



# TRADE WITH THY NEIGHBORS : GROWTH AND TRADE PROSPECTS IN SOUTH EAST ASIA



**NAZERY KHALID**

**TransLog Asia 2008, Singapore**

**9-10 April 2008**

# PRESENTATION OBJECTIVES

- To provide an update on initiatives on trade, transport and logistics sectors in ASEAN.
- To provide an overview of the prospects for economic growth and trade in ASEAN arising therefrom.
- To suggest ways for ASEAN members to improve trade competitiveness to reap benefits of being in a regional bloc.

# PRESENTATION OUTLINE

- ➡ Trade liberalization in ASEAN.
- ➡ Towards creating an ASEAN regional bloc : Asian Economic Community & ASEAN Free Trade Area (AFTA).
- ➡ ASEAN transport & logistics initiatives.
- ➡ Growth and trade prospects in ASEAN.
- ➡ Issues and challenges of a unified, liberalized regional marketplace.

# IMPETUS TO CREATION OF SINGLE ASEAN ECONOMIC BLOC

- ➡ Growing need to attract FDI.
- ➡ Increase in complementary trade among ASEAN nations.
- ➡ Greater liberalization of trade, industries and business.
- ➡ Greater deregulation.
- ➡ Growing trend towards regionalism.

# ATTRACTING FDI TO ASEAN

- ➡ FDI crucial to ASEAN economic growth.
- ➡ MNCs adopt 'export-oriented FDI' in the region by using ASEAN as export base.
- ➡ ASEAN losing FDI to China & India.
- ➡ To attract FDI, ASEAN must 'sell' itself as an economic bloc / single investment destination.

# FDI IN ASEAN, CHINA AND INDIA 2001-2006 (US\$ bil.)

Year	FDI in ASEAN	FDI in China	FDI in India
2001	19.4	40.7	4.2
2002	13.7	52.7	3.1
2003	20.3	53.5	2.6
2004	25.7	60.6	2.5
2005	41.0	72.4	7.7
2006	52.4	63.0	11.1

Source : ASEAN, Shanghaidaily.com, World Bank, dipp.nic.in

# ASEAN TRADE LIBERALIZATION

- ➡ ASEAN needs to liberalize trade to boost regional trade, increase economic activities and prosperity, attract capital and generate employment.
- ➡ 12 priority sectors have been identified to be liberalized by 2013.
- ➡ Each sector has its own roadmap combining initiatives specific to the sector and broad ones cutting across various sectors.

# ASEAN TRADE INITIATIVES

- ➡ Common Effective Preferential Tariff (CEPT) - 1992
- ➡ ASEAN Framework Agreement on Services (AFAS) - 1995
- ➡ ASEAN Industrial Cooperation Scheme (AICO) – 1996
- ➡ Mutual Recognition Agreements  
Dispute Settlement Mechanism
- ➡ Trade & Customs Facilitation



# TRADE & CUSTOMS FACILITATION

- ➡ Single Window for Customs clearance.
- ➡ 24/7 Customs operations.
- ➡ Implement WTO agreement on Customs valuation.
- ➡ Implement WCO framework of standards to facilitate global trade.
- ➡ Adopt international standards on trade data & documentation.

# TRADE & CUSTOMS FACILITATION

- ➡ Legal recognition and facilitation of cross-border e-transactions.
- ➡ Promote technologies to enable cross-border logistics.
- ➡ Promote Radio Frequency ID (RFID) for cross-border trade traffic.
- ➡ Encourage adapting supply chain management systems via automation & value-added logistics activities.

# ASEAN ECONOMIC COMMUNITY

- Conceptualized at the 9<sup>th</sup> ASEAN Summit in Bali 2003.
- Targeted to be established by 2020 in line with ASEAN Vision 2020.
- 1 of 3 pillars making up ASEAN Community. The other two are ASEAN Security and Socio-Cultural Communities.

# ASEAN ECONOMIC COMMUNITY

- Envisioned to create a regional single market and production base with free flow of labor, capital, goods and investments.
- Objectives : to promote equitable economic development and to integrate ASEAN with world market.
- Philosophy : open, outward-looking, inclusive and market-oriented.

# TOWARDS REALIZING AEC

- ➡ Fast track integration of 12 priority areas.
- ➡ Faster / simplified Customs clearance.
- ➡ Eliminate trade barriers.
- ➡ Accelerate implementation of Mutual Recognition Agreements in key areas i.e. electrical & electronics equipment.
- ➡ Harmonize standards / technical regulations.

# AFTA : A REGIONAL TRADE BLOC

- ➡ ASEAN's free trade area.
- ➡ Conceptualized in January 1992, became effective from 1 January 1993.
- ➡ By the far the most important regional economic initiative by ASEAN.
- ➡ Established to boost regional economy via an integrated / liberalized market.
- ➡ Target for full tariff / non-tariff reductions by 2010.

# COMMON EFFECTIVE PREFERENTIAL TARIFF (CEPT)

- ➡ Main mechanism of AFTA.
- ➡ 0-5% reduction of tariffs on manufactured and processed agricultural products by 2010.
- ➡ Elimination of quantitative restrictions on trade e.g. import permit / quota / other non-tariff barriers.
- ➡ Progressive transfer of products into the CEPT Scheme.

## AFTA THUS FAR...

- ➡ Has proven to be a workable regional economic initiative.
- ➡ Has made inroads in eliminating tariffs on intra-ASEAN trade.
- ➡ Has boosted regional intra-ASEAN trade, regional cooperation and production base.
- ➡ Has provided a valuable intra and extra-regional trade platform for ASEAN members.



## AFTA'S ACHIEVEMENTS

- ➡ Gradual deregulation/liberalization of ASEAN economies.
- ➡ Marked improvement in investment climate in the region.
- ➡ Notable political will among members to realize AFTA ideals.
- ➡ Greater regional market integration.
- ➡ Serious efforts to remove trade barriers.

# AFTA'S IMPACT ON TRADE

- ➡ Boost intra-ASEAN trade, production base, consumer choice.
- ➡ Improve trade and transport infrastructure / services.
- ➡ Eliminate tariff on intra-regional trade.
- ➡ Enlarge market for regional products / services.
- ➡ Enhance attractiveness for investors.
- ➡ Boost industrialization in the region.

# INTRA-ASEAN TRADE 1993-2006

Year	Trade (US bil.)
1993	82.4
1995	123.8
1997	150.0
1999	131.5
2001	152.1
2003	159.5
2005	304.9
2006	352.8

Source : ASEAN

# AFTA'S IMPACTS ON ASEAN'S MARITIME SECTOR

- ➡ Increased port throughput / ship calls.
- ➡ Improvement in infrastructure, capacity, productivity, efficiency of maritime sector and ancillary services.
- ➡ Growth of inland transport networks.
- ➡ Greater demand for shipping services.
- ➡ Greater transshipment traffic.
- ➡ Specialization of port roles.

# ASEAN TRANSPORT INITIATIVES

- ➡ ASEAN Plan of Action in Transport & Communications (1994-1996)
- ➡ ASEAN Framework Agreement on Multimodal Transport (1996)
- ➡ ASEAN Framework Agreement on Facilitation of Goods in Transit (1998)
- ➡ ASEAN Transport Action Plan (2005-10)
- ➡ ASEAN Vision 2020 (1997)

# ASEAN INITIATIVES IN LOGISTICS

- Logistics is one of the 12 priority sectors targeted for liberalization by 2013.
- ASEAN Logistics Integration Roadmap (ALIR) signed in August 2007 in Manila.
- ALIR envisions regional integration as a single market via liberalization of logistics and creation of ASEAN logistics environ.
- To cover freight logistics / trade transport.

# ASEAN LOGISTICS LIBERALIZATION : KEY AREAS

- ➡ Liberalization of freight logistics / transport.
- ➡ Boost in trade / transport logistics facilitation.
- ➡ Upgrade service level of logistics players.
- ➡ Nurture regional manpower in logistics.
- ➡ Enhance multimodal transport investment and infrastructures.

# FREIGHT LOGISTICS SERVICES TO BE LIBERALIZED

- ➡ Maritime cargo handling
- ➡ Storage / warehousing
- ➡ Freight transport
- ➡ Courier / express delivery
- ➡ Packaging
- ➡ Customs
- ➡ Ancillary services for cargo owners



# TOWARDS CREATING AN ASEAN LOGISTICS ENVIRONMENT

- ➡ Operationalize / conclude ASEAN Framework Agreement on Facilitation of Goods in Transit, Multimodal Transport & Inter-State Transport.
- ➡ Boost regional land transport to integrate with maritime & air transport.
- ➡ Strengthen regional maritime transport.
- ➡ Promote int'l trade terms & practices.

# CHALLENGES IN LOGISTICS

- ➡ Reducing operation cost.
- ➡ Enlarging scope of services to include high-end, value-added services.
- ➡ Giving stronger focus on customer service via provision of quality service.
- ➡ Creating multimodal transport system.
- ➡ Integrating logistics into international supply chains.

# CHALLENGES IN LOGISTICS

- ➡ Developing trained, skillful manpower.
- ➡ Optimizing use of IT / Info System.
- ➡ Consolidating to improve utilization of resources and efficiency.
- ➡ Enlarging market / scope of services via ventures abroad, strategic alliance.
- ➡ Improving inter-agency link-ups.
- ➡ Getting ready for liberalization by 2013.

# CHALLENGES IN TRADE

- ➡ Moving from border control to post-clearance and audit-based controls.
- ➡ Complying with trade & transport liberalization requirements.
- ➡ Boosting maritime infrastructure to handle greater intra-ASEAN trade.
- ➡ Creating free zones featuring simplified Customs formalities to align with AFTA.

# CHALLENGES IN TRADE

- ➡ Improving inter-agency links in the trade process.
- ➡ Reducing import duties & trading cost.
- ➡ Aligning regional trade standards with international parameters.
- ➡ Upgrading manpower skills in trade transport.
- ➡ Attracting investments in trade infra.

# GROWTH & TRADE PROSPECTS

- ➡ Bright prospect for intra- and inter-regional trade growth in the years ahead.
- ➡ Rise in the demand for transport and logistics services.
- ➡ Capacity expansion of regional companies.
- ➡ Upgrading of skills of regional manpower.
- ➡ Rise in the flow of FDI.
- ➡ Widening of markets for regional products.

# THRIVING IN A UNIFIED REGION

- ➡ Balance national interests and attaining regional ideals / objectives.
- ➡ Improve trade infra / services towards enhancing overall competitiveness.
- ➡ Make laws trade- & investment-friendly.
- ➡ Promote / enhance trade with ASEAN trading partners.
- ➡ Leverage on complementarities in regional economies and trade.

# THRIVING IN A UNIFIED REGION

- ➡ Develop and enhance capacity and service level of maritime ancillary services.
- ➡ Improve capacity, management and efficiency of supply chain.
- ➡ Enhance use of and skills in ICT.
- ➡ Develop adequate, trained workforce.
- ➡ Strengthen institutional support.



## CONCLUSION

- ➡ Huge growth / trade prospects arising from ASEAN's economic integration.
- ➡ As a regional bloc, ASEAN stands to be a more attractive investment haven.
- ➡ Huge challenges ahead to make ASEAN truly integrated economic region.
- ➡ Members must make adjustments to accommodate new regional architect.
- ➡ Opportunities are ripe to be reaped!



“THE ONLY CONSTANT  
IS CHANGE!”

---

---

THANK YOU

[nazery@mima.gov.my](mailto:nazery@mima.gov.my)

[www.mima.gov.my](http://www.mima.gov.my)