

The AEC 2015 and Thailand

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ASEAN - A snapshot

- Member countries
 - Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), Philippines, Singapore, Thailand, and Vietnam
- Macro-economic basics
 - GDP: USD 2,112.4 Bn in 2011 (IMF forecast)
 - GDP per capita: USD 3,376
 - GDP growth: 5.7% and 6.4% in 2011–2012
 - Population: 600 million people (approximately 9% of the world's population)
 - Area: 4.46 million km² (approximately 3% of the total land area of the earth)

The AEC

- 1967: formation of ASEAN under the “3 pillars” of regional cooperation, i.e., security, socio-cultural integration, and economic integration.
- 1997: declaration of ASEAN Vision 2020
- 2007: declaration of establishment of ASEAN Economic Community (AEC) by 2015

AEC 5 Core Elements

1. Free flow of goods
2. Free flow of services
3. Free flow of investment
4. Freer flow of capital
5. Free flow of skilled labor

1. Free flow of goods

- Tariff removal: zero tariff on all intra-ASEAN goods
- Removal of non-tariff barriers: enhancing transparency of non-tariff measures and formulating regional rules and regulations consistent with international best practices
- Trade facilitation: simplification, harmonization and standardization of trade and customs processes by ultimately establishing an ASEAN Single Window (ASW)

Article 41. General Elimination of Quantitative Restrictions

Each Member State undertakes not to adopt or maintain any prohibition or quantitative restriction on the importation of any goods of the other Member States or on the exportation of any goods destined for the territory of the other Member States, except in accordance with its WTO rights and obligations or other provisions in this Agreement. To this end, Article XI of GATT 1994, shall be incorporated into and form part of this Agreement, mutatis mutandis.

2. Free flow of services

- Complete removal of restrictions to the provision of services and the establishment of companies across national borders within the ASEAN, subject to national regulations (increase in equity participation: 49% by 2008, 51% by 2010, 70% by 2015)
- Priority service sectors: air transport, e-ASEAN, healthcare, tourism (gradual increase in equity participation: 51% by 2008, 70% by 2010)/ logistics: 51% by 2010, 70% by 2013)
- Mutual recognition arrangements for professional services (MRAs) starting with architectural services, accountancy services, surveying, medical and dental practitioners.

3. Free flow of investment

- Free and open investment regime
- Enhancement of investment protection, facilitation, and cooperation
- Progressive liberalization of member countries' investment regimes
- ASEAN Investment Agreement (ACIA)
 - > Single investment agreement
 - > Dispute with host governments resolved in domestic courts or international arbitration
 - > Non-discriminatory treatment

4. Free flow of capital

- Capital market development and integration
- Harmonization of capital market standards (e.g. offering rules for debt securities, disclosure requirements and distribution rules, and cross-border capital raising activities).
- Ensure capital account liberalization

5. Free flow of skilled labor

- ❑ visa facilitation and issuance of employment passes for ASEAN professionals and skilled labor.
- ❑ harmonization and standardization of core competencies and qualifications for occupational trainers' skills
- ❑ promoting skills and job placements and developing labor market information among the member countries.

AEC Impact on Thailand

1. Opportunities

- ❑ Greater market for goods and services
- ❑ Economies of scale
- ❑ Lower costs
- ❑ Higher investment opportunities
- ❑ Access to capital
- ❑ Access to goods and services
- ❑ Regional stability

2. Threats

- ❑ Competition
- ❑ Business partners and joint venture
- ❑ Non-competitive labor and productions costs

3. Thailand's advantages

- ❑ Social and political stability (?)
- ❑ Sufficient infrastructure
- ❑ Large agricultural sector (16th in the world, #1 natural & synthetic rubber, #6 rice, #6 sugar exporter)
- ❑ Automobile manufacturing hub (13th in the world)
- ❑ Hard disk drive producer: #1
- ❑ Strong tourism sector

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4. Thailand's challenges

- ❑ Aligning laws and regulations
 - Foreign Business Law
 - Alien employment laws
- ❑ Coordination among government agencies
- ❑ Education and skills training (language skills)

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- ❑ Transition from low wage country by moving to high productivity chain, high value added manufacturing
- ❑ Transition from production to services
- ❑ Broaden markets: moving from west to ASEAN and ASEAN partners
- ❑ Public awareness
- ❑ Business sector awareness: taking advantage of opportunities
- ❑ Co-branding

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