



# **East Asia Business Council's Report to the ASEAN+3 Leaders 2015**

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## **I. Introduction**

2015 is a milestone year for the region. This year, we have a goal to formally launch the regional economic integration in ASEAN, or the ASEAN Economic Community. AEC envisages (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy. The AEC will provide added advantage to our Dialogue Partners, the People's Republic of China, South Korea and Japan, who are also ASEAN's biggest trade and investment partners with huge potential for development due to the geographical closeness and great cultural connectivity. East Asian Nations are significant to the world economy as they account for 48% of the global population, 27% of the global GDP and 30% of the global trade.

The East Asia economic growth will be driven by the establishment of the AEC. The introduction of the AEC will lead to more business opportunities and enhanced cooperation with our Dialogue Partners for all businesses in the region including the Small, Medium and Microenterprises (SMMEs). On average, the SMMEs in the region represent some 98.7% of all business and provide for almost 64% of total employment.

The ability to understand how to take advantage of this new market reality might not come to everyone as easily, which means not every business will be able to grasp the opportunities as well as they should. Some SMMEs might be left behind. The presence of a large SMME community and its significance in the region's economies is indisputable and thus it is vital that SMMEs capitalise on the AEC 2015 and our relations with our Dialogue Partners to prosper in the region. Against this backdrop, EABC has adopted the theme Engaging, Enabling and Sustaining SMMEs in the Region this year.

In this report, EABC will cover the following areas: 1) Updates on Activities to Promote Trade and Investment in the Region and 2) New Recommendations

## **II. Updates on Activities to Promote Trade and Investment in the Region**

### **A. 7<sup>th</sup> East Asia Business Forum**

EABC and the China Council for the Promotion of International Trade organises the annual East Asia Business Forum in different economic provinces of China to promote trade and investment cooperation in the region.

The 7th East Asia Business Forum was organised on May 13, 2015 in Hangzhou Province, China in conjunction with the 31<sup>st</sup> East Asia Business Council Meeting.

With the theme “Expand Pragmatic Cooperation for Common Prosperity”, 300 participants consisting of senior government officials, prominent entrepreneurs, leading scholars and renowned business leaders from East Asian countries attended the Forum to hold discussion on financial cooperation and SMMEs cooperation.

### **B. 1<sup>st</sup> East Asia Investment Forum**

For the first time this year the Business Council organised the East Asia Investment Forum on the sidelines of the ASEAN Economic Ministers meeting on August 24, 2015 in Mandarin Oriental Kuala Lumpur. The forum brought together more than 200 policymakers and business executives from East Asia.

Minister of International Trade and Industry Malaysia, Datuk Seri Mustapa Mohamed along with the Trade Secretary of Philippines Gregory Domingo spoke on the different initiatives and efforts by ASEAN, Malaysia and Philippines to improve and further liberalise investment regimes. During the forum, delegates shared investment opportunities in the region and challenges to regional investment mechanisms. Impacts of the Regional Comprehensive Economic Partnership (RCEP) on regional investments were also discussed.

The Business Council aims to make this forum an annual event along the sidelines of the ASEAN Economic Ministers meetings.

The new recommendations outlined in this report are based on the outcomes of the discussions held at the 7<sup>th</sup> East Asia Business Forum and 1<sup>st</sup> East Asia Investment Forum.

### **C. The East Asia Business Exchange Portal**

The Business Council has launched many activities in order to enhance business integration in the region. One such activity is the East Asia Business Exchange Portal or better known as EABEX. With the support from the AEM+3 and SEOM+3, the EABEX portal was endorsed by the ASEAN Plus Three Cooperation Fund (APTCF) to receive a funding amounting to USD30,000 in April 2012 .

The EABEX is a business matching portal which enables buyers to search from a reliable database of products and services from authenticated companies or suppliers. The EABEX Portal will serve as a platform for SMMEs of the region to search for authenticated and detailed information of counterparts and seek business opportunities. It will allow suppliers to connect to one another, and with global buyers, seamlessly and use trade tools such as the FTA Gateway that help increase the utilisation of Free Trade Agreements by SMMEs. To date the EABEX has 5,520 registered accounts from 11 apex trade associations in ASEAN, China, Japan and Korea. More information on the EABEX Portal and value added services to users are attached as per Annex I of the report.

The Business Council is aware that the ASEAN SME Working Group is currently developing the ASEAN SME Service Centre. The Business Council would like to use this opportunity to inform that the EABC and the ASEAN SME Working Group are in the midst of identifying areas of collaboration to facilitate a single point of access to information, services and market opportunities, in line with the vision of the ASEAN Economic Community (AEC) 2015.

Through the collaboration, ASEAN SME Service Center and EABEX can achieve: Economies of scale in sharing and combining resources, especially in marketing; Faster time to market as EABEX is already an established platform; Lower cost of implementation as it is òrefine and enhanceö based on a proven platform rather than developing from scratch with uncertainties; Shorter learning cycle with EABEX sharing of experiences gained since launch in 2013; and Immediate availability of key services such as FTA to help SMMEs gain a competitive edge.

### **III. New Recommendations**

In line with the ASEAN Plus Three (APT) Cooperation Work Plan 2013-2017 and our theme this year, the Business Council's recommendations will cover the following areas:

- A. Engaging, Enabling and Sustaining SMMEs in the Region
- B. Enhancing Trade and Investment Cooperation with Dialogue Partners
- C. Socialising the Regional Comprehensive Economic Partnership (RCEP)

#### **A. Engaging, Enabling and Sustaining SMMEs in the Region**

##### **1. SMME Access to Non-Collateral Financing**

The current global economic downturn has seen many companies affected, in fact, many of the traditionally stable establishments and big players, scrambling to keep their businesses going. For the SMMEs, which are often faced with resource constraints - they tend to be even more vulnerable to the economic downturn and hit harder by the negative market conditions.

While bank financing remains the main source of financing for most SMMEs, we believe that it is equally important to promulgate emerging innovative financing mechanisms that are fostering a more dynamic and diverse landscape for SMME financing.

We note that there is a whole range of alternative financing options available including angel and seed investments, internet financing, venture capital, crowdfunding, private equity and Islamic Finance. However, much more should be done by governments to expand these sources of financing while reducing the cost of financing.

#### **Recommendations**

To promote the access to these alternative sources of funding for SMMEs, the Business Council would like to urge the ASEAN Plus Three governments to consider the following:

- i. Policy makers to develop a comprehensive suite of policy options that support innovative and diversified financing models for SMMEs and start-

- ups, including the development of new financial instruments, Islamic finance, addressing regulatory barriers to innovative financing and identifying policy frameworks for alternative finance. These models should broaden the range of financing options through specialized market participants to serve the financing needs of SMMEs at different stages of growth, while at the same time encouraging banks to maintain an active presence in SMME markets;
- ii. Governments to incentivize private sector especially those involved in equity-based financing industry such as business angels, seed capital, venture capital and private equity to address the credit gap that hinder the growth of many SMMEs in the region; and
  - iii. Accelerate the use of internet financing platforms as SMMEs are increasingly making use of this technology to secure and facilitate SMME access to crowdfunding facilities.

## **2. Enabling Cooperative and Transparent Implementation of Project Funds under the ASEAN Secretariat**

The engagements between ASEAN and the Plus Three Dialogue Partners have delivered great benefits to ASEAN as a whole and also to each and every member states through various funding in areas of special interest. The following are examples of cooperation funds with our Dialogue Partners that have not been completely utilised:

- i. Japan-ASEAN Integration Fund (JAIF): Financial contribution through Asia Development Bank (ADB) to be used for technical assistance in order to support ASEAN to redress intra-ASEAN disparities with the aim of establishing the ASEAN Community by the end of 2015;
- ii. ASEAN-ROK Cooperation Fund: The ASEAN-ROK Cooperation Fund conducts a variety of projects and activities in the areas of development cooperation, technology transfer, human resource development, people to people exchanges, and exchanges of intellectuals and culture through agreement between Korea and ASEAN. In its sub-levels, the ASEAN-ROK Future-Oriented Cooperation Project Fund mainly aims to promote people exchanges, while the ASEAN-ROK Special Cooperation Fund focuses more on implementing cooperation projects to bring about tangible benefits in each field;

- iii. China-ASEAN Investment Cooperation Fund: This is a private equity fund that is under the direction of the Government of the People's Republic of China and that invests throughout Southeast Asia as a way for the Chinese government to provide financial support to ASEAN;
- iv. ASEAN Plus Three Cooperation Fund: The ASEAN Plus Three Cooperation Fund (APTCF) aims to provide the needed resources to implement more projects as envisaged by the Second Joint Statement on East Asia Cooperation and the ASEAN Plus Three Cooperation Work Plan (2007 ó 2017). The fund will be used to implement activities (projects/programmes) for the benefit of all ASEAN+3 countries, unless agreed otherwise by APT countries;
- v. ASEAN-Japan Comprehensive Economic Partnership Fund- This contribution is expected to implement various projects which would strengthen economic partnership between Japan and ASEAN as well as promotion of ASEAN integration;
- vi. Japan-ASEAN Integration Fund- In 2006 the JAIF was established with fresh contribution from Japan to support ASEAN integration and strengthen ASEAN-Japan relations;
- vii. ASEAN-Korea Economic Cooperation Fund- The Fund was created to implement economic cooperation projects approved under the AKFTA.

We understand that these cooperation funds are sovereign funds and can be utilised for joint projects or capacity building programmes for SMMEs. We note that these various funding although not completely utilised are not able to be accessed as there is lack of information and transparency in the utilisation of the funds.

## **Recommendations**

The Business Council would like to urge ASEAN Plus Three governments to enhance cooperative and transparent implementation of the cooperation funds with our Dialogue Partners. We would like to request for more information, transparency and accessibility on all funds under the ASEAN Secretariat to be utilised for the benefit of SMMEs in the region.



## **B. Enhancing Trade and Investment Cooperation with Dialogue Partners**

### **1. Promoting cross-border e-commerce in East Asia**

E-Commerce is playing an increasingly important role in supporting economic growth in the APT region since it is changing the international trade landscape by creating new industries and altering traditional ones. E-commerce represents a critical element of today's modern economies and is a vital pathway for some of the smallest firms in the region to prosper. SMME companies that use the internet are 50 percent more likely to sell outside their region. Exporting allows companies to dramatically expand their reach and find new customers and markets. To capture this growth, it is highly important to enable the businesses in the region especially the SMMEs to expand via cross-border trade enabled by e-commerce platforms.

Much of the current e-commerce growth has taken place in a largely unregulated environment. Governments in the region have not yet created policies to govern e-commerce trade in the region in similar ways to their approach to off-line trade and commerce. In order to encourage businesses in the region to explore the cross border e-commerce market, the Business Council encourages the APT governments to put in place a policy framework to facilitate e-Commerce, looking at all the components of the e-Commerce value chain and addressing the unique policy aspects that are necessary to facilitate the seamless flow of, services, and goods across borders.

### **Recommendations**

There is a need to look at the entire global value chain and take a holistic approach in facilitating trade through e-commerce. Our recommendations are as follows:

- i. Commitment by APT governments to develop an e-Commerce Framework that would facilitate the entire e-Commerce value chain including flow of goods, services, and information such as:
  - Simplified exporter/importer registration and waiver of Power of Attorney requirements, particularly for de minimis and low-value dutiable shipments
  - Customs clearance procedures that support seamless product returns without charging duties

- Simplified tariff classification systems for low-value goods that use a small set of special Harmonised Tariff Schedule (HTS) codes
- ii. Rules to allow compatible mobile payments systems for the region to encourage digital payment. Changes in payment systems have allowed many firms to flourish in foreign markets and build up their brands with new buyers. New regulatory environments can encourage direct purchasing from online vendors of all stripes;
- iii. Commitment by each APT country to introduce customs best practices to facilitate e-Commerce trade in goods such as:
  - To standardise and increase the low-value baseline de minimis threshold
  - Duty drawback procedures for e-Commerce product returns
- iv. Expansion of cross-border e-commerce test zones to overcome issues of import duties on cross-border e-commerce and complex customs procedures and distribution system;
- v. Deregulation on acquiring e-commerce licenses that would further facilitate entry of e-commerce companies in the region and importation of foreign goods; and
- vi. Effective utilization of RCEP for realization of above commitments.

## **C. Socialising the Regional Comprehensive Economic Partnership (RCEP)**

### **1. Advocate the Realisation of the East Asia Free Trade Area**

The Business Council would like to take this opportunity to advocate the realisation of the Regional Comprehensive Economic Partnership (RCEP) to facilitate economic activities among ASEAN and its Free Trade Agreement partners including the Plus Three countries.

Industries will be benefitting substantially from of economic integration in ASEAN and East Asia substantially. This is why it is the responsibility of industrial circles the regional business community to come together to make their voices heard. This way, we can drive high-level economic integration reflecting the needs condition of business. In this context, promoting RCEP is an important challenge opportunity. As stated in the RCEP negotiation guideline, demanding a high level of added value that transcends the ASEAN+1 FTAs will be in the shared interests of for +1 Countries as well as for ASEAN industries.

## Recommendations

- i. The Business Council would like to urge the RCEP governments to place utmost importance in concluding the negotiations by end-2015 as set out in the Guiding Principles endorsed by the Leaders. In order to achieve the said ambitious target date, there is a need to revive the momentum for the RCEP negotiations;
- ii. In response to the request from the ASEAN Plus Three Economic Ministers for effective business inputs into the RCEP negotiations, an advisory group of business representatives was formed under the aegis of EABC. The Working Group has utilised comments and concerns of businesses already operating under utilising the ASEAN+1 FTAs and observations made at the Working Group meetings as business inputs and priorities to re-shape the recommendations for RCEP, as immediate concerns of businesses represented by the members of the Working Group. The Working Group has also consulted the Economic Research Institute for ASEAN and East Asia (ERIA) in shaping our recommendations for RCEP. The recommendations are attached as per Annex II of the report. We urge the governments to consider the business inputs provided by the Working Group; and
- iii. Additionally, the Business Council would also like to highlight that there is a lack of engagement on the RCEP with the business community. There is a need to bridge this gap as ultimately the success of the RCEP is in its utilisation. We would like to seek for an opportunity for the Working Group to meet with the RCEP Ministers for further submission of our business inputs.

#### **IV. Conclusion**

We look forward to the ASEAN Plus Three Leaders consideration on the above-mentioned recommendations regarding engaging, enabling and sustaining SMMEs in the region; promoting cross-border e-commerce in East Asia; and socialising the Regional Comprehensive Economic Partnership (RCEP).

The EABC strongly believes in strengthening the cooperation between the private sectors and governments in ASEAN+3. We would like to request for the engagement between EABC and Your Excellency to become a permanent agenda item of the ASEAN Plus Three Summit.

## V. Summary Table of Recommendations

Areas		Recommendations
Engaging, Enabling and Sustaining SMMEs in the region	Supporting SMME Access to Non-Collateral Financing	<ul style="list-style-type: none"> <li>▪ Develop a comprehensive suite of policy options that support innovative and diversified financing models while at the same time encouraging banks to maintain an active presence in SMME markets.</li> <li>▪ Incentivize private sector especially those involved in equity-based financing industry.</li> <li>▪ Accelerate the use of internet financing platforms. Facilitate SMME access to crowdfunding facilities.</li> </ul>
	Enabling Cooperative and Transparent Implementation of Project Funds under the ASEAN Secretariat	Request for information, transparency and accessibility on all funds under the ASEAN Secretariat to be utilised for the benefit of SMMEs in the region.
Enhancing Trade and Investment Cooperation with Dialogue Partners	Promoting cross-border e-commerce in East Asia	<ul style="list-style-type: none"> <li>▪ Commitment by APT governments to develop an e-Commerce Framework that would facilitate the entire e-Commerce value chain including flow of goods, services, and information:               <ol style="list-style-type: none"> <li>i. Simplified exporter/importer registration and waiver of Power of Attorney requirements, particularly for de minimis and low-value dutiable shipments</li> <li>ii. Customs clearance procedures that support seamless product returns without charging duties</li> <li>iii. Simplified tariff classification systems for low-value goods that use a small set of special Harmonised Tariff Schedule (HTS) codes</li> </ol> </li> <li>▪ Rules to allow compatible mobile payments systems for the region to encourage digital payment. Changes in payment systems have</li> </ul>

		<p>allowed many firms to flourish in foreign markets and build up their brands with new buyers. New regulatory environments can encourage direct purchasing from online vendors of all stripes.</p> <ul style="list-style-type: none"> <li>▪ Commitment by each APT country to introduce customs best practices to facilitate e-Commerce trade in goods such as: <ul style="list-style-type: none"> <li>i. To standardise and increase the low-value baseline de minimis threshold</li> <li>ii. Duty drawback procedures for e-Commerce product returns</li> </ul> </li> <li>▪ Expansion of cross-border e-commerce test zones to overcome issues of import duties on cross-border e-commerce and complex customs procedures and distribution system.</li> <li>▪ Deregulation on acquiring e-commerce licenses that would further facilitate entry of e-commerce companies in the region and importation of foreign goods.</li> <li>▪ Effective utilization of RCEP for realisation of above commitments.</li> </ul>
<p>Socialising the Regional Comprehensive Economic Partnership (RCEP)</p>	<p>Advocate the Realisation of the East Asia Free Trade Area</p>	<ul style="list-style-type: none"> <li>▪ Place utmost importance in concluding the negotiations by end-2015.</li> <li>▪ Realizing high-level economic integration and ðeasy-to-useöagreement for SMMEs.</li> <li>▪ Seek for an opportunity to meet with the RCEP Ministers for further submission of business inputs.</li> </ul>

**Introduction to East Asia Business Exchange (EABEX)- [www.eabex.org](http://www.eabex.org)**

EABEX serves as the first ever multi-community platform for businesses to access verifiable business communities in ASEAN Plus 3.

East Asia Business Exchange (EABEX) is an online B2B platform for sourcing and business collaboration with verifiable members of trade associations in East Asia. This is an initiative of the East Asia Business Council that allows for seamless connectivity between members of the regional trade associations to connect with each other, trade and collaborate online more securely. Through EABEX, international buyers are also able to search for products and services from verifiable suppliers that are members of apex business chambers and trade associations in ASEAN, China, Japan and South Korea.

Members of each participating National Business Chamber, is provided with an EABEX account that would allow them to promote their products and services and call for investment and technology collaboration. The EABEX provides multilingual support.

**Participating Associations**

Indonesia ó Batam City Chamber of Commerce & Industry

Laos ó Lao Chamber of Commerce and Industry

Malaysia ó Federation of Malaysian Manufacturers

Myanmar ó The Union of Myanmar Chambers of Commerce and Industry

Philippines ó Philippines Chamber of Commerce and Industries and Confederation of Philippines Exporters

Thailand ó Thai Chamber of Commerce and Thai Federation of Industries

China ó China Council for the Promotion of International Trade

Korea ó Korea International Trade Association

Members of Participating Associations will get:

1. A free basic EABEX account enabled by barterfli that:
  - i. connect seamlessly with other companies from participating trade associations
  - ii. list 30 products
  - iii. support throughout trade cycle: issue quotations, purchase order
  - iv. obtain 1-year FTA and Tariff rates

- v. access to selling and investment opportunities
2. Additional Services such as:
- i. E-Commerce enabling services
  - ii. Event registration
  - iii. 3<sup>rd</sup> party services such as payment gateways, logistics
  - iv. 10 year tariff/FTA databases

### **EABEX Unique Products and Services**

Apart from creating a connected **ecosystem of verifiable communities**, EABEX, through the project partner barterfli Holdings, also focuses on bringing forth online services that can help increase the competitiveness of SMMEs, such as **connecting, matching services and optimisation of Free Trade Agreements (FTAs)**. The illustration below provides an overview of barterfli's current FTA optimisation capabilities and resources.

EABEX also offers unique business matching for verifiable members through bconnect and bMatch services. The bconnect is capable of mapping out comprehensive upstream and downstream supply chain relationships. These mapped out relationships would allow companies to connect to potential suppliers and customers efficiently.

The table below provides an overview of services that EABEX currently provide to members of the platform.

1. A free basic account to promote products and services.
2. Account with full trade cycle support, including receiving enquiries, request for quotations, purchase orders and managing customer contacts and relationships.
3. Supported with e-services such as Electronic Document Management to manage product e-catalogues, and in future, an inventory management system.
4. Integration to Payment Gateways
5. Support for a Mobile App
6. Guided HS Code recommendations to determine eligibility for FTAs.
7. Intelligent search engine to map requests to suppliers across the region
8. FTA Gateway, providing multiple year tariffs with Rules of Origin and comparison across different FTAs and advisory services
9. Business Matching (bconnect and bMatch)
10. B2C E-Commerce enablement for members to setup their own online



store.

11. Supporting marketing services for members and their products, including an online mall.

### **Key Benefits of EABEX**

<b>EABC</b>	<b>Participating Economy/ Trade Association</b>	<b>Companies/SMMEs</b>
Active in helping to realise the ASEAN Single Window 2015	Able to maintain security of IP and databases	Able to receive direct trade enquiries
Increasing profile and relevance	Enabling members to interact with a large community of verifiable businesses	Able to connect and promote products & services to a larger community of verifiable businesses
Provide services	Open up the use of the FTA & Tariff Database to members	Able to consume trade services
Generate revenue to self-sustain	Quantify the business opportunity impact created by participating	Able to get E-Commerce support
	Promote activities to a larger audience	

**Recommendations for the Regional Comprehensive Economic Partnership  
(RCEP) Negotiations**

*Prepared by  
EABC Working Group for RCEP*

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**Background**

- An advisory group of business representatives in the region<sup>1</sup> was formed under the aegis of East Asia Business Council (EABC) in response to the request from the ASEAN Plus Three Economic Ministers for effective business inputs into the Regional Comprehensive Economic Partnership (RCEP) negotiations.
- The advisory group was formed following a Dialogue on the RCEP in conjunction with the 25<sup>th</sup> East Asia Business Council (EABC) Meeting on June 18, 2013 in Tianjin, China.
- The Working Group has utilized comments and observations made at the meeting as business inputs and priorities to re-shape the recommendations for RCEP, as immediate concerns of businesses represented by the members of the Working Group.

**Objectives of the Working Group**

- (1) Conduit for effective business input into the RCEP negotiations and seek to ensure that the negotiations address business needs and priorities and;
- (2) Seek to ensure RCEP negotiations stay on track to deliver the high level of ambition outlined by Leaders in their Joint Declaration and endorsed by Leaders in the Guiding Principles

**Preface**

From a business perspective, a high-level of regional economic integration in this region is of the utmost priority. RCEP can be the key to strengthening global value chains and engaging businesses including SMMEs. The RCEP can contribute by:

- Substantially improving market access for trade in goods, trade in services, and government procurement;
- Eliminating unnecessary restrictions on trade and investment;
- Enhancing effective protection and enforcement of intellectual property;

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<sup>1</sup> Business representatives from Brunei, China, Japan, Korea, Malaysia, Myanmar, Philippines, Singapore, Thailand, Australia and New Zealand.

- Increasing the transparency of trade and investment regulations and procedures;
- Harmonizing regulations and procedures to enhance cross-border business expansion; and
- Serving as a business-friendly agreement.

### **Scope of Recommendations for the RCEP**

- Scope of recommendations for the RCEP includes the following salient areas:
  - (1) Target Date
  - (2) Scope of the RCEP negotiations
  - (3) Tariff Eliminations
  - (4) Rules of Origin (ROO)
  - (5) Non-tariff Measures (NTMs)
  - (6) Economic and Technical Cooperation
  - (7) Trade Facilitation
  - (8) Trade in Services
  - (9) Investment
  - (10) Intellectual Property Rights (IPR)
  - (11) Emerging and New Issues

#### **(1) Target Date**

The RCEP negotiations are aimed to be completed by end-2015.

#### **Recommendations:**

- 1) We call on RCEP Member States to identify RCEP as a priority among trade policy initiatives and to intensify their efforts to ensure successful delivery of the RCEP negotiations.
- 2) In order to achieve the said ambitious target date, we urge the RCEP governments to position the RCEP as an important priority initiative in the economic agenda during ASEAN Summits. Further emphasis can be made on attaining common approaches to all key areas of cooperation, such as ROO to realize the RCEP negotiation.

#### **(2) Scope of the RCEP negotiations**

The RCEP negotiations encompasses 8 areas which include (1) Trade in Goods, (2) Trade in Services, (3) Investment, (4) Economic and Technical Cooperation, (5) IP, (6) Competition Policy, (7) Dispute Settlement, and (8) Other Issues.

#### **Recommendations:**

- 1) To achieve a comprehensive regional FTA, we support the Guiding Principles endorsed by the Leaders incorporating trade in services,

investment, intellectual property, competition and economic and technical cooperation in the RCEP.

- 2) We agree that trade facilitation and reduction or elimination of non-tariff measures can be a key area in the scope of the RCEP negotiations. Economic and Technical Cooperation (ECOTECH) can be another key area to enhance capacity building of some ASEAN Member States to accomplish their effective RCEP implementation process.

### **(3) Tariff Elimination**

For RCEP to deliver real value to business, it needs to go beyond existing ASEAN+1 FTAs, as envisaged in the Guiding Principles.

#### **Recommendations:**

- 1) In order to maximize the benefits of the RCEP, as a starting point in the negotiations, we recommend for each Dialogue Partner and participant country to provide substantially higher than 90% tariff elimination on imports from each RCEP participant with the ultimate aim of reaching as near as possible to comprehensive coverage in terms of tariff lines and value of trade.
- 2) There is a need for tariff elimination to address all key items of export interest including both tariff lines and value of trade.
- 3) The RCEP members should adopt a common concession in tariff schedules with the same preferences to all other RCEP members. Thus, even ASEAN members who have bilateral FTAs with ASEAN Dialogue Partners can gain additional benefits through the RCEP.
- 4) We note that the applied tariff rate of a number of tariff lines of each ASEAN+1 FTA have scheduled to be eliminated to 0% in year 2015 and some further removal of duties in year 2020. These common tariff lines are starting points for RCEP negotiation, but priority should be to identify and address tariff lines that are not subject to full tariff elimination in the existing ASEAN +1 in order to maximize the basis for regional economic integration and participation in value chains.

### **(4) Rules of Origin (ROO)**

Differences exist in the ROOs in the ASEAN+1 FTAs which has created the ñoodle-bowlö effect. Harmonizing ASEAN +1 FTA ROO should be undertaken with a view to achieving greater regional integration. Businesses are not fully benefiting from some ASEAN+1 FTAs due to restrictive ROOs. Attempts should be made to agree on more liberal rules where appropriate. RCEP is an important opportunity to modernize current

ASEAN +1 FTA ROO with a view to creating and facilitating trade in the region.

**Recommendations:**

- 1) To reduce compliance costs and create an enabling environment for the value chain in East Asia, the RCEP should provide for the harmonization of ROOs. The most common ROO in the ASEAN+1 FTAs is the RVC40 or CTHö rule.
- 2) The RCEP negotiation should provide a precious opportunity to ease the complexity in ROOs, by utilizing business-friendly co-equal rules. It is important for exporters to be given a choice of either a CTC rule or RVC 40, and Product Specific Rules (PSRs) where necessary, with a view to harmonizing ASEAN +1 FTA ROOs in a trade facilitative manner. We also recommend the inclusion of a de minimis provision for all products, and full cumulation across the RCEP area.
- 3) We advocate the adoption of the Accumulation rule to include accumulation of originating material and production processes across RCEP parties. This condition accords the opportunity for exporters to include the RCEP partner countries-sourced materials in the determination of the value of originating materials (VOM). As a consequence, it is practically more feasible for exporters to fulfill the ROO requirements and benefit from the preferential tariffs as well as encourage sourcing from RCEP partner countries.
- 4) It is important to create a consolidated website covering RCEP, ASEAN+1 FTAs and bilateral FTAs among RCEP members, which also has links to the ROO procedures. This approach would reduce the "noodle-bowl effect" from different and complicated rules of the FTAs, and would make the access to the information of different rules easier. This may be considered as an economic and technical cooperation program.
- 5) The EABC recently launched the EABEX Portal. Currently users of the website can already source for tariffs under the ASEAN+China/Japan/Korea. The EABEX Portal would be able to be upgraded to support more information on all the ASEAN+1 FTAs.
- 6) Self-declaration or self-certification of Certificates of Origin (COs) in the region should be adopted in order to enhance user-friendliness of the RCEP<sup>2</sup>. We believe the high administrative cost needed to complete and endorse the required documents for certification can be reduced by enabling self-declaration or self-certification of COs.

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<sup>2</sup> We note that some RCEP members, have completed the development of e-COs on-line verification system.

- 7) The existing aggregate customs value for CO requirement for most ASEAN+1 FTAs is USD200. There is a need to raise the aggregate customs value for COs up to a minimum of USD1000 to enhance user-friendliness of the RCEP.

**(5) Non-tariff Measures (NTMs)**

In the negotiations of trade in goods, the RCEP should not only aim to eliminate tariff barriers, but more importantly endeavor to remove non-tariff measures (NTMs).

**Recommendations:**

- 1) The RCEP should encompass trade-facilitating provisions that eliminate Non-Tariff Barriers. In particular, under the chapters on Sanitary and Phytosanitary and Standards and Technical Barriers to Trade, there should be provisions for establishment of Mutual Recognition Agreements (MRAs) and also Sectoral Annexes. There should also be disciplines that oblige parties to treat and have the same standards applied to imported and domestically produced goods.
- 2) In addition to abolishing import restrictions where possible, there is a need to abolish export restrictions, export quantitative restrictions, and export duties, giving consideration to existing regulations on sensitive and defense related products.
- 3) It is important that any safety and emergency measures imposed and adopted by RCEP members should have a specific timeframe and must be WTO consistent.

**(6) Economic and Technical Cooperation (ECOTECH)**

Currently, all the ASEAN+1 FTAs encompass comprehensive Economic and Technical Cooperation chapters.

**Recommendations:**

- 1) Specific and tangible programs should be outlined under the ECOTECH programs, building upon the ASEAN+1 FTAs to effectively implement RCEP in order to bridge the gap between the developed and least-developed Dialogue Partners.
- 2) Provisions for technical assistance and capacity building in complex areas including Standards, Technical Requirements and Conformity Assessment Procedures, Sanitary and Phytosanitary, and ROO implementation should be made available to the developing and least-developed ASEAN countries participating in the RCEP.
- 3) The specific cooperation programs should enable all parties to fully implement obligations under the RCEP and enjoy the benefits from the RCEP.

- 4) To fulfill the said ECOTECH programs and make the RCEP more relevant, the appropriate and mutually agreed funding mechanisms and adequate resources are needed taking into account different national resource capacities. This would enable implementation of RCEP to help close the gap between developed and least-developed economies.

**(7) Trade Facilitation**

Trade Facilitation has been recognized as one of the key elements to accelerate the RCEP negotiations and implementation. It is important to emphasize trade facilitation into the Scope of RCEP negotiations.

**Recommendations:**

- 1) We all agree that customs procedures and valuation are considered as obstacle factors to our trade transaction. It is agreed that the "advance ruling mechanism" is important to enhance predictability. The RCEP members are encouraged to adopt the "advance ruling mechanism" to make the inconsistent customs procedures effective and business friendly.
- 2) The completion of the current development of "ASEAN Single Window and National Single Window" would enhance intra-ASEAN trade significantly. It is important to develop "single window systems" within the RCEP members. This development would help reduce cost of trade and logistics transactions, and enhance intra-regional trade respectively. Specific agreed timeframes should be discussed and determined by the RCEP members to ensure the success of this particular trade facilitation element. At this juncture, it may be better that RCEP Members focus on a) ensuring that National Single Window is in place and b) the rollout of the ASEAN Single Window.
- 3) The EABEX Portal developed by EABC is able to be upgraded to create a databank platform and collate trade measures including non-tariff barriers of respective RCEP members. This development would provide tangible business information more accessibility. This may be considered as an economic and technical cooperation program.

**(8) Trade in Services**

The scope of trade in services should be as comprehensive as possible, covering a wide range of service sectors and modes of supply. The liberalization of manufacturing related service and distribution services is indispensable in building a speedy and efficient supply chain.

**Recommendations:**

- 1) It is important to achieve high quality services commitments in the RCEP. The RCEP should be comprehensive and substantially eliminate restrictions and/or discriminatory measures with respect to trade in

- services. Rules and obligations on trade in services under the RCEP will be directed towards achieving liberalization commitments building on the RCEP participating countries' commitments under the GATS and ASEAN + 1 FTAs.
- 2) Negotiations for trade in services should take a negative list approach in order to ensure wide-ranging, high-level, and transparent commitments to improve predictability for business.
  - 3) All sectors and modes of supply should be subject to negotiations.
  - 4) Introduce a mechanism to respond to changes and needs arising from the future economic growth through setting a standstill and a ratchet-clause on obligations such as MFN, National Treatment (NT) and Market Access (MA).

## **(9) Investment**

The RCEP should aim to create a liberal, facilitative and competitive investment environment for businesses in the region. This can be achieved by improving the commitments under existing ASEAN + 1 FTAs.

### **Recommendations:**

- 1) Transparent, non-discriminatory and comprehensive market access and investment protection under an open and facilitative investment climate, will be important in supporting business activities and enhancing investment flows.
- 2) RCEP should provide for clear and fair taxation regime for foreign trade and investment and provisions on transparency, expropriation and compensation and freedom of transfer of funds, including double taxation treaties and favourable withholding taxes for expropriation of funds.
- 3) RCEP should have clear and concise licensing and legal requirements for the various businesses and trade set-up.
- 4) Negotiations for investment should take a negative list approach to ensure wide-ranging, high-level and transparent commitments.
- 5) Strong provisions that protect investors and investments should be included and imposition or enforcement of performance requirements (TRIMs plus, such as royalty regulations) must be prohibited.
- 6) MFN treatment and NT both at pre-establishment stage and at post-establishment stage.
- 7) Fair and high standard international legal recourse through an effective, efficient and transparent dispute settlement mechanism will provide investors with much needed predictability and certainty in supporting their investment activities.



## **(10) Intellectual Property Rights (IPR)**

The strengthening of IPR enforcement under the RCEP will boost confidence in R&D Investment in the RCEP Negotiating economies. The RCEP Negotiating countries should reaffirm their WTO Trade-Related Aspects of Intellectual Property Rights (TRIPS) commitments in this chapter.

### **Recommendations:**

- 1) For further promoting investment and nurturing new industries in RCEP countries, IP chapter under RCEP should include seamless, expeditious and transparent procedures for the registration of IP, improved access to IP information, including laws, regulations and practices, patent examination with improved speed and quality, appropriate protection of IP rights including trade secrets, and effective enforcement of IP rights.
- 2) The IP chapter must also include appropriate, balanced protections of IP rights and strengthen the enforcement of intellectual property rights to cope with the infringement of IPRs such as the unlicensed production and distribution of counterfeit trademark goods, design imitation goods, and pirated copyright goods.

## **(11) Emerging and New Issues**

The Guiding Principles endorsed by Leaders envisage that the negotiations will consider including other issues. There exist a number of emerging and new issues, including amore effective focus by negotiators on facilitating access to global and regional value chains, access to government procurement markets and ensuring that the FTA results are readily usable for SMMEs.

If RCEP is able to chart an acceptable way forward on these challenging issues, the FTA will have wider global significance and add to the leadership role of the region in the 21st century. However, these are contentious issues in many cases and may take time to work through.

### **Recommendations:**

#### **1) E-commerce:**

- E-commerce worldwide is expanding extremely rapidly especially in Asia. It is important to incorporate e-commerce in the RCEP to make it a modern and comprehensive agreement. Done well, an easy-to-use RCEP agreement should foster the inclusion of smaller firms into regional value chains to deliver both goods and services.
- To improve disciplines on e-commerce would promote e-commerce in the region, provide for better access to business opportunities and

the know-hows especially for the SMMEs and also allow companies to better use of e-commerce for their development.

- The rules to facilitate international e-commerce transactions are necessary and should include provisions stating not imposing custom duties and non-discriminatory treatment while protecting the right of countries to regulate in the public interest within WTO guidelines. It is important to maintain cross-border flows of information and digital products as an essential element for a vibrant e-commerce environment without sacrificing consumer protection or privacy.
- The RCEP should adopt mechanisms to facilitate highly efficient cross-country e-commerce transactions, including payment, customs, and logistics fulfillment.
- Cross-cutting policies for e-commerce and digital trade that connect across and between multiple chapters should be considered. Taking a holistic view of the changing nature of trade will help ensure that RCEP isô and remainsô relevant in the future. Greater engagement with e-commerce and digital companies is also critical to help officials craft the best types of policy outcomes to balance business and consumer needs with legitimate public policy objectives in a dynamic, rapidly evolving environment.

## **2) Small, Micro and Medium Enterprises (SMMEs):**

- There have been frequent debates as to whether the SMMEs can survive the process of world trade liberalisation. SMMEs with limited production capacity and financing support and other challenges if unable to maintain their competitiveness will result in the loss of market share and finally bankruptcy.
- There is a need to ensure that RCEP addresses the needs and development of SMMEs in the Scope of the RCEP negotiations. The thrust of including SMMEsø in RCEP should focus on making it easier for SMMEs to access RCEP with a view to facilitating their participation in global/regional trade and investment flows. Furthermore, RCEP should consider how other cross-cutting issues such as regulatory cooperation, competitiveness/business facilitation can facilitate the above.

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Director of Jobs R Us Sdn Bhd  
Director of PBT Engineering Sdn Bhd
2. Hj. Rosdi Amin Dato Paduka Hj Yaakub  
Deputy Chief Executive Officer of HSBC Brunei
3. Lisa Dato Paduka Hj Ibrahim  
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### **CAMBODIA**

4. Mr. Wolfgang Kitz  
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6. Mr. Oknha Nang Sothy  
President of (M) Royal Phosphate Limited
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10. Mr. Wang Bo  
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## **INDONESIA**

11. Not Appointed

## **JAPAN**

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Vice Chairman of ASEAN- Japan Business Council  
Special Advisor of Japan Chamber of Commerce and Industry  
Vice Chairman of Tokyo Chamber of Commerce and Industry  
Chairman of IHI Corporation
13. Mr. Kazuo Ohmori  
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26. Ms. Teresita Sy-Coson  
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27. Mr. Jay Yuvallos  
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