

## ASEAN-in-Practice Ep 2-1 Transcript

**Denis:** A very good morning to all of you, and welcome to the second episode of the “ASEAN-in-Practice” podcast series. My name is Denis Hew, and I am a senior research fellow at the Center on Asia and Globalization at the Lee Kuan Yew School of Public Policy, National University of Singapore. “ASEAN in Practice” is an initiative launched by our center and it is a podcast which aims to invite practitioners from around the region that spend many years working on ASEAN issues, particularly experts who have applied knowledge on ASEAN or ASEAN policies in their professions. We hope to gain valuable insights from their experiences, which ideally will feed into the policymaking level in the form of policy papers and future research on ASEAN. Today we will be focusing on ASEAN trade policy issues and challenges. We know that ASEAN's various trade initiatives and agreements, including its free trade agreements are important building blocks to advance regional economic integration and to realize the ASEAN economic community. To help us better understand this topic, our guest for today's podcast is Ms. Maes Alconcel. Maes is an independent trade expert with 18 years of experience on advancing international trade and sustainable development in the Asia Pacific and ASEAN regions. Maes, thank you for joining us today for this podcast. Let me start off by asking you, what are the key trade policy issues and challenges facing businesses in the ASEAN region.

**Maes:** Thank you, Denis. Good morning, everyone. First of all, before I answer that question, Denis, I'd like to thank you for inviting me to share my insights about ASEAN in practice. I actually commend you for this initiative because it's something that I think is very important and relevant because it brings people together from the various sectors, government, private sector, and academia.

Again, this is very much appreciated. And that's the reason why I accepted this invitation right away when you mentioned this, because it's aligned with my objective personal advocacy to raise awareness on what ASEAN is doing, how the government and the private sector can collaborate to ensure that cross-border trade within the region and ASEAN with the rest of the world is being facilitated.

So going back to your question on trade policy issues that ASEAN businesses are facing in the region, I would say whenever I talk about trade policy issues, I don't look at the trade policy issues per se. I look at how they are implemented. So, trade policies, there are reasons why governments implement them.

They have legitimate reasons, objectives. These are measures that are implemented by government to pursue socio-economic objectives. I think the problem comes in when the trade measures, when they're implemented, they're not transparent or predictable. So again, businesses would face problems when they don't know the measures that they need to comply with.

The other problem when it comes to trade policy issues, I would say, is on the technical barriers to trade. These are actually the Non-Tariff Measures (NTM). And this is the most problematic because, and when they want to afford import product services, invest in other countries, they need to know what are the regulations that they need to comply with.

But I think the problem for companies when it comes to these regulations is more on the lack of policy coherence. So, you can see diverging regulations being implemented by governments and that entails cost and it can also lead to delays in exporting, importing products and services, as well as, of course, establishing a business in, in other countries.

Then the third one, I call it the procedural obstacles. And this is very common. So, the issue there are not the trade policies or the trade measures or the trade regulation. The problem here is how the trade policies or trade measures are being implemented by government. So, the requirements of government, they can be overly stringent, the procedures as well.

So those are the problems that companies are facing more than the trade policies or measures or trade regulations themselves. So, when you have trade policies, trade regulations, and they're constantly changing, and of course, when it entails cross border trade, where all the various countries, governments are working together, there needs to be an open communication consultation between the government and the private sector.

From the start of when they're still defining these policies, measures, the regulations, when they start to implement it, they need to have open communication with the private sector. Because the compliance, the end users, of these measures are the private sector. So, it is not the trade policy per se, but how these are being conducted or implemented.

**Denis:** Thanks, Maes, sounds very challenging. You mentioned in your research that trade facilitation is the holy grail of ASEAN economic integration. Can you elaborate on this?

**Maes:** Yeah, so trade facilitation, I think there's a misconception about trade facilitation only being applicable to trading good. But if you look at trade facilitation, it can cover trading good, trading services, and even investment. So, when you say trade facilitation, for me, you need to apply principles when it comes to trade facilitation, so that transparency, communications, consultation, and cooperation between the government, private sector, and any other relevant stakeholders.

You also have the simplification, the practicality, and efficiency of measures. Again, it doesn't matter if it's merchandise trade, trading services, investment. So, these are principles that need to be applied. Then you also have nondiscrimination, consistency, predictability, and due process. And the last one is harmonization and use of technology.

So, these are principles I would say, rather than, because when they talk about trade facilitation, it becomes like that only the customs for instance, right, the sanctuary depository. But again, whenever ASEAN governments and governments around the world, whenever they have designed new trade measures, trade policies, regulations, they need to apply the key basic trade facilitation principles, which I mentioned.

So, ASEAN countries, they don't see other ASEAN countries as a main destination market. I've been conducting surveys as well, business surveys as well, and they don't see it as a key market destination for their products and services.

Their key markets of interest are still outside ASEAN, especially the developed countries. It has to do, I would say, with the pricing as well. It's the basic law of economics, supply, and demand, right? If the supply around the region is high, then of course the price is a bit lower. Whereas if you're targeting markets that don't have products available in your country, of course, the pricing would be higher.

**Denis:** Thanks, Maes. As someone who works very closely in free trade agreements, FTAs across Southeast Asia, can you give us an update on some of the ASEAN existing FTAs? I think they call it the ASEAN plus one FTAs. Some are being upgraded, some are still ongoing, right?

**Maes:** So, ASEAN governments, they realize that they need to upgrade the existing ASEAN FTAs, basically because the business environment, it's constantly changing. There's a lot of global trade uncertainty, supply chain disruptions going on, and it's about time that they upgrade the existing ASEAN FTAs to make sure that they are modern, comprehensive, and they're responsive to business needs and interests.

So, ASEAN, they started to negotiate on the ASEAN Trade in Goods Agreement, for instance. They're upgrading that, and they also started to talk about other upgrading of ASEAN Plus One FTAs. So, they just signed a protocol upgrading the ASEAN-Australia-New Zealand FTA recently. There are discussions to upgrade the other ASEAN Plus One FTAs like the ASEAN-China, ASEAN-Korea, ASEAN-Hong Kong, ASEAN-India.

The upgrading negotiation is also ongoing. Now you have the RCEP. The RCEP basically, it's something that has taken into consideration the new and emerging issues. Maybe it's not everything, but at least there are key principles already in place addressing new and emerging issues like digital trade, e-commerce, the trade and sustainable development, environmental sustainability.

**Denis:** You talked about RCEP-Regional Comprehensive Economic Partnership. So, this is a mega free trade agreement between ASEAN and its five major trading partners, China, Japan, Korea, Australia, and New Zealand. But you also have all these ASEAN plus one FTAs. So how do all these fit together?

**Maes:** That's a great question, Denis. So, when ASEAN started negotiating, engaging their key dialogue partners, trading partners around the region, and they started with ASEAN plus one FTAs, China, Japan, Korea, India, Australia, New Zealand. But then companies started to discuss about the, in the Western world, they call it "Spaghetti Bowl". In Asia, they call it the "Noodle Bowl" effect. So basically, that's the reason why they decided to have the RCEP. It's to address the "Noodle Bowl" effect of all these FTAs, ASEAN plus one FTAs. At the same time, they also would want to highlight the ASEAN centrality. So instead of discussing whether the model, the approach should be plus three, ASEAN plus three, or ASEAN plus six, ASEAN decided why don't we just have the RCEP, which would be led by ASEAN, basically.

So how, how these ASEAN plus one FTAs, and even the intra-ASEAN FTAs and RCEP, how they work together, they're supposed to be complementary. So, the RCEP doesn't supersede any of the FTAs. They're supposed to complement one another in the business world, in a private sector. There's variation of the business operations, right? Cross border trade operations. So, depending on your cross-border trade operations, if for instance, you're only producing your product with your raw materials coming from just one country. Then, you either have the intra-ASEAN, if it's within the ASEAN region, or you have, if it's with the dialogue partners or strategic or key trade partners of ASEAN, like China, for instance, then you have the ASEAN-China.

If your business operation and trade operations transaction, it's very basic, either within the region, or with a dialogue partner, an FTA partner, then you use either the intra-ASEAN FTA or the ASEAN Plus One FTA. But then, if you're sourcing your raw materials across the RCEP members, I've seen cases, especially if in the process of food sector, where they would source the raw materials of, for packaging food products from China, then they source their other raw materials from the other plus one FTA partners of ASEAN, they process it, manufacture it in the ASEAN region.

And then if they would want to also export the process or the finished products to the RCEP members, then that's where they can take advantage of the RCEP. So, I would say the RCEP is really more for those companies that are processing their products, given the fifteen country FTA, right? Big. And also, if they would want to be able to become more strategic when it comes to their value chain supply chain, then I would say they should take advantage of the RCEP.

**Denis:** All right. So, it depends on the type of business or processes they're doing. From the business point of view, whether you're operating from Vietnam or from Thailand. Or even here. Are businesses aware of these FTAs?

**Maes:** It goes back to what I mentioned when you asked the first question, what are the trade policies in Asia in the region?

It's basically, number one really is the lack of awareness about, not only about the trade measures. But even about these initiatives, these trade facilitation initiatives, these FTAs, how they can take advantage of that, companies are not aware. So aside from the lack of awareness, they also lack the technical know-how to take advantage of them.

Because in every FTA, they have different approaches. They also have different rules. Even when it comes to rules of origin, for instance, so the rules of origin criterion for your product under one FTA may not necessarily be the same in other FTA. And even when it comes to tariffs, right, you have preferential tariffs in all these ASEAN FTAs.

So even for your specific product, it doesn't mean that whatever is your preferential tariff in RCEP, that's the same as in ASEAN-China or ASEAN-Japan or in the inter-ASEAN. So that's why it's very important for ASEAN government, for companies, to be able to take advantage of all these initiatives. They need to, one, increase the awareness of companies on the benefits on these initiatives. Second is to build their

capabilities, the technical know-how of taking advantage of all these FTAs, of all these trade facilitation tools. Otherwise, it would defeat the purpose of having all these initiatives by ASEAN.

**Denis:** I see. Is there a close relationship between the business community and ASEAN government officials? Do these government officials actually listen to the business community?

There is an ASEAN Business Advisory Council, right, ABAC, so how effective is this council in influencing policymaking in ASEAN?

**Maes:** In terms of the relationship between the government and the private sector, it's been there. There's actually a mechanism.

There's a private sector engagement, Denis, in ASEAN. There's even rules of procedures, guidelines on how the government should be engaging the private sector. But again, it's how these are implemented, I would say that the engagement between ASEAN governments and ABAC and even other joint business councils, it's actually there.

They organize regular meetings; I think it's annually. But then I think that the question which you also ask is, do governments really listen to the private sector? If you look at all these initiatives and the outcomes of all these initiatives. You would say that they're not listening, really, because the issues, these long-standing trade compliance and bottlenecks of businesses, they still remain.

They're not addressed, though they have a lot of initiatives. So, I would say, one of the reasons why, I think when they design mechanisms, initiatives, you need to listen to the private sector. Otherwise... You would come up with initiatives where the design is not aligned with the needs of the private sector, right?

In the same way as when you implement your initiative or your measures, you need to constantly talk to the business sector. Otherwise, when you implement this and it's not really targeting or addressing the issues of the private sector, then again, it defeats the purpose of having all these initiatives because the end users are the private sector.

So, you need to have a constant engagement with the private sector, not just one go and that's it. So, one example that I've been using recently is about environmental sustainability, because everyone now around the world, they're talking about climate change, and it has been influencing how governments around the world are designing their trade policies.

And since ASEAN, it's the first time that they're talking about these things, because these are new and emerging issues, to talk to the private sector. And when you talk to the private sector, make sure that you talk to a wider private sector, the joint business councils, they're good - ABAC good, but they may not necessarily be representative of the issues, concerns and needs.

Key industries, key sectors, even the small companies that are operating in the rural communities, rural areas in the region, right? So, I think they need to widen the reach of their engagement, their consultation. They need to make it more regular, more constant. I would actually commend ASEAN.

They're starting to use the social media. To reach out to many companies. So, I saw one initiative, one post I think on Instagram, on Facebook, on LinkedIn, asking the private sector in the region, what they would want to see post-2025. So, I was actually quite impressed with that because you know, not everyone would want or even has the means to attend all these engagements, especially if it's in a formal setting. Also, they need to make use of the business support organization, key industry associations at the regional level and at the national level. Every country, they have their own industry associations, right? So again, this would make the engagement and even the consultation wider, more inclusive, I would say.

So go back to your question. It's there, whether it's effective or not effective, I would say partially it's effective. But there are still ways that can be improved.

**Denis:** So, it sounds like they can do better. How so? Let us discuss this more in the second part of the podcast that will be out shortly. So do check out part 2 of this podcast to learn more about how organizations can do better, particularly to safeguard food security and more on ASEAN trade policy challenges.

\*This podcast was recorded on September 25, 2024.