



Quarterly

ASEAN at 50

Review and Way Forward

January
2017





C asean Quarterly

A thought-leading publication offering insights and recommendations on a selected topic most relevant to ASEAN businesses and integration.

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Message from the Managing Director

Over the past 50 years, ASEAN has evolved significantly. From a five-member regional grouping in 1967, ASEAN today boasts of a concert of robustly growing, outward-looking, predominantly middle income and high income Southeast Asian nations, living in peace, stability and prosperity.

While today ASEAN is an economic community of dynamic development with high competitiveness and an attractive investment area for firms within and outside the region, the journey up until now has not been a smooth one and there are still many challenges to be addressed. For this reason, C asean launches “ASEAN at 50”, putting together ideas, thoughts and papers from experts and specialists in the region on various areas relating to ASEAN integration. It takes stock of the past 50 years as well as deliberates the challenges for ASEAN, how to face them and how ASEAN should move forward in the decades to come.

Passionate about connecting communities and enhancing collaboration for greater impact within ASEAN countries, this is yet another effort from C asean to advance ASEAN integration and foster business growth and competitiveness of individuals and the region. ASEAN Quarterly aims to reach out to the young generation of people who believe in change, private sector who are concerned about the current regulations and policymakers who want to create and keep adept into this changing world.

Karndee Leopairote, Ph.D.



Message from the Executive Editor

ASEAN Quarterly was established in October 2016 on the premise of offering insights and recommendations on a selected topic most relevant to ASEAN businesses and integration. Given the success of the first ASEAN Quarterly, “Positioning Thailand’s FinTech Ecosystem”, this second edition aims to further the discussion on ASEAN integration by reviewing ASEAN’s journey up until now and bringing insights and recommendations closer to readers, be them young entrepreneurs, executives or influencers.

With a population in excess of 600 million, ASEAN today boast of a combined GDP of more than US\$ 2.5 trillion, the seventh largest in the world. As the region’s economic profile rises and it seeks to deepen its ties, it is vital for those within ASEAN as well those outside the region to see into the bloc’s shortcomings, but ultimately recognize the long-term potential of one of the world’s most diverse, fast-moving, and competitive regions.

For this reason, “ASEAN at 50”, an integrative output and effort, aims to be forward-looking in cooperatively and concertedly addressing the challenges and tapping the opportunities that deeper integration in the region entails and offers. As ASEAN celebrates its golden jubilee, we hope the insights and recommendations in this publication would serve ASEAN and the region to move forward confidently into the next 50 years and beyond.

Sid Sala



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HIGHLIGHTS

Thought Leaders and Influencers

“ASEAN has had many achievements in the past 50 years and going forward it has the potential to be among the top five economies in the world – one key approach is to build on the ‘ASEAN way’ as it not only offers the region a common identity, but also allows ASEAN to pursue its vision in a more pragmatic way.”

Abhisit Vejjajiva

Former Prime Minister of Thailand and Leader of the Democrat Party



“[The establishment of the ASEAN Community in 2015] is the biggest milestone in the history of evolution and development of ASEAN since its founding in 1967.”

Le Luong Minh

13th Secretary-General of ASEAN
ASEAN Secretariat, 2016



“600 million plus people and 10 economies at different stages of development. We will see a very vibrant ASEAN, we will see a very dynamic marketplace and we will also see a lot more cross-border flow of people.”

Surin Pitsuwan, Ph.D.

12th Secretary-General of ASEAN and President of the Future Innovative Thailand Institute



“It is important for ASEAN to be as cohesive as possible, to be effective, and to...make a contribution to the regional architecture for economic as well as security cooperation. Because if ASEAN is divided and Southeast Asia becomes a region where different powers contend, it will be very bad for all of ASEAN... as well as the stability of Asia.”

Lee Hsien Loong

Prime Minister of Singapore
G20 Summit, Caijing Magazine, 2016

“Today, ASEAN is too important an economic partner to be bypassed. With or without TPP, ASEAN will move forward. It is very important for the ASEAN countries to encourage implementation of the leaders’ commitments. The private sector has a strong part to play.”

H.E. Nguyen Tat Thanh

Ambassador of the Socialist Republic of Vietnam to Thailand



“ASEAN has a tremendous chance to become an esteemed trading hub for global supply chains if the AEC process hastens a bit.”

Deborah Elms, Ph.D.

Founder and Executive Director of Asian Trade Centre





“ASEAN has become part of the global engine of economic growth. It was our dream to create ASEAN as a region where people are assured GDP growth, reduction of poverty and creation of prosperity for all.”

H.E. Lutfi Rauf

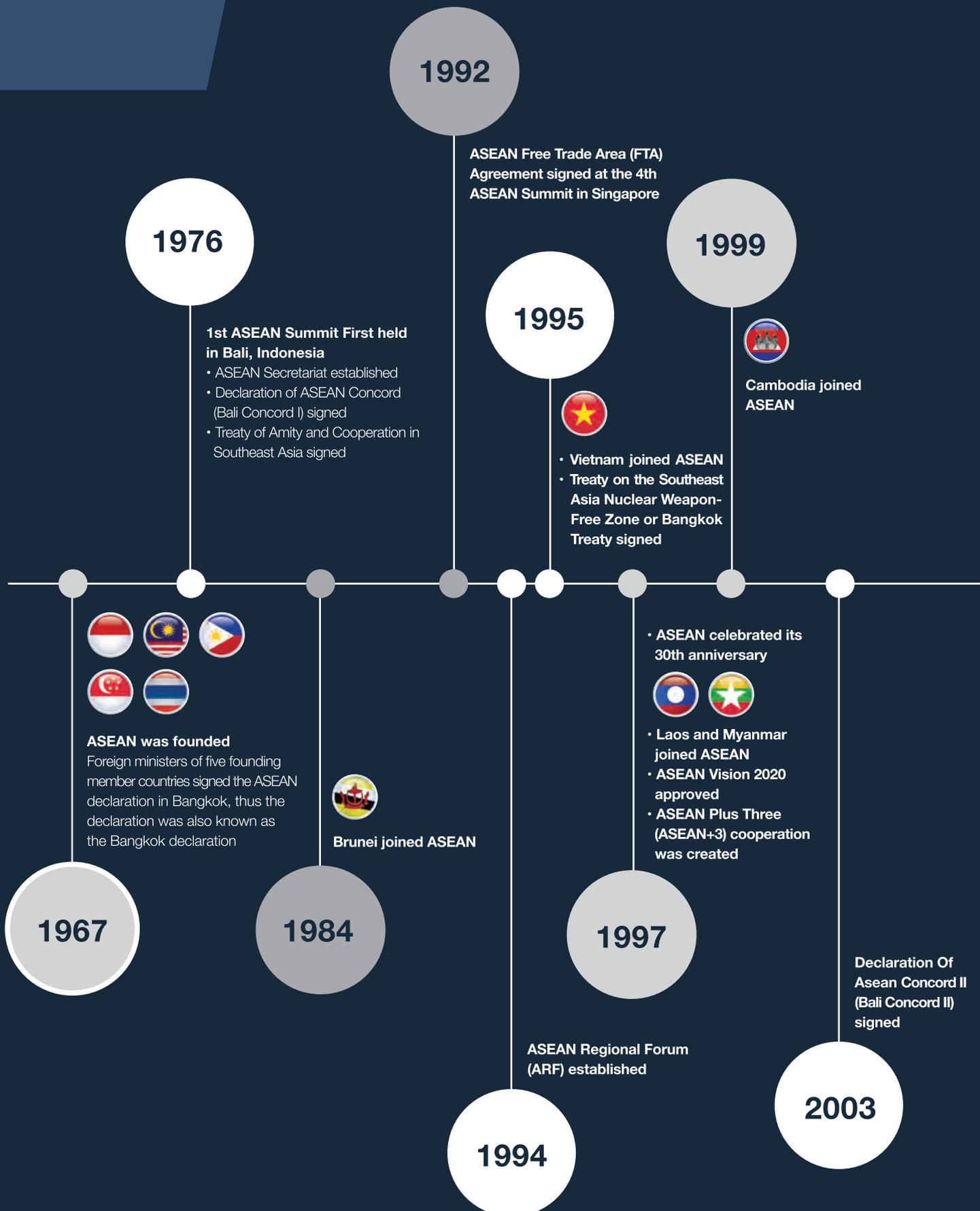
Ambassador of the Republic of Indonesia, Thailand

“The private sectors’ input and partnerships are essential for helping the governments not only in designing regional strategies and initiatives, but also in identifying problems and realizing the regional integration in ASEAN.”

H.E. Ly Bounkham

Ambassador of the Lao People’s Democratic Republic to Thailand

Timeline



2005

First meeting of ASEAN Plus Six (ASEAN+6) took place

2007

- ASEAN Charter signed at 14th ASEAN Summit in Singapore
- ASEAN moved to forge an EU-style community which will turn the region into a legal entity that will create a single free trade area

2010

ASEAN-China Free Trade Agreement came into effect

2015



ASEAN Economic Community fully launched

ASEAN granted observer status at United Nation General Assembly

2006

ASEAN Political-Security Community (APSC) established

2009

ASEAN and their six trading partners began the first round of negotiations on the establishment of the Regional Comprehensive Economic Partnership

2013

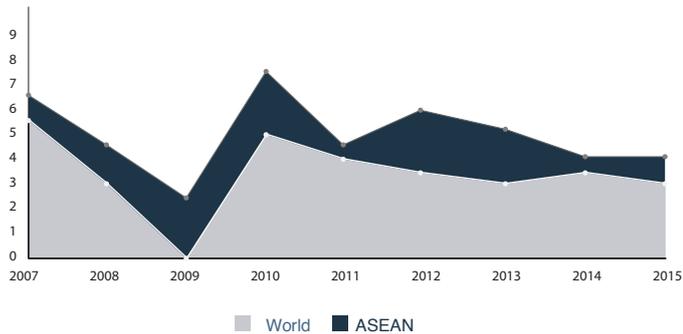
ASEAN turns 50

2017

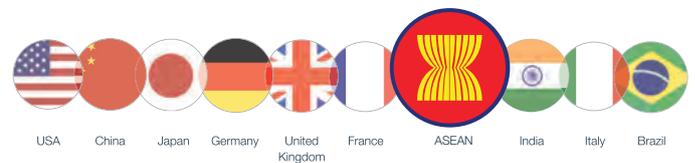
Key Facts and Figures

ASEAN Economy

With an average annual real growth rate of more than 5% ASEAN continues to outperform the world in GDP growth rate.



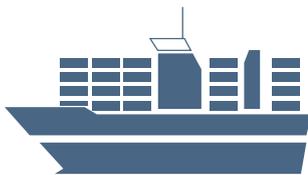
At US\$ 2.4 trillion, ASEAN economy in 2015 was the **6th** largest in the world & the **3rd** Largest in Asia



By 2030 and 2050, it will become the **5th** & the **4th** largest global economy.

Trade & Investment

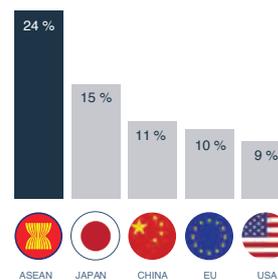
US\$ 2.3 trillion



Despite moderate global trade growth, ASEAN's total trade grew by

US\$ 700 billion

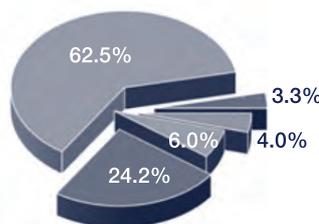
between 2007 and 2015



Key Trade Partners

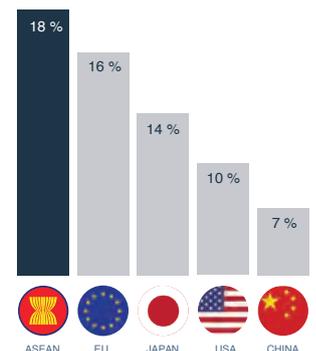
Intra-ASEAN trade accounts for **the largest share** of ASEAN's total trade

In 2015, ASEAN attracted over **US\$ 120 billion** in FDI, 62.5% of which was invested into the service sector



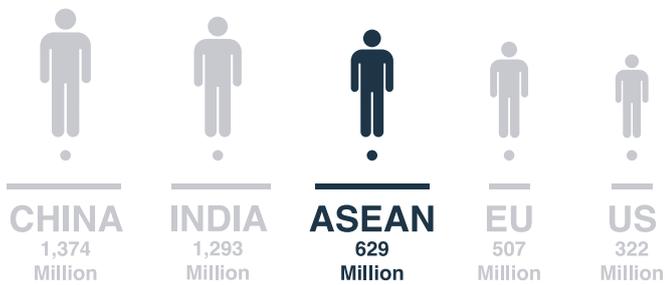
Key Sources of FDI

Intra-ASEAN contributes the **highest** in its own FDI sources



People

Together, ASEAN makes up the world's the **3rd largest population**



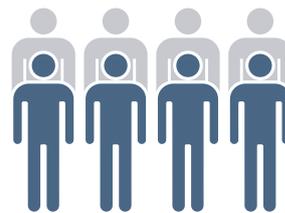
Today, there are over **49 ethnicities** in ASEAN



Politics

HEAD OF STATE	GOVERNMENT

- MONARCH
- PRESIDENT
- PRIME MINISTER



More than half of ASEAN's population is under **30 years of age**

47.6% of ASEAN's 600 million live in **urban areas**



ASEAN Then and Now

THEN

	1967	1977	1987
GDP (in US\$)	 23 billion	 105 billion	 215 billion
Population	 216 million	 240.6 million	 302.7 million
Urban Population	 39.9 million	 62.3 million	 100.1 million
Intra-ASEAN Trade			
FDI (in US\$)			
Women participation in workforce			
Internet Penetration			
Mobile Penetration			

Key Challenges

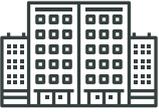
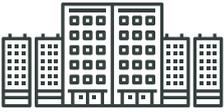
FINDING THE MIDDLE GROUND

The coming together of various ASEAN member states that were different in land and population size, level of economic development and citizen wealth, and openness to international trade and investment.

Source: World Bank; ASEAN Secretariat; Press search; C asean analysis

NOW



1997	2007	2015
 682 billion	 1,341 billion	 2,438 billion
 487.6 million	 573.9 million	 630.5 million
 178.3 million	 244.7 million	 300.9 million
18.8% 	23.8% 	23.9% 
35.8 billion 	82.5 billion 	125.7 billion 
 41.8%	 42.2%	 42.4%
 2.1%	 22.5%	 43.8%
5.3% 		116.8% 

SURVIVING THE SOUTHEAST ASIAN FINANCIAL CRISIS

Key member of the ASEAN community were affected by the decline in trade and investments.

BRIDGING THE INCOME GAP

Not all ASEAN countries are developing at the same pace, which has resulted in a two-tier set of member states: the original founding members plus Brunei (BIMPST) versus the developing CLMV.

IMMIGRATION, UNITY, ECONOMIC GROWTH, TERRORISM, SOUTH CHINA SEA DISPUTE & KEEPING UP WITH INDUSTRY 4.0

DID YOU KNOW?

If ASEAN were a single country, it would rank...



Diversity

- 1st in size of Muslim population
- 2nd in size of Buddhist population
- 3rd in size of overall population and Christian population



Production

- 1st in crude palm oil and natural rubber production
- 2nd in rice production
- 3rd in natural gas and coal production
- 4th in poultry production



Connectivity

- 2nd in number of monthly Facebook users
- 3rd in mobile phone subscriptions, number of international and domestic flights and number of ports in the world's largest 100 ports



Investment attractiveness

- 1st in number of cities in top BPO location worldwide
- 2nd in value foreign direct investment inflows
- 3rd in foreign exchange reserves and expected value of export in 2020
- 4th in value of investments into fixed assets
- 5th in expected size of economy in 2020





*EARLY DAYS
TO POST COLD
WAR ERA*

Formation and Development of ASEAN

The Association of Southeast Asian Nations (ASEAN) was formed in 1967, when the founding five nations, Thailand, Singapore, Malaysia, the Philippines and Indonesia, aimed to promote regional political and economic cooperation. It was not until 1984 that Brunei joined ASEAN as the sixth member following its independence from the United Kingdom. In 1995, ASEAN admitted Vietnam as its seventh member, after which two years later, Laos and Myanmar joined during ASEAN's 30th anniversary. Ultimately, Cambodia, the 10th member, joined ASEAN in 1999.

Today, while most see ASEAN as a vibrant regional bloc and refer to its robust growth, many may have forgotten the series of events that led to the formation of ASEAN back in 1967 and the development thereafter – which has not always been a smooth journey.

The Struggle to Unify Southeast Asia

The drive to unify Southeast Asia was influenced by a number of internal and external factors, not least the threat of communism in the region. Southeast Asian countries, which at the time were still young and facing economic and political instability, were aware of the global trend of 'regionalism' as a means to ensure national security and peace¹.

The initial attempt by the Southeast Asian countries to form a regional economic alliance began with the idea of the Southeast Asia Friendship and Economic Treaty (SEAFET), spawned from Tunku Abdul Rahmah's – the first Chief Minister of Malaya² – visit to the Philippines in January 1959. The formation of the SEAFET, however, did not fully materialize.

After numerous subsequent attempts, the Association of Southeast Asia (ASA) was formed in July 1961, consisting of Malaya, Thailand and the Philippines as its founding members. ASA too faced obstacles such as the rising tension between Indonesia and Malaya³, and was unsuccessful to bear any lasting results until 1967.

Following normalization of relations between Indonesia, Malaysia and Singapore⁴, the foreign ministers of the ASA members – Thailand, Malaysia and the Philippines – together with their Indonesian and Singaporean counterparts

attended a conference held in Bangkok, and on August 8, 1967, the Bangkok Declaration was issued, leading to the formation of Association of Southeast Asia Nations (ASEAN). The Declaration was a display of solidarity against communist expansion and insurgency in the region. It also set the basic principles of ASEAN – cooperation, amity and non-interference – which still holds strong, 50 years on from the Bangkok Declaration.



The Treaty of Amity and Cooperation

Other than the Bangkok Declaration, there has been a number of other important agreements that have greatly contributed to the development of ASEAN. One such agreement is the Treaty of Amity and Cooperation (TAC). Signed during the Bali Conference in 1976, the Treaty of Amity and Cooperation was an attempt by the concerned Southeast Asian countries to resolve all differences, disputes and conflicts peacefully. The TAC was amended in 1987 and 1988 to allow accession by states outside Southeast Asia. Currently, 19 countries outside ASEAN plus the EU have acceded to the TAC. The TAC with a peaceful settlement procedure code and a supreme council as a diplomatic mechanism to resolve regional conflicts has admittedly not always been effective; however, it has served as a meaningful step in instilling preventive diplomacy in the region.

The Declaration of ASEAN Concord

At the First ASEAN Summit in Bali, Indonesia in 1976, the Declaration of ASEAN Concord provided ASEAN members to seek closer cooperation among each other. The Declaration also demanded that all conflicts, both between ASEAN members themselves and with other non-ASEAN

countries, must be resolved through peaceful negotiations. The Declaration of ASEAN Concord II or the Bali Concord II was subsequently endorsed at the Ninth ASEAN Summit, providing a historical step towards regional integration.

The Bali Concord II consists of three pillars, namely ASEAN Security Community (ASC), ASEAN Economic Community (AEC) and ASEAN Socio-cultural Community (ASCC) – which will be discussed in detail in the next section. It is also important to note that at 19th ASEAN Summit in November 2011 in Bali, the ASEAN Leaders also signed the Bali Declaration on ASEAN Community in a Global Community of Nations, also known as the Bali Concord III. This was in response to the new reality and emerging challenges that confront ASEAN, which defy a single national solution and require cooperation among nations at all levels concurrently in order to respond more commendably to the numerous multifaceted global challenges of the 21st century.

The Bali Concord III is ASEAN's attempt at global outreach to contribute further in a more cohesive, coordinated and coherent manner. It also echoes ASEAN's commitment to take a growing role in addressing global challenges. An evaluation process will be undertaken in 2017 which is aimed at ensuring the timely realization of the objectives and goals of the Bali Concord III.

The Creation of ASEAN Free Trade Area

In addition to resolving intra-regional tensions, ASEAN has also been working hard to achieve economic growth by leveraging regional economic cooperation. In the early days, while many were skeptical about the concept of 'free trade', some ASEAN leaders, such as Lee Kuan Yew, saw it as an opportunity. Although it took some time, but ASEAN leaders' vision eventually led to the creation of the ASEAN Free Trade Area (AFTA) in 1991.

AFTA was a trade agreement signed by the first six members of ASEAN – Thailand, Malaysia, Singapore, Indonesia, the Philippines, and Brunei – with the goal of enhancing intra-regional area. AFTA was proposed by then Thai Prime Minister Anand Panyarachun during a meeting held in Bangkok in July 1991, and it was subsequently signed in January 1992 in Singapore.

The optimism of AFTA, however, was soon overshadowed by the Asian Financial Crisis on 1997. Starting with the Thai Baht, a dramatic devaluation of Asian currencies took place. The devaluation of Thai Baht caused the economy

to crumble, and this created a domino effect across the region, as other ASEAN countries saw their currencies and stock market fall⁵.

Against this backdrop, ASEAN countries was prompted to renew and enhance their cooperation at all levels – eventually leading to the creation of the ASEAN Economic Community. As ASEAN admitted new members, the AFTA agreement expanded to encompass Cambodia, Laos, Myanmar and Vietnam, which were given more time to realize their commitment and settle into the free trade area⁶.

SELECTED LEADERS PROMINENT TO ASEAN INTERGRATION

The formation of ASEAN was largely motivated by internal and external factors, not least a common fear of communism and a thirst for economic development. Several Southeast Asian leaders have had a prominent role in the creation and development of ASEAN, below are just a selected a few:

Tunku Abdul Rahmah



Initiating the idea of forming ASA, Tunku Abdul Rahmah was key to the formation of ASEAN. Tunku was the first Southeast Asian leader to call for a regional cooperation in economic, social, political and cultural dimensions⁷. He was also the main driving force for the establishment of the Federation of Malaysia after Malaya had gained its independence on August 31, 1957, an outcome of the independence campaign he launched back in 1954⁸.

Suharto



Regardless of the controversies, Suharto has played a crucial role in the formation of ASEAN. He led Indonesia in normalizing its relationship with Malaysia in 1960s and took a more cooperative approach to unify the Southeast Asian region in the latter stages – it was under his rule that finally saw the Southeast Asian nations move from competition towards cooperation⁹.

Thanat Khoman



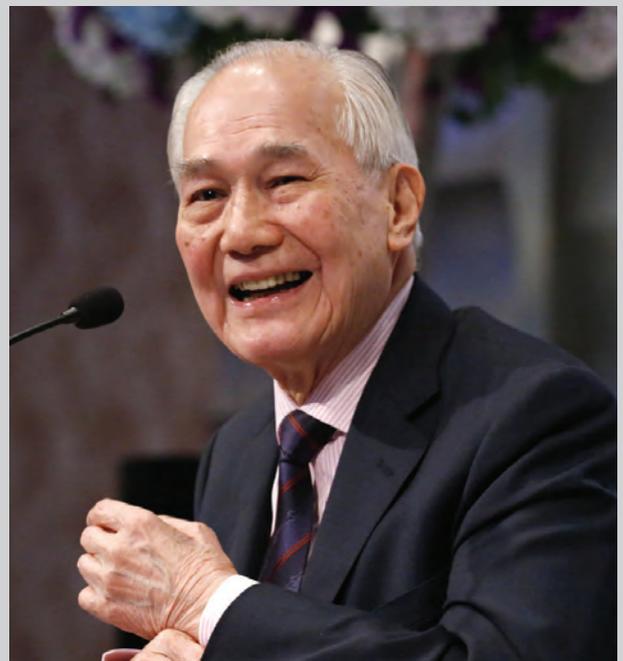
Thanat Khoman served as the Foreign Minister of Thailand between 1959 to 1971. Deploying his diplomatic skills, Thanat Khoman was key in successfully hosting and overseeing the meeting that resulted in the Bangkok Declaration of August 8, 1967 – effectively establishing the Association of Southeast Asian Nations.

Lee Kuan Yew



As the leader of Singapore, Lee Kuan Yew's influence expanded beyond the border of his country. Back in 1960s, when the concept of 'free trade' was received with skepticism, Lee Kuan Yew had a foresight to adopt a pro-trade policy that would help transform Singapore's economy. He was one of the main drivers of AFTA. Although ASEAN took its time in signing the AFTA, Lee Kuan Yew's foresight was finally realized in 1992¹⁰.

Anand Panyarachun



Anand Panyarachun stepped in as the Prime Minister of Thailand in March 1991 following a military coup. He was previously involved in the ASEAN Chamber of Commerce and Industry, where he led the ASEAN Task Force from 1982-1983. Anand Panyarachun, in effect, helped establish the blueprint for ASEAN economic cooperation. When he assumed the role of the Prime Minister of Thailand, he then proposed the ASEAN Free Trade Area (AFTA) based off his work at the ASEAN Chamber of Commerce and Industry¹¹. His proposal was endorsed at the ASEAN Summit held in Singapore on January 28, 1992¹².





New Millennium Optimism & Challenges

Political-Security Cooperation

With the entry into force of the ASEAN Economic Community in December 2015, the debate on further integration in political and security areas may have not had its fair share of the spotlight. However, ASEAN is well aware of the importance of political and security cooperation, after all the establishment of ASEAN as a regional bloc stems more from political considerations than economic ones. A lot has been achieved since ASEAN's inception, but with pressing challenges in the region, from terrorism and migration to South China Sea disputes, ASEAN today is in dire need of a coordinated approach towards political and security issues. It is important to send a clear signal to ASEAN people and businesses, as well as the rest of the world, that ASEAN means peace and stability – based on a solid foundation of political-security cooperation across all of Southeast Asia.

Regional Political and Security Meetings

In addition to the annual ASEAN Summits, ASEAN holds numerous other meetings discussing how to tackle regional problems, from ASEAN Intergovernmental Commission on Human Rights (AICHR), ASEAN Ministerial Meetings on Drug Matters (AMMD) and ASEAN Foreign Ministers' Meeting (AMM) to ASEAN Defense Ministers Meeting (ADMM), ASEAN Law Ministers Meeting (ALAWMM) and ASEAN Ministerial Meeting on Transnational Crime (AMMTC).

There is also the pan-Asian forum – ASEAN Regional Forum (ARF) – to promote constructive dialogue and consultation on political and security issues of common concern and interest. Since its foundation in 1994, significant progress has been made by ARF towards confidence-building and preventive diplomacy in particular.

Other than ARF, another pan-Asian forum is the East Asian Summit (EAS). EAS is held annually among leaders of eighteen countries in the East Asian region, with ASEAN in a leadership position. EAS was first held in 2005 consisting of only ASEAN+6, namely the ten ASEAN countries plus Australia, China, India, Japan, New Zealand and South Korea; the United States and Russia became members in 2011. Currently, given the geopolitical situation in Southeast Asia and the South China Sea Dispute in particular, the East Asia Summit (EAS) is an anticipated forum for the region, where countries and regions are increasingly vying for membership.



ASEAN Political-Security Community (APSC)

With numerous regional meetings, ASEAN is believed to be in a coveted position to tackle regional issues; however, ASEAN leaders are aware of the need to establish a political-security community in order to truly advance and achieve ASEAN political and security interests. For this reason, the ASEAN Political Security Community (APSC) Blueprint was adopted at the 14th ASEAN Summit in 2009 in Thailand. Guided by the ASEAN Charter and the principles and purposes contained therein, APSC Blueprint provided a roadmap and timetable to establish the APSC by 2015. While the seven-year (2009-2015) implementation of the APSC Blueprint has increased and deepened ASEAN security and political cooperation, it has not achieved a full-fledged ASEAN Political-Security Community.

In view of the current regional and international challenges, the strengthening of ASEAN capacity is vital, and for this reason the APSC Blueprint 2025 is envisioned to build upon the achievements of APSC Blueprint 2015 and achieve a true ASEAN Political-Security Community. Since community building is an ongoing process, ASEAN member states are required to cooperate and continue with implementation of the APSC 2015 and APSC 2025 Blueprints.

The entry into force of the ASEAN Economic Community in 2015 was a milestone for ASEAN, but a bold and forward-looking approach is required for political and security matters as well – for this reason, ASEAN must push for the implementation of the APSC Blueprint 2025 while at the same time make sure that it is relevant, contemporary and responsive to the challenges facing the regions, not least the contentious disputes in the South China Sea.

CHINA'S REGIONAL INITIATIVES

China has a number of initiatives in Southeast Asia, ranging from the Maritime Silk Road strategy to other initiatives such as the Asian Infrastructure Investment Bank (AIIB). Some view these initiatives as a way for China to counter-balance the US pivot in the region, but there are also economic gains for both China and Southeast Asia. China's Maritime Silk Road strategy is compatible with ASEAN and Thailand's connectivity plans, which can stimulate growth in Southern China as well as in ASEAN countries.

The Asian Infrastructure Investment Bank (AIIB) is a new bank proposed by China, which some view as a challenger to the World Bank, Asian Development Bank (ADB), and, generally speaking, the US-backed global financial system. Based in Beijing, AIIB has a capital of \$100 billion, which amount to two thirds of the budget for ADB and around only half of the World Bank capital. So far, AIIB has 57 founding member with 37 being regional countries and the other 20 non-regional such as Brazil, Egypt, South Africa and European Union countries among others. The concerns of those who have not signaled willingness to join have been about governance and operational issue including a vague stance on the standards applied to loans.

The Asian infrastructure sector is believed to be in need of approximately \$10 trillion, indicating the dire need for bodies such as ADB, AIIB and the World Bank to work in collaboration while addressing infrastructure challenges in Southeast Asia.

SINO-THAI RELATIONS

In 2015, Sino-Thai relations were upgraded with "cooperation at all levels". Economic ties between China and Thailand were straightened in 2014 as the state-owned China Mobile bought into Thailand's True Corp. In line with expectations that bilateral relations between the two countries would improve further, China signed two memorandums of understanding in December 2014, one on developing Thailand's first standard-gauge railway and the other on the purchase of Thai agricultural goods. The agriculture deal, where China will purchase Thai rice and rubber among other commodities, may provide immediate economic

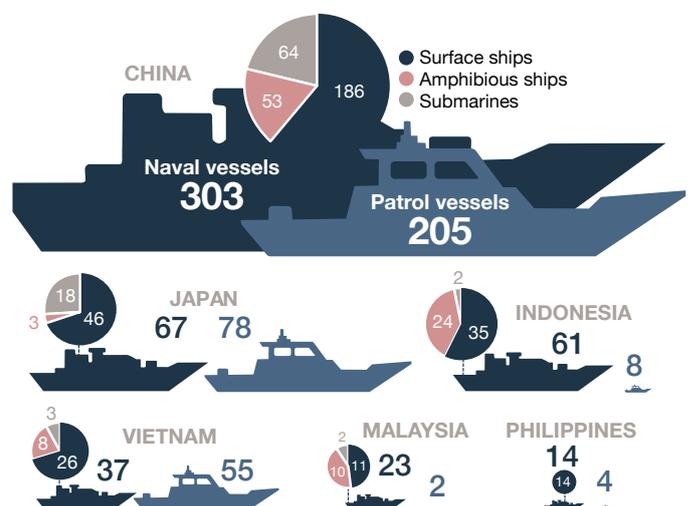
support in Thailand, while the rail development project, at a cost of around \$12 billion and projected completion date of 2022, is likely to boost long-term economic growth. These agreements seem promising, but a closer look is needed for its true long term impacts.

South China Sea Dispute

Post-Cold War, ASEAN has achieved numerous successes, but also incurred countless challenges from Khmer Rouge conflict to the Vietnam War, and from the Asian financial crisis to global financial crisis. Currently, a major challenge facing ASEAN is the South China Sea dispute, which four ASEAN countries are a party to, namely Brunei, Malaysia, Vietnam and the Philippines.

Major questions are being raised as the South China Sea dispute prolongs: Who will dictate the terms of peaceful negotiations? Is there going to be a genuine attempt at preventive diplomacy? Will Southeast Asia be trapped in the middle of a great power rivalry or will it rise above the challenge?

Comparison of Regional Naval / Maritime Enforcement Power



Amphibious vessel used to land, support ground forces for amphibious assaults; figures for this category exclude smaller landing craft; patrol vessels include only those over 500 ton; data for China, Vietnam includes some nonnaval vessels used for patrol purposes
Source: U.S. Department of Defense

Global and regional powers, be it the US, China, India or Japan, are taking traditional geopolitical concerns more seriously. The current situation in the region points to a reality where great-power rivalry is in fact not a thing of the past. In this context, a bold and forward-looking ASEAN Political-Security Community becomes ever so imminent.

Socio-Cultural Inclusiveness

ASEAN aspires to build a community that is people-oriented and people-centered. The ASEAN Socio-Cultural Community (ASCC) provides a deeper context of, as well as an essential complement to, the ASEAN Political Security Community (APSC) and the ASEAN Economic Community (AEC), which will be discussed in the next section.

The ASCC brings people to the heart of ASEAN community-building and as such, requires particular attention. The ASCC Blueprint 2025 provides all ASEAN countries an opportunity to lift the quality of life for their people, and realize human development, resiliency and sustainable development as the region faces new and emerging challenges. The ASCC Blueprint 2025 builds on the previous Blueprint which was implemented from 2009 to 2015 – working towards Human Development, Social Justice and Rights, Social Protection and Welfare, Environmental Sustainability, ASEAN Awareness, and Narrowing the Development Gap. While the ASCC has achieved numerous successes, not least delivering Declarations on Non-Communicable Diseases, on Elimination of Violence Against Women and on Elimination of Violence Against Children in ASEAN, there were major challenges and bottlenecks that hindered the progress and implementation of ASCC Blueprint 2015. These challenges and bottlenecks are somehow systematic and at times linked to lack of knowledge and resources, but they are important to be addressed in order to realize the full implementation of the ASCC Blueprint 2025.

The table below outlines the challenges as well as key expert recommendations for achieving a people-oriented and people-centered ASEAN. Although the challenges and recommendations presented below are based on a number of interviews with the experts responsible and associated with the implementation of the ASCC in Thailand, and as such, neither the challenges nor the recommendations are exhaustive as they are person, context and country specific. In a broader context, however, these challenges and recommendations can have a wider implication for ASEAN at large.

1

Challenge

Language barrier

Language barriers are one major problem for the ASCC. English is the official language of ASEAN, but the majority of Thai government officers, for instance, do not speak English. This bottleneck has affected the ability of government units to handle the ASCC issues and to communicate with international organizations.

Recommendation

Better access to and attitude towards education

“It is time to differentiate between being patriotic and being educated. The excuse that Thailand has never been colonized (hence the poor language skills) must not get in the way of education and self-development.” – **Dr Surin Pitsuwan, former ASEAN Secretary General**

2

Challenge

Professionalism

Operation officers responsible for the implementation of the ASCC require development as far as professionalism is concerned. A “sa-by, sa-by” or take it easy attitude among some officers in Thailand, for instance, would hinder the ASCC implementation process.

Recommendation

Trainings for officers responsible for the ASCC

“All levels of operation require constant training in order to fully implement the ASCC. The definition of take-it-easy mentality should be redefined, and it should not be accepted as an excuse for irresponsibility.” – **A Thai government officer**

3

Challenge

Knowledge and resources management

Public access to information database on the ASCC is limited. Most of the resources and updates on the ASCC are stored in personal PCs or laptops of responsible officers. A high level of understanding of ASEAN content is required for another officer to know what, where and whom to get the information from. There is a lack of knowledge and resource management that leads to relevant material not being shared with ease and affecting the ability of the implementers at large to see the overall picture.

Recommendation

Making information easily accessible

“The Thai government is equivalent to a giant unit of many non-connected silos. Once the work has been divided and assigned top down to each working unit, a silo, then an intact objective of ASCC has already been broken up and redefined. The essence and importance of ASCC must be repeatedly communicated to every sub-units – for this reason, a common information platform must be initiated with the ease of accessibility, so that all government officers could re-visit the content at their own paces.”
– *Dr Piti Srisangnam, Chulalongkorn University*

4

Challenge

Unclear and unsystematic indicators performance

There is a lack of up-to-date and solid indicators in the dimension of relevance, efficiency, effectiveness, social impact, and sustainability. Once the action plan and the assessment tools are not clarified, the implementation is unlikely to make a significant progress.

Recommendation

Mutually agree and define being ASEAN

“Any work on social-cultural aspect should begin with the working concept around ‘identity’, ‘human right’, and ‘inclusiveness’. What being ASEAN means is to have the rights to basic needs. Now different working units have different interpretation of being ASEAN. The concept should not just be imported and implemented, but must be defined and mutually agreed. Supporting platforms can then be created and managed easier for better implementation.” – *Abhisit Vejjajiva, former Prime Minister of Thailand*

5

Challenge

Misunderstandings

Many government officers are not certain what the ASCC would bring and some see it as an obstacle to their work rather than a positive supplement.

With or without an understanding of the ASCC, several assignments, projects and deadlines are introduced to operation level officers in any case. The missing picture of how the ASCC is really connected to their work decreases the willingness of these officers to achieve the objective of ASCC.

Recommendation

Sense of purpose

“The importance of the ASCC must make business sense. It is the people that drive the markets through demand creation. As soon as people are educated, their living conditions improved and physical needs met, there will be new demand. This new demand will drive the market. Currently, the attitude of people is geared towards individualistic pleasure through spending. To solve the problem, people should be given a new sense of purpose to work on human-centric projects.” – *Dr Piti Srisangnam, Chulalongkorn University*

6

Challenge

Link between ASCC implementation and social benefits

Despite the ASCC and its people-centric framework that intends to advance human development, social justice and rights, social protection and welfare, environmental sustainability, ASEAN Awareness, and narrowing the development gap, many government officers are struggling to see the link between the ASCC implementation and the social benefit it would bring, whether it is on a national, community or individual level.

Recommendation

Build Trust

“The key is to build trust. The relation and understanding among ASEAN countries and strategic partners should not stay at the top levels, but it should cover all dimension, from policymakers to operation level officers, and from the government sector to businesses, academia and the public at large.” – **Dr Surakiart Sathirathai**, former Deputy Prime Minister of Thailand

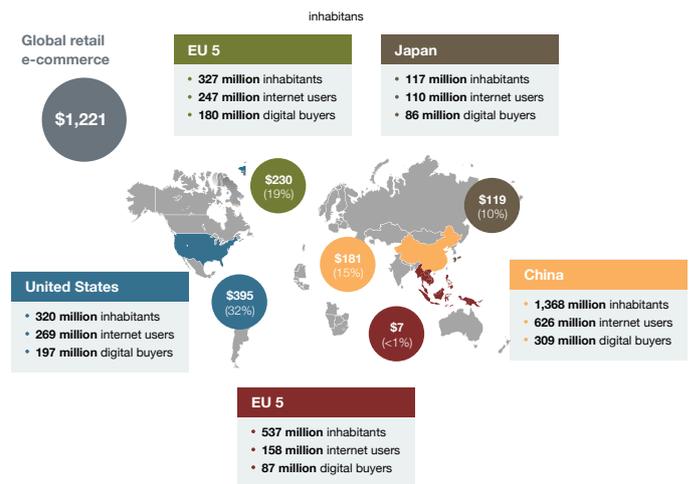
ASEAN Economic Community

The Association of Southeast Asian Nations (ASEAN) recently reached a new milestone with the entry into force of the ASEAN Economic Community (AEC) in December 2015. The ASEAN Economic Community (AEC), together with the ASEAN Political-Security Community (APSC) and the ASEAN Socio-Cultural Community (ASCC), are the strategic objectives of ASEAN. Together, these communities are intended to advance stability and prosperity in the region as well as enable ASEAN to play a greater role around the globe.

Lifting the Barriers to E-Commerce in ASEAN

Market Size

(US\$ billion, 2013, % of global total)



Note: The EU 5 includes the European Union's five largest economies: Germany, France, the United Kingdom, Italy, and Spain. ASEAN 6 includes Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam
Source: A.T. Kearney; C asean analysis

A lot of optimism has come following the entry into force of the ASEAN Economic Community – “this is ASEAN’s time;”¹³ “seize the moment;”¹⁴ “explore the ASEAN markets;”¹⁵ “the next gold rush is in Southeast Asia”¹⁶ are just a few of the views and headlines associated with the AEC. The confidence in ASEAN is well-founded, as the region boasts an excellent narrative, is well-located geographically and has a GDP in excess of US\$ 2.5 trillion, making it the sixth highest in the world. The future prospects also look bright with ASEAN GDP projected to get closer to those of G7; in effect, closing the gap from around 70 percent in 1980s to less than 10 percent in 2017.

ASEAN *Economic Community* at a Glance

Economy

With an average annual real growth rate of 5.2% between 2007 and 2015 collectively ASEAN economy as

the 6th largest in the world
the 3rd largest in Asia

Investment

ASEAN attracted

US\$ 120 billion of FDI in 2015, with
Intra-ASEAN constituting **the largest share** of inflows



Trade

Total trade increased by

US\$ 700 billion

between 2007 and 2015, with **Intra-ASEAN** trade comprising **the largest share** of ASEAN's total trade

People

ASEAN was

the 3rd largest by population in 2015, with more than half under the age of 30 and 47.7% living in urban areas

ASEAN's strength lies in its diversity, combining the capital and technology of advanced nations such as Singapore with the dynamism of Cambodia, Laos, Myanmar, Vietnam and Thailand (CLMVT). ASEAN's middle class is booming and is expected to increase to 65 percent of the bloc's total population by 2030, up from 24 per cent in 2010. While Chinese economy will find it hard to achieve the historic growth it managed in the last decade, ASEAN is expected to continue and drive regional economic growth. Investors across the world are increasingly looking at ASEAN as the next destination for trade and investment. The AEC, in this regard, is well placed to provide favorable economic and legal environments for businesses.

The Road Towards AEC

Other than social and political stability, regional economic strength has also been at the core of ASEAN. This objective has been there all long, but took momentum with ASEAN Free Trade Area (AFTA), which was signed on January 28th, 1992 in Singapore. Originally, only six ASEAN members had signed to AFTA, with Cambodia, Laos, Myanmar and Vietnam (CLMV) joining in the second half of 1990s.

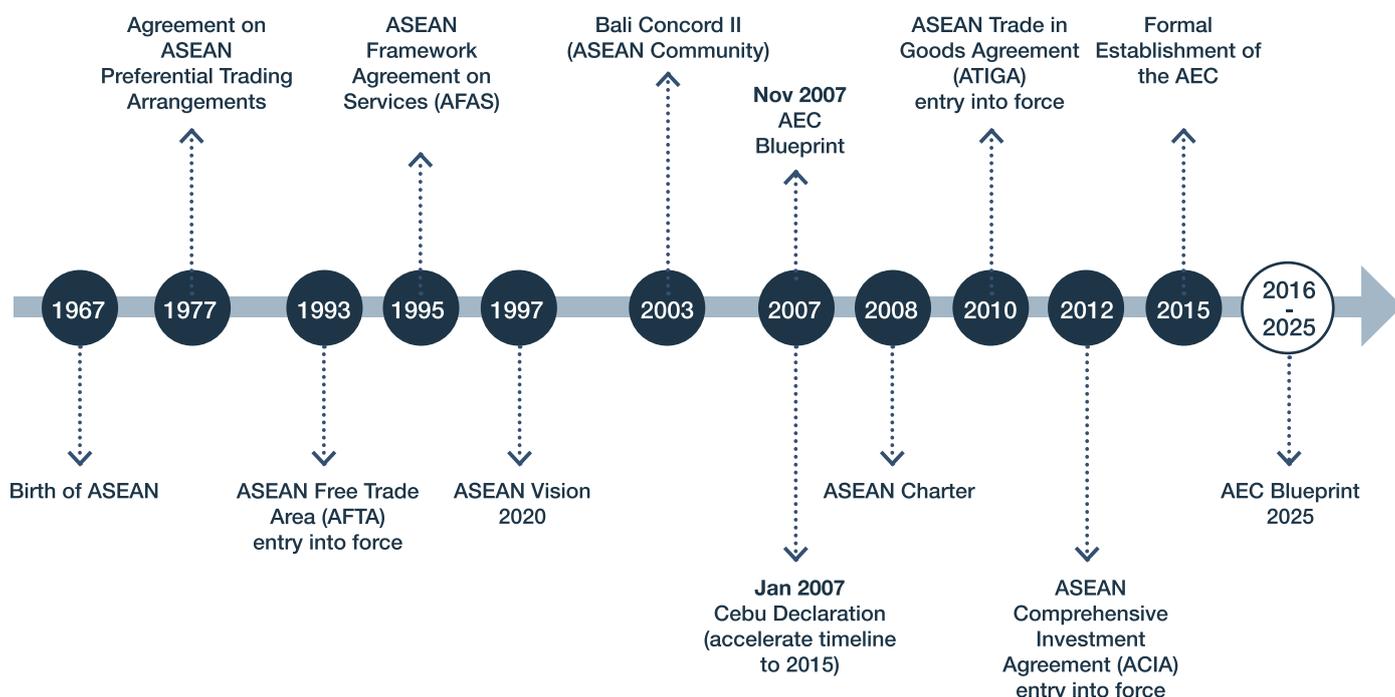
The primary goals of AFTA were to increase ASEAN's competitive edge as a production base through elimination of tariffs and non-tariff barriers, as well as attract more foreign direct investment. The success of AFTA was somewhat gradual, but the 1997-1998 East Asian financial crisis, or the

Tom Yum Goong crisis as it is known in Thailand, became the catalyst for ASEAN to push towards a mechanism that was more ambitious and more comprehensive than what already existed prior to the financial crisis, e.g. the 1992 ASEAN Free Trade Area, and the 1995 ASEAN Investment Area and ASEAN Framework Agreement of Services.

Consequently, ASEAN leaders approved the ASEAN Vision 2020 in December 1997, promising to "create a stable, prosperous and highly competitive ASEAN Economic Region"; "maintain regional macroeconomic and financial stability by promoting closer consultations in macroeconomic and financial policies;" and "advance economic integration and cooperation."¹⁷ In 2003, ASEAN Vision 2020 was formalized and through the Bali Concord II, in which the three major pillars of a single ASEAN community were originally established, namely the ASEAN Political-Security Community, the ASEAN Economic Community and the ASEAN Socio-cultural Community.

With such background, ASEAN's drive for further integration through the ASEAN Economic Community (AEC), which came into force in December 2015, is a remarkable feat. The notion behind the AEC was to push ASEAN towards a globally competitive single market and production base, with free flow of goods, services, labor, investment and capital across all 10 member states. However, it is vital to recognize that the objective of the AEC has never been to replicate the European Union, a bloc that has boasted a single market since 1993.

AEC Milestones



Better-integrated ASEAN through Four Pillars of AEC

The AEC is divided into four pillars, all interrelated and mutually-reinforcing pillars: A single market and production base; a highly competitive economic region; a region of equitable economic development; and a region fully integrated into the global economy. These are multi-faceted and broad, but the AEC has already made inroads in meeting some of its goals.

<p>A SINGLE MARKET AND PRODUCTION BASE</p> <ul style="list-style-type: none"> • Free flow of goods • Free flow of services • Free flow of investment • Free flow of capital • Free flow of skilled labor 	<p>A COMPETITIVE ECONOMIC REGION</p> <ul style="list-style-type: none"> • Fair competition • Consumer protection • Intellectual property rights • Infrastructure enhancement • E-commerce development • Taxation
<p>A REGION OF EQUITABLE ECONOMIC DEVELOPMENT</p> <ul style="list-style-type: none"> • Small and Medium Enterprises (SME) Development • Initiative for ASEAN integration 	<p>A REGION FULLY INTEGRATED INTO THE GLOBAL ECONOMY</p> <ul style="list-style-type: none"> • Development of coherent towards external economic relations • Boost participation in global supply chain • Develop strong trade links with regional economies

1. Single Market and Production Base

The first pillar of AEC intends to create a single market and production base through free flow of goods, services, investment, skilled labor and capital.

1.1 Free flow of goods comprises of not only the elimination of tariff and non-tariff barriers to internal trade, but also coordination of rules of origin for customs purposes and trade facilitation as well as implementation of the ASEAN Harmonized Tariff Nomenclature (AHTN) and the completion of the ASEAN Single Window. Facilitating cross-border intra-ASEAN trade, AEC Blueprint's impact on goods trade has proven successful as intra-ASEAN tariffs decreased from 13 percent in 1993 on average to near zero percent in 2013. All ASEAN countries have eliminated tariffs on almost all imports from other ASEAN countries with the exception of a few sensitive goods.

1.2 Free flow of services includes the removal of restrictions on trade and services started with priority sectors such as air transport, e-ASEAN, healthcare, tourism, logistics

services. It intends to lift all other restrictions for all sectors by the end of 2015. The aim is to gradually allow foreign (ASEAN) equity participation of 70 percent for all service sectors and include mutual recognition arrangements for professional services such as architects, accountancy, surveying, medical and dental, and all others. The financial services sector remains a sensitive sector.

1.3 Free flow of investment offers enhanced investment protection to all ASEAN investors and their investment in other ASEAN countries. It contains an investor-state dispute settlement mechanism and leads to a non-discrimination principle that includes national treatment and most-favored nation treatment for all ASEAN investors that invest in other ASEAN countries.

1.4 Free flow of capital offers greater harmonization of capital markets standards in ASEAN. This encompasses debt securities rules, disclosure requirements, distribution rules, and an enhanced withholding tax structure.

1.5 Free flow of skilled labor facilitates the issuance of visas and employment permits to ASEAN professionals. In simple words, the first pillar of the AEC aims for a more liberalized market providing ASEAN people with greater opportunities to do business within ASEAN at reduced costs and improved investment regimes. This in turn makes ASEAN attractive as an investment destination for not just domestic investors in ASEAN, but also international investors across the world. Ultimately, ASEAN will gain a competitive advantage through the AEC in the long run.¹⁸

2. A Competitive Economic Region

The AEC Blueprint offers a roadmap for the development of a competition policy. While some countries have already developed their own competition policies, some have not yet made any inroads in this area. Therefore, there is an urgent need for cooperation in this field. The AEC is also looking at enhanced consumer protection and Intellectual Property Rights (IPR) in order to stimulate innovation and trust.

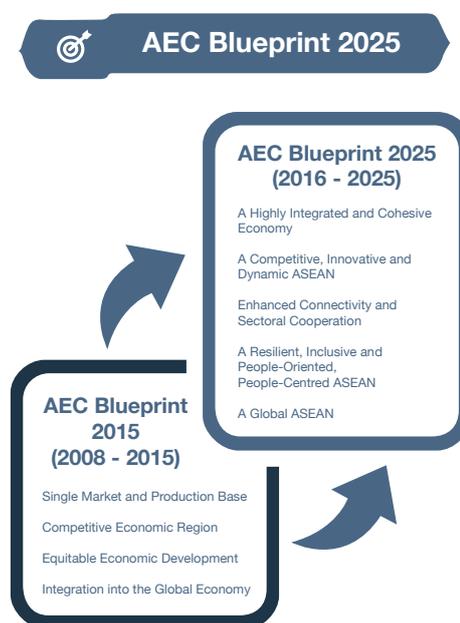
An efficient, secure, and integrated transport network, available across ASEAN, is also a priority set out by the Blueprint, together with a secure and connected information infrastructure and a secure and reliable supply of energy. There are also plans to complete a network of bilateral agreements on avoidance of double taxation among all member countries. Moreover, it also seeks to enable the development of e-commerce.

3. A Region of Equitable Economic Development

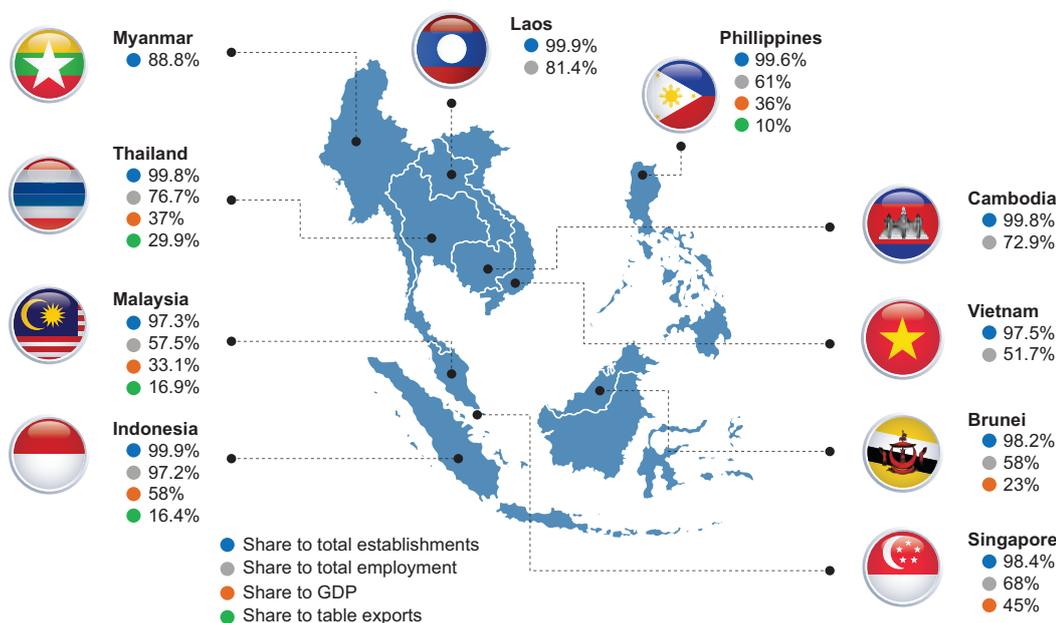
SMEs constitute the vast majority of companies in ASEAN, and also the main source of employment – even if their share of GDP does not always reflect it. Looking at Thailand, SMEs make up around 99 percent of all Thai firms, employing more than 75 per cent of the working population, but only amounting to 37 per cent of the GDP. Considering the importance of ASEAN SMEs and their role in local development and diversity, ASEAN has designed a strategy dedicated to supporting them. Ahead of the 2015 deadline, it had set up the ASEAN Policy Blueprint for SME Development (APBSD) 2004-2014, a policy intended to enhance ASEAN SME's competitiveness, and increase their contribution to the overall economic growth and development of the Southeast Asian region.

The second part of the equitable economic development focuses on the CMLV, the member states that joined ASEAN in 1990s, namely Cambodia, Myanmar, Laos, and Vietnam. The combined GDP of ASEAN 6 (the six founding members of the ASEAN) is nine times bigger than that of CMLV countries, four times bigger in GDP per capita (2.5 times in purchasing power parity terms), and boasts almost a 1.5 times faster economic growth. More precisely, the GDP per capita of Singapore is more than 60 times larger than that of Myanmar (almost 45 times in purchasing power parity terms). Similarly, Malaysia's population is no more than one third of the population of Vietnam, but its GDP per capita is more than six times larger. Yet, Vietnam has a more robust economic growth compared to Malaysia and the Philippines.

In other words, CMLV have great potential for growth, given their determination to open up and carry out further reforms. As such, they deserve special care. The Greater Mekong Sub-region Economic Cooperation Programme (GMS-ECP²⁰) and other development assistance (such as MGC and BIMSTEC²¹) have been established either collectively through the ASEAN Secretariat or bilaterally by individual ASEAN member states and ASEAN dialogue partners to provide a much needed capacity building in human resources development, physical infrastructure. The Initiative for ASEAN Integration (IAI) was launched in 2000 with the ultimate purpose of narrowing the development gaps between ASEAN 6 and CMLV. The AEC Blueprint aims to continue in that direction and support IAI's programs.



SMEs Make Up More than 96% of Businesses in ASEAN



Source: The Establishment Post¹⁹, C asean analysis

4. Integration into the Global Economy

One purpose of ASEAN member states uniting was to weigh more and better defend their economic interests on the world stage. The Blueprint states: "In order to enable ASEAN businesses to compete internationally, to make ASEAN a more dynamic and stronger segment of the global supply chain and to ensure that the internal market remains attractive for foreign investment, it is crucial for ASEAN to look beyond the borders of AEC."

"Global Economic Center of Gravity"

Rise of the East is often characterized by the shift in economic activity from the West towards the East over the past few decades. This shift has accelerated in the past few years to the extent that China today is the largest economy in the world (in PPP terms). Imports and investments from the West are no longer the backbone of economic development in the East as they were in the past. Looking at Germany, the EU's largest economy and exporter, it becomes evident that the country now sells more to the East than to the United States. More importantly, over half of Germany's Asian exports are directed towards "Developing Asia," not China. Asia's exports themselves are now in majority destined to countries within Asia. Given ASEAN's location between China and India, and its own robust economic performance, it is easy to observe that ASEAN sits right in the middle of the "global economic center of gravity".

On this account, ASEAN designed a twofold strategy: to develop a coherent approach toward external economic relations on one hand (through review of Free Trade Agreements and Closer Economic Partnerships vis-à-vis ASEAN's internal integration commitments, and through enhanced coordination to possibly attain common approaches and/or positions in ASEAN's external economic relations and in regional and multilateral fora), and on the other hand, to aim for a greater participation in global supply networks by adopting international best practices wherever possible and supporting the less developed nations.

In short, ASEAN has had a number of achievements in pursuing its economic goals; however, there is a lot of room for improvement, not least with regards to successful implementation of the AEC.

EXPERT VIEW - ASEAN AND TRADE

ASEAN's greatest accomplishment in the past fifty years pertaining to trade throughout the region has of course been the establishment of a free trade area. This is the real reason for the current tariffs of 0 percent, which has in turn resulted in businesses conducting more intra-ASEAN trade throughout the region. The second best accomplishment has been the promotion of ASEAN as a marketplace. ASEAN has ambassadors, embassies, business leaders, specified managers and a secretariat, which have all done well with regards to making ASEAN a unified brand.

The key hindrances and challenges, on the other hand, are the non-tariff barriers and hard infrastructure developments, as well as the unwillingness to become fully integrated. ASEAN Economic Community cannot be fully realized without completing the unfinished business. There are concerns with regards to the slow pace of implementation. There should be more enthusiasm throughout the region. ASEAN in the next fifty years can and should look very different than it does now. ASEAN has a tremendous chance to become an esteemed trading hub for global supply chains if the process hastens a bit. There should be a sense of urgency to move forward, leaders can seriously improve the region.

- Deborah Elms

Executive Director, Asian Trade Centre

ASEAN and Trump



CHAVAPAS ONGMAHUTMONGKOL
PRESIDENT, THAI FULBRIGHT ALUMNI ASSOCIATION (T.F.A.)

“
In 2017, ASEAN celebrates its 50th anniversary - and 40-years of relations with the U.S. A key spotlight will be on the U.S.-ASEAN trade deficit. The stakes have never been higher for the U.S. and ASEAN.
”



DEBORAH ELMs, Ph.D.
FOUNDER AND EXECUTIVE DIRECTOR,
ASIAN TRADE CENTRE

“
It is challenging about Trump when it comes to international security, specially in ASEAN, because we have no idea what he would do.
”

With the election of Donald Trump as the next President of the United States, there are grave concerns over his plans to disengage from the Southeast Asian region. Unlike Hillary Clinton, who was in favor of deepening ties with ASEAN and was familiar with leaders such as Aung San Suu Kyi and Gloria Arroyo, Donald Trump does not boast of much experience in the region and is believed to cause major setbacks to both the Trans-Pacific Partnership and America's 'Pivot to Asia' policy. There are also concerns over the US President-elect's tendency to transfer outsourced jobs set by American businesses in Southeast Asian countries such as the Philippines, Malaysia and Vietnam back to the US.

TPP Withdrawal

During the election campaign, Donald Trump bunched Vietnam together with China and Japan as countries that have "ripped off" America. While Vietnam can overlook off-the-cuff remarks and campaign rhetoric, it cannot discount Trump's views on Trans-Pacific Partnership (TPP). ASEAN economies like Malaysia and Vietnam have most to benefit from TPP being ratified. Currently,

TPP seems to be off the table with Trump promising to withdraw from the trade deal on his first day in the Office. The US is a big market for Vietnam's export sector, with the US trade deficit towards Vietnam standing at \$31 billion in 2015, much larger than US trade deficit with India or South Korea, for instance. The real concern for Vietnam is not only Trump's pledge to go after countries with which the US has trade deficit, but also the fragile state of security in East Asia, particularly the South China Sea dispute which Vietnam as well as Malaysia, Brunei and the Philippines are also a party to.

While majority of ASEAN would be concerned with how Donald Trump will steer the US policy towards Asia, Myanmar on the other hand is hopeful that a Trump Presidency would at least maintain the current US-Myanmar relations, if not enhance them. Both Myanmar President Htin Kyaw and State Counselor and Foreign Minister Aung San Suu Kyi have congratulated Donald Trump on his election win and are expecting enhancement of bilateral relations between the US and Myanmar. It is too early to gauge how the US-Myanmar relations would pan out under the Trump presidency;



H.E. NGUYEN TAT THANH
AMBSSADOR, THE EMBASSY OF THE SOCIALIST REPUBLIC OF VIETNAM
TO THE KINGDOM OF THAILAND

“
ASEAN is too important of an economic partner for the US to bypass.
”



PRINN PANITCHPAKDI
COUNTRY HEAD, CLSA SECURITIES (THAILAND) LTD.

“
The problem for TPP from ASEAN's perspective is the way it was negotiated - ASEAN should have joined together and negotiated from a position of strength instead of allowing to be picked apart as individual countries.
”



however, there are likely to be impactful outlooks given Trump's views on the US 'Pivot to Asia' policy.

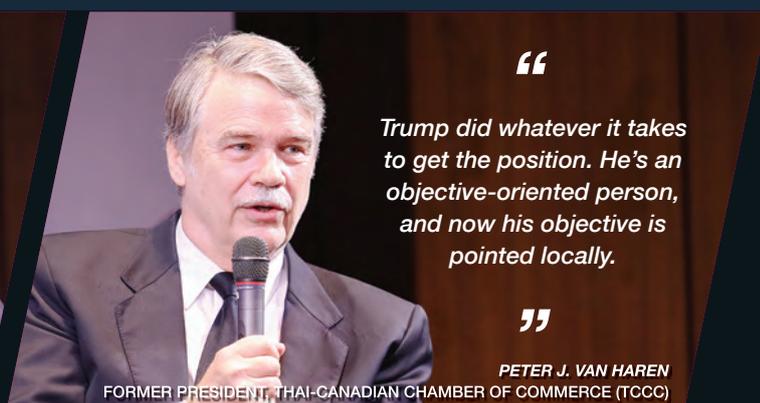
Trump's possible disengagement from Southeast Asia and withdrawal from the TPP could prove a loss to ASEAN, but it could also be a missed opportunity for the US – ASEAN offers a market size of 630 million people with an economy of about \$2.6 trillion, the sixth largest in the world. With a young, productive population and high growth potential, ASEAN is sure to intensify its search for alternatives and test its prospects with regional economic partners, China, India, Japan and South Korea.

Towards RCEP

Given the drawback that TPP is likely to receive as Donald Trump takes Office in January 2017, hopes are now pinned on RCEP. Started in 2013, the Regional Comprehensive Economic Partnership (RCEP) includes ASEAN and six of its free trade partners, namely Australia, China, India, Japan, New Zealand, and South Korea. The group envisions regional economic integration, leading to the

creation of the largest regional trading bloc in the world, accounting for nearly 45 percent of the world's population and with a combined GDP of \$21.3 trillion. RCEP aims to cover not only trade in goods and services, but also investment, economic and technical cooperation as well as competition and intellectual property rights. The size and scope of RCEP have made negotiations difficult, as some countries such as China have an upper hand in goods while others such as India in services. ASEAN members, represented by Singapore in the negotiations, are opposed to any substantial negotiations in services.

However, taking up India's suggestions in the recent RCEP meeting in November in the Philippines, RECP countries have at least agreed to work on completing RCEP negotiations under a single undertaking where all elements of the negotiations such as goods, services and investment form part of the final agreement. This is encouraging, in particular for India who is advocating Modi's "Act East" policies. However, much work needs to be done to expedite the conclusion of the agreement, not least on issues such as investor-to-state dispute settlement mechanism which both India and ASEAN oppose.



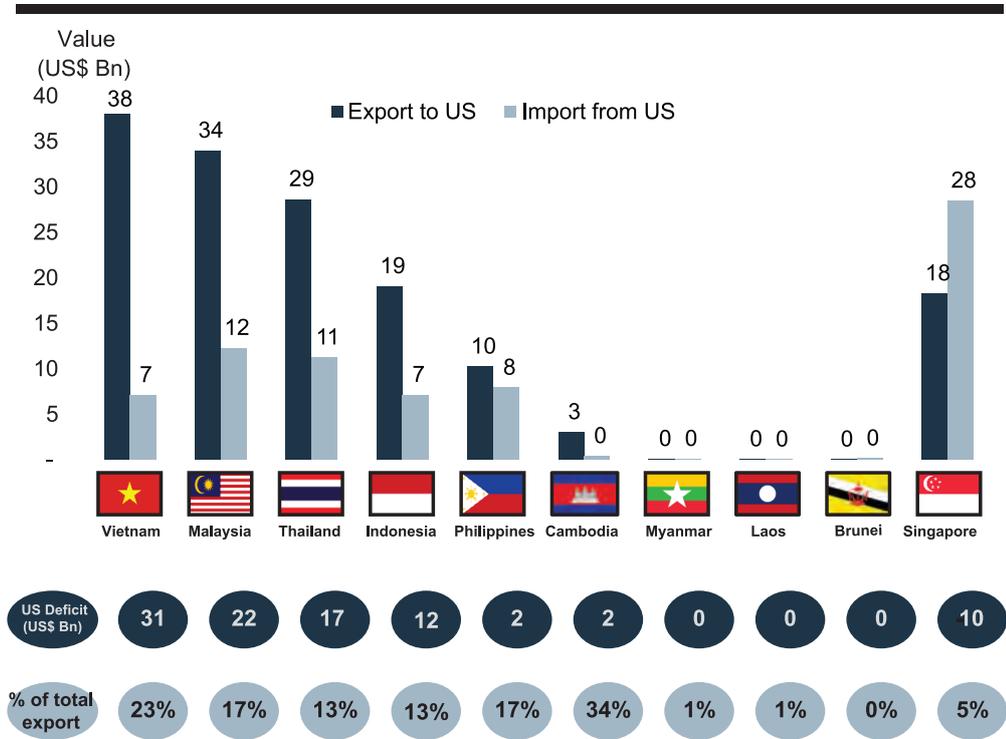
EXPERT VIEW - ASEAN AND TRUMP

ASEAN turns 50 this year, and it also celebrates the 40th anniversary of its relationship with the US. As Trump takes on the US Presidency, a key spotlight will be on the U.S.-ASEAN Trade deficit. The stakes have never been higher for the US and ASEAN. It is

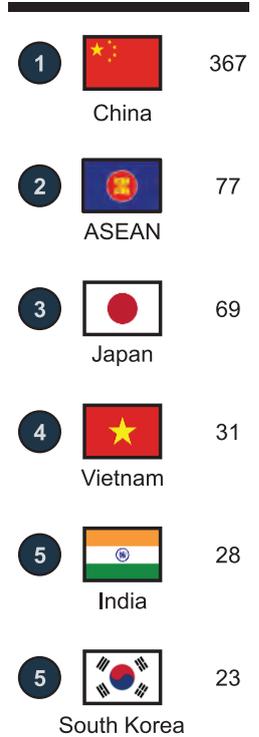
interesting to see the statistics and measure impact – while the US runs the largest trade deficit with China, the second biggest US trade deficit is not with Japan, India or South Korea, but with ASEAN.

Import – Export value and trade deficit

Value of import and export between ASEAN countries and US in 2015



US Deficit (US\$ Bn)



Source: ASEAN Secretariat; PrimeStreet Advisory

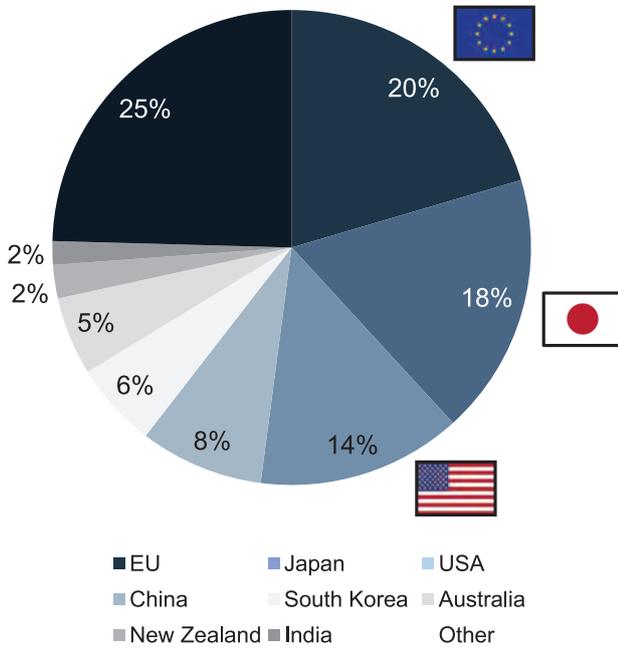
With regards to jobs, Mr Trump should understand that ASEAN economies have created half a million jobs – 500,000 – for the American people in goods and services.

As for FDI, the US is losing ground in the region. FDI from China and Hong Kong into the ASEAN-4 (Philippines,

Malaysia, Indonesia, and Thailand) totaled \$9.4 billion in the first quarter of 2016, accounting for 36.9 percent of total FDI inflows, according to the Edge Markets report. That is nearly as high as cumulative \$10 billion from 2013 to 2015, and far ahead of the \$919 million in FDI from the US in the same period.

FDI net inflows in ASEAN

FDI net inflow in ASEAN from extra ASEAN countries (2015)



Note: *FDI from US as of 2012
Source: ASEAN Secretariat; PrimeStreet Advisory

FDI inflow ranking by country

Country	FDI (US\$ Mn)	FDI from US (US\$ Mn)*
Singapore	57,868	15,026
Vietnam	9,646	104
Malaysia	8,570	2,467
Indonesia	7,417	1,536
Thailand	6,613	2,323
Phillippines	5,658	77
Cambodia	1,275	18
Laos	857	-
Myanmar	593	-

In the era of Trump, American interests, and not that of the world, will play a central role. The U.S. is likely to largely disengage from Asia and especially place less emphasis on topics such as human rights and climate change. Certain countries will be more adversely affected such as Vietnam and the Philippines.

Mr Trump's America first (narrow interpretation) may be

good for the U.S. in the short run, but the US may lose its longtime global leadership and influence in the long term. Far from 'Pivot to Asia', the US could ultimately withdraw from a leadership role not just in Southeast Asia, but from the international community at large.

- **Chavapas Ongmahutmongkol**
President, Thai Fulbright Alumni Association (T.F.A.)





ASEAN YOUTH

Collective energy of hundreds of million young people - the new engines that drive the region towards the new horizon

ASEAN's Future

More than half of ASEAN's population is below the age of 30 – a demographic that will determine the future of ASEAN.

However, to reap benefits of a young demographic, it is important to understand what and how young people think. "Different times, different norms" – this statement may ring a bell when comparing two generations, the Baby Boomers and Millennials.

Millennials

(defined as those aged 1-34 in 2015)

Baby Boomers

(those born in the years following the Second World War)

The Young Baby Boomers

Some Core Values

Equal Rights / Equal Opportunities / Optimism / Personal Growth / Spend now, Worry later / Team Oriented / Youth / Work



Face-to-face Social Interaction



Signature Product



Communication Media

The Millennials

Some Core Values

Achievement / Confidence / Diversity / Competitive / Personal attention / Global citizen / Extremely techno savvy / Now! / Optimism / Realism / Street smarts



Text-to-text

Social Interaction



Communication Media

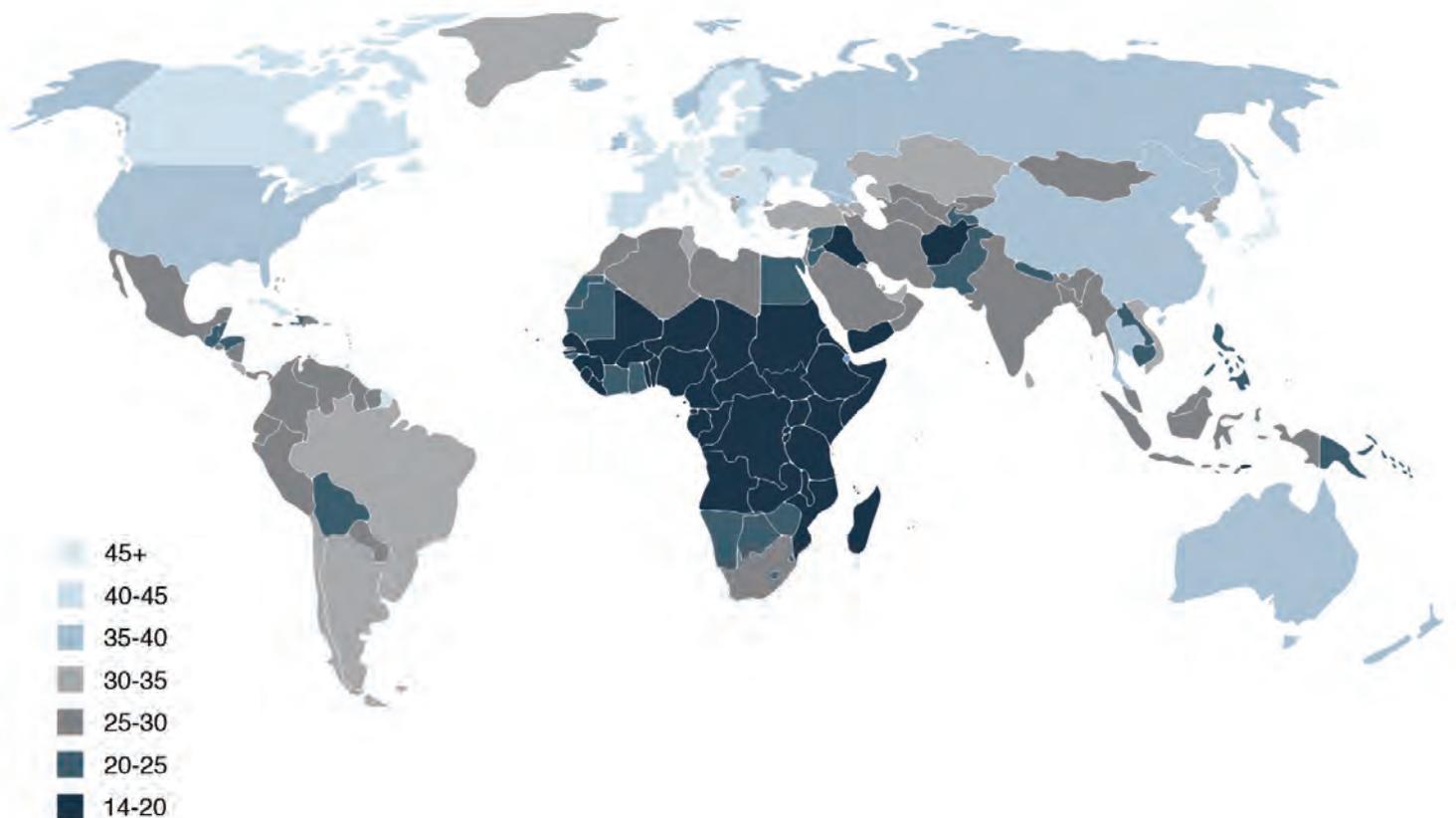


Signature Product

Millennials or the young generation demographic in general is a strong asset for social reform and economic development around the world. ASEAN as a region is in luck as far as the young demographic is concerned. In three decades, ASEAN's population has more than doubled, from around 300 million in 1987 to more than 630 million in 2017. In the same period, ASEAN's urban population has more than tripled, from around 100 million in 1987 to around 300 million in 2017. What is more astonishing is that in 2017, ASEAN boast of a relatively (compared to neighboring China, for instance) young population (more than half below the age of 30) and rapidly decreasing dependency ratio (proportion of young and retired to working-age adults).

However, ASEAN's demographic dividend will only translate into significant economic growth if accompanied by effective policies where young generation's views and aspirations are fully taken into account.

Median Age by Country



Young ASEAN Mindset towards ASEAN Integration

What and how does ASEAN youth think? How can ASEAN leverage on business-art/culture-technology-networking in nurturing the young ASEAN generation for the future of an integrated ASEAN?

Public perception of the young generation may not always be a rosy. Young people are sometimes associated with being 'spoiled', 'entitled', 'lazy' and 'easily distracted', among other negative traits. They are also sometimes accused of being 'antisocial', not to mention 'having little respect for authority', 'switching jobs constantly', and 'possessing unimpressively minimal commitment to work'. These perceptions, of course, are simply – perceptions, and they are the total opposite of what young people think of themselves.

The young generation is having a paradigm shift as far as priorities are concerned. Instead of a stable income, they may be more interested in social currencies and experiences of a lifetime. Instead of being shy or timid, they may be more expressive and assertive towards what they want.

Perspective of ASEAN Youth

Today, traditional values among young ASEAN citizens have changed. C asean conducted a survey²² of young ASEAN citizens in order to find out how ASEAN can leverage on business-art/culture-technology-networking in nurturing the young generation for the future of an integrated ASEAN.

87% want other ASEAN citizens to feel welcomed in their home country.

87% strongly agree with the quote, “because I am an ASEAN citizen, I have a strong chance of doing future business with other ASEAN citizens.”

93% of the respondents enjoy making new friends with other ASEAN citizens.

87% think technology can connect their community with other ASEAN communities effectively.

91% believe social media allows them to network efficiently.

The survey results showed young ASEAN citizens to fall into three categories: the optimists, the pessimists, and those in between. However, on average, the young generation in ASEAN are positive about new business opportunities. They are also curious of the cultural differences, open to the world outside their communities, and most importantly, they look forward to advancing the ASEAN integration process.

For the optimists, the ASEAN motto ‘One Vision, One Identity, One Community’ gave them an incredible sense of possibility. More than half of the respondents felt proud to be “ASEAN”, and they believed that all the differences can be managed through strong willingness to understand one another.

“This motto is really meaningful. By integrating ASEAN nations, we will be more united, and the support from one another will strengthen our power. ASEAN should help each other in whatever way possible and plausible. It should start from learning and understanding the culture of others,” Noted one optimistic respondent.

For the pessimists, which consisted of 19% of the respondents, “ASEAN integration will never happen” because the differences in terms of economic background, individual country’s way of life, and core beliefs and values, are far too great to overcome. They did not completely dismiss the importance of ASEAN integration as a way to increase the competitiveness of the region. However, for this group of young minds, ASEAN means ‘diversity’, rather than ‘one identity’.

“ASEAN should be recognized as a land of diversity – I would rather have these amazing differences coexist than have ASEAN called ‘one identity’,” stated one young respondent.

For the inbetweeners, some 28% of respondents, whose opinions lied somewhere in between, the important factor as to see more action and implementation from ASEAN. Education and networking were strongly recommended by this group.

“The implementation of the ASEAN motto should be expanded to the wider range of people, not consistently emphasized among the government offices, and policy makers,” noted one respondent.

Key Findings and Implications

There are clearly differences in young generation's views towards ASEAN integration and how they think. The findings below provide an indication for policy-makers to leverage on business-art/culture-technology-networking in nurturing ASEAN's young generation for the future of an integrated ASEAN:

1. Networking : Out of business, art/culture, technology, and networking, the target population believes that "networking" has the strongest impact towards integration. C asean's correlation test proves this to be true through scientific data gathering.

2. Culture : Culture is the second ranked factor with regards to its strong correlation with integration.

3. Technology : Technology is ranked third.

4. Business : Business is ranked fourth with regards to its correlation.

The young generation has a different mindset than previous generations with regards to integration within ASEAN. Therefore, it is of the utmost importance to work on personal skills and people-to-people interaction so that networking prospers in the region. Students who gain networking, cultural awareness, as well as technological savviness will in turn integrate better than those who do not.

Recommendations

1. Education reform: Reform the way students learn about ASEAN. Educating students about ASEAN will help build a future that is sustainable and effective towards the collaboration of the ten-member countries. Highlighting the fact that there are many differences is paramount. Diversity is a major asset to this region and it provides for abundant strategies, ideologies, mindsets, and ways of thinking.

2. Focus on the ACSS: Focus more on ASEAN Socio-Cultural Community. Enhanced emphasis on the ASCC will in turn help the AEC and the APSC to flourish as well. Based on C asean's survey, "networking" and "culture" are both at the forefront of integration throughout the region.

3. Raise awareness: Majority of young people do not understand how ASEAN collaboration impacts their daily lives as well as why they should really care about it. Showing

the younger generation how ASEAN connectedness can benefit their personal lives is of the utmost importance.

4. Improve language skills: C asean survey findings shows an interesting correlation between English proficiency and the perception towards ASEAN integration. English-speaking ASEAN youth tend to have lower levels of self-defense mechanism for the unknown; therefore, they tend to feel more comfortable to network with other ASEAN friends. English proficiency should be highly emphasized and seriously implemented until ASEAN reaches the point where English proficiency is considered a norm, not a privilege.





Way Forward

ASEAN Challenges up for Course Correction

The recent global events, from Brixit to the election of Donald Trump, points to a backlash towards globalization. “The current path of globalization demands a course of correction,” as Mr. Obama underlined in Athens in November 16, 2016²³. This year, as ASEAN celebrates its 50th anniversary,

it has a perfect opportunity to examine those international events, but ultimately focus on its own challenges that require a course correction. Below are some of those challenges that need to be addressed.

LEARNING FROM THE OUTSIDE?

ASEAN has arrived late to the ‘party’ when it comes to economic integration, at least compared to the European Union. The newly established ASEAN Economic Community is indeed a case of “better late than never”. However, ASEAN has a long way to go before the AEC is fully realized. Unlike the European Union, ASEAN does not have aspirations to establish a monetary union, and this is perhaps a good thing; however, there are a number of areas that ASEAN could learn from other regional economic cooperation agreements, as demonstrated in the figure below.

ASEAN would also benefit from further enforcements in the ASEAN Secretariat. The Asian Development Bank (ADB) estimates that the ASEAN Secretariat needs at least 1,200 people, which is almost four times larger than the current number of employees.

As for ASEAN citizens and businesses, there is a lot of room for enhanced participation. ‘Top-down’ approach to integration may no longer be enough. European Union citizens, for instance, have been heavily involved in the EU integration process. Europe indeed has benefited from a long period of ‘Europeanization’ or ‘EUization’ and a similar process of say, ‘ASEANization’, may well benefit ASEAN and the region at large.

While ASEAN government are playing their part in driving ASEAN integration process, the private sector as well as the ordinary citizens can look at the other regional economic blocs and strive to play a larger role in ASEAN integration in years and decades to come²⁴.

ASEAN Economic Community (AEC) versus other regional economic cooperation agreements

	 AEC	 Eurozone	 NAFTA
Elimination of tariffs	Dark Blue	Dark Blue	Dark Blue
Elimination of non-tariff barriers	Medium Blue	Dark Blue	Dark Blue
Common tariffs with other countries	Light Blue	Dark Blue	Light Blue
Liberalization of service trade	Medium Blue	Dark Blue	Medium Blue
Mutual recognition of standards	Medium Blue	Dark Blue	Dark Blue
Trade facilitation	Medium Blue	Dark Blue	Dark Blue
Liberalization of foreign investment	Medium Blue	Dark Blue	Dark Blue
Free movement of people	Light Blue	Dark Blue	Light Blue
Intellectual property	Medium Blue	Dark Blue	Dark Blue
Government procurement	Light Blue	Dark Blue	Dark Blue
Competition policy	Medium Blue	Dark Blue	Medium Blue
Common currency	Light Blue	Dark Blue	Light Blue

- Already realized (or significant progress toward realization)
- Targeting but not sufficient realization
- Not targeting (to any meaningful extent)

CROSS-CULTURAL MANAGEMENT

Challenge

With more than 600 million people spanning across ten countries throughout ASEAN, diversity may act as a major key to success if correctly handled. However, it can also be a source of friction.

Recommendation

Young generations believe that culture is the most vital and important factor for cross-country collaboration and integration²⁵. Managing culture throughout the region is the catalyst for integration to happen quickly, and to efficiently move forward.

Managers who work at MNCs need to foster and build upon this opportunity for diversity within their workplace. In order for organizations to reduce bias and catapult differences forward, managers need to bridge the gap between foreign ASEAN workers and locals. Whether that means instituting diversity programs to educate the workforce on cross-cultural leadership, hire from a more international workforce and talent pool, or to create mentoring systems to build upon differences, managers have a plethora of options with regards to creating a catalyst for company success²⁶. Against this backdrop, it is essential to get the ASCC work together with the AEC and APSC in moving ASEAN forward.

BOTTLENECKS FOR BUSINESS

With almost all goods enjoying tariff-free access within ASEAN, one would believe that cross-border trade would be easy. However, the experiences of businesses are rather the opposite.

Travelling across Indochina, from Thailand to Vietnam, the journey starts on a paved highway spanning across three lanes all headed in the same direction towards Laos from Thailand. As the truck makes its way closer to the East-West Economic Corridor, Lao PDR boarder, the road becomes, for a lack of a better word “less friendly”. Reduced from three lanes to one, trucks are continuously stopped due traffic and bad road conditions. Crossing the border may be easy for some, but the non-standardized customs clearances require business representatives to be present on both sides of the borders.

Another challenge is finding qualified drivers throughout the region. Thai license holders, for instance, are not allowed to operate trucks in Laos and Vietnam, so a change in drivers once crossed into the new country is necessary. Winding throughout the landscape of Laos is a tricky maneuver that takes time and precision. Going through another customs clearance at the Viet Nam border, the driver has a sense of relief making it through the mountainous landscape.

Arriving in Hanoi after a long journey from Bangkok is a tough reality for companies trying to take advantage of the current trade arrangement in place. Supply chain networks are trying to capitalize on the routes, but there is only so much they can control. Government policy makers need to understand the difficulties for companies across the region which utilize the free trade agreements²⁷.

CONNECTEDNESS, HARD AND SOFT INFRASTRUCTURE

Challenge

The ten-member countries of ASEAN have different infrastructure development plans and personal domestic needs. Ranging from roads to deep sea ports, telecommunication capabilities to electricity distribution, non-tariff barriers to logistics rules and parameters, ASEAN is scattered with regards to development of hard and soft infrastructure.

Recommendation

Unlocking infrastructure potential of ASEAN is a great mystery to business leaders and policy makers. This area has an array of opportunities waiting to be developed, implemented, and sustained in aims of creating a foundation that will bring about economic developments throughout the region.

Road safety and development needs to be at the forefront of expansion throughout the region. With increase in

intra-ASEAN trade²⁸, it is imperative that roads, especially in CLMVT (Cambodia, Lao PDR, Myanmar, Vietnam, and Thailand) are paved in a systematic way. With more developed highways and motorways for trucks to deliver goods, companies within the region may exercise these opportunities to create valuable and intricate supply chains as well as value chains throughout the region.

“There is a great expansion and movement going on in the CLMVT region right now towards building roads in a more streamlined way. Connecting neighboring countries and creating a sustainable trading route for the future is in the vision of this region. This will bring jobs to the area, solidify CLMVT as a trading network, and will allow companies to capitalize on the opportunities available in the region.

– James Tran

Unique Logistics International, Vietnam

ASEAN CONNECTIVITY

AEC Master Plan on ASEAN Connectivity

Sources	Coverage	Role in Connectivity	Key Players
Physical	Infrastructure	<ul style="list-style-type: none"> • Power grid interconnection + power trade • Road networks and routes link • Bridge links • Rail networks and rail link • Airports + airlines connectivity • Ports-RORO, trade facilitation • ICT connectivity • Energy cooperation (ASEAN Gas Pipeline and energy trade) 	<ul style="list-style-type: none"> • Public sector, private sector, MDB, ODA, SWF
Institutional	Frameworks, agreements & institutional development	<ul style="list-style-type: none"> • Set framework and direction for regional integration + connectivity 	<ul style="list-style-type: none"> • Public sector • ASEAN bodies
Economic	ASEAN Economic Community + sectoral cooperation programmes	<ul style="list-style-type: none"> • Regional division of labour • Intra-regional trade, investment and services • Production and business to business connectivity 	<ul style="list-style-type: none"> • Private sector (including GLCs and SWFs)
People-to-people	Movement of people	<ul style="list-style-type: none"> • An ASEAN identity • Tourism 	<ul style="list-style-type: none"> • People, culture/ heritage • Modes of transport + ICT facilities • Regional carriers and budget airlines

ECONOMIC DISPARITY

Challenge

ASEAN is made of ten members with varying degree of economic standing. The economic disparity³⁰ throughout ASEAN makes integration and the ease of doing business challenging³¹.

ASEAN Ease of Doing Business Index

	2015	2016
	97	72
	128	131
	106	91
	136	139
	22	23
	171	170
	99	99
	3	2
	46	46
	91	82

Recommendation

When economists think of ASEAN, the separation of the ten countries into two groups is likely to divide the economic standing. The first five has always been Brunei, Malaysia, the Philippines, Singapore, and Thailand. The second group will be Cambodia, Indonesia, Lao PDR, Myanmar, and Viet Nam. While these differences make ASEAN attractive to investors because of the diversity and disparities found throughout the list, in years to come, infrastructure development and FDI will hopefully flourish because the economies will grow and become closer. Instead of looking at the differences as liabilities, they may be observed as assets in aims of allowing and fostering growth. If the first five countries were to invest and help and aid the second tier, intra-ASEAN trade and investment will build a concrete friendship and alliance of ASEAN countries more so.

The idea of nationalization is applicable within ASEAN. Countries should in fact focus on internal issues and affairs, this will then allow for economic integration to happen at a much more serious level in years to come. For instance, CLMV countries should focus on infrastructure

ASEAN has Large Disparities in Economic Development



	Year of entry into ASEAN	Population Million	GDP ¹ \$ billion	GDP per capita ¹ % of US level	Real growth of GDP, 2003-13 %
Brunei	1984	0.4	17	78	1.1
Cambodia	1999	15.1	15.5	2	7.8
Indonesia	1967	249.9	888.3	7	5.6
Laos	1997	6.8	10.9	3	7.8
Malaysia	1967	29.7	312.4	20	5
Myanmar	1997	62.8	59	2	8.6
Philippines	1967	98.4	272	5	5.4
Singapore	1967	5.4	295.7	103	6.3
Thailand	1967	67	387.2	11	3.8
Vietnam	1995	91.7	171.2	4	6.4

¹ 2013, in current prices.
SOURCE: IHS; McKinsey Global Institute analysis

alone in hopes that FDI will rise and more international and ASEAN companies will come to set up business. Also, CLMV countries may model some of their own internal policies off of those well-developed countries and become more ASEAN centric. While they are worrying about internal growth, they can aim this growth towards ASEAN policies. Harmonization across all member states will be implemented more efficiently in due time because of trade and FDI throughout the region from the region leaders.

EXPERT VIEW - ASEAN EMBRACING THE DIGITAL INDUSTRIAL CHALLENGE

Whether you are the manager of an auto assembly line in Thailand, a semiconductor factory in Singapore, or a food processing plant in Vietnam, data matters more than ever today.

Why? Just as the Internet has forever changed the way we travel, shop, and consume media, it is also revolutionizing manufacturing and industry in ASEAN, and the rest of the world.

The transformation is driven by the emergence, and convergence, of connected devices, software-defined

machines, cloud-computing, and data lakes to link the physical and digital to create the industrial internet. Known also as “the Internet of Things,” it enables companies to make in-depth, data-led decisions to enhance plant processes, and efficiencies, to boost productivity, financial, and environmental benefits.

While industrial machines have produced huge amounts of data - in GB or TB portions per second - for some time now, building a system to store, manage, and closely analyze the intel had challenged many companies. Recognizing the vast business opportunity offered by this challenge, GE launched GE Digital in 2015 to reimagine how industrial companies can operate plants, and deliver products, by using data as the “fuel,” and advanced analytics as the “growth engine.”

Advanced analytics, coupled with a strong understanding of physics of the industrial equipment, allows GE Digital to deliver business-relevant insights to customers. Using this information, they can make specific alterations, or upgrades to improve cost savings, reliability, productivity, and efficiencies across their plants.

In the industrial world, an efficiency gain of 1 or 1.5% makes a big difference. GE’s Steam Power Systems’ double reheat technology for example, delivers an additional 1.5 percentage points of efficiency, which can add up to \$80 million in value for a 1,000 megawatt plant.

Recently GE’s digital reinvention was backed by a one-billion-dollar investment to support the development of digital strategies for GE’s respective businesses – strategies relevant to their industries and customers.

From this, an early version of Predix, an operating system for the industrial internet was developed, and launched in August 2015.

Through new products, acquisitions, and partner programs, Predix is ever evolving to improve its power, speed, and accessibility. In terms of users, companies such as BP, Exelon, and NEC have installed it in parts of their operations, while more than 19,000 developers, GE Digital employees, partners and customers currently use Predix to build software and apps.

These success stories are building a strong momentum - in 2016, orders from GE software solutions are tracking to increase 25% to more than \$7 billion to make GE the fastest growing digital industrial company in the world.

Here in ASEAN, while we have started digital initiatives with some key customers, we believe Predix will help many more regional-based companies enhance operational performance in the future, as this dynamic market develops and grows on all fronts.

- Alvin Ng
General Manager, GE Digital

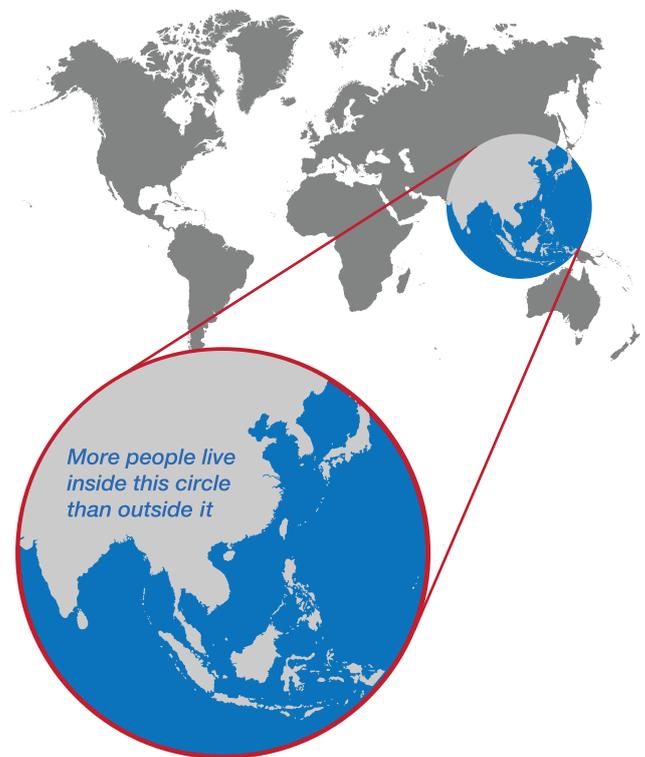
At 50, ASEAN has come a long way, and here is why you should still bet on this bloc³²

From its establishment nearly 50 years ago with just five member countries, ASEAN has grown to encompass 10 countries and form an economic powerhouse in the region. With a population in excess of 600 million, ASEAN today boast of a combined GDP of more than US\$ 2.5 trillion, the sixth largest in the world. As the region's economic profile rises and it seeks to deepen its ties, it is vital for those outside the region as well those within ASEAN to see into the bloc's shortcomings, but ultimately recognise the long-term potential of one of the world's most diverse, fast-moving, and competitive regions.

At Center of the World

In 1980, the world's 'economic center of gravity'³³, the average location of economic activity across geographies on the planet, sat firmly in the middle of the Atlantic Ocean as most of the world's economic activity then occurred in either North America or Western Europe. However, over three decades beginning in the early 1980s, the economic activity in East Asia has witnessed a tremendous upward shift with hundreds of million people lifted out of extreme poverty. This shift has been attributed to the rise of China and India, as well as economic growth of ASEAN and the rest of East Asia. Today, the global economy's centre of gravity has drifted to a location east of the European Union and this shift is likely to continue eastward to a location between China and India in 2050. Observed from the planet's surface, this will be a shift from its 1980 location in mid-Atlantic to one 9,300 km east, just north of ASEAN.

In a related breadth, looking at world population, ASEAN is also at the 'centre of the world'. While populations change in various part of the globe over time, in 2016, most people live inside the circle demonstrated in the figure below³⁴. Standing in Mong Khet, Myanmar, and drawing a circle distance of just 3,300 km in radius will define a very small region with only a sixth of the earth's land area, yet majority of the world live inside this circle than outside, placing ASEAN right in the centre of the world.



Both the notion of 'economic centre of gravity' and 'centre of the world' can be further expanded as well as explored in other contexts; however, it is used here as an indication that ASEAN is well placed geographically and economically to capture a greater share of global flows. Crucially, ASEAN is nestled between the West and the East, with an intellectual and cultural heritage that is partly influenced from Europe, allowing ASEAN to engage with the West, while at the same time remaining distinctly Asian.

Stable Economic Growth

Beyond the big picture, a closer look at the recent developments in ASEAN, not least the entry into force of the ASEAN Economic Community, as well as the region's economic indicators, while all not pointing upwards, show yet further signposts of a promising future.

Since 2000, ASEAN has witnessed rapid growth and ranks as one of the most stable economies in the world, both in terms of down cycles as well as the volatility of gross GDP growth. ASEAN's share of debt to GDP is below 50 per cent, far lower compared to many developed economies.

In order to maintain and capitalise on historical growth rates, ASEAN is already focusing on enhancing its human capital and workforce skills. Given the weak output per worker, ASEAN is also moving towards improving labour productivity which will allow it to obtain a greater share of global manufacturing as labour costs rise in China.

In global trade flows, ASEAN is well positioned as the fourth largest-exporting region in the world; however, intra-ASEAN trade accounts for only 25 percent, much lower than other regional trading blocs such as NAFTA and the European Union. The entry into force of the ASEAN Economic Community in December 2015 has been a right step in this direction as it sets the stage for greater intraregional trade.

EXPERT VIEW - WHY ASEAN NEEDS TO UP AMBITION ON CLIMATE ACTION

ASEAN governments and businesses need to increase their respective ambition on global climate action in order to remain relevant and resilient in the future. Failure to reposition the bloc on a low-carbon development pathway will, in the long run, tax the region in terms of economic opportunities and lives lost as extreme weather catastrophes continue to disrupt Southeast Asia.

Global leaders and decision-makers already realize that climate change is a true problem but also a great opportunity: the latest UN Climate Change Conference in Marrakech, also referred to as the COP22, saw heads of state reaffirm their commitment to defeating climate change – despite the US electing a notorious climate change denier as their next president. This commitment was further backed by a series of significant developments that precluded the event:

- Ambitious 2050 strategies were set by several large economies;
- 48 countries committed to 100% Renewable Energy by 2050, including ASEAN member states, Philippines, Vietnam and Cambodia;
- Engagement from non-state actors counted more than 12,000 commitments registered under NAZCA, a global climate action coalition. These are comprised pledges on energy efficiency and CO2 reductions by the Thai cities of Chiang Mai and Chiang Rai;
- Realizing the widespread implications of climate change for their businesses, 200 companies worth US\$ 4.8 trillion - representing every sector and geography globally - have committed to science-based targets

Due to lack of strong leadership from the US and the EU, China has come forth as the torchbearer for climate ambition. This has been driven in part by pollution becoming a key reason for social unrest, but also by the fact that aligning with the Paris Agreement makes financial sense for countries: early analysis by the World Bank Group shows that financial savings by countries working collectively through, for instance, Article 6 of the Agreement (linking their carbon pricing policies to an international carbon market) can reduce the cost of climate change mitigation by more than 30% by 2030 - an opportunity for ASEAN member states to capitalize on.

The key takeaway is: solving climate change is a massive business opportunity, a moral obligation for some, and a fiduciary duty for others. Renewables have reached the tipping point in terms of the cost/efficiency ratio and are now unstoppable. ASEAN companies aligning with the Global Goals and reducing their CO2 emissions will be more profitable; and ASEAN countries pursuing ambitious national action will thrive and ensure a sustainable future for ASEAN citizens in the decades to come.

- Nadia Kahkonen

Global Communications Director, South Pole Group

Riding the Urbanisation Wave

The booming growth of ASEAN cities have significantly contributed to the region's economic rise. With one-third of ASEAN's population living in cities, urban areas today account for around two-thirds of the region's GDP. By 2030, more than 90 million people are expected to move to cities, increasing the urban share to almost 45 percent of the population and 75 percent of GDP. This shift could prove game-changing for ASEAN with the added advantage that many of its growth-driving cities remain outside the major capitals. There are around 215 smaller cities that are growing faster than its well-known capitals, and they are expected to drive almost 40 percent of the region's GDP growth through 2030.

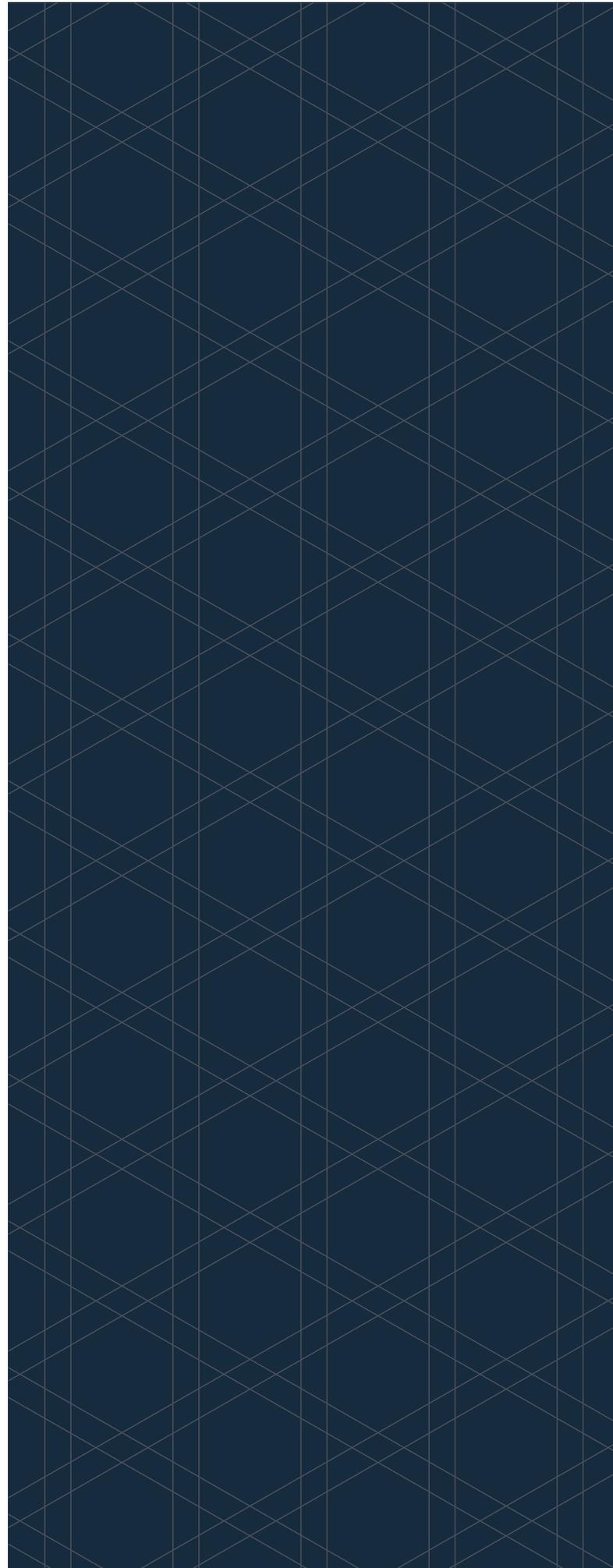
As ASEAN continues to urbanise and millions move to cities in the years to come, ASEAN would gain a formidable number of new consumers with considerable spending power. ASEAN's 'consuming class' is expected to double by 2030, from around 81 million in 2013 to 163 million in 2030. Indonesia, in particular, will generate tens of millions of newly prosperous consumers.

The continued growth of cities would place ASEAN as an essential market of the future for companies in a range of industries. Keeping pace with this growth and creating cities with a high quality of life will require infrastructure, housing and commercial investments in excess of US\$7 trillion.

The infrastructure in most ASEAN cities is straining under the demands of expanding populations as people move from the countryside. Historically, ASEAN has underinvested in infrastructure and it is evident today. For instance, Indonesia has approximately 27 km of roads for every 100 square km of land compared with 185 km in Germany. However, rather than being pessimistic, ASEAN can use this as an opportunity to address the challenge of its unpaved roads and infrastructure bottlenecks, and ultimately tap into its full urbanisation and growth potential³⁵.

Looking Ahead

Despite numerous challenges that lie ahead, there are many transformational opportunities for ASEAN in the years ahead. The ASEAN Economic Community is set to enhance intra-regional trade. Raising labour productivity is sure to attract more global production. Infrastructure investment and a growing digital landscape would provide for more growth opportunities. Riding the urbanisation wave, the ASEAN consumer class is expected to increase at a fast pace. By 2030, it will be home to more than 700 million people with almost 200 million consumer class with a formidable purchasing power. By 2050, it will set firmly in the middle of the world's 'economic centre of gravity'. At 50, as ASEAN rises and further deepens its integration, it is indeed vital for those outside the region as well those within ASEAN to see the bloc's long-term potential and place their bets on one of the world's most diverse, fast-moving, and competitive regions – ASEAN – for the next 50 years and beyond.



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