

## Creating the ASEAN Economic Community

Friday 23 January, at the World Economic Forum Annual Meeting, Davos 2015



Political and business leaders from ASEAN member states told participants at the 45th World Economic Forum Annual Meeting that the ASEAN Economic Community, uniting 10 countries with over 600 million people in a common market, will be a reality by the end of 2015.

“Some in the audience may not believe it, but believe me, we will have a single market by the end of the year,” Pridiyathorn Devakula, Deputy Prime Minister of Thailand, promised. Devakula said that tariff reductions within the community have already been largely accomplished, but work remains on cutting non-tariff barriers.

“The free flows of goods, capital and labour will provide the opportunity for ASEAN to become the factory for the world,” Samdech Samdech Techo Hun Sen, Prime Minister of Cambodia, said. He added that the next step would be for ASEAN to seek free-trade agreements, and that he expected the community to benefit from continued growth in China, from the opening of India’s economy and from renewed dynamism in Japan.

Pham Binh Minh, Deputy Prime Minister and Minister of Foreign Affairs of Vietnam, said: “Greater integration will provide many benefits to the entire ASEAN community.” Integration should spur governments to implement structural reforms, and more developed ASEAN countries should assist their less developed states in catching up.

Abdul Wahid Omar, Minister, Economic Planning Unit, Malaysia, noted that the region has grown at an average of over 6% a year for decades. “We now want to make sure that the economic prosperity we achieve is translated into higher personal income for the people,” he said.

Integrations of rules and regulations and the creation of an ASEAN identity – perhaps in part through a common time zone – are logical next steps.

“ASEAN is growing faster than China or India, but it must be seen by outside investors as a single market,” Anthony F. Fernandes, Group Chief Executive Officer, AirAsia, Malaysia, said. Fernandes said the 10 countries still have different regulatory systems and bureaucracies. Government leaders must make it easier for companies and investors to operate in all 10 countries simultaneously. “Not everything will get done by December, but a lot will be fixed and it will be a fantastic platform,” he predicted.

James T. Riady, Chief Executive Officer, Lippo Group, Indonesia, said that unlike northern Asia, with its emphasis on heavy industry that works closely with government, most of ASEAN’s economies depend on entrepreneurship, light industry and services. The ASEAN common market will particularly benefit the services sector, which gains competitiveness with scale. “If the ASEAN Economic Community can become a reality this year, we are at the beginning of something quite fantastic,” he said.

Serge Pun, Chairman, Serge Pun & Associates (Myanmar), Myanmar, said that for years he had been a sceptic about ASEAN, but he is becoming a believer. Protectionist impulses are strong in both government and business, but governments now appear determined to make the ASEAN Economic Community a reality. “I have drawn a lot of optimism from looking at how governments view integration.” He added that the community’s diverse economies are an advantage, as less-developed countries such as Myanmar would welcome the unskilled jobs that more developed ASEAN members are shedding.