



Will 2025 be the final deadline for the ASEAN Economic Community?

The 10-member Association of Southeast Asian Nations (ASEAN) has delayed establishing an ASEAN Economic Community (AEC) by a decade as it strives to emulate the European Union (the EU) and promote collective growth.

The AEC failed to reach agreement on 105 of 506 measures by its 2015 deadline. A successor blueprint, called the AEC Blueprint 2025, which lays out the work for ASEAN economic integration in the next 10 years, was adopted at the 27th ASEAN Summit in November 2015.

ASEAN groups Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam; accounts for nearly one tenth of the world's population; and, by 2015, had combined nominal GDP of more than two-point-eight trillion dollars, ranking it the sixth largest economy in the world, behind the United States, the People's Republic of China, Japan, India, and Germany.

But economists question whether economic integration of such a disparate group of economies is feasible in scope and ambition. And even if possible, they question whether the AEC can do a better job of hastening reforms and binding ASEAN member states to their commitments at a time of increasing uncertainty and rising protectionist pressures in the global economy.

ASEAN's greatest success has been in reducing tariffs. On average, tariffs have been removed from 96% of member states' tariff lines, and that is expected to reach 98.7% by 2018.

The AEC has provided a springboard for wider multilateral liberalization, with ASEAN offering almost all of its preferential rates to non-members. As a result, more than 70% of intra-ASEAN trade attracts tariff-free most-favored nation status outside the region.

But the achievements on direct tariffs have been offset by the rise in non-tariff measures, which increased from 1,634 in 2010 to 5,975 in 2015, creating more challenges to tackling barriers to trade in services. Member states have more restrictive services policies in general than any other region in the world, except for the Gulf States.

ASEAN has yet to fully address issues of labor mobility to include unskilled labor. Mutual recognition agreements have been reached for eight professional qualifications, but these cover only 1.5% of ASEAN's total workforce.

Behind-the-border reforms and a more unified policy have been difficult to resolve.

Seeking uniformity in regulatory rules remains challenging given the widely different levels of development and often clashing national interests. The result has been delays in specific initiatives and the ratification of signed agreements and their alignment with national laws.

The AEC Blueprint 2025 addresses more difficult areas of reform, including reducing non-tariff barriers, simplifying rules of origin, and accelerating and deepening trade measures.

There are plans to begin negotiation on and eventually implement the ASEAN Trade in Services Agreement. "When" is a question left hanging in the air. Essentially, the goal is to bring standards and regulations into line across the AEC.

The new blueprint features measures to raise productivity through innovation, technology, and human resource development, and intensified regional research and development. It also includes measures to increase participation in global value chains, or how value is added to something, including production, marketing, and the provision of after-sales service.

Perhaps the trickiest problem is to make the AEC integration process more inclusive by supporting micro-, small-, and medium-sized enterprises, and entrepreneurs, so they also benefit from ASEAN integration, while the group remains globally engaged.

Since the new blueprint was adopted in November 2015, the focus is on translating its ideas into strategic action plans and work programs.

In August 2016, the ASEAN Economic Ministers adopted strategic action plans covering trade in goods, services, investments, ASEAN standards and conformance, competition, consumer protection, intellectual property rights, and measures for enhancing the global value chain agenda.

In February 2017, the ASEAN Economic Council endorsed the AEC Consolidated Strategic Action Plan, which sets out a timeframe for implementing each action line, and plans for specific sectors where work needs to be done quickly.

ASEAN is keen to press forward with the AEC 2025, but even that extended deadline may be overly optimistic to achieve change on the ground. The regional grouping has a long history of issuing declarations, action plans, and frameworks that do not yield results.

Still, the new blueprint explicitly defines mechanisms to ensure the ASEAN member states meet commitments. The ASEAN Economic Community Council is designated as the principal body accountable for enforcing compliance with the blueprint's strategic measures.

Simply put, the ASEAN Economic Community Council needs to replace the so-called "ASEAN Way" of doing business, which is consensus driven and any step can be blocked if one member doesn't like the outcome. A whole way of thinking must change if 2025 is to amount to anything more than a date on a page.

This was based on an ADBI blog post by ADB lead economist Jayant Menon and ADB consultant Anna Cassandra Melendez.