

understanding the

**asean**  
**economic**  
**community**

a quick guide

THIS QUICK GUIDE is for everyone who wishes to have a better understanding of the ASEAN Economic Community (AEC). It provides basic information on the AEC and recommends possible actions for stakeholders to ably respond to the opportunities and challenges that AEC brings.

Understanding the AEC: A Quick Guide is part of the AEC Communication Tool Kit of the Department of Trade and Industry (DTI) as Chair of the Committee for ASEAN Economic Community (CAEC)\*.

\*Established per Administrative Order No. 20, Section 4.b



**COMMITTEE FOR ASEAN ECONOMIC COMMUNITY (CAEC)**

<http://www.dti.gov.ph>  
<http://www.industrytradephilippines.com>

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25 November 2014

## Why are we talking about the AEC? What is the story behind it?

### The Philippines is a member of the ASEAN.

The AEC is driven by ASEAN, and impacts every ASEAN Member State.

It is for every ASEAN people. It is about us.

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### The ASEAN

Founded on 8 August 1967, the Association of Southeast Asian Nations (ASEAN) consists of ten (10) Member States: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam. The Philippines is part of the 5 founding members of ASEAN.

ASEAN is one of the most diverse and competitive regions in the world. Located at the center of a dynamic Asia Pacific Region, it is of significant importance to global trade, security, and international relations.

ASEAN links and establishes ties with the global community through its economic partners, namely China, Japan, Korea, India, Australia, New Zealand, Canada, Russia, United States, and the European Union.

As an ASEAN member, the Philippines enjoys benefits and privileges that are exclusive to ASEAN. It is able to harness the power of being part of a regional organization. For the Philippines, ASEAN's success means opportunities.

**“...We cannot survive for long as independent but isolated peoples unless we also think and act together and unless we prove by deeds that we belong to a family of Southeast Asian nations bound together by ties of friendship and goodwill, imbued with our own ideals and aspirations, and determined to shape our own destiny.”**

**Tun Abdul Razak**

Deputy Prime Minister of Malaysia,  
speaking during the founding of ASEAN

## **When 1 is greater than 10**

At the heart of ASEAN is the spirit of unity, cooperation, and collaboration. Member States come together for mutual protection and benefit, greater support, positive impact, and dynamic growth.

Together, ASEAN Member States are stronger. As a diverse whole rather than 10 individual nations, ASEAN is able to achieve more.

ASEAN has over 600 million people and a GDP of US\$2.4 trillion. If it were a single country, it would be the 7th largest economy in the world.

It has the 3rd largest labor force in the world and is the 4th largest exporting region, behind the European Union, the United States, and China.

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## **One Vision. One Identity. One Community.**

In 1997, ASEAN defined its vision of a region that is “outward looking; living in peace, stability and prosperity; bonded together in partnership in dynamic development and in community of caring societies.”

In 2003, ASEAN agreed to establish an ASEAN Community comprised of three pillars - Economic Community, Political-Security Community, and Socio-Cultural Community. Each pillar is vital in ensuring ASEAN's sustainable development.

The Department of Trade and Industry (DTI) spearheads Philippine efforts to achieve the objectives of the ASEAN Economic Community (AEC). The Department of Foreign Affairs (DFA) leads tasks relevant to the ASEAN Political-Security Community (APSC), while the Department of Social Welfare and Development (DSWD) is in charge of the ASEAN Socio-Cultural Community (ASCC) initiatives.

## What is the AEC?

The AEC is about economic integration.  
It supports ASEAN's community building process.  
It is a goal. It is a journey.

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**The ASEAN Economic Community (AEC) represents ASEAN's goal to have an integrated and prosperous economic region where ASEAN people enjoy better lives.**

The AEC is achieved when ASEAN economies are recognized as ONE.

- When ASEAN is seen as a single investment destination.
- When investors look beyond the individual opportunities of each ASEAN Member State and see the entire region as a collective source of customers, clients or consumers, and a single, huge production base. Barriers to the exchange of goods, delivery of services, flow of investments, and movement of people within ASEAN Member States are eliminated or reduced.
- When its policies and systems on most economic-related activities become more cohesive and unified, allowing ASEAN to effectively compete in the global market as an economic bloc.
- When ASEAN speaks with one voice in international trade and investment discussions, and actively participates in the global supply chain.
- When economic prosperity contributes to inclusive growth. Development gaps are reduced, SMEs grow, jobs are created, and livelihood opportunities are available.

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2015 is the beginning of a new chapter in the ASEAN journey. It is a target year for Member States to realize significant milestones, assess their progress towards full economic integration, and chart initiatives moving forward.

The AEC is evolutionary. Not revolutionary. Some changes have happened and more are expected to take place. In the recent years, exporters and importers have already been trading goods within ASEAN at a reduced tariff rate of 0% to 5%. ASEAN citizens travel visa-free within ASEAN.

In August 2014, ASEAN agreed to continue developing the AEC Post-2015 vision, stressing the "need for a forward-looking agenda to guide ASEAN's work towards becoming a truly integrated single market, supported by robust institutional and regulatory frameworks, over the next ten years."

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**The AEC is about trade and investments.  
It establishes the freer flow and exchange of goods,  
services, capital and people.**

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**The AEC aims to improve and harmonize the following rules and activities, among others :**

- Tariff for importing or exporting products within ASEAN
- Customs of each ASEAN Member State
- Product standards
- Sanitary and phytosanitary (SPS) measures for agricultural, food, and forestry products
- Foreign investments
- Capital markets
- Mutual recognition arrangements for ASEAN professionals
- Visiting, working, or moving within ASEAN Member States
- Competition policy
- Intellectual property
- Consumer protection
- Air travel and air freight

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**The AEC is an opportunity to maximize and leverage the strength of ASEAN as a whole.**

ASEAN works together to harness its potentials as a regional bloc and benefit from co-opetition<sup>1</sup>. It promotes partnerships, collaboration, and joint efforts either to enhance market access or influence the sectoral and business landscape.

ASEAN economies can benefit from knowledge-sharing, training, and technical assistance from more developed ASEAN neighbors. Filipino companies can invest in or partner with other ASEAN enterprises to establish their presence in the region.

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**The AEC is ‘we and us,’  
not ‘they or them.’**

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<sup>1</sup>Cooperation amid competition.

## How will the AEC happen? What are the steps to take?

ASEAN is serious and focused on establishing the AEC.

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**The ASEAN has an AEC Blueprint to guide ASEAN Member States in the regional economic integration process.**

**The AEC Blueprint identifies the strategies, activities and timelines for each ASEAN Member State. It also has a Scorecard to monitor implementation.**

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There are 5 key ASEAN agreements to realize the AEC.

- 1. ASEAN Trade in Goods Agreement (ATIGA)** makes it easier for businessmen to trade goods within the region. Because of ATIGA, goods from ASEAN Member States are traded within the region at reduced tariff of 0% to 5%. Products considered “sensitive” are exempt from tariff reduction. For the Philippines, these products include rice, sugar, live swine and chicken, meat of swine and chicken, cassava, sweet potatoes, and maize.
- 2. ASEAN Framework Agreement on Services (AFAS)** creates a more robust and efficient supply of services within the region. It allows increased foreign participation in certain services sub-sectors such as banking and insurance, travel and tourism, and business services.
- 3. ASEAN Comprehensive Investment Agreement (ACIA)** creates a more conducive ASEAN investment landscape to entice investors. Through ACIA, ASEAN Member States commit to promote investment opportunities, open ownership to foreign investors, ease investment processes, and protect investments.

#### **4. ASEAN Agreement on the Movement of Natural Persons (AAMNP)**

makes it easier for business visitors, intra-corporate transferees, and contractual service suppliers to process their entry, transfer, or temporary stay in any ASEAN Member State. It streamlines policies and procedures for immigration application within the region.

#### **5. ASEAN Mutual Recognition Arrangements (MRAs)**

intend to help ASEAN professionals and skilled workers to practice their profession anywhere in ASEAN. MRAs adopt best practices and identify core competencies for each profession across the 10 ASEAN Member States.

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### **The road to AEC requires interrelated actions across different government agencies per ASEAN Member State.**

ASEAN Member States work to improve their structures and policies to achieve competitiveness and cooperation. In the Philippines, an inter-agency coordination body facilitates policy formulation and implementation towards enhancing economic and financial relations. Administrative Order No. 20 created the Committee for ASEAN Economic Community (CAEC) that is composed of the following government agencies and departments:

- Department of Trade and Industry
- National Economic and Development Authority
- Department of Foreign Affairs
- Department of Finance
- Department of Agriculture
- Department of Tourism
- Department of Environment and Natural Resources
- Department of Labor and Employment
- Department of Transportation and Communications
- Department of Energy
- Department of Science and Technology
- Bangko Sentral ng Pilipinas
- Board of Investments
- Bureau of Customs
- Presidential Management Staff
- Tariff Commission

## What does the AEC mean to us?

AEC means opportunities for ASEAN,  
its members, and its people.

Possibilities abound!

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### **AEC compels its Member States to think big and look beyond their borders.**

- The AEC maximizes the power of ASEAN as a whole and helps address ASEAN Member States' individual challenges.
- Through the AEC, the Philippines' 100 million consumers expand to over 600 million! Its playing field multiplies to ten countries and more. Its size and network widen.

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### **AEC fuels ASEAN growth and development, and...**

- improves trade as it reduces barriers and difficulties to exporting and importing goods and services within the region.
- attracts more foreign investments and makes ASEAN a preferred and viable single investment destination.
- promotes peer learning and assistance. Transfer of skills and knowledge will be encouraged among members. More developed ASEAN Member States would provide technical assistance to help less-developed Member States.
- reduces development gaps among Member States. Less-developed ASEAN Member States are expected to catch up with their more progressive neighbors as they all benefit from economic integration.

## **AEC means more business options.**

- Businesses could diversify their investments and/or choose to expand their markets overseas. There will be newer and more business models and approaches such as joint venture arrangements, overseas distribution, and outsourcing.
  - Companies and entrepreneurs could offer a wider range of products and services.
  - Qualified talents and skilled workers are freer to move within the region.
  - Cost of doing business could be reduced because of lower tariff, streamlined export and import procedures, easier access to suppliers, and better business licensing processes, among others.
  - Improved public-private sector allows companies to better influence the business environment, clarifies rules affecting their operations and industries, and provides feedback and recommendations to regulators and legislators.
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## **AEC benefits Filipinos.**

- AEC offers consumers more and affordable products and services. Simplified trade rules and processes within ASEAN make this possible.
- AEC creates more employment opportunities by encouraging more trade and investments.
- AEC inspires more Filipinos to start their own businesses or internationalize their existing enterprises.
- AEC helps more Filipino professionals practice in any ASEAN Member State when qualification standards are harmonized. However, like all other ASEAN nationals, they will still need to meet domestic requirements in the ASEAN Member State where they intend to work.

## How do we get ready?

## How can we maximize these opportunities?

AEC drives us to improve the way we do things.

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### Leading the AEC Game Plan

#### What is the Government's strategy?

- 1. Competitiveness.** The goal is to improve the business environment and support the private sector in advancing Philippine industries. Increasing efficiency and maximizing productivity are crucial to enhancing competitiveness. These require addressing issues related to policies, logistics, and infrastructure.
  - 2. Collaboration.** Synergized and targeted interventions require sustained collective engagement of all stakeholders. Government agencies, business organizations, civil society, academic institutions, and media work together towards a shared objective, across and at different levels of collaboration: regional, national and local.
  - 3. Compliance.** Fulfilling the Philippine commitments under the AEC Blueprint provides the government the leverage to maximize the opportunities and benefits of economic integration.
  - 4. Communication.** Effective communication builds awareness and proper understanding of the AEC - its challenges and benefits - to mobilize support and encourage desired action from all stakeholders.
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### How can Congress and the Local Government Units (LGUs) help?

#### Legislative Branch

Lawmakers work with government agencies on possible legislative interventions to facilitate compliance of Philippine commitments under the AEC Blueprint and support initiatives that enhance competitiveness.

## Local Government Units

LGUs are encouraged to closely collaborate with national government agencies to ensure that their constituents benefit from the opportunities of AEC. LGUs may:

- Scan the environment, identify and assess how their industries can benefit from AEC.
  - Adopt measures to enhance the competitiveness of their industries.
  - Improve ease of doing business and streamline local business licensing and registration processes, among others.
  - Advance technical skills capabilities of MSMEs, working population, farmers, fisherfolk, and other constituents.
  - Support entrepreneurship.
  - Upgrade local infrastructure and facilities.
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## How can the private sector prepare?

- 1. Be competitive.** Innovate. Be creative. Be strategic. Assess your competitive edge, your markets, your finances, and your brand. Strengthen your communication, marketing, and networking approaches. Explore possible partnerships if you plan to internationalize.
- 2. Be good AEC citizens.** Understand AEC agreements and know how these could help grow your business. Attend seminars and conferences on AEC. Participate and provide inputs during consultations or reviews of AEC-related agreements. The DTI organizes One Country, One Voice (OCOV) consultations to gather feedback and inputs from business groups on current and planned regional agreements, programs, or commitments.
- 3. Be industry champions.** Help develop your industry. Support and participate in competitiveness initiatives that are relevant to your company and your industry.
- 4. Care for MSMEs.** Large and more competitive companies and/or business organizations can serve as “big brothers” or mentors to MSMEs. Support local suppliers. Consider the inclusive business model. Share your experiences and best practices. Help advocate for MSME growth and development.

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## How can MSMEs prepare?

MSMEs comprise 99.6% of total enterprises in the Philippines. For MSMEs to prepare for and benefit from the AEC, competitiveness is key. The Management Association of the Philippines (MAP) suggests the 5Rs of Engagement.

- 1. Know the Region.** Understand the ASEAN as a region and as a market. Scan the environment and know what affects the needs, decisions, and behaviors of consumers, regulators, competitors, and other stakeholders.
- 2. Know the Rules.** Study which AEC-related agreements and policies may affect your business. These rules may include those pertaining to tariff, foreign ownership of businesses, capital requirement, nationalities of board members, etc.
- 3. Know the Risks.** There are risks and challenges. MSMEs who know these possible roadblocks are better prepared and equipped to compete.
- 4. Know your Resources.** Do an inventory of resources that can help you prepare. Check internal resources such as current workforce, company savings, intellectual properties, etc. Ask around for scheduled AEC information roadshows, skills training and workshops, and other relevant programs.
- 5. Know the Rewards.** Be inspired and get motivated. Discover the benefits and imagine AEC's vast opportunities to get you started.



MYANMAR

LAOS

THAILAND

CAMBODIA

VIETNAM

MALAYSIA

SINGAPORE

INDONESIA

BRUNEI  
DARUSSALAM

PHILIPPINES

# ASEAN MEMBER STATES

This publication is made possible by the generous support of the American People through the United States Agency for International Development (USAID). The contents are the sole responsibility of the Department of Trade and Industry and do not necessarily reflect the views of USAID or the United States Government.

