

# ASEAN ECONOMIC COMMUNITY: ECONOMIC WELLBEING AND ENVIRONMENTAL SUSTAINABILITY?

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# Impacts of AEC

The TDRI Year-End conferences summarised the impact of AEC by showing the myths of AEC impacts in three areas:

- Flow of goods and services
- Labour migration
- Single currency

# Flow of goods and services?

- Most tariffs have already been reduced among the original ASEAN members, hence the impact of near-zero tariffs have already been realised by ASEAN member.
- However, *sensitive lists* containing the major types of agricultural products of various members still remain and are unlikely to diminish (interest group argument).

# Migration of workers?

- The Mutual Recognition Agreement (MRA) of AEC only applies to eight types of professions: doctors, dentists, nurses, engineer, accountants, architects, surveyors accountants and tour guides.
- In Thailand, immigrants of professional workers still need to pass the local Thai test before obtaining their licenses.

# Single currency

- Unlike EU where their economic integration went beyond free flow of goods and services but also include single currency regime and single monetary policy.
- Maintain each ASEAN member its monetary policy independence is probably wise for AEC because it will serve as an insulant against any contagious financial crisis in the region.

# A View on AEC Economic Challenges

- Maintaining differences, economically, socially and environmentally.
- Maintaining social mobility.
- Insulating each economy to ensure stability in the region.
- Maintaining transparency and free flow of information.
- Establishing environmental governance.

# Maintaining differences

- ASEAN welfare improvement is realised through differences: differences in the cost of production, cultural differences and environmental differences.
- Diverse ecosystem, biodiversity as well as carrying capacity among ASEAN members will enable the region to take benefit from cost differences e.g. lowering the total cost of carbon mitigation.

# Maintaining social mobility

- Income inequality both intra-ASEAN members and inter ASEAN members will persist.
- This income inequality can benefit both the lower income countries and the higher income countries, e.g. Myanmar workers in Thailand.
- It is however more essential to address the issue of social mobility instead of income inequality.



# Insulate the economy

- Enhance economic stability within the region through smallness and being sufficiently insulated.
- Contagious effects resulting from both economic shocks or environmental shocks can be insulated if ASEAN economies are sufficiently separated.

# Free Flow of Information

- Free flow of information provides an opportunity for welfare improvement in ASEAN.
- Not only will it enhance economic activities, free flow of information, such as, eco-labelling and carbon foot print will reward the more efficient business and penalise the less efficient ones.

# Establishing Environmental Governance:

- Differences in carrying capacities of ecosystems ought to be recognised: different emission standards and perhaps ambient standards.
- Communicating environmental information via eco labelling and free flow of environmental information will improve production efficiency.
- Facilitate exchanges in green technology and know how through both market mechanism and cooperation among the governments.

THANK YOU VERY MUCH