

Regional Integration Going Forward

Towards an ASEAN Economic Community: Progress in key pillars and remaining challenges – Commentaries

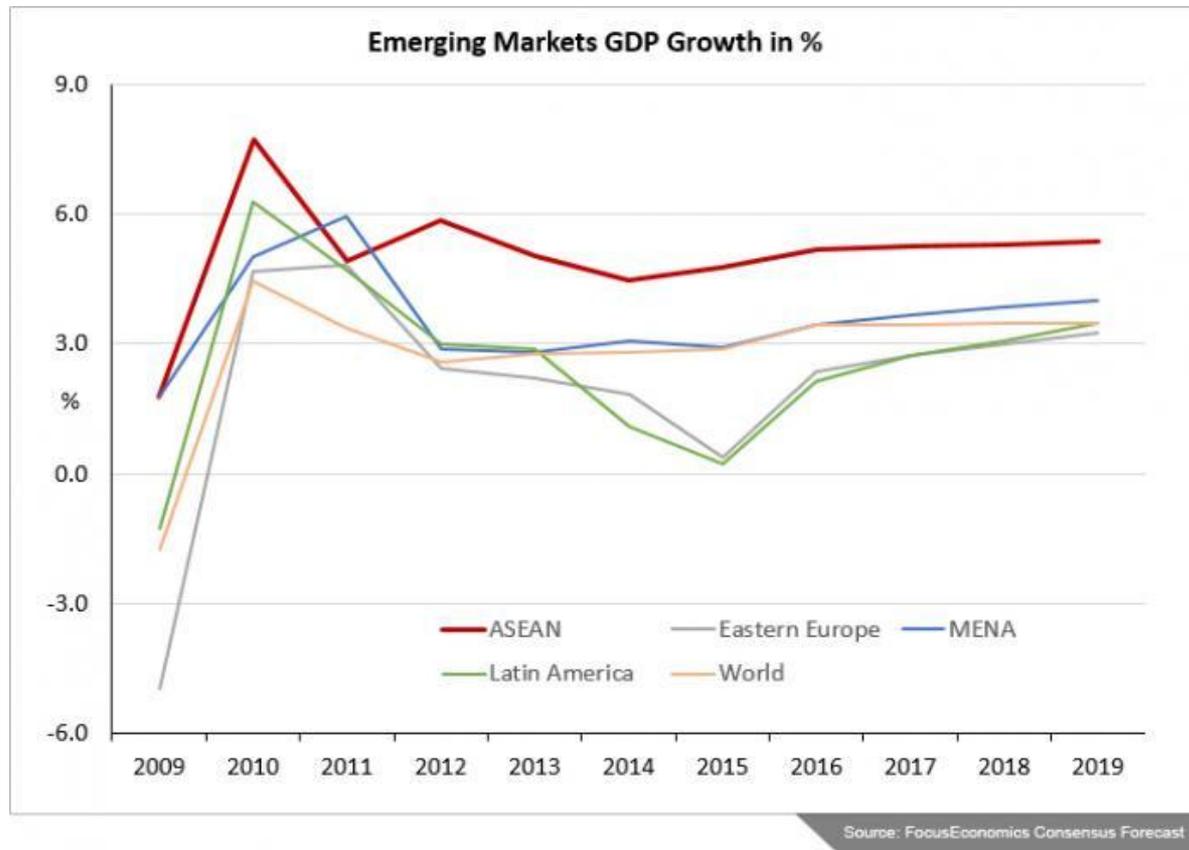
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Is the AEC a case of over-promise and under-deliver?

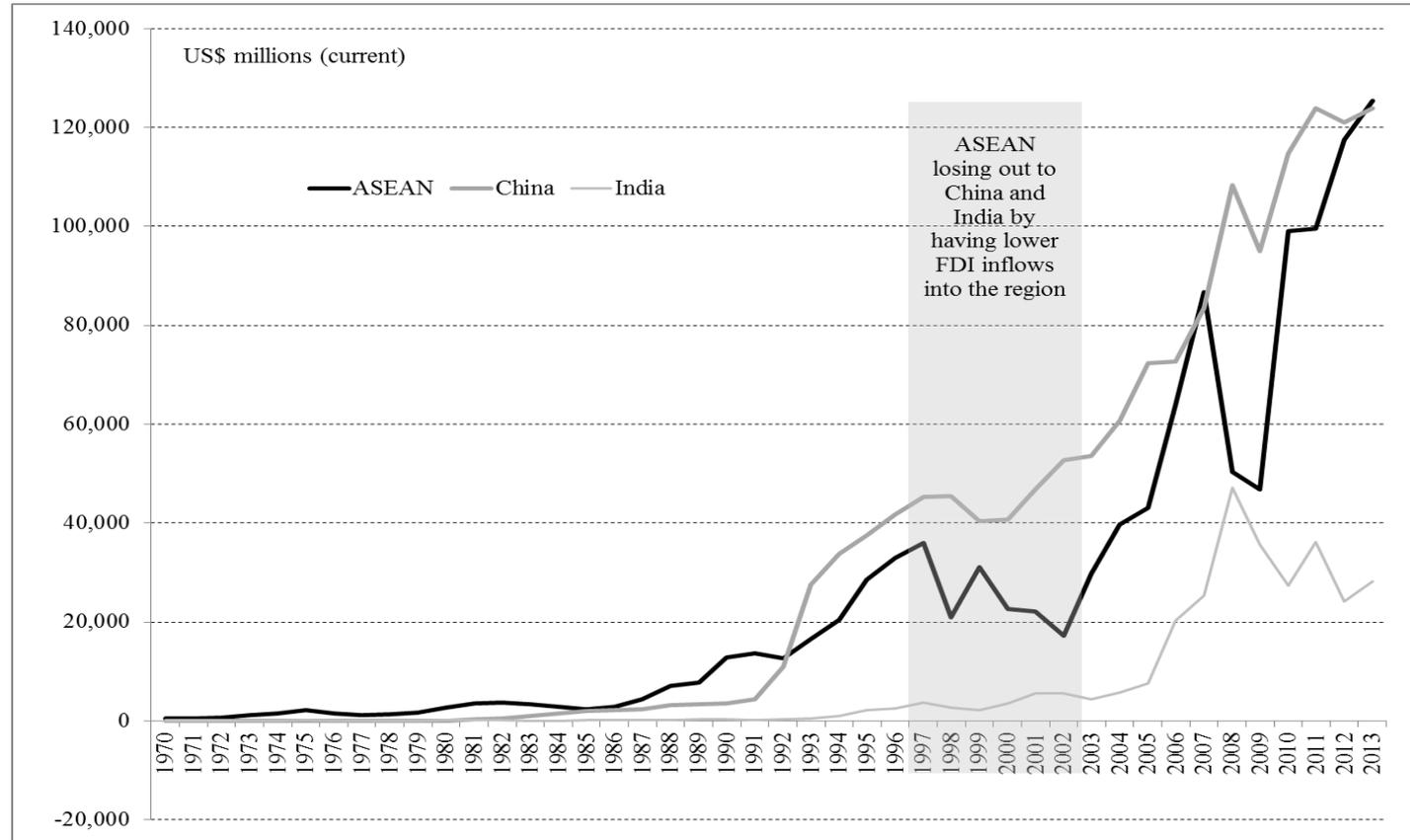
- ❖ ASEAN Member States admitted that the AEC may not be established by December 2015.
- ❖ Advancing deadline of the AEC establishment from 2020 to 2015:
 - Period to fulfil commitments shrunk from 13 to 8 years
 - Created a sense of urgency and commitment
 - Provided internal push/momentum
- ❖ 4 pillars, 17 core elements and 176 priority actions:
 - Was 8 years adequate to fulfil commitments/mandate?
 - Underestimate the resources and capacity to fulfil commitments.
 - Action-fatigue?
- ❖ Implementation rate was 90.5% as of April 2015:
 - Details not available
 - Creative reporting by Member States? (Example: Competition policy)

Forecast of robust growth for ASEAN: Does this sets in complacency?



Despite the difficult external environment, ASEAN is expected to have robust economic growth in the next five years, surpassing those of other regions.

Declining FDI inflows into ASEAN post-AFC 1997/1998 provided impetus for change



Source: UNCTADStat (2015)

ASEAN Member States can be pragmatic when they are forced to do so.
Does ASEAN need another Asian Financial Crisis 1997/1998 to jolt itself out of complacency?

Same problems, different times?

- ❖ The ASEAN Competitiveness Study commissioned in 2002 and presented in 2006 highlighted these challenges for ASEAN:
 - The ASEAN market was not as integrated as those of other RIAs such as the EU and MERCOSUR.
 - ASEAN and its Member States had to compete with China and India for FDI inflows.
 - There was a lack of political will within ASEAN to build strong regional institutions.
- ❖ Ten years on, ASEAN and its Member States seem to be facing the same challenges and problems.

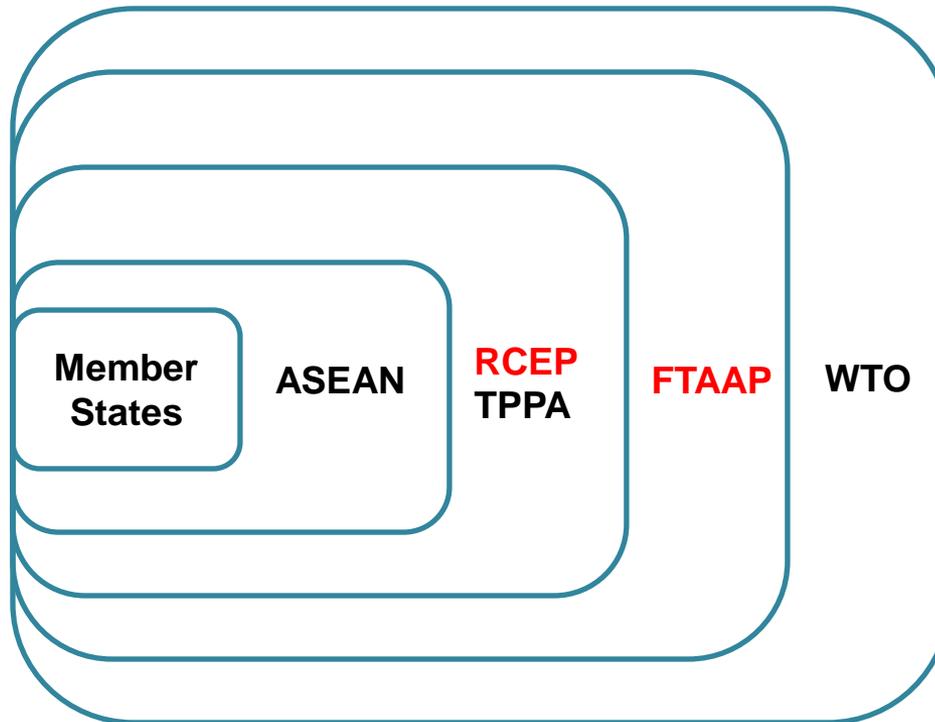
Experiences in other RIAs highlight difficulties in “community” building

- ❖ ASEAN is not the only RIA that has missed its targets.
- ❖ Other RIAs – both intergovernmental and supranational organisations – have find it difficult to achieve their “community” building targets.
 - Developed RIAs: The FTAA, the EU
 - Developing RIAs: MERCOSUR, CARICOM, COMESA, SAARC
- ❖ The biggest challenge is overcoming the problems associated with diversity in membership:
 - Legal systems/traditions – civil, common, hybrid laws
 - Language
 - Economic systems – market, planned, transition economies
 - Level of economic development – LDCs, developing, developed
 - Capacity and capability in meeting targets – resource constraints
 - Political commitment and will – national agenda has higher priority

Establishing robust and rigorous institutional arrangements is crucial

- ❖ Lessons from other RIAs highlight the importance of sound institutional arrangements to support community building:
 - The role of ASEAN Secretariat
 - The move towards more rules-based organisation
 - The establishment of strong enforcement mechanism
- ❖ Existing institutional arrangements should not operate in silos:
 - Interlinkages in the work of the three communities in ASEAN
 - ASEAN Political-Security Community
 - ✓ Treaty on Mutual Legal Assistance in Criminal Matters
 - ASEAN Socio-Cultural Community
 - ✓ ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers

Membership in larger RIAs as impetus to building the ASEAN Community



To watch: Will membership in larger RIAs provide the impetus for the Member States to fulfil all their commitments for the ASEAN Community?