



H.E. Lim Hng Kiang
Minister
Ministry of Trade and Industry
100 High Street #09-01
The Treasury
Singapore 179434

16th July 2015

Dear Minister,

PUBLIC CONSULTATION ON ASEAN COMMUNITY BLUEPRINTS: RESPONSE OF THE EU-ASEAN BUSINESS COUNCIL ON THE ASEAN ECONOMIC COMMUNITY BLUEPRINT

Further to the announcement by the Singapore Government of a public consultation on the development of the ASEAN Community Vision 2025 and the three ASEAN Community Blueprints for the period 2016 through to 2025, the EU-ASEAN Business Council is hereby submitting its response in respect to the post-2015 agenda for the ASEAN Economic Community (AEC).

About the EU-ASEAN Business Council

The EU-ASEAN Business Council (EU-ABC) was established with a single, overarching goal in mind: to deepen and grow the existing trade and investment relationship between ASEAN and Europe. The EU-ABC is the primary voice for European businesses within the ASEAN region, being endorsed by the European Commission and recognised by the ASEAN Secretariat.

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

The EU-ABC conducts its activities through a series of advocacy groups focused on specific industry sectors and cross-industry issues. These groups are usually chaired by a multi-national corporation, and draw on the views of the entire membership of the EU-ABC as well as the relevant committees from our European Chamber of Commerce membership, allowing the EU-ABC to reflect the views and concerns of European business in general. Areas covered include, , Insurance, Automotive, Agri-Food & FMCG, IPR & Illicit Trade, Market Access & Non-Tariff Barriers to Trade, and Financial Integration, amongst others

The Current AEC Blueprint

The EU-ABC is a strong supporter of the ASEAN regional integration process and as such is also a strong proponent of the AEC. The goals and objectives enshrined in the November 2007 AEC Blueprint



are applauded by our membership and by European business more generally. Those goals and objectives are, without doubt, ambitious but the progress made so far has been impressive, especially given the consensual approach that ASEAN has taken to try to achieve them.

Significant progress has been made, especially to putting in place the framework Agreements between the Member States of ASEAN that underpin the AEC. The official scorecard from ASEAN records numerous successes in tariff reductions and agreements on common rules. The next stage is to improve the transparency and predictability of implementation of the rules, in order to realise the full benefits of the AEC can be realised. This is not a simple challenge, given the levels of economic disparity that exist within the region, and the differing demands of domestic politics within each of the Member States. However, the EU-ABC notes that the general direction of each of the Member States is towards achieving the AEC. We are encouraged by this.

Post-2015: Making the AEC a reality

The EU-ABC has recently published a number of papers connected with the AEC and the boosting of trade and investment between Europe and ASEAN. These papers have, in turn, dealt with the need to accelerate moves to liberalise the insurance and re-insurance industry in ASEAN; the general approach to trade and investment under the auspices of the AEC and the need to advance development in some areas; and, hindrances faced by businesses both in moving their goods around the region and in investing in parts of ASEAN. Much of the material in those papers has looked at progress with the AEC, and the recommendations contained within the papers are designed to highlight areas where we feel that more progress is needed if the aims of the AEC are to be truly achieved in the near to medium term. Those papers are hereby annexed to this letter and form part of the EU-ABC's formal response to the MTI consultation. The papers are:

- The Insurance Industry in ASEAN: Engine for Growth & Social Cohesiveness (as updated in April 2015);
- Agenda for the promotion of trade and investment between ASEAN and Europe (April 2015); and,
- Realising the potential of ASEAN (July 2015).

The EU-ABC believes that the post-2015 Agenda for ASEAN should, as one of its key focus points, maintain an emphasis on the current key objectives of the AEC, and ensure that they are significantly achieved and implemented, prior to further expansion plans for ASEAN integration.

Drawing from the recommendations contained in the papers mentioned above, and looking ahead beyond the end of 2015, there are a number of areas that the EU-ABC believes ASEAN should be focussing on to ensure a deeper, more lasting, and more tangible economic integration which would in turn lead to more recognisable benefits to economic enterprises in the region and to the broader population. Areas that we hope will be feature heavily in the new ASEAN Economic Community Blueprint for the period 2016-2025 include:

- **Accelerating moves on the integration and opening up of financial services:**
It is the view of the EU-ABC that the true benefits of economic integration in ASEAN may falter without the complementary opening up of financial services across the region. As markets become increasingly interconnected, the introduction of policies and regulations aimed at increasing



trade need to occur alongside the proper establishment of trade finance systems and mechanism, in order to fully reap the advantages of true financial capital mobility. ASEAN would greatly benefit from increased regional financial integration; allowing for easier cross-border capital flows, and improved market competitiveness particularly in areas such as the insurance and re-insurance sectors, and access to credit for both SMEs and MNCs. ASEAN's targets for achieving the goals of deeper financial integration by 2020 should, in our view be advanced.

➤ **Developing inclusive financing regimes for SMEs:**

In a globalised world, where intra-ASEAN trade is seen as essential to unlocking the full potential of the region, it is important that a regional approach is taken to facilitate the growth of SMEs in ASEAN. From a financial services perspective there are a number of cross-border and national policies that could be put in place to dramatically facilitate SME growth. Some of these include:

- Work to improve corporate governance at the SME level and to enhance information transparency to make it easier for SMEs to access finance;
- Establishing effective ASEAN-wide personal and corporate credit bureaus to allow the financial sector to make informed lending decisions;
- Encourage the development of capital markets so that SMEs have access to more diverse sources of funding, as an alternative to the current heavy reliance on bank lending;
- Improving access to finance and financial literacy for micro-entrepreneurs, social enterprises and SMEs;
- Ongoing engagement with governments on the development of policy, including establishing and improving access, quality and quantity of information on credit bureaus, working with regulators on the design and implementation of payments and clearing systems and the development of electronic documentation to facilitate trade.

➤ **Easing of Customs procedures and increasing predictability of customs procedures:**

A single harmonised customs procedure throughout the region, with even-handed and regularised enforcement would increase predictability and confidence in doing business with ASEAN; improve the efficiency of supply chains; and assist the establishment of the ASEAN Single Window. The current situation for the free movement of goods - a key goal of the AEC - is still highly disparate among Member States, with countries like Singapore consistently a global top performer for customs and logistics best practices, while others often lack the capacity to provide a predictable interpretation of customs regulations. The complex web of customs regulations poses a particular hindrance for SMEs who often lack the resources and expertise to interpret and navigate around the varying regulatory regimes across the region. Moving forward, easing barriers present on cross-border goods movement within the region is a relatively straightforward win for ASEAN's growth. Simple changes such as the introduction of a common *de minimis* baseline, automation of procedures where necessary and possible, would have a significant impact on trade growth. Inter-jurisdictional Customs collaboration should be enhanced, e.g. through joint operations and use of risk based assessments, to combat cross-border illicit trade.

➤ **Removal of foreign ownership and control constraints:**

Abolishing restrictions on foreign investments and ownership would boost FDI inflows, and encourage deeper, longer term investments that are more beneficial to a country's sustainable development than short to mid-term investments, and increase competition in markets which



would ultimately benefit consumers. The EU-ABC recognises that some of the ASEAN Member States have been developing more liberal policies with regards to foreign ownership restrictions: the efforts of Vietnam and the Philippines are particularly commended in this respect. Nonetheless, there needs to be greater movement across the region to open up all sectors if the true benefits of a single market and production base are to be realised.

➤ **Removal of Non-tariff barriers to trade and increased openness on their existence:**

The phasing out and eventual elimination of non-tariff barriers will encourage economies of scale for companies; offer greater product differentiation; improve a country's import-export competitiveness; and overall spur regional trade and economic growth. Presently, a significant number of NTBs remain in force, with the total number of NTBs reported having increased since 2010 and indications that some ASEAN members are considering introducing new NTBs. The EU-ABC notes with encouragement that some progress has been made in reducing the absolute number of NTBs, within the last 12 months. A clear and sincere regional effort by ASEAN is needed to tackle this key issue. The EU-ABC recommends, as a starting point the establishment of an independent and public database to report, list, and rank all NTBs present in ASEAN, such as the varied homologation processes and local technical standards, as a means to assist both regulators and companies in identifying and eliminating NTBs to trade and investments. In the similar vein, the EU-ABC recommends that ASEAN countries commit to cooperating on and protecting IP rights.

➤ **Further relaxation on the controls of movement of skilled labour:**

Availability of trained personnel, and competitively priced labour is commonly cited by companies as reasons for expansion in a country. Easing current restrictions on labour mobility would encourage the agglomeration of human capital in a market, and complements a country's capital mobility for stronger economic growth. Presently, the real free movement of skilled labour across ASEAN is still limited, with only a few Mutual Recognition Agreements being ratified by Member States. As such, companies frequently face challenges in the proper allocation of their regional staff as their business requirements alter with expansion. Likewise, the establishment of regional management development programmes for skill-transfers and training may be hindered due to restrictions placed on skilled labour mobility.

The EU-ABC stands ready to work with the Singapore Government and other ASEAN Member States to assist with work on ensuring the full implementation of the AEC. If MTI wishes to discuss these or other related points further please do contact our Executive Director, Chris Humphrey, at chris.humphrey@eu-asean.eu.

With kind regards,

A handwritten signature in black ink is written over a blue circular stamp. The stamp contains the text "EU-ASEAN BUSINESS COUNCIL" around the perimeter and a small star at the top.

François Guibert
Chairman
EU-ASEAN Business Council