



2015.5.11

As the Establishment of AEC at the end of 2015 approaches

**Atsushi Kato , Lead Economist
Institute for International Monetary Affairs**

At the end 2015, a huge economic organization with a GDP of \$2.5 trillion and a population of 620 million people, the ASEAN Economic Community (AEC) will be established. The establishment of the AEC will deepen its integration magnitude from the current free trade area (AFTA) status to a single market where goods, services, investment and skilled labours can move freely, together with freer movement of capital. In the beginning, the establishment of AEC had a target year of 2020 but with China and India gaining global competitiveness, plans were accelerated and each ASEAN country proceeded with integration process in accordance with the so-called AEC blueprint. As the deadline of the end of 2015 approaches, although recent progress has not been smooth, even with a delay in some parts of the progress, AEC will be established at the end of 2015.

AEC will be quite different from that of a precedent economic community, the EU. In AEC, the domestic laws of each country will be of preference and a super state function will not be set up. The basic rules are that no countries will intervene into domestic issues of other countries and monetary union has not been planned for now. The reason for this is that, there exists a large difference amongst the member countries than that of the EU, in economic development levels and in the business environment levels, such as legal systems and social infrastructure.

ASEAN Countries Statistics 2014 (IMF Estimates)

	GDP Nominal (Billions of USD)	Population (Millions)	GDP Nominal per capita (USD)	GDP Annual Growth Rate (%)	Joined ASEAN	Joined WTO
Singapore	308.05	5.47	56,319	2.9	1967	1995
Malaysia	326.93	30.26	10,804	6.0	1967	1995
Thailand	373.80	68.66	5,445	0.7	1967	1995
Indonesia	888.65	251.49	3,534	5.0	1967	1995
Philippines	284.93	99.43	2,865	6.1	1967	1995
Brunei Darussalam	15.10	0.41	36,607	▲ 0.7	1984	1995
Vietnam	186.05	90.63	2,053	6.0	1995	2007
Lao PDR	11.68	6.90	1,693	7.4	1997	2013
Myanmar	62.80	51.42	1,221	7.7	1997	1995
Cambodia	16.55	15.31	1,081	7.0	1999	2004
ASEAN	2,474.54	619.99	3,991	4.5		

(Source) IMF World Economic Outlook Database April 2015

Although most things have already been achieved amongst the initial member countries, the integrated process will continue even after the end of 2015. In this sense “end of 2015” does not have too large of a meaning. It is planned that, in 2018 all custom taxes will be abolished amongst the latter member countries and in 2020 restriction on financial service will be taken off.

As a result of the deepening of the regional integration by the establishment of AEC, ASEAN will become more attractive as a consumer market as well as a production base. As the EU expanded to Eastern Europe around 2004, economic development picked up in that region. Taking this as an example, by looking at ASEAN as one region, intraregional division of labour will develop in areas such as, Lao, Myanmar and Cambodia, areas that have not been given much attention; as a result a rise in the potential growth rate of the whole of ASEAN can be expected.