



The AEC

Illusion Or Reality An update

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JFCCT

- 31 Members
- Advocacy for JFCCT Members
- Presidents Council
- Committees
 - ICT
 - Tourism
 - Education and Training
 - AEC (IT)
 - SME
- Meet with Thai Government Departments
 - MOC
 - BOI
 - Revenue
 - Customs
 - Labour
 - Immigration
 - Land
- Wins:
 - Tax laws changing
 - Customs laws
 - Foreign Dominance
 - 90 Day Reporting
 - Residency Permits
 - Views are heard



What is the expectation of Thais?

What is the expectation of Business People in Thailand?

What is the expectation of people outside Thailand?

What plans are people and companies making and will these be a waste of time and money?



The Messenger's Rights and Obligations



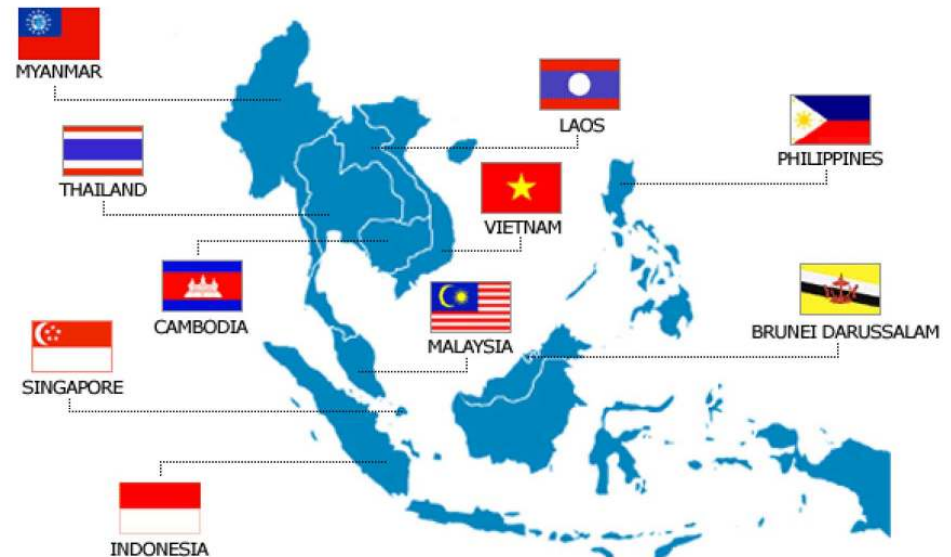
- I am going to upset everyone at least once today!

ASEAN

5 sections covered under different agreements

- Freer flow of capital (ACMF)
- Free flow of goods (ATIGA)
- Free flow of investment (ACIA)
- Free flow of skilled labor (MRA's – AFAS)
- Free flow of services (AFAS)

ASEAN Member Countries



The AEC is a
set of
Treaties

THE
TREATY OF PEACE

BETWEEN
THE ALLIED AND ASSOCIATED POWERS
AND
GERMANY,

The Protocol annexed thereto, the Agreement respecting
the military occupation of the territories of the Rhine,

AND THE
TREATY

BETWEEN
FRANCE AND GREAT BRITAIN

RESPECTING
Assistance to France in the event of unprovoked
aggression by Germany.

Signed at Versailles, June 28th, 1919.

(With Maps and Signatures in facsimile.)



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ASEAN is not the same
as Europe and the EU

**The AEC – Quick Recap
The Illusion??**

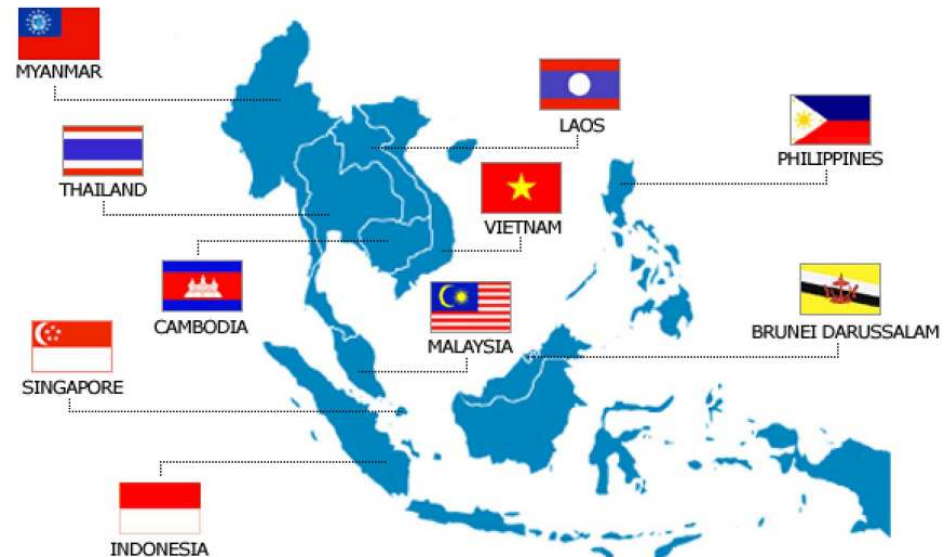


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ASEAN Member Countries



**The AEC – Problems
Implementing
The Reality?**



Negotiations Process

- Foreign Affairs Negotiated ASEAN for Thailand
- Handed Internal changes to Ministry of Commerce Department of Trade Negotiations
- DTN responsible to get changes made
- DTN have no authority within other ministries
- FTA and other negotiations ongoing

- Slow progress
- Compensation/Adjustment for local business?

A couple of Key Points

- Only applies to ASEAN citizens (passport holders) or ASEAN companies (those registered in an ASEAN country)
- The process was due to finish on Jan 1st 2015, then delayed to Dec 31st 2015 – NOT START!
- Visa free travel for ASEAN citizens within ASEAN has been implemented for more than 12 months (Myanmar exception)
- Each country can implement how they choose
- No sanctions or central body to administer or appeal to if something not working

Timeline for Services Liberalization

Foreign (ASEAN Citizens) Equity Limits

SECTORS TARGETS	2008	2010	2013	2015
e-ASEAN, healthcare tourism services	51%	70%		
Logistics		51%	70%	
Construction	51%			70%
Others		51%		70%

Free Flow of Skilled Labor

Problems with Implementation

- Definitions of ASEAN citizen will be "ASEAN Passport Holder" – only for workers
- Not free movement of people!
- No factory workers or current ability to request new categories
- Labor Act has not been changed
 - Work Permits/VISAs and Company requirements (eg 4 Thais and 2m baht capital) likely to still be needed
 - Thai language tests for some categories (Doctors, Dentists, Nurses and maybe others)
 - Details not as it seems (Nurses = Training only, Engineers and Architects = can't register)

Free Flow of Goods

Problems in Implementation

- A number of Non-Tariff Barriers have not been addressed at this time
 - Labelling
 - Transport/Logistics
 - Standards
 - Taxation
 - Quotas
- More NTB's being put in place in some countries
 - Customs duties v Excise taxes



Free Flow of Investment



Problems with Implementation

- FBA has not been changed with no current plans (or government) to do so
 - Manufacturing (OK under BOI)
 - Mining (FBA protected)
 - Agriculture (FBA protected)
 - Fishery (FBA protected)
- Many complications remain unsolved
 - Taxation
 - Definitions
 - Quotas
- Perm Sec of MOC didn't even know!

Thailand Position – a geopolitical thought?

Thailand's Strategic Problems ...

Flood/Drought cycle due to nature and poor planning

Surrounded by less stable countries and poorer, less educated populations

- "invasion" by groups of people or worse
- may need to support neighbors
- disease control for food and people
- water supply interruptions

Insufficient Energy

- Oil usage > local supply (60+%)
 - Gas usage > local supply (30+%)
 - Coal usage > local supply (50+%)
- (Risk of price increases, lack of suppliers, supply interruptions)

Basic Economic model is:

- Sell Food and Labour (Tourism and Factories)
- Buy Energy



Thailand's Strategic Solution (Risk Minimisation strategy) ...

Create and lead ASEAN = AEC
2015

- Secures favorable trade status with energy rich neighbors
- Assists neighbors improve living standards and creates political stability
- Creates regional disaster systems and assistance, and natural resource planning agreements



What is the Risk?

If the AEC is not implemented in Thailand, the result is likely to be:

- Brain drain of smart people
- Factory employment will move to neighbors (already started)
- Foreign Investment will trend to neighbors (already started due to other factors)
- Less innovation
- Energy supplies are not secured with strong likelihood of price increases
- Agriculture remains main source of income – subject to weather, price variations and strong competition with ASEAN and from other places
- Balance of trade will limit wealth of the nation
- Thailand goes backwards relative to ASEAN

A better option may be to look at investing in other ASEAN countries

Questions



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