



Joint Foreign Chambers of Commerce in Thailand

JFCCT AEC Committee Summary of AEC August 2011 For JFCCT Members

The original ASEAN agreement was signed in 1967. ASEAN is a regional affiliation of ten nations - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam. The agreement today consists of 3 pillars – Political/Security, Socio-Cultural and Economic Communities.

The **ASEAN Economic Community (AEC)** aims to create a common economic community, similar to the European Union, in Southeast Asia and aims to achieve:

- a greater choice of goods and services for consumers;
- larger economies of scale for businesses and industries;
- the lowering of production costs, leading to lower prices;
- a greater demand for goods and services;
- increased trade and investment; increased economic integration;
- increased employment.

For implementation purposes, the AEC is further broken down into key areas, each covered under separate agreements:

- Free flow of Goods
- Free flow of Services
- Free flow of Investments
- Freer flow of Capital
- Free flow of Labour

The JFCCT AEC Committee aims to capture and prioritise the main issues for JFCCT's members, and explain these to the JFCCT community as soon as possible. The committee will also develop a JFCCT policy from a Thailand business perspective on the prioritised issues. Lastly the AEC committee's role will be to source some useful information materials and some contacts for professional advisors on the use of existing FTAs and other trade and investment regimes.

In practical terms, the AEC means that an ASEAN member citizen should be able to move more freely within the ASEAN member countries, as well as work, make investments and undertake trade. Some of the changes necessary for this environment have already been made by some of the countries.

This also means that ASEAN registered companies will enjoy the same sorts of freer trade opportunities. For example a Thai company will be able to own 100% of a business in other ASEAN countries. This also means companies from other ASEAN countries will be able to own 100% of a business in Thailand.

There will be a number of limitations on these freedoms, and issues such as sensitive industries are included in these limitations. The details of all the limitations have not yet been finalized.

Many JFCCT members understand that a number of regulations and processes in the ASEAN countries need to be amended to allow for this freer environment. The ASEAN governments have developed a Roadmap (available on the JFCCT AEC Webpage) to assist manage this.

The ASEAN Economic Community Scorecard is the mechanism designed to track the progress of measures implemented by member countries to achieve the goal of establishing the AEC in 2015. The scorecard is being updated currently.

The first scorecard (also available on the JFCCT AEC Webpage) covered the period from Jan. 2008-Dec. 2009. **As of Dec. 2009:**

- **Tariffs have been eliminated** for 99 percent of intra-ASEAN trade, and the average remaining tariff rates have fallen.

- **Nine ASEAN member-states (not including Thailand) have ratified ATIGA** (the ASEAN Trade in Goods Agreement), designed to consolidate and synergize all provisions relating to the trade of goods into a single document.
- **Eight member states (not including Thailand) have ratified ACIA** (the ASEAN Comprehensive Agreement on Investment), designed to facilitate the liberalization and protection of international investments in member states.
- **Seven MRA's (mutual recognition arrangements) regarding specific professions have been signed**, permitting the freer flow of labor across ASEAN borders, and allowing service professionals greater mobility throughout the region.
- **ASEAN is currently developing guidelines** for economic competition, consumer protection, the protection of intellectual property rights
- **ASEAN passed**, but requires the individual member ratification of, three agreements relating to the liberalization of transport across ASEAN borders, with the aim of creating a single aviation/logistics market
- **ASEAN is designing a plan** to foster and encourage the development and growth of small and medium-sized businesses (SMEs).
- **Several free trade agreements (FTAs)** have been signed between ASEAN and some of their larger trading partners, including Australia, China, and India.

In general, 73.6% of ASEAN targets designed to be completed by the end of 2009 were achieved, with 100% of the targets being completed in the areas relating to fostering equitable economic development, and integrating with the global economy. **Progress is still lagging** with efforts at creating a competitive economic region and a single market and production base.

91 of 124 legal instruments relating to the development of the AEC were ratified.

Of importance to many JFCCT members are the agreed actions in relation to Services. By the end of 2010, the ASEAN governments agreed that foreign ownership of up to 51% of services companies would be allowed. To date Thailand has not implemented this change. In some cases by 2012 or 2013, the foreign ownership level should raise to 70%.

The Ministry of Commerce has informed the JFCCT AEC committee that the 51%/70% foreign ownership rule applies to ASEAN citizens only, although the definition of ASEAN Citizen in relation to companies has not been clarified.

The JFCCT Committee has tabled a number of questions with the Ministry of Foreign Affairs and the Ministry of Commerce to assist clarification of the implementation plans in Thailand. These questions include clarification of the definition of "ASEAN citizen" and "ASEAN company". Other questions include asking for details of the processes that will need to be followed for Thai companies to take advantage of the freedom of labor concepts.

In the future, to facilitate greater progress toward stated goals, there is a need to:

- expedite the ratification of all AEC agreements/protocols,
- prioritize the initiatives or actions required to implement the provisions of each AEC agreement and protocol,
- identify and address areas of divergence/areas of concern,
- identify the inconsistencies between national legislation and implementation of regional commitments in order to address the delay in ratification and compliance with ASEAN agreements, and
- enhance outreach and advocacy activities.

The JFCCT AEC committee would welcome involvement on the committee from any members of the JFCCT member country chambers. The committee has compiled a list of initial questions that we hope to be able to obtain answers for and distribute to all members, and would also welcome any questions from members in relation to the AEC.