



East Asia Business Council's Report to the ASEAN+3 Economic Ministers 2016

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1. Message from the Chairman

Since its establishment in 2003, East Asia Business Council (EABC) has actively engaged ASEAN, China, Japan and Republic of Korea (ASEAN+3) governments. The objectives of EABC are to provide private sector perspective and feedback to deepen economic cooperation in the region; to strengthen cooperation among the private sectors in ASEAN+3; and to promote intra-regional trade and investment.

We note that various region-wide economic integration efforts have shown substantial progress, including the establishment of ASEAN Economic Community (AEC) in 2015, significant breakthrough in the Regional Comprehensive Economic Partnership (RCEP) negotiations, and the signing of the Trans Pacific Partnership Agreement (TPPA) last October.

In order to ensure that the benefits of these integration initiatives transcends across the board, it is important to monitor and improve the utilisation of these integration efforts. In light of the above, EABC has adopted this year the theme: *Towards Achieving Comprehensive and Deeper Economic Integration throughout East Asia*.

In this report to the ASEAN+3 Economic Ministers (AEM+3), EABC will cover the following areas: 1) Updates on EABC Activities in 2016; 2) Deliverables and Achievements in 2016. EABC's interim report was shared with SEOM+3 on April 7, 2016. We sincerely hope this report based on the voices of the business communities in ASEAN+3 economies will contribute in enhancing the economic integration throughout East Asia.

With the anti-globalisation sentiment triggered by BREXIT, EABC would like to emphasize that we remain committed in supporting the high level Asian-centric regional economic integrations which are indispensable for the long-term growth of the region. Finally, on behalf of EABC, we would like to express our gratitude for the continuous support that ASEAN+3 Governments have extended to us and we look forward to working with you in achieving our mutual goals together.



Kazuaki Kama

Chairman of EABC 2016

Vice Chairman of ASEAN-Japan Business Council

Executive Corporate Advisor of IHI Corporation

2. Executive Summary

Various region-wide economic integration efforts have shown substantial progress, including the establishment of the AEC in 2015, significant breakthrough in the RCEP negotiation, and the signing of the TPPA last October. In order to ensure that the benefits transcends across the board including to the Micro, Small and Medium-sized Enterprises or MSMEs, it is important to monitor and improve the utilisation of these integration efforts. In light of the above, EABC has adopted the theme: Towards Achieving Comprehensive and Deeper Economic Integration throughout East Asia.

The following is a summary of the key messages contained in the report:

Areas		Expected Outcomes/ Recommendations
Injecting business voice into East Asia economic integration through ASEAN Community and RCEP	Findings on utilisation of the regional FTAs in East Asia	<ul style="list-style-type: none"> Request Governments to utilise the outcome of the survey for consideration on developing user-friendly, comprehensive, inclusive and deeper regional economic integration framework
	EABC's recommendations for RCEP	<ul style="list-style-type: none"> Request for more information available to the public on the progress of the RCEP negotiations Request for an official response on EABC Working Group for RCEPs inputs and recommendations Request for engagement on a regular basis
Building capacity and enhancing integration among East Asian MSMEs	Sharing best-practices: Marukei Loan & Credit Risk Database	<ul style="list-style-type: none"> Propose finance programs emulating the Marukei Loan model that not only provides non-collateral financial support but also provides on-going hands-on management support. Propose the utilisation of big data analytics such as the Credit Risk Database approach to accumulate MSME credit risk information
Facilitating	Outcome of Joint	<ul style="list-style-type: none"> To be addressed holistically: all aspects of

eCommerce development in East Asia	<p>eCommerce roundtable discussion with ASEAN-BAC & e-Commerce discussion with Asian Trade Centres</p>	<p>value chain should be addressed and should not be divided to individual chapters in RCEP</p> <ul style="list-style-type: none"> ▪ Rules need to allow fast and inexpensive movement of goods across the 13 countries: <ul style="list-style-type: none"> i. Transparent information ii. Implementation of Advance Ruling mechanism iii. Raise and streamline the minimum de minimis iv. Abolish duties on returned goods v. Establishment of the East Asia Single Window ▪ ePayment solutions must expand beyond traditional banking solutions: <ul style="list-style-type: none"> i. Establish a framework for secure cross-border transactions ii. Enable multiple different payment types across 13 currencies iii. Promote interoperability between payment systems iv. Establish a central regulatory body for payments ▪ Develop cross-border payment fraud enforcement mechanisms: <ul style="list-style-type: none"> i. Implement strong dispute addressal mechanisms and strict penalties for fraudsters ii. Educate consumers on liability risks, while establishing clear customer recourse channels in case of fraud iii. Empower government agencies to address cross-border fraud and data privacy and security concerns iv. Facilitate region-wide working groups targeted at cross-border fraud discovery and prevention
	Updates on the	<ul style="list-style-type: none"> ▪ Seek support to expedite the signing of

	development of the East Asia Business Exchange Portal	the MOU between EABC and ASEAN SME WG in order for the collaboration between the ASEAN SME Service Center and EABEX to materialize
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Table 1: Summary of Recommendations to the AEM+3

We look forward to the Governments consideration on the above-mentioned recommendations regarding injecting business voice into East Asia economic integration through ASEAN Community and RCEP, building capacity and enhancing integration among East Asian MSMEs and facilitating eCommerce development in East Asia.

In support of effective economic integration in this region, we would appreciate if EABC is given the opportunity to share the final outcomes of our initiatives with the ASEAN+3 Leaders this year.

3. Updates on EABC Activities in 2016

3.1 Increased Commitment from ASEAN+3 Countries to EABC

The EABC was established as a result of an implementation strategy proposed by the East Asia Study Group and endorsed by the ASEAN+3 Leaders on October 7, 2003. EABC comprises high-level industry and business leaders from each member country and be nominated by the member country concerned. In the previous years we have received dynamic representation from Brunei, China, Japan, Korea, Lao, Malaysia, Myanmar, Philippines, Singapore and Thailand in all meetings and initiatives.

Presently, thanks to the commitment from the Governments represented in the EABC, we have also received increased commitment from Cambodia, Indonesia and Vietnam in our initiatives. Eight new members have been elected as follows:

- i. Rozaimeriyanty Rahman, Principal Architect, Eco Bumi Arkitek
- ii. Neak Oknha Kith Meng, Chairman, Cambodia Chamber of Commerce
- iii. Oknha Sok Piseh, Member, Cambodia Chamber of Commerce
- iv. Dr. Tan Monivann, Member, Cambodia Chamber of Commerce
- v. H.E Nguon Meng Tech, Secretary, Cambodia Chamber of Commerce
- vi. Mr. Soebronto Laras, Chairman, PT. Indomobil Sukses Internasional, Tbk
- vii. Thanongsinh Kanlaya, Vice President, Lao National Chamber of Commerce and Industry
- viii. Dr. Xaybandith Rasphone, Board Director, Lao National Chamber of Commerce and Industry
- ix. Mr Jeffrey Goh, CEO, NETS
- x. Kobsak Duangdee, Secretary General, The Thai Bankers Association

We would like to **extend our sincere appreciation to the AEM+3 for your assistance in encouraging the participation of the representatives in the EABC** to ensure that EABC's initiatives and recommendations reflect comprehensive representation of the business community in the region.

3.2. Appreciation to the Malaysian Government for Contribution to the EABC Focal Point

The Federation of Malaysian Manufacturers (FMM) was appointed as the Focal Point of the EABC since January 1, 2012 and has ever since then been funded by the Malaysian Government.

The Focal Point has played a pivotal role in rejuvenating the EABC. There is renewed enthusiasm from EABC members to represent the interest of businesses in East Asia to the ASEAN+3 Governments. The Focal Point is also instrumental in facilitating the Business Councils efforts to promote better understanding on the developments and the available trade and investment opportunities in East Asia to businesses in the region

Since the appointment of the Focal Point, the EABC has organised seven East Asia Business Forum (EABF) and numerous other events. EABC Malaysia and EABC China recently co-hosted the 1st East Asia Investment Forum that received overwhelming response from businesses all across East Asia. The EABC Focal Point is also instrumental in the success of the Business Councils various ongoing projects such as the East Asia Business Exchange (EABEX) portal, ASEAN+3 Tourism Club and the Working Group for RCEP.

The EABC would like to take this opportunity to **thank the Malaysian Government for its active role in the EABC especially by funding the Focal Point of the EABC.**

3.3. EABC's Initiatives and Activities

The Business Council under the leadership of EABC Japan is undertaking several major projects this year consistent with the Business Council's objective towards achieving comprehensive and deeper economic integration throughout East Asia. The following are the Business Council's key initiatives this year:

- i. Survey on optimal regional Free Trade Agreement (FTA) formation in East Asia with the cooperation from EABC members, Federation of Indian Chambers of Commerce (FCCI), Confederation of Indian Industry (CII), Australian Industry Group (AIG) and New Zealand International Business Forum (NZIBF), supported by Japan Chamber of Commerce and Industry (JCCI) and Japan External Trade Organization (JETRO);
- ii. Presentation of a progress check on the Regional Comprehensive Economic Partnership (RCEP) to the RCEP Trade Negotiating Committee based on previous EABC recommendations to ensure that business interests are taken into consideration in the negotiation process; and
- iii. Joint Roundtable Discussion on Electronic Commerce (eCommerce) with the ASEAN Business Advisory Council to identify policy recommendations for eCommerce development in the ASEAN+3 Framework.

The EABC calendar of activities in 2016 is attached as per Annex I of the report.

4. Deliverables and Achievements

In line with our theme and work programme this year, the Business Council's recommendations will cover the following areas:

- 4.1. Injecting business voice into East Asia economic integration through ASEAN Community and RCEP;
- 4.2. Building capacity and enhancing integration among East Asian Micro, Small and Medium Enterprises (MSMEs) through collaboration with relevant organisations ; and
- 4.3. Facilitating eCommerce development in East Asia.

4.1. Injecting business voice into East Asia economic integration through ASEAN Community and RCEP

EABC has consistently advocated for the realisation of the RCEP. With the successful negotiation of the TPPA, it is especially important to expedite the early conclusion of the RCEP.

As you are aware, in response to the request from the AEM+3 for effective business inputs into the RCEP negotiations an advisory group of business representatives from ASEAN, Australia, China, Japan, Korea and New Zealand was formed in 2013 under the aegis of EABC. This year we are in discussion with the Federation of Indian Chamber of Commerce and Industry (FICCI) and/or the Confederation of Indian Industry (CII) to join the Working Group in contributing business inputs into the negotiations and thus completing the representation of the RCEP economies in this Working Group.

4.1.1. Findings on utilisation of the regional FTA's in East Asia

On August 23, 2015, the Working Group for RCEP submitted our business recommendations to ASEAN+3 Economic Ministers. While welcoming the recommendations, the Ministers also expressed their expectation for further business inputs.

In light of the above, EABC Japan with support from Japan External Trade Organization (JETRO) and Japan Chamber of Commerce and Industry (JCCI) have jointly conducted a survey on optimal regional FTA formation in East Asia with representing companies in each RCEP economy. The participating trade associations include JCCI, Australian Industry Group (AIG), Young Entrepreneurs Association Brunei (YEAB), Cambodia Chamber of Commerce, China Council for the Promotion of International Trade (CCPIT), Asosiasi Pengusaha Indonesia (APINDO), Federation of Indian Chamber of Commerce and Industry (FICCI), Confederation of Indian Industry (CII), Korea International Trade Association (KITA), Lao National Chamber of Commerce & Industry (LNCCI), Federation of Malaysian Manufacturers (FMM), Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI), New Zealand International Business Forum (NZIBF), Philippine Chamber of Commerce and Industry (PCCI), Philexport, Philfoodex, Management Association of the Philippines (MAP), Singapore Business Federation (SBF), Thai Chamber of Commerce and Vietnam Chamber of Commerce and Industry (VCCI).

In total, we have received 309 valid responses of which 39.5% are large enterprises and 60.5% are MSMEs; 74.7% are manufacturers and 25.3% are service providers. The scope of the survey includes identifying bottlenecks and challenges in FTA utilisation and the wish list to enhance FTA utilisation.

The following are key findings from the survey:

- i. [Scope] RCEP region is a dominant source of procurement and export destination. eCommerce is a more significant trade tool for MSMEs compared with Large Enterprises.
- ii. [Trade in Goods] Lack of a comprehensive database of information to be used to source, compare and apply the various FTAs were identified as the major bottlenecks for utilising FTAs. Other application related elements such as advance ruling and single window system were also identified as significant trade tools especially for MSMEs.

- iii. [Trade in Goods] Insufficient tariff reduction effects and restricted accumulation rule greatly hinders utilisation of existing FTAs. More than one third of the E&E industry had the experience of giving up FTA utilisation due to these constraints.
- iv. [Other FTA elements] Businesses have requested for clear, transparent and easy-to-access information on foreign investment policies and requirements. Important for businesses to be updated on recent amendments and new policies/ regulations in a timely manner to help ensure they comply and meet the expectations of the new agreements. Many businesses responded that the regulations in some countries do not comply with existing ratified agreement.
- v. [Other FTA elements] Among others, more than one third of the E&E and food industry requested for an opportunity to engage with the Government authorities in the FTA negotiation process.

The full report and findings are attached as per Annex II of the report.

Recommendations

The final results of this survey will be directly delivered to the Economic Ministers. We would like to urge the **Governments to utilise the outcome of the survey for consideration on developing user-friendly, comprehensive, inclusive and deeper regional economic integration framework.**

4.1.2. EABC's recommendations for RCEP

The Working Group has presented our recommendations to the RCEP Trade Negotiating Committee on April 26, 2016 in Perth, Australia. The recommendations are attached as per Annex III. We believe there are key business recommendations that have not yet been taken into consideration in the RCEP negotiations.



Figure 1: EABC Working Group for RCEP members at the RCEP Trade Negotiating Committee Plenary Session on April 26, 2016 in Perth, Australia

The Business Council would also like to take the opportunity to highlight that there is a lack of transparency in the negotiation process. Draft leaks on the chapter on intellectual property have created much confusion among the industry and stakeholders. This confusion arises as there is no official access to information. In the absence of information from the negotiators, speculation about negotiating positions continues.

Recommendations

- i. There needs to be more information available to the public on the progress of the negotiations. This information should be able to be accessed through the ASEAN Secretariat's website and stakeholder engagements.
- ii. As part of efforts to be continuously updated, the Working Group will like to request for an official response on our inputs and recommendations.
- iii. As the sole Business Council representing the business interests in this region, we would like to be continuously engaged on a regular basis to input voices of the business community into RCEP negotiation process.

4.2. Building capacity and enhancing integration among East Asian MSMEs

Over the decade the East Asian economies have been pursuing economic liberalisation and in the process have achieved significant gains in fiscal growth. However, there have been concerns as to whether the MSMEs in these economies can survive the process of the global trade liberalisation. The proliferation of free trade agreements would force businesses in the region to strive against another. MSMEs with limited production capacity, financial backing and industrial skills if unable to compete will result in them falling out of the race.

The Business Council would like to share with policymakers the best-practices that would assist in strengthening access to finance. With the guidance from the AEM+3, we have also taken an initiative to coordinate activities of the ASEAN Plus Centers to pool resources in building capacity among the MSMEs.

4.2.1. Sharing best-practices: Access to finance

4.2.1.1. Management Improvement Loan (Marukei Loan)

In conjunction with the 34th East Asia Business Council meeting held on January 15, 2016, the EABC members visited a Japanese MSME manufacturing racing car parts that have been funded by the Marukei Loan under the Japanese Government.



Figure 2: EABC members visited a Japanese MSME manufacturing racing funded by the Marukei Loan on January 14, 2016 in Tokyo

Unlike many other MSME finance programs, the Marukei Loan provides thorough support in addressing MSME management issues as it not only provides financial support but also provides on-going management consultation as a package.

The Marukei Loan is a unique and successful MSME finance program created in 1973 to enhance numbers of healthy MSMEs. It is a finance program whereby micro/small businesses receive management guidance, such as from the Chambers of Commerce and Industry (CCI) or Societies of Commerce and Industry and can utilise funds needed for managerial improvement without collateral or guarantors. Based on formal recommendations from CCI, Japan Finance Corporation (JFC) provides the low-interest long term loans funded by the Government: current interest rate 1.15%, pay-back period 7 years for working capital and 10 years for equipment fund, loan up to 20 million yen or approximately USD170, 000. The CCIs also provides counseling and in-depth business support on issues related to human resources, labor, finance, tax, bookkeeping, etc. (advice to about 2 million cases every year) through

management consultants (approx. 3,500) at local CCIs around the country. More detailed information on the Marukei Loan is provided as per Annex IV.

Given a lack of business acumen strategy in many MSMEs, the on-going hands-on consultation coupled with financial support will not only support the growth of MSMEs but builds capacity in paying back the loan.

Recommendations

Considering the success of the Marukei Loan, the Business Council would like to propose for the ASEAN Governments to **consider similar finance programs that not only provides non-collateral financial support but also provides on-going hands-on management support.** This will ensure that the MSMEs remain vital and capable of paying back the loans.

4.2.1.2. Credit Risk Database

Banks have often relied on credit bureaus for credit information when it comes to non-collateral financing for MSMEs. Credit Bureaus usually collect individual personal data in addition to corporate data and share the individual credit information to potential borrowers to judge creditworthiness. This information is used for the banks supervision for reducing non-performing loan which is crucial especially in non-collateral financing. However, there are limitations in using individual information reference function due to data protection measures, restrictions in collecting personal data and period of holding the data (delinquency, default and etc).

In mitigating these constraints and supporting financing for MSMEs, the EABC would like to promote the Credit Risk Database (CRD) approach in accumulating soft information for big data analytics. This concept is used widely in Japan's MSME access to finance. Credit Database Centers are credit information centers that are designed to collect anonymous financial information with no individual information reference function. It shows average borrowers in the group with same attributes and more accurate prediction of the credit risk based on a large database. In this regard, sharing individual member's information to a common database adequately is the key to success.

The CRD model (sampled from the Japanese Government):

- i. Data Collection: Collecting anonymous data (financial data, non-financial data and default data)
- ii. Creating Database & Model building: Creating database and Building CRD models, create and validate scoring models for database
- iii. Variety of services: Providing CRD members with variety of services (scoring service, sample data provision, statistical information provision and management consulting support system)
- iv. Maintenance of the quality of CRD scoring models: Creating the system that evaluate CRD scoring models objectively (Third-Party Evaluation Committee)

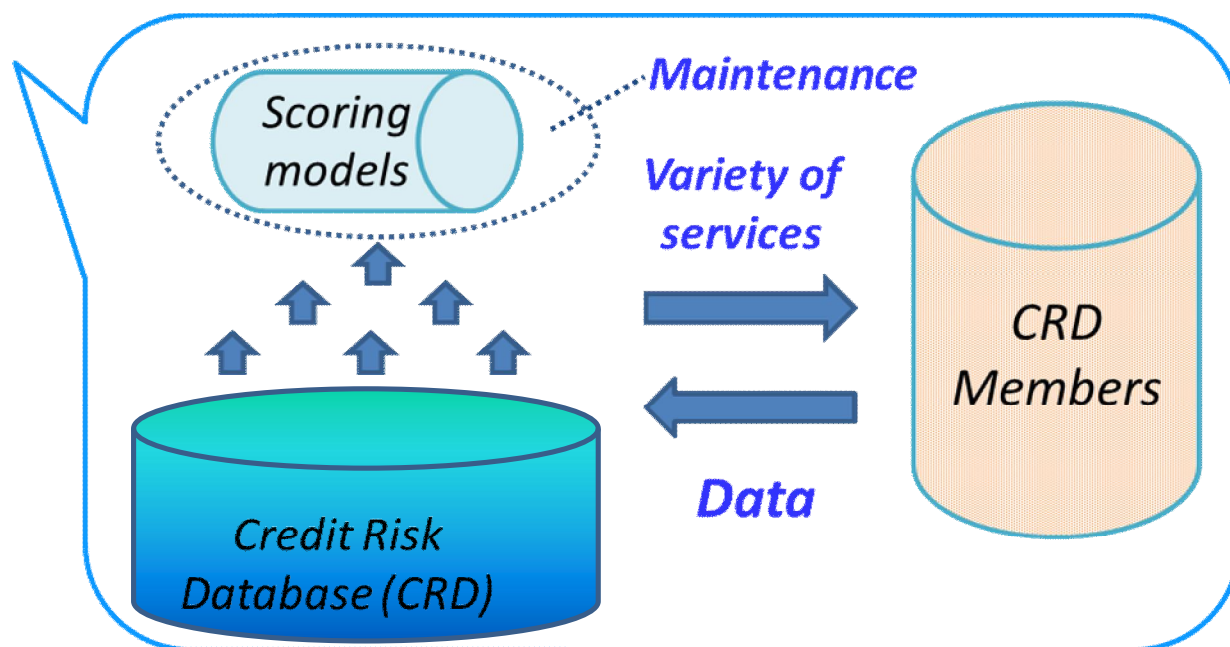


Figure 3: The Japanese Credit Risk Database Model

The benefits of Credit Risk Database:

- i. Efficient evaluation tool of MSME credit risk compared to Credit Bureau (i.e. determine appropriate lending rates in line with credit risk; precise prediction of default risk over collective MSME loans; and reduce overestimated risk premium);
- ii. Suitable method for MSME credit risk evaluation in capital markets (i.e. securitisation of various MSME-related assets, including loan assets which is dispensable to Credit Bureaus; and BIS capital requirements);

- iii. Low cost and appropriate measure for transaction-based lending; enabling efficient processing of loan decision; and
- iv. Applicable for wide range of MSME finance including non-registered MSMEs unlike Credit Bureau.

Recommendations

In order to support the Governments efforts in financing for MSMEs, the Business Council would like to propose for the Governments to consider utilising big data analytics such as the Credit Risk Database approach to accumulate MSME credit risk information.

4.2.2. Collaboration with the ASEAN Plus Centers

EABC has initiated a discussion between and amongst the ASEAN-China Centre, ASEAN-Japan Centre and ASEAN-Korea Centre (hereafter as “ASEAN Plus Centres”) on possible opportunities and ways to collaborate and/or align the various initiatives and recommendations focusing on supporting the development of MSMEs in East Asia. This is consistent with the 18th ASEAN+3 Economic Ministers Joint Media Statement, in which the Ministers also encouraged the EABC, ASEAN Business Advisory Council and the ASEAN Plus Centres to establish relevant linkages to support and promote MSMEs.

The following are identified areas of cooperation to realise the above objectives, subject to further discussion with the ASEAN Plus Centres:

- i. Promoting a joined message of support for the development of MSMEs in East Asia;
- ii. Strengthening existing outreach activities focused on the capacity building of MSMEs in East Asia;
- iii. Addressing the challenges of MSMEs operating in East Asia; and
- iv. Proposing and developing joint cooperation to advise and advocate the ASEAN+3 Governments on MSME development in East Asia.

The EABC participated in the 7th Informal Meeting among Secretaries General of ASEAN Plus Centres on April 19, 2016 in Tokyo to initiate a collaboration between and amongst the ASEAN Plus Centres in the purpose of streamlining and strengthening existing resources for the purpose of MSME development.

As the first step in collaborating with the Centres the Business Council will be considering consolidation and sharing of the ASEAN Plus Centres calendar of events in the EABEX Portal. In the future, the Business Council would like to seek opportunities to jointly organise activities to support the development of MSMEs.

4.3. Facilitating eCommerce development in East Asia

In our report to the ASEAN+3 Leaders, Economic Ministers and Senior Economic Officials last year, the EABC has highlighted the importance in forming an ASEAN+3 Framework on eCommerce. In response to this, the ASEAN+3 Senior Economic Officials have requested EABC to form more detailed policy recommendations to support the Governments work on eCommerce development.

In line with this, this year, the EABC's Working Group on eCommerce has endeavored to communicate with key players in the industry to form comprehensive recommendations on eCommerce development looking at all the components of the eCommerce value chain.

4.3.1. Outcome of Joint eCommerce Roundtable Discussion with ASEAN-BAC & eCommerce discussion with Asian Trade Centre

On the occasion of East Asia Business Council's 35th Meeting and ASEAN BAC's 67th Meeting in Singapore end of this month, both Councils have agreed to jointly co-organise an Exclusive Roundtable Discussion on eCommerce which plays a key role in furthering the regions economic integration process.



Figure 4: Moderators and Panelists at the ASEAN-BAC & EABC Joint eCommerce Roundtable Discussion

Hence, both Councils have decided to collaborate to bring in experts on eCommerce to share their insights and recommendations on how to fast track the establishment of a viable regional eCommerce platform in ASEAN, China, Japan and Korea that is inclusive and user-friendly for MSMEs.

Representatives from the various eCommerce enterprises as panelists included: Zalora, Reebonz, Taobao, Alipay, Hitachi, GAX, DBS Bank, NUMONI Group, T3 Technologies, YCH Group, IMB ASEAN, and Citibank Singapore. Of the aforementioned companies, Zalora, Reebonz, and Taobao were chosen to present their case studies for discussion.

The objectives of the discussion were to:

- i. Identify chokepoints in eCommerce development in the region for logistic players, eCommerce retailers or suppliers, platforms and start-ups; and
- ii. Identify policy recommendations for the ASEAN and ASEAN Plus Three Framework for eCommerce development.

The discussion covered five (5) major areas impacting e-Commerce in ASEAN across MSMEs and Multi-National Corporations (MNCs), where e-Commerce coverage includes B2B, B2C, C2C, O2O. The five major areas included:

- i. Supply Chain and Logistics (connectivity, interchanges, uberisation, track and trace, security).
- ii. Trade, finance and legal facilitation (customs clearance, cross border information & harmonization, crowd funding/sourcing, P2P loans).
- iii. Financial services (traditional banking, alternate financing, payments, remittance, loans, supply chain financing).
- iv. Enablers (platform providers SaaS, PaaS, eMarket place)
- v. IOT - Internet of Things (mobile technology, mobile connectivity, mobile commerce).

The Business Council, during our RCEP Working Group meeting held on April 25, 2016 in Perth, Australia also engaged with Dr Deborah Elms of Asian Trade Center who shared with the working group, the critical elements in using eCommerce to unleash SME opportunities.

Recommendations

Issues faced by eCommerce players and recommendations to the Governments:

No	Issues	Recommendations
1	<p>The cross-border eCommerce market in this region is currently unregulated. However economies to be mindful in forming frameworks, as more regulations may stifle the now unregulated eCommerce market.</p> <p>In most countries, eCommerce purview is split across different internal ministries. Governments have overlapping ownership or lack of ownership for eCommerce.</p> <p>Critical element: Trust and reliability in eCommerce relationships between businesses, consumers, and</p>	<p>eCommerce must be addressed holistically:</p> <ol style="list-style-type: none"> i. In the RCEP, requires coordination by eCommerce team and cannot be divided up to individual chapters. ii. Take into consideration all expects of eCommerce including supply chain and logistics, trade, finance and legal facilitation, financial services, enablers and Internet of Things. iii. Effective and comprehensive regulations and legislation: etransaction laws, consumer protection, privacy, data protection, and cyber-crime ó building usersø confidence in eCommerce.

	government institutions.	
2	<p>Complexity of customs and trade rules is the biggest inhibitor to MSME growth in crossborder eCommerce. MSMEs face such an overwhelming complexity of trade and customs rules that they avoid economies with burdensome regulations.</p> <p>Complex customs and logistics processes for small value shipments:</p> <ul style="list-style-type: none"> i. Different de minimis provisions in different countries. ii. Discrepancies in tax codes and duties. iii. Duties applied on returned goods. iv. Friction and the number of forms. 	<p>Rules need to allow fast and inexpensive movement of goods across the 13 countries:</p> <ul style="list-style-type: none"> i. Provide up-to-date and transparent information. All information on customs procedures, tariffs, and import licensing requirements for the economies should be easily accessible on one website. ii. Avoid discrepancies on tax codes and applied duties at border points by implementing the Advance Ruling mechanism. iii. Raise and streamline the minimum de minimis. Raising the de minimis lowers friction points for MSMEs sending low-value shipments between economies. The current inconsistency in de minimis between economies confuses MSMEs. iv. Abolish duties for goods returned to origin country within a certain period of time. v. Utilisation of e-documents and establishment of the East Asia Single Window.
3	<p>Issues in cross border payment solutions:</p> <ul style="list-style-type: none"> i. Availability of online payment methods and existence of regional or global payment standards. ii. Security and reliability of online payment methods: Developing economies have a low 	<p>ePayment solutions must expand beyond traditional banking solutions i.e. mobile payments, digital wallet:</p> <ul style="list-style-type: none"> i. East Asia-wide regional harmonization will boost ePayments, and in turn, cross-border eCommerce. ii. Governments must establish a framework for secure cross-border transactions that allows for innovative payment solutions to

	<p>level of ePayment penetration due to fears of payment and product fraud.</p> <p>iii. MSMEs also often lack the capability to handle payment disputes efficiently.</p> <p>iv. Cost of online payment methods for MSMEs. There are fees for using a payment channel such as Visa and MasterCard, as well as initial set up costs including bank account modifications. When moving crossborder there are additional charges the form of foreign currency transaction fees and interest rates by banks. Even alternative payment solutions such as PayPal levy a transaction fee 2.9% plus USD0.30 for each transaction.</p> <p>v. Low credit card penetration is directly correlated to the amount of ePayment transactions.</p>	<p>flourish:</p> <ul style="list-style-type: none"> ▪ Enable multiple different payment types across 13 currencies. ▪ Promote interoperability between payment systems. <p>iii. Establish a central regulatory body for payments: The APT Governments should put in place a regional body responsible for harmonization of payments regulations across multiple jurisdictions, such as the EU's European Payments Council</p> <p>iv. Develop cross-border payment fraud enforcement mechanisms:</p> <ul style="list-style-type: none"> ▪ Implement strong dispute addressal mechanisms and strict penalties for fraudsters. ▪ Educate consumers on liability risks, while establishing clear customer recourse channels in case of fraud. ▪ Empower government agencies to address cross-border fraud and data privacy and security concerns. ▪ Facilitate region-wide working groups targeted at cross-border fraud discovery and prevention.
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Table 2: Issues and recommendations on eCommerce development

5.3.2. Updates on the development of 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.

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. To date the EABEX has 5,447 registered accounts with 79,820 visits annually.

At the dialogue with the ASEAN+3 Senior Economic Officials in Manila, Philippines last year, it was proposed that the EABEX portal exchange data and information services, share experiences and case studies with the ASEAN SME Service Centre. The ASEAN SME Service Centre in essence will make available similar services as the EABEX Portal including an e-market platform and exchange of news and information.

The Business Council and the ASEAN SME Working Group are in the midst of signing a Memorandum of Understanding (MOU) on the following scope of collaboration to facilitate a single point of access to information, services and market opportunities:

- i. Promotion of ASEAN SME Service Center and EABEX to members of the other Party's platform;
- ii. Sharing and exchange of information;
- iii. Offering of EABEX and ASEAN SME Service Center accounts to the other Party's members;
- iv. Licensing of EABEX features and databases to run on ASEAN SME Service Center; and
- v. Offering and sharing advertising opportunities on each Party's platform.

However at this point, as informed by the Office of SMEs Promotion Thailand (OSMEP), the ASEAN SME Working Group has yet to endorse the MOU.

Recommendations

The EABC would like to seek **support from the ASEAN+3 Senior Economic Ministers to expedite the signing of the MOU** in order for the collaboration between the ASEAN SME Service Center and EABEX to materialise.

5. Conclusion

We look forward to the Governments consideration on the above-mentioned recommendations regarding injecting business voice into East Asia economic integration through ASEAN Community and RCEP, building capacity and enhancing integration among East Asian MSMEs and facilitating eCommerce development in East Asia.

In support of effective economic integration in this region, we would appreciate if EABC is given the opportunity to share the final outcomes of our initiatives with the ASEAN+3 Leaders this year.



Figure 5: EABC 2016 Members at 34th Meeting in Tokyo on January 15, 2016

(Seated from left: Mr. Oudet Souvannavong, Tan Sri Azman Hashim, Mr. Phairush Burapachaisri, Mr. Kazuo Ohmori, Chairman Mr. Kazuaki Kama, Mr. Jay Yuvallos, Mr. Kazumi Nishikawa; Standing from left: Ms. Kanchana Thaichon, Ms. Karina Iris B. Yuvallos, Mr. Gil Gonzales, Ms. Wang Qi, Mr. Zaw Min Win, Ms Mari Tanaka, Mr. Arin Jira, Mr. Ryohei Gamada, Mr. Kobsak Duangdee, Okna Sok Piseth, Mr. Tetsuo Ono, Mr. Hidekazu Oshita, Mr. Xu Liang, Mr. Park Kang Pyo, Mr. Lu Jianren, Ms. Zhou Feng, Mr. Lee Jae-Chool, Mr. Tetsuya Matsuoka, Ms. Cai Qi, Mr. Jeffrey Liew, Ms. Huang Xainjing, Ms. Maygelah Siva)

ANNEXES

EABC Calendar of Activities in 2016

No	Meeting	Activities	Date	Venue
1	34th EABC Meeting and Related Meetings	On-site visits	January 14, 2016	Tokyo, Japan
		Working Group Meetings	January 15, 2016	
		34 th EABC Meeting	January 15, 2016	
2	EABC Dialogue with SEOM+3	EABC Dialogue with SEOM+3	April 7, 2016	Kuala Lumpur, Malaysia
3	Dialogue with RCEP TNC	Working Group for RCEP Meeting	April 25-26, 2016	Perth, Australia
		EABC Dialogue with RCEP Ministers		
4	35th EABC Meeting and Related Meetings	Joint Roundtable Discussion on eCommerce with the ASEAN Business Advisory Council	April 27, 2016	Singapore
		Exclusive Dialogue with ASEAN BAC	April 27, 2016	
		Working Group Meetings	April 28, 2016	
		35 th EABC Meeting	April 28, 2016	
5	36th EABC Meeting and Related Meetings	Working Group Meetings	August 1-7, 2016	Vientiane, Laos
		36 th EABC Meeting		
6	EABC Dialogue with AEM+3	EABC Dialogue with AEM+3	August 1-7, 2016	Vientiane, Laos
7	37th EABC Meeting and Related Meetings (tbc)	Working Group Meetings	September 6-8, 2016	Laos
		36 th EABC Meeting		
8	EABC Interface with ASEAN Plus Three Leaders (tbc)	EABC Interface with ASEAN Plus Three Leaders (tbc)	September 6-8, 2016	Laos

9	EABC Dialogue with ASEAN+3 Finance and Central Bank Deputies' Meeting (tbc)	EABC Dialogue with ASEAN+3 Finance and Central Bank Deputies' Meeting (tbc)	tbc	tbc
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Annex II

Survey Report **on** **Optimal Regional FTA Formation in East Asia** **(For ASEAN+3 Economic Ministers Meeting)**

August 2016

Japan External Trade Organization (JETRO)
Japan Chamber of Commerce and Industry (JCCI)

1. Survey Outline and Company Profiles	3-10
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2-1. Trade In Goods	14-16
2-2. Other Elements	17-20
3. Survey Results by Industry Group	21-24
4. Survey Results by Key Elements	25-31
5. Way Forward	32

(Attachment) Survey Questionnaire

1. Survey Outline and Company Profiles

Survey Outline

- ✓ From Jan 26-Mar 25 2016, JETRO, together with JCC, other EABC members, as well as industrial groups in RCEP member countries, conducted the questionnaire survey.
- ✓ 309 valid answers had been gathered, in which 39.5% was large enterprises and 60.5% was MSMEs; 63.4% was manufacturing sector and 36.6% was non-manufacturing sector.

Procurement/Export Structure

- ✓ For both procurement and export structure, RCEP region was found as the dominant source/destination for RCEP companies. This trend is considered to continue in the next 3-5 years.

Trading Method

- ✓ While direct trading was the most major trading route, MSME's E-commerce utilization rate was significantly higher than that of LEs.
- ✓ LEs tends to utilize both direct trading and indirect trading simultaneously.

1-1. Company Profiles

1. Survey Period

January 26 – March 25, 2016

2. Survey Method

Web questionnaire to respective companies
(JCCI web platform base)

3. Survey Target

Domestic companies in each RCEP country

3. Survey Contents

A. Background

B. Basic Company Information

- B1. Industry classification
- B2. Procurement condition
- B3. Export condition
- B4. Trading method

C. Challenges for utilizing FTA (Trade in Goods)

- C1. Current bottlenecks
- C2. Experience for giving up FTA utilization
- C3. Request to Authorities

D. Challenges for utilizing FTA (Other Elements)

- D1. Current bottlenecks
- D2. Request to Authorities

5. Industrial Groups in charge

- Australia	The Australian Industry Group
- Brunei	IQ Quest
- Cambodia	Cambodia Chamber of Commerce
- China	China Council for the Promotion of International Trade (CCPIT)
- India	Federation of Indian Chambers of Commerce and Industry (FICCI) Confederation of Indian Industry (CII)
- Indonesia	Asosiasi Pengusaha Indonesia (APINDO)
- Japan	The Japan Chamber of Commerce and Industry (JCCI)
- Korea	Korea International Trade Association (KITA)
- Lao PDR	Lao National Chamber of Commerce and Industry (LNCCI)
- Malaysia	Federation of Malaysian Manufacturers (FMM)
- Myanmar	Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI)
- New Zealand	New Zealand International Business Forum
- Philippines	The Philippine Chamber of Commerce and Industry
- Singapore	Singapore Business Federation
- Thailand	The Joint Standing Committee on Commerce, Industry, and Banking (JSCCIB)
- Viet Nam	Vietnam Chamber of Commerce and Industry (VCCI)

1-1. Company Profiles (by Country)

- ✓ Total number of responses are 319 companies from targeted 16 countries.
(Number of valid response: 309 companies, Ratio of valid response: 96.9%)
- ✓ Total ratio of LEs to SMEs is 39.5% to 60.5%.

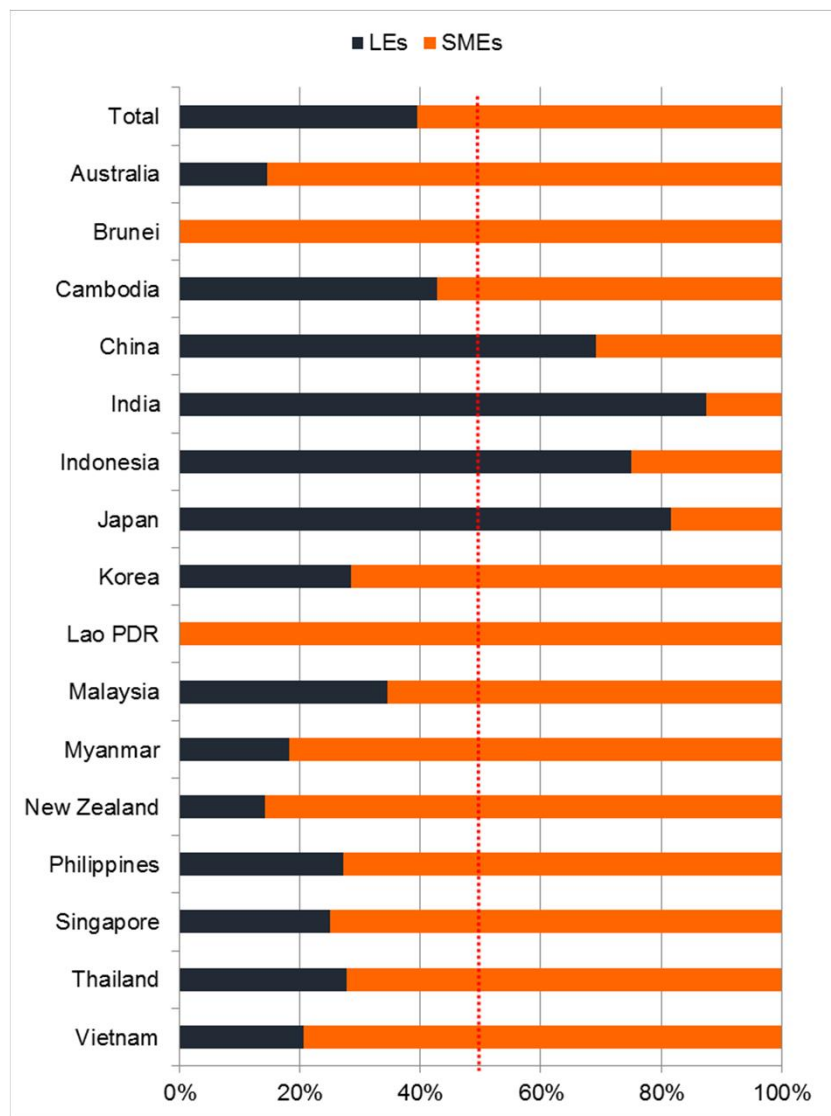
Country	Valid Response				No. of Valid Response	Ratio of Valid Response
	LEs	SMEs	LEs(%)	SMEs(%)		
Australia*	6	35	14.6%	85.4%	42	100%
Brunei	0	3	0.0%	100.0%	3	75.0%
Cambodia	3	4	42.9%	57.1%	7	100.0%
China	9	4	69.2%	30.8%	13	93%
India	7	1	87.5%	12.5%	8	88.9%
Indonesia	3	1	75.0%	25.0%	4	100%
Japan	49	11	81.7%	18.3%	60	98.4%
Korea	4	10	28.6%	71.4%	14	100%
Lao PDR	0	8	0.0%	100.0%	8	88.9%
Malaysia	18	34	34.6%	65.4%	52	94.5%
Myanmar	2	9	18.2%	81.8%	11	91.7%
New Zealand	1	6	14.3%	85.7%	7	100%
Philippines	6	16	27.3%	72.7%	22	95.7%
Singapore	1	3	25.0%	75.0%	4	100.0%
Thailand*	5	13	27.8%	72.2%	20	100%
Vietnam	7	27	20.6%	79.4%	34	100%
Total	121	185	39.5%	60.5%	309	96.9%

• LEs are defined as the companies that hire more than 300 employees.

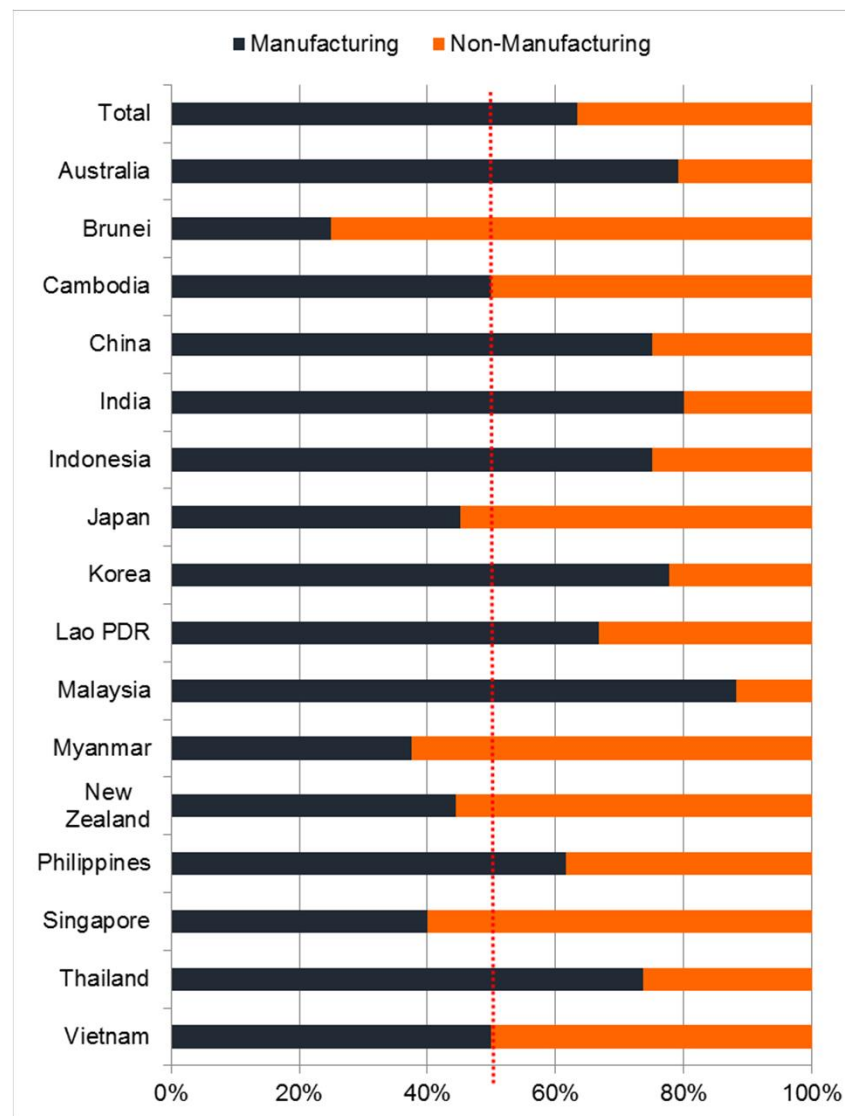
*2 companies did not mention the numbers of employees.

1-2. Company Profiles (In Percentage)

By company scale



By industries



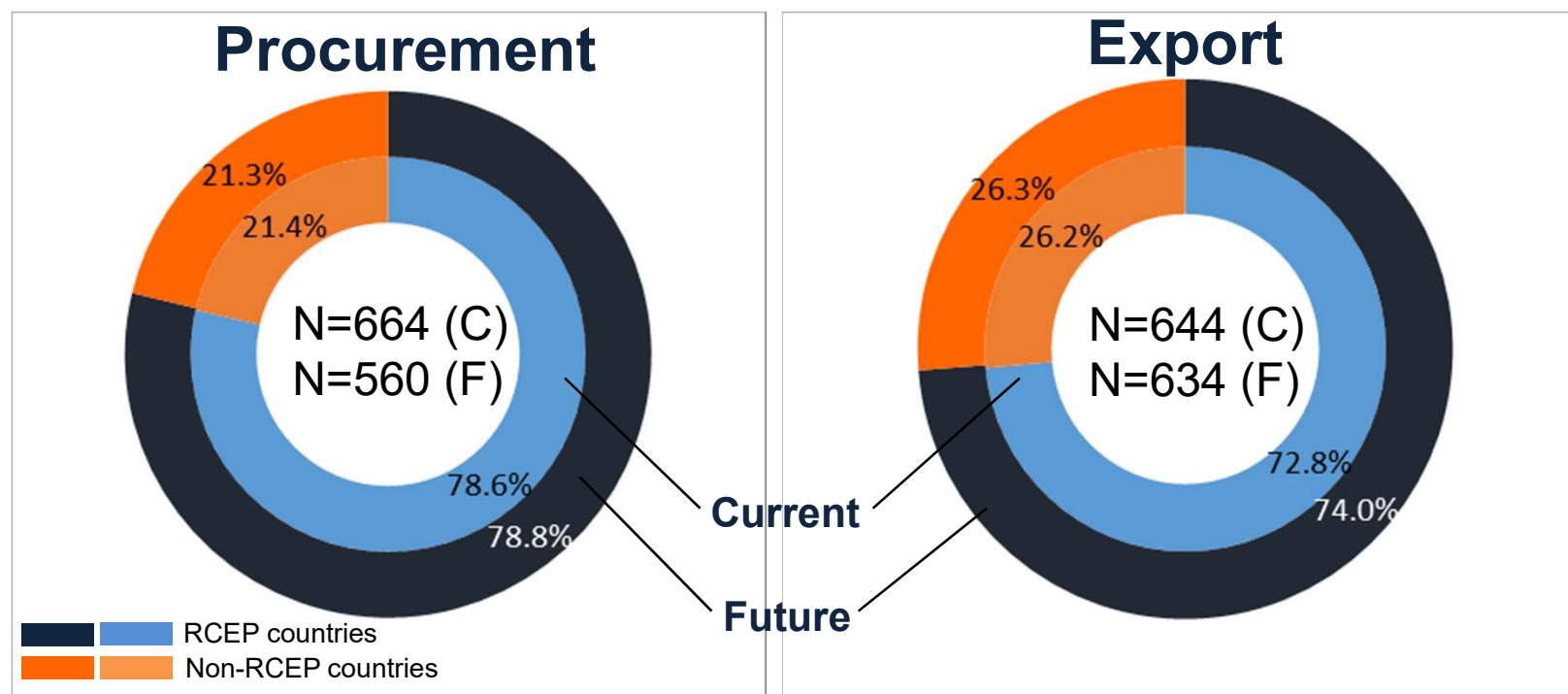
1-2. Company Profiles (By Industry Sector)

Manufacturing Sector	227
Electric Machinery	29
Motor Vehicles/Motorcycles	15
General Machinery	8
Precision Machinery	3
Chemical/Pharmaceutical	41
Iron/Nonferrous Metals/Metals	20
Food	44
Rubber/Leather	5
Textiles	17
Wood/Pulp/Furniture	7
Other Manufacturing Sector	38

Non-Manufacturing Sector	77
Wholesale/Retail	17
Transport	8
Construction/Real Estate	12
Communications/Software	1
Finance/Insurance	10
Restaurant/Hotel	1
Other Non-Manufacturing Sector	28

1-3. Company Profiles (By Trading Area)

- ✓ For both procurement and export activities, RCEP region is the dominant area for RCEP companies.
- ✓ This trend would continue in the next 3-5 years, while diversified export destination outside the RCEP region will be observed.

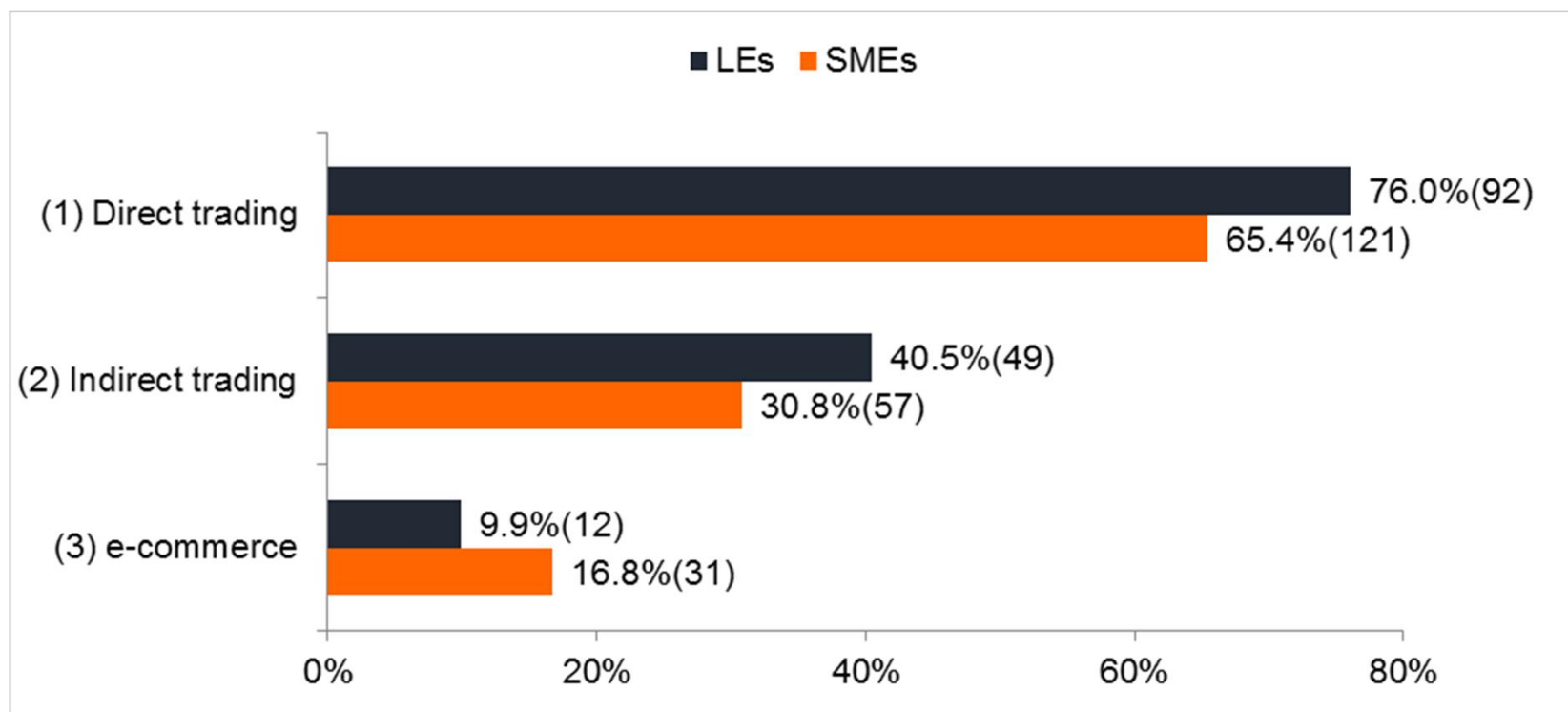


(Remarks) Calculation from summing up 3 major procurement sources and 3 export destinations from each company

(Remarks 2) "Future" indicates procurement/export plan in next 3-5 years

1-4. Trading Method <LEs/SMEs>

- ✓ For both LEs and SMEs, direct trading was the most major method for trading.
- ✓ LEs tends to use more indirect trading, which partly due to co-use together with direct trading.
- ✓ SMEs' utilization ratio of e-commerce was significantly higher than that of LEs.



<Number of Response>

LEs: 121 companies

SMEs: 185 companies

* Each number in parentheses on the right side of each bar indicate the number of responded companies.

2. Survey Results by Questionnaire Items

Business Challenges (Trade in Goods)

- ✓ 2 major FTA utilization bottlenecks have been identified: lack of reliable information source, and lack of human/financial resources especially for MSMEs.
- ✓ For the actual utilization phase, insufficient benefit on tariff reduction has been found as the biggest reason for giving up the FTA usage, while LEs had significantly bigger constraint for ROO (insufficient RVC ratio due to insufficient accumulation rule).

Requests to Authorities (Trade in Goods)

- ✓ In line with the business challenges, information related requests, such as development of business-friendly information source and introduction/steady implementation of advance ruling system have been raised.
- ✓ LEs put more emphasis on the harmonization of ROO with trade facilitation manner.

Business Challenges (Other Elements)

- ✓ Regarding the investment pillar, limitation on capital participation and the request to follow specific regulation which is not in line with the international agreements in effect have been identified as the most major challenges, while large enterprises considered the requests to follow specific Performance Requirements as bigger issue.
- ✓ Manufacturing sector in general has been confronting more difficulties on diversifying access channels to foreign market.

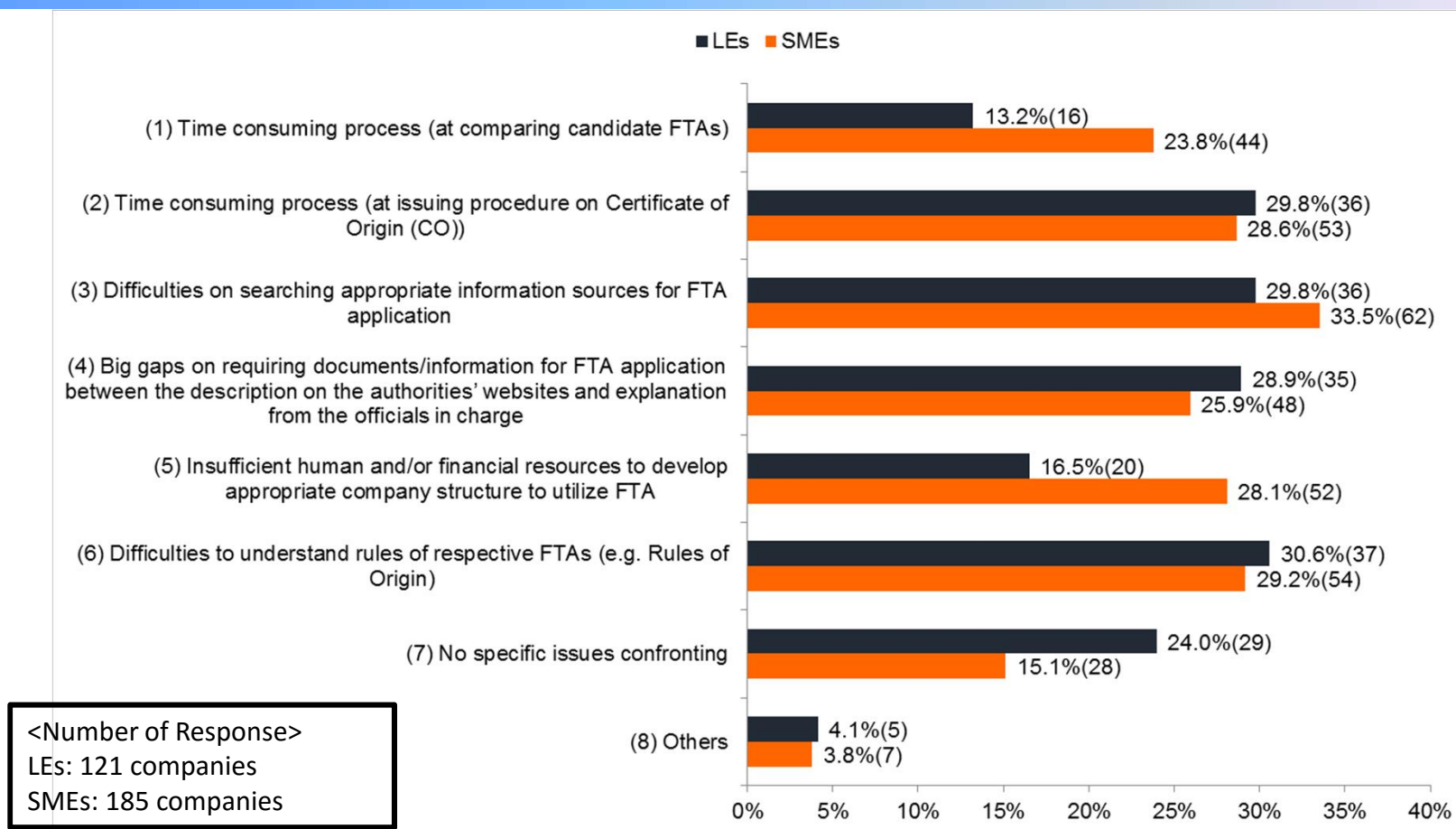
Requests to Authorities (Other Elements)

- ✓ Same as the trend seen in TIG, information related requests, such as the provision of transparent information on foreign investment restriction and timely and easy-to-access disclosure of the information on newly introducing regulation have been most widely observed. Following these items, realization of national treatment both for pre- and post-establishment was also found as major request.
- ✓ More SMEs requested to develop the clear rules and disciplines to utilize E-commerce than large enterprises.

2-1. Bottlenecks for FTA Utilization (TIG)

<LEs/SMEs>

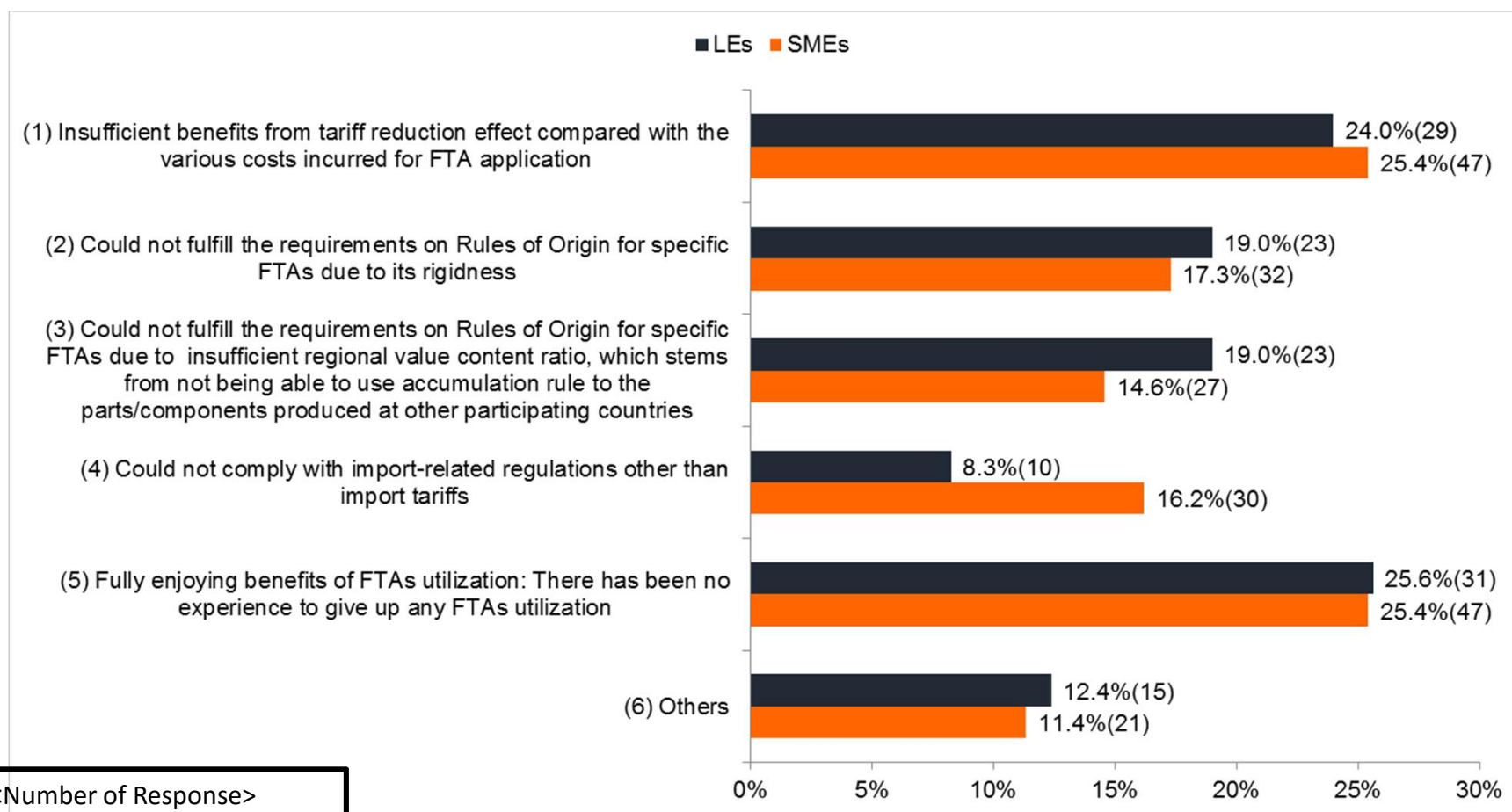
- ✓ Information related issues, e.g. (3) difficulties on searching appropriate information sources for FTA application, and (6) Difficulties to understand rules of FTAs including ROO, were found as the biggest bottlenecks both for LEs and SMEs, together with implementation stage issue namely (2) time consuming process at COO issuing procedure.
- ✓ (1) Time consuming process at comparing candidate FTAs, and (5) Insufficient human/financial resources for utilizing FTAs were found as significantly bigger business bottlenecks for SMEs
- ✓ 24.0% of LEs was smoothly utilizing FTAs, which is significantly higher than SMEs with 15.1%.



* Each number in parentheses on the right side of each bar indicate the number of responded companies.

2-1. Experience of giving up FTAs utilization (TIG) <LEs/SMEs>

- ✓ (1) “Insufficient benefits from tariff reduction effect” was found as the biggest reason to give up FTA utilization both for LEs and SMEs, followed by (3) “Could not fulfill ROO due to insufficient RVC ratio”, which is regarded as significantly bigger reason for LEs.
- ✓ SMEs recognize (4) “Could not comply with import-related regulations” as bigger issue than LEs.
- ✓ 25.6% of LEs has no experience of giving up FTA utilization, compared to 25.4% on SMEs

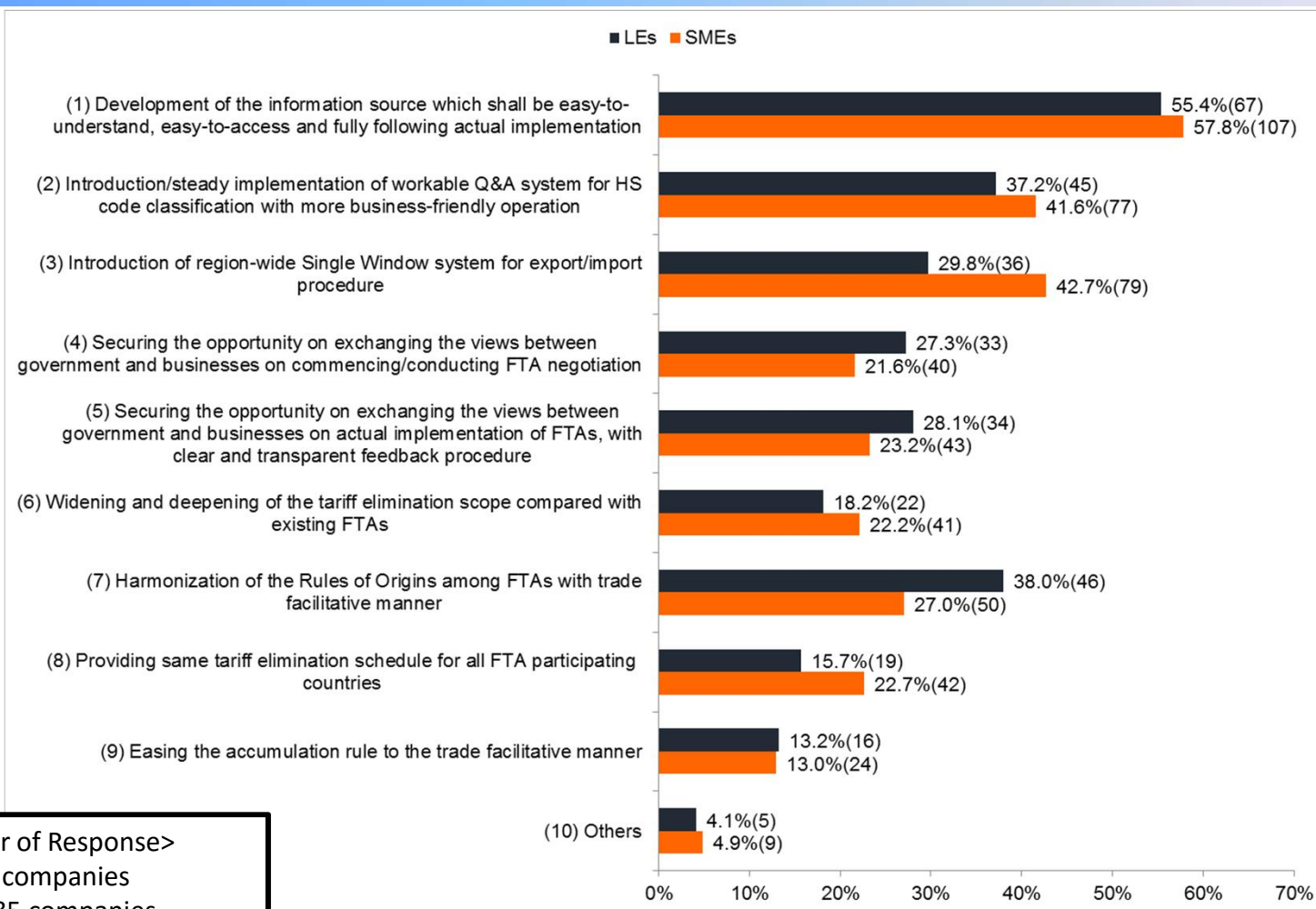


* Each number in parentheses on the right side of each bar indicate the number of responded companies.

2-1. Requests to Authorities (TIG)

<LEs/SMEs>

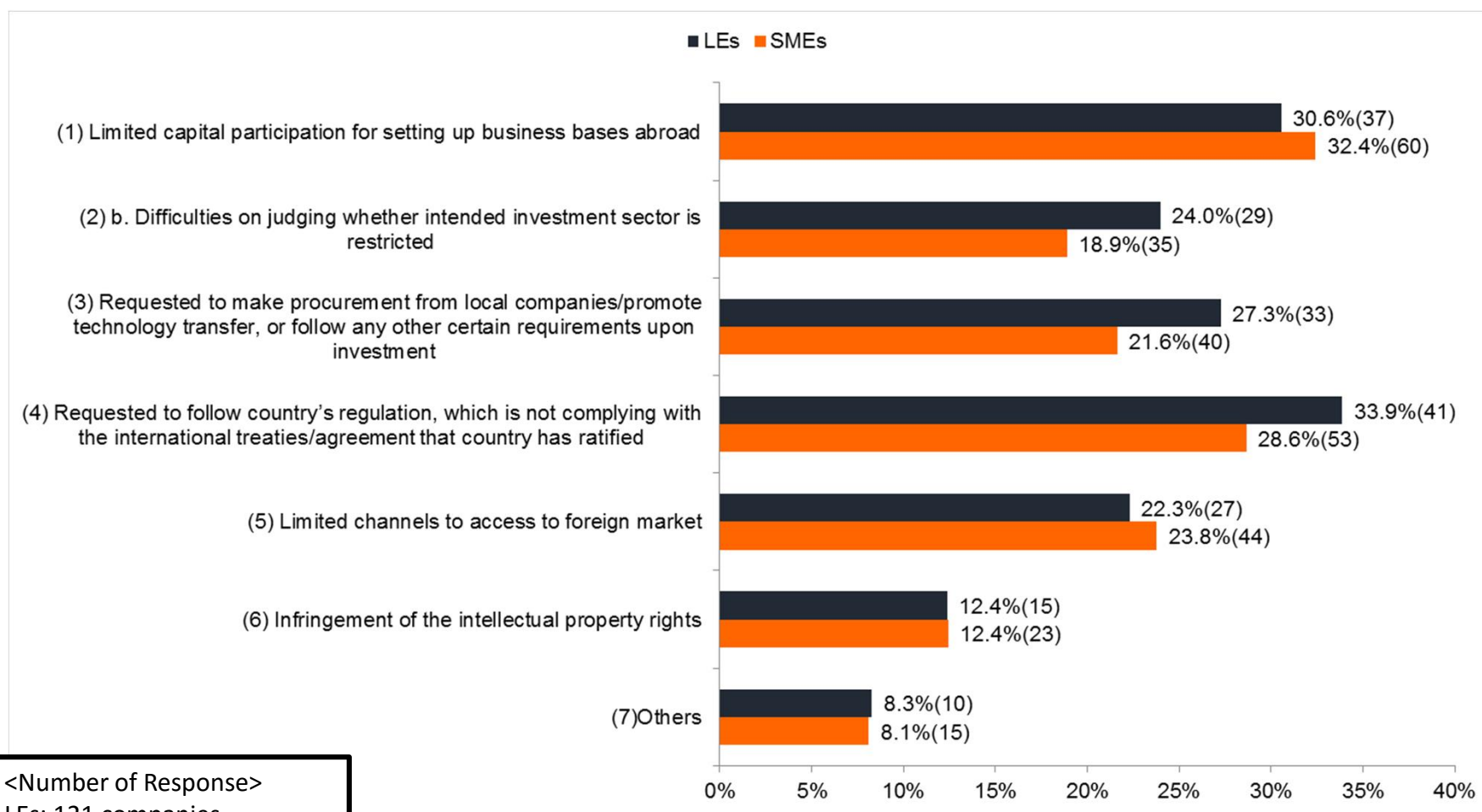
- ✓ (1) “Development of the easy-to-understand and easy-to-access information source” was found as the biggest request to authorities both for LEs and SMEs, followed by (2) introduction/steady implementation of Advance Rulings in common.
- ✓ More SMEs requests (3) “Introduction of region-wide Single Window system” and (8) “Providing same tariff elimination schedule”, compared with LEs.
- ✓ More LEs requests (7) “Harmonization of ROO among FTAs with trade facilitating manner” than that of SMEs.



* Each number in parentheses on the right side of each bar indicate the number of responded companies.

2-2. Business Challenges (Other Elements) <LEs/SMEs>

- ✓ (1) “Limited capital participation for setting up business bases in abroad” was found as the biggest business challenges in total.
- ✓ Compared with SMEs, more LEs are confronting concrete challenges in some major bottlenecks, such as (3) Performance Requirements and (2) “Difficulties on judging whether the intended investment sector is restricted”.

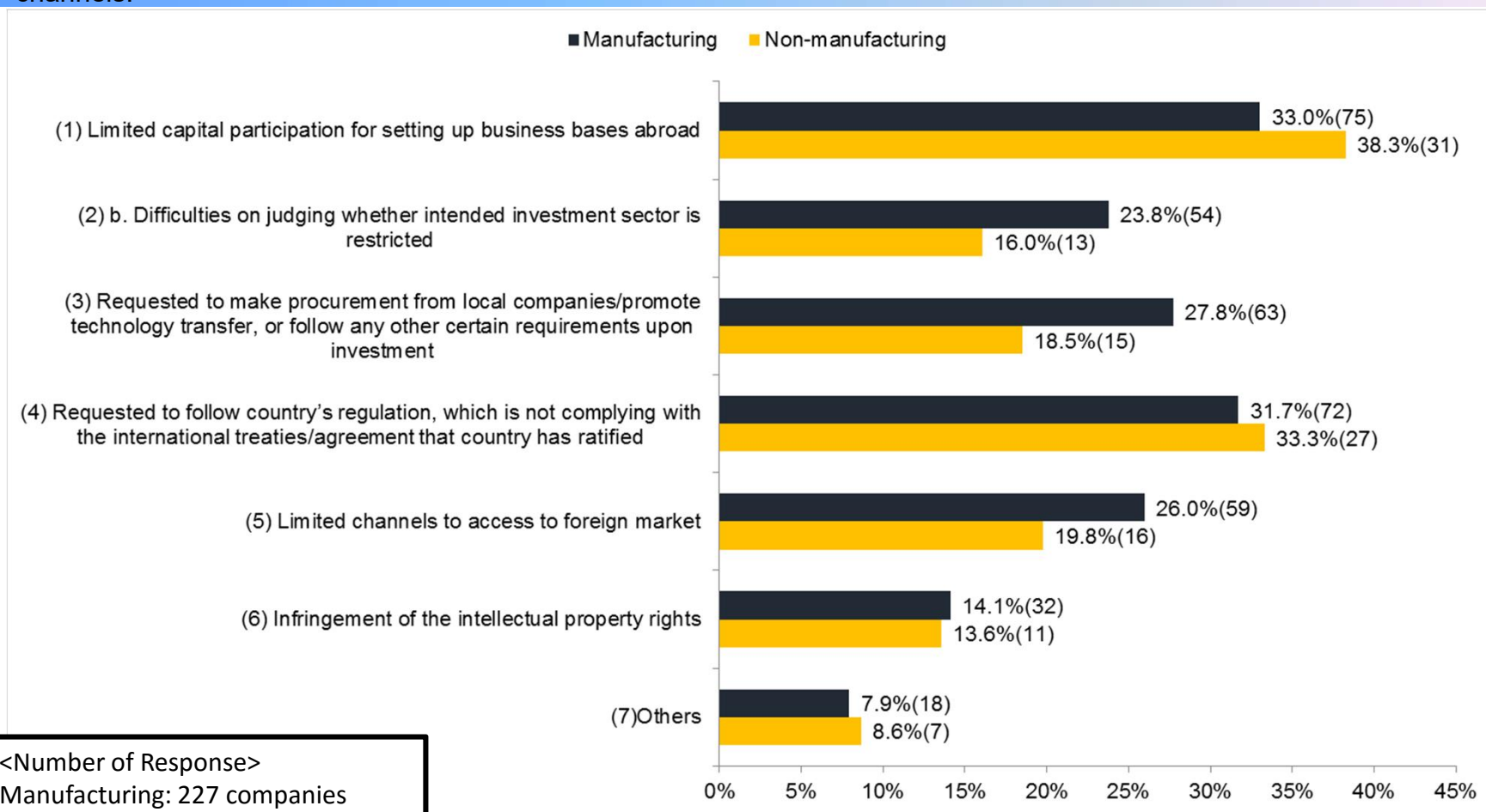


* Each number in parentheses on the right side of each bar indicate the number of responded companies.

2-2. Business Challenges (Other Elements)

<Manufacturing /Non-Manufacturing>

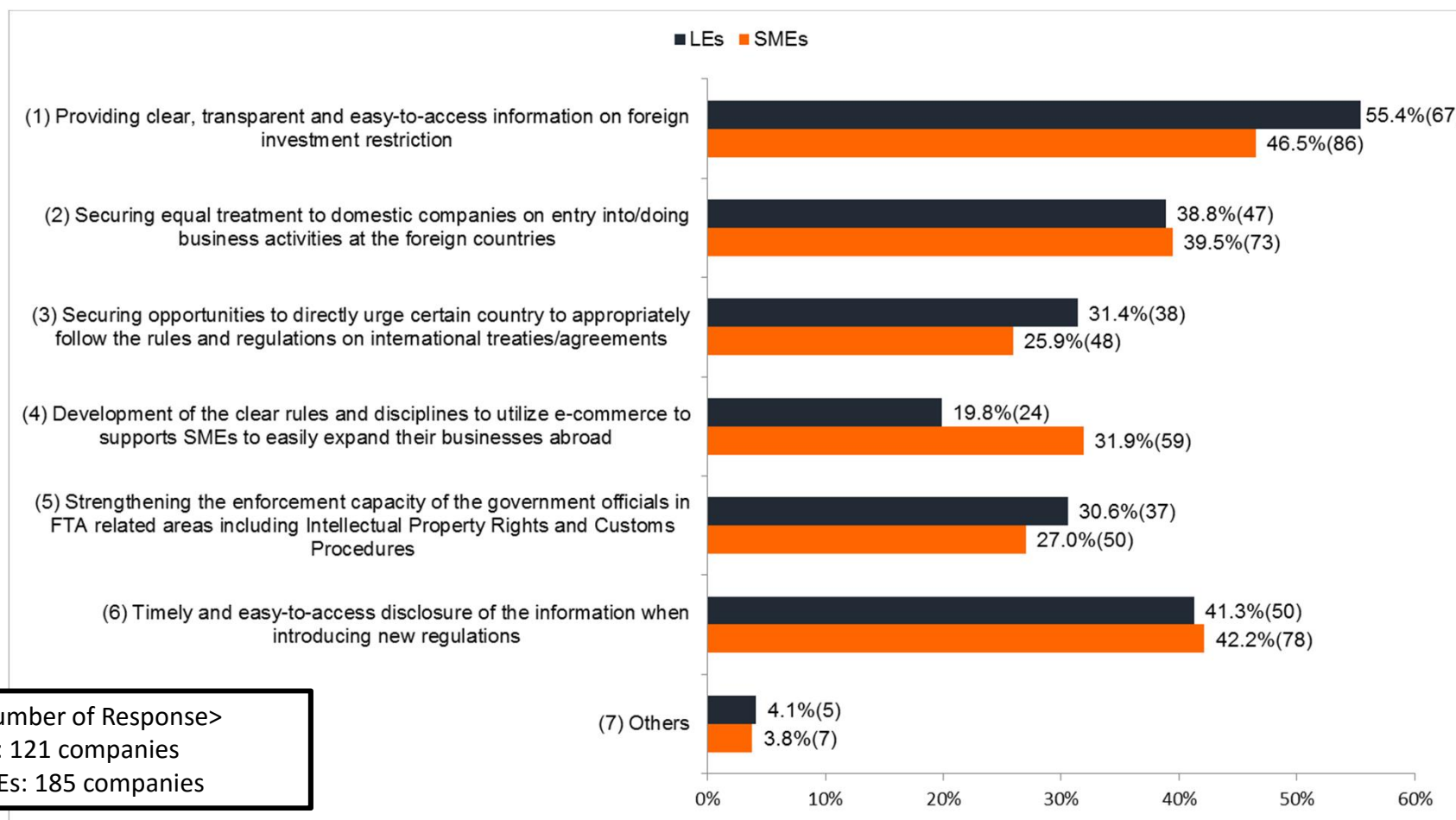
- ✓ (1) “Limited capital participation for setting up business bases in abroad” were found as the biggest business challenges for both sectors, followed by (4) “Requested to follow country’s regulation which is not complying with international agreements that country ratified” with small margin.
- ✓ For (3) Performance Requirements, manufacturing sector regards significantly bigger business constraints than non-manufacturing sector, and same trend has been observed in (2) Identification of investment regulation and (5) limited market channels.



* Each number in parentheses on the right side of each bar indicate the number of responded companies.

2-2. Requests to Authorities (Other Elements) <LEs/SMEs>

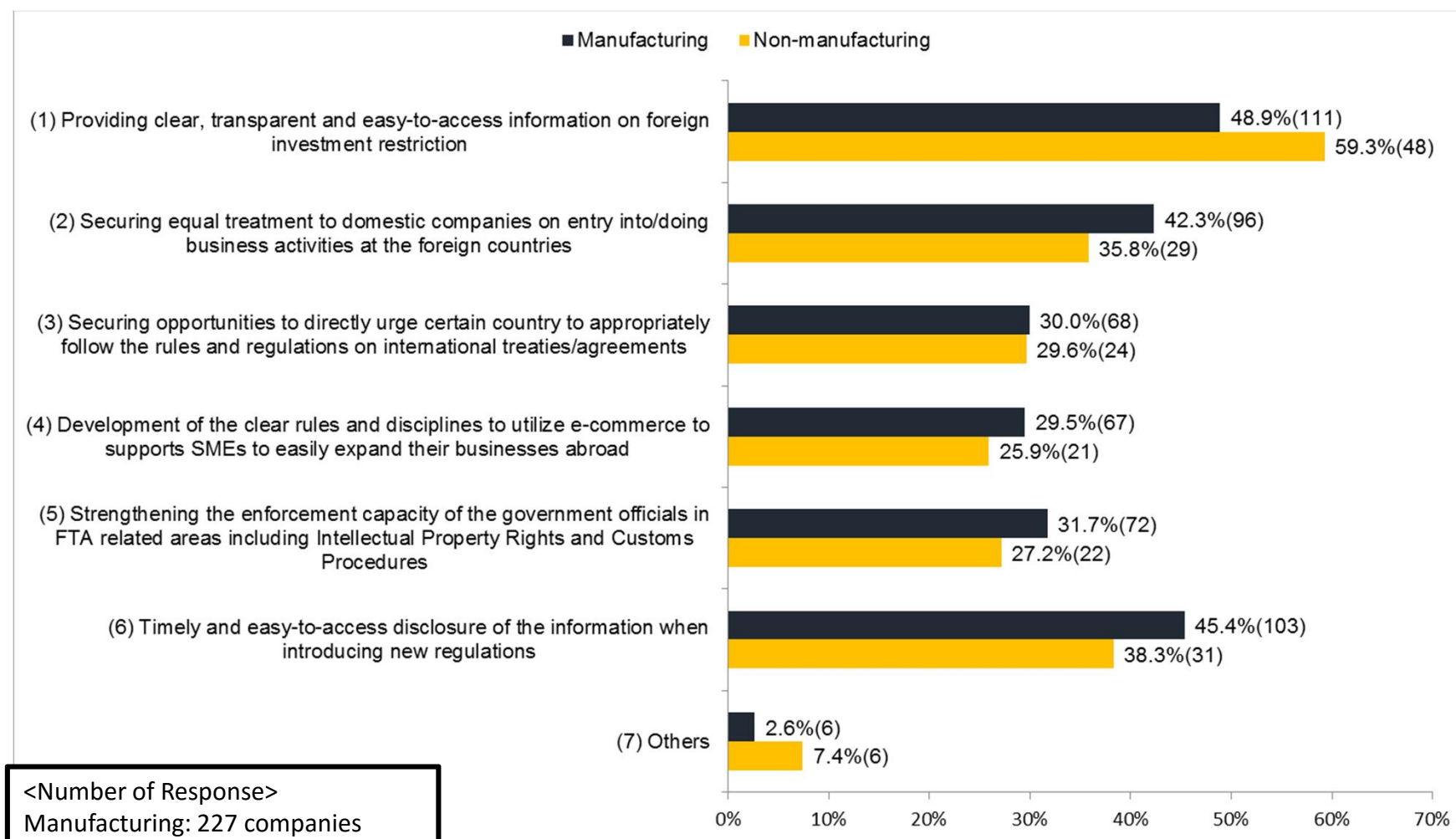
- ✓ Provision of business information including the biggest bottleneck of (1) “Providing clear, transparent and easy-to-access information on foreign investment restriction”, and (6) “Timely and easy-to-access information disclosure on introducing new regulations” is identified as the major business bottleneck for expanding business in RCEP area, followed by the equal treatment request including (2) NT both for pre-establishment and post-establishment.
- ✓ Significantly more SMEs raise the importance of (4) development of clear rules and disciplines to utilize e-commerce.



* Each number in parentheses on the right side of each bar indicate the number of responded companies.

2-2. Requests to Authorities (Other Elements) <Manufacturing /Non-Manufacturing>

- ✓ There were no significant differences between machinery industries and other manufacturing sectors in this item.
- ✓ General answer trends were same as the total trends,



<Number of Response>
Manufacturing: 227 companies
Non-Manufacturing: 81 companies

* Each number in parentheses on the right side of each bar indicate the number of responded companies.

3. Survey Results by Industry Sectors

Cross-Cutting Trend

- ✓ Regardless of the industry group, business demand for easy-to-understand and workable information access was significantly strong. Such information includes i) FTA comparison (including tariff reduction schedule and ROO) and its application, ii) current foreign investment restriction, as well as iii) new regulation introduction.
- ✓ In line with such demand, introduction/steady implementation of relevant trade facilitation measures such as i) Advance Ruling and ii) region-wide Single Window system was identified as one of the most widely-seen requests.

Electrical and Electronic Equipment (N=29)

- ✓ As a typical industry which has developed region-wide supply chain, E&E industry tends to confront specific trade-related constraints such as i) insufficient tariff reduction benefits from existing FTAs and ii) not to be able to fulfill RVC based on current partial accumulation rule. On investment element, E&E industry had more experience to be requested to follow specific Performance Requirements and domestic regulations which are inconsistent with ratified treaties.
- ✓ Strengthening the authorities' enforcement capacity on IPR was identified as major request in this industry.
- ✓ To solve such issues, E&E industry requested to secure the information exchange opportunity with government officials on commencing/conducting FTA negotiation.

3. Survey Results by Industry Sectors

Automotive and Motorcycle Industry (N=15)

- ✓ Among all manufacturing sectors, request on providing clear, transparent and easy-to-access information on foreign investment restriction was most vividly observed in this industry (60.0%).
- ✓ Partly due to enough accumulated know-how on utilizing FTA, 53.3% of companies had no experience to given up FTA utilization.

Textile Industry (N=17)

- ✓ While already utilizing E-commerce at high level (41.2%), textile industry is also seeking more sales channels to enter into foreign markets. Introduction of clear rules and disciplines to utilize E-commerce is the strong request from this industry (52.9%).
- ✓ Facing the difficulty on time consuming process at issuing CO (58.8%), Introduction/steady implementation of trade facilitation measures such as Advance Ruling (52.9%) and region-wide Single Window system (58.8%) were also identified as bigger requests than other business sectors.

Food Industry (N=42)

- ✓ Food industry has strong request on wider and deeper tariff elimination scope (34.1%).
- ✓ Same with Textile industry, strong request on introduction/steady implementation of Advance Ruling (59.1%) , as well as on Introduction of clear rules and disciplines to utilize E-commerce (36.4%) have been observed.

3. Survey Results by Industry Sectors

Wholesale and Retail Industry (N=17)

- ✓ On transporting various goods, cross-border procedure, such as introduction of region-wide Single Window system (52.9%) and strengthening government officials' enforcement capacity on IPR and customs procedure (47.1%) were strongly requested. Also, 76.5% of companies requested easy-to-understand, easy-to-access trade information development.

Finance and Insurance Industry (N=10)

- ✓ Significantly high percentage of companies (90%) requested the provision of clear, transparent and easy-to-access information on foreign investment regulation. On introducing new regulation, 60% of companies requested the appropriate information disclosure in timely and easy-to-access manner.

4. Survey Results by Key Elements

4-1. Key Elements (Trade in Goods)

Easy-to-Understand, Easy-to-Use FTA (a. Appropriate Information Source)

- ✓ In every manufacturing sectors, more than half of companies requested the development of easy-to-understand and easy-to-access FTA information source which fully follows actual operational procedure.
- ✓ More than 40% of companies in Automotive industry, Iron/Nonferrous Metals industry, Food industry and Textile industry are facing the difficulty on searching appropriate information source for FTA application.
- ✓ Nearly 30% of Manufacturing sector has experienced the discrepancy of FTA application information on authorities' websites and actual explanation from the officials in charge.

Easy-to-Understand, Easy-to-Use FTA (b. Development of Workable Rules)

- ✓ 58.8% of Textile industry, 48.8% of Chemical & Drug industry and 45.5% of Food industry have experienced time-consuming process at issuing CO.
- ✓ Approx. 50% of E&E industry, Automotive industry, Food industry and Textile industry requested the introduction or steady implementation of advance ruling system.
- ✓ Strong request to introduce region-wide Single Window system has observed in Textile industry (58.8%) and Wholesale/Retail industry (52.9%).

(Remarks) Pick up the industry groups more than 10 valid samples

High Level FTA

- ✓ 37.9% of E&E industry, 35.3% of Textile industry and 34.2% of Chemical & Drug industry have ever given up FTA utilization due to limited benefits from tariff reduction
- ✓ 21.6% of manufacturing sector requested to widen and deepen the tariff elimination scope compared with existing FTAs

Common Concession

- ✓ Complexity of ROO in existing FTAs was major bottleneck for FTA utilization especially in Textile industry (47.1%), Automotive industry (46.7%) and Food industry (43.2%).
- ✓ More than 20% of Manufacturing sector requested to introduce common concession system in regional FTA

4-1. Key Elements (Trade in Goods, Cont.)

ROO (a. Full Accumulation)

- ✓ 34.5% of E&E industry and 29.4% of Textile industry had ever given up FTA utilization due to not being able to fulfill RVC with current partial accumulation rule.
- ✓ 19.5% of Chemical & Drug industry and 13.8% of E&E industry requested the introduction of full accumulation rule

ROO (b. Harmonization of ROO)

- ✓ 24.1% of E&E industry, 23.5% of Wholesale/Retail industry and 23.5% of Textile industry had ever given up FTA utilization due to not being able to fulfill stringent ROO.
- ✓ 52.9% of Textile industry, 48.3% of E&E industry and 47.1% of Wholesale/Retail industry requested the harmonization of ROO with trade-facilitative manner.

4-2. Key Elements (Other Elements)

Investment Regulation (a. Appropriate Information Source)

- ✓ In all industries, specifically Non-Manufacturing sector such as Finance/Insurance industry (90.0%), Construction/Real Estate industry (66.7%) and Automotive industry (60.0%) requested to provide clear, transparent and easy-to-access information on foreign investment restriction.
- ✓ In addition, in introducing new regulations, strong demand on timely and easy-to-access information disclosure had observed in almost all industries especially in Textile industry (64.7%), Finance/Insurance industry (60.0%) and Food industry (50.0%).
- ✓ National Treatment before/after investment had been requested from almost all industry sector, especially from E&E industry (51.7%), Iron/Nonferrous Metals industry (50.0%) and Food industry (47.7%).
- ✓ Iron/Nonferrous Metals industry (45.0%), Chemical/Drug industry (41.5%) and Finance/Insurance industry (40.0%) had raised limited capital participation for business base set up as the big business challenges.
- ✓ E&E industry (44.8%), Construction/Real Estate industry (41.7%), Textile industry (41.2%) and Wholesale/Retail industry (41.2%) had ever been requested to follow domestic regulations which discrepant from international treaties that country already ratified.
- ✓ Iron/Nonferrous Metals industry (45.0%) and E&E industry (37.9%) had ever been requested to follow any kinds of Performance Requirements.

Investment Regulation (b. Development of Workable Rules)

4-2. Key Elements (Other Elements, Cont.)

E-Commerce

- ✓ E-Commerce utilization is significantly active in MSMEs (17.8%) over LEs (9.9%). Industry wise, Textile industry (41.2%) was identified as the most active E-commerce user.
- ✓ In Textile industry (58.8%) and Food industry (31.8%) had confronted to limited channels for cross-over product sales. They had also requested to develop clear rules and disciplines to utilize E-commerce (52.9% and 36.4% respectively).

IPR

- ✓ Infringement of IPR was recognized big business bottleneck especially in Wholesale/Retail industry (23.5%) and Automotive industry (20.0%).
- ✓ Request to strengthen the IPR enforcement capacity on government officials was especially strong in Wholesale/Retail industry (47.1%), E&E industry (37.9%) and Textile industry (41.2%).

Business Engagement

- ✓ Among others, industries such as E&E (34.5%), Food (34.1%), Textile (29.4%) and Wholesale/Retail industry (29.4%) requested to secure the dialogue opportunity with government, on commencing/conducting FTA negotiation.
- ✓ On FTA implementation phase, Textile industry (35.3%), Food industry (34.1%) and Wholesale/Retail industry (29.4%) also requested to secure the dialogue opportunity with government.

4. Way Forward

Thank you for your attention



EABC'S RECOMMENDATIONS FOR RCEP

Scope of Recommendations for the RCEP	Key Recommendations made by EABC	Remarks
1. Target Date	To complete the RCEP negotiation by end-2015 as announced by the RCEP Leaders.	RCEP is one year behind the ambitious target date. It is essential that the RCEP negotiations stay on track to deliver the high level of ambition outlined by Leaders in their Joint Declaration and endorsed in the Guiding Principles.
2. Scope of RCEP Negotiation	<ul style="list-style-type: none">• We support the Guiding Principles which outlined 8 areas for RCEP to address, including (1) Trade in Goods, (2) Trade in Services, (3) Investment, (4) EOTECH, (5) IP, (6) Competition Policy, (7) Dispute Settlement, and (8) Other Issues.	<p>We understand there is a range of views amongst RCPs regarding Government Procurement, Labour and Environment.</p> <p>The approach set out in the Trans-Pacific Partnership Agreement on these issues may be a useful guide for RCEP, but some EABC Working Group members do not support the inclusion of labour and environment in the RCEP negotiations.</p>
3. Tariff Elimination	<ul style="list-style-type: none">• As a starting point, provide substantially higher than 90% of tariff elimination on imports from each RCEP member, with the	The current modality does not satisfy the three key criteria outlined in EABC recommendations on tariff elimination.

	<p>ultimate aim of reaching as near as possible to comprehensive coverage in terms of tariff lines and value of trade.</p> <ul style="list-style-type: none"> • Need for tariff elimination to address all key items of export interest including both tariff lines and value of trade. • Adopt a common concession in tariff schedules with the same preferences to all other RCEP members. • For RCEP to deliver real value to business, it needs to go beyond existing ASEAN+1 FTAs, as envisaged in the Guiding Principle. 	<p>Lower thresholds for some big AFP economies risks further undermining the achievement of EABC recommendations.</p> <p>The % figures on the left are based on officially confirmed and unconfirmed (media) information. Media reports have suggested that a participating country has submitted 3 kinds of schedule of concessions. Most members of the EABC Working Group on RCEP, on behalf of their respective business sectors, would appreciate an easy to understand and easy to use common concession approach.</p> <p>We would appreciate receiving an update on the approach to tariff elimination in the RCEP.</p>
4. Rules of Origin (ROO)	<ul style="list-style-type: none"> • Harmonization of ROOs and adoption of the most common ROO in the ASEAN+1 FTAs to ease the complexity in ROOs. • Exporters to be given a choice of either a ðCTH or RVC40ö rule, and Product Specific Rules (PSRSs) where necessary. • Include a de minimis provision for all products and full cumulation across the RCEP region. • To raise the aggregate customs value for Cos up to a minimum of USD 1000 (from 	<p>It is not clear whether RCEP is on track to satisfy EABC recommendations on ROO.</p> <p>Rules of origin should be simple and flexible to allow Participants to have more options to choose the best ROO necessary, to benefit from this regional FTA and reap maximum benefits from regional supply chains. It is thus important for exporters to be given a choice of either a ðCTH or RVC40ö rule, or Product Specific Rules (PSRSs) where necessary. We would</p>

	<p>USD200) to enhance user-friendliness of the RCEP.</p> <ul style="list-style-type: none"> • Consolidated website covering RCEP, ASEAN+1 FTAs and bilateral FTAs among RCEP members, which also has links to the ROO procedures: propose EABEX Portal. • Self-declaration or self-certification of Certificates of Origin (COs) 	<p>appreciate receiving an update on the ROO negotiations in RCEP.</p> <p>Common ROO will facilitate companies' work in preparing the same document set for each FTA, and companies can use the FTA if the common ROO is trade facilitative enough. It is also important to include cumulation provisions and a de minimis provision to be applied to all products, to provide more options for companies in their sourcing and maximise the benefits of a multi-party FTA.</p> <p>Based on a recent EABC survey, one of the bottlenecks in FTA utilisation is the difficulty of locating appropriate information about FTAs. We propose the EABEX portal for consolidated information on ROO, NTMs, and Trade Facilitation measures within RCEP.</p>
5. Non-tariff Measures (NTMs)	<ul style="list-style-type: none"> • The RCEP should encompass trade-facilitating provisions that eliminate NTBs. In particular, under the chapters on SPS and TBT, there should be provision for establishment of MRAs and Sectoral Annexes. There should also be disciplines that oblige parties to treat and have the same standards applied to 	<p>NTMs remain a key objective for EABC in RCEP. NTMs become non-tariff barriers (NTBs) when they are trade distorting or more trade restrictive than necessary.</p> <p>RCEP engagement on industry concerns about NTBs has been a positive step, but we have yet</p>

	<p>imported and domestically produced goods.</p> <ul style="list-style-type: none"> • 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. • 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. 	<p>to see evidence of concrete rules and other proposals, including MRAs or Sectoral Annexes, to address industry concerns about NTBs.</p>
6. Economic and Technical Cooperation (ETC)	<ul style="list-style-type: none"> • Specific and tangible programs should be outlined under the ECOTECH program. • Provisions for technical assistance and capacity building in complex areas should be made available to the developing and least-developed Dialogue Partners. • The specific cooperation program should be enable all parties to fully implement obligations under the RCEP and enjoy the benefits from the RCEP. 	<p>Developing tangible ECOTECH capacity building programs may take a while. It may be useful for a Training Needs Assessment process to be undertaken for CLM(V) countries to help prioritize the areas that need further development.</p> <p>We would appreciate for the RCEP Governments to pool a fund under the ETC Chapter to be used for cooperation programs that will assist all parties (esp the developing and least-developed Dialogue Partners) in fully implementing obligations.</p>
7. Trade Facilitation	<ul style="list-style-type: none"> • To adopt the advance ruling mechanism to make inconsistent customs procedures 	

	<p>effective and business friendly.</p> <ul style="list-style-type: none"> • RCEP Members focus on a) ensuring that National Single Window is in place and b) the rollout of the ASEAN Single Window. 	
8. Trade in Services	<ul style="list-style-type: none"> • To take a negative list approach in trade in services negotiations to ensure wide-ranging, high-level, and transparent commitments to improve predictability for business. 	<p>Notwithstanding the positive list approach, it is important to most EABC Working Group members to achieve high quality services commitments in RCEP, including forward liberalization commitments for a high number of subsectors as well as meaningful value added-elements including MFN and Ratchet commitments, in order to improve predictability for business.</p> <p>We would appreciate receiving an update on the services trade negotiations in RCEP.</p>
9. Investment	<ul style="list-style-type: none"> • Transparent, non-discriminatory and comprehensive market access and investment protection under an open and facilitative investment climate, are important in supporting business activities and enhancing investment flows. • RCEP should provide a clear taxation regime for foreign trade and investment, including provisions on transparency, expropriation and compensation and freedom of transfer of 	<p>Investment market access liberalization is necessary to improve the climate for business to invest in the RCEP region. We welcome the negative list approach for investment. It is important for reservations taken in the negative list to be targeted, transparent and easy to understand to facilitate investment into RCEP Participating Countries.</p> <p>We would appreciate receiving an update on the</p>

	<p>funds, including double taxation treaties and favourable withholding taxes for expropriation of funds.</p> <ul style="list-style-type: none"> • Negotiations for investment should take a negative approach to ensure wide-ranging, high-level and transparent commitments. • RCEP should have clear and concise licensing and legal requirements for the various businesses and trade set-up. • 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. • MFN treatment and National Treatment both at pre-establishment stage and at post-establishment stage. • 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. 	investment negotiations in the RCEP.
10. Intellectual Property Rights (IPR)	<ul style="list-style-type: none"> • RCEP's IP chapter should include seamless, expeditious and transparent procedures for the registration of IP, improved access to IP information, including laws, regulations and 	Given the lack of agreement on specific articles for IPR, it is hard to make a judgment at this stage whether EABC recommendations will be met.

	<p>practices, patent examination with improved speed and quality, appropriate protection of IP rights including trade secrets, and effective enforcement of IP rights.</p> <ul style="list-style-type: none"> • 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. 	<p>We would welcome an update on the IPR negotiations in the RCEP.</p>
11. Emerging and New Issues	<ul style="list-style-type: none"> • The RCEP needs to address two key areas: eCommerce and MSMEs. In regards to eCommerce: <ul style="list-style-type: none"> i. Adopt mechanisms to facilitate highly efficient cross-country eCommerce transactions, including payment, customs, and logistics fulfillment. ii. Cross-cutting policies for eCommerce and digital trade that connect across and between multiple chapters should be considered. 	<p>It is incumbent upon RCEP to have a private sector feedback platform for all its initiatives. EABC has Working Groups for MSMEs and eCommerce that may act as a natural platform for inputs and activities if given the mandate by the RCEP TNC.</p>

Drafted by EABC WG for RCEP

MSME Management and Financial Support Activities of JCCI

Introduction:

Promotion of healthy growth of MSMEs in AEC is one of the top priorities in Beyond 2015 agenda. Taking this opportunity, as a practice sharing, JCCI would like to introduce our MSME support programs, including Management Improvement Loan Marukei. We hope that these practices help to provide some insight for the AEC going toward 2025. We can share our know-how upon request.

■ The characteristics of JCCI

- 515 local CCIs nationwide
- 1.25 Million member businesses countrywide from large and medium-size down to small micro enterprises. Approx. 95% are MSMEs.

■ Brief history of MSME support at JCCI

1878 JCCI established: Collecting and voicing opinions of businesses

1945~Post-war to high growth period : Caring and supporting war-damaged MSMEs

1990s~ today : Change of basic principles in MSME Policies from reduction of disparities

to development and support for MSMEs that are diverse and energetic

- Expansion of Management Consultation: Support for globalization

■ Main missions (3 pillars) of JCCI

I. Policy recommendations:

Presenting opinions to governments based on the opinions of member businesses

II. Strengthening the vitality of MSMEs:

Management support / capacity building to enhance the number of healthy MSMEs who comprise and support the foundation of industries: will explain in detail below.

III. Community economic revitalization:

Through cooperation between government and the civil sector

■ Strengthening the vitality of MSMEs :

1. Thorough support for addressing MSME management issues

• Management and Financial Support Activities

- Management consultants (approx. 3,500) at local CCIs around the country provide counseling at CCI offices or MSMEs on-site.
- In-depth business support on issues related to human resources, labor, finance, tax, bookkeeping, etc. (Provides advice to about 1.84million cases every year.)

➢ Management improvement loan “Marukei” (Since 1973)

Based on formal recommendations from CCI, Japan Finance Corporation (JFC) provides loans for micro-enterprises.

- Qualifying Conditions : filing tax, receives management consultant guidance and pass exams
- No collateral or guarantee required
- Loan up to 20 million yen. Funded by Government
- Special Low interest rate: 1.30% (as of June 2016)
- Pay-back period: 7 years for working capital. 10 years for equipment fund.
- JCCI provides on-going management consultation to the subject micro-enterprises.

2. Support for the challenges of starting-up new businesses and management reforms

- Hold hands-on intensive training lectures at more than 70 CCIs
- Sogyo-juku+(Start-up Prep) seminar program (1999 to 2010): Participated by more than 58,000 people wanting to start up business, of whom 25% actually launched business; significant contribution to business start-up rate in Japan.

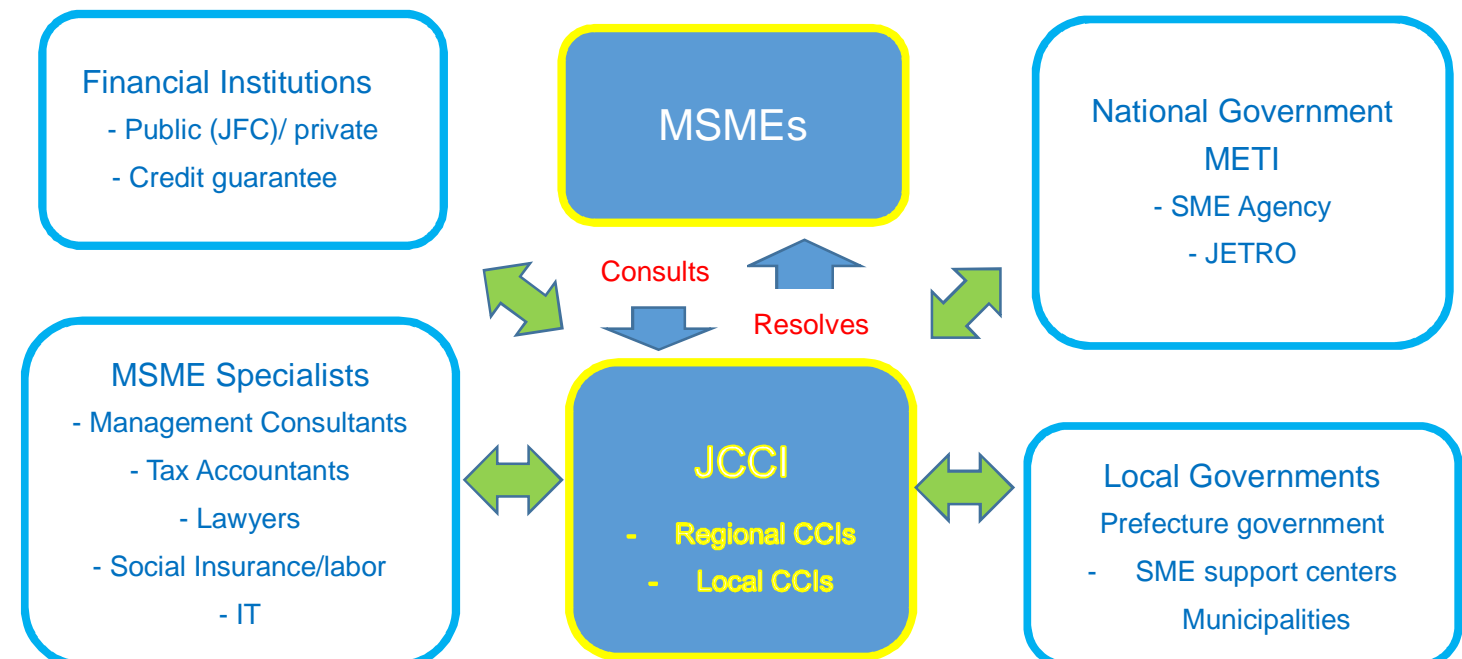
3. Support for the internationalization of SMEs, to address economic globalization

- Promoting interaction through bilateral and multilateral economic committees; such as AJBC.
- Offering partner search online service :CCI International Business Opportunities (CCI-IBO)

4. Carrying out examinations to develop industrial human resources suited to the needs of today

- Accounting and other basic capacity building support

5. How JCCI works with other organizations in supporting MSME



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2016**

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