Issues and Challenges on ASEAN 2015

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Issues to be discussed

1. Brief overview of ASEAN Blueprint and MPAC

2. Progresses and current situations (Structural changes)

3. Future changes: Expectations in MT and LT

4. Issues and challenges

5. Thai Government Strategies to Implement ASEAN Community 2015
## ASEAN’s broad picture

<table>
<thead>
<tr>
<th>ASEAN Community</th>
<th>As compared to…</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total population 580 million</td>
<td>&gt; European Union</td>
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<tr>
<td>GDP size = 1.5 trillion USD</td>
<td>= South Korea’s</td>
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<tr>
<td>International trade 1.61 trillion</td>
<td>= 6 times Thailand’s</td>
</tr>
<tr>
<td>FDI approximately 50 bil. USD</td>
<td>= 60% of China’s</td>
</tr>
<tr>
<td>International tourists 65 mil. persons</td>
<td>= World’s second order from France</td>
</tr>
</tbody>
</table>

ASEAN 10 : 583 Millions of Pop. (9% of the world's population)  
GDP 1,275 Billions USD (2% of the world’s GDP)

ASEAN+3 : 2,068 Mil. of Pop. (31% of the world)  
GDP 9,901 Bil. USD (18% of the world’s GDP)

ASEAN+6 : 3,284 Mil. of Pop. (50% of the world)  
GDP 12,250 Bil. USD (22% of the world’s GDP)
The Sizes of ASEAN+3 and ASEAN+6 are comparable to those of the US and EU

Note: World Nominal GDP Share (2010)
ASEAN’s Significance

Population | GDP
---|---
Myanmar | 62.4 million GDP 53.1 billion USD
Laos | 64.4 million GDP 31.4 billion USD
Vietnam | 89.3 million GDP 322.7 billion USD
Philippines | 15.1 million GDP 37.1 billion USD
Thailand | 6.3 million GDP 19.4 billion USD
Cambodia | 95.9 million GDP 426.7 billion USD
Brunei | 28.5 million GDP 501.2 billion USD
Singapore | 241.0 million GDP 1,223.5 billion USD
Indonesia | 5.3 million GDP 328.3 billion USD

Unit: billion USD

<table>
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<tr>
<th>Year</th>
<th>Vietnam GDP</th>
<th>Cambodia GDP</th>
<th>Brunei GDP</th>
<th>Singapore GDP</th>
<th>Indonesia GDP</th>
<th>Malaysia GDP</th>
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</table>
ASEAN’s Significance

Continual economic growth in ASEAN

ASEAN’s population = 8.7% of the world population
Opportunities from Regional Integration

- Market Expansion & Supply chain readjustment
- Higher bargaining power

Regional Economic-Social Prosperity
Competitiveness

- Natural Resource & Raw Material Utilization
- Skills & Knowledge Exchange
- Enhanced Transparency
- Trade & Transport Facilitation
Goals
From *connectivity* to *connectivity plus competitiveness* to
*connectivity plus competitiveness plus community*

• Specialization

• Economies of Scale

• Competitiveness Enhancement

Production network
Supply chain Re–adjustment
Fragmentation & agglomeration effect

Raw materials, labour, capitals

Productivity Improvement, climbing up the value chain
ASEAN Community

ASEAN Charter
The motto of ASEAN is “One Vision, One Identity, One Community”.

APSC Blueprint
- Political Development, Protection
- Promotion of Human Right,
- Promote Cohesive, Peaceful and Resilient Region

AEC Blueprint
- Single Market & Production Base,
- Competitive Economic Region,
- Equitable Economic Development
- Integration into the Global Economy

ASCC Blueprint
- Human Development,
- Social Welfare,
- Poverty Alleviation,
- ASEAN Identity Building,
- Environmental Sustainability

Master Plan on ASEAN Connectivity (MPAC)

Physical Connectivity
- Land, Maritime and Air Infrastructure Development
- ICT
- Energy

Institutional Connectivity
- Free flow of goods, service, and investment
- Transport Facilitation
- Free Flow of Skilled Labor and Human Resource Development
- Cross Border Procedures

People to People Connectivity
- Education and Culture
- Tourisms
AEC: ASEAN Economic Community Blueprint

Towards ASEAN 2015

Key characteristics and commitments

A Single market and production base
- Free flow of goods
- Free flows of services
- Free flows of investment
- Free flows of capital
- Free flow of skilled labour

Competitive economic region
- Competition policy
- Consumer protection
- Intellectual property rights
- Infrastructure development
- Taxation
- E-commerce

Equitable economic development
- SMEs development
- Initiative for ASEAN Integration (IAI)

Integration to the Global Economy
- Coherent approach towards external economic relations
- Enhanced participation in global supply networks
In actions, some progresses have been made but with challenges to successful implementation of trade and investment integration.
Commitments on single market and production base

- **Goods**
  - ASEAN-6 tax = 0%
  - CLMV tax 0%

- **Service**
  - Foreign equity ownership
    - 2007: 51%
    - 2008: 49%
    - 2009: 51%
    - 2010: 70%
    - 2011: 70%
    - Expeditied (ICT, Health care, Tourism, Air transportation)

- **Investment**
  - (ACIA) ASEAN Comprehensive Investment Agreement (covering protection, facilitation & cooperation, promotion & awareness, liberalization)
  - Ratification in effect

- **Skilled labour**
  - 8 Mutual Recognition Agreements (MRA) were signed
    - Medicine doctor, Dentists, Accountants, Engineers, Nurses, Architects, Explorers, Tourism personnel

- **Capital**
  - Liberalization in 2020 at the latest
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<tr>
<th>Goods/commodity group</th>
<th>Brunei</th>
<th>Cambodia</th>
<th>Indonesia</th>
<th>Laos</th>
<th>Malaysia</th>
<th>Myan</th>
<th>Philip</th>
<th>Sing</th>
<th>Thai</th>
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<td>8.6</td>
<td>2.3</td>
<td>0.0</td>
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<td>3.4</td>
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<td>4.0</td>
<td>0.0</td>
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<td>10.2</td>
<td>10.5</td>
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</table>

Source: WTO ITC UNCTAD
ASEAN Trade

**Intra-ASEAN Trade;** Most of intra-ASEAN trades are less interdependent as opposed to extra-ASEAN trade. In the past 17 yrs, the share of intra-ASEAN trade was only 30-33% percent of total ASEAN’s trade. Net importers of ASEAN are Laos, Brunei and Cambodia (import 88 percent, 60 percent, and 58 percent respectively). Net exporters to ASEAN are the Laos PDR and Myanmar (67% and 50% respectively). Thus the Laos PDR, Myanmar and Cambodia are depending on intra-ASEAN trade the most (78%, 50%, and 40% respectively) and tend to increase. Meanwhile Vietnam’s trade with ASEAN has relatively low proportion in her total trade (17%), and has shown some signs of declining trend. To some extents, trade pattern within ASEAN share some similarity to that of FDI.

### Intra-ASEAN trade share classified by countries in 1995 - 2012

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Source: UNCTAD
Comparative Diversification Index in ASEAN countries 2012: Products in more advanced/developed countries tend to be more diversified

<table>
<thead>
<tr>
<th></th>
<th>Brunei</th>
<th>Cambodia</th>
<th>Indonesia</th>
<th>Laos</th>
<th>Malaysia</th>
<th>Myanmar</th>
<th>Philippines</th>
<th>Singapore</th>
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Source: UNCTAD
## CASE EXAMPLE of NTBs in ASEAN (March 2013)

<table>
<thead>
<tr>
<th>Country</th>
<th>Commodity</th>
<th>Measure</th>
<th>Impact to Thailand</th>
</tr>
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<tbody>
<tr>
<td></td>
<td><strong>Meat, poultry and egg products</strong></td>
<td>Import of meat, poultry and egg products have been certified Halal products standard and Halal food certificate from the Department of Islamic Development Malaysia.</td>
<td>Malaysia doesn’t accept Halal products standard which certified by The Central Islamic Committee of Thailand.</td>
</tr>
<tr>
<td></td>
<td><strong>Vegetables and Fresh Fruits</strong></td>
<td>Imports of fresh fruits and vegetables are limited to only four points; three ports and an airports (from former 8 points). In addition, shipping cargo to Jakarta has to get permission from the Governor of Surabaya.</td>
<td>High volume of import in all three sea ports but lack of inspection system and cold storage for fresh fruit so that they can not accommodate a large number of containers. In addition, logistics route problems cost more transporting time and lead to about 30 percent higher of logistic costs.</td>
</tr>
<tr>
<td></td>
<td><strong>Jasmine Rice</strong></td>
<td>Jasmine rice is defined as special kind of rice and there must be special purposes for import such as for health / for special group consumption only. Thus imports each shipment must be certified by Ministry of Agriculture and get permission from the Ministry of Trade.</td>
<td>Getting testimonials imports take more times about 6 months - 1 year and it can be sold only in restaurants and hotels.</td>
</tr>
<tr>
<td>Country</td>
<td>Commodity</td>
<td>Measures</td>
<td>Impact to Thailand</td>
</tr>
<tr>
<td>---------</td>
<td>--------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td></td>
<td>Halal food</td>
<td>Brunei, all food import must be passed a rigorous inspection for standards and Halal Slaughter must be certified by the responsible authorities of Brunei. Frozen chicken can be imported from a licensed exporter from Malaysia only but not from Thailand.</td>
<td>Thailand’s frozen chicken products can not be exported to Brunei, even if it has been certified Halal standard by the Central Islamic Committee of Thailand</td>
</tr>
<tr>
<td></td>
<td>Timber</td>
<td>Cambodian export ban on timber by reason of the forest conservation.</td>
<td>Thailand investors who invest in eucalyptus plantation in Cambodia can not export them.</td>
</tr>
<tr>
<td></td>
<td>Food and Agricultural products</td>
<td>China expanded the list of goods imported under permits automated. All document for import application must be mailed only. The officer in charge of licensing will not accept a document manually. Reply will be also by mailed.</td>
<td>It has delayed in the permissions process. Although the process specifies that it would take 10 days, but in reality it takes longer. In case of further inquiry regarding the document, the process will be started from the beginning once again. In addition, there is risk of documents lost in which case implies that there would be risk of product spoilage.</td>
</tr>
</tbody>
</table>
FDI in ASEAN countries: rising trend as ASEAN, together as a bigger market and production base, is attracting more investment.
In 2010, FDI in ASEAN recovered from the global recession. FDI grew by 99.2 percent when it totaled 76,000 million USD, the same level as in 2007. The proportion of FDI from extra-ASEAN was 84 percent and intra-ASEAN was only 16 percent.

In 2010, Industrial sectors attracted the most FDI. The proportion of direct investment flows into manufacturing sector was about 27.3 percent, followed by financial services sector (21.2 percent) and real estate sector (16.9 percent), respectively.
Foreign Direct Investment (FDI) in ASEAN

In 2010, foreign direct investment (FDI) in Thailand gradually recovered from the global recession. FDI grew by 27.0 percent with 6,300 million USD lower than 11,000 million USD in pre-crisis period, 2007. In Thailand, the proportion of FDI from extra-ASEAN is much higher such as 93% in 2010.

Singapore attracted the highest FDI inflows 32,000 million USD or 50.3% of total ASEAN in 2010, followed by Malaysia (13.5%), Indonesia (11.6%), Vietnam (10.5%) and Thailand (9.2%), respectively.
World trade structure

World trade structure had changed continually over the last 2 decades. Manufacturing in these groups had changed the most; electronics, computer, communication devices, and labor-intensive product group. Meanwhile, food and drinks, basic metals, and chemicals manufacturing had changed only slightly as far as their structures are concerned. These changes might suggest the role of multinational companies in global supply chain movement or reallocation of production bases to aim at market base and product bases with low cost. Consequently, more changes have been prevailed for high-tech than the resources-based products.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0.00</td>
<td>0.04</td>
<td>0.08</td>
<td>0.16</td>
<td>0.23</td>
</tr>
<tr>
<td>Foods and live animals</td>
<td>0.00</td>
<td>0.07</td>
<td>0.10</td>
<td>0.15</td>
<td>0.17</td>
</tr>
<tr>
<td>Chemical</td>
<td>0.00</td>
<td>0.05</td>
<td>0.11</td>
<td>0.14</td>
<td>0.20</td>
</tr>
<tr>
<td>Leather products</td>
<td>0.00</td>
<td>0.04</td>
<td>0.13</td>
<td>0.20</td>
<td>0.21</td>
</tr>
<tr>
<td>Paper products</td>
<td>0.00</td>
<td>0.05</td>
<td>0.09</td>
<td>0.16</td>
<td>0.21</td>
</tr>
<tr>
<td>Iron and Steel</td>
<td>0.00</td>
<td>0.06</td>
<td>0.10</td>
<td>0.18</td>
<td>0.22</td>
</tr>
<tr>
<td>Vehicles</td>
<td>0.00</td>
<td>0.04</td>
<td>0.08</td>
<td>0.17</td>
<td>0.23</td>
</tr>
<tr>
<td>Beverages and tobacco</td>
<td>0.00</td>
<td>0.07</td>
<td>0.15</td>
<td>0.22</td>
<td>0.23</td>
</tr>
<tr>
<td>Machinery and Transport equipment</td>
<td>0.00</td>
<td>0.06</td>
<td>0.10</td>
<td>0.20</td>
<td>0.28</td>
</tr>
<tr>
<td>Wood products</td>
<td>0.00</td>
<td>0.07</td>
<td>0.20</td>
<td>0.23</td>
<td>0.30</td>
</tr>
<tr>
<td>Electric appliance</td>
<td>0.00</td>
<td>0.08</td>
<td>0.15</td>
<td>0.24</td>
<td>0.30</td>
</tr>
<tr>
<td>Rubber products</td>
<td>0.00</td>
<td>0.05</td>
<td>0.12</td>
<td>0.22</td>
<td>0.30</td>
</tr>
<tr>
<td>Textile</td>
<td>0.00</td>
<td>0.05</td>
<td>0.12</td>
<td>0.23</td>
<td>0.35</td>
</tr>
<tr>
<td>Footwear</td>
<td>0.00</td>
<td>0.09</td>
<td>0.20</td>
<td>0.31</td>
<td>0.41</td>
</tr>
<tr>
<td>Furniture</td>
<td>0.00</td>
<td>0.08</td>
<td>0.18</td>
<td>0.29</td>
<td>0.42</td>
</tr>
<tr>
<td>Communication devices</td>
<td>0.00</td>
<td>0.10</td>
<td>0.20</td>
<td>0.35</td>
<td>0.44</td>
</tr>
<tr>
<td>Office machines and automatic processing.</td>
<td>0.00</td>
<td>0.07</td>
<td>0.25</td>
<td>0.42</td>
<td>0.51</td>
</tr>
</tbody>
</table>

Source: UNCTAD (1995=0)
### ASEAN Economic Structure: Production side with deindustrialization

Diverse structure but moving towards manufacturing and services based economies. Most countries are driven by industry and services in similar proportions (Dual Sector Model) except Singapore and the Philippines economy that main driven is service sector. However, Economic structure of the region as a whole tend to be more service concentration. While the importance of the agricultural sector has decreased continuously.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>15:41:44</td>
<td>11:45:44</td>
<td>09:45:46</td>
<td>10:45:45</td>
<td>10:41:49</td>
</tr>
<tr>
<td>Singapore</td>
<td>01:33:66</td>
<td>00:33:67</td>
<td>00:32:68</td>
<td>00:29:71</td>
<td>00:27:73</td>
</tr>
</tbody>
</table>

Source: World bank
### Table 2.1 Largest sector in Asia economies (latest year)

<table>
<thead>
<tr>
<th>Economies with largest sector in GDP</th>
<th>Agriculture</th>
<th>Industry</th>
<th>Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Azerbaijan, Bhutan, PRC, Indonesia, PNG, Thailand, Turkmenistan, Viet Nam</td>
<td>Afghanist, Armenia; Bangladesh; Bhutan; Cambodia; Fiji; Georgia; Hong Kong, China; India; Japan; Kazakhstan; Kiribati; Rep.of Korea; Kyrgyz Rep.; Lao PDR; Malaysia; Maldives; Mongolia; Myanmar; Nepal; Pakistan; the Philippines; Samoa; Singapore; Solomon Islands; Sri Lanka; Taipei,China; Tajikistan; Timor-Leste; Tonga; Uzbekistan; Vanuatu</td>
<td></td>
</tr>
<tr>
<td>Economies with largest sector in total employment</td>
<td>Armenia, Bangladesh, Bhutan, Cambodia, PRC, Georgia, India, Myanmar, Nepal, Pakistan, PNG, Samoa, Tajikistan, Thailand, Uzbekistan, Vanuatu, Viet Nam</td>
<td>None</td>
<td>Azerbaijan; Hong Kong, China; Indonesia; Japan; Kazakhstan; Kiribati; Rep.of Korea; Kyrgyz Rep.; Malaysia; Maldives; Mongolia; Philippines; Singapore; Sri Lanka; Taipei,China</td>
</tr>
</tbody>
</table>

### Table 2.6 Asian economies: The two waves of the service sector

<table>
<thead>
<tr>
<th>Phase 1 (first wave)</th>
<th>Phase 2</th>
<th>Phase 3 (second wave)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsectors with fastest growth in this wave: Trade (wholesale and retail), hotel, and restaurant services; Public, community, social, and personal services</td>
<td>Kiribati; Korea, Rep. of; Malaysia; PNG; Philippines</td>
<td>Brunei Darussalam; Hong Kong, China; Japan; Singapore</td>
</tr>
<tr>
<td>PRC, India, Indonesia, Nepal, Pakistan, Sri Lanka, Thailand</td>
<td>Kiribati; Korea, Rep. of; Malaysia, PNG; Philippine; Thailand, Tonga</td>
<td>Brunei Darussalam; Hong Kong, China; Japan; Singapore</td>
</tr>
<tr>
<td>PRC, India, Indonesia, Kyrgyz Rep., Lao PDR, Nepal, Pakistan, Sri Lanka, Viet Nam</td>
<td>Kazakhstan, Kiribati, Malaysia, PNG, Philippines, Thailand, Tonga, Tuvalu</td>
<td>Brunei Darussalam; Hong Kong, China; Japan; Korea, Rep. of; Singapore</td>
</tr>
<tr>
<td>India, Kyrgyz Rep., Lao PDR, Nepal, Pakistan, Viet Nam</td>
<td>PRC, Indonesia, Kazakhstan, Kiribati, Malaysia, PNG, Philippines, Sri Lanka, Thailand, Tonga, Tuvalu</td>
<td>Brunei Darussalam; Hong Kong, China; Japan; Korea, Rep. of; Singapore</td>
</tr>
<tr>
<td>Kyrgyz Rep., Lao PDR, Nepal</td>
<td>PRC, Indonesia, Kazakhstan, Kiribati, Malaysia, Pakistan, PNG, Philippines, Sri Lanka, Thailand, Tonga, Tuvalu, Viet Nam</td>
<td>Brunei Darussalam; Hong Kong, China; Japan; Korea, Rep. of; Singapore</td>
</tr>
</tbody>
</table>


Note: Underlined entries refer to the first occurrence for the economy.

Source: ADB
Financial development’s progress in ASEAN

Disparities in regional financial development especially in capital market as well as the concerns over financial volatility limit the progress in financial development.

Source: Financial Development Report
Some disparities in terms of profitability and operating cost reflecting the challenge in moving towards financial integration.
ASEAN Capital Market: different degrees of development but currently is at risk of hot money

<table>
<thead>
<tr>
<th>Investors Recipient Country</th>
<th>Indonesia</th>
<th>Malaysia</th>
<th>Philippines</th>
<th>Singapore</th>
<th>Thailand</th>
<th>ASEAN 5</th>
<th>Total Fund</th>
<th>Fund ratio in ASEAN 5 to Total Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>-</td>
<td>1,381</td>
<td>939</td>
<td>18,812</td>
<td>70</td>
<td>21,202</td>
<td>114,083</td>
<td>18.58</td>
</tr>
<tr>
<td>Malaysia</td>
<td>40</td>
<td>-</td>
<td>31</td>
<td>21,724</td>
<td>59</td>
<td>21,854</td>
<td>119,531</td>
<td>18.28</td>
</tr>
<tr>
<td>Philippines</td>
<td>2</td>
<td>265</td>
<td>-</td>
<td>4,462</td>
<td>2</td>
<td>4,731</td>
<td>49,120</td>
<td>9.63</td>
</tr>
<tr>
<td>Singapore</td>
<td>508</td>
<td>10,682</td>
<td>117</td>
<td>-</td>
<td>766</td>
<td>12,073</td>
<td>170,987</td>
<td>7.06</td>
</tr>
<tr>
<td>Thailand</td>
<td>13</td>
<td>490</td>
<td>42</td>
<td>8,272</td>
<td>-</td>
<td>8,817</td>
<td>70,736</td>
<td>12.46</td>
</tr>
<tr>
<td>ASEAN 5</td>
<td>563</td>
<td>12,818</td>
<td>1,129</td>
<td>53,270</td>
<td>847</td>
<td>68,677</td>
<td>524,457</td>
<td>13.09</td>
</tr>
<tr>
<td>Total Fund</td>
<td>8,297</td>
<td>40,290</td>
<td>5,478</td>
<td>770,427</td>
<td>22,541</td>
<td>847,033</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fund ratio in ASEAN 5 to Total Fund</td>
<td>6.79</td>
<td>31.81</td>
<td>20.61</td>
<td>6.91</td>
<td>3.76</td>
<td>8.11</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: IMF, Portfolio Investment : Coordinated Portfolio Investment survey, 2011

The study of NESDB found that exchange rate fluctuations were mainly due to funds flow to capital market. ASEAN integration with rising international capital mobility could affect the stability of the financial system. Capital market development is very key to reduce risk.

<table>
<thead>
<tr>
<th>Market Capitalization (% of GDP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
</tr>
<tr>
<td>---------</td>
</tr>
<tr>
<td>Indonesia</td>
</tr>
<tr>
<td>Malaysia</td>
</tr>
<tr>
<td>Philippines</td>
</tr>
<tr>
<td>Singapore</td>
</tr>
<tr>
<td>Thailand</td>
</tr>
<tr>
<td>Vietnam</td>
</tr>
</tbody>
</table>

Source: World Bank
Disparity: Human Development Index
Disparities between ASEAN’s Members

- Notable disparities in various aspects

<table>
<thead>
<tr>
<th>Countries</th>
<th>Per Capita Income (US$)</th>
<th>Growth in Income Per Head (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei</td>
<td>16,868</td>
<td>32,109</td>
</tr>
<tr>
<td>Indonesia</td>
<td>910</td>
<td>1,871</td>
</tr>
<tr>
<td>Malaysia</td>
<td>4,131</td>
<td>7,218</td>
</tr>
<tr>
<td>the Philippines</td>
<td>1,005</td>
<td>1,681</td>
</tr>
<tr>
<td>Singapore</td>
<td>21,691</td>
<td>36,766</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,989</td>
<td>3,738</td>
</tr>
<tr>
<td>Cambodia</td>
<td>337</td>
<td>628</td>
</tr>
<tr>
<td>Laos</td>
<td>317</td>
<td>702</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>441</td>
<td>843</td>
</tr>
</tbody>
</table>
Some progresses on connectivity
Physical Connectivity Strategy:
Completion of ASEAN Highway Network missing links

- There are 227 km. of missing road links in Myanmar.
- There are more than 5,300 km. in Lao PDR, Myanmar, Vietnam, Philippines, Indonesia and Malaysia that quality is below Class III.

ASEAN Highway
total 26,207 km.

Within 2012:
Upgrade all sections of AHN to “Class III”

Within 2013:
Install common road signs in all designated routes

Within 2015:
Upgrade the extension of AHN to China and India, particularly sections from Hanoi - northern Lao PDR - Myanmar - border of India

Within 2020:
Upgrade “Class II or III” sections with high traffic volume to “Class I”
Complete the implementation of Singapore Kunming Rail Link (SKRL) project

Physical Connectivity Strategy:
Completion of the Singapore Kunming Rail Link (SKLM)

Construct the missing link sections

2013  Cambodia: Poipet – Sisophon (48 km)
2014  Thailand: Aranyaprathet – Klongluk (6 km)
2015  Cambodia: Phnom Penh – Loc Ninh (254 km)
2020  Thailand: Three Pagoda Pass - Nam Tok (153 km)

Myanmar: Thanbyuzayat – Three Pagoda Pass (110 km)
Lao PDR: Vientiane – Thakek – Mu Gia (466 km)
Viet Nam: Loc Ninh – Ho Chi Minh City (129 km)

Thailand – Lao PDR (Nong Khai – Vientiane): NEDA provide soft loan for construction of rail link in Thanaleng - Vientiane. It is now under construction.

Thailand – Cambodia: The missing links of 6 kms between Aranyaprathet to the border will be constructed soon by Thai government’s budget. It is likely to also include assistance to Cambodia for construction of rail bridge at the border.

Thailand – Myanmar (Three Pagoda Pass – Nam Tok (153 km.): According to KOICA study, the yield is relatively low. South Korea has offered to conduct detailed design.
1. Physical Connectivity Strategy: Maritime and port infrastructure

Accomplish an integrated, efficient and competitive maritime transport system

- Enhance the performance and capacity of the 47 designated ports by 2015.
- Establish efficient and reliable shipping routes, including Roll-on/roll-off (RoRo) services connecting mainland and islands.
- Strengthen linkages between global and regional routes and domestic shipping routes.
- Study on the RoRo network and short-sea shipping;

Thailand has 22 main rivers of 5800 km length in total.
The main ports are such as
- Laem Chabang Port:
  Capacity: volume of inbound and outbound cargo of 5.5 million TEU per year.
  Expect to increase 12% per year.
  Will be developed to World-Class Port.
Dawei project will be a new regional economic driver and new logistics shortcut of the region.

Distance to India from Vietnam, Thailand and Cambodia through Dawei port could be shorten to 3,500, 2,500 and 3,000 km. reduce from distance through the Strait of Malacca: 4,200, 4,500 and 4,200 km.

[Reduce from 6 to 3 days]

Dawei project offers benefit not only to Myanmar but also to Thailand economy.
- help increase Thailand’s GDP around 1.9%
- contribute to Thailand’s effort to change from labor-intensive economy to value-added economy

Dawei project will enhance Myanmar’s development and economic growth. Particularly in:
- Production base and industry development
- Environmental management
- Financial infrastructure
- Human Resource Development
1. Physical Connectivity Strategy:
ASEAN Power Grid and Trans-ASEAN Gas Pipeline

- To link the electricity grids in the region to optimize the utilization of energy resources among the member countries

Way Forward and Action Plan 2011 - 2012
- Study on “Optimization/maximization of the generation vis a vis the availability of indigenous energy resource
- To optimize the utilization of ASEAN resources to develop ASEAN Power Grid
- To seek available technical assistance to conduct further studies, benchmarking

Trans-ASEAN Gas Pipeline

- To interconnect the gas pipeline infrastructure of ASEAN Member States and to enable gas to be transported across the borders of the Member States

- New MOU (Draft 2011) : Promoting LNG Import, Bilateral Connection, and Preventing Natural Gas Shortage
- Review of ASEAN MOU on TAGP by considering both Natural Gas Reserve and LNG (Jul. 2013)
- LNG Commercial Pattern (Nov. 2012)
- LNG Technique: Standard & Port Management (Nov. 2012)
2. Institutional Connectivity Strategy

Cut/Reduce Customs

- 1 Jan 10, Thailand reduce Import duty from 99.65% to 0%
- CLMV reduce import duty of 34,691 items (98.96%) to 0–5%

Customs Reform

- Release within 30 mins
- Use ICT in Customs procedure
- Upgrade services & Border management to reduce times and cost

ASEAN Single Window

- Modernize & Streamline customs procedure as much as possible by 2013
- 6 members have implemented NSW
- CLMV has begun using e-customs.

Trade transparency

- Creating ASEAN Trade Repository (ATR) by 2013 to all rules & reg. such as tax rate, customs, exceptions, ROO NTE

Institutional Connectivity Strategy

- Single Market & Production base in 2013
- Reduce costs by 20% by 2013 and by 50% by 2015
- Implement Single-stop Service by 2013
3. People-to-People Connectivity Strategy

**Air Transportation Network**

**Encourage Tourisms**
- Undertake a study on the possibility of progressively liberalizing visa restrictions
- Carry out a study on the possibility of implementing progressive visa relaxation for foreign tourists visiting ASEAN by 2012
- Further encourage intra-ASEAN tourism through the concerted development of tourism products
- Encourage more intra-ASEAN movement of skilled labor through the development of further MRAs

- Number of tourists continue to increase from 11.5 Million people in 2005 to 16 Million people in 2010.
- By 2012, number of tourists travel to Thailand expect to raise to 28.6 Million people.

**ASEAN Development of Tourism trend in the future**
Some major trends in ASEAN to watch
Some Major ASEAN Social Factors & Trends are reshaping ASEAN societies and way of life—and economic impacts

1. Influx of foreign investment and increasing job opportunity

2. Urbanization & migration in ASEAN

- Domestic impact of internationalization raises awareness of self & international cultures
- Diverse workforce & talent pools
- Resource exploitation
- ASEAN needs to orchestrate the rapid growth

- Lao PRD posts largest growth
- Urban area – the engine room of economic growth
- The ASEAN cities are growing faster than infrastructure
- Expanding urbanization creates waves of new ASEAN consumers
- New gen is more environmentally friendly than the older gen

---

Paper 1.1 – New Generation of Thais as ASEAN Citizen | Karndee Leopairote, PhD
Some Major ASEAN Social Factors & Trends are reshaping ASEAN societies and way of life—and economic impacts

3  Rise of ASEAN middle class and new riches

- Booming consumer products/services – technology products
- Driver of entrepreneurship and innovation
- Spending than saving – risk of household debt and financial vulnerability

4  Expansion of IT & social media

- Fast growing internet users and penetration
- Borderless source of knowledge
- Rise of digital consumers and entrepreneurs & business
- Social participation & culture integration
- Privacy invasion
Some Major ASEAN Social Factors & Trends are reshaping ASEAN societies and way of life—and economic impacts

5. Greying ASEAN

- Especially in Singapore, Thailand, and Vietnam
- Working after retirement age
- Coping with productivity issue - SG
- Coping with healthcare and well being

6. Women Advancement

- Balancing between work and family
- Family responsibilities - constraints to choice of career
- New work model

7. Culture Coalition

- Multicultural workplace
- Diverse workforce: different values & etiquettes
- Better be adaptable
Some progresses have been made to move towards ASEAN 2015

But with some challenges as follows:

- **Graying ASEAN and ASIAN**: implications on labour and capital
- **Climate changes**: implications of food security, production bases, and price competitiveness
- **Inclusive growth/new growth model**: development of SMEs
- **Energy productivity**: efficiency use, alternative energy, technology, logistic systems
- **Disparities**: within and between countries and implications on cooperation and policy choices to promote equity and efficiency
- **Changing rules and regulations**: need significant changes to promote effective actions especially in services and regarding trade facilitations
Some progresses have been made to move towards ASEAN 2015

But with some challenges as follows:

- **Connecting within ASEAN and Beyond:**
  - Transport Corridor
  - Trade and Transport Facilitation Corridor
  - Logistic Corridor
  - Urbanization Development Corridor
  - Economic Corridor and Spatial Development to promote inclusive growth

- **Financial integration:** Financial development in order to promote real sector and financial development in the region
ASEAN going forward: structural transformation

Five components of structural transformation:

(1) Reallocation of factors of production across sectors of different productivity
(Historically, as income per capita increased, the reallocation involved (i) a decline in the share of agriculture where productivity is in general lower than in industry and services, (ii) an increase in the share of industry up to a point (the industrialization phase) followed by a decline (the deindustrialization phase), and (iii) an increase in the share of services)

(2) Diversification, upgrading, and deepening of new product methods and processes (upgrading refers to capacity to produce higher quality, more distinctive, and more complex products. Deepening involves the formation of local linkages and complementarities by creating a robust local supplier base and expanding ancillary services)

(3) Different inputs (Use of new production methods and processes and different inputs)

(4) Urbanization, a key features of modernization

(5) Social changes (Changes such as family structure and in the role of women occur)
Internalizing ASEAN Master Plan into National Development Plan/Strategies: The Case of Thailand
THAILAND’S STRATEGY

Thailand’s Strategy towards ASEAN

1. Enhance Competitiveness of Products, Services, Trades and Investment

2. Improve Standard of Living and Expand Social Security

3. Develop Infrastructures and Logistic System

4. Develop Human Resource

5. Improve/Revise Laws, Rules and Regulations

6. Raise Awareness of ASEAN Community

7. Strengthen Country’s Security

8. Increase City Potential: Linkage within ASEAN

Improving Internal Process
Management / Public Manpower / Money

Creating Environmental Friendliness

Rules & Regulations

Reducing Inequality

People / Quality of Life / Knowledge / Justice

Infrastructure / Productivity / R&D

Improving Internal Process
Management / Public Manpower / Money

Escaping Middle Income Trap, Innovative and creative growth

NESDB 45
NEW GROWTH MODEL OBJECTIVES AND STRATEGIC GUIDELINES

Improving Internal Process

- Escaping Middle Income Trap
- Reducing Inequality
- Creating Environmental Friendliness
- People / Quality of Life / Knowledge / Justice
- Infrastructure / Productivity / R&D
- Management / Public Manpower / Money
- Rules & Regulations

Growth & Competitiveness
**NEW GROWTH MODEL GOALS IN 10 - 15 YEARS**

**Growth & Competitiveness**
1. To increasing per capita GNI to 12,400 USD a year
2. To maintain GDP growth rate between 5.0 - 6.0 a year in the next 10 - 15 years
3. To increase investment in research and development to be not less than 1.0 percent of GDP

**Inclusive Growth**
1. To increase proportion of SMEs in GDP to be not lower than 40% a year
2. To increase average years of schooling increased to 12 years, and literacy rate to 100%
3. To decrease GINI coefficient to or lower than 0.40

**Green Growth**
1. To decrease GHG emission in energy sector
2. To increase forestry area
Vision: Thailand will be a strong member of ASEAN Community, aiming to improve the standard of living of ASEAN people together with other Member States.

1. Enhance Competitiveness of Products, Services, Trades and Investment
   - Productivity
   - Standards
   - Marketing

2. Improve Standard of Living and Expand Social Security
   - Labour Protection
   - Social Welfare
   - Environment

3. Develop Infrastructure and Logistic System
   - Physical Connectivity
   - Infrastructure Capacity
   - Transportation Rules and Regulations

4. Develop Human Resource
   - English Proficiency
   - Professional Skills
   - Labour-Skill Standard
   - Education
   - Cooperation between ASEAN Member States

5. Improve/Revise Laws, Rules and Regulations
   - ASEAN Obligations
   - Trade/Investment Facilitation
   - Local Benefit Protection

6. Raise Awareness of ASEAN Community
   - Awareness for Everybody
   - Knowledge and Information about ASEAN
   - Cultural Exchange between ASEAN Member States

7. Strengthen Country’s Security
   - Regional Cooperation
   - Crimes/Disasters
   - Border Management
   - Good Governance

8. Increase City Potential: Linkage within ASEAN
   - Capital City
   - Industrial Cities
   - Tourism Cities
   - Border Cities (Trade/Investment)

8 Strategies for ASEAN Community 2015*

*Presented at the 2nd ASEAN workshop held on 24 October 2012, chaired by the Prime Minister
Thailand will be a strong member of ASEAN Community, aiming to improve the standard of living of ASEAN people together with other Member States.

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<td>To increase productivity in all sectors (agriculture, industry, trade and service) as to support free flow of goods, services and investment and the single market and production base.</td>
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<td>To expand social security and to reduce risk in people’s life for better and more secured living.</td>
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<td>To improve infrastructure both physical connectivity and capacity, and to improve rules and regulations governing the transport of goods and people.</td>
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<td>To reach ASEAN educational standard and to improve labour/entrepreneur skills including English proficiency.</td>
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<td>To improve and/or revise laws, rules and regulations in accord with the ASEAN obligations and to facilitate local trade and investment.</td>
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<td>To raise awareness of ASEAN Community among people.</td>
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<td>To promote regional cooperation in order to maintain peace, unity and stability.</td>
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<td>To enhance specific potential of the cities in agriculture, industry, trade or service and to connect the cities with other ASEAN Member States.</td>
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Moving towards ASEAN 2015: priority lists

Public sector

- Zoning, spatial development and development of high potential towns/areas/cities
- New and existing industrial base development
- Promotion of SMEs & OTOP
- Development of software to facilitate service sector
- Development of border areas/zones
- Development of transportation network to link trade gateways
- Outwards Investment promotion (to neighboring countries)
- Changes and development of legal framework to facilitate investment abroad
- Improvement in education
- Public reform
Most urgent actions

**Future skill identification program**

Appropriate academic knowledge must be provided at all level education institutions in order to underpin practical skill formation in the workplace.

**Improve technology and innovation infrastructure to escalate labor productivity**

Provide the platform so those SMEs can access, utilize, and take advantage of new technology at the affordable price.

**Provide business internationalization platform to all business level**

Promote SMEs to become active parts of global supply chain and global production network.

**Provide proper conditions for high skill development**

Aim to produce young people with strong intermediate level skills, especially in the areas of science, mathematic, IT, literacy, and foreign communication skills.
Thank You