



Joint Foreign Chambers of Commerce in Thailand

JFCCT AEC Committee Summary of AEC September 2012 For JFCCT Members

JFCCT Member Chambers have previously been provided background information on the plans for the ASEAN Economic Community or AEC. The date for many of the changes to be completed by is January 1st 2015, although it appears that the date has informally at least been put back by one year to December 31st 2015. Members should note that some of the changes are in effect now, and other changes should be in effect now, but (agreements notwithstanding) have not been implemented.

The 10 ASEAN countries have undertaken to implement a range of changes for the purposes of ensuring stability and raising living standards across the region. The changes under the AEC area are covered in the following 5 categories:

- Free flow of Goods
- Free flow of Services
- Free flow of Investments
- Freer flow of Capital
- Free flow of Labour

The JFCCT AEC Committee has been discussing the AEC project with the Department of Trade Negotiation from within the Ministry of Commerce to do the following:

1. Try to clarify the details of the various changes to allow us to inform the JFCCT members
2. To determine the timeframe of any changes
3. To attempt to improve the overall approach for Thailand and JFCCT members

Information Updates

The JFCCT AEC Committee continues to provide information sessions to the chambers upon request. At these information sessions, the background and updated details are provided. There is also opportunity for members to ask questions, clarify the details and make suggestions. To date these sessions have been provided to the New Zealand, Scandinavian and Dutch Chambers, and also provided to 2 groups on the Eastern Seaboard. If your chamber would like an update please contact the AEC Committee or your board as soon as possible.

The committee also provides a monthly report to the JFCCT Presidents Council and have informed all presidents that these reports can also be provided to their boards and members if required. Please contact your chamber board or president if you would like copies of these.

Media

We continue to highlight the fact that the media stories relating to the AEC, and even many Thai government quotes and press comments are very often not accurate and the details tend not to match the agreements. Many of these continue to be marketing messages, and there is no direct link to AEC related changes, or at best a possible link to increased consumer market size. Some media have even allowed stories to run which make statements such as (Bangkok Post 19/8/2012) *"As people in each of these countries will be able to move around freely and work or live in any other member nation, there will be a direct impact on the property market in the industrial, office, retail and especially residential sectors"*. This is clearly not the likely outcome or intention. JFCCT members should be aware of this hype, which is problematic as it has led to some level of fear and threat as key messages, rather than opportunity and benefit.

The committee has recently made additional contacts with some media organizations and will commence providing public comment relating to the AEC on a regular basis. We intend that this will be a positive message for the Thai business and wider community.

Policy

Since our last report the AEC Committee has finalized the JFCCT's AEC Policy. This was approved by the JFCCT Presidents Council earlier. We include this at the end of this report for your reference.

The key points to highlight are that the JFCCT support the AEC initiatives, and any move towards liberalization of the Thai economy. We would like the Thai government to speed up the process of change and implementation, along with improving communication, to allow business operators to know and understand what the economic and regulatory environment will be, so that our members can make informed investment and planning decisions. The key focus should be moved away from fear and threat, and the resulting protectionist approach, and towards the benefits for the average citizen in Thailand in terms of cheaper products, better quality goods and services, improved employment opportunities and, for business owners, easier access to a market 10 times the current size.

Implementation Activities

In our most recent discussions with the DTN, it is clear that the department has had a change at the top level, and are focused towards a number of FTA discussions and other regional groupings (eg APEC), along with the AEC efforts.

We have provided the DTN with a list of questions that attempt to clarify various issues and questions that our members have raised.

While the DTN is providing its best efforts, it is clear that they do not have sufficient authority to implement all the changes needed. This is further exacerbated by there being a number of key strategic decisions that have not yet been resolved, meaning that there is not yet a clear and defined approach or list of changes that can be worked through as a single project.

The JFCCT has recommended that the government address these matters quickly, to allow Thailand to take a leadership role in ASEAN.

Key areas that are implemented (but with some important gaps) include many of the **Free flow of Goods** (ATIGA) tariff reductions and classification harmonization.

Not implemented are **free movement of labour** provisions. There are already Mutual Recognition Agreements in place for 7 professions, yet today there are no processes to allow an ASEAN citizen to work in Thailand under these agreements, and no system in place to allow a Thai citizen with the appropriate qualifications to take advantage of the agreements and work in another ASEAN country. Further, there does not appear to be any other implementation plan covering the wider scope of free movement of skilled labour generally.

Also not implemented are the **Free flow of Services** changes earlier planned for 2008, 2010 and 2013 [?-priority areas, which would see Foreign Equity Limits (for ASEAN citizens) extended to 51% and 70% in specified industries ahead of the 70% benchmark for all services by 2015, based on AFAS (ASEAN Framework Agreement on Services).

Liberalisation of the services sector is an essential growth and development engine. It is not just about raising foreign equity limits, but also:

- dealing with work permit and visa issues to support free movement
- dealing with sector specific regulation which is an impediment, allowing for sector-specific market access
- effecting structural change in certain sectors to enhance efficiency and effectiveness to support market entry

Effective barriers in the services sector continue. But even considering only the foreign equity limits, Thailand is clearly behind in the commitment to liberalise for ASEAN citizens, considering AFAS. Yet Thailand is now proposing new guidelines to interpret the FBA which would have the effect of further reducing all permitted foreign participation (ie from all countries).

We recommend the lifting of foreign equity restrictions for all investors. FDI inflows into Thailand are down but are up in some other ASEAN economies.

Recent Events

The committee continues to attend, on members behalf, a number of events related to the AEC, where we are often able to be involved in discussions and meet with government officials from a range of departments.

JFCCT AEC POLICY

The JFCCT supports the aims of the **ASEAN Economic Community (AEC)** to create a common economic community in Southeast Asia. This will provide a range of improvements for ASEAN citizens and businesses. The key areas of the AEC agreements are free flow of Goods, Services, Investments, Capital and Labour.

The JFCCT is made up of many member chambers, some of these represent the business interests of other ASEAN member countries, some ASEAN+ countries and some members from countries which are not ASEAN 10 nations. The impact on the economies of various nations reflected in the JFCCT membership thus varies. The common ground for the JFCCT member companies is that they operate businesses within Thailand and therefore are interested mainly in the opportunities (and threats) to the Thai economy and for Thai companies doing business within ASEAN, including Thailand.

Thai companies (firms incorporated in Thailand) will have increased market opportunities within the ASEAN region, as well as possible cost reductions. Threats will include increased competition from other ASEAN economies, and, absent a neutral choice, possible skilled labour problems as labour will possibly move to other locations with improved opportunities and quality of life

The JFCCT membership therefore takes the following broad positions:

- Liberal open markets improve competitiveness, whereas protected closed markets can encourage complacency and corruption
- Competition improves efficiency in terms of use of resources, capital and labour
- Improved efficiency of resource usage within an economy leads to an increased standard of living and longer term sustainability

Within this context, the JFCCT would encourage the Thai government to fast track implementation of the agreed AEC policies and ensure the various ministries and departments work towards developing efficient and transparent regulations and procedures for business operators. Particularly in the services sector where there is competition for skills and capital, Thailand is encouraged to take the lead on implementation rather than relying on an item-by-item trade off, to ensure that all Thai businesses are prepared to compete well before the scheduled committed dates. Only in this way will Thai companies be well placed to take advantage of the opportunities as well as address the threats appropriately.

The JFCCT take the view that for all AEC purposes, any company incorporated in Thailand and doing business in Thailand, regardless of its shareholding, should have equal treatment to any other Thai company in line with general free trade principles.

Specifically the JFCCT sees an urgent need for the Thai government to:

- Identify the limited number of sub sectors where there is a demonstrable case for lack of readiness to compete; identify and address areas of divergence/areas of concern,
- expedite the ratification of all AEC agreements/protocols with (where relevant) reasonable specific commitments,
- Clarify and agree via dialogue and engagement with the foreign business community, the status of companies doing business in Thailand, for all AEC purposes
- prioritize the initiatives or actions required to implement the provisions of each AEC agreement and protocol,

- identify the inconsistencies between national legislation and implementation of regional commitments in order to address the delay in ratification and compliance with ASEAN agreements, and
- enhance outreach and advocacy activities.

The JFCCT has taken pro-active steps to be ready to support a wide range of businesses in Thailand with information, access to tools to understand and use what AEC has to offer and to promote the use of the AEC environment for the benefit of these businesses and the Thai economy.