



ASEAN 2030: Aspirations, Enjeux et Politiques

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This presentation draws on a Study

ASEAN 2030: Toward a Borderless Economic
Community

Forthcoming, (2012 Asian Development Bank
Institute, Tokyo)

Several co-authors

Outline of Presentation

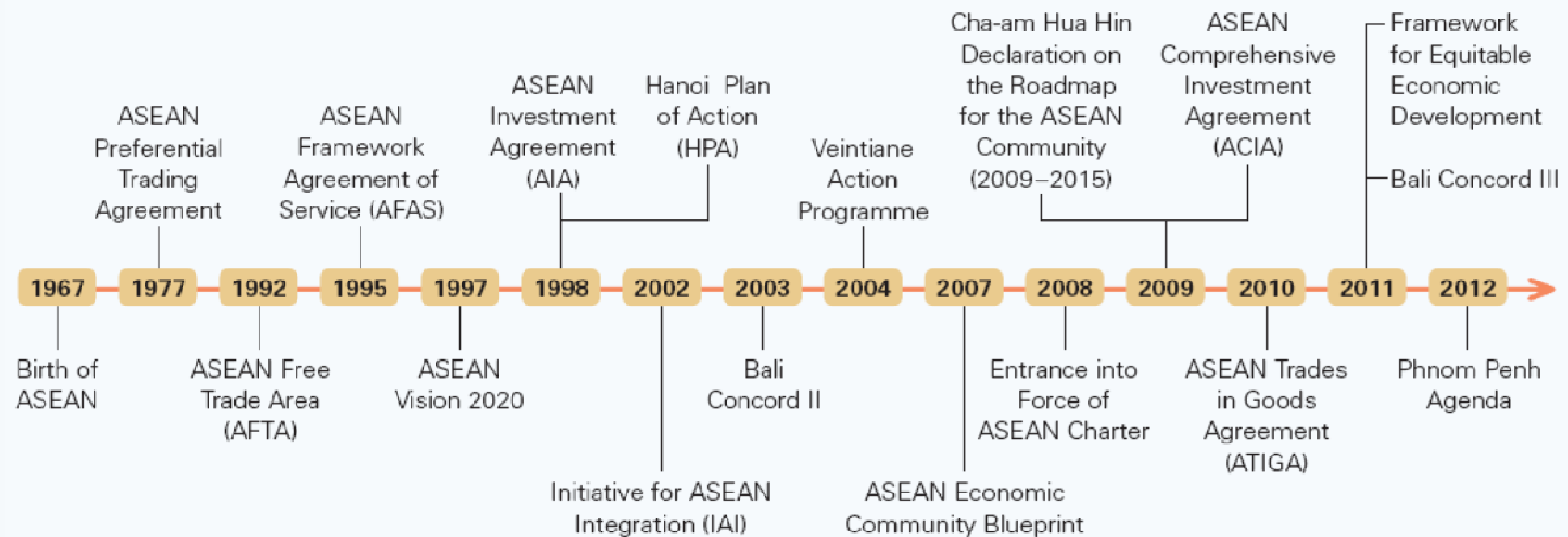
- 1. ASEAN Today: What is ASEAN and what overall challenges does it face ?
- 2. What is ASEAN's potential? What can aspirations be ?
- 3. What challenges need to be addressed to realize aspirations?
- What are some of the political challenges? Can ASEAN learn from EU ?

1. ASEAN Today

What is ASEAN today and what are the overall challenges it faces ?

Milestones of ASEAN Economic Cooperation

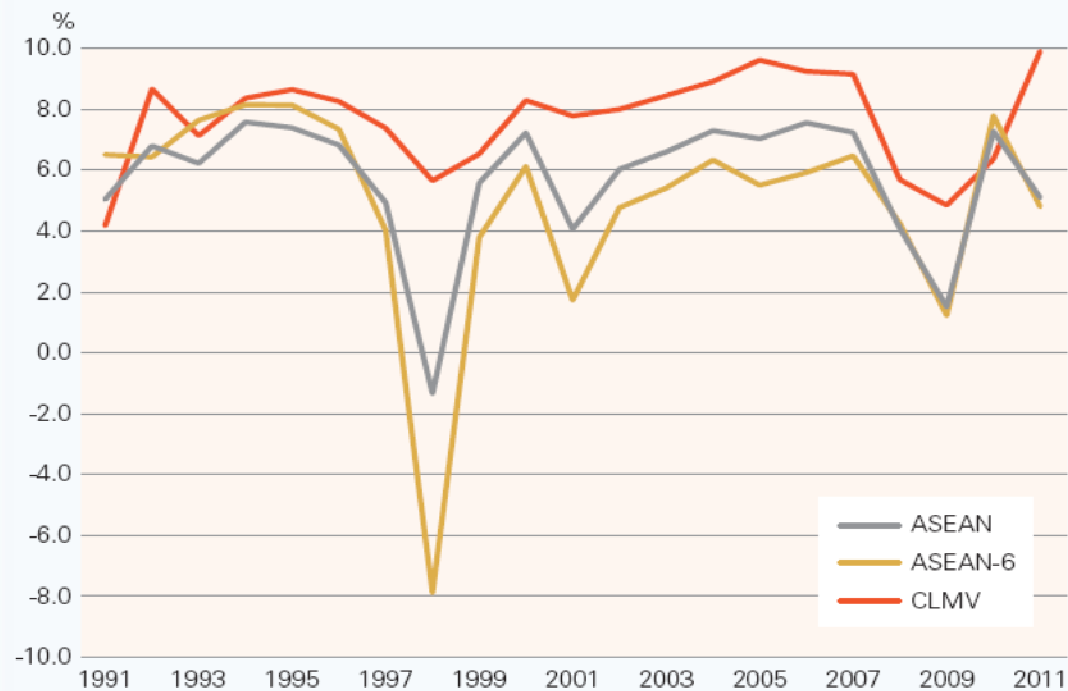
Figure 1.1. Milestones of ASEAN Economic Cooperation



ASEAN=Association of Southeast Asian Nations.
Source: ASEAN Secretariat and ADBI.

Effect of the Asian Financial Crisis on Growth

Figure 1.2. Effect of the Asian Financial Crisis on Growth



ASEAN=Association of Southeast Asian Nations; CLMV=Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; GDP=gross domestic product.
Note: ASEAN-6 refers to Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

Source: International Monetary Fund, World Economic Outlook Database, April 2012.

Available: <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx> (accessed September 2012).

Selected Indicators for ASEAN and other Economies, 2011

Table 1.3. Selected Indicators for ASEAN and other Economies, 2011

	Land Area ¹	Population ²	Gross Domestic Product			GNI	Exports		
			Total \$ billion	PPP ³	Per Capita (\$)	Per Capita (\$)	Total \$ billion	Exports/GDP (%)	World Share (%) ⁴
Brunei Dar. ⁵	5.3	0.4	15.5	21.0	36,548.2	31,800	11.5	74.0	0.1
Cambodia	176.5	15.1	12.9	33.5	851.6	830	6.5	50.2	0.0
Indonesia	1,811.6	241.0	845.7	1,124.6	3,508.6	2,940	203.5	24.1	1.1
Lao PDR	230.8	6.6	7.9	17.4	1,203.6	1,130	3.1	39.5	0.0
Malaysia	328.6	28.7	278.7	447.3	9,699.6	8,420	227.2	81.5	1.3
Myanmar ⁶	653.5	62.4	51.9	82.7	831.9	1,535	8.1	15.6	0.0
Philippines	298.2	95.9	213.1	390.4	2,223.4	2,210	48.2	22.6	0.3
Singapore	0.7	5.3	259.8	314.9	49,269.8	42,930	412.2	158.6	2.3
Thailand	510.9	64.1	345.6	602.1	5,394.4	4,420	226.4	65.5	1.3
Viet Nam	310.1	89.3	122.7	300.0	1,374.0	1,260	92.9	75.7	0.5
ASEAN	4,326.1	608.8	2,153.9	3,333.9	3,538.1	3,144	1,239.5	57.5	7.0
ASEAN-6	2,955.2	435.4	1,958.5	2,900.3	4,498.3	3,871	1,129.0	57.6	6.3
CLMV	1,370.9	173.4	195.4	433.6	1,126.9	1,598	110.6	56.6	0.6
Other Asian Economies									
PRC	9,327.5	1,348.1	7,298.1	11,300.0	5,413.6	4,930	1,901.5	26.1	10.7
HKG	1.0	7.1	243.3	351.1	34,047.3	35,160	429.2	2.9	0.0
India	2,973.2	1,206.9	1,676.1	4,457.8	1,388.8	1,410	306.7	18.3	1.7
Japan	364.5	127.8	5,869.5	4,440.4	45,920.2	45,180	824.4	14.0	4.6
PNG	452.9	6.7	12.7	2,532.2	1,900.3	1,480	12.0	0.9	0.0
Rep. of Korea	97.1	49.0	1,116.2	1,554.1	22,777.8	20,870	562.5	50.4	3.2
Taipei,China	36.0	23.2	466.8	37,719.6	20,100.5	17,590	301.5	64.6	1.7
Timor-Leste ⁷	14.9	1.1	4.3	8,701.27	3,949.5	2,730	0.02	0.42	0.0
World	129,710.3	6,973.7	69,659.6	78,897.4	9,988.8	9,491	17,831.7	25.6	100.0

ASEAN=Association of Southeast Asian Nations; Brunei Dar.=Brunei Darussalam; CLMV=Cambodia, Lao PDR, Myanmar, Viet Nam; GNI=gross national income; HKG+Hong Kong, China; Lao PDR=Lao People's Democratic Republic; PNG=Papua New Guinea; PPP=purchasing power parity; PRC=People's Republic of China; Rep. of Korea=Republic of Korea.

Notes: ASEAN-6 refers to Brunei Darussalam; Indonesia; Malaysia; Philippines, Singapore; and Thailand. (1) thousand square kilometers; (2) million persons; (3) current international \$ billions; (4) percent share of world total exports; (5) GNI for 2009; (6) GNI based on 2005 PPP \$; (7) exports exclude oil.

Sources: (i) International Monetary Fund, *World Economic Outlook Database, April 2012*. Available: <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx> (accessed September 2012). (ii) International Monetary Fund, various years, *Direction of Trade Statistics*. Available: <http://elibrary-data.imf.org/FindDataReports.aspx?d=33061&e=170921> (accessed September 2012). (iii) International Monetary Fund, various years, *Balance of Payments Statistics*. Available: <http://elibrary-data.imf.org/FindDataReports.aspx?d=33061&e=170921> (accessed September 2012). (iv) World Bank, *World Development Indicators Database*. Available: http://databank.worldbank.org/ddp/home.do?Step=2&id=4&DisplayAggregation=N&SdmxSupported=Y&CNO=2&SET_BRANDING=YES (accessed September 2012). (v) Taipei,China central bank, *Balance of Payments Statistics*. Available: <http://www.cbc.gov.tw/content.asp?Cultem=2071> (accessed September 2012). (vi) Central Intelligence Agency, *The World Factbook*. Available: <https://www.cia.gov/library/publications/the-world-factbook/index.html> (accessed September 2012). (vii) United Nations Development Programme, *Human Development Report 2011*. Available: <http://hdrstats.undp.org/images/explanations/MMR.pdf> (accessed September 2012). (viii) Directorate-General of Budget, Accounting and Statistics, Executive Yuan, Taipei,China. Available: <http://eng.stat.gov.tw/ct.asp?xItem=25763&CtNode=5347&mp=5> (accessed September 2012).

Summary of ASEAN-plus-one Agreements

Table 1.2. Summary of ASEAN-plus-One Agreements

Agreements	Coverage	Trade in Goods		Trade in Services		Investment	
		Signed	Effective	Signed	Effective	Signed	Effective
ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement		2004	2005	2007	2008	2009	2010
ASEAN-(Republic of) Korea Comprehensive Economic Cooperation Agreement		2006	2007	2007	2009	2009	2009
ASEAN-Japan Comprehensive Economic Partnership Agreement		2008	2008	on-going negotiations			
ASEAN-India Comprehensive Economic Cooperation Agreement		2009	2010	on-going negotiations			
ASEAN-Australia and New Zealand Free Trade Agreement		2009	2010	2009	2010	2009	2010

ASEAN=Association of Southeast Asian Nations.

Source: Authors' elaborations based on data from the ASEAN Secretariat.

Status of ASEAN Free Trade Agreements

Table 1.4. Status of ASEAN Free Trade Agreements
(as of November 2012)

Type	Signed	Under Negotiation	Proposed	Total
Multilateral	9	4	3	16
Plurilateral	2	5	4	11
Bilateral	29	16	11	56
Total	40	25	18	83

ASEAN=Association of Southeast Asian Nations.

Multilateral—two or more ASEAN countries and non-ASEAN countries (include ASEAN+1 agreements).

Plurilateral—one ASEAN country and two or more non-ASEAN countries.

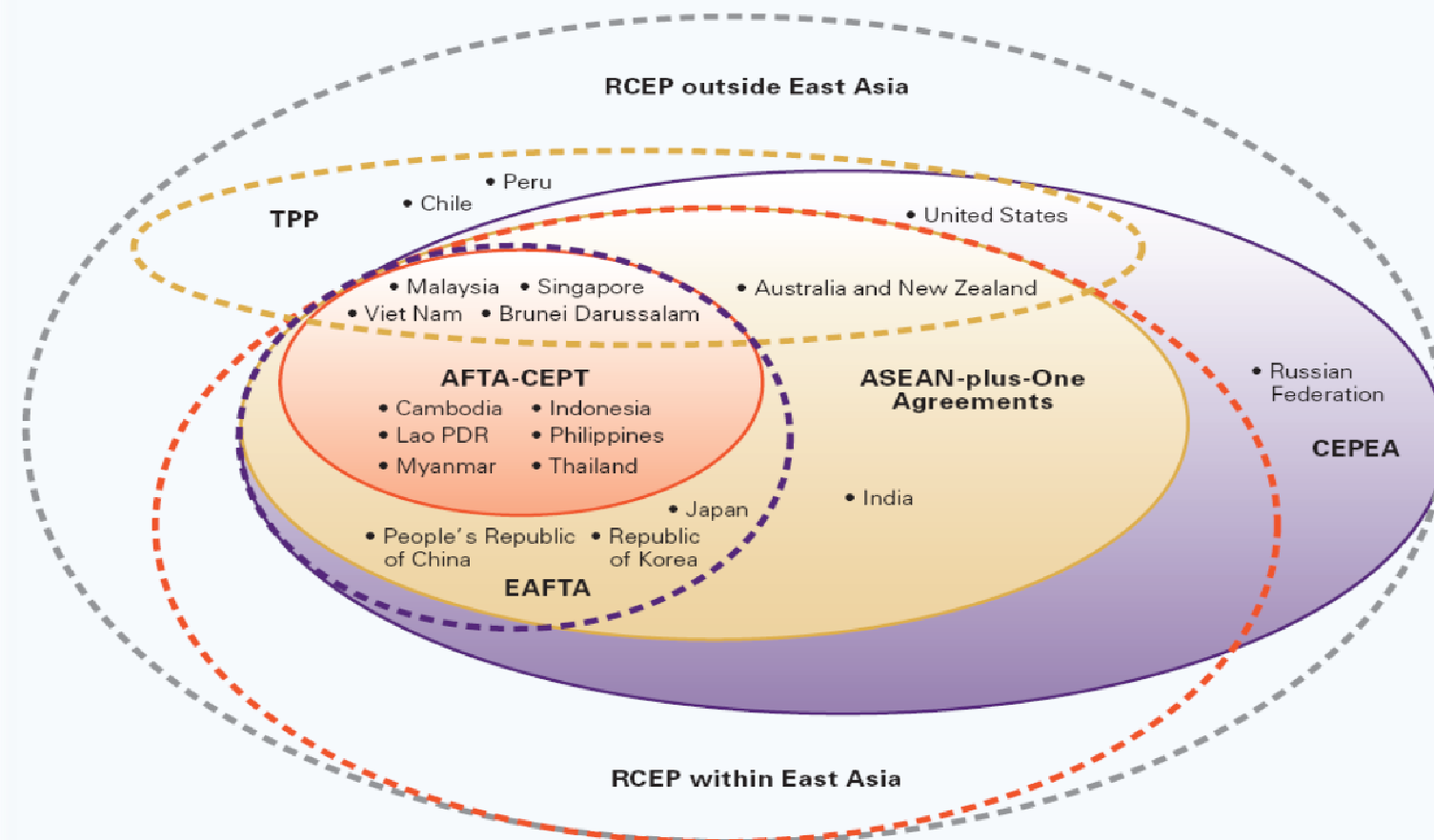
Bilateral—one ASEAN country and one non-ASEAN country (with the exception of the Lao PDR-Thailand Preferential Trading Agreement).

Source: ADBI and Asian Development Bank. Asia Regional Integration Center.

Available: <http://aric.adb.org/ftatrends.php> (accessed September 2012).

Regional Comprehensive Economic Partnership Framework

Figure 1.6. Regional Comprehensive Economic Partnership Framework



AFTA=ASEAN Free Trade Area; ASEAN=Association of Southeast Asian Nations; CEPEA=Comprehensive Economic Partnership for East Asia; CEPT=Common Effective Preferential Tariff; EAFTA=East Asia Free Trade Area; RCEP=Regional Comprehensive Economic Partnership Framework; TPP=Trans-Pacific Partnership.

Source: Authors.

The ASEAN ECONOMIC COMMUNITY

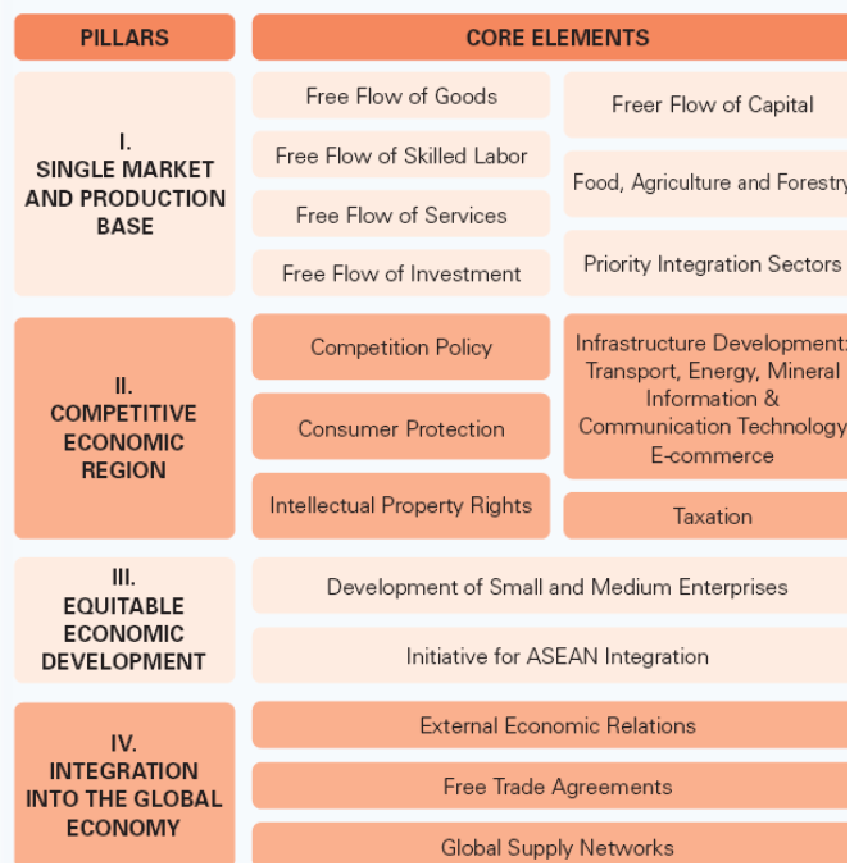
- The AEC is part of “ASEAN Vision 2020” adopted in 1997 and which agreed to create an “ASEAN Community” by 2020
- ASEAN Community has 3 pillars: (1) The AEC; (2) the ASEAN Political Community (APSC); and (3) The ASEAN Socio-Cultural Community (ASCC).
- Little done so far on APSC and ASCCC
- Mainly AEC is active to be realized by 2015 !

The AEC

- AEC is comprehensive and ambitious as it wants to create a single market and production base by 2015 (2018 for CLMV).
- Free flow of goods, services, investments, capital and skilled labor.
- Four key areas and 17 core elements plus 176 targets monitored by a score card system
- Idea is to create a single market and to boost ASEAN productivity, competitiveness and accelerate growth
- Needed as ASEAN is losing out on China, India (later) and some other BRICs countries or regional groupings (LA)
- No supra-nationality concept and no sanctions for non compliance

ASEAN Economic Community – Structural Components

Figure 1.3. ASEAN Economic Community – Structural Components



ASEAN=Association of Southeast Asian Nations.
Source: ASEAN Secretariat and ADBI.

ASEAN Economic Community – Structural Components

Table 1.1. ASEAN Economic Community: Implementation Status (as of December 2011)

ASEAN Scorecard System: Key Areas	Phase I (2008–2009)		Phase II (2010–2011)		Total Measures	
	Targeted	Implemented	Targeted	Implemented	Targeted	Implemented
Pillar I: Single Market and Production Base						
Free Flow of Goods	9	9	47	23	56	32
Free Flow of Skilled Labor	0	0	1	1	1	1
Free Flow of Services	13	10	30	13	43	23
Free Flow of Investment	6	5	13	5	19	10
Free Flow of Capital	1	1	5	5	6	6
Priority Integration Sectors	28	28	1	1	29	29
Food, Agriculture and Forestry	8	8	11	5	19	13
<i>Total measures in Pillar I</i>	<i>65</i>	<i>61</i>	<i>108</i>	<i>53</i>	<i>173</i>	<i>114</i>
Implementation Rate (*)	93.8%		49.1%		65.9%	
Pillar II: Competitive Economic Region						
Competition Policy	2	2	2	2	4	4
Consumer Protection	2	2	9	5	11	7
Intellectual Property Rights	0	0	5	4	5	4
Transport	25	15	14	6	39	21
Energy	0	0	3	2	3	2
Mineral	1	1	7	7	8	8
ICT	2	2	4	4	6	6
Taxation	0	0	1	0	1	0
E-commerce	0	0	1	1	1	1
<i>Total measures in Pillar II</i>	<i>32</i>	<i>22</i>	<i>46</i>	<i>31</i>	<i>78</i>	<i>53</i>
Implementation Rate (*)	68.8%		67.4%		67.9%	
Pillar III: Equitable Economic Development						
SME Development	1	1	7	4	8	5
Initiative for ASEAN Integration	2	2	2	1	4	3
<i>Total measures in Pillar III</i>	<i>3</i>	<i>3</i>	<i>9</i>	<i>5</i>	<i>12</i>	<i>8</i>
Implementation Rate (*)	100.0%		55.6%		66.7%	
Pillar IV: Integration into the Global Economy						
External Economic Relations (**)	5	5	9	7	14	12
<i>Total Pillar IV</i>	<i>5</i>	<i>5</i>	<i>9</i>	<i>7</i>	<i>14</i>	<i>12</i>
Implementation Rate (*)	100.0%		77.8%		85.7%	
ASEAN Economic Community						
<i>Total measures in 4 Pillars</i>	<i>105</i>	<i>91</i>	<i>172</i>	<i>96</i>	<i>277</i>	<i>187</i>
Implementation Rate (*)	86.7%		55.8%		67.5%	

ASEAN=Association of Southeast Asian Nations; ICT=information and communication technology; SME=small and medium enterprises
Notes: (*) % of targets fully implemented; (**) Includes ratification of various free trade agreements with People's Republic of China, Japan, Republic of Korea, Australia, New Zealand, and India.

Source: ASEAN Secretariat. 2012. Charting Progress Toward Regional Economic Integration. Jakarta.

AEC Implementation Issues (1)

- Pillar I : Single market and production base
- Removing trade and non-trade barriers on goods, services, investment is not simple given diversity in ASEAN and lack of enforcement authority (no Commission)
- Efficient infrastructure, transport and logistics plus efficient financial services need to benefit from open trade. All these often linked to non-trade barriers.
- Fair competition policies, consumer protection and harmonization of standards also needed

AEC Implementation Issues (2)

- Pillar I : Single Market and Production Base
 1. Free Flow of Goods: tariffs zero on 99.7% of tariff lines (ASEAN-6) but NTB and behind-border issues still major problem. Work focuses on harmonizing tariff nomenclature, simply rules of origin, implement ASEAN Single Window (ASW) to accelerate cross border formalities, agree on goods in transit system.
 2. Slow progress on harmonization of customs procedures

AEC Implementation (3)

- Free Flow of Services: Priority sectors are air transport, e-commerce, healthcare, tourism and logistics. Protection remains high except air transport and tourism (Thailand just signed). Regulatory and business licensing procedures still cumbersome. Also state owned providers limit competition. Limited labor mobility.
- On Free flow of Investment: investment liberalization, protection, facilitation and promotion. Red tape and bureaucratic procedures and lack of investment facilitation still big issue.

AEC Implementation (4)

- **Freer Flow of Capital:** liberalization of financial services, capital market development and capital accounts. Some progress but slow. Corporate bond markets still in infancy.
- Credit Guarantee and Investment facility to help tap domestic bond markets.
- Need to integrate equity markets and harmonize rules (governance and disclosure standards).
- Some progress on insurance
- Progress in priority sectors mixed

AEC Implementation (5)

- Pillar II Competitive Economic Region
- Progress on competition policy, consumer protection and IPR has been very modest as even nationally these laws/policies are in some cases not functional yet.
- On infrastructure which is key for an efficient logistics industry, some progress but far from satisfactory: major areas of concern
- Open sky policy in place but on other transport modes progress slow: Framework agreement on **multimodal transport and facilitation of goods in transit** just agreed upon. Some agreement on RO-RO shipping and on railways cross border arrangements but massive physical investment still needed. Road transit not operational yet. Transport and trade facilitation still require much work
- Modest progress in power connections and gas pipeline network.
- **Pillar III** : deals with assistance to CLMV. Initiative for ASEAN Integration (IAI) main proposes technical assistance to CLMV to achieve ASEAN-6 Standards. **No “Solidarity Funding” mechanism as in EU**
- **Pillar IV**: ASEAN centrality in foreign relations

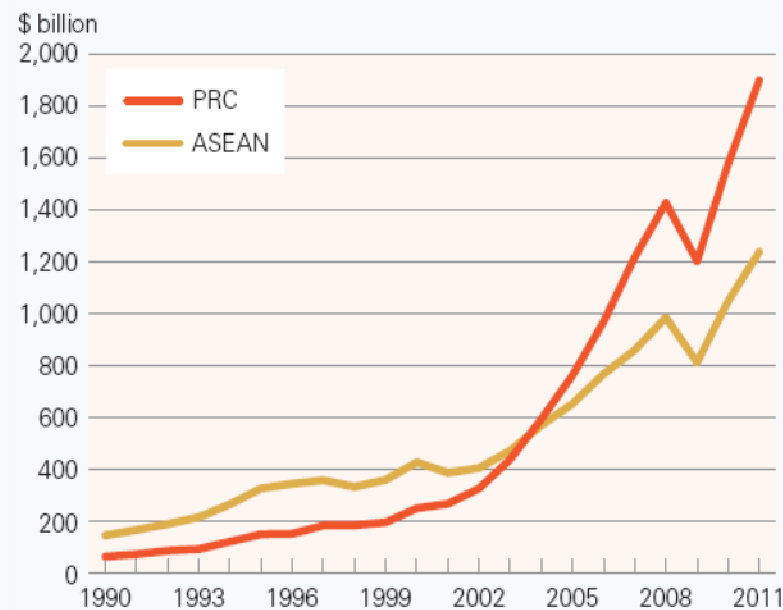
ASEAN Changing global and regional Context

- 1. Global Economic Trends
 - Growth in advanced economies likely to be less supportive of export oriented regions such as ASEAN (US fiscal cliff and EURO Zone crisis).
 - Financial imbalances in world plus “monetary easing” could result in destabilizing capital flows to ASEAN
 - Upward pressure on exchange rates
 - Export oriented growth model under treat. ASEAN is not “one” market such as China and India. Size matters.
- 2. Regional Context
 - China and India opportunity but also increasing treat to ASEAN if it is not a “single” market.
 - Both China and India have benefit of huge growing middle class [By 2030, China 85% of population of 1.4 Billion people and 70% of India population of 1.5 Billion will be middle class (PPP income at 15,000-20,000)]

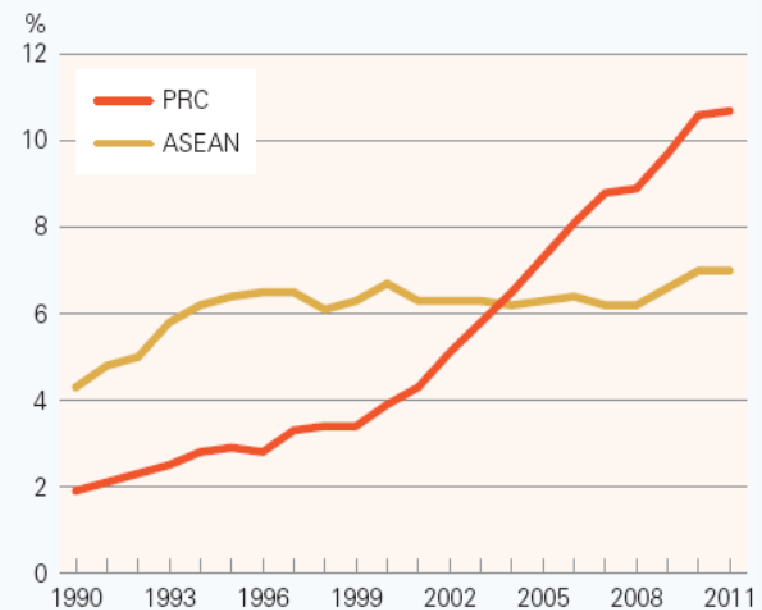
Trend of ASEAN and PRC Exports

Figure 1.4. Trend of ASEAN and PRC Exports

(a) Merchandise Exports, 1990–2011 (\$ billion)



(b) Share of Total World Exports, 1990–2011 (%)



ASEAN=Association of Southeast Asian Nations; PRC=People's Republic of China.

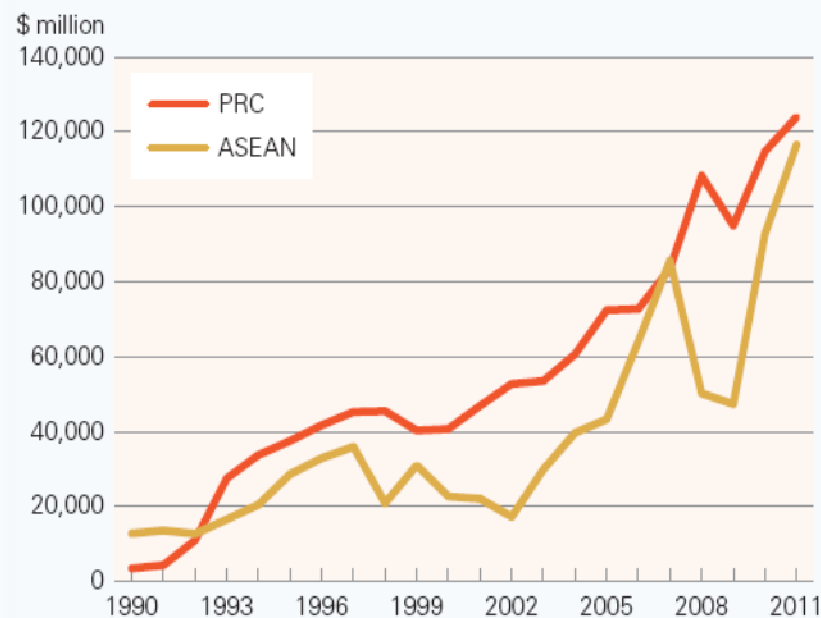
Source: International Monetary Fund, various years. Direction of Trade Statistics.

Available: <http://elibrary-data.imf.org/FindDataReports.aspx?d=33061&e=170921> (accessed September 2012).

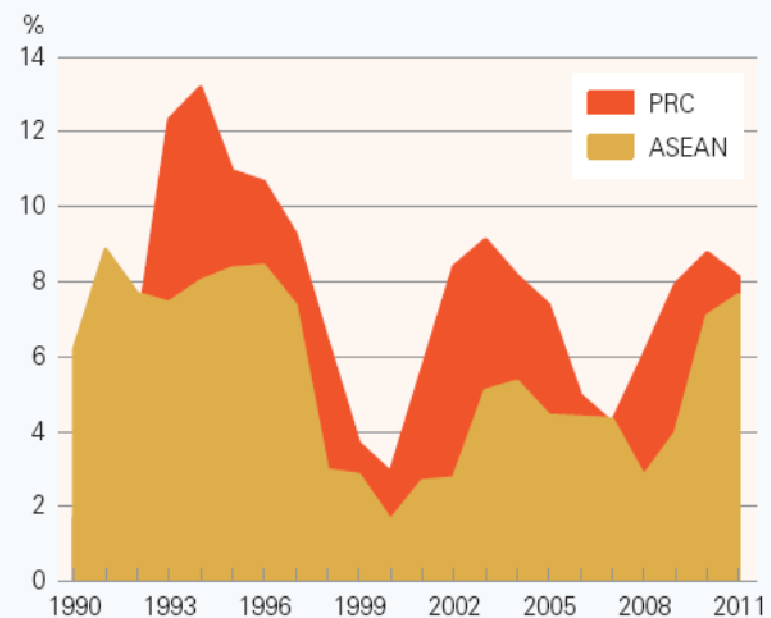
Foreign Direct Investment to ASEAN and PRC

Figure 1.5. Foreign Direct Investment to ASEAN and PRC

(a) FDI Inflows, 1990–2011 (\$ million)



(b) Share of World FDI Inflows, 1990–2011 (%)



ASEAN=Association of Southeast Asian Nations; FDI=foreign direct investment; PRC=People's Republic of China.

Source: United Nations Conference on Trade and Development, Foreign Direct Investments Statistics Database.

Available: <http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx> (accessed September 2012).

2. ASEAN's Aspirations

What potential do ASEAN Countries see for them ?

ASEAN SWOT Diagram

Table 2.1. ASEAN SWOT Diagram

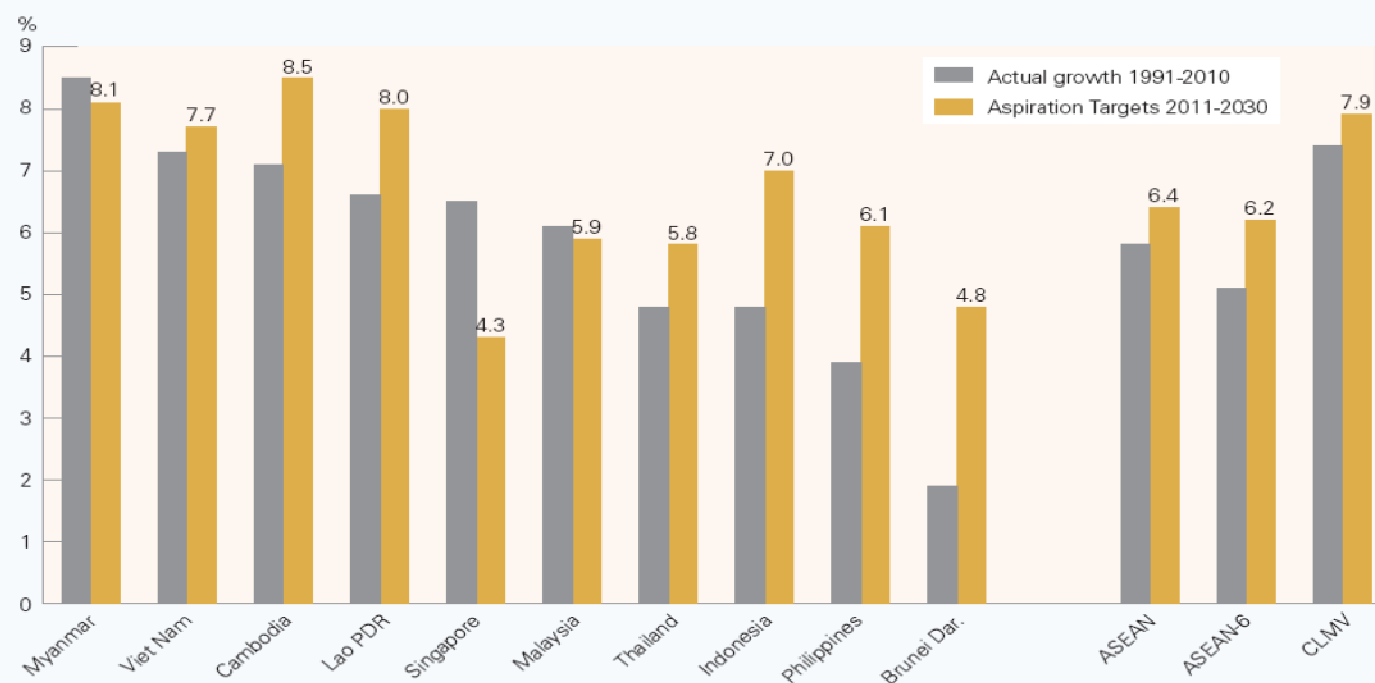
Strengths	Weaknesses
<ul style="list-style-type: none"> • Strong macroeconomic fundamentals and generally robust economic growth record • Young, growing population and expanding middle class • Abundant natural resources, biodiversity, and wide-range of productive capabilities in agriculture, manufacturing, and services • Open and flexible economies with diversified export structures • Large inflow of FDI contributing to the creation of production networks and supply chains • Growing and dynamic SMEs • Ability to manage great diversity—economic, political, cultural • Solidifying ASEAN institutionalization 	<ul style="list-style-type: none"> • Huge development gaps across and within countries and pronounced disparities in rule of law and governance • Absence of an effective regional fund to redistribute resources among ASEAN members • Increasing risk of falling in the middle-income trap for several countries • Overall low education attainment and large unskilled workforce • Lack of harmonized policies to manage mobility of skilled and unskilled labor • Absence of a regional strategy to promote private sector investment in R&D • Weak ASEAN Secretariat due to insufficient resources and obsolete governance principles • Inability to fully accomplish the AEC Blueprint and lack of a integration vision beyond 2015
Opportunities	Threats
<ul style="list-style-type: none"> • Strategic location with huge market potential in neighbouring economies • Strong historical/cultural links throughout Asia • Deep manufacturing and technology links with Northeast Asia • Potential to increase energy, water, and food production in response to supply crises • Development of regional hubs—in education, health, logistics, financial services, tourism • Regional financial cooperation initiatives for strengthening macroeconomic resilience • Pivotal role to play in shaping the regional economic architecture • Strengthening function as honest broker between key Asian economies 	<ul style="list-style-type: none"> • Vulnerability to external shocks due to highly open economic structures • Erosion of competitive advantages in export-related sectors • Loss of internal cohesion due to increasing competition with the PRC and India • Inability to collectively manage climate change, energy security, and regional disasters • Loss of “centrality” in the regional geopolitical context • Unresolved intra- and extra-regional territorial disputes and ethnic conflicts • Lack of unified representation of ASEAN members’ interests in global forums • Weak links with subregional cooperation initiatives and programs

AEC=ASEAN Economic Community; ASEAN=Association of Southeast Asian Nations; PRC=People’s Republic of China; FDI=Foreign direct investment; R&D=Research and development; SME=small and medium sized enterprise; SWOT=Strengths, Weaknesses, Opportunities, and Threats.

Source: Authors’ based on findings of individual ASEAN countries’ perspective background papers prepared for this study.

ASEAN GDP Growth-Actuals and Aspiration Targets

Figure 2.2. ASEAN GDP Growth-Actuals and Aspiration Targets
Actual growth in 1991–2010 and aspiration targets for 2011–2030



ASEAN=Association of Southeast Asian Nations; BRU=Brunei Darussalam; CLMV=Cambodia, GDP=gross domestic product, Lao People's Democratic Republic, Myanmar, and Viet Nam; Lao PDR=Lao People's Democratic Republic.

Notes: (i) ASEAN-6 refers to Brunei Darussalam; Indonesia; Malaysia; Philippines; Singapore; and Thailand. (ii) Projections are from ADB's Economics and Research Department. Aspiration targets are based on country consultations and background papers prepared for this study.

Sources: 1991-2010 data are from the International Monetary Fund (IMF), World Economic Outlook Database, April 2012 Edition. Available: <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx> (accessed September 2012). Aspiration targets for 2011-2030 are from background papers on individual ASEAN countries prepared for this study.

ASEAN 2030 Projections and Aspiration Targets

Targets

Table 2.2. ASEAN 2030 Projections and Aspiration Targets

Countries	Population		Gross Domestic Product (GDP)					Per-capita GDP				
	Million people		Billion \$			Average annual growth (%)		\$			No. times of increase over 2010-2030	
	Actuals (2010)	Projections (2030)	Actuals (2010)	Projections (2030)	Aspiration Targets (2030)	Projections (2030)	Aspiration Targets (2030)	Actuals (2010)	Projections (2030)	Aspiration Targets (2030)	Projections (2030)	Aspiration Targets (2030)
BRU	0.414	0.542	12.371	25.768	32.378	3.7	4.8	29,882	47,561	59,763	1.6	2.0
CAM	14.953	18.363	11.255	54.797	61.627	7.9	8.5	753	2,984	3,356	4.0	4.5
INO	237.641	277.059	708.352	2,121.335	2,890.468	5.5	7.0	2,981	7,657	10,433	2.6	3.5
LAO	6.437	8.049	6.461	30.114	32.315	7.7	8.0	1,004	3,741	4,015	3.7	4.0
MAL	28.251	37.069	237.803	694.737	780.067	5.4	5.9	8,418	18,742	21,044	2.2	2.5
MYA	61.187	69.310	45.380	225.259	231.322	8.0	8.1	742	3,250	3,337	4.4	4.5
PHI	94.010	127.336	199.591	663.418	675.859	6.0	6.1	2,123	5,210	5,308	2.5	2.5
SIN	5.184	6.093	227.382	397.842	534.519	2.8	4.3	43,862	65,293	87,725	1.5	2.0
THA	63.878	67.759	318.908	823.663	1,014.845	4.7	5.8	4,992	12,156	14,977	2.4	3.0
VIE	88.257	101.955	103.575	439.449	478.602	7.2	7.7	1,174	4,310	4,694	3.7	4.0
ASEAN	600.212	713.535	1,871.078	5,476.382	6,732.004	5.4	6.4	3,117	7,675	9,435	2.5	3.0
ASEAN-6	429.378	515.857	1,704.407	4,726.762	5,928.137	5.1	6.2	3,969	9,163	11,492	2.3	2.9
CLMV	170.834	197.678	166.671	749.620	803.867	7.5	7.9	976	3,792	4,067	3.9	4.2

ASEAN=Association of Southeast Asian Nations; BRU=Brunei Darussalam; CAM=Cambodia; INO=Indonesia; CLMV=Cambodia, Lao People's Democratic Republic, Myanmar, and Viet Nam; LAO=Lao People's Democratic Republic; MAL=Malaysia; MYA=Myanmar; PHI=Philippines; SIN=Singapore; THA=Thailand; VIE=Viet Nam.

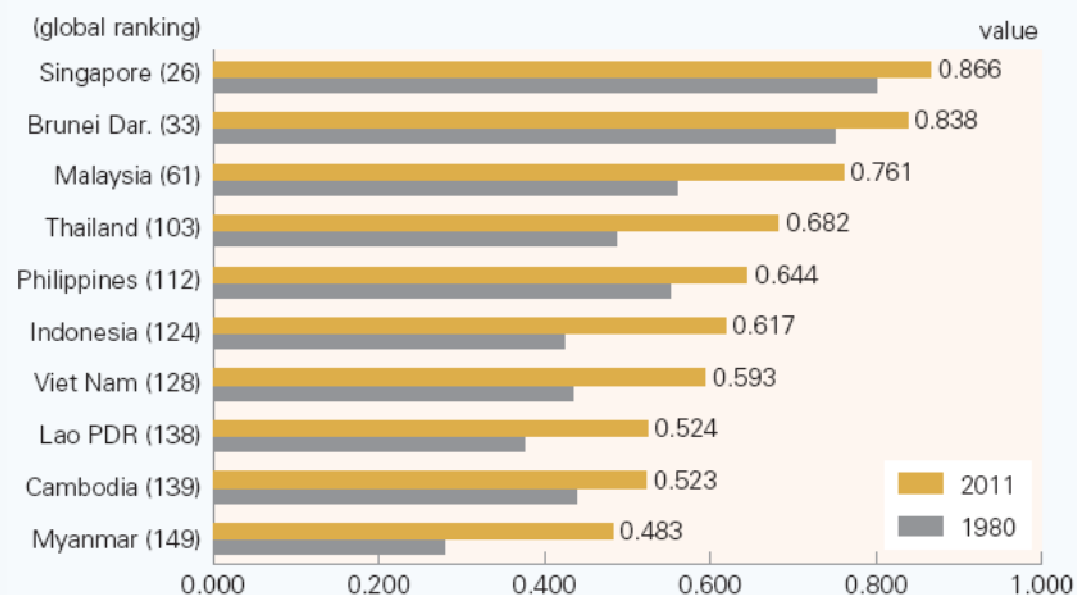
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ASEAN Countries' Human Development Index (1980 and 2011)

Figure 2.3. ASEAN countries' Human Development Index (1980 and 2011)



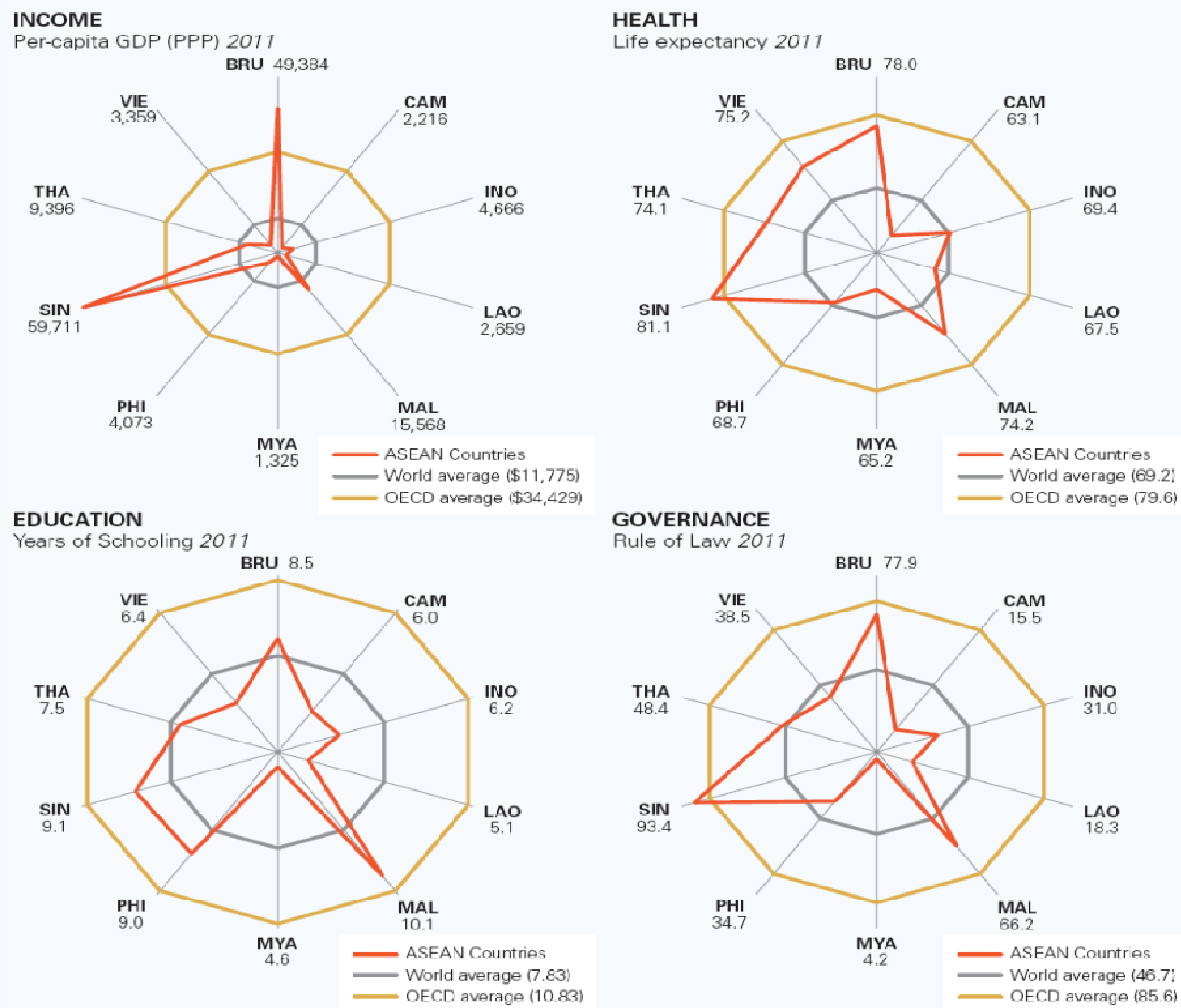
ASEAN=Association of Southeast Asian Nations; Brunei Dar.=Brunei Darussalam; Lao PDR=Lao People's Democratic Republic.

Notes: (i) The earlier available data for the year 1985 for Lao PDR and Viet Nam and 1190 for Cambodia and Singapore; (ii) Values in parenthesis refer to the country's global rank in 2011.

Source: United Nations Development Programme, Human Development Report 2011. Available: http://hdr.undp.org/en/media/HDR_2011_EN_Complete.pdf?bcsi_scan_9688b637a46568db=0&bcsi_scan_filename=HDR_2011_EN_Complete.pdf (accessed September 2012).

Selected Indicators of Quality of Life

Figure 2.4. Selected Indicators of Quality of Life



ASEAN=Association of Southeast Asian Nations; Lao PDR=Lao People's Democratic Republic; OECD=Organization for Economic Co-operation and Development; PPP=Purchasing Power Parity.
 Sources: Author's elaboration on data from the following sources* (i) Per-capita GDP (PPP) is from: International Monetary Fund, World Economic Outlook Database, April 2012 Edition. Available: <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/index.aspx> (accessed September 2012); (ii) The "Life expectancy at birth" and "Average Years of Schooling" indexes are from: United Nations Development Programme, Human Development Report 2011. Available: http://hdr.undp.org/en/media/HDR_2011_EN_Table1.pdf (accessed September 2012); (iii) The "Rule of Law" index is from: The World Justice Project, Rule of Law Index, 2011. Available: http://worldjusticeproject.org/sites/default/files/WJP_Rule_of_Law_Index_2011_Report.pdf?bcsi_scan_97e98328e2b67804=0&bcsi_scan_filename=WJP_Rule_of_Law_Index_2011_Report.pdf (accessed September 2012).

Definition of a RICH ASEAN

Table 2.4. Definition of a RICH ASEAN

R esilience	Capacity to handle volatilities and shocks through solid macroeconomic policies and effective policy frameworks ensuring financial stability also by strengthening initiatives for regional cooperation.
I nclusiveness	Ability to narrow development gaps within and across countries, reduce poverty, provide equal opportunities, follow a participatory approach in decision-making, and ultimately improving people's quality of life.
C ompetitiveness	Ability to increase productivity and compete with major players in global markets by developing a specific set of institutions, policies, and other factors linked with innovation capability and market efficiency.
H armony	Condition of living in peace with members of national and international communities, working together to resolve common problems, sharing prosperity with others, and respecting and protecting the environment.

ASEAN=Association of Southeast Asian Nations.

Source: Authors.

3. Some of main challenges to be addressed

To realize aspirations, ASEAN countries will need to address some key challenges both individually and collectively as ASEAN.

3. Key Challenges and Policies Towards 2030

- Manage macroeconomic and financial stability and deepen financial markets
- Promote economic convergence and equitable growth; Prioritize human capital development
- Forge a Competitive and Innovative Region
- Manage natural resources and environment

Manage macroeconomic and financial stability and deepen financial markets

- Issues of concern are: (i) maintain strong external position; (ii) Monitor short term capital flows; (iii) Upgrade supervisory capacity for financial institutions; (iv) Sound fiscal and monetary policies
- Develop the Chiang Mai Initiative (SWAP arrangements in time of crisis): Decide within ASEAN+3 without IMF
- Develop ASEAN Macroeconomic research office (AMRO) to become an East Asian Monetary fund
- Develop capital control best practice in case of short term destabilizing capital inflows
- Convergence of monetary policies for stable ASEAN exchange rate in normal time. Exchange rate flexibility to be maintained
- Agree on regional guidelines for fiscal sustainability
- Continue financial sector liberalization under the AEC and post AEC
- Create College of financial supervisors, harmonized deposit insurance, harmonize credit rating standards and raise capacity of agencies. Consumer protection for financial services.

Promote Economic convergence and equitable growth

- ASEAN is very divergent region, with CLMV countries at much lower level of income; Also inside some countries inequality large and extent of poverty large in some regions
- Policies to support CLMV countries important thru the Framework for Equitable Economic Development
- Explicitly deal with management of non skilled labor to reduce inequalities and social tensions: big issue left out of ASEAN, GMS, etc ! Can ASEAN learn from **EU** ?
- Create ASEAN Convergence Fund as an ASEAN development fund. Any lessons from **EU** ?

Forge a competitive and innovative region

- Move from growth based on TFP (intensive labor and capital inputs) to innovation based growth
- ASEAN scores on competitiveness mixed (see table)
- ASEAN can have advantage of market size if truly single market.
- Large investment in **R&D and innovation** needed; ASEAN lags except Singapore. Ratio of R&D expenditure to GDP low ! Move from imitation and adaptation of technology to innovation
- Set up an ASEAN Competitiveness Institute
- Massive investment in education needed (Singapore does).
- Develop innovation strategies including ASEAN wide and create ASEAN centers of excellence (to attract researchers in specific areas); CERN is example. Potential in any areas from automobiles (Thailand) to biomedical sciences (Singapore) to agriculture products (rubber, etc)

ASEAN Competitiveness Fundamentals

Table 3.12. ASEAN Competitiveness Fundamentals

	Singapore	Malaysia	Thailand	Brunei Dar.	Indonesia	Philippines	Viet Nam	Cambodia	ASEAN*
Rankings and Scores									
Asia-Pacific Rank** (16 economies)	1	6	10	11	12	15	14	16	10.3
Global Rank (139 economies)	2	21	28	39	46	75	65	97	40.5
Score (1-7)	5.63	5.08	4.78	4.52	4.38	4.08	4.24	3.85	4.62
Stages of Development									
In 2011	III	II	II	from I to II	II	from I to II	I	I	from I to II
In 2030 (expected)	III	III	III	from II to III	from II to III	from II to III	2	2	from II to III
Pillars of Competitiveness									
Institutions	1.06	-0.11	-1.20	0.80	-0.19	-0.78	-0.22	-0.16	-0.32
Infrastructure	0.79	-0.32	-0.89	-0.11	-0.57	-1.25	-0.27	-0.85	-0.52
Macroeconomic Environment	0.98	0.26	0.28	1.79	0.75	0.08	-0.12	-0.48	0.45
Health and Primary Education	0.32	-0.19	-0.84	0.29	-0.14	-0.50	0.15	-0.65	-0.26
Higher Education and Training	0.46	-0.55	-1.06	-0.34	-0.43	-0.46	-0.51	-0.91	-0.50
Goods' Markets Development	0.72	0.21	-0.38	-0.13	0.02	-0.16	-0.02	0.12	0.01
Labor Market Development	1.09	0.10	-0.02	0.99	-0.20	-0.34	0.41	0.45	0.05
Financial Markets Development	1.06	0.75	-0.43	0.03	-0.12	-0.16	-0.11	-0.11	0.05
Technological Readiness	0.53	-1.09	-1.91	-0.34	-0.87	-0.73	-0.10	-0.58	-0.87
Market Size	0.01	0.20	0.47	-1.53	1.19	0.54	1.10	-0.42	0.68
Business Sophistication	0.15	0.01	-0.78	-0.27	0.20	0.09	-0.09	-0.18	-0.07
Innovation	0.78	-0.23	-1.25	-0.11	0.33	-0.47	0.13	-0.03	-0.13

Brunei Dar. = Brunei Darussalam.

* ASEAN's scores are calculated as a weighted average of the eight ASEAN countries' gross domestic product (computed at purchasing power parity).

** Asia-Pacific includes, the eight ASEAN countries for which data are available (Brunei Darussalam, Cambodia, Indonesia, Malaysia, Philippines, Singapore, Thailand, and Viet Nam), plus Australia; the People's Republic of China; Hong Kong, China; India; Japan; the Republic of Korea; New Zealand; and Taipei, China.

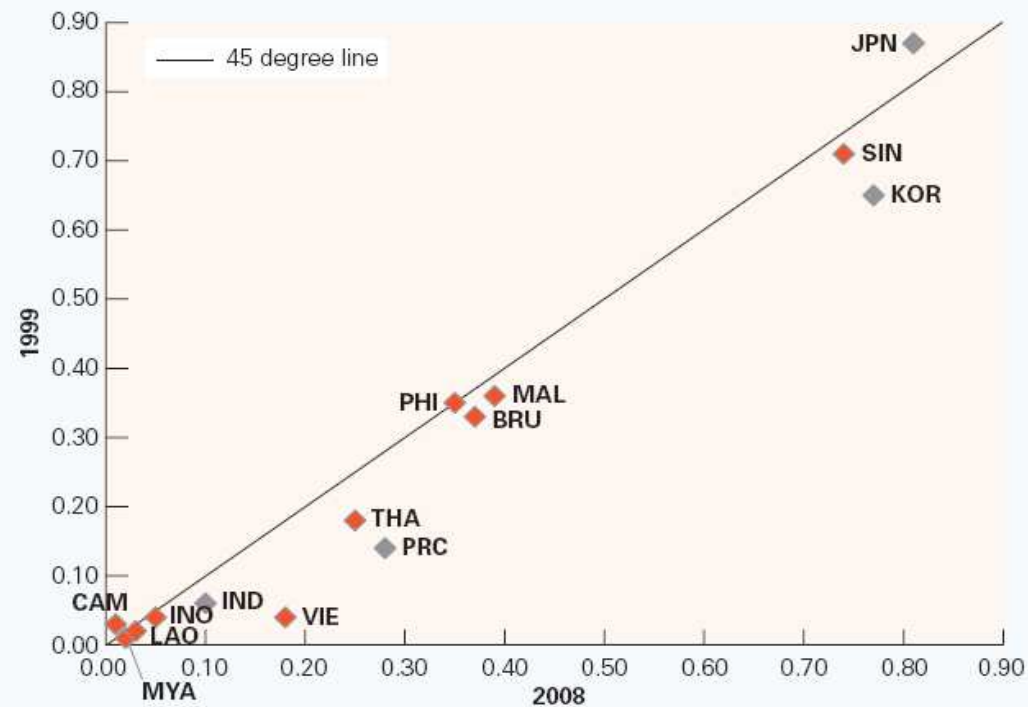
Notes: (i) Ranking and scores are given by the 2011-2012 Global Competitiveness Report of the World Economic Forum. Higher rankings and scores indicate stronger competitiveness; (ii) Stage of development "I" refers to a situation where countries' key competitiveness pillars are factor-driven (institutions, infrastructure, macroeconomic environment, health and primary education - Stage of development "II" is when the key competitiveness pillars focus on efficiency factors (higher education and training, goods' markets development, financial markets' development, technological readiness, and market size - Stage of development "III" is when countries' key pillars for competitiveness are based on innovation and business sophistication; (iii) the values for the pillars of competitiveness show the difference between a country's score in each pillar and the average score of the group of economies in the highest stage of development that it is projected to attain in 2030.

	Top three pillars where a country's score exceeds the average score of the of economies in the same development stage.
	Other pillars where a country's score exceeds the average score of the of economies in the same development stage.
	Other pillars where a country's score is below the average score of the of economies in the same development stage.
	Top three pillars where a country's score is below the average score of the of economies in the same development stage.

Source: Authors' elaborations from World Economic Forum (2011), Global Competitiveness Report 2011-2012.

Technology Achievement Index (1999 and 2008)

Figure 3.12. Technology Achievement Index (1999 and 2008)



BRU=Brunei Darussalam; CAM=Cambodia; PRC=People's Republic of China; IND=India; INO=Indonesia; JPN=Japan; KOR=Republic of Korea; LAO=Lao People's Democratic Republic; MAL=Malaysia; MYA=Myanmar; PHI=Philippines; SIN=Singapore; THA=Thailand; VIE=Viet Nam.

Source: Adapted from Hu (2012).

Forge a competitive and innovative region

- Raise agricultural productivity. Huge potential: Green biotechnology, bio-farming, etc
- Enhance production networks and industrial clusters: IPNs are strength of ASEAN.
- Move from production networks to industrial clusters
- Trade facilitation, harmonization of customs procedures, set up the ASEAN single window and improve transport and logistics key to enhance competitiveness and for developments of production networks.
- Create ASEAN branding
- Production relocations within ASEAN will raise competitiveness; Myanmar can play a big role as a new production base (SEZs)

Forge a competitive and innovative region

- Need to develop a competitive services sector: much to be done to liberalize services.
- Logistics services particularly important. Not efficient in ASEAN now except Singapore.
- Regulatory reforms in services market important.
- Accelerate implementation of MRAs (mutual recognition agreements) and mode 4 in particular (service providers): Lessons from EU ?
- Tourism very important sector in ASEAN: Create a ASEAN Tourism Council

Manage natural resources and environment

- Long-term development strategies to mainstream green growth with regional priorities clearly defined (Green Logistics ?)
- Harmonize environmental laws and standards and promote green products with ASEAN standards label
- Introduce and harmonize environmental taxes and eliminate harmful subsidies encouraging overuse of natural resources and energy. Huge agenda ! Can ASEAN **learn from EU** ?

4. Political Challenges

Can ASEAN learn from the EU ?

Political challenges

- Can ASEAN create a “single integrated market” through **consensus by all members** ?
- **Without transfer of sovereignty** ?
- **Without central enforcing authority** ?
- **Can ASEAN become a single market model in between a loosely integrated economic entity and a integrated model like EU** ?
- **Are harmonized laws and regulations possible without loss of sovereignty** ?

Merci de votre attention

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