trade agreements (FTAs). The ASEAN Solutions for Investments, Services and Trade (ASSIST) is now fully operational, a non-binding and consultative mechanism for the expedited and effective solution of operational problems encountered by ASEAN-based enterprises on cross-border issues related to the implementation of ASEAN economic agreements.

The ASEAN Agreement on Movement of Natural Persons (MNP) entered into force in June 2016 and will help establish streamlined and transparent procedures for applying immigration formalities to those covered by the agreement, further facilitating the movement of ASEAN people engaging in trade in goods, trade in services and investment[3].

To stimulate innovation, the revamped ASEAN Intellectual Property (IP) Portal provides a consolidated platform to access comprehensive IP information, including the databases on trademarks, geographical indications, and case laws.

Acknowledging the growing importance of electronic commerce (e-Commerce) in the region, ASEAN has recently established the ASEAN Coordinating Committee on Electronic Commerce (ACCEC), and is in the process of finalising the ASEAN Work Programme on e-Commerce.

The maiden voyage of the ASEAN Roll-on Roll-off (RORO) Sea Linkage Route between Davao–General Santos (the Philippines)– Bitung (Indonesia), launched by Philippine President Rodrigo Duterte and Indonesian President Joko Widodo on 30 April 2017 in Davao City, Philippines is a major milestone achieved by ASEAN in transport facilitation to enhance connectivity in the region. The completion of the System and Parallel Test Runs of the Pilot ASEAN Customs Transit System (ACTS), a computerised customs transit management system, in three participating ASEAN Member States – namely Malaysia, Singapore and Thailand – is another such milestone.

With the commemoration of ASEAN's 50th anniversary, the Visit ASEAN@50: Golden Celebration Campaign was launched, with its highlight being the 50 special tour packages carefully selected by the ASEAN Member States and supported by globally-recognised companies. In addition to the adoption of the Pakse Declaration on ASEAN Roadmap for Strategic Development of Ecotourism Clusters and Corridors, ASEAN has also launched the ASEAN Sustainable Tourism Award (ASTA) in 2017, which will be awarded every two years starting 2018, to recognise efforts that support sustainable tourism and mainstream the implementation of the ASEAN Tourism Standards.

Progress in the AEC also covers efforts to further strengthen the role of the private sector particularly the micro, small and medium enterprises (MSMEs). The ASEAN Institutional Framework on Access to Finance for MSMEs, adopted in August 2016, enables better understanding of the kind of supportive environment, in terms of institutional set up and infrastructure, that is needed to enhance MSMEs access to both traditional and alternative financing.

Consultative processes between AEC sectoral bodies and the ASEAN Business Advisory Council (ASEAN-BAC) representatives and lead private sector entities (business associations and councils) are being institutionalised to support the implementation of initiatives under the various sectoral work plans.

The Initiative for ASEAN Integration (IAI) Work Plan III was adopted in 2016, and provides special assistance to Cambodia, Lao PDR, Myanmar and Viet Nam (CLMV) to further regional integration in order to narrow the development gap within ASEAN.

On external economic relations, negotiations of the ASEAN-Hong Kong, China FTA are on track towards the targeted conclusion this year. Formal region-to-region talks on a framework setting out the parameters of a future Free Trade Agreement between ASEAN and the European Union has also been launched. ASEAN also remains committed to the swift conclusion of the Regional Comprehensive Economic Partnership (RCEP), the centerpiece of ASEAN's external economic relations work.

In 2017, under the Chairmanship of the Philippines and the theme of "Inclusive, Innovation-led Growth", priorities have been identified in line with strategic measures of increasing trade and investment, integrating MSMEs in the Digital Economy, and developing an innovation-driven economy. In support of these strategic measures, the ASEAN-BAC organised the "Prosperity for All" Summit on 28 April 2017, which brought together key institutions and professionals to collaborate and champion the cause of MSME empowerment towards inclusive growth. Likewise, ASEAN Women Entrepreneurs Network (AWEN) and the Women's Business Council of the Philippines (WBCP) brought together women leaders and prominent business leaders from the region at their "Science, Technology, Engineering, Arts, and Mathematics (S.T.E.A.M.) Ahead in ASEAN," held on 16-17 March 2017 in Manila.

3 In moving towards being a highly competitive and cohesive AEC, there are also ongoing efforts that will be elaborated on in succeeding editions of the AEIB in the areas of investment; services; financial integration, inclusion, and stability; and enhancing participation in global value chains.

SPECIAL FEATURE

The ASEAN Economic Community: Preparing for Tomorrow in Today's World

PASCAL LAMY

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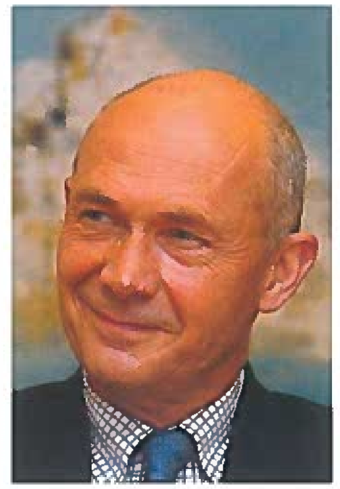
The Association of South East Asian Nations (ASEAN) celebrates its 50th anniversary this year. It is a well-deserved celebration. The Association has come a long way since its five founding members signed the ASEAN Declaration in 1967 in Bangkok, Thailand. Today, ASEAN is a global economic and trade powerhouse, ranking sixth worldwide in terms of its combined GDP. It is also the world's fourth largest trader after China, the U.S. and Germany. Estimates suggest that if ASEAN can maintain its solid growth momentum, the 10 member states will collectively be the world's fourth largest economy by 2050.

The formal establishment of the ASEAN Economic Community (AEC) at the end of 2015 was a significant milestone in this 50-year journey. This is only the beginning of the Association's evolutionary progress towards a full-fledged economic community. The core challenge is to ensure that the AEC remains strong, relevant and sustainable.

The AEC kicked off its journey at an unenviable time for the international economy. Years of slow growth after the global financial crisis of 2008-2009 were further aggravated by even slower trade growth. A rising tide of popular anti-globalisation and anti-trade sentiment underpins much political discourse, especially in the West. The Brexit decision in the UK and the outcome of the US election have greatly increased uncertainty across the world. The shift in the centre of economic gravity in recent years, primarily towards Asia, continues to test governments and their ability to cooperate for mutual benefit. This shift has also been observed beyond the economic sphere to also extend to issues such as security and climate change.

Despite these challenges and the protectionist pressures they generate, economies are becoming more interconnected. Domestic stakeholders are more exposed than ever to external shocks and dynamics. How we globalise, including through regional economic integration, is no longer a conversation limited to a select few. Globalisation paths and trajectories cannot be decided in isolation from affected populations.



Ordinary people are taking positions on these issues, and rightly so.

Problems arise, however, when globalisation is blamed uncritically for the loss of domestic competitiveness. Governments must reach out to stakeholders, correct misperceptions, build awareness and understanding, and pay adequate attention to adjustment pressures resulting from globalisation. At the same time, efforts are needed on a priority basis to strengthen long-term competitiveness, including through necessary structural reforms.

As with globalisation more generally, regional economic integration generates costs for some segments of society as well as provides broader benefits for economies at large. While any public pushback against the AEC has been muted to date, Brexit should serve as a reminder that public support for deeper integration cannot be taken for granted.

Public awareness of the AEC, its objectives, and what it entails is lacking even among people in the region. ASEAN needs to leverage the region's strong economic performance to win stakeholder support. This requires meaningful public participation in shaping the region's economic integration agenda and in its implementation.

Inclusiveness is as much about empowerment and participation as it is about community identity. It has taken decades for the European Union (EU) to slowly build a sense of community and there is a long way to go. ASEAN's economic integration model is not the same as that of the EU and is proceeding at a more gradual pace. Even then, the task for ASEAN may be even greater, given the diversity in history, culture, traditions, and in levels of development among its 10 members. But the value of a community does not rest solely in celebrating its past. It is a shared future that counts.

If ASEAN is to work effectively as a community, it must avoid unnecessary institutional limitations. The ASEAN Community builds on the three pillars of the Political Security Community, the Economic Community and the Socio Cultural Community. These pillars cannot pursue their goals silos. In the case of Brexit, we have seen how economic woes carry political consequences. It has been repeatedly said that the benefits of globalisation are at risk because of failure to address its social implications. Just as globalisation needs to be humanised and made more inclusive, this is also true for regional economic integration.

ASEAN already has the necessary constructs embedded in its three community pillars to address these challenges. The question will be whether or not the existing institutional setup and prevailing mindsets allow us to effectively address cross-cutting issues.

The pursuit of economic growth and development through regional economic integration must put the welfare of the people and sustainability at the centre. Shortcomings in the way social and environmental considerations are addressed will limit the scope for integration.

It is now time for ASEAN to own its destiny and engage more proactively together in global and multilateral fora. The world is changing. Global leadership is evolving and is becoming increasingly multipolar. The developing world, including ASEAN, needs to make sure that global governance works for them. A wait and see attitude is not an option; it is time to become involved. Regionalism is, after all, a stepping stone to a global vision, and ASEAN is among the world's most successful examples a regionalism that will embrace the world. ASEAN's robust economy and growing geo-political importance provide an opportunity to play a part in shaping global governance. Already, ASEAN is seen as a beacon of open regionalism, amidst a tide of rising protectionist sentiments. The time is ripe for working towards a truly global ASEAN as envisioned in the AEC Blueprint 2025. ■

Navigating Regional Integration amidst Evolving Global Dynamics

Today's globalisation is at a crossroads. While globalisation has opened up greater economic opportunities, several downside risks are challenging this once widely-accepted notion. In response, governments' policies have shifted or have shown tendencies to shift. Inward-looking and populist policy statements have increasingly become a new 'normal'. While most policy space falls within each country's national scope, regional economic integration efforts such as ASEAN's could help overcome the global hurdles and facilitate cooperation between economies.

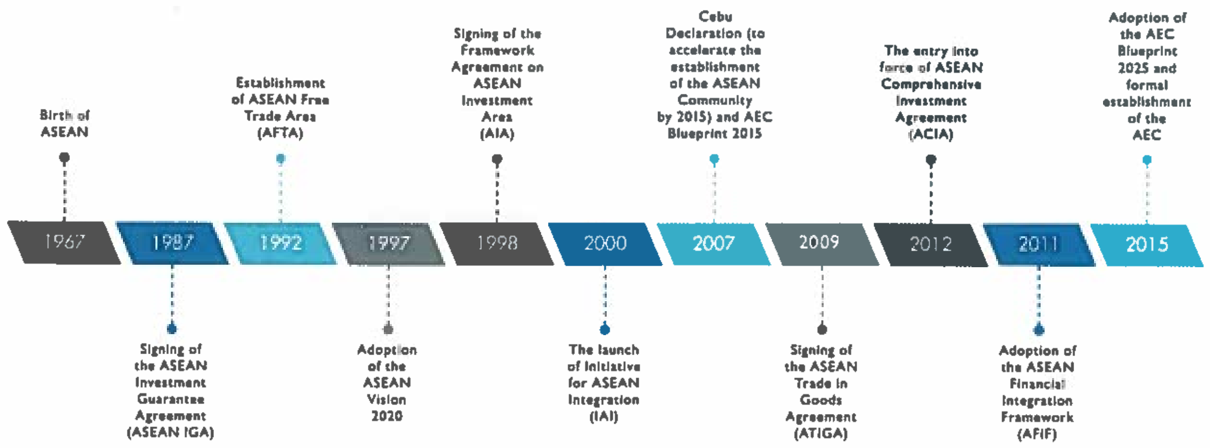
AEC: Progress and Evolution

Since its establishment in 1967, ASEAN has evolved to become one of the most successful regional organisations. The Association first came into being amidst growing geopolitical tensions in Asia. Two oil crises and a food crisis confronted the global economy in the following decade, to which ASEAN responded by building the institutional foundations to strengthen its regional cooperation.[1] This marked ASEAN's recognition of the potential of regional economic integration to strengthen resilience amidst external shocks.

While ASEAN's regional economic cooperation started as early as the 1970s focusing on industrial cooperation, it intensified in the 1990s. Following post-crises recovery in the 1980s, ASEAN took a significant step towards integrating the regional market through the establishment of the ASEAN Free Trade Area (AFTA) in 1992, involving gradual intra-ASEAN tariff liberalisation and the signing of ASEAN Framework Agreement on Services (AFAS) in 1995 which serves as a basis for services liberalisation in the region.

Despite the onset of the Asian financial crisis in 1997, ASEAN continued with its economic integration agenda with the signing of the Framework Agreement on ASEAN Investment Area (AIA) in October 1998 to enhance its attractiveness as a single investment destination. This was further manifested by the historic Bali Concord II in 2003 when ASEAN Leaders agreed to establish the ASEAN Economic Community (AEC) by 2020, later accelerated by 5 years to 2015.

1 The first ASEAN Economic Ministers in 1975 directly responded to concerns over production and cooperation of basic commodities particularly food and energy. The first ASEAN Agriculture Ministers in 1979 was also timely marked by the signing of the ASEAN Agreement on Food Security Reserve in 1975.



ASEAN commitment to advancing regional economic integration continued through the 2008-2009 global financial crisis with the signing of the ASEAN Trade in Goods Agreement (ATIGA) in 2009, the entry into force of the ASEAN Comprehensive Investment Agreement (ACIA) in 2012, and the adoption of the ASEAN Financial Integration Framework in 2011.

The formal establishment of the AEC on 31 December 2015 marked an important milestone in ASEAN's dynamic journey towards deeper regional economic integration.

Gearing Up to Global Dynamics

As in the past, the contours of the global macroeconomic environment are ever-changing. High economic growth and accelerated technological advances have created digitally connected markets, boosted income, broadened access to goods and services and reduced poverty but they may also have engendered unaddressed income inequality as well adverse environmental and social impacts.

ASEAN's continuing pursuit of regional economic integration is not removed from the fast-moving dynamics of its broader macroeconomic environment. The AEC Blueprint 2025 serves its forward-looking purpose of not only articulating the signposts towards a deeply integrated and highly cohesive ASEAN economy but also providing the levers to respond to the new opportunities and challenges arising from the shifting global developments.

Sustaining the momentum of global economic recovery requires stable performance supported by a broader set of economic sectors and agents as growth drivers. ASEAN's new emphasis in the development and promotion of micro, small and medium enterprises (MSMEs) in the next decade would enhance economic linkages and shore up growth. Measures on simplified, business-friendly and trade-facilitating rules in the region would energise slowing down trade, which has grown by just over 3% annually since 2012, less than half the average rate of expansion during the previous three decades.[2] The regional initiative on electronic commerce would play a key role in boosting cross-border trade, further capitalising on a more digitally connected ASEAN, as evidenced by the region's high mobile phone penetration (i.e. 50 mobile phones per 100 persons).

The envisaged implementation of ASEAN Trade in Services Agreement (ATISA) would further integrate the region's services sector, which represented above 50% of ASEAN output and received about two-thirds of foreign direct investment (FDI) inflows in the last decade, maximising the potential contribution of the services sector to economic growth. Financial inclusion, one of the three strategic pillars under the ASEAN financial integration agenda, would broaden financial access to the under-served communities, tapping into their potential as a consumer base. Enhancing the region's investment climate, including through improved policy certainty, would build up the business confidence needed to stimulate global FDI flows.

The effectiveness of the AEC Blueprint 2025 to respond to opportunities and challenges, today and tomorrow, lies in the timely and successful implementation of its strategic measures and the Community's agility to navigate through changes. The recently endorsed AEC 2025 Monitoring and Evaluation (M&E) Framework plays a key role to assess implementation progress of the AEC Blueprint 2025. The assessment can benefit from a systematic and well-targeted information dissemination process and mechanism to capture stakeholder feedbacks. Effective monitoring and evaluation can also trigger and promote evidence-based policy changes in ASEAN, in keeping with the shifting global and regional dynamics, and more importantly, the changing needs of the people. ■

2 International Monetary Fund (IMF), 2016. "Global Trade: What is behind the Slowdown?", Chapter 2 of the IMF World Economic Outlook, October 2016.