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# **THE ASEAN ECONOMIC COMMUNITY AND BEYOND**

*Advance Praise for The ASEAN Economic Community and Beyond*

“Trade liberalization and economic integration are the dominant trends of the Asia-Pacific. The ASEAN Economic Community will be born at the end of 2015. The Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) are the two mega free trade areas being negotiated. Ms Basu Das helps us to understand these momentous developments.”

*Professor Tommy Koh  
Ambassador-at-Large, Ministry of Foreign Affairs, Singapore*

“Expertly written, this collection of essays offers a rich analysis of ASEAN’s economic integration. It stands out for its ability to grasp the internal logic behind the establishment of the AEC project, and to connect it to broader currents of regional and extra-regional integration, including trade diplomacy and the connectivity agenda. A must read for anyone interested in the golden age of East Asian and Asia-Pacific regionalism.”

*Dr Mireya Solis  
Senior Fellow, Foreign Policy, Centre for East Asia Policy Studies,  
Brookings Institution, Washington, D.C.*

“In this timely assembly of short essays on the AEC and other trade arrangements involving countries of the region, Sanchita Basu Das provides a very useful reference tool for understanding the evolving regional economic architecture. Apart from the AEC and the challenges it is facing, there are important pieces on the TPP, RCEP and APEC, and how they might play out, going forward. The final part of the book looks at regional connectivity centred around ASEAN, and how the huge infrastructure needs of the region may be financed. This book should be of value to anyone interested in ASEAN in particular, but also other regional trade developments in general, as well as those focussing on development

challenges in realizing the potential unveiled by these initiatives, especially in the area of infrastructure connectivity.”

*Dr Jayant Menon  
Lead Economist (Trade and Regional Cooperation),  
Economic Research and Regional Cooperation Department,  
Asian Development Bank, Manila*

The **ISEAS–Yusof Ishak Institute** (formerly Institute of Southeast Asian Institute) was established as an autonomous organization in 1968. It is a regional centre dedicated to the study of socio-political, security and economic trends and developments in Southeast Asia and its wider geostrategic and economic environment. The Institute’s research programmes are the Regional Economic Studies (RES, including ASEAN and APEC), Regional Strategic and Political Studies (RSPS), and Regional Social and Cultural Studies (RSCS).

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# THE ASEAN ECONOMIC COMMUNITY AND BEYOND

*Myths and Realities*

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Sanchita Basu Das

**ISEAS** YUSOF ISHAK  
INSTITUTE

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*For my friend, partner and spouse, Subhramit Das*





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# FOREWORD

This volume is a compilation of articles written by Sanchita Basu Das, Lead Researcher for Economic Affairs in the ASEAN Studies Centre at the ISEAS–Yusof Ishak Institute, over the last three years.

Sanchita has been closely tracking developments in the region around the ASEAN Economic Community (AEC), the Regional Comprehensive Economic Partnership (RCEP), the Trans-Pacific Partnership (TPP) and other regional connectivity initiatives. That is demonstrated by the depth and breadth of topics covered in the twenty-two papers in the volume.

The year 2015 has been significant in the developments in ASEAN, particularly with the AEC deadline approaching and consensus seems to be formed around the TPP negotiations, as the U.S. Congress has finally passed the bill of Trade Promotion Authority. It is important, however, to also reflect back on the road that these various agreements travelled on over the past few years. It is also important to see if the original principles and tenets on which the ideas were conceived are actually being reflected in the final versions.

This volume helps in this regard as it has focused on three key areas — the state of the AEC, external linkages beyond the AEC, and ASEAN’s perspective on regional connectivity. The papers go into some depth on the issues faced in each of these areas. Thus academicians, policymakers and just about anybody who has been following the developments would get some insight on the issues.

It is difficult to predict where the future lies for ASEAN and whether its efforts around connectivity will eventually bear fruit. But providing clarity on the underlying issues and state of the economies can help the relevant people to make informed decisions.

This is what this volume seeks to do, and we hope succeeds in doing.

*Rodolfo C. Severino*  
*Head, ASEAN Studies Centre, ISEAS–Yusof Ishak Institute*  
*Secretary-General of ASEAN (1998–2002)*  
*August 2015*

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Lastly, I wish to thank my family, especially my husband, Mr Subhramit Das, for his encouragement, patience and understanding while I was busy writing my papers on regional integration matters. I dedicate this book to him.

# ABBREVIATIONS

AANZFTA	ASEAN-Australia-New Zealand FTA
ABAC	APEC Business Advisory Council
ABF	Asian Bond Funds
ABMF	ASEAN+3 Bond Market Forum
ABMI	Asian Bond Markets Initiative
ACCC	ASEAN Connectivity Coordinating Committee
ACFTA	ASEAN-China Free Trade Area
ACIA	ASEAN Comprehensive Investment Agreement
ADB	Asian Development Bank
ADBII	Asian Development Bank Institute
ADMM	ASEAN Defence Minister Meeting Plus
AEC	ASEAN Economic Community
AFAS	ASEAN Framework Agreement of Services
AFC	Asian Financial Crisis
AFTA	ASEAN Free Trade Area
AIA	ASEAN Investment Area
AIF	ASEAN Infrastructure Fund
AIFTA	ASEAN-India FTA
AIMO	ASEAN Integration Monitoring Report
AJCEP	ASEAN-Japan Comprehensive Economic Partnership
AKFTA	ASEAN-Korea FTA
AMCs	ASEAN member countries
APEC	Asia-Pacific Economic Cooperation
ARF	ASEAN Regional Forum
ARIC	Asia Regional Integration Centre
ASEAN	Association of Southeast Asian Nations
ASEAN+3	Ten ASEAN and China, Japan and South Korea

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ASEAN+6	ASEAN+3 members and India, Australia and New Zealand
ASEAN-5	Indonesia, Malaysia, the Philippines, Singapore, Thailand
ASEAN-6	Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand
ASW	ASEAN Single Window
ATIGA	ASEAN Trade in Goods Agreement
BOLT	Build Own Lease Transfer
BOO	Build Own Operate
BOOT	Build Own Operate Transfer
BOT	Build Operate and Transfer
CEP	Comprehensive Economic Partnership
CEPA	Comprehensive Economic Partnership Agreement
CEPEA	Comprehensive Economic Partnership in East Asia
CEPT	Common Effective Preferential Tariff
CER	Closer Economic Relation (between Australia and New Zealand)
CGE	Computable General Equilibrium
CJKFTA	China-Japan-Korea Trilateral FTA
CLMV	Cambodia, Laos, Myanmar, Vietnam
CTC	Change in tariff classification
CTH	Change in Tariff Heading
DDA	Doha Development Agenda
E3	Expanded Economic Engagement
EAFTA	East Asia Free Trade Agreement
EIU	Economist Intelligence Unit
ERIA	Economic Research Institute for ASEAN and East Asia
ETP	Economic Transformation Programme
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTAAP	Free Trade Area of the Asia-Pacific
G20	Group of 20
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GFC	Global Financial Crisis
HS	Harmonized System
IAI	Initiative of ASEAN Integration

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ICT	Information and Communications Technology
ILO	International Labour Organization
IMF	International Monetary Fund
IPN	International Production Network
IPR	Intellectual Property Right
JETRO	Japan External Trade Organization
LCY	Local Currency
LDP	Liberal Democratic Party
LPI	Logistics Performance Index
MDB	Multilateral Development Banks
MFN	Most-Favoured-Nation
MPAC	Master Plan for ASEAN Connectivity
MRAs	Mutual Recognition Arrangements
NAFTA	North American Free Trade Agreement
NSW	National Single Windows
NTBs	Non-Tariff Barriers
NTM	Non-tariff measure
NTS	Non-Traditional Security
ODA	Official Development Assistance
P4	Trans-Pacific Strategic Economic Partnership Agreement between Brunei, [author, anything missing here?]
PECC	Pacific Economic Cooperation Council
PMC	Post Ministerial Conferences
PPP	Public-Private-Partnership
PPP	Purchasing Power Parity
RCEP	Regional Comprehensive Economic Partnership
REI	Regional Economic Integration
RoK	Republic of Korea
ROO	Rules of Origin
RTAs	Regional Trade Agreements
RVA	Regional Value-Added
RVC	Regional Value Content
SARS	Severe Acute Respiratory Syndrome
SCFAP	Supply Chain Connectivity Framework/Action Plan
SMEs	Small and Medium-sized Enterprise
SOEs	State-Owned Enterprises
SPS	Sanitary and Phytosanitary Standards
SWF	Sovereign Wealth Funds

TAC	Treaty of Amity and Cooperation
TFAP	Trade Facilitation Action Plan
TIFA	Trade and Investment Arrangement
TIG	Trade in Goods
TII	Trade Intensity Index
TIS	Trade in Services
TNC	Trade Negotiating Committee
TNCs	Transnational Corporations
TPA	Trade Promotion Authority
TPP	Trans-Pacific Partnership
VC	Value Content
WG	Working Groups
WTO	World Trade Organisation