



Cross-Border Obstacles in ASEAN and Solutions

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THEME: The Power of One – Unlocking Opportunities in ASEAN through Law

PLENARY SESSIONS:

1. Opportunities and Challenges in the ASEAN Economic Community (AEC)
2. Law as an Instrument to Facilitate the Success of the AEC
3. Disruptive Technologies on Business Landscapes in ASEAN: Opportunities and Challenges
4. Power of ONE: AEC Financial Integration
5. Cross-Border Obstacles in ASEAN and Solutions
6. Stock-taking and the Way Ahead

ASEAN COMMUNITY

- Unlike three decades ago, today's Southeast Asia is no longer a land of wars and conflicts. For 50 years, the ten countries of the ASEAN have been working together to provide much needed stability to the region. It is now home to the world's fastest growing countries in terms of both population and economic growth.

The ASEAN Community is comprised of three pillars:

[ASEAN Political-Security Community](#)

[ASEAN Economic Community](#)

[ASEAN Socio-Cultural Community](#)



ASEAN ECONOMIC COMMUNITY

- In 2016, ASEAN was ranked the 6th largest economy in the world with a combined GDP of \$US2.6 trillion, and a population of 650 million
- Not only individual ASEAN countries are attractive investment destinations, but the potential of an integrated region, ASEAN has recently entered into free trade agreements with a number of its major regional trading partners: China, Japan, India, Korea, and a joint agreement with Australia & New Zealand.

AEC since 31 December 2015.

- A Common Market, which factors of production, labor and capital are free to move between members
- There are no restriction on immigration, emigration, or cross-border flows of capital between member countries.



ASEAN
Economic
Community



Cross-Border Obstacles in ASEAN

- Despite all the positive outcomes from the region's integration, it is important to understand that Southeast Asia is greatly diverse in political situations, environmental conditions, rules, laws, and economic structures.
- Each of the countries presents very distinct opportunities and challenges. Such disparities are causing limitations in the region's sustainable growth and stability unless the governments know how to narrow the gaps and strengthen economic integration among the state members.
- This study is to discuss the obstacles that the ASEAN is facing and, hopefully, help those working with the ASEAN to find concrete solutions for this increasingly complex and interconnected region.

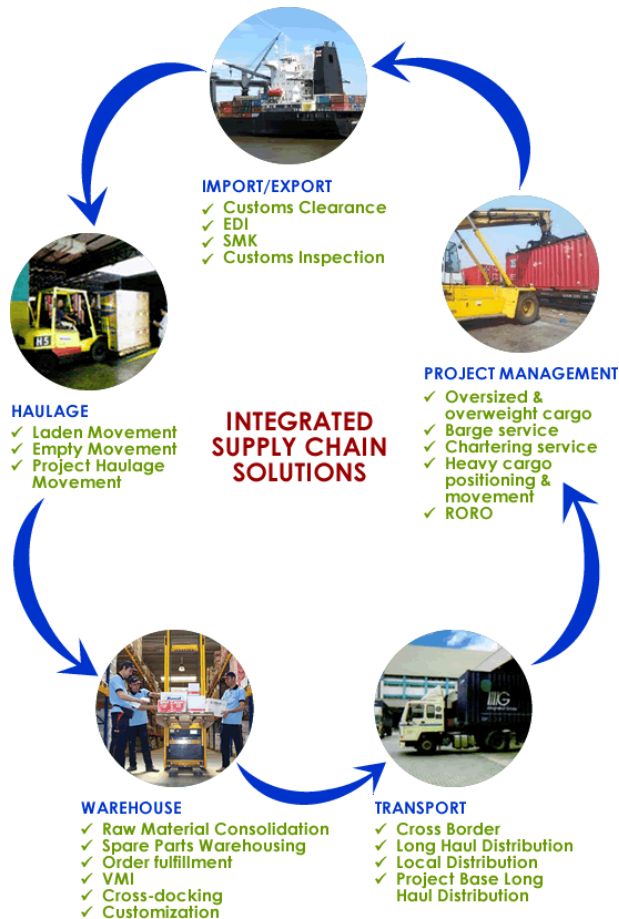
Challenges in Logistics Integration

- One of the key challenges for the ASEAN is the increasing cost of transportation that can be attributed to the differences in the member countries' stage of development.

A study done by ISEAS shows that while Singapore and Malaysia enjoy a well-developed logistic services industry, the other countries are still in their infancy in providing supporting services for the flow of goods within the region.



Challenges in Logistics Integration



- Logistics is not merely about handling and transporting goods, but it includes a wide range of activities, such as warehousing, storage, and communication, that requires an effective measurement in institutional quality.
- It also requires great coordination between government departments. Unfortunately, there are significant differences in each ASEAN country's approach to corruption, regulations, and ways of doing business.

Inconsistency in Infrastructure

- In order to facilitate trade and lower costs of business, it is vital to expand infrastructure that can consistently support not only road networks, but also seaports and railway systems within the region.

In countries like Vietnam, despite its huge potential to become transit hub for ASEAN, the infrastructure system is in under-developing condition as compared to Singapore. Although the road networks have been improved for the last few years, the ports and railways are inefficiently operated.



Inconsistency in Infrastructure



For example, numerous ports are located within Ho Chi Minh City's borders causing traffic congestions and damaging the surfaces of new-built roads when container trucks roll through the city. This cost importers and exporters time and money. Also, currently Vietnam's rail links are not used for containers transportation purpose.

Imagine that instead of trucks, trains become the main transporters for containers; this will produce extremely sufficient results in facilitating logistics within the Southeast Asian region.

Unskilled workers and the Productivity Challenge

- In spite of the huge population (654 million), 11 percent have no education and 60 percent only have primary education or lower. The shortage of skilled labor is the biggest challenge for the countries in the ASEAN.
- Again, differences in their state of development, economic structure, and strategic growth explain the skill gaps in industries.

While Singapore has a skilled, educated, English-speaking workforce, Indonesia and Philippines are under pressure to deal with high youth unemployment rate – 18.3% in Indonesia and 14.4% in Philippines. Both countries face challenges in equipping their workers with basic knowledge and skills in science, technology, and engineering.



Unskilled workers and the Productivity Challenge

- And because ASEAN countries are diverse in economic growth - some belongs to high-income countries and others are still poorly developed

Cross-border illegal migration is becoming a problematic issue when huge population are moving to big cities for better job opportunities.



Lack of effective regional cooperation

- Although there are more effective integration among the ASEAN in addressing human trafficking and illegal wildlife trade, the region is still lack of cooperation in resolving climate change, water-energy-food security, and disaster management.

One example is that, for years, dam-caused coastal erosions have caused major impacts on the lives of many people living in the downstream cities and provinces along the Mekong River, one of the most biologically diverse area in the world and the main live support for five Southeast Asian countries (not including China).



Until now, the countries involved have come up with limited practical implementation to solve this important environmental issue.

Lack of effective regional cooperation

- Moreover, due to the similarity in natural conditions, labor-intensive environments, price competitiveness, and technological capacities, Southeast Asian countries have been competing with each other for markets in the developed countries.

Take tourism for example, the ten countries are more dependent on tourism to drive their economies than other regions in the world. Therefore, they are more likely to become competitors than cooperators in attracting tourists around the world.



It is hard to find any attractive tourism package that could encourage intra-region travels.

Challenges in banking integration

- One of the key challenges that the member states are facing is the inconsistency in banking regulations across the region. According to Global Risks Insights, in terms of deposit insurance, while Singapore limits its deposit protection at \$36000, Indonesia's Deposit Insurance Corporation allows up to \$148000.



Challenges in banking integration

More importantly, financial safety mechanisms have not been implemented effectively by the ASEAN. The recent stories of banking mismanagement in countries like Vietnam, including the lack of data security in financial services, have reduced trust among the member states in launching a successful banking integration.



- Only by consolidating the banking system in each country to safeguard Southeast Asian against systematic risks, will the state members be able to gain trust in establishing sufficient common financial safety measurements.

Gaps in catching up with the Fourth Industrial Revolution

- The Fourth Industrial Revolution requires a set of highly developed technologies, including 3D printing, robotics, and artificial intelligence.
- This significant change in technology development will bring both benefits and challenges to the ASEAN countries.



Gaps in catching up with the Fourth Industrial Revolution

- However, because many Southeast Asian countries are growing based on the supply of low-cost and low-skilled labor, artificial intelligence and robotic machines will create fear over job losses in the future.

Moreover, unless the governments carefully invest in proper cyber-security measures, policy, and law, ASEAN will be vulnerable to cyber-attacks as more devices, sensors, and machines are connected to the Internet.

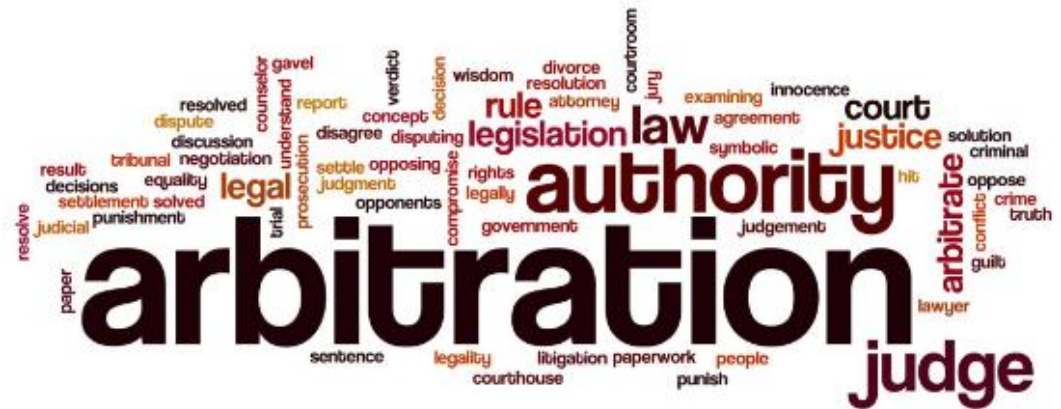




Lack of commercial arbitration in ASEAN

- Several of the ten ASEAN countries are ranked poorly in civil justice and enforcement of contracts. This is decreasing the confidence of foreign investors when they want to open businesses in the member states.

There is still lack of arbitrational institutions that can transparently and fairly resolve commercial disputes in ASEAN.





Lack of commercial arbitration in ASEAN

- Each member state is now in different stage of enabling local arbitration rules. Both Singapore and Malaysia have highly reputable arbitration institutions.
- Vietnam has had a functioning commercial arbitration body, the Vietnam International Arbitration Centre (“VIAC”), for more than two decades,
- Cambodia has recently launched its commercial arbitration body, the National Commercial Arbitration Centre (“NCAC”), and adopted its arbitration rules in July of 2014.
- Myanmar are still progressing in developing policies and revising laws for foreign trade, banking and finance, construction, manufacture, and more.





SOLUTIONS

1. With good transportation among member countries, people can move almost freely across borders to learn about the richness of the regions' diverse history, cultures and religions. This requires a better infrastructure and a stronger security system, so that tourists can enjoy travelling as many countries as they want when visiting ASEAN, while the governments can maintain the security within their territories.
2. The citizens of ASEAN countries, are not equipped with sufficient knowledge of other member countries. For many years, the interactions among member states have only been limited to the governing level. Therefore, lessons over ASEAN should be taught in schools. Problems within the region must be available to the public. Organizations of cultural events, economic workshops and conferences need to be more prevalent and accessible to the people.



SOLUTIONS

3. The attention to small and medium-sized enterprises, entrepreneurs are not enough, although this group have accounted for a large portion of our economies. By giving SMEs enough information about ASEAN markets and by allowing their products to present at the ASEAN's marketplace, we can give them a chance to get acquainted to ASEAN customers and increase the quality of their products through fair competition.
4. I also promote a better exchange of skilled workers among ASEAN countries. An opened policy on working visas is necessary so that skilled workers from more-advanced economy can come and train unskilled workers in the less advanced. Freer movements of labors increase competition and boost productivity. It also helps stabilize the labor cost and make the whole region competitive to the outside world.



SOLUTIONS

5. To succeed in the era of Fourth Industrial Revolution, the ASEAN member states need to harmonize laws and regulations by transforming their local platforms, such as banking payment system, online marketplaces, logistic operation, into a common regional system.
6. In the future, as the demand for pension funds and insurances are growing in the aging populations, the ten member states really need a better monitoring arbitrary office which can facilitate and oversee all types of connected services – from infrastructure, to construction, insurance and hospital services, banking system among ASEAN members, so that citizens of ASEAN can have a better and healthier living condition in the prosperity years ahead.



Conclusions and recommendations

- Cross – border obstacles in ASEAN are very specific issues that negatively affect trade and investment in a common market. When these obstacles persist, they not only limit the integration but also cause many disputes. Therefore disputes that may arise in the broader scope and complexity over the size and number of cases arising.
- Through Agreements, Treaties, Protocols, and Charter of ASEAN. The member states of ASEAN satisfied with the agreements signed by members of the established mechanism for settling disputes among member states.



Conclusions and recommendations

- The establishments of the ASEAN Banking Integration Framework (ABIF) in 2014, ASEAN Economic Community in 2015, and other ASEAN platforms have put a milestone on a more integrated ASEAN in all aspects of economic development.
- The countries' leaders also have developed the Asian Bond Markets Initiative, and been able to connect the stock markets in countries. As a result, the difference in interest rate within the region has been narrowed.
- ASEAN should establish an ASEAN Economic Arbitration Center, together with the commercial arbitration centers of the member states, to create a reputable ASEAN arbitration system to settle disputes between members with members, between members with partners outside ASEAN. There must be mechanisms for the enforcement of ASEAN's arbitral awards more perfect, more powerful.

THANK YOU

