

ASEAN integration into the global economy continues with the signing of the ASEAN-Hong Kong China Free Trade Agreement (AHKFTA) and ASEAN-HKC Investment Agreement (AHKIA). Negotiations on revised Product Specific Rules were completed, as part of the upgrading of the ASEAN-China FTA. The Protocol to Amend the ASEAN-Japan Comprehensive Economic Partnership Agreement has been finalised to incorporate the Chapters on Trade in Services, Movement of Natural Persons, and Investment. Stage Two of the General Review of the ASEAN-Australia New Zealand Free Trade Agreement (AANZFTA) has also been completed and Parties are working on the implementation of recommendations derived therefrom. In addition, ASEAN is working with the EU to develop a framework setting out parameters for a future ASEAN-EU FTA. The Joint Feasibility Study for a potential ASEAN-Canada FTA has also been finalised. A Memorandum of Understanding has been finalised between ASEAN and the Eurasian Economic Commission for closer economic cooperation among members. ASEAN also remains committed to the swift conclusion of the Regional Comprehensive Economic Partnership (RCEP) negotiations, the centerpiece of ASEAN's external economic relations work, in line with the Leaders' mandate.

The implementation of the AEC Blueprint 2025 is also supported by the operationalisation of the AEC 2025 Monitoring and Evaluation (M&E) Framework through, among others, the development of monitoring tools and databases to support compliance and outcomes monitoring, evaluation, verification, review, and reporting. The ASEAN Community Statistical System (ACSS) continues to strengthen regional statistical cooperation to provide timely, comparable and reliable statistics, which contributes to outcome monitoring efforts. To support the implementation of the AEC Blueprint 2025, all 23 AEC sectoral work plans (SWPs) have been adopted by the sectoral ministerial bodies and endorsed by the AEC Council. The AEC 2025 Consolidated Strategic Action Plan (CSAP), a single reference for key action lines drawn from the AEC sectoral work plans, which has been made public since February 2017 and was updated in August 2018- to account for sectoral developments.



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The Association of Southeast Asian Nations (ASEAN) was established on 8 August 1967. The Member States of the Association are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam. The ASEAN Secretariat is based in Jakarta, Indonesia.

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ASEAN ECONOMIC COMMUNITY (AEC)



one vision
 one identity
 one community

ASEAN ECONOMIC COMMUNITY

The ASEAN Economic Community (AEC) Blueprint 2025, adopted by the ASEAN Leaders at the 27th ASEAN Summit in Kuala Lumpur, Malaysia, provides broad directions through strategic measures to guide the next phase of 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

The AEC Blueprint 2025 sets higher ambition through the deepening of existing integration areas, and incorporation of new focus areas such as Global Value Chains (GVCs), good regulatory practice, sustainable development, global megatrends and emerging trade-related issues.



Entering the third year of implementation of the AEC Blueprint 2025, ASEAN has a combined GDP of US\$ 2.77 trillion, with robust real GDP growth of 5.3% year-on-year. ASEAN's total merchandise trade stood at USD 2.57 trillion in 2017, an increase of 15.0% year-on-year, while foreign direct investment (FDI) inflows to ASEAN reached USD135.6 billion in 2017, an increase of 10.7% year-on-year.¹

Under Singapore's Chairmanship for 2018, and with the theme of "resilient and innovative," work is intensified this year on five key thrusts, namely: promoting innovation and e-commerce; improving trade facilitation; deepening services and investment integration; cultivating a conducive regulatory environment, and progressing ASEAN's external relations.

With 98.6% of the intra-ASEAN tariff eliminated, ASEAN continues to work towards the enhancement of trade facilitation to support an integrated v. Recent milestones include the live operation of the ASEAN Single Window (ASW) on 1 January 2018 among Indonesia, Malaysia, Singapore, Thailand, and Viet Nam; the

commencement of the preparation for the implementation of ASEAN Customs Transit System (ACTS) Pilot Project in Cambodia, Lao PDR, Myanmar, and Viet Nam in December 2017; and the finalisation of the First Protocol to Amend the ASEAN Trade in Goods Agreement (ATIGA) to allow for the operationalisation of the ASEAN-Wide Self Certification (AWSC) scheme. The harmonisation of standards in ASEAN has also produced around 280 harmonised international standards and technical requirements in the agreed priority sectors.

On trade in services, ASEAN has reached its next milestones through the completion and signing of the Protocol to Implement the 10th Package of Commitments under the ASEAN Framework Agreement on Services (AFAS) in 2018. ASEAN is also entering into the next stage of integration in services through the ASEAN Trade in Services Agreement which will supersede the AFAS, and is expected to be completed within the near future. On financial integration, the Protocol to Implement the 8th Package of Commitments on Financial Services under AFAS has been finalised, while the Roadmap for ASEAN Insurance Integration Framework is currently being finalised. In parallel, efforts to facilitate mobility of services professionals continued through the review of the ASEAN Agreement on Movement of Natural Persons and the implementation of the various Mutual Recognition Arrangements as well as the commencement of the implementation of the ASEAN Qualifications Reference Framework.

Work on enhancing ASEAN Comprehensive Investment Agreement (ACIA) is underway through the Fourth Protocol to Amend the ACIA, which incorporates WTO Agreement on Trade-Related Investment Measures (TRIMs)-plus, Prohibition of Performance Requirements obligations into the ACIA, and the agreement by all ASEAN Member States (AMS) to transition the ACIA reservation lists to a two-annex negative list.

¹) ASEAN Secretariat (update as of 31 October 2018)

ASEAN also continues to strengthen its legal and institutional structures. Nine AMS have enacted competition laws, while self-assessments of competition law regimes in AMS are on-going. The ASEAN Regional Cooperation Framework on Competition to promote cross-border enforcement cooperation was endorsed in August 2018 and an ASEAN Enforcers Network to operationalise such cooperation was launched in October 2018. Following the adoption of the ASEAN High-Level Principles on Consumer Protection in 2017, AMS completed the ASEAN Handbook on Consumer Protection Law in May 2018 to enhance transparency of ASEAN consumer laws and practices. To identify gaps and issues towards improving the turnaround times for IP registrations, diagnostics studies on trademarks and designs have been completed while that on patent is underway.

To assist AMS in improving their regulatory practice and fostering ASEAN-wide regulatory cooperation, The AEM adopted the ASEAN Good Regulatory Practices (GRP) Core Principles in August 2018, which is a practical, non-binding set of principles to serve as a guide to mainstream GRP into the ASEAN work.

In moving towards a more integrated and connected ASEAN, key ASEAN transport agreements have been signed including the ASEAN Framework Agreement on the Facilitation of Cross Border Transport of Passengers by Road Vehicles (CBTP); Protocol to Implement the Tenth Package of Commitments on Air Transport Services under the ASEAN Framework Agreement on Services (AFAS); and Mutual Recognition Arrangement (MRA) on Flight Crew Licensing. In addition, the full ratification of Protocol 1 (Designation of Transit Transport Routes and Facilities) of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) in February 2018 paves the way for the full ratification of the ASEAN Framework Agreement on the Facilitation of Inter-State Transport (AFAFIST), which would further facilitate cross border movement of goods.

At the 30th ASEAN Summit in 2017, ASEAN Leaders recognised the need for ASEAN to be well prepared and able to maximise the opportunities from the Fourth Industrial Revolution (Industry 4.0), so as to foster the region's economic growth, and promote inclusive and equitable economic development. At the request of the ASEAN Economic Ministers (AEM), the ASEAN Secretariat has completed the Assessment of ASEAN's Readiness for the Fourth Industrial Revolution in July 2018. The report underscored the value of leveraging on regional platforms to build the region's collective readiness as well as country-level readiness to respond to the opportunities and challenges of Industry 4.0, including through sharing experiences and best practices.

Recognising the importance of Science, Technology and Innovation (STI) to foster sustainable economic growth, job creation, and well-being, ASEAN Leaders adopted the ASEAN Declaration on Innovation in 2017 to provide regional policy direction to spur creativity and innovation that will serve as a foundation in driving the growth and competitiveness of industries in the region. The ASEAN Agreement on Electronic Commerce was signed on the sidelines of the 33rd ASEAN Summit in November 2018. The Agreement aims to facilitate cross-border e-commerce transactions and deepen cooperation among AMS in developing the capacity to establish legal and regulatory environment that engenders trust and confidence in the use of e-commerce to drive economic growth and social development in the region.

Cooperation in other sectors such as on energy, agricultural best practices and tourism promotion also continue. On energy cooperation, the first multilateral electricity trade in the region took place in 2017 among Lao PDR, Malaysia and Thailand. In addition, ASEAN is currently working towards reducing energy intensity in ASEAN by 20% in 2020 and 30% by 2025, and

increase the share of renewable energy to an aspirational target of 23% in the ASEAN Energy Mix by 2025, based on 2005 levels. Projects are underway to pursue a wider framework for power trade in the region, as well as efforts to advance the role of natural gas as well as intra-ASEAN coal trade and the promotion of cleaner coal technologies. The ASEAN Ministers of Agriculture and Forestry have endorsed various ASEAN Agricultural Best Practices, including good agricultural practices (GAP) for fruits/vegetables, good aquaculture practices (GAQP) for food fish, and good animal husbandry practices (GAHP) for poultry products to support the competitiveness of ASEAN agricultural products in the regional and world markets. In January 2018, the ASEAN Tourism Ministers adopted the ASEAN Tourism Strategic Plan (ATSP) two-year Work Plan for 2018-2019, the ASEAN Tourism Marketing Strategy (ATMS) 2017-2020, and the ASEAN Declaration on Cruise Tourism.

ASEAN also continues to place focus on inclusivity, through greater economic opportunities and participation across and within ASEAN Member States, including of the micro, small and medium enterprises (MSMEs). The AEM endorsed the ASEAN SME Policy Index (ASPI) 2018 in August 2018, which is a reference tool to help monitor and evaluate ASEAN's efforts in advancing MSME development policies in the region and welcomed the convening of national level seminars to share the findings and recommendations of the study and discuss follow-up activities.

