global food prices skyrocketed in 2008. Since 2010, a series of event have been organised by the facility to bring together government officials from the ASEAN Ministers on Agriculture and Forestry with representatives of private agriculture and food sector business and civil society organisations in the region.

ASEAN recognizes the important role that private producers and commercial enterprises play in helping to assure food security at all points along the agriculture and food value chain, as well as the need to think beyond rice security to include agricultural inputs as well as a broader range of agriculture and food commodities and food products. The multi-sectoral nature of food security has been stressed, the solution to which requires innovative and integrated approaches to agriculture, finance, trade, environment, health, science and technology, and other sectors.

Private agriculture and food businesses contribute to food security in ASEAN at numerous levels. Agriculture and food firms, both large and small, with national or regional or multinational markets, provide farmers with the latest results of research and development to increase farm productivity, link farmers into new supply chains that respond to consumer demand for higher value food products, invest in efficient post-harvest management systems, modernize food distribution and retail systems, and in the process secure food supplies, deliver better food value, and provide a more diversified basket of foods to ASEAN's consumers.

To advance progress toward improved food security in the region, ASEAN will continue to support private-public dialogue, identify challenges faced by all, build consensus on end-goals and intermediary action steps, and help to set measurable progress benchmarks.

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Food Safety

Over the years, ASEAN has made a concerted effort to enhance food control systems and procedures to ensure the freer movement of safe, healthy and quality foods within the region. Meeting internationally recognised standards for food safety will be critical in increasing the region's competitiveness in global food markets. This will require harmonising standards for food quality, food safety and trade certification for food and agricultural products across the region.

Key Measures Ensuring Food Safety

In 2004, the ASEAN Food Safety Network was established as an integrated platform for ASEAN officials to exchange information on food safety, discuss common approaches in implementation of food safety systems at the national level, and discuss issues of common concerns related to using food safety requirements as Technical Barriers to Trade (TBT).

In 2006, the ASEAN Good Agricultural Practices for Fresh Fruit and Vegetables (ASEAN GAP) was adopted to establish region-wide standards for the production, harvesting and post-harvest handling of fruits and vegetables. ASEAN GAP aims to ensure the quality and safety of fruits and vegetables produced in the region. In addition, ASEAN GAP also ensures that food is produced and handled in a manner that will not harm the environment or the health, safety and welfare of workers in the agriculture and food sectors.

To date, ASEAN has established a total of 802 harmonised Maximum Residue Limits (MRLs) for 63 pesticides. Common standards for the production and packaging of mango, pineapple, durian, papaya, pomelo, rambutan, guava, lansium, mandarin, mangosteen, watermelon, young coconut, banana, garlic, shallot, jackfruit, cucumber, melon and salacca have been adopted to ensure the quality and freshness of these products. ASEAN has also endorsed a total of 49 harmonised standards for animal vaccines, 13 criteria for the accreditation of livestock establishments and three criteria for the accreditation of livestock products.

With a view to establish food safety assurance systems, significant progress has been made in other important areas affecting food safety. ASEAN is strengthening its genetically modified food testing network, developing guidelines for good management practices for shrimp, developing a code of conduct for responsible fisheries and implementing the Hazard Analysis and Critical Control Point (HACCP) for the production of fish and fisheries products.

Sanitary and Phytosanitary (SPS)

Sanitary and Phytosanitary (SPS) measures have become an increasingly important issue in international trade. SPS recognizes the sovereign right of each country to set its own food safety, and animal and plant health standards. Moreover, SPS agreement sets a basis on how governments can apply food safety and animal and plant health measures (sanitary and phytosanitary or SPS measures) set out the basic rules in the WTO. Over the years, ASEAN inter-regional trade had been expanding into the extra regional trade. With a view to facilitate trade, the ASEAN Ministers on Agriculture and Forestry, through its sectoral bodies, were giving technical assistance on the SPS measures and building SPS cooperation with dialogue partner for mutual trade and establishment of the free trade area between ASEAN.

Tackling the Threat of Avian Influenza

The outbreak of avian influenza in recent years has brought greater attention to the issue of food safety in the region. Human cases of avian flu have been linked to direct exposure to dead or diseased poultry during slaughter and food preparation. ASEAN has responded by adopting the Roadmap for an HPAI-free ASEAN Community 2020, a long-term strategy to progressively prevent, control and eradicate the disease in the region. Among various measures contained in the Roadmap, effective disease control at the source, enhanced disease diagnostics, early surveillance capacity and timely sharing of disease outbreak information are envisaged to enhance food safety in poultry products in the region.

In close collaboration with stakeholders, donor countries and international organisations such as Asian Development Bank (ADB), Food and Agriculture Organisation (FAO) and Office International des Epizooties (OIE), ASEAN is also strengthening capacity building to assure the safety of food products and standardize poultry handling in the region.

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Climate Change

Managing the threat of climate change to the environment and economic development has become a top priority for ASEAN. Owing to its long coastlines, high population concentrations and economic activity in coastal areas, and heavy reliance on agriculture, fisheries, forestry and other natural resources, Southeast Asia is one of the world's most vulnerable regions to climate change. The impacts of global warming are affecting all sectors. Responding to this challenge, the region has adopted the ASEAN Multi-Sectoral Framework on Climate Change and Food Security (AFCC) to mitigate climate change and strengthen the resilience of communities and ecosystems.

Endorsed in 2009 by the ASEAN Ministers on Agriculture and Forestry (AMAF), the AFCC addresses food security issue through sustainable, efficient and effective use of land, forest, water and aquatic resources by minimizing the risks and impacts of climate change. The AFCC tackles climate change as a cross-sectoral issue; cooperation among sectors in adaptation and mitigation efforts is indispensable.

AFCC aims to promote the sustainable management of land, forest and water resources through a regional coordination of adaptation and mitigation strategies to minimize the risks and impacts of climate change. The AFCC provides guidelines for the ASEAN Member States to:

Integrate climate change mitigation and adaptation strategies into economic and social development policy frameworks.
Cooperate on the implementation of adaptation and mitigation measures.

- Strengthen national and regional knowledge sharing, communication and networking on climate change and food security.
- Develop a more comprehensive multi-sectoral strategic framework and a roadmap for long-term implementation of climate change mitigation and adaptation strategies.

In supporting the implementation of AFCC, the ASEAN Secretariat has conducted a stock-taking paper with the main objectives to i) put into context the ASEAN climate change related policy and initiatives with specific reference to AFCC related issues and ii) review the status and updates of the implementation of AFCC related projects and activities. Over period of 2011-2012, the main progress of the implementation of AFCC has been focusing on i) conducting workshops/consultation by respective sectors on climate change adaptation and mitigation strategies, ii) clarification on integrating climate related information and knowledge into existing regional knowledge networks and the ASEAN Food Security Information System (AFSIS), and iii) finalisation of supporting collaborative projects with Dialogue and Development Partners.

Sectoral progress in climate change adaptation and mitigation strategies have been made in agriculture in general. A number of regional meetings/ workshops have been conducted during 2011-2012 with the view to assess key impacts of climate change in the sector, and exchange experiences and lessons learned in the implementation of climate change adaptation and mitigation strategies in forestry and fisheries. Supporting collaborative projects with dialogue and development partners have been implemented through the ASEAN-German Programme on Response to Climate Change: Agriculture, Forestry and related Sectors (GAP-CC); the ASEAN-Swiss Partnership on Social Forestry and Climate Change (ASFCC); the Maximizing Agricultural Revenue through Knowledge, Enterprise Development, and Trade (ASEAN-US MARKET) Project; the ASEAN-Korea Economic Cooperation program for the "Establishment of ASEAN-Korea Network on Climate Change Adaptation in Aquaculture"; the "Workshop on Climate Change Adaptation and Mitigation in Agriculture Sector in India and ASEAN Countries" under ASEAN-India; the ASEAN-Australia Development Cooperation Programme Phase II (AADCP II); and the ASEAN-FAO Biomass Energy for Food Security (BEFS).

The 1st Meeting of the Ad-hoc Steering Committee on Climate Change and Food Security was held on 13-14 September 2012 at the ASEAN Secretariat with the aim to facilitate monitoring the progress of work and coordinate activities by various projects/initiatives. Major outcomes and recommendations of the Meeting particularly the Draft Comprehensive ASEAN Multisectoral Strategic Plan on Climate Change and Food Security; and mechanism for cross-sectoral coordination, norms and working modalities, including sharing information on each sectoral body were supported by the 34th AMAF Meeting held in September 2012.

Challenges and Way Forward

Based on the Declaration of Joint Response to Climate Change by the 16th ASEAN Summit, in which the Leaders tasked the agriculture and forestry sectors to engage in cooperation in research and development and knowledge sharing, ASEAN Member States reaffirmed their agreement on the effective implementation of Reduced Emission from Deforestation and Forest Degradation (REDD)-plus mechanisms in phases, as these initiatives will contribute to enhanced food production, agricultural productivity and water resources sustainability, while adapting to the adverse effects of climate change and mitigating greenhouse gas emissions from the sectors, thus ensuring sustainable livelihoods of farmers and food security in the ASEAN region.

Climate change is a cross-sectoral issue and requires coordination at the local, national and regional levels to enhance collaboration among the economic, environment, development, energy, agriculture, fisheries, livestock and forestry sectors. Strategies for mitigating and adapting to climate change must incorporate the sustainable management of natural resources and ensure food security across the ASEAN region.

Promoting capacity building and educational initiatives to increase public awareness about global warming will also play a critical role in pursuing an integrated regional response to the adverse impacts of climate change.

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Sustainable Forest Management (SFM)

Sustainable Forest Management (SFM) initiatives must take a multi-dimensional perspective, taking into account economic, social and environmental factors. Efforts to ensure that goods and services derived from forests meet current needs must secure their continued contribution to long-term development.

Promoting sustainable management of forests in the ASEAN region must prioritize the eradication of illegal logging and its associated trade, capacity building, technology transfer, enhancing public awareness and strengthening law enforcement and governance.

The ASEAN Criteria and Indicators (C&I) for Sustainable Management of Tropical Forest, endorsed by the ASEAN Ministers on Agriculture and Forestry in 2007**,** provides a framework for defining sustainable forest management and assessing progress towards this goal. It is a tool to help identify trends in the forestry sector and the effects of forest management interventions over time and to facilitate decision making for national forest policy. The ultimate aims of this tool are to promote improved forest management practice and to advance the development of a healthier and more productive forest resource base.

ASEAN has developed the online and offline Monitoring, Assessment and Reporting (MAR) Format with agreed Criteria and Indicators (C&I) to assist Member States to monitor their progress on the implementation of SFM. ASEAN Member States agreed to use the online MAR Format as a regional reporting mechanism. Testing of the online MAR format, supported by capacity building activities at the regional and national levels have been conducted.

To improve capacity building and public awareness and support for sustainable forest management, ASEAN has partnered with the Food and Agriculture Organization of the United Nations (FAO) to implement the project “Strengthening Monitoring, Assessment and Reporting on Sustainable Forest Management in Asia” (MAR-SFM). The project will improve online and offline MAR formats and applications in the ASEAN

region through workshops on the application of offline MAR formats for SFM for Forest Management Units (FMU) in ASEAN. It will also provide a comparative analysis between regional and national C&I frameworks and MAR implementation mechanisms.

An eight-year (2008-2015) action plan to improve Forest Law Enforcement and Governance (FLEG) was endorsed by the ASEAN Ministers on Agriculture and Forestry in 2008. The plan calls for ASEAN Member States to promote sustainable forest management practices to safeguard forests and boost supplies of sustainably extracted timber and enhance the region's competitiveness in emerging markets for sustainably produced forest products.

Challenges and Way Forward

Strengthening forest law enforcement and governance to enhance the long-term competitiveness of ASEAN's forest products will play a key role in improving the livelihoods of forest-dependent communities and reducing poverty across the region. In this regard, the ASEAN Guidelines on Phased Approach to Forest Certification (PACt) and the ASEAN Criteria and Indicators (C&I) for Legality of Timber have been endorsed by ASEAN. The PACt provides for a series of planned actions to be carried out by Forest Management units with the purpose of conforming to performance standards required by a certification scheme and verified by an independent body (third party). The ASEAN C&I for Legality of Timber provides regional reference for the verification of timber legality in ASEAN, particularly in the region's timber-producing countries.

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Competition Policy in ASEAN

ASEAN Member States (AMSs) have committed in the ASEAN Economic Community (AEC) Blueprint, to endeavour to introduce national competition policy and law (CPL) by 2015. This is to ensure a level playing field and to foster a culture of fair business competition for enhanced regional economic performance in the long run.

Progress of CPL implementation in AMSs has been positive with Malaysia as the latest AMS to have competition law in force since early 2012. As such, there are only five remaining AMSs (Brunei Darussalam, Cambodia, Lao PDR, Myanmar and Philippines) still relying on sector-level policies and regulations to achieve competition policy objectives. However, The Philippines has established the Office for Competition under Department of Justice as the competition authority since June 2011.

The ASEAN Experts Group on Competition (AEGC)

In August 2007, the ASEAN Economic Ministers (AEM) endorsed the establishment of the AEGC as a regional forum to discuss and cooperate on CPL. The AEGC has focused on strengthening competition-related policy capabilities and best practices among AMSs, developing the ASEAN Regional Guidelines on Competition Policy and compiling a Handbook on Competition Policies and Laws in ASEAN for Businesses. Both the Guidelines and the Handbook were launched in 2010 during the 42nd AEM Meeting in Da Nang, Viet Nam. These two documents can be downloaded from:

- http://www.asean.org/publications/ASEANRegionalGudelinesonCompetitionPolicy.pdf
- http://www.asean.org/publications/HandbookonCompetition.zip

For advocacy and outreach purposes, the launch of the Guidelines and Handbook was followed by region-wide socialisation workshops in several AMSs with government officials and the private sectors as the target beneficiaries. These two publications and the subsequent workshops were intended to help foster a level playing field, raise awareness concerning fair business competition among the regional enterprises and trans-national businesses, and ultimately enhance the economic performance and competitiveness of the ASEAN region.

Capacity building and intra- and extra-regional networking is another focus of the AEGC. Other focal activities for completion in medium-term are the development of a Manual on Regional Core Competencies in CPL, and of Strategy and Tools for Regional Advocacy on CPL.

A multi-year program is currently being implemented to improve and enhance competition-related institutional building, legal framework and, advocacy and awareness for regional- and national-level in AMSs.

Challenges and Opportunities Ahead

Taking into account the challenges in narrowing the diversity in development, in resources availability and in AMSs' specific conditions and circumstances, building confidence and intra- and extra-regional linkages through joint action would be required. Over time, regional cooperation and the AEGC initiatives and work programs can be expected to lead to the increasing maturity in policy design and implementation, and to wider and deeper development, acceptance and outreach of CPL at the intra- and extra-regional levels.

Along with the challenges ahead, there will be opportunities for AMSs to further develop policy and legislation to enhance fair and healthy business competition within the AEC's goal in establishing a single regional market and production base which is fully integrated into the global economy. In turn, all these will serve to strengthen further ASEAN's position as a leading, reliable and competitive player in the regional and global trade and investment networks in a multi-polar global economy.

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Consumer Protection in the ASEAN Economic Community

Consumer protection is an essential tool in building a people-oriented ASEAN Economic Community (AEC). The interests and welfare of consumers are prioritised in the implementation of strategies for achieving an integrated economic region. Consumer protection laws must also ensure fair competition and the free flow of information in the marketplace. As of 2012, Brunei Darussalam, Indonesia, Lao PDR, Malaysia, Philippines, Singapore, Thailand and Viet Nam have principal consumer protection legislations in place. The remaining ASEAN Member States (AMSs) are applying other related legislations to achieve consumer protection objectives and are in the process of drafting consumer protection policies and laws.

The ASEAN Committee on Consumer Protection (ACCP)

Consumer protection is a new area of regional cooperation in ASEAN. As initiated under the AEC Blueprint, the inter-governmental ASEAN Coordinating Committee on Consumer Protection, later renamed as the ASEAN Committee on Consumer Protection (ACCP), was established in 2007. The ACCP, and its three Working Groups, has served as the focal points to implement and monitor regional arrangements and mechanisms to foster consumer protection in ASEAN and the AEC to come.

In order to steer the implementation of initiatives and commitments under the AEC Blueprint, the ACCP has developed the ACCP Work Plan for 2012-2015. The planned initiatives include (i) the development of a notification and information exchange mechanism which has been in operation since 1 November 2011; (ii) the development of an ACCP website (http://www.aseanconsumer.org), which was launched in May 2012; and (iii) the development and implementation of a capacity building roadmap. The ACCP has also initiated an ASEAN Consumer Complaints Leaflet which was

developed in 2011 and launched in April 2012 for multi-point distribution to visitors/tourists to ASEAN. The leaflet contains information on hotlines and/or national focal points in all AMSs for consumer complaints.

Challenges and Opportunities Ahead

The ACCP is a sectoral body created to oversee consumer protection and will address capacity-building needs at the regional and national levels. Substantial technical and financial assistance will be required to develop and promote national policies, laws and institutional arrangements to safeguard consumer interest and welfare in the AEC's integrated single market and production base.

Globalisation and regional integration will introduce additional considerations and challenges related to consumer protection that must be managed by all AMSs. These include the increasing volumes and value of domestic and cross-border trade as well as the rapid progress in communications, production and e-commerce technology.

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ASEAN Cooperation in Intellectual Property Rights

The creation, commercialisation and protection of intellectual property (IP) and IP Rights (IPRs) have been a significant source of comparative advantage for ASEAN companies and are a major driver of the region's economies.

In accordance with the ASEAN Economic Community (AEC) Blueprint, ASEAN Member States (AMSs) have agreed to jointly implement the ASEAN Intellectual Property Action Plan 2004-2010 and the Work Plan for ASEAN Cooperation on Copyrights (Work Plan). On the completion of the IP Action Plan 2004-2010, the ASEAN Working Group on Intellectual Property Cooperation (AWGIPC) has adopted the ASEAN IPR Action Plan 2011-2015 (IPR Action Plan), with the Philippines as the lead country in the preparation of this Plan.

The IPR Action Plan calls for the creation of an ASEAN filing system for design, to facilitate design filings by users, and promote coordination among IP offices in the region. To ensure a common regional profile on IP, moreover, AMSs have agreed to accede to common international treaties, including the Madrid Protocol for the registration of marks. The Action Plan also provides for the exchange of information among national enforcement agencies in the protection of IPRs and for regional cooperation in newer IPRs such as traditional knowledge (TK), genetic resources (GR) and traditional cultural expressions (TCE).

The IPR Action Plan will be operationalized through the adoption by the AWGIPC of its Work Programme 2012-2015. This includes the implementation work plans for twenty-eight (28) initiatives and five (5) strategic goals in the IPR Action Plan.

ASEAN Working Group on Intellectual Property Cooperation

The AWGIPC has served as a consultative body for ASEAN cooperation on IP since 1996. Such cooperation has continued to build on the simplification, harmonisation, registration and protection of IPRs in ASEAN.

In meeting the scheduled commitments under the AEC Blueprint, AMSs have conducted country and regional studies on the economic contribution of copyright industries. Meetings have been convened on accession to the Madrid Protocol**.** Pilot projects have been launched by AMSs on the ASEAN Patent Examination Co-operation (ASPEC) and the ASEAN "IP DIRECT". These two cooperative initiatives help to share patent examination workloads and facilitate access to IP-related information in the region. AWGIPC also has made a concerted effort to share policy experiences and to monitor regularly compliance of laws and regulations in AMSs to the Agreement on Trade-Related Aspects of IPRs.

In its work, the AWGIPC has collaborated with many partners and organisations. These include the ASEAN Intellectual Property Association, Australia and New Zealand, China (State Intellectual Property Office–SIPO), the European Patent Office (EPO), the European Union, Japan (Japan Patent Office–JPO), the US Patent and Trademark Office (USPTO) and the US Department of Justice, and the World Intellectual Property Organization (WIPO). A long-term cooperation programme with USPTO from 2004 to 2010 has been extended until 2015. The programme focuses on capacity building and training for IP-related professionals and business persons in the region, with an emphasis on the protection, enforcement and commercialization of IPRs.

Meanwhile, a large-scale, four-year ASEAN Project on the Protection of Intellectual Property Rights (ECAP III), which is a follow-up project to ECAP II, was launched in January 2010. The project aims to contribute to ASEAN community building through the better and fuller utilization of IP and IPRs in the region.

Technical issues relating to IP and IPRs have become increasingly complex. The expansion of patent and copyright protection to better cope with rapid progress in biotechnology and in information and communications technology have been extended over an increasingly wider range of fields, including TK, GR and TCE.

IP infrastructure and expertise vary enormously among AMSs. There is a significant gap between ASEAN-6 and ASEAN-4 (Cambodia, Lao PDR, Myanmar and Viet Nam). Such differences have implications on the nature and intensity of regional cooperation, and technical assistance needs within ASEAN, as well as between different sub-groups of AMSs.

There is currently a very limited supply of IP-related skilled and experienced human resources and institutional capacity in ASEAN. Efforts have thus been made to implement an "ASEAN-helps-ASEAN" approach wherever feasible, including in the exchange of policy lessons learned by Member States from signing on to international treaties and implementing programmes to protect IPRs.

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ASEAN Cooperation in the Transport Sector

ASEAN cooperation in the transport sector aims to develop an efficient, secure and integrated transport system to support the realisation of the ASEAN Economic Community by 2015.

Achieving regional connectivity through improving ASEAN's competitiveness and attractiveness to investments, facilitating the flow of goods, services and people, and integrating with the global economy, will remain the ultimate objective of ASEAN transport cooperation in the period of 2011-2015 and beyond.

Under the current ASEAN Strategic Transport Plan 2011-2015 (also referred to as the Brunei Action Plan), ASEAN Member States will continue to undertake concerted actions in the areas of land transport, air transport, maritime transport and transport facilitation with a view to creating a regional transport system that enhances economic connectivity within the ASEAN region.

Air Transport: establish ASEAN Single Aviation Market (ASAM), promote environment-friendly aviation and enhance engagement with dialogue partners to promote greater connectivity.

Land Transport: establish a safe, efficient, environmental-friendly and integrated regional land transport system to promote trade and tourism within ASEAN and with neighbouring countries.

Maritime Transport: establish an integrated, competitive and seamless maritime transport network, paying explicit attention to promote maritime safety and security, and environment- and user-friendly ports.

Transport Facilitation: establish an integrated, efficient and globally competitive multimodal transport system to enhance regional and global connectivity, as well as pursuing green logistics for global environment preservation.

To facilitate the seamless movement of goods in the region, ASEAN Member States have concluded the following transport facilitation agreements:

1. ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT)
2. ASEAN Framework Agreement on Multimodal Transport (AFAMT)
3. ASEAN Framework Agreement on Facilitation of Inter-State Transport (AFAFIST)

The transport facilitation agreements aim to simplify and harmonise trade/transport procedures and documentation, formulate uniform guidelines and requirements for the registration of transit transport and multimodal transport operators, and promote ICT applications for seamless cargo transportation.

The Transit Transport Coordination Board (TTCB) is the main body responsible for the overall coordination and implementation of the transport facilitation agreements. To maximize the benefits of an integrated transit and transport system, which will enable the freer movement of goods and vehicles across ASEAN borders, Member States are taking necessary actions to comply with the provisions and requirements of the transport facilitation agreements.

For air passenger services, agreements for unlimited 3rd, 4th and 5th freedom traffic rights from and to any points with international airports within and between the sub-regions of ASEAN, and between the capital cities of ASEAN Member States, are already in place. Similar freedom rights have been expanded to services among other ASEAN cities through the ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services (MAFLPAS), which was concluded in 2010.

Member States also have committed to the full liberalisation of air freight services and to accord full 3rd, 4th and 5th freedom rights to international freight services among any points with international airports within ASEAN. Work is ongoing to develop an implementing framework for the realisation of an ASEAN Single Aviation Market.

ASEAN negotiations with China for 3rd and 4th freedom traffic rights have been concluded and will be followed by negotiations with India and the Republic of Korea.

In order to accomplish an integrated, efficient and competitive maritime transport system, ASEAN will revitalise its efforts to establish an ASEAN Single Shipping Market (ASSM) by accelerating the formulation of the basic strategy for an ASSM and by developing a relevant framework for the implementation of the strategy. In addition, Member States need to enhance the capacity of the 47 designated ports of the ASEAN Port Network.

In order to facilitate land transport across the region, the completion of the ASEAN Highway Network (AHN) and the Singapore-Kunming Rail Link (SKRL) has become the priority agenda in the ASEAN Transport Cooperation. The two projects represent the vision for the ASEAN transport and logistics backbone. The SKRL, which is a flagship project of the ASEAN-Mekong Basin Development Cooperation (AMBDC), has its main route through Singapore-Malaysia-Thailand-Cambodia-Viet Nam-China (Kunming) with spur lines in Thailand-Myanmar and Thailand-Laos. The project includes constructing railway stations and related infrastructure.

The AHN consists of 23 designated routes totaling about 38,400 kilometers in all the 10 ASEAN States and connects capitals, sea ports, airports and areas with high potential for investment and tourism. It will provide increased transport access for the poor and communities in remote areas and will serve as an essential infrastructure and logistics support facility for ASEAN connectivity. Accelerating the implementation of the AHN Project, and especially completing the missing sections, will play a vital role in improving the quality of road infrastructure in the ASEAN Member States.

Currently, the highest priority is given to upgrade existing “below Class III” sections of the Transit Transport Routes (TTR), with a total road length of 2,000 km in Indonesia (AH-25), Lao PDR (AH-12 and AH-15), and Myanmar (AH-1, AH-2 and AH-3) by 2012. The second priority is given to the construction of the missing links in Myanmar (201 km), as well as the upgrading of other “below Class III” sections in Indonesia (AH-150 and AH-151), Lao PDR (AH-131 and AH-132), Malaysia (AH-150), Myanmar (AH-111 and AH-112) and Viet Nam (AH-12 and AH-132), with a total length of 4,537 km. ASEAN Member States are expected to fulfill the target set in MOU on the AHN, which specifies that the AHN routes be upgraded to at least Class II by 2020.

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Information and Communication Technology (ICT) — Creating an Inclusive, Vibrant and Integrated ASEAN

ASEAN cooperation on Information and Communication Technology intensified in 2000, with the signing of the e-ASEAN Framework Agreement. This agreement set the objectives for regional cooperation on ICT (a) to develop, strengthen and enhance the competitiveness of the ICT sector in ASEAN; (b) to reduce the digital divide within individual ASEAN Member States and amongst ASEAN Member States; (c) to promote cooperation between the public and private sectors in realising e-ASEAN; and (d) to promote the liberalisation of trade in ICT products, ICT services and investments to support the e-ASEAN initiative.

Focus and Progress — ASEAN ICT Master Plan 2015

To steer ICT development toward the establishment of the ASEAN Economic Community by 2015, the ASEAN ICT Master Plan 2015 (AIM2015) was launched in January 2011 in Kuala Lumpur, Malaysia, to provide strategic guidelines for ICT businesses in the region to bridge the digital divide within ASEAN and to enhance competitiveness of the ICT sector.

Under AIM2015, ASEAN Member States will focus on achieving targets and objectives driven by six strategic thrusts of the AIM2015, namely in the areas of: (i) economic empowerment; (ii) people empowerment and engagement; (iii) innovation; (iv) infrastructure development; (v) human capital development, and (vi) bridging the digital divide.

To achieve these targets, a systematic approach includes an action plan for the timely implementation of AIM2015. The ASEAN Telecommunications and IT Senior Officials (TELSOM) and the ASEAN Telecommunication Regulators Council (ATRC) have set the necessary mechanisms to promote coordination among regulators, policy makers and operators to implement AIM2015.

To advance ASEAN's status as an inclusive and vibrant ICT hub, the ASEAN Internet Exchange (AIX) initiative is being discussed with an aim to boost inter-regional connectivity, reduce latency and lower Internet costs. The region-owned domain name — dot ASEAN (.asean) — will be studied for its potential contributions to the regional visibility and creation of the ASEAN Economic Community's single market and production base.

Other key projects are being developed to promote E-Commerce, establish a CA-CA (Certificate Authority) Interoperability Framework in ASEAN, and lower mobile roaming charges in the region.

The ASEAN ICT Fund will continue to be utilised to support implementation of the AIM2015 and to encourage resource mobilisation from Dialogue Partners, international organisations and the ICT industry.

Other ICT Connectivity Policies and Projects

The ASEAN ICT sector is committed to promoting the development of the ICT workforce and competitiveness of the ICT market and online businesses. To enhance ASEAN's position as a regional key player in the global ICT sector, ASEAN's ICT cooperation with dialogue partners has been initiated with China, Japan, the Republic of Korea (ASEAN+3), and with the European Union, India and International Telecommunication Union. Joint programs with ASEAN+3 have been strengthened, especially with regard to issues related to human resources and communication systems in rural areas.

Discussions are under way to develop the ASEAN ICT Awards and the ASEAN Chief Information Officers (CIOs) Forum, to promote ICT adoption by SMEs, the ASEAN Broadband Corridor and common standards for network security cooperation, and to reduce international mobile roaming charges in the region. Public-private partnerships to develop the region's ICT sector are being explored at various levels, from projects to policy and regulatory consultations.

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Ensuring Energy Security in ASEAN

Overall Objective and Strategy

The overall objective of ASEAN energy integration is to enhance energy security and sustainability for the ASEAN region, giving due attention to issues of health, safety and environment. ASEAN energy cooperation, currently carried out under the ASEAN Plan of Action on Energy Cooperation (APAEC) 2010-2015, focuses on seven main programme areas: (i) ASEAN Power Grid (APG); (ii) Trans-ASEAN Gas Pipeline (TAGP); (iii) coal and clean coal technology; (iv) renewable energy; (v) energy efficiency and conservation; (vi) regional energy policy and planning; and (vii) civilian nuclear energy.

Focus and Progress

ASEAN Member States are actively engaged in efforts to integrate energy efficiency and conservation (EE&C) and renewable energy (RE) development in the region. Many projects have been launched on institutional capacity building, promoting private sector involvement in EE&C and RE regional programmes, and expanding markets for EE and RE products.

The APAEC 2010-2015 has set a target for ASEAN to pursue the reduction of regional energy intensity by at least 8% by 2015 (based on 2005 level) and a 15% collective target for regional renewable energy in the total power installed capacity by 2015. To achieve these targets, Member States have agreed to develop joint regional activities and strategic projects, such as the Promotion of Energy Efficiency and Conservation (PROMEEC) and the ASEAN Energy Manager Accreditation Scheme (AEMAS). These projects aim to increase institutional and human capacity building—with emphasis on energy intensity assessment guidelines, EE&C policy, energy audit, standards and labeling—and to promote the harmonisation of energy testing procedures in the ASEAN region.

Implementation of the ASEAN Power Grid (APG) project, estimated at US$5.9 billion, is currently in progress, which requires construction of

16 cross-border transmission interconnection projects between ASEAN Member States. Up to date, 9 interconnections between Thailand-Peninsula Malaysia, Thailand-Lao PDR, Singapore-Peninsula Malaysia, Cambodia-Viet Nam and Cambodia-Thailand have been constructed and currently are in operation, with the remaining projects in various stages of planning and construction targeted to be in operation by 2020. In parallel to the construction of physical interconnections, ASEAN Member States are working on harmonisation of regulatory frameworks and technical standards and power trading arrangements to enable effective and operation of the regional power grid.

In addition to the completion of the ASEAN Interconnection Master Plan Study II**,** ASEAN is also working to develop alternative energy options, including indigenous energy sources, clean coal technology and nuclear power to meet future electricity demand.

Member States have agreed to intensify intra-ASEAN trade in coal and to promote cleaner coal technology. An ASEAN Coal Security Agreement (ACSA) and ASEAN Agreement on Coal Use and Trading are being considered to ensure the stability of coal supplies in the region.

The Trans-ASEAN Gas Pipeline (TAGP) project, a US$7 billion project to interconnect the region's gas pipeline infrastructure and to transport gas across the borders of the Member States, has completed eight bilateral gas pipeline interconnection projects that are currently operational. In addition to the TAGP, a strategic focus of ASEAN cooperation in oil and gas is also placed on strengthening cooperation in LNG with a focus on destination flexibility, harmonisation of LNG specifications, ship-shore compatibility, and promotion of regional technical support.

The Nuclear Energy Cooperation Sub-sector Network (NEC-SSN) was established to promote cooperation among ASEAN Member States on the development of nuclear energy in the region. The NEC-SSN aims to look into the economic feasibility of nuclear energy, and encourages the exchange of information and assistance to promote safe and sustainable civilian nuclear power programmes, and urges the support of international organisations and donor countries.

To enhance ASEAN's position as a key regional energy player, ASEAN's energy cooperation with dialogue partners have included various activities,

programmes and projects, including those under the ASEAN+3 framework and the East Asia Summit process.

ASEAN has engaged in formal consultations with the European Union, Russia and the United States to promote partnerships for developing the region's energy sector. ASEAN also has sought the cooperation of international organisations and institutions, such as the Economic Research Institute for ASEAN and East Asia (ERIA), the International Energy Agency and (IEA) and the Asian Development Bank (ADB), to strengthen the capacity of ASEAN energy regulators and to promote affordable and sustainable energy.

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Tourism in the ASEAN Economic Community

The tourism sector is a leading industry in the ASEAN region, not only in terms of generating and distributing valuable foreign exchange revenues, but also as a vehicle to showcase the diversity and richness of the various cultures and peoples of Southeast Asia. As one of the priority sectors targeted for integration by the ASEAN Economic Community, tourism performed an outstanding 10% growth in 2011, with total international tourist arrivals reaching more than 81.2 million. Intra-ASEAN travel is also a major source market for the region, making up 46% of all tourist arrivals in 2011.

The ASEAN Economic Community initiatives to promote cooperation on tourism across the region aim to: (i) facilitate travel into and within ASEAN; (ii) enhance cooperation in the tourism industry to improve efficiency and competitiveness; (iii) substantially reduce restrictions to trade in tourism and travel services; (iv) establish an integrated network of tourism and travel services in order to maximise the complementary nature of the region's tourist attractions; (v) enhance the development and promotion of ASEAN as a single tourism destination with world-class standards, facilities and attractions; (vi) enhance mutual assistance in human resource development and strengthen cooperation to develop, upgrade and expand tourism and travel facilities and services; and (viii) create favourable conditions for the public and private sectors to create partnerships for tourism development, intra-ASEAN travel and investment in tourism services and facilities.

ASEAN Tourism Strategic Plan (ATSP)

In January 2011, ASEAN Tourism Ministers endorsed the ASEAN Tourism Strategic Plan (ATSP) 2011-2015, a successor to the Roadmap for Integration of Tourism Sector (RITS) completed in 2010. In accordance with the overall goals of the ASEAN Economic Community by 2015, the ATSP will contribute to promoting growth, integration and competitiveness of the region's tourism sector, while deepening social and cultural understanding and facilitating travel into and within ASEAN.

The ASEAN Tourism Ministers in January 2012 in Manado, Indonesia adopted the new ASEAN tourism marketing strategies to strengthen and

renew the activities of the Visit ASEAN Campaign promoting ASEAN as a single tourism destination, in line with the ASEAN Tourism Agreement signed by ASEAN Leaders in 2002.

The ASEAN Promotional Chapter for Tourism (APCT) in Australia conducted major tourism consumer shows in Brisbane, Melbourne and Sydney to coordinate joint tourism promotional activities for ASEAN. To further expand ASEAN marketing efforts in major source markets, ASEAN is establishing APCT in Mumbai in 2012.

AEC Tourism Standards

To enhance Southeast Asia's reputation as a world-class tourism destination, ASEAN is developing new comprehensive tourism standards for improving quality of services and a regional certification process for hotel, homestay, public toilet and spa services.

The ASEAN Green Hotel Awards of 2008, 2010 and 2012 recognized hotels in the region that fulfilled the ASEAN Green Hotel Standards. In line with the ATSP, ASEAN Member States are reviewing the criteria, requirements and certification process of the ASEAN green hotel, homestay, public toilet and spa services standards.

To enhance the mobility of tourism professionals and to ensure their equal recognition across the ASEAN region, Member States have begun implementing the ASEAN Mutual Recognition Agreement (MRA) Work Plan. The Work Plan aims to enable ASEAN Member States to implement MRA requirements on the establishment of National Tourism Professional Boards, Tourism Professionals Certification Board and development of training materials, or "toolboxes," in their respective countries, as well as the establishment of the regional secretariat. As the first activity, the housekeeping toolboxes for hotel facilities have been completed in September 2012.

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ASEAN Small and Medium Enterprises (SMEs)

Regional Cooperation continues to be guided by the ***Strategic Action Plan for ASEAN SME Development (2010-2015)***. To ensure the Action Plan is aligned with the current regional developments and noting that it is a dynamic document, the Action Plan is now being reviewed by the ASEAN SME Working Group (SMEWG) which comprise the SME agencies from all ASEAN Member States (AMS), through the assignment of the Country Coordinators who will draft a roadmap and stock-take the various initiatives and activities. The Roadmap will cover five priority dimensions namely: access to finance, access to market and internationalization of SMEs, access to human resources, access to information and advisory services, access to technology and innovation.

Efforts to promote SMEs in the region continue to gain prominence. Following the launch of the 'Directory of Outstanding ASEAN SMEs' in 2011, a ***'Directory of Innovative ASEAN SMEs 2012'*** is planned to be launched alongside the ASEAN Business and Investment Summit (ASEAN-BIS) in November 2012. The Directory aims to promote innovative SMEs in the region and encourage competitiveness amongst SMEs so that they are able to compete within and outside the region.

The SMEWG is working, in collaboration with the ASEAN Business Advisory Council (ASEAN-BAC), towards convening the ***ASEAN Business Awards*** (ABA) 2012. The Award focuses on four categories: Growth, Employment, Innovation and Corporate Social Responsibility (CSR). This year, more emphasis will be given on the SME criteria and focusing to the innovation category. A total minimum of 26 winners and runner-ups will be designated as 'Most Admired ASEAN Enterprise'.

As mandated by the Leaders at the 19th ASEAN Summit in November 2011, the SMEWG with the assistance from the Economic Research Institute for ASEAN and East Asia (ERIA) is developing an ***ASEAN SME Policy Index*** which is envisioned to be a comprehensive and effective monitoring tool for

building a competitive and innovative SME sector, and ensure that policies, programs and institutions at both the regional and national levels are supportive of SME development.

The first Joint Consultation between the ***ASEAN SME Advisory Board***; which comprises the Heads of the SME Agencies in ASEAN and the prominent private sector representatives, and the ASEAN Economic Ministers was convened alongside the 44th ASEAN Economic Ministers Meeting in August 2012. The Ministers noted the recommendations presented by the SMEAB, and assured their commitment for SME development to be one of the priority areas in the AEC building efforts towards 2015 and beyond.

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Public-Private Sector Engagement (PPE) in the ASEAN Economic Community

The private sector is the cornerstone of the new architecture of interdependence among East Asian economies, and between East Asia and the global economy at large. A key stakeholder in regional and global supply chains that will fuel the newly integrated ASEAN economies, the private sector's role and their contributions are important in the realisation of the ASEAN Economic Community (AEC) by 2015.

The AEC will continue to foster public-private sector engagement (PPE) to improve the coherence, transparency and synergies of government policies and business actions across industries and sectors in the ASEAN region. Private sector inputs and partnership are essential not only in designing regional strategies and initiatives, but also in identifying the ground issues in realising regional integration as the foundation for the AEC.

Forging Public-Private Partnerships in the AEC

Public-private sector engagement within ASEAN is taking place at all levels. Many sectoral bodies have been established to support ASEAN strategies and programmes in regional development and integration. There are currently about 100 sectoral bodies with mandate relating to the AEC alone. Resource constraints, a comprehensive agenda and the large number of meetings of AEC sectoral bodies mean that not all of the work of these sectoral bodies will have the full engagement of the private sectors. As of 2011, about 35% of AEC sectoral bodies have engaged private-sector associations and representatives, either on a regular or ad hoc basis.

The ongoing dialogues between ASEAN and private sector representatives have produced several important recommendations in support of more effective ASEAN economic integration. The ASEAN Economic Ministers (AEM) have annual consultations with the ASEAN Business Advisory Council (ASEAN-BAC) as well as the representatives of industry associations and business councils within ASEAN, and with dialogue partner countries.

Regular business dialogues that ASEAN have held with the private sector bodies include, among others, the dialogues with the Federation of Japanese Chambers of Commerce and Industry in ASEAN (FJCCIA), the East Asia Business Council (EABC), the US-ASEAN Business Advisory Council (US-ABC); and the EU-ASEAN Business Council. Followed the successful model of the aforementioned business council, ASEAN-based business councils namely, UK-ASEAN Business Council, Canada-ASEAN Business Council and Russia-ASEAN Business Council have been recently established.

Industry association such as the ASEAN Federation of Textile Industries (AFTEX), the ASEAN Automotive Federation (AAF), and the ASEAN Furniture Industries Council (AFIC), have been actively engaged in the process of regional integration. ASEAN has also held discussions with the representatives from the logistics services industry, the electronics and electrical and the pharmaceutical sectors.

Business Summits and Trade Expositions

The 2nd ASEAN-EU Business Summit and the US-ASEAN Business Summit, held in April and August 2012, were the effective avenues for the business leaders and enterprises from ASEAN and dialogue partner countries to exchange the ideas, best practices among themselves (business-to-business or B2B) and to have direct interactions and present their issues and recommendation to the policy makers (business-to-government or B2G) and the academic in shaping a conducive environment for the businesses in ASEAN and potential investors.

The 2012 ASEAN Business and Investment Summit (ASEAN-BIS) will be held from 16-18 November 2012 in Phnom Penh, Cambodia. The ASEAN-BIS serves as a leading platform for knowledge exchange, expertise sharing and networking amongst regional and global business leaders. Featuring

key speeches will be delivered by government leaders, Ministers and CEOs from the region and the world, the 2012 ASEAN-BIS is the premier platform for sharing insight, expertise and feedback for ASEAN's economic development.

Trade fairs and expositions held recently this year have attracted joint public-private sector participations to exhibit their products and explore the enormous business opportunities and potential markets within ASEAN and outside the region. The 9th China - ASEAN EXPO (CAEXPO) and the 9th China - ASEAN Business and Investment Summit (CABIS) were convened in Nanning, China, on 21-25 September 2012**,** while the ASEAN-India Business Fair (AIBF) and Business Conclave is scheduled to have their second session in New Delhi, India, on 18-20 December 2012**.**

The 10th CAEXPO and 10th CABIS, are planned to be held from 20 – 24 September 2013, with the theme "Regional Cooperation and Development: New Opportunities, New Driving Forces, and New Stage" to mark the 10th anniversary of ASEAN-China Strategic Partnership and the 10th anniversary of the convening of CAEXPO

Moving Forward

The enormous potential of public-private partnerships in ASEAN has yet to be fully tapped. The public-private sector consultations and dialogues have become a permanent agenda in the ASEAN Ministers and Senior Officials meetings to ensure greater mutual synergies in the implementation of regional development and integration measures. They have endorsed the "Rules of Procedures for Private Sector Engagement" (http://www.aseansec.org/PPE/RULES-PPE.pdf) to ensure more effective process and mechanism in engagement with the private sector bodies. Plans are now under way to foster cooperation among ASEAN bodies, private-sector entities and regional and international business communities in ASEAN.

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Initiative for ASEAN Integration and Narrowing the Development Gap

Narrowing the development gap in ASEAN will be critical in achieving balance in the support and participation of all Member States as the region moves towards economic integration to establish the ASEAN Economic Community by 2015.

Under the third pillar of Equitable Economic Development of the ASEAN Economic Blueprint, actions are focused on addressing the needs of the newer Member States and the growth areas of the ASEAN-6. The Initiative for ASEAN Integration (IAI) launched at the 2000 ASEAN Summit recognized the key roles of development and poverty alleviation in achieving economic integration in the region.

The IAI is directed primarily towards Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) and the other sub-regional arrangements of the Brunei Darussalam – Indonesia – Malaysia – Philippines East ASEAN Growth Area (BIMP-EAGA) and the Indonesia - Malaysia - Thailand Growth Triangle (IMT-GT). The Initiative serves as a platform to assist Member States in meeting ASEAN-wide development targets and commitments for economic integration for both public and private sectors.

Promoting Public and Private Sector Dialogues in the Sub-regions

ASEAN does not compete with its growth areas. Sub-regional integration serves as a fundamental building block of the ASEAN Economic Community (AEC). All ASEAN Member States pursue the regional economic initiatives of the ASEAN Trade in Goods Agreement (ATIGA), ASEAN Framework Agreement on Services (AFAS), ASEAN Comprehensive Investment Agreement (ACIA), and the ASEAN Framework on Equitable Economic Development (AFEED) as part of implementing the AEC Blueprint.

To the extent that delivery of AEC agreements requires the understanding and confidence of the private sector, active involvement of this sector is crucial. Formal consultations with the private sector and regional authorities are fostered to help craft new and innovative strategies to maximize the dynamic contribution of private sector to regional integration. The AEC is a market-driven process and hence requires active participation of the private sector to promote public-private policy dialogue and improve public-private partnerships schemes, essential to attracting investments into the sub-regions.

In response, ASEAN and its growth areas have established their respective business councils to obtain their involvement in the regional development.

ASEAN Business Councils

In the context of business networking, private sector led organisations help to build conducive regulatory environments for business cooperation, promote business partnership, and support for sub-regional economic cooperation. As regional cooperation strengthens, the need for greater cooperation in the industrial and commercial fields in the sub-regions will grow too.

In ASEAN, three prominent business councils serve these functions in the region:

- **Greater Mekong Sub-Region Business Council (GMS-BF):**
  The GMS Business Forum (http://www.gmsbizforum.com) was founded in October 2000 as a regional forum that serves to promote and facilitate trade and investment among the Cambodia, China (Yunnan), Lao PDR, Myanmar, Thailand, and Viet Nam. It is a multi-country, independent, non-governmental organization and a joint initiative of the chambers of commerce of the six GMS countries. The organization is assisted by the Asian Development Bank and the United Nations Economic and Social Commission for Asia and the Pacific.The GMS-BF plays an important role in promoting awareness of trade and investment opportunities in the Greater Mekong Sub-region.

- **BIMP-EAST ASEAN Growth Areas of Brunei Darussalam-Indonesia-Malaysia-Philippines Business Council (BEBC):** The BEBC was established in November 1994 in Davao City, Mindanao, Philippines as the official representative of the private sector of the BIMP-EAGA region. The BEBC has the objective to promote economic development and other business activities in BIMP-EAGA and make representations with Governments on their behalf. The BEBC represents the collective private sectors of the whole of BIMP-EAGA and aspires to be the prime mover in promoting intra-EAGA and inter-EAGA trade, business and investments.

- **ASEAN Business Advisory Council (ASEAN-BAC):** The ASEAN-BAC (http://www.asean-bac.org) was inaugurated in April 2003 at the ASEAN Secretariat in Jakarta, Indonesia. The ASEAN-BAC is mandated by the ASEAN Leaders as the official ASEAN linkage to provide the private sector feedback and guidance to boost ASEAN's efforts towards economic integration. Priority areas are identified for consideration by the ASEAN Leaders.

These forums serve as platforms for business entrepreneurs and policy makers to promote trade and investment at the national, sub-regional and regional level and forge collaborative efforts to stimulate development in all corners of ASEAN.

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ASEAN-China Free Trade Area (ACFTA)

In 2002, ASEAN Member States and the People's Republic of China signed the Framework Agreement on Comprehensive Economic Cooperation between ASEAN and China. The agreement provides the legal basis for ASEAN and China to negotiate further agreements leading to the creation of the ASEAN-China Free Trade Area (ACFTA) by 1 January 2010.

China has since become ASEAN's largest trading partner, with trade values reaching US$280.4 billion in 2011, about 11.7% of ASEAN's total trade. In terms of consumer market size, the ACFTA is the world's largest free trade zone, representing a market of 1.94 billion consumers with a combined gross domestic product (GDP) of about US$9.5 trillion (in 2011).

Free Flow of Goods

The Agreement on Trade in Goods signed in 2004 laid down the modality for tariff reduction and elimination for tariff lines categorised as either 'Normal Track' or 'Sensitive Track':

Normal Track:
All tariff lines in this category have been eliminated by ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and China as of 1 January 2012. For Cambodia, Laos, Myanmar and Viet Nam, tariff elimination will have to be completed by 1 January 2015, with flexibility to eliminate tariffs on products not exceeding 250 tariff lines by 1 January 2018.

Sensitive Track:
Products in this Track were further categorised as Sensitive (SL) or Highly Sensitive Lists (HSL) and will be subject to tariff reduction within the time frames specified in the Agreement. Tariffs of products in the SL will be reduced first to 20%, followed by a subsequent reduction to the 0-5% tariff band. For those in the HSL, tariffs will be reduced to not more than 50%.

The ACFTA does not allow exclusion of products. The Rules of Origin for the ASEAN-China Free Trade Area follows a general rule of 40% regional value content, with 527 tariff lines at 6 digit level subject to product specific rules. The ACFTA Rules of Origin are currently being reviewed with a view to making these more liberal to encourage greater business utilization of the ACFTA.

Free Flow of Services

The Agreement on Trade in Services between ASEAN Member States and China, signed on 14 January 2007, is the second enabling Agreement under the 2002 Framework Agreement. It aims to liberalise and substantially eliminate discriminatory measures with respect to trade in services among the parties in various service sectors. By applying the GATS Plus principle, the level of liberalisation commitments under this Agreement would be considerably higher than the commitments made by participating countries under the General Agreement on Trade in Services (GATS) in the WTO. ASEAN and China embarked on a second round of negotiations in 2008 with the aim of substantially improving the first package of specific commitments. The Protocol to Implement the Second Package of Commitments under the Trade in Services Agreement was signed at the sidelines of the 14th ASEAN-China Summit in November 2011 in Bali, Indonesia and went into effect in January 2012.

Free Flow of Investment

To promote and facilitate investment flows, ASEAN and China also signed an Investment Agreement in August 2009 in Bangkok, Thailand. The agreement, which went into effect in January 2010, aims to create a favourable environment for investors from ASEAN and China. The agreement stipulates key protection elements for ensuring fair and equitable treatment for investors, non-discriminatory treatment on nationalisation or expropriation and compensation for losses. It also has provisions allowing for transfers and repatriation of profits in freely usable currency and provides investors recourse to arbitration to settle investor-state disputes.

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ASEAN-Japan Comprehensive Economic Partnership (AJCEP)

The ASEAN-Japan Comprehensive Economic Partnership (AJCEP) Agreement, which was signed in April 2008 and went into effect in December 2008, is comprehensive in scope and covers trade in goods, trade in services, investment and economic cooperation. As of 2011, ASEAN and Japan had a combined GDP of US$8.0 trillion, with total bilateral trade between ASEAN and Japan valued at US$273.3 billion, making Japan ASEAN's second largest trading partner.

The AJCEP will help continue the momentum for further invigoration of trade and investment in the region by allowing more goods and services to reach ASEAN and Japanese consumers at lower prices through reduced or zero tariffs. Increasing the exchange of goods and services through lowering of tariffs is expected to contribute to improved standards of living for both trading partners.

Tariff Reduction and Elimination

Under the terms of the AJCEP Agreement, Japan must eliminate 92% of its tariff rates based on tariff lines and trade value for goods in the Normal Track within 10 years of the Agreement's entry into force (EIF). The ASEAN 6 (Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and Viet Nam must eliminate 90% of its tariff rates based on the tariff lines and trade value for goods in the Normal Track within 10 years of EIF of the Agreement. For Cambodia, Laos and Myanmar, 90% of tariff rates based on either tariff line or trade value for goods in the Normal Track must be eliminated within 13 years of EIF.

For goods under the Highly Sensitive List, Sensitive List and Exclusion List, the modality varies and the tariff cuts were negotiated bilaterally between ASEAN Member States and Japan, taking into account the sensitivities of the parties.

Rules of Origin

Rules of origin (ROO) established under the AJCEP are aimed at encouraging regional cumulation of inputs that benefit both ASEAN industries and Japanese companies operating in ASEAN, including Mitsubishi, Toyota and other electronic companies with operations and huge investments in ASEAN countries.

The AJCEP's ROO has a "general rule" of RVC (Regional Value Content) 40% or CTH (Change in Tariff Heading) that allows exporters and manufacturers to choose which rule to apply to make them eligible for the preferential tariff (lower or 0) treatment under the Agreement.

Services and Investment

The Trade in Services Agreement and the Investment Agreement are currently being negotiated and are targeted for completion in 2013.

Dispute Settlement Mechanism

A Dispute Settlement Chapter has been provided to address disputes that may arise from the TIG Agreement through consultations, good offices, conciliation and mediation, arbitral tribunal or any other relevant international agreement.

Overall Benefits

Japan's total foreign direct investment (FDI) to ASEAN reached US$61.3 billion from 2002 to 2011. This is expected to grow as AJCEP continues to fuel investments, narrowing the economic divide between ASEAN and Japan. One of the objectives of the ASEAN-Japan 10-Year Strategic Economic Roadmap is to double ASEAN-Japan bilateral trade and investment by 2022,

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ASEAN-Korea Free Trade Area (AKFTA)

In 2005, ASEAN and Korea signed the Framework Agreement on Comprehensive Economic Cooperation (Framework Agreement), leading the way to four more agreements that formed the legal instruments for establishing the ASEAN-Korea Free Trade Area (AKFTA).

Korea is now ASEAN's fifth largest trading partner, with trade in 2011 valued at US$124.5 billion. Foreign direct investment flows from Korea into ASEAN in 2011 were valued at US$2.4 billion.

Trade in Goods

The ASEAN-Korea Trade in Goods (AK-TIG) Agreement signed in 2006, sets out the preferential trade arrangement in goods among the 10 ASEAN Member States and Korea, which principally involves tariff reduction and elimination for all tariff lines over a transition period. On 1 January 2012, Korea and ASEAN-5 (Brunei Darussalam, Indonesia, Malaysia, the Philippines and Singapore) have eliminated tariffs on all products in their Normal Track.

The newer members of ASEAN — Viet Nam, Cambodia, Lao PDR and Myanmar — were granted a longer transition period for tariff reduction and elimination in recognition of their development status. For Viet Nam, at least 50% of tariff lines under the Normal Track will enjoy a 0-5% tariff rate by January 2013, and by January 2015 for Cambodia, Lao PDR and Myanmar (CLM).

Tariff lines enjoying the reduced tariffs rates of 0-5% will reach 90% coverage by 2016 for Viet Nam and 2018 for CLM. By 2017 and 2020 products under the Viet Nam and CLM's Normal Track, respectively would have full market access, that is, at zero tariff. Thailand, which acceded to the AK-TIG in 2007, has a different schedule. Tariffs for products in the Normal Track would be reduced over a transition period and will be eliminated by either 2016 or 2017.

Trade in Services

The ASEAN-Korea Trade in Services (AK-TIS) Agreement, signed in 2007, provides the platform for further expanding market access for ASEAN and Korean service providers. Building on their existing commitments in the WTO under the General Agreement on Trade in Services (GATS), ASEAN and Korea both increased their commitments through the addition of new sectors and sub-sectors, easing restrictions on a wide range of service sectors including business, construction, education, communication services, the environment, tourism services and transport services.

Investment

The ASEAN-Korea Agreement on Investment (AK-AI) signed in 2009 aims to provide a transparent, facilitative and a more secure environment for ASEAN and Korean investors. The agreement includes provisions for fair and equitable treatment and full protection and security of covered investments; transfers of funds relating to covered investments; and compensation in the event of nationalisation or expropriation of covered investments.

Since the agreement went into effect in 2009, ASEAN and Korea have continued to pursue the completion of built-in-agenda items, such as the development of market access commitments or schedules of reservations. ASEAN and Korea will hold discussions on these agenda items and plan to conclude discussions within five years from the agreement's entry into force.

Dispute Settlement Mechanism

The ASEAN-Korea Agreement on Dispute Settlement Mechanism, signed in 2005, provides a mechanism for disputes that may arise from the free trade agreements through consultations, good offices, conciliation and mediation, arbitral tribunal or any other relevant international agreement. (The Dispute Mechanism Settlement Mechanism does not apply to specific Articles under Trade in Services, Investment, Economic Cooperation and Other Areas, as well as Annex on Economic Cooperation.)

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ASEAN-India Free Trade Area

The ASEAN-India Trade in Goods (AITIG) Agreement was signed in 2009 and went into effect in January 2010, paving the way for the creation of one of the world's largest free trade areas. The ASEAN-India market comprises 1.8 billion people with a combined GDP of approximately US$3.84 trillion, as of 2011. ASEAN-India trade was valued at US$68.4 billion in 2011, making India ASEAN's sixth largest trading partner.

Free Trade in Goods

The AITIG provides for a progressive tariff reduction and/or elimination of originating goods (subject to compliance with the rules of origin) traded for the 10 ASEAN Member States and India. Under the Normal Track, tariffs imposed by Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand and India will be eliminated by 2016. Tariffs imposed between the Philippines and India under the Normal Track will be eliminated by 2019. A longer time frame has been granted for Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) to eliminate tariffs of goods under the Normal Track.

Under the Sensitive Track, goods with applied most-favoured-nation (MFN) rates of above 5% will be reduced to 5% by 2016 for Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand and India; 2019 for the Philippines and India; and 2021 for Cambodia, Lao PDR, Myanmar and Viet Nam.

The AITIG also provides for different tariff rates for special products, such as crude and refined palm oil, coffee, black tea and pepper. There are also goods placed under the highly sensitive lists and exclusion lists, subject to an annual review in keeping with efforts to improve market access for these products.

A general rule of RVC (Regional Value Content) 35% + CTSH (Change in Tariff Sub-Heading) is applied as the criterion for goods to be considered as originating and eligible for preferential tariff treatment. Product specific rules are being negotiated to provide alternative rules for certain products and sectors.

Services and Investment

Negotiations on services and investment agreements are ongoing and are targeted for completion in 2012.

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ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)

The Agreement establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) aims to integrate 12 markets into a single market of 632 million people with a combined GDP of US$3.82 trillion and a trade value of US$67.7 billion, as of 2011. The AANZTA was signed in 2009 and went into effect in January 2010.

Despite the global financial crisis and the decline of global foreign investment flows, total level (or stock) of foreign direct investment (FDI) from Australia-New Zealand in ASEAN has continued to grow.

The AANZFTA Agreement is the first plurilateral agreement for both ASEAN and Australia. (New Zealand has a plurilateral agreement with Brunei, Singapore and Chile). It is also the first region-to-region engagement for ASEAN and the first agreement that Australia and New Zealand have jointly negotiated. The agreement covers trade in goods and services, electronic commerce, investment, dispute settlement mechanism and specific provisions on customs procedures, sanitary and phytosanitary (SPS) measures, standards and technical regulations, intellectual property rights and competition.

Obligations under the AANZFTA Agreement

ASEAN Member States, Australia and New Zealand are bound by the AANZFTA Agreement to progressively liberalise tariffs since the Agreement went into effect on 1 January 2010 and to eliminate tariffs on at least 90% of all their tariff lines within specific timeframes. They have also agreed to liberalise barriers to trade in services and allow for greater market access for services suppliers.

The AANZFTA Agreement provides for the free movement of people engaged in trade and investment activities in the region and provides protection for investments, including compensation for losses, transfers relating to profit and capital, and transfer of rights or claims to investments. Under the terms

of the agreement, ASEAN, Australia and New Zealand have also agreed to facilitate the movement of goods by implementing specific provisions on rules of origin, customs procedures, sanitary and phytosanitary (SPS) measures and standards, technical regulations and conformity assessment procedures.

Schedules of specific commitments in relation to trade in goods (tariffs), trade in services (including financial services and telecommunication services) and movement of natural persons are annexed to the AANZFTA Agreement.

Benefits of the AANZFTA Agreement

The AANZFTA Agreement opens up business opportunities in ASEAN, Australia and New Zealand. It allows greater market access for exporters and manufacturers in the region, promotion of economies of scale in production, opportunities for networking and enhanced collaboration among economic operators in the region. AANZFTA aims to create a business environment that promotes certainty, predictability and transparency, so that economic operators are assured that commercial activities will not be unnecessarily interrupted or disrupted.

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