



Royal Government of Cambodia ERIA-Harvard Symposium

**“Realizing a More Integrated, Competitive,
Equitable, and Resilient ASEAN Community”**

Outcomes and Recommendations

*Phnom Penh, Cambodia
30-31 October 2012*

INTRODUCTION

The Royal Government of Cambodia, ERIA and Harvard University organized a two-day symposium on “Realizing a More Integrated, Competitive, Equitable, and Resilient ASEA Community” in Phnom Penh, Cambodia, on 30-31 October 2012. The two-day symposium discussed and articulated to the public a number of key issues revolving around moving forward the ASEAN community into 2015 and beyond, addressing the following key elements:

- (1) challenges of realizing the ASEAN Economic Community by 2015
- (2) enhancing connectivity, innovation, and technology capability toward a competitive ASEAN Community
- (3) ensuring an equitable, stable and robust growth of ASEAN
- (4) ensuring a more resilient ASEAN
- (5) ASEAN’s role towards ensuring a diplomatic environment in the Asia Pacific favorable to robust growth and integration in the region

Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, opened the symposium. At the outset, he commended ERIA's initiative to organize this symposium, which is an important dialogue platform in building the ASEAN community and address the major challenges in achieving this objective. He said that the vision of the AEC is reflected in the theme of this symposium. The Prime Minister reaffirmed that the ASEAN is an important player both in the region and the world, and that AEC will not only promote peace and stability in the region but also enhance ASEAN’s reputation internationally. He emphasized the need for narrowing of development gaps between the countries and proposed an action plan consisting of eleven measures for building ASEAN community into a more integrated, competitive, equitable, and resilient community. He reiterated the thrust of the Phnom Penh agenda, which seeks to continue consolidating ASEAN’s efforts to implement the ASEAN Economic Community Blueprint. He urged to promote the cooperation between all stakeholders, particularly the private sector and the ASEAN civil society, and expected the ASEAN Chair, Cambodia, to accelerate the process towards the

establishment of ASEAN Economic Community by 2015 and to make plans for the priorities beyond 2015.

OUTCOMES

Realizing the ASEAN Economic Community by 2015

1. ASEAN faces the challenge of meeting the AEC goals as it is acutely close to 2015. This session of ERIA symposium contributed to answering some of the challenges of realizing the AEC by 2015. The key aspects of integration are moving well, even though AEC is an ambitious plan. It is expected that single market and production base cannot be realized in full by 2015, and there is a need to prioritize and accomplish AEC measures and policy actions as much as possible to ensure a credible AEC 2015. Integration is a continuing and evolving process and the goals have to go beyond 2015. The AEC has so far made substantial achievements in tariffs, trade, investment, Chiang Mai Initiative, transport, agriculture, competition policy and IPR; nonetheless, much more needs to be done. There is a need to prioritize the following AEC measures: elimination of tariffs and non-tariff barriers, trade facilitation, investment liberalization and facilitation, transport facilitation, services liberalization, Initiative on ASEAN Integration, SMEs development and completion of Regional Comprehensive Economic Partnership (RCEP) negotiations. The goals looking beyond 2015 should include standards and conformance, financial integration, MRAs on professional services, ICT and energy, IPR and competition policy, agriculture and taxation. There is also a need to address institutional issues in the ASEAN including the strengthening of dispute settlement mechanisms and of the ASEAN Secretariat. The details of the recommendations are presented in the Recommendations part of this Symposium Report.
2. There is a need to achieve narrowing of development gaps in the ASEAN integration process. The CLMV is growing fast, but there is a need for three-dimensional inclusiveness in this growth --- namely, geographical, industrial, and societal inclusiveness. The Phnom Penh initiative is a tool for narrowing of development gaps in the region. This initiative includes narrowing of a) regional

infrastructure gap through connectivity; *b*) regional technology development and transfer; *c*) regional human resource gap; and *d*) initiative for social inclusion.

3. The challenge to AEC is domestic management of goals and reforms, as the gestation period for narrowing of development gaps is long. Also, Technical Barriers to Trade (TBTs) are strong inhibitors of growth in smaller countries. Resiliency too is a concern; so is connectivity, especially the monitoring of progress and implementation of the plans, including monitoring of the outcomes. Monitoring of Non-Tariff Measures (NTMs) is another important area. The purpose behind flagging these issues is to ensure that economic growth and inclusiveness can work at the same time. However, an important point to be considered by the policy makers is to ensure economic growth ahead of investing in social growth as the former is the bedrock of the success of the latter.

Can ASEAN be a Centre of Growth and Production Hub?

4. It is expected that in 2030, economic aspiration of ASEAN will be met, especially in the CLMV. The quality of life too will improve. However, there are important challenges to this growth and there are differences across countries, even though some of them will be common to the region. Some of the challenges are to overcome land and demographic constraints, increase labor productivity, improve business and investment climate, foster human capital, diversify the economy, management of natural resources, and strengthening of governance and institutions. ASEAN has to ensure suitable enabling factors in every country to meet these challenges. There are policy options for this purpose, which include enhancing macroeconomics and financial stability, promoting economic convergence and equitable growth, creating a competitive and innovative region, sustainable management of natural resources, investment in human capital, strengthen governance and raise ASEAN's global role.
5. Southeast Asia is characterized by global production networks, which give rise to ASEAN specific policy implications. Increase in labor productivity and decrease in the cost of services links will be crucial for these production networks in ASEAN.

Agriculture is also a part of these production networks and is closely related to food security. ASEAN needs to invest in technology and human capital. The slowing down of the US and EU markets, as also the Chinese economy, will have an implication on the ASEAN region. A borderless ASEAN would be a suitable answer to these global concerns. Engagement with India, South America, and Africa would also provide alternative solutions. Geographically, ASEAN is the natural hub of the world. It can play a central role in production and growth, especially in the non-traditional economic group of influential countries through AEC vehicle. The role of the private sector is very important in this centrality and governments need to respond to the needs of the private sector.

Ensuring an Equitable ASEAN-Narrowing Development Gaps

6. The Important concern for ASEAN is to make its integration growth inclusive. The CLMV has been growing fast but 'development divide' separates them from ASEAN-6. Aid can play an important but small role in bridging this divide. Solutions must come from the countries themselves. If policy settings are conducive, they are likely to bring about convergence. Trade, investment and other market reforms have narrowed per capita income differences within ASEAN. Social indicators, including poverty, have been reducing at a faster rate in CLMV. However, rapid growth has resulted in polarization within countries in CLMV. This threatens both social cohesion as well as sustainability of future growth. The ASEAN should follow the Newly Industrialized Economies (NIEs) and invest in social infrastructure, especially education and health. Land reforms are also a critical step in addressing these divisions.
7. The Initiative on ASEAN Integration (IAI) is the acid test of ASEAN community building and the effectiveness of the IAI lies in the test of its implementation. While IAI remains relevant to the CLMV, its effectiveness can be further improved. The IAI needs regular assessments, consultation and coordination with all the stakeholders. The CLMV should also make an effort for better cooperation among themselves. There is a crucial need to enhance SMEs' access to finance. There is also a need to enhance the sub-regional programs like the Greater Mekong Sub-region (GMS), BIMP-EAGA, IMT-GT, as they facilitate the narrowing

of development gaps by creating connectivity, competitiveness and community building.

How ASEAN Can Rise in the Asian Century

8. ASEAN has been a regional success in the Asia Pacific and it has also left its imprint on the world. The economic miracle in ASEAN countries gives it the power to set its own destiny. However, ASEAN is only as strong as its weakest member. It must therefore spread the economic miracle to its weakest member. In addition, in order to move to a higher level, ASEAN must become a region based on rules. ASEAN's future however will be shaped by the changing economic and political landscape in the Asia Pacific. Nonetheless, ASEAN can help manage the complexities of the transitioning economic and political landscape by deft use of its non-provocative and facilitative ASEAN way of diplomacy in tandem with ensuring a successful economic integration under AEC through consensus and increased pace of decision making. The ASEAN way of regionalism and integration is based on shared aspirations, interests and values, mutual trust and accepted procedures, frequent interaction and consensus building, flexibility and pragmatism, and strong Leaders' commitment to deeper regional integration.

Moving toward a Resilient ASEAN and East Asia

9. The food security situation in ASEAN is much better than other parts of the world. ASEAN has also done well in meeting the millennium development goals 2015 (50% cut in percentage of undernourished) targets, but not in the World Food Summit 2015 targets (50% cut in number of undernourished). ASEAN is also doing well in increase in income and reduction of hunger. The ASEAN Integrated Food Security Framework (AIFSF) is working towards food security in the region but there is a need to look for best practices from around the world. In the energy sector, there is a globalization of the energy market. A competitive energy market should incorporate sustainability for energy security. Sustainability and competitiveness involve multiple stakeholders like MNEs, policy makers, SMEs, countries. These have variegated roles to perform in energy governance, reforms

and security. There is a need for “energy dashboard” that will simultaneously display energy governance, ownership, best practices and risk management. Finally, social protection needs to be established for efficiency and equity in the region. Social protection is an investment in a country’s development and it should not be viewed as expenditure. It produces productive workforce. There is a need for common social policy in ASEAN, which is adapted to the conditions in each country. This will achieve strong and inclusive economic growth and will achieve the integration in ASEAN with a human face.

Toward a more Deepened, Connected and Innovative ASEAN and East Asia

10. For ASEAN to be at the core, it should be appropriately oriented internally, regionally and globally. It needs a framework in which businesses can use the region’s resources to maximize the living standards and welfare of the people of the region. International production networks help trade in intermediate goods. SMEs need to facilitate the movement of international production networks into areas like innovation and marketing, away from routine production. They also need to facilitate effective production at any of the stages of international supply chain, facilitate diversification of international production chains and to help spread them to economies where they are currently less developed. This would be the most effective way to counter the development gaps. Regulatory reforms are the core of a more deepened, connected and innovative community. Borders like supply chains are conceptual rather than geographical. A deepened, connected and innovative community requires regulators to develop a more international outlook. The real task in terms of best practices is to anticipate what reform will be required in the future.
11. There is a huge opportunity for intra-ASEAN trade to increase with improved connectivity and integrated transport systems. There is also a need to get the private sector more involved in realizing the goals of AEC. ASEAN has ambitious connectivity plans like ASEAN Logistic Road Map (2007), Master Plan on ASEAN Connectivity (2010) and Brunei Action Plan (ASEAN Strategic Transport Plan) (2011-2015). Seamless cross-border transport is critical for ASEAN integration and competitiveness. It is recommended to implement a common transit system.

Similarly, there is a need for policy initiative for innovation through diminishing borders, intensified competitiveness, speed and scope of R&D, increasing role of FDI and cooperation among nations. Free trade and liberal FDI affect the innovation processes positively in the region. High quality ICT infrastructure and IPR are other conditions necessary for innovative activities. One possibility is innovation in medical industry, which can benefit Asian countries due to increases in aging population. ERIA can facilitate this process by compiling necessary data.

Closing of the Symposium

12. H.E. Dr. Surin Pitsuwan, Secretary General, ASEAN, presented a keynote address in the concluding session of the symposium. He recalled ASEAN's starting with a humble beginning and achieving everything with modesty and subtlety. He noted that ASEAN's progress has been incremental and inclusive. ASEAN now finds itself in the middle of global architectures such as the East Asia Summit, the ASEM and the APEC. However, there is a real challenge of middle-income trap for the ASEAN. Therefore, education, science and technology, IPR, innovation and research and development remain a high priority for ASEAN and the amount of resources spent on them is crucial. H.E. Dr. Pitsuwan hoped that ASEAN will take up this challenge and become self reliant in all aspects.
13. H.E. Cham Prasidh, Senior Minister, Ministry of Commerce, Royal Government of Cambodia, gives his concluding remarks at the end of the symposium. In his address, he expressed his hope that the four pillars of the AEC would help ASEAN to remain on track towards 2015. As the chair of the AEM and AEC Council, he enunciated four important drivers of AEC, namely Single Market and Production Base, Public-Private Collaboration, ASEAN Framework on Equitable Economic Development and Regional Comprehensive Economic Partnership. Looking into the future, he expected ASEAN to maintain its centrality and all these drivers, in particular the RCEP, would help ASEAN to remain at the center of both regional and global architecture. He concluded with the prognosis that by staying together and consolidating its efforts, ASEAN will be well on its way towards a more integrated, competitive, equitable and resilient ASEAN community by 2015. With this, the symposium came to a close.

RECOMMENDATIONS

- Priority AEC Measures for 2015: Tariff and NTMs, Trade facilitation, Services liberalization and domestic reform, Investment liberalization and facilitation, Connectivity and transport facilitation, SME development, IAI and RCEP. The specific recommendations are in the 'MTR Integrative Report of the Implementation of AEC'.
- ASEAN needs to invest in technology and human capital.
- Governments need to respond to the needs of the private sector.
- ASEAN has to make its integration growth inclusive.
- The ASEAN should follow the Newly Industrialized Economies (NIEs) and invest in social infrastructure, especially education and health.
- Land reforms are a critical step in addressing the 'development divide'.
- ASEAN should enhance the sub-regional programs like the Greater Mekong Sub-region (GMS), BIMP-EAGA, IMT-GT, as they facilitate the narrowing of development gaps by creating connectivity, competitiveness and community building.
- In order to move to a higher level, ASEAN must become a region based on rules.
- ASEAN can help manage the complexities of the transitioning economic and political landscape by deft use of its non-provocative and facilitative ASEAN way of diplomacy.
- A competitive energy market in ASEAN should incorporate sustainability for energy security.
- There is a need for "energy dashboard" that will simultaneously display energy governance, ownership, best practices and risk management.
- Social protection needs to be established for efficiency and equity in the region.

- SMEs need to facilitate the movement of international production networks into areas like innovation and marketing, away from routine production.
- Regulatory reforms are the core of a more deepened, connected and innovative community.
- The private sector has to be more involved in realizing the goals of AEC.
- There is a need for policy initiative for innovation through diminishing borders, intensified competitiveness, speed and scope of R&D, increasing role of FDI and cooperation among nations.
- Education, science and technology, IPR, innovation and research and development remain a high priority for ASEAN.
- The four important drivers of AEC are Single Market and Production Base, Public-Private Collaboration, ASEAN Framework on Equitable Economic Development and Regional Comprehensive Economic Partnership.



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Economic Research Institute for ASEAN and East Asia (ERIA) is an international organization that makes policy recommendations to regional governmental meetings such as the East Asia Summit (EAS) and the ASEAN Summit towards furthering of East Asia economic integration.

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