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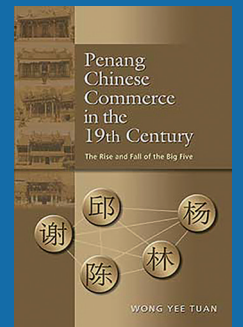
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Five facts about the ASEAN Economic Community

Sanchita Basu Das

EVEN WITH THE ASEAN Economic Community (AEC) now formally in place, there is still a lively debate over whether ASEAN is really an economic community or if the AEC should be seen as a work in progress. The majority belongs to the former group and feel that the AEC's deliverables, namely an integrated production space with free movement of goods, services, and skilled labour have not yet been achieved. These broad statements have some merit. But we must also ask what ASEAN wants in terms of economic community. Even if ASEAN cannot deliver on the AEC, who is accountable for that? To answer these and more, I will attempt to explain five crucial facts about ASEAN economic cooperation.

FACT ONE, the AEC was not developed to accord with the European Union (EU) model, though there are some learning experiences to be gleaned from this process. Since the early days of ASEAN, the sovereignty of nation states and non-interference in domestic matters were its key principles. Economic cooperation was sought in areas where it was felt to be necessary, such as to provide economies of scale to multinationals doing business in Southeast Asia or to anchor the production networks (i.e., a single good is not produced in one but across multiple countries) that were already developing in the broader Asian region. ASEAN economic cooperation is envisioned as a gradual process with long term aspirations, rather than as a mechanism with strict rules that apply irrespective of the economic nature of member economies and changing global conditions.

FACT TWO, although AEC is a regional initiative, its implementation is carried out by the national economies. Initiatives like tariff cutting, removal of non-tariff barriers, services sector liberalisation, national treatment of foreign investors, customs modernisation, and many others have to be adopted in domestic law and policy decisions. At the national level, implementation faces institutional difficulties as each initiative is not the sole preserve of any one ministry, but rather multiple government ministries and other agencies. The AEC also generates proponents and opponents of integration at the domestic economy level, slowing down the pace of implementation further.



FACT THREE, AEC is not the sole cause of increasing competition. It is important to note that the vision for the AEC was developed with an awareness of current global economic trends, such as production fragmentation, China's accession to WTO, developments of the EU and the NAFTA and the 1997-98 financial crisis. The ten countries of ASEAN realised that WTO membership by itself was not helpful as there are 150 countries at different levels of economic development involved; and the concerns and objections of small economies like the ones in Southeast Asia are not likely to get heard. ASEAN is a small grouping where the member economies will consider the interests of all and may also accord flexibility for a short period. Of course, this is likely to slow down the process for the establishment of the AEC, but advanced member countries (like Singapore, Malaysia, Thailand) are not restricted to this framework only. They have pursued bilateral Free Trade Agreements (FTAs) with their own key trading partners. Thus, for any single country, heightened competition is a part of the globalisation process and there are other trade frameworks – bilateral, regional and multilateral – that further economic liberalisation.

FACT FOUR, ASEAN economic cooperation is a top-down initiative and hence awareness among stakeholders is low and uneven. ASEAN was instituted in 1967 to promote peace and stability and economic cooperation came much later – in 1976 in fact – onto the agenda. Slowly, by the 1990s, economic cooperation had become a form of diplomacy and most often was carried out in foreign ministries in consultation with the commerce or trade ministries. This led observers of trade agreements to say that economic regionalism in Southeast Asia is a subject for political elites, with almost no involvement from other stakeholders. This has been accompanied by a generalized low level of awareness of relevant economic cooperation measures, particularly among the end-users. The advocacy for trade initiatives is not unanimous in nature and is often driven by the relative strength of particular firms that bring in foreign direct investment to the country.

FACT FIVE, AEC should be seen in conjunction with the ASEAN Political-Security Community and ASEAN Socio-Cultural Community. An economic community in ASEAN entails increased economic cooperation, delivering on free flow of goods, services and investments, equitable economic development and reduced poverty. The political security community works towards regional peace and stability and the socio-cultural community encompasses regional cooperation in areas like protection of the regional environment, limiting the spread of contagious diseases, combating transnational crime, and cooperation in responding to natural disasters. It is hoped that all this put together will eventually cultivate a sense of regional identity. Hence, AEC should not be seen in isolation when judging whether ASEAN can deliver on its community-building commitments.

In summary, the AEC should be seen as a work in progress. It is an immense task that started only in 2003. It is trying to bring together ten diverse economies, who are not only facing constant global challenges but also domestic resistance and antagonism from protectionist groups. These are bound to slow the progress and hamper the goal of a 'single market and production base'.

Nevertheless, now, more than ever, is the time when the ten countries can come together to strengthen the economic community. The global economy has been in a constant state of flux since the 2008 crisis, and the exponential growth of the social media has meant that every event is instantly transmitted and discussed all over the world. In such an environment, any form of cooperation among the ten small countries is warmly welcomed.

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