



WORLD BANK GROUP

# ASEAN Economic Community (AEC): Illusion or Reality?



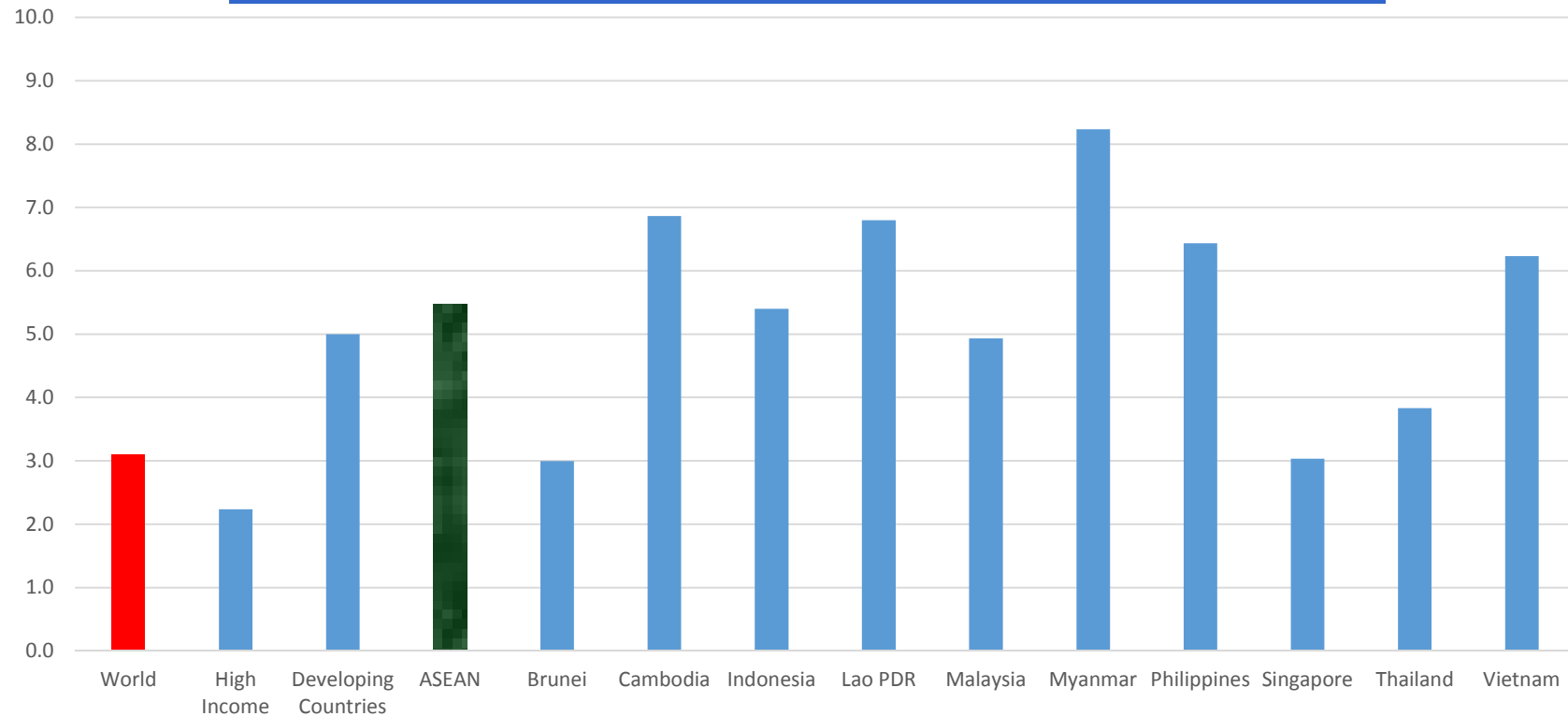
July 23, 2015

Dr. Ulrich Zachau, Country Director, Thailand



# ASEAN is projected to lead the world in economic growth over the medium term

Average Real GDP growth in 2015-2017 (percent year-on-year)

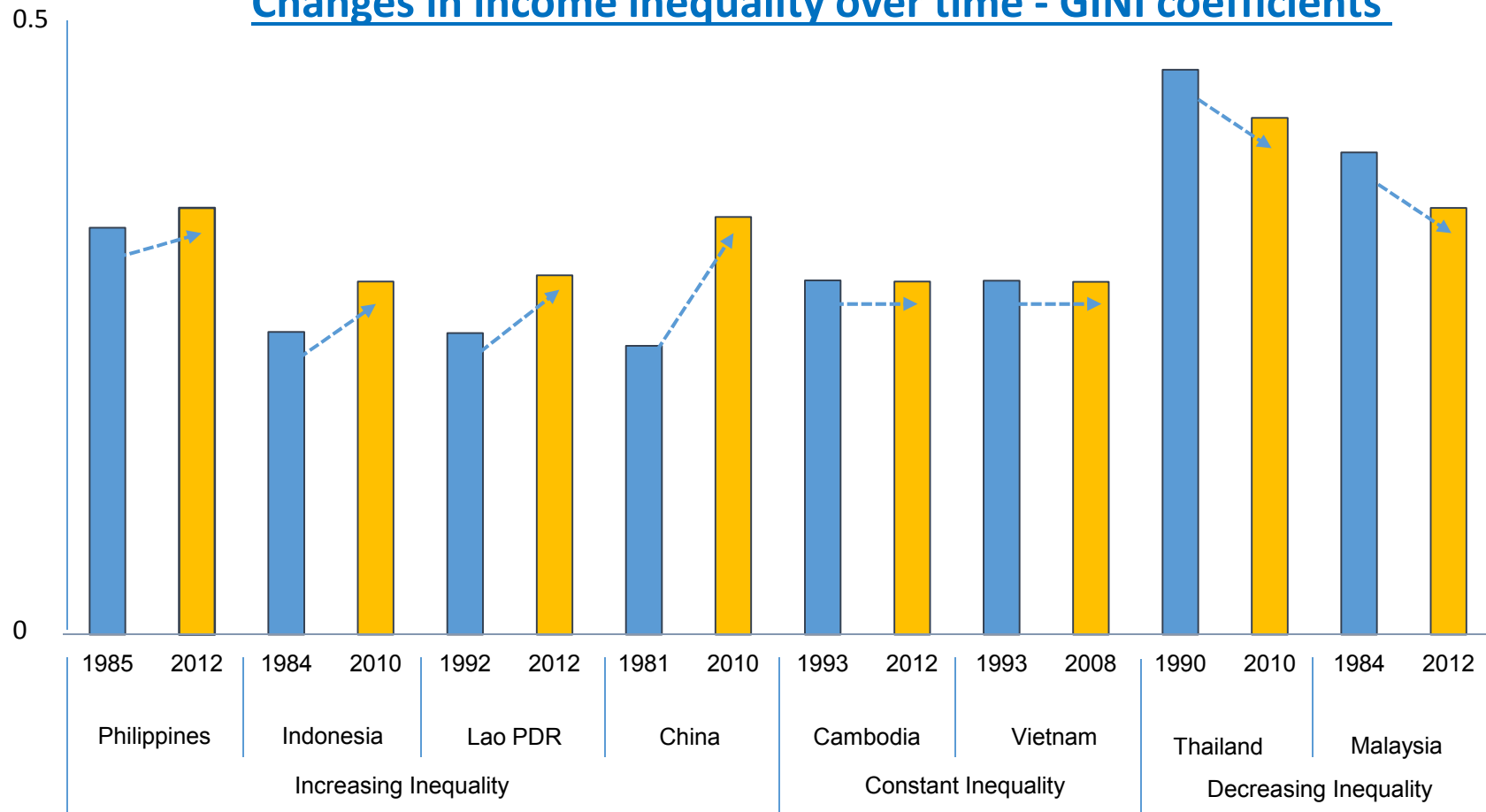


Source: World Bank's Global Economic Prospects, East Asia Update (April 2015) and Global Economic Prospects (2015)



# The emerging challenge: Reduce inequality while maintaining/accelerating growth

Changes in income inequality over time - GINI coefficients



Source: World Bank, World Development Indicators



# How to maintain growth & reduce inequality and poverty?

## ❑ **Through Integration**, for example

- Promote trade in goods and services
- Improve infrastructure connectivity

## ❑ **Through Inclusion**, for example

- Quality education – for all
- Access to finance

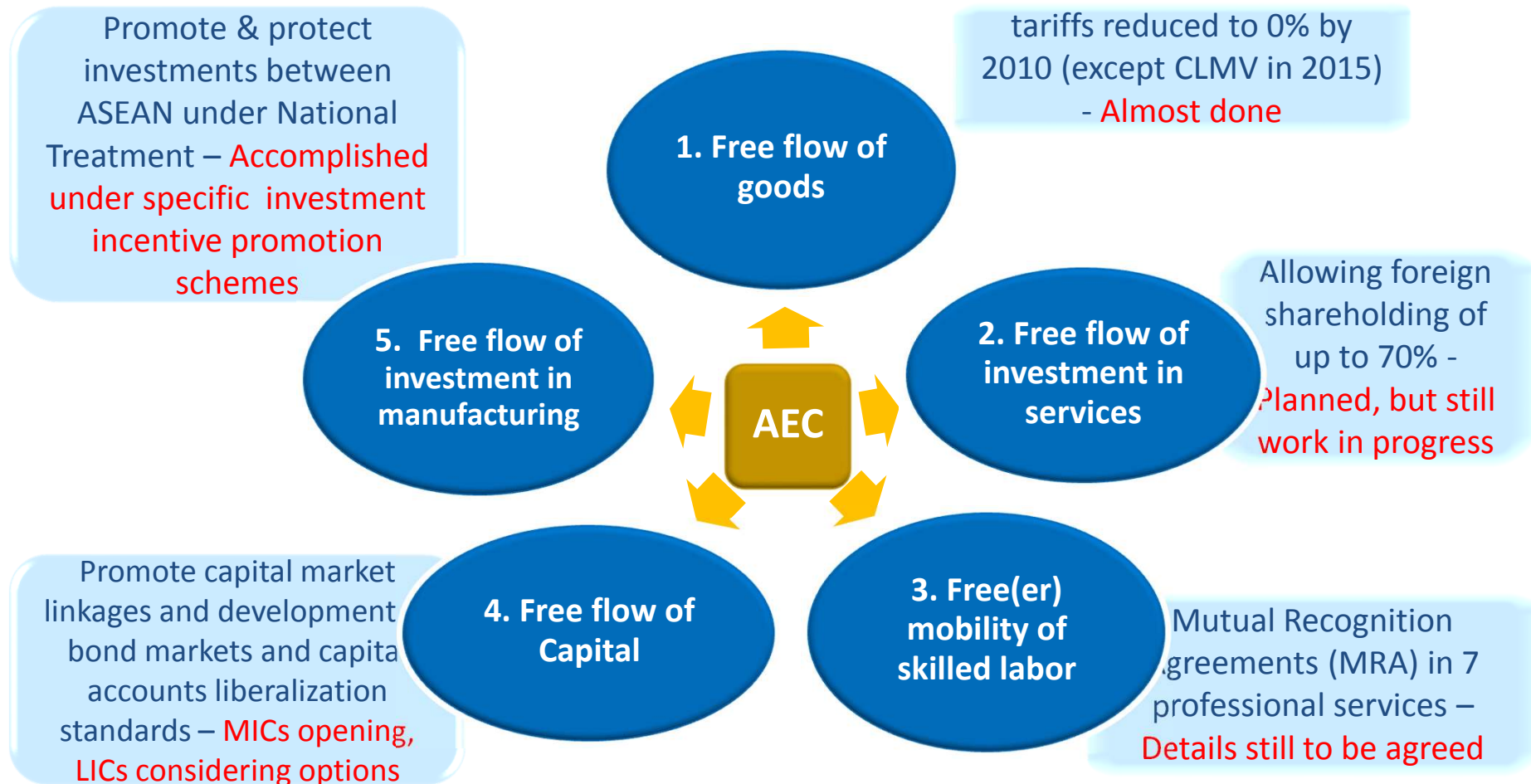
## ❑ **Through Jobs**, for example

- Agriculture productivity
- Micro, Small & Medium enterprises



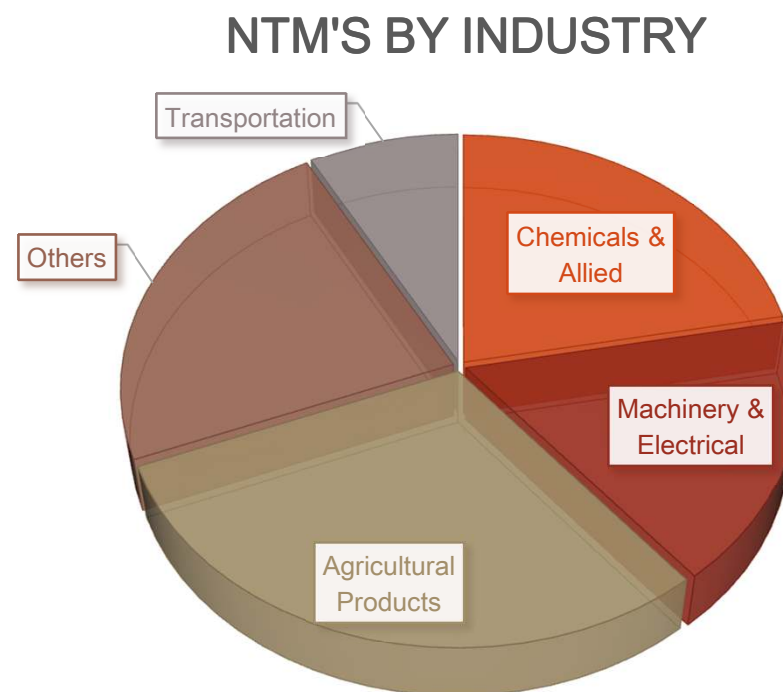
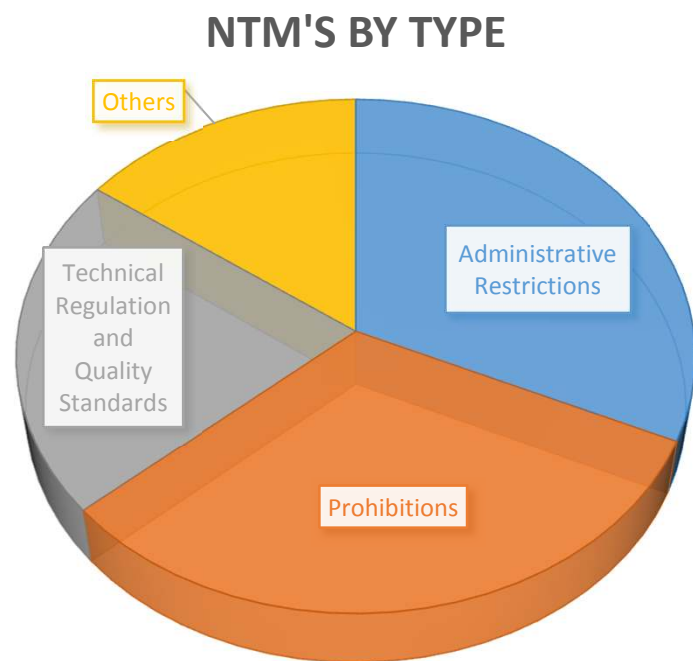
# AEC has high potential – how to make plans a reality and avoid illusions?

## AEC Framework for an Integrated Market and Production Base





## Trade in Goods: Tariffs have been reduced, but non-tariff measures have been raised!





Which way will trade in goods go? – tariffs down but non-tariffs remain

AEC 2014 - Tariffs  
Down. Trade ...



But NTMs are a big  
hurdle constraining  
trade



**How can business communities across ASEAN effectively work with governments to abolish NTMS?**



# Trade in financial services – pushed out to 2020 ..... And perhaps beyond?





# Free flow of professional services – complex national certification regimes stand in the way of free flow of technical services





# ASEAN Chartered Professional Engineers (ACPEs)

Country	Numbers of ACPEs
Malaysia	186
Philippines	1
Singapore	211
Indonesia	124
Vietnam	113
Myanmar	30
<b>Thailand</b>	<b>0</b>
Total	665

Source: Thailand Development and Research Institute

แหล่งที่มา: ACPECC website, <http://www.acpecc.net> มีนาคม 2557



## Infrastructure: Plans for ASEAN connectivity, but implementation lagging ....

*ASEAN Highway Network Plan*



Red color shows roads yet to be built to highway standards

How can ambitious highway plans become a reality?



# How to increase financing for large energy & infrastructure investments?

Many avenues for financing.....

- Government budgets? Private sector? Public Private Partnerships?
- International financial institutions such as the Asian Development Bank, World Bank Group, and Asian Infrastructure Investment Bank?

....World Bank Group supports all financing vehicles

However, important to consider.....

- economic (and financial) cost-benefit screening, so no publicly financed “white elephants”.
- competitive sourcing/procurement, so cheapest project sourcing.
- environmental (including climate change) and social sustainability? “responsible” infrastructure and energy investment;
- for trans-boundary projects: bilateral-multilateral political economy and “win-win” contracts for sustainability?

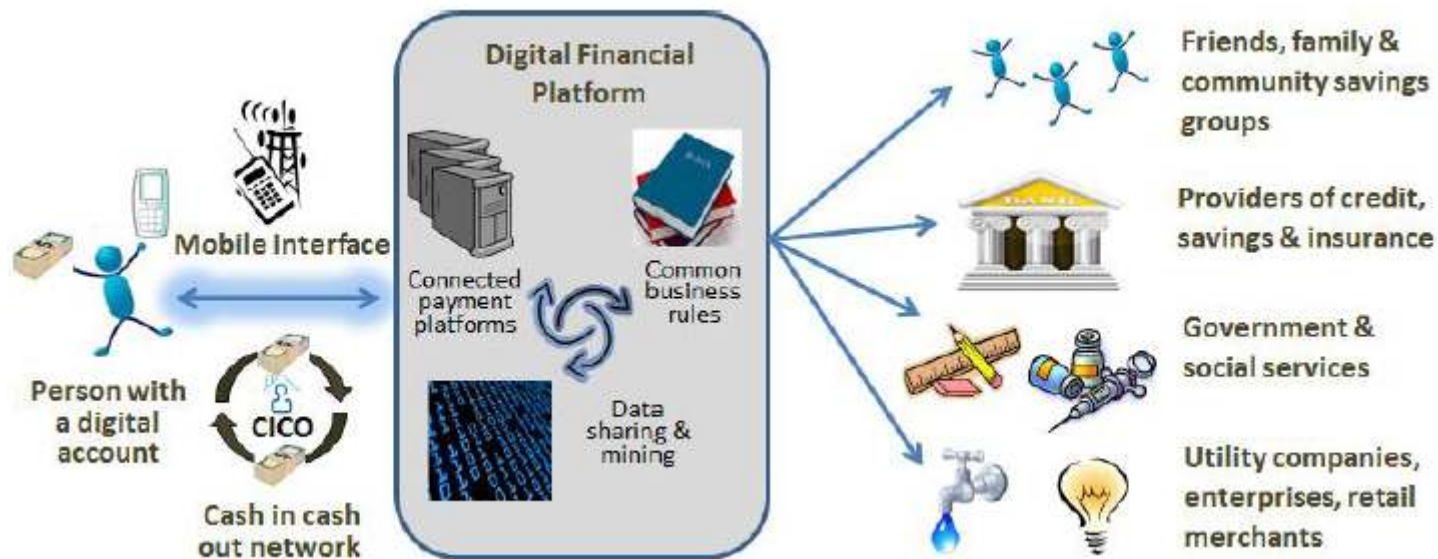


# How to promote inclusive development?

- Through providing **quality education** for all



- Promoting **financial inclusion** within and across countries.





# How can we generate well paid jobs?

- Through increasing **agriculture productivity**



- **Promoting micro, small & medium enterprises** for broad based job creation





## Some Priorities for the ASEAN

- **Trade & jobs integration** can be a “win-win” across and within countries
  - eliminate non-tariff barriers
  - and agree to mutual recognition arrangements and/or introduce common ASEAN wide certification standards
  - Deepen financial integration
- **Transport integration**
  - Build the roads already planned under the ASEAN highways plan
  - Agree and reform transport rules and regulations to allow seamless import/export & “through-transport”
- **Education/skills and SME promotion for jobs**
  - Improve skills/education systems for a productive workforce.
  - Develop & strengthen an ecosystem to promote small and medium enterprises

Reality's an



Illusion