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GETTING READY

Much has been done to push out the message of the Asean Economic Community (AEC) and the potential promise that it brings to the region, and to local small and medium-sized enterprises (SMEs). Market players we have spoken to, however, say that SMEs are still largely uncertain of what the AEC entails. Because of that, they have been actively reaching out to members and partners, both in terms of raising awareness, providing skills upgrading where possible, or in certain cases, skills to enable SMEs to negotiate the new terrain.

ROUNDTABLE PARTICIPANTS (from left) ►

- **Sam Cheong**, executive director and head of foreign direct investment, advisory unit, UOB
- **Thomas Chua**, president of the Singapore Chinese Chamber of Commerce and Industry (SCCCI)
- **Ho Meng Kit**, chief executive officer of the Singapore Business Federation (SBF)
- **Kurt Wee**, president of the Association of Small and Medium Enterprises (ASME)
- **Moderator:** The SME Magazine

THE SME MAGAZINE: HOW DO YOU VIEW THE AEC?

Sam Cheong (left): The AEC is an important initiative for Asean countries to create a more cohesive and integrated economic bloc that is able to respond better to global competition. Overall, we believe that the prospects behind Asean and the AEC look promising. If Asean were a country, it would be the world's seventh largest economy – and we expect it to become the fourth largest by 2030. However, as Asean countries are at different stages of economic development, the implementation of AEC will be a long-term and

gradual process of building a single economic community.

With its aim for a single market and regional production network, the AEC will provide opportunities for companies to capitalise on the many different but complementary strengths of different Asean countries.

Thomas Chua (right): The AEC presents a host of opportunities as tariffs and other trade barriers will be gradually eliminated from the combined Asean market. With its geographical

proximity, cultural affinity and an annual gross domestic product (GDP) growth of more than 5 per cent in the medium term, Asean is a natural market for our local enterprises to capitalise on in their internationalisation efforts.

Ho Meng Kit (below): There are a whole host of benefits:

- Simpler customs procedure and standardised documentation process: This will result in time and cost savings for companies across the 10 Asean member states.
- Standardisation of standards: Companies will find it easier to navigate through technical regulations and standards of the various countries. Essentially, this will help companies to enter new markets within Asean more effectively.
- More conducive investment environment: Asean's Comprehensive Investment Agreement will help to facilitate, liberalise, promote and protect cross-border investment in Asean. This will result in lower business risks as well as fair and equitable treatment against unlawful expropriation for companies investing in Asean.
- Lower business and financing costs: With financial integration in the region, companies can have greater access to financing from strong regional banks and achieve lower business and financing costs.

But there are also challenges. Although much progress has been made in the tariff reductions in the Asean economies, other challenges remain. Non-tariff barriers such as equity restrictions, limitations on number of service providers for key services such as transport and telecommunications, differing cross-border procedures, rules and regulations, as well as restricted mobility of skilled labour remain.

Also, non-tariff protectionist measures taken by the some Asean economies for some sectors will remain an obstacle to AEC's vision of establishing Asean as a single market. All these will not change overnight, given the varying social-economic development of Asean countries, but it is important for businesses to constantly highlight these challenges to the government so as to press officials to change.

Kurt Wee (far right): The AEC will create a level playing field for Singaporean companies in Asean as a whole. There are currently a lot of tariff and non-tariff barriers. I'm not saying with the AEC everything will come down – in fact, it will take time; but it is definitely a trajectory in the right direction for a more open Asean economy.

THE SME MAGAZINE: WHAT PROPORTION OF YOUR MEMBERS WOULD YOU SAY ARE AWARE OF AND INTERESTED TO EXPLORE AEC OPPORTUNITIES?

Sam Cheong: At UOB, our customers are positive on the

long-term growth prospects of Asean as the region's fundamentals remain strong despite recent global economic volatility.

As the region becomes more closely interconnected through the AEC, there will be unprecedented opportunities for our customers to expand their export business by taking advantage of lower tariffs and larger consumer markets. The growing attractiveness of Asean as a competitive production base also allows for greater participation by our customers in the global value chain.

To realise the full potential of AEC, more regional efforts will be needed to further eliminate non-tariff barriers and to better align the priorities of individual countries with regional initiatives.

Thomas Chua: While we see increasing interest among members to tap opportunities provided by AEC, the awareness level is still low and there is also a lack of knowledge on how companies can capitalise on the business opportunities. Many local SMEs which focus on the domestic market are also unsure of the impact of AEC on their businesses.

Ho Meng Kit: In the *National Business Survey 2014/2015* conducted by SBF, over 60 per cent of respondents are aware of the AEC. Of which, 70 per cent believe that the AEC will present business opportunities. The survey measured close to 1,000 companies across the industries of banking and insurance, construction, education, information technology, logistics and transportation, manufacturing, oil and gas, services and trading.

We have also received feedback from several businesses that they are still unsure of the real benefits of the AEC. There are too many intricacies, exceptions and measures which have yet to be implemented. There is a need for information to be presented in a form which is relevant for SMEs.

Kurt Wee: By and large, I think all the active SMEs that have businesses overseas are aware of AEC. Currently, the ground sense is that it will take some time (to come to fruition) but everyone is still mindful of a lot of structural challenges within Asean. There can still be localised rules on, for example, language qualifications. These are some minor barriers, but we are moving in the right direction.

THE SME MAGAZINE: WHAT IS YOUR ASSOCIATION/ ORGANISATION DOING TO PREPARE YOUR MEMBERS?

Sam Cheong: Recognising the potential of the AEC and an integrated regional economy, UOB introduced in 2011 our foreign direct investment (FDI) advisory services dedicated

to serve the expansion needs of companies in the region. Through collaboration with government investment promotion agencies and professional service providers, we have gone beyond providing banking services to helping companies identify market opportunities and supporting their operational set-up in new markets.

Currently, we have nine FDI advisory centres established across Asia to facilitate foreign direct investment for companies seeking to tap the growth prospects of Asean. We have helped more than 600 global and Asian companies expand in South-east Asia over the last four years.

Thomas Chua: SCCCI has taken proactive measures to engage our members through a series of seminars, as early as December 2014. We have included speakers from public accounting firms, law firms and logistics companies to help local businessmen understand the effects and implications of the AEC. We have also recently conducted another seminar in Mandarin, for the benefit of the Chinese-speaking members. Besides seminars, we have also been organising a number of business missions to the Asean countries to build up the business network and understand the environment.

Ho Meng Kit: We plan to organise several major events including the AEC Conference. The conference will deliberate post-2015 directions of AEC. SBF will also conduct more outreach sessions to help member companies as well as the Singapore business community to better understand the opportunities and challenges that lie ahead. This will involve several Asean market specific activities such as a series of technical cum consultation sessions with various companies. The sessions will focus on the practical aspects of entering these markets through the framework of the Asean Trade in Goods Agreement, or ATIGA.

SBF aims to gather feedback from our members on the challenges and obstacles encountered by Singapore companies in the Asean markets. SBF will also collaborate and work closely with the Ministry of Trade & Industry and their statutory boards on their plans for AEC 2025.

Kurt Wee: We are organising events for our members to be more informed about the AEC, and we are drafting a training plan aimed for launch in Q1 that would equip and increase the management capabilities of SMEs that decide they want to go regional. We are also in talks with International Enterprise Singapore and the Workforce Development Agency to discuss possible programmes that can help SMEs go overseas. ■