

Aiming for an impactful AEC by 2025

By Julia Tijaja

ASEAN needs to deliver on high impact initiatives and address emerging issues and other pressing challenges.

Time is not running out to realise the ASEAN Economic Community (AEC) by 2025 but much will depend on what ASEAN aims to achieve by this deadline.

The AEC was formally established as a pillar of the ASEAN Community in 2015. However, economic community building is an ongoing and non-linear process, hence the end point is not static. While a clear vision guides strategic planning and implementation, the process does not take place in a vacuum. So, the AEC must continue to evolve in order to remain impactful and relevant.

The most common interpretation of realising AEC is the full implementation the AEC Blueprint. The current version (i.e., AEC Blueprint 2025) was adopted in 2015 and guides AEC work from 2016 to 2025. Measuring its implementation however, is not a straightforward exercise.

The Blueprint provides broad directions and a cursory view of the breadth and depth of work to be undertaken by the various AEC



Image Credit: ASEAN Twitter

sectoral bodies. The details are elaborated in more than twenty-three sectoral work plans, as well as additional derivative and cross-cutting action plans.

A mapping exercise by the ASEAN Secretariat identified more than 1,700 AEC action lines under these plans. The mid-term review of the AEC Blueprint reported that by end 2020 (i.e., the AEC 2025's mid-point), 54 percent of these action lines had been completed and another 34 percent were in progress. By 2025, ASEAN will likely do a reasonable job in implementing most, but not all, of the action lines.

Without undermining the importance of these action lines, realising the AEC 2025 would be more meaningful if they are assessed from the lens of delivering high impact initiatives, effectively responding to current and future challenges, and positioning the ASEAN Community to seize emerging opportunities.

In recent years, the world has been drastically transformed by rapid digital transformation, the COVID-19 pandemic, the Ukraine war, high inflation, climate change, as well as great power rivalry. The AEC Blueprint did not foresee most of these challenges when it was adopted in 2015.

While the AEC's strength lies in having sectoral bodies whose work are clearly guided by the AEC Blueprint and their respective sectoral plans, it can also be a weakness. Clearly defined structure and processes may affect its ability to respond quickly to issues that are unforeseen, complex, and interconnected. This calls for strong leadership, the right mindset, and institutional agility while staying focused towards achieving the vision of the AEC. In other words, this calls for resilience.

For the AEC to effectively deliver its agenda by 2025, it needs to address a high impact and often sensitive agenda in regional market integration and sectoral cooperation, strengthen external relations in an increasingly fragmented global context (through FTAs and beyond), and be well-positioned in responding to emerging issues and opportunities.

On market integration, the AEC should deliver an upgraded ASEAN Trade in Goods Agreement that effectively addresses non-tariff measures and embraces modern trade realities. It should ensure the full implementation of the ASEAN Trade in Services Agreement, strengthen ASEAN

services competitiveness, and promote sustainable investment. Further, given growing financial risk, ASEAN should strengthen mechanisms to safeguard macro-financial stability while ensuring that the ASEAN financial sector supports a just green transition. Lastly, ASEAN needs to address the region's skills gap.

In terms of external relations, the AEC should see through the full implementation of the Regional Comprehensive Economic Partnership (RCEP) and establish an operational RCEP Secretariat. It should complete the upgrading or review of its free trade agreements (FTAs) with Australia and New Zealand, China and India. Completion of the ASEAN-Canada FTA negotiations would also be a good achievement. Just as urgent is clarifying the trajectories of ASEAN's economic cooperation with the two major trade and investment partners that it has no FTA with—the United States (US) and the European Union (EU). Moreover, ASEAN needs to deliberate on its response to a fragmenting global economic architecture and weakening rules-based multilateral trading system and its potential greater role in the emerging regional economic architecture, beyond just through FTAs.

On emerging issues, ASEAN has made commendable progress in its digital agenda, in terms of substance and institutions. Ongoing discussions on the ASEAN Digital Economy Framework Agreement targets a comprehensive and coherent digital agenda. On sustainability, while there is clear

momentum across sectors, particularly in finance, energy, and agriculture, progress is uneven. Significant progress on sustainability will depend on whether ASEAN can deliver and implement a unified and coherent strategy on decarbonisation.

There are also areas that are not adequately addressed in the Blueprint but are critical to the vision of AEC. These include building competitiveness through productivity, innovation, and regional value chain development, addressing future skills needs, mainstreaming inclusion and equitable economic development, and addressing the impact of prolonged geopolitical fragmentation and weakening multilateralism on the AEC. ASEAN needs to start deliberating on how to address these issues in the AEC and the broader ASEAN Community post-2025 agenda.

The ASEAN Comprehensive Recovery Framework, the region's exit strategy from the COVID-19 pandemic adopted in 2020, demonstrated ASEAN's capacity to coordinate and respond swiftly to a crisis. This agility and spirit of cross-pillar and cross-sectoral collaboration need to be institutionalised.

Lastly, ASEAN should strengthen its monitoring and reporting mechanisms in order to swiftly identify pain points and implement debottleneck solutions. This

should be part of its institutional strengthening efforts, including empowering the ASEAN Secretariat.

There will be more challenges and uncertainties leading up to 2025, but few are better placed than ASEAN to be a global growth engine and a beacon of hope for an open, inclusive, and rules-based global economic architecture.

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