ASEAN 2030
Toward a Borderless Economic Community

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Study Objectives

- Analyze the long-term development trajectory of ASEAN economies and their regional integration perspectives
  *Importance of the 2030 timeframe—beyond short-term economic analysis but within the realm of foreseeable growth assumptions*

- Contribute to the definition of ASEAN’s post-2015 agenda in the area of economic integration
  *Identifying the next steps for ASEAN regionalism*

- Provide policy recommendations to ASEAN economies, individually and as a group
  *Importance for ASEAN to strengthen its internal cohesion and to maintain centrality in Asia’s architecture for regional cooperation*
The ASEAN Economic Community (AEC)—to be launched in 2015—is a milestone promoting economic integration and development, but more needs to be done to retain competitiveness due to the emergence of the People’s Republic of China, India, and other developing economies.

ASEAN’s aspirations are to become resilient, inclusive, competitive and harmonious (RICH) by 2030. To achieve these aspirations, ASEAN needs an ambitious economic integration plan beyond the AEC.

ASEAN’s 2030 major challenges are:
(i) enhancing macroeconomic and financial stability;
(ii) supporting equitable and inclusive growth;
(iii) promoting competitiveness and innovation; and
(iv) protecting the environment.
4. Overcoming these challenges implies introducing an appropriate mix of domestic structural reforms and initiatives to deepen regional integration—transforming the AEC into a truly borderless economic community.

5. Such policy mix will allow ASEAN economies enter a high-growth path, leading to a 3-fold increase in real per-capita GDP between 2010 and 2030 and reaching quality of life to levels enjoyed today by OECD member countries.

6. However, without domestic structural reforms and initiatives for closer regional integration, ASEAN could become mired in a low-growth scenario, as countries fall into the middle income trap and are unable to manage natural disasters and climate change, or resolve political tensions.
7. ASEAN needs institutional reform to enhance efficiency. However, it should not merely copy the European Union—it must retain flexibility and pragmatism (ASEAN Way), and avoid creating a bloated regional bureaucracy. It should be somewhere closer to the EU but not too much.

8. Reforms are needed to ensure the efficiency and timeliness required by a widening economic agenda: qualified-majority decisions for non-fundamental issues; diversified budget contributions based on members’ capacity and willingness to pay.

9. The ASEAN Secretariat also needs a larger allocation of human and financial resources. And more functional institutions should be created.
Contents

1. Organization and Structure
   Analytical Framework; Aspirations and Challenges; Enabling Factors; Policy Options

2. 2030 Aspirations
   SWOT Analysis; ASEAN Economic Community; Beyond the AEC; 2030 Projections; 2030 Aspirations; Quality of Life; Benchmarking with OECD

3. Key Challenges
   Key 2030 Challenges—by Country; Distribution of Challenges by Income Level; Enhancing Macroeconomic and Financial Stability; Supporting Equitable Growth; Promoting Competitiveness and Innovation; Protecting the Environment

4. Enabling Factors
   Developing Financial Markets; Harnessing Human Capital; Building Seamless Connectivity; Strengthening Governance

5. Institutional Architecture
   ASEAN Global and Regional Role; ASEAN Centrality—Major Groups Focused on ASEAN, and Major Transregional Groups Involving ASEAN Countries

6. Policy Options
   National Policies and Regional Initiatives addressing Challenges and Enabling Factors; Enhancing the Institutional Architecture
1. Organization and Structure
1.1 Analytical Framework

Identification of strengths, weaknesses, opportunities and threats
SWOT analysis

Identification of plausible development paths based on
countries’ official development strategies and ADB’s
economic growth projections

ASPIRATIONS

Chapter 2

CHALLENGES

Chapter 3

Enabling Factors

Chapter 4

Institutional Architecture

Chapter 5

POLICY OPTIONS

Chapter 6
1.2 Aspirations and Challenges
1.3 Enabling Factors

- **Total Factor Productivity**
  - (technological change and innovation)
  - **Labor Force Participation**
  - **Investment** (including infrastructure)

- **Countries’ Economic Growth**
- **Regional Economic Integration**

**Enabling Factors** (Chapter 4)
- Developing Financial Markets (Section 4.1)
- Harnessing Human Capital (Section 4.2)
- Building Seamless Connectivity (Section 4.3)
- Strengthening Governance (Section 4.4)
1.4 Policy Options

Key Challenges
- National Policies
- Regional Initiatives

Enabling Factors
- National Policies
- Regional Initiatives

Institutional Architecture
- Governing Principles
- Institutional Framework
2. 2030 Aspirations
2.1 SWOT Analysis—I

Strengths

- Strong macroeconomic fundamentals
- Young, growing population and expanding middle class
- Abundant natural resources, biodiversity
- Open, flexible economies with diversified export structures
- Large FDI inflows and regional production networks
- Growing dynamic SMEs
- Ability to manage great diversity
- Solidifying ASEAN institutionalization

Weaknesses

- Huge development gaps and pronounced disparity in governance and rule of law
- Absence of an effective regional fund for resource redistribution
- Increasing risk of falling into the middle income trap
- Low education attainments and large unskilled workforce
- Lack of harmonized policies to manage labor mobility
- Absence of regional R&D strategy
- Weak Secretariat and obsolete governance principles
- Lack of post-2015 Vision
## 2.1 SWOT Analysis—II

### Opportunities

- Strategic location in expanding Asia with huge market potential
- Strong cultural links with Asia
- Deep manufacturing and technology links with NE Asia
- Potential to increase energy, water, and food production (security)
- Potential to develop regional hubs in various new areas (education, health, logistics, tourism, finance)
- Strong record of macroeconomic & financial cooperation initiatives
- Central role in Asian cooperation
- Recognized role as honest broker between Japan, PRC, and India

### Threats

- Vulnerability to external shocks due to high degree of openness
- Erosion of advantages in export-driven growth model
- Lack on internal cohesion on long-term development strategy
- Loss of regional centrality due to competition with PRC and India
- Unresolved territorial disputes
- Lack of unified representation in global forums
- Inability to collectively manage DRM, climate change, energy security
- Weak links between ASEAN and subregional cooperation initiatives
### 2.2 ASEAN Economic Community

<table>
<thead>
<tr>
<th>PILLARS</th>
<th>CORE ELEMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. SINGLE MARKET AND PRODUCTION BASE</strong></td>
<td>Priority Integration Sectors</td>
</tr>
<tr>
<td>Free Flow of Goods</td>
<td>Agro-based products; air travel; automotive; e-ASEAN; electronics; fisheries; healthcare; logistics; rubber-based products; textiles and apparel; tourism; wood-based products</td>
</tr>
<tr>
<td>Free Flow of Services</td>
<td>Free Flow of Skilled Labor</td>
</tr>
<tr>
<td>Freer Flow of Capital</td>
<td>Free Flow of Investment</td>
</tr>
<tr>
<td><strong>II. COMPETITIVE ECONOMIC REGION</strong></td>
<td>Consumer Protection</td>
</tr>
<tr>
<td>Competition Policy</td>
<td>Infrastructure Development</td>
</tr>
<tr>
<td>Taxation</td>
<td>Transport; ICT</td>
</tr>
<tr>
<td>E-commerce</td>
<td>Energy; mining</td>
</tr>
<tr>
<td></td>
<td>Infrastructure financing</td>
</tr>
<tr>
<td><strong>III. EQUITABLE ECONOMIC DEVELOPMENT</strong></td>
<td>Development of Small and Medium-Sized Enterprises</td>
</tr>
<tr>
<td></td>
<td>Initiative for ASEAN Integration</td>
</tr>
<tr>
<td><strong>IV. INTEGRATION INTO THE GLOBAL ECONOMY</strong></td>
<td>Coherent Approach toward External Economic Relations (includes FTAs and CEPs)</td>
</tr>
<tr>
<td></td>
<td>Enhanced Participation in Global Supply Networks</td>
</tr>
</tbody>
</table>
2.3 Beyond the AEC

The AEC may not be achieved by 2015 as planned due to:

- policy implementation delays (i.e. ratification of signed agreements and their alignment with national domestic laws)
- non-alignment of domestic and regional interests
- still wide development gap between member countries
- Some countries still lack the technical, regulatory, financial capability to fully implement some of the measures needed to complete the AEC

By 2015, 75% of AEC Blueprint will be realized. It may take up to 2020/25 to complete the AEC (ADB Study). What’s needed:

- Eliminate non-tariff barriers (also anti-dumping and sanitary regulations)
- Strengthen food security and cooperation in agriculture and forestry
- Adopt trade facilitation measures that reduce costs
- Strengthen investment policies, the business climate and capital mobility of member states so money can flow freely across borders
## 2.4 2030 PROJECTIONS

<table>
<thead>
<tr>
<th>Country</th>
<th>2010</th>
<th>2030</th>
<th>2010-2030</th>
</tr>
</thead>
<tbody>
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<td></td>
<td>Population (million people)</td>
<td>Nominal GDP (billion USD)</td>
<td>Per-capita GDP (USD)</td>
</tr>
<tr>
<td>BRU</td>
<td>0.414</td>
<td>12.371</td>
<td>29,882</td>
</tr>
<tr>
<td>CAM</td>
<td>14.953</td>
<td>11.255</td>
<td>753</td>
</tr>
<tr>
<td>INO</td>
<td>237.641</td>
<td>708.352</td>
<td>2,981</td>
</tr>
<tr>
<td>LAO</td>
<td>6.437</td>
<td>6.461</td>
<td>1,004</td>
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<tr>
<td>MAL</td>
<td>28.251</td>
<td>237.803</td>
<td>8,418</td>
</tr>
<tr>
<td>MYA</td>
<td>61.187</td>
<td>45.380</td>
<td>742</td>
</tr>
<tr>
<td>PHI</td>
<td>94.010</td>
<td>199.591</td>
<td>2,123</td>
</tr>
<tr>
<td>SIN</td>
<td>5.184</td>
<td>227.382</td>
<td>43,862</td>
</tr>
<tr>
<td>THA</td>
<td>63.878</td>
<td>318.908</td>
<td>4,992</td>
</tr>
<tr>
<td>VIE</td>
<td>88.257</td>
<td>103.575</td>
<td>1,174</td>
</tr>
<tr>
<td>ASEAN</td>
<td>600.212</td>
<td>1,871.078</td>
<td>3,117</td>
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<tr>
<td>ASEAN-6</td>
<td>429.378</td>
<td>1,704.407</td>
<td>3,969</td>
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<tr>
<td>CLMV</td>
<td>170.834</td>
<td>166.671</td>
<td>976</td>
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</table>

Sources: 2010 data are from IMF. 2030 projections are from the ADB.
### 2.5 2030 ASPIRATIONS

<table>
<thead>
<tr>
<th>Country</th>
<th>2010 Population (million people)</th>
<th>Nominal GDP (billion USD)</th>
<th>Per-capita GDP (USD)</th>
<th>2030 Population (million people)</th>
<th>Nominal GDP (billion USD)</th>
<th>Per-capita GDP (USD)</th>
<th>Yearly avg. GDP growth (%)</th>
<th>No. times increase per-capita GDP</th>
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<tr>
<td>BRU</td>
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<td>ASEAN</td>
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<td>ASEAN-6</td>
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<td><strong>11,284.589</strong></td>
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<tr>
<td>CLMV</td>
<td><strong>170.834</strong></td>
<td><strong>166.671</strong></td>
<td><strong>976</strong></td>
<td><strong>197.678</strong></td>
<td><strong>803.867</strong></td>
<td><strong>4,066.552</strong></td>
<td><strong>7.9</strong></td>
<td><strong>4.2</strong></td>
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</tbody>
</table>

Sources: 2010 data are from IMF. 2030 aspirations are from background papers prepared for the ASEAN 2030 study.
## 2.6 Quality of Life

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Material well-being</td>
<td>1. GDP per capita (2005 PPP$)</td>
</tr>
<tr>
<td></td>
<td>2. Satisfaction with financial situation of household (subjective)</td>
</tr>
<tr>
<td>(ii) Job opportunity and working conditions</td>
<td>3. Labor force participation rate (% of total population aged 15+)</td>
</tr>
<tr>
<td></td>
<td>4. Unemployment rate (%)</td>
</tr>
<tr>
<td></td>
<td>5. Share of informal to total employment (%)</td>
</tr>
<tr>
<td>(iii) Health</td>
<td>6. Life expectancy at birth (years)</td>
</tr>
<tr>
<td></td>
<td>7. Infant mortality rate (per 1,000 live births)</td>
</tr>
<tr>
<td></td>
<td>8. Undernourished population (%)</td>
</tr>
<tr>
<td></td>
<td>9. State of health (subjective)</td>
</tr>
<tr>
<td>(iv) Education</td>
<td>10. Net primary school enrollment rate (%)</td>
</tr>
<tr>
<td></td>
<td>11. Average years of schooling (years)</td>
</tr>
<tr>
<td>(v) Social inclusion or equity</td>
<td>12. Poverty rate (% of population below $2 (PPP) a day)</td>
</tr>
<tr>
<td></td>
<td>13. Gini coefficient</td>
</tr>
<tr>
<td></td>
<td>14. Ratio of female to male primary school enrollment (%)</td>
</tr>
<tr>
<td></td>
<td>15. Sense of belonging to local community (subjective)</td>
</tr>
<tr>
<td>(vi) Economic and physical insecurity</td>
<td>16. Perception of safety (subjective, %)</td>
</tr>
<tr>
<td></td>
<td>17. Homicide rate (per 100,0000 people)</td>
</tr>
<tr>
<td></td>
<td>18. Social protection index</td>
</tr>
<tr>
<td>(vii) Environment and living conditions</td>
<td>19. NOx emissions (metric tons of CO₂ equivalent per capita)</td>
</tr>
<tr>
<td></td>
<td>20. Access to improved water source (%)</td>
</tr>
<tr>
<td></td>
<td>21. Access to improved sanitation facilities (%)</td>
</tr>
<tr>
<td></td>
<td>22. Slum population (% of urban population)</td>
</tr>
<tr>
<td>(viii) Governance</td>
<td>23. Rule of law index</td>
</tr>
<tr>
<td></td>
<td>24. Government effectiveness index</td>
</tr>
</tbody>
</table>
2.7 Benchmarking with OECD

**EDUCATION**
Years of Schooling

- VIE: 6.4
- CAM: 6.0
- THA: 7.5
- SIN: 9.1
- PHI: 9.0
- MAL: 10.1
- MYA: 4.6

**GOVERNANCE**
Rule of Law

- VIE: 38.5
- CAM: 15.5
- THA: 48.4
- SIN: 93.4
- PHI: 34.7
- MAL: 66.2
- MYA: 4.2

Legend:
- Red: ASEAN Countries
- Gray: World average (7.83)
- Orange: OECD average (10.83)
3. Key Challenges
3.1 Major ASEAN Challenges

Enhancing Macroeconomic and Financial Stability
✓ Maintain macroeconomic and financial stability
✓ Maintain fiscal soundness
✓ Avoid future crises and contagion

Supporting Equitable Growth
✓ Narrow development gaps within and across countries
✓ Reduce inequalities, social tensions, and discrimination

Promoting Competitiveness and Innovation
✓ Reduce cost of doing business across ASEAN countries
✓ Accelerate technological diffusion and absorption and better capture synergies between science and industry
✓ Exploit comparative advantage in tropical agriculture
✓ Capitalize on the increasing inflow of tourists to ASEAN

Protecting the Environment
✓ Protect the environment and manage climate change
✓ Ensure energy supply and security
✓ Manage natural resources and avoid their depletion
4. Enabling Factors
4.1 Major Growth-Enabling Factors

Developing Financial Markets
- Develop efficient markets in support of the real sector
- Increase effectiveness of financial intermediation
- Improve recycling of regional savings into regional investment

Harnessing Human Capital
- Aging population and slowing work force growth
- Improve the overall quality of education systems
- Deal with unregistered, unprotected intra-ASEAN labor movements

Building Seamless Connectivity
- Foster the region-wide ability to trade, travel, and transit
- Strengthen regional infrastructure in transport and communication
- Enhance people-to-people connectivity

Strengthening Governance
- Promote rule of law, contract enforcement, and transparent rules
- Manage national and regional institutions effectively
- Strengthen national civil services
5. Institutional Architecture
5.1 ASEAN Global and Regional Role

✓ The ASEAN-Way (consensus, openness, pragmatism) has served the region well but it now needs efficiency updates to reflect the increasing importance of the economic agenda.

✓ The amount of powers delegated by member countries to common institutions is still too limited to fully capture the benefits of increasing economic integration.

✓ A strong institutional architecture, where the ASEAN Chair and Secretary-General can articulate common interests and their regional agenda is important for ASEAN to maintain centrality—remaining relevant to its members and external partners, and ensuring that regional initiatives are fully compatible with global processes.
5.2 ASEAN Centrality: Major Groups Focused on ASEAN
5.3 ASEAN Centrality: Major Transregional Groups Involving ASEAN Countries

APEC = Asia-Pacific Economic Cooperation (21 members); ASEAN = Association of Southeast Asian Nations (10 members); ASEM = Asia-Europe Meeting (44 members); BIMSTEC = Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (7 members); CTI = Coral Triangle Initiative (6 members); FEALAC = Forum for East Asia-Latin America Cooperation (36 members).

Note: The list of additional 17 Latin American members of FEALAC includes: Argentina, Bolivia, Brazil, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Paraguay, Suriname, Uruguay, and Venezuela.
6. Policy Options
6.1 Enhancing Macroeconomic and Financial Stability

SELECTED NATIONAL POLICIES

- **INDONESIA**: Introduce an early warning system and establish a crisis management protocol to monitor macroeconomic and financial stability
- **MYANMAR**: Start fiscal reforms—raise spending on education and health; decentralize tax collection and administration; expand social safety nets; eliminate (or reduce) subsidies, including on oil and gas

KEY REGIONAL INITIATIVES

- Adopt regional guidelines on effective capital control measures
- Introduce an informal coordination mechanism to maintain intraregional exchange rate stability
- Introduce regional guidelines on fiscal sustainability
- Create an **ASEAN Financial Stability Dialogue**
6.2 Supporting Equitable Growth

SELECTED NATIONAL POLICIES

✓ MALAYSIA: Provide affordable public housing to the poor and lower income group, especially in urban areas

✓ VIET NAM: Develop a comprehensive social protection system, including national target programs, social insurance, and contingent support

KEY REGIONAL INITIATIVES

✓ Strengthen the ASEAN Secretariat’s technical and financial capacity to bridge development gaps

✓ Improve coordination to channel external assistance to CLMV countries through Initiative for ASEAN Integration and the ASEAN Framework for Equitable Economic Development

✓ Create an ASEAN Convergence Fund (expanding the existing ASEAN Development Fund) to mitigate the possible negative impact of regional economic integration initiatives, entrusting professionals for its administration
6.3 Promoting Competitiveness and Innovation

SELECTED NATIONAL POLICIES

- **SINGAPORE**: Increase spending on R&D, promote design-driven innovation and institutions, and recruit more researchers in public agencies.

- **PHILIPPINES**: Streamline regulations, reduce time needed for opening and closing businesses, introduce one-stop investment clearing shops, computerize processing.

KEY REGIONAL INITIATIVES

- Create an **ASEAN Competitiveness Institute** to promote R&D strategies and innovation policies.

- Establish an **agency for the certification and standardization of Made-in-ASEAN products**.

- Create an **ASEAN Rice Authority** to promote food security.

- Form an **ASEAN Tourism Council** to help coordinate national strategies and adopt a single ASEAN Visa for qualified tourists.
SELECTED NATIONAL POLICIES

✓ **INDONESIA**: Avoid energy subsidies and largely increase research funding in alternative energy sources such as biofuels

✓ **LAO PDR**: Conduct strict environmental assessments of development projects, especially those exploiting natural resources

KEY REGIONAL INITIATIVES

✓ Adopt national policies to tax environmental “public bads” and eliminate harmful subsidies that encourage the inefficient use of natural, especially fossil-based, resources

✓ Adopt long-term development strategies that mainstream “green” growth, introducing environmental standards that define “green” products and production techniques

✓ Harmonize countries’ environmental laws and standards
6.5 Developing Financial Markets

SELECTED NATIONAL POLICIES

✓ **THAILAND:** Widen the issuer and investor base to attain critical mass in equity markets; expand the number of qualified issuers and potential buyers in bond markets

✓ **BRUNEI DARUSSALAM:** Establish a modern payment system to facilitate local companies in high-tech sectors conduct business in global internet markets

KEY REGIONAL INITIATIVES

✓ Create an ASEAN-wide market for all locally-issued securities
✓ Introduce a regional payment and settlement system
✓ Introduce an ASEAN-wide credit rating system
✓ Introduce an ASEAN-wide deposit insurance system
✓ Establish an **ASEAN College of Financial Supervisors** as a permanent, yet flexible institution for regional cooperation
6.6 Harnessing Human Capital

SELECTED NATIONAL POLICIES

✓ MALAYSIA: Increase public facilities to reduce disparities in the quality of education among states, and between rural and urban areas
✓ CAMBODIA: Increase supply of technical and vocational schools to match demand for skilled labor

KEY REGIONAL INITIATIVES

✓ Raise ASEAN overall scientific and technical skills
✓ Expand scholarships and student exchanges and strengthen the ASEAN credit transfer system introduced as part of the ASEAN University Network
✓ Introduce a region-wide system for freer but managed movement of unskilled labor
6.7 Building Seamless Connectivity

SELECTED NATIONAL POLICIES

- **INDONESIA**: Open port systems to private sector operators and introduce privately-run roll-on/roll-off ferries
- **MYANMAR**: Improve telecommunication infrastructure such as internet and telephone lines to facilitate technology leapfrogging in ICT

KEY REGIONAL INITIATIVES

- Expedite the implementation of the Master Plan on ASEAN Connectivity
- Remove policy barriers to cross-border air travel
- Expand the scope and increase the size of the ASEAN Infrastructure Fund and make it fully operational
- Strengthen private sector links and public-private partnership
6.8 Strengthening Governance

SELECTED NATIONAL POLICIES

✓ PHILIPPINES: Adopt an effective competition law and create an agency to discipline markets, curb monopolies and level the playing field
✓ VIET NAM: Continue judiciary reforms to increase protection of people's rights and ensure enforcement of the rule of law

KEY REGIONAL INITIATIVES

✓ Introduce governance and regulatory reforms to limit corruption
✓ Adopt international best practices, following principles of transparency, accountability, and equity
✓ Adopt a region-wide competition policy and legal framework
✓ Create an **ASEAN Competition Authority** to monitor compliance with and implementation of governance principles
✓ Harmonize ASEAN governance standards and practices
6.9 Enhancing the Institutional Architecture - I

UPDATING GOVERNING PRINCIPLES

✓ Increase flexibility in decision-making—using qualified majority systems for non-fundamental issues and day-to-day operations, while keeping consensus for fundamental issues

✓ Diversify financial contributions—transforming the equal budget contribution principle to more diversified schemes reflecting members’ capacity and willingness to pay

✓ Introduce sanctions and a feedback system—to support the existing Dispute Settlement Mechanism and to complement the “ASEAN Way” with a philosophy of adherence to the rule of law

✓ Introduce compensating mechanisms—for those groups and individuals losing out of regional economic integration
6.9 Enhancing the Institutional Architecture-II

STRENGTHENING THE INSTITUTIONAL FRAMEWORK

☑ Create new regional agencies—based on emerging needs and considering members’ interest to host them and contribute to their budget (regional decentralization)

☑ Create an ASEAN Academy—to foster the ASEAN civil service

☑ Build a stronger ASEAN Secretariat—expanding its human and financial resources (to match the operational costs expected to rise to $200M by 2030)

☑ Strengthen regional coordination—making the Committee of Representatives more powerful and effective as interface with members’ national agencies in countries, and allowing the ASEAN Secretariat to play a deeper coordinating role with other regional (and subregional) institutions and development partners
Thank you!