

## NOTES

### Completion of the ASEAN Economic Community 2015

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1. Most policy actions happen for a reason. Often, inaction does as well. Reasons are most usually based on interests and interests, in turn, dictate motivations. The stronger the interests, the greater the motivations and, presumably, the more effort going into formulating and implementing outcomes. The first question we can consider today therefore is how strong are the interests behind completing the ASEAN Economic Community (AEC) by 2015? Asked in another way, what are the expected costs and consequences if it were to be partially achieved and incomplete?
2. Failure of the Doha Development Agenda round of multilateral trade negotiations in Cancun in the autumn of 2003 set the context for the vision casting that resulted in the AEC. With still-fresh memories of the 1997 Asian Financial Crisis, and combined with the rising threat of a super-competitor in the People's Republic of China, these gave urgency to the adoption of the Bali Concord II, which had, as one of its three pillars, the AEC.
3. The AEC was given further momentum in early 2007 when, at the 12th ASEAN Summit in Cebu, leaders shortened the timeframe for achieving a region with free movement of goods, services, investment, skilled labour, and freer flow of capital to 2015. Why did they do this if they did not consider the completion of the AEC to be pressing? They could have dragged their feet and quibbled over detail endlessly as they had done in the past.
4. And if further proof were needed of their red-blooded commitment, they adopted the AEC Blueprint in Singapore the following year. The Blueprint further underscores the seriousness at turning the region into a single market, production base and highly competitive region by 2015. To top it off, ASEAN adopted a scorecard system to monitor progress. The AEC Scorecard progress report is to be presented to the ASEAN Economic Ministers (AEM) in four biennial phases from 2008 to 2015.
5. By all accounts, the nature of the actions taken indicate the very substantial interests and motivations underlying the completion of the AEC. It is difficult to fault the leaders and senior officials, who have shown nothing but strong political will in embarking on the AEC project. They– and we– could have opted to live quiet lives instead.
6. This logically suggests that an incomplete AEC by 2015 would be quite costly both for ASEAN as a whole and its ten member states. This then brings us to the second

question: how far have each of the four elements of the AEC Blueprint, that is, (1) a single market and production base, (2) competitive economic region; (3) equitable economic development; and (4) integration into the global economy been achieved? The intent may be there but have the results?

7. Thus far two AEC Scorecards have been produced (2009-10, 2010-11), with another two to come before 2015. Without entering into philosophical questions about whether “the glass is half empty or half full” or wading into too much the technical details, we can probably do no better than to draw on the results of the Scorecards.
8. On the face of it, as of October 2011, ASEAN countries were said to have achieved 75.7 per cent of the targeted measures for Phases 1 and 2. Implementation rates are calculated as a ratio of measures that are fully implemented to a total of measures targeted. This is a pretty high figure and would seem very respectable given that ASEAN still has still a little less than halfway to go. To be sure, some have voiced concerns at the lower rate of completion between the two phases, i.e. 83.8 (Phase I) versus 68.6 (Phase II). But there have been achievements and that is not something to decry.
9. Straight-line reasoning, however, does not always work. In the first place, is the ratio of implemented to targeted completion of measures an overly simplistic measure? Second, inability to fully achieve targets can have consequential cumulative effects down the line. Any unfinished business not only has to be carried forward but can impede other targets from being achieved. Third, there is the issue of quality, i.e. whether the targets themselves are as demanding as they need to be, especially given the ambitious end goals that have been set. Have the targets been set too low so that failure is difficult?
10. Issues about measuring the progress in completing the AEC by 2015 can certainly be debated. However even by the existing methodology, warning bells have been sounded and the tasks ahead made urgent. In Scorecard II, for example, the ASEAN Secretariat had this to say: “...*(W)hile recognising the achievement to date, some measures due for implementation have not been fully implemented (Annex 1). This short fall mainly results from the delays in ratification of signed ASEAN-wide agreements and their alignment into national domestic laws as well as delays in implementation of specific initiatives.*”
11. The Scorecard points to delays in ratification of ASEAN agreements and adoption into national laws and regulations as being significant obstacles to implementation. Certainly, this is an area requiring renewed action. However, some of the outstanding actions would suggest that there is a low probability of completion given the context and conditions of member states and the tasks that need to be undertaken (e.g. on

connectivity). This may not be due to any lack of will *per se* but of a lack of technical capacity and human and sheer financial resources.

12. The 41st ASEAN Economic Ministers Meeting in Bangkok requested the Economic Research Institute for ASEAN and East Asia (ERIA) to study the scorecard monitoring process and provide substantive analyses and independent reviews of the AEC Blueprint implementation. ERIA's scorecard is more analytical as compared to ASEAN Secretariat's straightforward compliance-type/accomplishment based scorecard. One recommendation emerging is that ASEAN member states need to establish national-level coordinating committees to implement the AEC.
13. So what can we conclude? It seems clear that on the present trajectory, there will be elements of the AEC that could well remain unfinished business by 2015. It is also clear that the reason will have much to do with national technical capacities to implement "behind-the-border" measures but also some of the usual foot-dragging by countries with respect to opening up. It is further clear that the quality of the AEC completion will continue to be taken to task, with allegedly "loosely defined" targets and implementation measures.
14. This may be nothing more than to say that the AEC will continue to be a work-in-progress. The conundrum is that the less seriously member states take the 2015 target date, the less effort they will put into the project. For pure administrative and managerial reasons, therefore, they will want to maintain a hard deadline, in which case there should be a renewed and concerted push to the finishing line right about now.
15. From this writer's perspective, however, there will need to be a deepening programme post-2015 if the word "community" is to have any real meaning as the leaders intended. The payoffs of success and the costs of failure to urgently complete a genuine AEC will have to be constantly brought to mind if momentum is not to cease and we are left with an incomplete and unuseable product.