

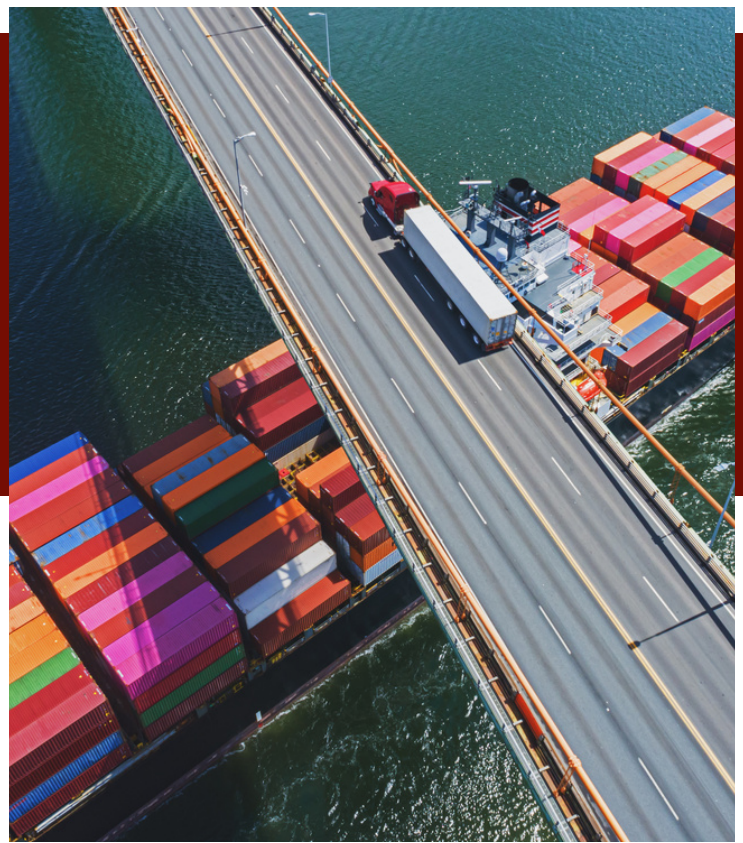
ASEAN Needs to Reassess AEC 2025 Goals

By Jean Clarisse Carlos

Member states are too distracted by COVID-19 recovery and domestic challenges to focus on regional economic integration.

The AEC Blueprint 2025 (AEC 2025), which was adopted on November 25, 2015, is a ten-year implementation plan (2016 to 2025) that hopes to bring economies of the ASEAN region to greater heights. By 2025, the AEC is envisioned to be a single market economy that will make way for rapid economic development and inclusive growth. Eight years after its adoption and three years before its deadline, the conversation about the AEC is now centered on whether or not its goals will be achieved by the target deadline. Given its ambitious goal, the current global and regional challenges, and complex domestic issues of individual ASEAN member states, it can be predicted that the remaining two-and-a-half-year period will not be enough to accomplish the AEC.

It is important to note that AEC 2025 is not the first blueprint to be crafted by ASEAN policymakers geared toward creating a more cohesive and integrated regional economy. Its predecessor, the AEC Blueprint 2015 and its four pillars, were not fully realized by the end



of 2015. With this, it gave birth to the AEC 2025 which not only extended the deadline for ASEAN economic integration but also expanded the goals for the AEC, making it more ambitious.

The two blueprints, though highly similar, have glaring differences. While both blueprints recommended economic liberalisation policies, AEC 2025 focused on new concepts such as sustainability, good governance, connectivity, and innovation. Enhanced connectivity and sectoral cooperation were added as the third pillar of the AEC 2025, giving weight to connectivity infrastructures and the role of sectoral collaboration. The fourth pillar of the new blueprint placed emphasis on “people” highlighting the importance of inclusive growth in a truly progressive economy. While the changes recognised the contemporary developments of the global economy, these new concepts have given ASEAN a greater

challenge compared to the previous AEC blueprint.

Furthermore, the greater challenge posed by the new AEC blueprint was further exacerbated by the effects of the COVID-19 pandemic. The pandemic has been a major detriment, not only to the economies of the ASEAN member states, but the entire globe. Supply chains were interrupted, slowing intra-ASEAN and extra-ASEAN trade. These disruptions caused shortages of supplies and higher prices of necessities. These also affected key ASEAN industries such as tourism, manufacturing, and other service sectors. In addition, the emergence of security issues such as war and conflict within and outside the region further impacted economic and trade activities.

Vulnerable economic sectors such as small, and medium enterprises (SMEs) is one of the major casualties of the said phenomena, forcing them to stop their operations, especially those who either have limited access, or lack the know-how to adopt digital solutions. Digitalisation may be perceived as one of the enablers for achieving the AEC; however, we need to acknowledge that there is still a huge digital divide among ASEAN member states. Challenges in the ICT infrastructure, technology education, access to technology and financing are just some examples.

The economic recovery from the effects of the COVID-19 pandemic has been happening thanks to the easing of mobility restrictions

and growing popularity of revenge tourism and spending. But the region still needs to recuperate and its recovery process will likely continue over the next few years. This would veer away governments' priorities away from the goals of the AEC 2025.

Lastly, there has been an increasing shift towards protectionism among ASEAN governments. Just last year, Indonesia temporarily banned palm oil exports and Malaysia also temporarily prohibited the export of chicken. Policies aimed at restricting potential foreign influence on regional economies have become a trend rather than an anomaly. Such measures are seen as a means to protect local economies from shortages and supply disruptions. However, this can also have an immense impact on ASEAN's effort to integrate the regional economy. ASEAN member states also have to split their attention among the many regional and international issues such as climate change, border disputes, and other global geopolitical and security issues.

Not to mention, ASEAN member states also have to address their own pressing domestic issues such as ageing society, overpopulation, high food and energy prices, income inequality, corruption, among other key issues. These domestic challenges coupled with the different levels of economic development among ASEAN member states, affect their commitment to achieving the AEC by 2025.

To conclude, at the rate things are currently

going, it is clear that the goals of the AEC will not be realised by 2025. This is not to discredit the efforts of ASEAN before the COVID-19 pandemic. ASEAN had, in fact, made substantial progress from 2016 to 2020 according to the Report of the Mid-Term Review of the AEC 2025. However, in the coming years leading up to the 2025 deadline, the establishment of the AEC will continue to be confronted by new challenges.

ASEAN member states are too distracted by post-COVID-19 recovery efforts, and other international and domestic issues to focus on economic integration. Various sectors of the economy and society that were affected by the new challenges may not be able to deliver their expected outcomes. The extensive impact of COVID-19 on the economy should prompt ASEAN to reassess the goals of AEC 2025. Hence, ASEAN must integrate solutions to these new economic challenges for the AEC to remain relevant.

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