

Positioning ASEAN for further economic growth

Deeper integration and connectivity is a key economic objective of Singapore's ASEAN 2018 chairmanship

ASEAN is fast becoming a major economic force in Asia and a key driver of global growth, with its young population, growing middle class and rapid urbanisation.

The grouping, now the sixth-largest economy in the world, is expected to become the fourth-largest by 2030, after the European Union, United States and China.

The region's continued vitality and success will hinge on member states' commitment to the ASEAN Economic Community (AEC) – which aims to have a single regional market and production base by facilitating a freer flow of goods, services, investment, capital and skilled labour among member nations.

This is why Singapore has made deeper integration and connectivity a key economic priority of its 2018 ASEAN chairmanship, to promote seamless economic activity and growing opportunities in the region, especially in the areas of innovation and the digital economy.

These efforts will open up new growth frontiers and opportunities for ASEAN Member States, as well as improve linkages between producers, traders and consumers.

As the ASEAN chair this year, Singapore is focused on strengthening ASEAN to become a resilient and innovative region. The Chairmanship deliverables are geared towards shaping ASEAN as a cohesive organisation that can adapt to a complex and uncertain economic environment and as an economic bloc that is prepared to capitalise on future opportunities.

As ASEAN chair, Singapore is pursuing economic deliverables centred around five key areas of economic focus, which it hopes will bring about tangible benefits to businesses and populations.

1 Promote innovation and e-commerce

Innovation and the digital economy are key areas Singapore is pursuing under its chairmanship.

This means promoting innovation, building up digital connectivity, and facilitating e-commerce flows.

Some estimates indicate that ASEAN's digital economy has the potential to grow to US\$200 billion by 2025, with e-commerce accounting for US\$88 billion.

To take advantage of these opportunities, an ASEAN Agreement will be pursued on e-commerce that advances trade rules in e-commerce, lowers businesses' operating barriers to entry, and builds up greater digital connectivity.

An ASEAN Digital Integration Framework will also be developed to monitor the progress of the region's digital integration.



2 Improve trade facilitation

ASEAN's digital economy has immense potential to grow but it will not flourish if the regional bloc does not facilitate trade and investment between its members.

This is why Singapore is working with ASEAN to strengthen the region's trade architecture so that there will be seamless movement of goods, services and investments.

One key initiative is the ASEAN Single Window (ASW), a digital platform that simplifies customs clearance. The platform went 'live' on Jan 1, 2018, for five ASEAN Member States: Indonesia, Malaysia, Singapore, Thailand and Vietnam.

Other efforts include the ASEAN-wide self-certification (AWSC) regime, which will allow authorised exporters to self-certify that their goods meet ASEAN requirements for preferential treatment. This makes it easier for small businesses, operating from anywhere in the region, to sell their goods across borders and benefit from ASEAN's lowered tariffs.

On May 4, 2018, the ASEAN Directors-General of Customs endorsed the commencement of a feasibility study on an ASEAN-wide Authorised Economic Operators Mutual Recognition Agreement (AEO MRA). This agreement will allow ASEAN Member States to recognise AEOs from one another – the first step towards an eventual ASEAN-wide AEO MRA.

Such an agreement would translate into lower administrative costs for traders and speedier customs clearances at the border.

These initiatives will further enhance intra-ASEAN trade, reduce trade transaction costs and facilitate the digitalisation of trade procedures.

3 Deepen services and investment integration

The services sector is becoming increasingly important to ASEAN economies. Services made up 37 per cent to 74 per cent of ASEAN Member States' economies as at 2016.

The region's services exports grew from US\$113.4 billion in 2005 to US\$305.9 billion in 2015 at an annual average growth rate of 11.6 per cent; while services imports also increased from US\$140.8 billion to US\$311.6 billion at an annual average growth rate of 9.2 per cent. In view of this, various efforts are being made to deepen services integration. There are moves to conclude the 10th Package of Commitments



under the ASEAN Framework Agreement on Services (AFAS).

There are also continuing efforts to realise the ASEAN Trade in Services Agreement (ATISA). The ATISA builds on the ASEAN Framework Agreement on Services (AFAS) and will broaden and deepen the integration of services sectors within the region.

The ATISA is expected to create a more liberal, stable and predictable environment for service suppliers in ASEAN.

ASEAN will also work on reducing impediments to investment by enhancing the ASEAN Comprehensive Investment Agreement (ACIA).

In addition, efforts are also being made to promote South-east Asia as a vibrant cruising destination through infrastructure development and improved on-shore activities, as laid out in the ASEAN Declaration on Cruise Tourism.

4 Cultivate a conducive regulatory environment

As ASEAN chair, Singapore will work to create an effective regulatory environment to support the growth of a competitive, dynamic and innovative ASEAN.

This includes initiatives to promote cooperation and build capabilities in areas such as energy efficiency, natural gas and renewable energy, as part of ASEAN's goals of energy security, accessibility and sustainability.



5 Progress Asean's external relations

While preserving ASEAN centrality, it is important to broaden and deepen ASEAN's economic linkages with external partners. Riding on existing momentum, deeper linkages will help the region grow faster, with the business community and populations reaping the benefits of a connected and relevant ASEAN.

Efforts include strengthening economic cooperation with the governments in Asia, Europe, the US, Canada, Australia, New Zealand and Russia.

The region also remains committed to bringing the Regional Comprehensive Economic Partnership (RCEP) negotiations to a substantial conclusion.

The RCEP is an Asia-Pacific trade liberalisation initiative covering 16 countries, including the 10 ASEAN members as well as Australia, China, India, Japan, South Korea and New Zealand.

