ASEAN ECONOMIC COMMUNITY (AEC)

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ASEAN: A Community of Opportunities
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ASEAN Economic Community (AEC)

The first ASEAN Economic Community (AEC) Blueprint, signed in November 2007, has served as a comprehensive master plan to chart the region’s journey towards the formal establishment of the AEC on 31 December 2015. Under this Blueprint, the AEC is built on four interrelated and mutually-reinforcing characteristics: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy.

The first AEC characteristic seeks to create a single market and production base through free flow of goods, services, investment, skilled labour and freer flow of capital. The second characteristic helps to create a business-friendly and innovation-supporting regional environment through the adoption of common frameworks, standards and mutual co-operation across many areas, such as in agriculture and financial services, and in competition policy, intellectual property rights, and consumer protection. It also supports improvements in transport connectivity and other infrastructure networks. The third characteristic seeks to achieve equitable economic development through creative initiatives that encourage small and medium enterprises to participate in regional and global value chains and focused efforts to build the capacity of newer ASEAN Member States to ensure their effective integration into the economic community. The fourth characteristic envisages ASEAN’s full integration into the global economy pursued through a coherent approach towards external economic relations, and with enhanced participation in global supply networks.

ASEAN Economic Community (AEC) at a Glance

- **ASEAN Economy**
  - A Highly Competitive Economic Region
  - With a combined GDP of US$2.5 trillion in 2014, ASEAN economy was the 7th largest in the world and the largest in Asia.

- **ASEAN Population**
  - A Region Fully Integrated Community
  - In 2014, ASEAN was the 3rd largest market in the world with 622 million people, behind only China and India.

- **ASEAN Trade**
  - A More Integrated Market
  - Total trade increased by nearly US$1 trillion between 2007 and 2014, with IntrASEAN trade comprising the largest share of ASEAN’s total trade by partner.

- **ASEAN Connectivity**
  - A More Connected Community
  - The rate of Internet subscription almost doubled from 11.8 per 100 inhabitants in 2007 to 22.6 in 2014.

**A World Class Investment Destination**

ASEAN attracted US$136 billion in FDI in 2014, accounting for 17% of global FDI inflows, up from only 3% in 2007.

**A Highly Competitive Economic Region**

ASEAN economy was the 7th largest in the world and the 3rd largest in Asia.

**A Region Fully Integrated Community**

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**A More Integrated Market**

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**A World Class Investment Destination**

ASEAN attracted US$136 billion in FDI in 2014, accounting for 17% of global FDI inflows, up from only 3% in 2007.

**A Highly Integrated and Cohesive Economy**

ASEAN was the 7th largest economy in the world with a total GDP of US$2.6 trillion.

**A Competitive, Innovative, and Dynamic ASEAN**

Intra-ASEAN trade accounted for 52% of ASEAN’s total trade, up from 31% in 2007.

**A More Connected Community**

Annual tourist arrivals were up from 62 million in 2007 to 105 million in 2014, almost half of which were IntrASEAN.

**A Global ASEAN**

ASEAN has become a more attractive investment destination for international and domestic investors alike.

**Key Achievements under the AEC 2015**

- Improved investment regimes: ASEAN has become a more attractive investment destination for international and domestic investors alike.
- More liberalised market: ASEAN businesses are provided with more opportunities to expand their reach in the external markets, and strengthen their role in regional and global value chains.
- Free trade and comprehensive economic partnership agreements: ASEAN businesses are provided with more opportunities to expand their reach in the external markets, and strengthen their role in regional and global value chains.
- Reduced trade costs: IntrASEAN trade has been facilitated.
- Narrowing the development gap: Along with the process of regional integration, initiatives that help encourage small and medium enterprises to participate in regional and global value chains and focused efforts to build the capacity of newer ASEAN Member States to ensure their effective integration into the economic community.
- Enhanced mobility of skilled people: ASEAN has become a more attractive investment destination for international and domestic investors alike.
- Efficient institutions: Effective planning and monitoring are imperative to ensure successful outcomes of the community.
- Deepening regional economic integration: Furthermore, efficient institutions, adequate resources as well as a clear strategy to address any unfinished agenda from AEC 2015 which are deemed critical in looking at the decade ahead.

Looking at the decade ahead, ASEAN will strive to build on the early gains from the AEC 2015 as well as narrow the development gap along with the process of regional integration, initiatives that help encourage small and medium enterprises to participate in regional and global value chains and focused efforts to build the capacity of newer ASEAN Member States to ensure their effective integration into the economic community. The fourth characteristic envisages ASEAN’s full integration into the global economy pursued through a coherent approach towards external economic relations, and with enhanced participation in global supply networks.

**ASEAN Connectivity**

The rate of Internet subscription almost doubled from 11.8 per 100 inhabitants in 2007 to 22.6 in 2014.

**ASEAN FDI**

ASEAN attracted US$136 billion in FDI in 2014, accounting for 17% of global FDI inflows, up from only 3% in 2007.

**ASEAN Trade**

Total trade increased by nearly US$1 trillion between 2007 and 2014, with IntrASEAN trade comprising the largest share of ASEAN’s total trade by partner.

**ASEAN Population**

In 2014, ASEAN was the 3rd largest market in the world with 622 million people, behind only China and India.

Key achievements under the AEC 2015 include the following:

- Improved investment regimes:
  - ASEAN has become a more attractive investment destination for international and domestic investors alike.
- More liberalised market:
  - ASEAN businesses are provided with more opportunities to expand their reach in the external markets, and strengthen their role in regional and global value chains.
- Free trade and comprehensive economic partnership agreements:
  - ASEAN businesses are provided with more opportunities to expand their reach in the external markets, and strengthen their role in regional and global value chains.
- Reduced trade costs:
  - IntrASEAN trade has been facilitated.
- Narrowing the development gap:
  - Along with the process of regional integration, initiatives that help encourage small and medium enterprises to participate in regional and global value chains and focused efforts to build the capacity of newer ASEAN Member States to ensure their effective integration into the economic community.
- Enhanced mobility of skilled people:
  - ASEAN has become a more attractive investment destination for international and domestic investors alike.
- Efficient institutions:
  - Effective planning and monitoring are imperative to ensure successful outcomes of the community.
- Deepening regional economic integration:
  - Furthermore, efficient institutions, adequate resources as well as a clear strategy to address any unfinished agenda from AEC 2015 which are deemed critical in looking at the decade ahead.

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Under the new Blueprint, a stronger AEC is envisaged by 2025 with the following characteristics:

- (a) A Highly Integrated and Cohesive Economy
- (b) A Competitive, Innovative, and Dynamic ASEAN
- (c) Enhanced Connectivity and Sectoral Cooperation
- (d) A region fully integrated into the global economy
- (e) A Global ASEAN
The establishment of AEC brings about opportunities in the form of a huge market worth over US$ 2.5 trillion. Collectively, the region is the 7th largest economy in the world and, with a population of over 622 million people, represents the 3rd largest market base in the world, behind only China and India.

**AEC 2015: Key Achievements**

Key achievements under the AEC 2015 include the following:

(i) **More liberalised market:** Intra-ASEAN import tariffs have been virtually eliminated and formal restrictions in services sector gradually removed, providing its peoples with greater opportunities in trading and doing business within the region.

(ii) **Reduced trade costs:** Cross-border trading processes have been simplified, including in customs procedures and rules of origin, harmonisation of technical regulations and mutual recognition arrangements.

(iii) **Improved investment regimes:** ASEAN has become a more attractive investment destination for international and domestic investors alike.

(iv) **Free trade and comprehensive economic partnership agreements:** ASEAN businesses are provided with more opportunities to expand their reach in the external markets, and strengthen their role in regional and global value chains.

(v) **A business-friendly and innovation-supportive environment:** This is achieved through the adoption of common frameworks, standards and mutual cooperation in various areas, such as in agriculture and financial services, and in competition policy, intellectual property rights, consumer protection as well as SME development.

(vi) **Physical improvements in transportation and other infrastructure networks:** These improvements have facilitated cross-border transportation and contributed to the reduction of overall costs of doing business, providing ASEAN peoples and business the opportunity to work together more productively.

(vii) **Narrowing the development gap:** Along with the process of regional integration, initiatives that help narrow the development gap among and within ASEAN Member States have also been put in place.

**AEC 2025: The Way Forward**

The formal establishment of the AEC in 2015 is not a static end goal, but a dynamic process that requires continuous reinvention of the region to maintain its relevance in an evolving global economy. The AEC Blueprint 2025 has therefore been adopted to guide ASEAN economic integration from 2016 to 2025.

Under the new Blueprint, a stronger AEC is envisaged by 2025 with the following characteristics:

(a) A Highly Integrated and Cohesive Economy;
(b) A Competitive, Innovative, and Dynamic ASEAN;
(c) Enhanced Connectivity and Sectoral Cooperation;
(d) A Resilient, Inclusive and People-Oriented, People-Centred ASEAN; and
(e) A Global ASEAN

Looking at the decade ahead, ASEAN will strive to build on the early gains from the AEC 2015 as well as be forward looking in anticipating new opportunities and challenges. The post-2015 agenda would thus include a clear strategy to address any unfinished agenda from AEC 2015 which are deemed critical in deepening regional economic integration. Furthermore, efficient institutions, adequate resources as well as effective planning and monitoring are imperative to ensure successful outcomes of the community building process beyond the establishment of the AEC 2015.
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