



Challenges for Implementation of ASEAN Trade Agreement and Blueprints 2025

Pornchai Wisuttisak¹ and Nisit Phanthamitr^{2,*}

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ABSTRACT

The paper explores frameworks, trade opportunities and trade challenges in ASEAN. There is progress in trade and investment in ASEAN, based on ASEAN economic blueprints and trade agreements. ASEAN has adopted guideline planning based on ASEAN Economic Community (AEC) Blueprint continuously established since 2008. The blueprints are the vital economic pathway for ASEAN members to build on a highly integrated and cohesive regional economy. Various ASEAN agreements support the move toward trade and investment integration. There is an implementation of AEC blueprint and ASEAN has prepared its regional plans and underlying agreements to ensure that ASEAN members pursue the same goal of regional integration. However, there are still vital challenges to building up ASEAN integration, including ASEAN-way with a slow move, regulatory barrier to trade, a dominant market entity in ASEAN countries and ASEAN with external parties. The paper concludes with possible recommendations for the development of trade and investment integration in ASEAN.

1. INTRODUCTION

The ASEAN economic community was developed based on the ASEAN Economic Blueprint 2015 and 2025. The blueprints lay the pathways to enhance trade, service, and investment cooperation among 10 ASEAN member countries. The blueprints create the vital movement on trade cooperation and liberalization among ASEAN. The blueprints also serve as a regional regulatory framework to facilitate building more robust economic integration within ASEAN and as a standard reference guide for cooperation on economic development among ASEAN member countries.

However, there are still challenges, waiting to implement the ASEAN 2025 blueprints. It is still unclear whether the set plans of the blueprints can be translated to effective implementation when there are various difficulties in the ASEAN region and member countries. According to blueprints, the plans seem to neglect the issue of regulatory and market barriers within ASEAN member countries. There are also external influences that connect with the progress for development according to the blueprints. This paper focuses on the development and possible challenges for implementing the ASEAN 2025 blueprints. The article points out the challenges and proposes some ideas for overcoming those challenges. The aim is to help facilitate ASEAN market integration and direct ASEAN toward a prosperous economy.

The research paper is divided into five parts. The next part discusses ASEAN 2025 blueprints, the current development framework for ASEAN trade and market integration. The third part presents the opportunity for trade and investment facilitation in ASEAN. The fourth part points out the potential ASEAN trade and investment challenges. The fifth part concludes the paper with some proposals dealing with the challenges.

2. ASEAN 2025 DEVELOPMENT AND CURRENT FRAMEWORKS

ASEAN was established in 1967 as a regional cooperation for political security [1]. The ASEAN then developed its cooperation through their annual and specific meetings year by year, resulting in establishing the ASEAN declaration and planning for broader regional developments. The set aims of ASEAN go beyond the sole security certainty in Southeast Asia to the economic and social improvements in the region. The pronounced aims of ASEAN are [2],[3] ;

- The acceleration of the region's economic growth, social progress, and cultural development through joint endeavours in the spirit of equality and partnership.
- The regional peace and stability concerning the rule of law and the UN charter
- Cooperation on the effective use of agriculture and industries with the growth of trade
- Promotion of studies and understanding of Southeast Asian

¹Faculty of Law, Chiang Mai University, Thailand.

²Center for ASEAN Studies, Faculty of Economics, Chiang Mai University.

*Corresponding author: Nisit Phanthamitr; E-mail: nisit.p@cmu.ac.th.

- Maintenance for collaboration with international and regional organizations with similar aims

Within those aims, the ASEAN has adopted the three-charter contributing to the central ASEAN policy for development. The pillars are ASEAN Political-Security Community, the ASEAN Economic Community, and ASEAN Socio-Cultural Community. Each pillar has a set policy and plans that link to the ASEAN's aims. However, with the limited focus, the paper pays more attention to the ASEAN Economic Community (AEC), which helps facilitate trade and liberalization within the ASEAN region. The paper's main focus is on the increase of trade in ASEAN, which is vitally connected with the AEC. An important initiative of the AEC is the *ASEAN Economic Community (AEC) Blueprint 2008*, which encourages ASEAN member countries to promote the free movement of goods, services, investments, skilled labour and increasing financial flow [4],[5]. The 2008 Blueprint set out four pillars of;

- a single market and production base,
- a highly competitive economic region,
- a region of equitable economic development,
- and a region fully integrated into the global economy.

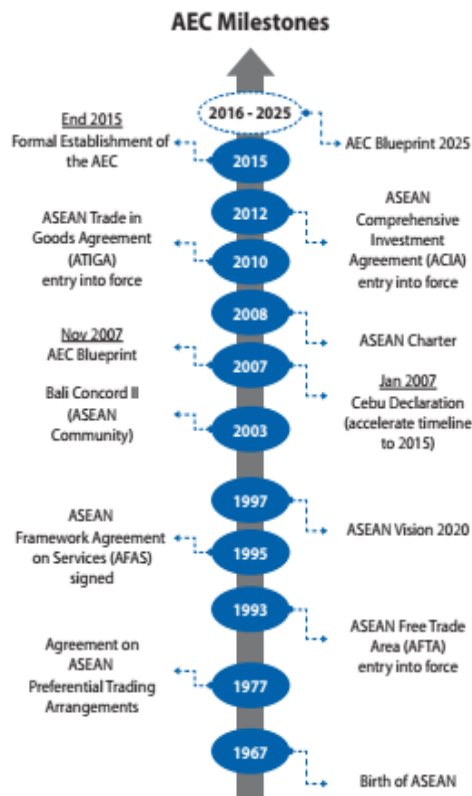


Fig. 1. AEC Milestone. Source: (ASEAN,2015 c)

Based on the blueprints that set the economic plan during 2008-2015, ASEAN's total trade raised nearly US\$1 trillion, and intra-ASEAN foreign direct investment increased significantly [6]. In line with establishing the ASEAN

Economic Community (AEC) in 2015, the Blueprints can be considered a vital step for regional economic integration. The ASEAN market integration forms a huge market of around 660 million people, the third-largest economy in Asia, and the seventh-largest in the world [7]. Thus, the blueprint paved wide-ranging roads for ASEAN members to collectively journey towards the formal establishment of the AEC (See picture 1).

With the success of the 2015 blueprints, ASEAN members aim to further the progress of the market integration by establishing AEC 2025 Blueprints which plan the process of the ASEAN integration during 2015-2025. The blueprints set out that the ASEAN members will work on cooperation to build a highly integrated and cohesive economy, a competitive, innovative, and dynamic ASEAN. The enhanced connectivity and sectoral cooperation [8]. The agreed cooperation, according to the blueprints, is to:

- *“Create a deeply integrated and highly cohesive ASEAN economy that would support sustained high economic growth;*
- *Engender a more equitable and inclusive economic growth in ASEAN that narrows the development gap, eliminates, if not reduces, poverty significantly*
- *Foster robust productivity growth through innovation, technology and human resource development*
- *Promote the principles of good governance, transparency, and responsive regulatory regimes*
- *Widen ASEAN people-to-people, institutional, and infrastructure connectivity through ASEAN*
- *Create a more dynamic and resilient ASEAN, capable of responding and adjusting to emerging challenges*
- *Incorporate a sustainable growth agenda that promotes a science-based use of, and support for, green technology and energy;*
- *Promote the use of the ASEAN Protocol on Enhanced Dispute Settlement Mechanism (EDSM);*
- *Reinforce ASEAN centrality in the emerging regional economic architecture by maintaining ASEAN's role as the center in the East Asian region;*
- *Work towards a common position and enhance ASEAN's role and voice in a global economy”* [9].

According to Das[10], the 2025 blueprints do not create new commitments from ASEAN members. Still, the blueprints display the member certainty to keep their regional development on track with ASEAN integration and connectivity. The blueprints also point out that the members reaffirm the ASEAN step on moving forward on the intra and outside trade facilitation, service liberalization, and market connectivity and competition [11]. The set blueprints keep all ASEAN members on the road to trade and investment liberalization with intra and extra ASEAN [12],[13]. Additionally, there are binding legal texts of the ASEAN trade agreement, including; the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN Comprehensive Investment Agreement (ACIA), the ASEAN Air Transport Agreements (AATA),and etc.

Table 1. ASEAN Total Trade in Goods, Intra-ASEAN and Extra-ASEAN Trade in Goods, 2011-2020

(in million US\$)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Trade in Goods										
Brunei										
Darussalam	15,383.3	16,854.7	15,057.4	14,180.7	9,592.2	8,694.4	8,676.3	10,728.8	12,141.8	11,950.9
Cambodia	11,220.5	12,797.2	14,877.5	16,408.1	20,355.0	22,443.9	25,562.7	30,190.3	34,580.2	36,380.1
Indonesia	380,932.2	381,721.3	369,180.5	354,158.8	292,977.1	280,839.0	325,813.7	368,724.0	338,958.7	304,760.6
Lao PDR	4,480.1	4,194.7	6,540.1	7,024.6	6,763.5	9,015.3	10,069.4	11,248.4	11,606.8	10,100.5
Malaysia	415,559.1	423,942.4	434,019.5	442,777.8	375,168.8	358,089.2	412,471.5	466,642.8	443,013.8	423,661.7
Myanmar	15,232.7	17,173.2	23,275.5	27,256.7	28,275.9	27,542.4	33,131.4	36,058.7	36,575.0	34,753.6
Philippines	111,751.6	117,381.6	119,108.9	130,806.1	128,834.5	142,248.0	170,614.8	188,310.3	188,301.3	160,375.8
Singapore	788,754.7	801,432.0	807,988.7	793,292.7	666,003.8	629,992.6	700,945.8	782,656.9	749,953.0	704,420.8
Thailand	451,358.6	477,301.9	478,247.4	455,525.9	417,147.4	409,994.2	459,457.7	432,977.9	483,249.1	362,075.3
Viet Nam	203,655.5	227,793.3	264,774.0	293,777.1	327,743.7	351,038.5	424,557.0	480,567.6	518,052.4	542,751.0
TOTAL	2,398,328.3	2,480,592.1	2,533,069.2	2,535,208.4	2,272,861.8	2,239,897.4	2,571,300.3	2,808,105.7	2,816,432.0	2,591,230.3
Intra-ASEAN Trade in Goods										
Brunei										
Darussalam	3,282.4	3,707.2	4,488.0	3,860.7	2,644.9	2,783.1	3,126.4	3,193.5	4,124.3	4,667.6
Cambodia	2,623.5	3,282.3	3,345.0	3,278.0	5,366.8	5,483.7	6,647.5	7,985.5	8,949.9	11,099.4
Indonesia	93,399.1	95,654.5	94,661.0	90,571.3	72,485.0	68,647.6	78,629.4	87,927.1	81,352.4	66,300.6
Lao PDR	2,897.0	2,589.2	3,963.0	4,877.0	4,356.9	6,038.3	6,190.7	5,596.5	7,027.7	5,929.5
Malaysia	108,271.9	115,816.1	118,968.9	118,965.0	102,847.8	97,149.9	113,241.7	126,824.3	118,095.2	106,713.9
Myanmar	8,417.8	8,391.9	10,211.5	11,454.1	11,294.8	9,430.6	11,512.0	12,880.3	12,370.0	11,421.9
Philippines	23,675.6	24,758.3	22,786.2	25,616.1	25,578.9	30,895.5	36,735.1	41,147.9	41,434.8	35,333.5
Singapore	212,369.3	213,957.9	216,127.5	205,968.8	172,677.5	162,108.1	179,035.9	200,429.2	190,476.5	174,161.3
Thailand	93,508.0	99,535.5	103,668.6	102,725.3	96,236.8	94,258.6	104,436.9	102,222.3	111,742.8	80,613.9
Viet Nam	34,493.5	37,947.4	39,531.9	40,797.7	41,891.1	41,159.1	49,561.0	56,447.5	57,030.7	53,580.0
TOTAL	582,937.9	605,640.2	617,751.6	608,113.8	535,380.4	517,954.4	589,116.7	644,654.1	632,604.3	549,821.5
Extra-ASEAN Trade in Goods										
Brunei										
Darussalam	12,101.0	13,147.5	10,569.4	10,320.1	6,947.2	5,911.2	5,549.9	7,535.2	8,017.4	7,283.3
Cambodia	8,597.0	9,514.8	11,532.5	13,130.1	14,988.2	16,960.2	18,915.1	22,204.8	25,630.3	25,280.7
Indonesia	287,533.1	286,066.9	274,519.5	263,587.6	220,492.1	212,191.4	247,184.3	280,796.9	257,606.3	238,460.1
Lao PDR	1,583.1	1,605.5	2,577.1	2,147.6	2,406.6	2,977.1	3,878.7	5,651.8	4,579.2	4,171.0
Malaysia	307,287.2	308,126.4	315,050.6	323,812.9	272,321.0	260,939.3	299,229.8	339,818.5	324,918.6	316,947.8
Myanmar	6,814.9	8,781.2	13,064.0	15,802.6	16,981.2	18,111.9	21,619.4	23,178.5	24,205.0	23,331.6
Philippines	88,076.0	92,623.3	96,322.7	105,190.0	103,255.7	111,352.5	133,879.7	147,162.5	146,866.5	125,042.3
Singapore	576,385.4	587,474.1	591,861.1	587,323.9	493,326.3	467,884.5	521,909.9	582,227.7	559,476.6	530,259.5
Thailand	357,850.6	377,766.4	374,578.7	352,800.6	320,910.6	315,735.5	355,020.7	330,755.7	371,506.3	281,461.4
Viet Nam	169,162.1	189,845.9	225,242.1	252,979.4	285,852.6	309,879.4	374,996.0	424,120.1	461,021.6	489,171.0
TOTAL	1,815,390.4	1,874,951.9	1,915,317.6	1,927,094.6	1,737,481.4	1,721,943.1	1,982,183.6	2,163,451.6	2,183,827.7	2,041,408.8

Source: (ASEAN, 2021).

Table 2 Intra-ASEAN Foreign Direct Investment (FDI) (Inward Flows by Host Country, 2010-2021)
(in million US\$)

Host Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Brunei Darussalam	67.5	31.5	-58.0	141.2	86.7	-64.7	535.3	82.8	-17.9	4.0
Cambodia	223.8	523.0	298.8	372.5	425.4	625.7	603.5	788.7	707.5	640.3
Indonesia	8334.5	7587.9	8721.1	13083.7	9228.6	9907.5	10189.7	11157.0	6880.5	7906.4
Lao PDR	75.0	73.6	104.6	137.9	221.8	196.6	171.2	147.2	72.4	79.9
Malaysia	2664.3	2813.9	2150.0	2284.0	2931.4	2098.7	2219.2	256.1	1417.5	2528.3
Myanmar	84.6	151.2	1186.8	683.6	2230.6	1682.9	2590.4	910.8	1171.3	948.8
Philippines	-74.1	145.2	-41.7	137.1	57.3	608.3	725.5	1070.2	662.2	98.0
Singapore	1991.6	12057.3	3495.7	4734.5	3050.4	7043.8	5703.5	3939.7	3520.8	2433.8
Thailand	952.2	-745.4	528.2	-940.7	433.6	2003.4	1814.0	1626.5	5190.9	1898.1
Viet Nam	1517.3	1262.5	2078.6	1547.1	2153.5	2306.6	2531.2	2851.3	2441.3	6278.2
ASEAN	15836.7	23900.8	18464.2	22180.9	20819.3	26408.9	27083.5	22830.4	22046.5	22815.8

Source: (ASEAN, 2021)

Regarding the trade in goods, the ATIGA is the legal commitment to creating simplified rules of origin (ROO) and accelerating trade facilitation Measures. Regarding the financial sector, the ACIA is the comprehensive regional agreement that enhances mechanisms to attract foreign direct investment (FDI) in the services sectors and build up the ASEAN as the regional destination for global investments. The ACIA also ensure that the financial sector is inclusive and stable for regional economic integration. The AATA provides an instrumental obligation shaping many ASEAN agreements and the ASEAN open-sky policy leading to air transport liberalization and competition. There are also many more sectoral agreements among ASEAN that helps facilitate the trade, service and investment flow.*

Thus, the blueprints, as the strategic policy and the numerous agreements, as the legal obligations, contribute to ASEAN frameworks to increase trade and investment among the members. The frameworks can be considered vital rail for the ASEAN trains in speeding up toward the destination of market integration and economic development in Southeast Asia.

3. ASEAN, THE OPEN DOOR FOR TRADE FACILITATION

The regional policy and agreements coordinate with the potential trade facilitation, creating an open-door opportunity for ASEAN and major economic partners. The policies and legal agreements can increase trade in global and intra-ASEAN trade, East Asia- ASEAN plus three and South Asia- ASEAN.

3.1 Global and Intra ASEAN trade

With the rise in economic openness, the ASEAN economy interconnects with the global economy (ASEAN, 2021). According to a report from the ASEAN Secretariat, the ASEAN trade in goods increased from around USD 2,300 Billion to 2,590 Billion during 2011-2020 [14]. Due to the fact that there are regional blueprints and agreements relating to trade in ASEAN, the ASEAN members are in the crucial steps for raising their intra-trade with interconnection to global trade. The agreements and policy frameworks are the significant factors that accumulate the ASEAN economy with cooperation with international trade.

The intra-ASEAN trades are comparatively high, considered one-fourth of ASEAN trades with global markets. While there is a concern over the little progress in economic integration, the ASEAN is on a steady and firm integration process [11]. With the 2025 blueprints, which maintain the ASEAN integration process, it is expected that the trade volumes will remain strong under the stable regional GDP growth forecast at 5.1% for 2018 and 5.2% for 2019 [15]. Furthermore, investments within ASEAN and from outside ASEAN are in increasing trend. During 2010-2021, the intra-ASEAN foreign direct investment (FDI) increased from USD 15.8 billion to USD 22.8 billion (See table 2). ASEAN drew significant FDI from the outer region during 2010-2021(See table 3). The FDI from outside ASEAN raised from 87 billion in 2011 to 137 billion in 2021.

* See additional regional agreements under AEC from the weblink of-

<https://asean.org/asean-economic-community/>

Table 3: Foreign Direct Investment (FDI) (Inward Flows in ASEAN by Source Country, 2010-2021

(in million US\$)

Source Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASEAN	15,836.7	23,900.8	18,464.2	22,180.9	20,819.3	26,408.9	27,083.5	22,830.4	22,046.5	22,815.8
REST OF THE WORLD	71,726.1	92,873.5	102,501.3	107,933.6	97,847.9	89,782.0	129,064.2	126,635.6	159,959.7	114,515.7
Australia	4,847.3	741.1	2,165.5	4,032.1	1,407.2	1,081.7	-807.8	700.7	1,085.0	535.4
Canada	922.7	3,870.8	790.0	2,239.7	1,179.7	1,603.2	1,477.3	318.6	10,124.3	5,100.7
China	7,194.3	7,975.2	6,165.2	6,811.7	6,571.8	10,502.7	17,511.0	12,751.7	8,827.7	7,732.6
EU	24,419.3	-2,536.7	15,718.5	28,943.3	20,373.1	31,810.7	15,364.5	27,856.4	17,711.4	10,015.8
India	-2,106.2	7,040.7	1,731.2	1,163.5	1,473.4	850.9	1,510.3	555.6	1,529.1	2,123.7
Japan	7,797.6	14,852.8	24,608.6	13,436.1	12,962.3	15,047.6	15,625.4	26,724.6	23,837.9	8,520.2
Korea, Republic of	1,774.3	1,278.5	4,302.7	5,257.2	5,608.8	6,586.4	5,649.3	5,169.4	7,527.3	6,849.5
New Zealand	24.6	-945.8	270.0	496.3	-58.3	347.2	162.6	-155.1	163.8	72.5
Russian Federation	10.1	189.1	608.0	-113.5	-24.4	63.4	47.8	56.1	83.5	63.2
USA	8,197.4	18,911.4	11,457.9	21,141.3	22,912.5	13,626.3	30,868.3	-25,398.5	34,580.7	35,039.2
Others	18,644.7	41,496.4	34,683.8	24,526.0	25,441.9	8,261.9	41,655.6	78,056.1	54,489.1	38,463.0
TOTAL	87,562.8	116,774.3	120,965.5	130,114.5	118,667.2	116,190.9	156,147.7	149,466.0	182,006.2	137,331.5

Source: (ASEAN, 2021)

Table 4. ASEAN Trade in Goods by Trading Partners, 2010-2021

(in million US\$)

Trading Partner	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ASEAN	582,938.0	605,640.2	617,751.6	608,113.8	535,380.4	517,954.4	589,116.7	644,654.1	632,604.3	549,821.5
Trading Partner	1,815,390.4	1,874,951.9	1,915,317.6	1,927,094.6	1,737,481.4	1,721,943.0	1,982,183.5	2,163,451.6	2,183,827.8	2,041,408.9
Australia	67,488.0	70,438.8	69,053.1	73,395.2	57,492.6	52,878.8	59,108.1	65,633.2	63,090.9	52,723.9
Canada	12,669.7	12,332.7	13,529.3	13,331.2	12,655.2	12,633.6	13,796.7	15,544.7	17,142.0	15,882.1
China	294,989.4	319,389.7	351,583.4	366,711.2	363,496.8	368,567.3	440,973.3	478,535.0	507,963.2	503,302.4
EU1)	240,118.8	242,680.4	246,534.6	248,179.2	230,655.1	233,579.1	260,759.6	286,868.9	280,818.5	220,923.7
India	74,232.0	71,252.0	68,269.4	67,993.1	60,165.7	58,592.2	73,668.7	80,427.7	77,097.8	63,803.4
Japan	256,410.7	264,459.1	240,430.9	229,094.7	202,800.1	202,417.6	218,805.8	230,112.8	226,029.2	194,890.5
Korea, Republic of	124,750.2	131,468.1	134,864.2	131,438.3	120,566.7	124,466.9	154,849.5	160,727.7	156,506.5	152,501.1
New Zealand	9,043.1	9,286.8	9,789.0	10,706.0	8,753.0	7,899.6	9,504.6	10,231.8	10,341.3	8,668.0
Russia	16,851.4	18,142.0	19,984.1	22,571.1	13,969.0	11,956.8	16,748.0	19,922.0	18,198.0	13,583.3
United Kingdom	-	-	-	-	-	-	-	-	-	31,012.9
USA	198,110.2	199,803.4	205,313.1	211,507.9	210,582.4	211,810.0	233,833.8	262,126.2	294,793.3	301,097.8
Rest of the World	520,726.8	535,699.1	555,966.6	552,166.6	456,344.9	437,141.2	500,135.6	553,321.8	531,847.1	483,019.6
TOTAL	2,398,328.3	2,480,592.1	2,533,069.2	2,535,208.4	2,272,861.8	2,239,897.4	2,571,300.2	2,808,105.7	2,816,432.0	2,591,230.4

Source: (ASEAN, 2021)

With the underlining policy and agreements on trade and investment, the ASEAN trades and investments largely expanded and increasingly became a preferred trade investment destination [14]. It can be seen that there are opportunities for growth in trade and investment in ASEAN. Potentially, ASEAN can be strengthened by the intra-trades and become a significant trading block in the global markets.

3.2 Looking at East Asia- ASEAN plus 3

An informal summit initiated the ASEAN Plus Three (APT) cooperation among the leaders of ASEAN and China, Japan and the Republic of Korea (ROK) in 1997. ASEAN's trade with the Plus Three Countries maintains steady growth progress. The total trade between ASEAN and the Plus Three countries in 2017 amounted to USD 813.5 billion, 31.6 per cent of ASEAN's total trade [16]. In terms of investment, in 2017, the total FDI from the three countries into ASEAN increased to USD 29.9 billion, accounting for 21.8 per cent of the total FDI inflow to ASEAN [16]. According to a report of ASEAN trade statistics, the ASEAN and the three countries share significant trade development during 2011-2021. China, Japan and ROK are among the important trading partners with ASEAN (See table 4). China, Japan and ROP are the major trading countries with volumes of trade with ASEAN in 2021; China-USD 503 billion, Japan-USD 194 billion and ROK-USD 152 billion (See table 4).

The ASEAN-China trades and investments are in the surge of progress. Xingmin [17] points out that the ASEAN-China FTA builds more substantial trade and investments between both parties. Similarly, the FTA stimulates FDI through market expansion, resulting in a positive impact on FDI flows [18]. Concerning trade and investment of ASEAN- Japan and the ASEAN- ROK, the ASEAN-Japan FTA and ASEAN-ROK FTA has experienced benefits of trade flow by that the ROK would have a significant increase in exports of light manufacturing and heavy manufacturing to ASEAN [19]. ASEAN also increased in the exports of processed food to Japan, and Japan gained a significant increase in the exports of light manufacturing to ASEAN [19]. Overall, the ASEAN look at East Asia by the ASEAN trade connectivity and the economic cooperation with China, Japan and ROK shows greater benefits and provides important trade opportunities for all by building up complementary trade creation [20].

China's Belt and Road Initiatives (BRI) encourage opportunities for trade and investment. The BRI is an international development strategy aiming to create connectivity and cooperation across six central regions, including China-Russia; China- Eurasian countries; China-Central and West Asia China- Pakistan China- other countries of the Indian sub-continent; and China-Indochina [21]. The initiatives are placed as the major global economic connectivity. The trade and capital flow from China to Southeast Asia has accelerated since the BRI announcement, with firmer cooperation between China and ASEAN in 2014

[22]. By the BRI, China's FDI inflows into ASEAN have increased from about USD 3.5 billion in 2010 to around USD 11.3 billion in 2017 [23]. The flow of trade and investments is toward infrastructure development, such as energy, telecommunication, and transportation [23]. Thus, in terms of trade and investments, ASEAN has significant opportunities to cooperate with China's BRI to ensure the progress of market integration and economic development with help from China [24]. China has provided substantial diplomacy and assistance funds for ASEAN member countries [25]. The funds and assistance can contribute to the development of countries such as Laos, Cambodia, Vietnam, Myanmar, and Thailand [26].

3.3 Looking at South Asia- ASEAN

The ASEAN has opportunities for trade and investments with East Asia, but the ASEAN also can cherish possible opportunities when focusing on cooperation with South Asia. India announced its policy to cooperate with East Asia in 1991, and the India- ASEAN FTA (IAFTA) was signed in 2009 [27]. The FTA was established from India's 'Look East' policy, matching with ASEAN 's 'Look West' policy [28]. The FTA enables India and ASEAN to open economic opportunities through the trade complementary between India and ASEAN [28].

ASEAN is India's fourth-largest trading partner, considering 10.2 per cent of India's total trade. India is ASEAN's 7th largest trading partner, and India's service-oriented economy complements the ASEAN as the manufacturing-based economy [29]. During 2011-2021, India was the vital national having trade in goods with ASEAN, and India can be seen as the major trading partners with ASEAN higher than Australia and New Zealand (See table 4 above).

The establishment of the ASEAN-India FTA paves the way to economic cooperation on the ASEAN-India Trade in Services Agreement 2014, which marks the improvement of trade in service relating to transparency, domestic regulations, recognition, market access, and national security treatment and dispute settlement [30]. Similarly, in 2014, the ASEAN-India Investment Agreement was signed with reference texts to create investment stipulates protection, non-discriminatory treatment in expropriation or nationalization, and fair compensation to investments [30].

In addition, there are regional initiatives relating to ASEAN and South Asia, such as the Indian Ocean Rim Association (IORA), the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), the Mekong-Ganga Cooperation (MGC), the Bangladesh-China-India-Myanmar (BMIC) forum, the Ayeyawady-Chao-Phraya-Mekong Economic Cooperation (ACMECS), and the Asian Cooperation Dialogue (ACD) [31]. The agreement and initiatives lead to the involvement of ASEAN with trading partners in South Asia. What can be seen from the agreements and initiatives is that there are open

opportunities for ASEAN to increase its trade and investment with South Asia.

4. CHALLENGES FOR ASEAN TRADES AND INVESTMENT

In part 2 of the paper, ASEAN has established effective frameworks of AEC blueprints and various agreements to facilitate the ASEAN trade and integration. Part 3 of the paper also presents significant opportunities for ASEAN trade toward global, East Asia and South Asia. What can be seen from the two parts are that ASEAN has gained considerable advantages concerning trade and investments. The set frameworks and cooperation with international perspectives offer many opportunities for ASEAN trade and investment. Nevertheless, ASEAN still has to face challenges that may lead to barriers to trade and investments. The challenges are 1) the ASEAN way, 2) the regulatory barrier to trade and investments, 3) the market barrier by monopoly or dominant entity, and 4) dealing with external partners.

4.1 ASEAN Way- *Slow but sure or slow but not sure*

ASEAN runs its works by adhering to cooperation and consensus-based. All members will have to give their consent in making any decision to drive any ASEAN policy and projects. This is due to the ASEAN Charter 2007, article 20, which stipulates that

“1. As a basic principle, decision-making in ASEAN shall be based on consultation and consensus.

2. Where consensus cannot be achieved, the ASEAN Summit may decide how a specific decision can be made.

3. Nothing in paragraphs 1 and 2 of this article shall affect the modes of decision-making as contained in the relevant ASEAN legal instruments.

4. In the case of a serious breach of the Charter or noncompliance, the matter shall be referred to the ASEAN Summit for decision.”

All policies, mechanisms, and implementation must be based on the consensus among ASEAN members. There is also no punitive mechanism in case there is noncompliance or nonaction of the ASEAN members. Any dispute among ASEAN members will be resolved by the ASEAN summit. While the ASEAN's consensus base on issues in ASEAN leads to shared interests in working toward ASEAN integration [32], the consensus base can contribute to the slow progress of ASEAN work. Sometimes, the consensus base may derive the discussion for understanding but lacks action. The ASEAN's consensus basis connects to the slow process of ASEAN in trade and economic integration. ASEAN members may aim to develop market integration, but some members may not appreciate the market integration for fear of the inability to compete in the market integration. The consensus basis thus can be seen as the effective mechanism for ASEAN in managing the different preferences of the member. Still, the basis can also

contribute to the slow processor and lack of progress in development. Although there are AEC frameworks of blueprints and regional agreements, there may not be an implementation according to the set frameworks. The consensus may help move the works of ASEAN in the way of 'slow but sure'. However, the consensus can also create the 'slow but not sure' for ASEAN work.

In addition, the ASEAN way with the non-interference approach help sustain various regional tension but leave a significant gap in implementation according to the plan. In some situations, the ASEAN members may not act according to the set plans. There will be no methods to push the members on track with the set plans. The ASEAN member may operate in different ways according to their interests (political economy of the countries) and may depart from the aim of ASEAN integration [33]. In some cases, the implementation of the ASEAN integration is delayed indefinitely by the constraints of the reasons of national convenience from ASEAN members [34].

Regarding the disruptive global economy the rapid technological changes, the ASEAN movement based on the consensus would not keep up with such changes. There is the creation of Artificial Intelligence (AI) and BlockChain (BC). The creation highly impacts on all economies. By having to transform their economy toward AI and BC, ASEAN has to ensure that all members can follow the rapid revolution. ASEAN has to invent new policies and regional frameworks to match the transformative circumstance of disruptive technology [12]. The consensus with slow cooperation under ASEAN will make ASEAN unable to keep up with the disruptive world. A valid example of ASEAN economic cooperation under ASEAN way is when there is a political economy issue in Myanmar due to military Coude ta. ASEAN members have no jurisdiction or power to intervene or assist Myanmar's internal affairs [35]. The ASEAN institution may try to obligate the Myanmar junta government to comply with the ASEAN Charter on Human Rights [36]. Nevertheless, the Myanmar government can refer to the non-interference principle to counter any criticisms from ASEAN members. In addition, when there is a different level of development, their preference for political economy in ASEAN also differs [37]. Singapore, Malaysia, and Indonesia may focus on sustainable democracy and economic development, but Thailand, Cambodia, Laos, and Myanmar may concentrate on pure economic development without consideration of democracy. Member countries still face their domestic issues and cannot assume regional ambition [38]. The ASEAN way, thus, can pose a challenge for regional aims on trade and investments due to their distinct concerns.

4.2 Regulatory barriers to trade and investments

Although there are set plans and policies for ASEAN trade and investment, the ASEAN members still maintain regulatory barriers on trade and investments among

ASEAN. According to Nguyen, Nguyen, & Hoang [39] the ASEAN members still maintain regulatory restrictions for the customs process. The logistical processes among ASEAN members have to face customs and logistical regulations that may not support the aim of ASEAN trade integration. The degree of restrictions for customs in checking import and export. For instance, Indonesia, Myanmar, Thailand, and Malaysia do not allow foreign firms to establish a business license clearance service [39]. There are also different times for customs processes and other classifications of goods [39]. The regulatory barriers create difficulty for ASEAN in pursuing the aim of trade integration. Even though the companies are registered in ASEAN, the difference in customs and restrictions on the foreign companies derive from the inability to progress trade and investment integration.

The challenge of the regulation is also from the corruption in customs processes. The customs processes are based on regulations in countries. The regulations that derive complex customs processes provide opportunities for customs authorities to be involved with various forms of corruption, from the payment of informal facilitation fees to large-scale fraud and other serious criminal activities [40]. The corruption decays the effectiveness of ASEAN trade integration and results in the impact of trade barriers [41]. All trading businesses having to import and export in ASEAN must comply with the customs authority's corruption behaviours. Examples are from Thailand, Malaysia and Indonesia, where customs authorities demand bribes (tea money) for their customs clearance [42],[43],[44]. The corruption over customs will be difficult to build up ASEAN trade and investment integration.

Furthermore, ASEAN member countries' regulations are a barrier to investment flows and labour movements. While there is regional support for ASEAN regional investments, the investments have to face national regulatory barriers from ASEAN members. The national regulatory barriers can hamper the flow of investments and block long-term investment. The example is that ASEAN's banking sector remains highly fragmented because governments in ASEAN members are not willing to combine the financial market according to the plan for ASEAN integration [45]. Moreover, by the national regulations pertaining to the barriers, the impediments to cross-border trade and investment are increasing rather than decreasing because governments in ASEAN prefer to maintain regulatory barriers to protect their industries from international competition [45]. AEC 2025 blueprints will not work as long as the government uses regulations to tighten trade investment and industry control. The recent study on ASEAN protectionism schemes displays that ASEAN members tend to adopt non-tariff measures (NTMs) such as sanitary and phytosanitary measures and technical trade barriers. The NTMs thus become trade regulations that create trade barriers in ASEAN [46].

A similar case happens in the labour movement. The ASEAN members tend to be very cautious in open markets for labour movements within ASEAN. The members still maintain their regulations and policies that hinder the labour movement in ASEAN. According to a World Bank report, ASEAN tends to face regulatory issues in the labour movement including;

- “ASEAN migrants are often low- skilled and undocumented who are compelled to move in search of economic opportunity, mainly in the construction, plantation, and domestic services sectors. Higher-salary jobs are available, yet workers are not always able to take advantage of these opportunities.
- The ASEAN Economic Community has taken steps to facilitate mobility, but these regulations only cover certain skilled professions – doctors, dentists, nurses, engineers, architects, accountants, and tourism professionals – or just 5% of jobs in the region.
- Overall, migration procedures across ASEAN remain restrictive. Barriers such as costly and lengthy recruitment processes, restrictive quotas on the number of foreign workers allowed in a country, and rigid employment policies constrain workers’ employment options and impact their welfare [47], [48]”

Furthermore, concerning barriers to the labour movement, ASEAN member countries are very cautious about accepting low-skilled labour even if they need low-skilled labour to fulfil their economic growth [49]. It is also an ASEAN regional issue of lacking an effective migration flow regime and the needed protection of migrant labours’ rights [49].

Thus overall, ASEAN has opportunities for creating trade and investment integration, but at the same time, there are various regulatory barriers ASEAN have dealt with.

4.3 Market barrier by monopoly or dominant entity

The aims to build up the integration of ASEAN trade and investments have to encounter the market barrier by the market barriers that preclude new entry into ASEAN member countries. Market barriers occur when there is a monopoly or dominant firms, either government or private entities. A new market entry from one ASEAN member has to face the market power of dominant firms when attempting to enter and compete with the dominant firms. In some cases, the dominant firms are State-Owned Enterprises (SOEs) or government-linked companies (GLC), which have significant support from governments of ASEAN members [50].

In aiming to compete in the markets, the new entry has to deal with abuse of market behaviour and the unsupportive policy from the government—the issue of competitive neutrality and national interest in the ASEAN members. While the ASEAN members aim to open the market to new entries, the members give favour to preserve their markets

for some enterprises, most of the cases are SOEs monopoly in preserved markets such as infrastructure, energy, telecommunication and transports [50][51]. The market barrier from the monopoly becomes an obstacle, limiting access to the market for a new entry, which may have new market innovations [52]. The OECD report on Southeast Asia Investment Policy Perspectives also stated an attempt to stimulate the ASEAN trade and investment by liberalization and competition. However, the governments of ASEAN members still maintain stiff restrictions of entry barriers to newcomers and provide the incumbent firms (SOE/GLC) a relatively dominant position with stable market shares [53]. This means the ASEAN's failure to build up trade and investment integration as the ASEAN member pays more attention to the primacy of the domestic political economy [54]. Furthermore, the lack of solid development on regional ASEAN competition law and policy contributes to the lack of a regional legal framework that deals with anti-competitive market barriers [55]. The lack of regional competition rules thus can be translated to the slow progress for ASEAN market integration [55].

4.4 Dealing with external partners

ASEAN has its challenges from intra-region, but ASEAN has to also deal with external economic power. The challenge is how ASEAN can combine its strength to sustain its bargaining power with external partners such as the EU, the US, Japan, and China. While having trade opportunities from those partners, ASEAN has to ensure that it can generate mutual benefits from the trade deal with those partners. In many cases, those partners direct their trade negotiations with each ASEAN member rather than with ASEAN as a whole. It may be because the direct negotiation with ASEAN is complex and can take longer under the consensus base mechanism. The EU, US, Japan, and China aim to exert their trade and pay more attention to the direct discussion with ASEAN members. The challenge is to unite ASEAN members to direct the trade discussion with the external partners whilst ascertaining the ASEAN way. With the loosely regional integration, there is a chance to let member countries face imbalanced trade negotiations with economic powers in global trade.

An example is that some ASEAN members are unwilling to open an opportunity for China to invest in the oil and gas in South China sea. Still, some ASEAN members do not hesitate the investment [56]. Thus, ASEAN cannot combinedly work on negotiating with China to create mutual benefit from using natural resources in the South China sea [57]. The challenge occurs when ASEAN considers the possible way to cooperate with China's BRI, which can be a significant opportunity for ASEAN members.

In addition, ASEAN has to pay high attention to dealing with external partners in the recent trade war between the US and China. ASEAN is in a limbo position in dealing trade negotiations with the US and China when they are in

their trade fights. The trade war possibly can be a means for ASEAN's gain on investments as the US and China may destine their investment to ASEAN [58]. However, ASEAN may have to embrace Chinese investments while being concerned with the US's international preference. The whole ASEAN may not benefit from the trade war, but only some member countries can reap the benefit.

An example is Vietnam, the most preferred country for investment during a trade war. Investments from China flow to Vietnam to ensure the stability of industrial products in US markets. The challenge is that ASEAN has to ensure unity and spare room for its member countries in dealing with the external partner during the trade war. The ASEAN unity can direct the ASEAN to have greater bargaining power with external partners. However, there is still a question on how ASEAN can keep their unity when adhering to non-interference trade and economic policy.

5. CONCLUSION

The ASEAN has vital opportunities to expand intra-regional trade and to increase trade with global markets. The paper discusses the development of ASEAN trade and investment integration concerning ASEAN 2025 blueprints and other regional agreements. The blueprints are the vital economic pathway for ASEAN members to build on a highly integrated and cohesive regional economy. Various ASEAN regional agreements support the move toward trade and investment integration. It can be seen that ASEAN has prepared its regional plans and underlying agreements to ensure that ASEAN members would pursue the same goal of regional integration. In addition, the paper also shows that ASEAN has opportunities for open trade facilitation.

Regarding additional trade, by looking at regional connectivity, ASEAN has a strategic geographical connection and possibly expands trade and investment with trading partners from East Asia and South Asia. India and China are rising economies, and ASEAN will be able to tap on the rising economies. Thus, the ASEAN has established their underlining mechanism to support trade facilitation, and ASEAN has promising opportunities to link its Southeast Asia economy with external trading partners.

Nevertheless, the paper points out that challenges can obstruct the progress of ASEAN trade and investment integration. The ASEAN way, with the consensus basis and non-interference, may create harmonized regional work but contribute to the slow process of regional trade integration. There are no regional mechanisms to drive ASEAN members to take action according to the set plan for ASEAN economic community. ASEAN has to face regulatory barriers for trade and investments. ASEAN members maintain their laws and regulations to protect and control their internal market. By keeping the laws and regulations, ASEAN members choose to protect their needs due to the difficulty of moving forward with ASEAN regional integration. ASEAN also has to face potential monopoly

barriers from dominant entities. Either public or private firms can control their internal markets with support from the government in ASEAN countries. The consequence is that new market entry cannot access and compete in the ASEAN markets due to the firms' dominant controls over all ASEAN members.

In addition, ASEAN may face challenges in building its unity for bargaining with trading partners. ASEAN has to deal with an economic superpower and face an awkward situation in bringing all members on the negotiation board. Each ASEAN member would prefer to negotiate directly with the trading partners. In some cases, the trading partners such as the US, EU, China, Japan, and South Korea may find difficulty negotiating with all 10 ASEAN nations without progress at the regional level. The trading partners have to deal directly with the ASEAN member. Thus, ASEAN must ensure that it can preserve leading roles in cooperating with external trading partners.

Against the challenges, the paper proposes that ASEAN should pursue by that;

- **New way of formulating policy and regulation-** ASEAN can build up a platform organization with the power to discuss the vital matter and request the member follow the set plans. ASEAN members should implement regulatory mapping to identify the regulatory burdens and reform the regulation that contributes to business burdens **Error! Reference source not found.** It may be that ASEAN initiates a new mode of engagement in the ASEAN beyond the principle of non-interference. The paper also suggests that there should be a regional initiation to reduce unnecessary regulatory burdens.
- **Regional agency-** Rather than *relying* on the numerous ASEAN meetings each year, ASEAN should create a regional agency focusing on reducing national barriers to trade and investment. The agency can consult and talk hard with ASEAN members to reduce market barriers in their national markets. In addition, there should be a development of an ASEAN regional institution that can deliver the practical implementation of the ASEAN plan and policy to create ASEAN centrality. While there are various meetings with efforts to set the progress of ASEAN development, it seems that ASEAN relies heavily on external partner funds [60]. Thus, strengthening the ASEAN secretariat and its capacity to deliver practical development is necessary to sustain ASEAN integration, according to AEC blueprints 2025.
- **Prioritization of readiness with cooperative works –** ASEAN should set the group of members ready and aim to move forward with the integration plan and provide rooms for other un-prepared members. This concept of ASEAN minus X leaves room for members who are not ready to go along with the plan [61]. But it should go beyond the ASEAN minus X by

establishing the ASEAN sub-group prepared to do the trade and investment integration. The sub-group also can be used as a point for negotiation with external trading partners. By the sub-group, it will be pilot work for trade and investment integration. Once the piloting works have been completed, the other member countries can *participate* and combinedly create practical ASEAN integration.

- **Unify the bargaining power-** It seems challenging to unify ASEAN members to *cooperate* in negotiations with external trading partners. However, the ASEAN members must consider that they are vulnerable to imbalanced trade negotiations with superior trading partners. The ASEAN members must consider long-term ASEAN integration and higher bargaining power when resorting to ASEAN unity. ASEAN must reinforce its internal unity with a shared strategic position in facing external power [62]. ASEAN centrality must be developed to ensure that ASEAN can match with an external political economy with a dynamic equilibrium between the major global powers.
- **Cooperation with government and private sector in realizing ASEAN integration-** Most of the time, the ASEAN initiations and meetings are based on government-centred but private-driven. Thus, it proposes that *the* private sector must be supported to have a greater role in overcoming those challenges for ASEAN trade and investment integration [63]. The private sector would assist the government in being aware of the economic benefit of the ASEAN trade integration. The ASEAN should work with the private sector to fill the infrastructure gaps. ASEAN may establish regional private-public partnership (PPP) schemes that can attract private funds to fill the need for infrastructure development [64]. The PPP schemes may include reducing regulatory burdens for private investments and the institutionalization of ASEAN regional PPP.

In conclusion, ASEAN has its underlining potential for building up trade and investment integration. But, similar to all regional trade blocs, ASEAN has to overcome the challenges. The proposal of the paper provides general ideas on how to tackle those challenges. It will be better if there is future research on implementing those proposals under the ASEAN context.

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