



Ha Noi , 24 October 2013

Subject: ASEAN-EU Response to the 3rd ASEAN-EU Business Summit (AEBS) recommendations

Dear ASEAN and EU business leaders,

We would first of all like to congratulate the Vietnam Chamber of Commerce and Industry, the European Chamber of Commerce in Vietnam and the EU-ASEAN Business Council for the excellent organisation of the third ASEAN-EU Business Summit (AEBS) held on 9 March 2013 in Hanoi. We would also like to underline that this Business Summit was for the first time fully business-driven, meaning that the event has found great support among EU and ASEAN companies, that have decided to take full ownership of the initiative.

The Business Summit demonstrated once again that it is an excellent platform for ASEAN Economic Ministers and the EU Trade Commissioner to exchange views with the business community on the way to strengthen our economic ties. The 3rd AEBS was a fruitful exercise in identifying challenges, detecting business opportunities and helping define policy priorities for both regions in the coming future.

During the AEBS, business representatives drew attention to a number of challenges that their companies face when operating in both regions, particularly in the sectors of agro-industry, automobile, financial services, information and communication technologies, infrastructure and connectivity, and pharmaceuticals. As a follow-up to the lively discussions that took place in the six sectoral working groups, we intend through this letter to give response to some of the main concerns that were raised, indicating, when appropriate, what our current line of work is on the different matters.

Companies asked for an increased effort to conclude Free Trade Agreements between both regions, worried that occasional tariff concessions can sometimes be compensated through the increase of internal taxation or new non-tariff barriers. To this respect, the EU-Singapore FTA is a good example of a comprehensive agreement that tackles both tariff and non-tariff trade barriers (NTB). Regarding the ASEAN bloc, great progress has been achieved in tariff and NTB elimination, coming closer to the objective of the ASEAN Economic Community by end 2015, and an eye is constantly kept on avoiding the adoption of NTBs and respecting the obligation (now also extended to the ASEAN Secretariat) to notify the WTO any measure that could potentially represent a barrier to trade.

The business representatives of the different sectors also expressed the need for the industry to engage with the public authorities in formulating policies for the harmonization of standards and regulatory processes. In this regard, the 2013-2014 ASEAN-EU Trade and Investment Work Programme foresees the organisation of sectoral dialogues between ASEAN and EU officials to discuss on cooperation and share best practices and experiences in areas of mutual interest, such as standards and customs. It would certainly be interesting to include a private-public sector component

in these dialogues, as a platform to channel industry views and establish deeper mechanisms for cooperation.

In line with the abovementioned, it was also underlined that the use of internationally recognized industry standards would be a simple way to minimize inefficiencies derived from conflicting technical requirements, facilitate trade, and support global value chains. The EU and ASEAN are major supporters of international standard-setting systems, both in the WTO and in their bilateral relations. In the agri-food sector, the Codex Alimentarius, the Office International des Epizooties (OIE) and the International Plant Protection Convention (IPPC) have now for many years been the three reference standard-setting organizations. In the automotive sector, the UNECE standards are the international reference and ASEAN is in the process of aligning the national standards of its Member States with the technical requirements of 19 UNECE regulations. The working group in charge of doing so has already identified the deviations of each ASEAN Member State with respect to the mentioned regulations and support from the ASEAN dialogue partners is being sought to facilitate the harmonization process.

The harmonization of rules of origin was also laid down as a priority, in particular for the automotive industry, as different definitions across countries impede ASEAN from becoming a single manufacturing hub and market. On the European side, since 2011 the EU has been applying a harmonised and modernised set of rules of origin to all the beneficiaries of the Generalised Scheme of Preferences (GSP) - including most ASEAN countries - and in its FTA negotiations the EU is proposing a further simplification of customs procedures in relation to requirements of preferential origin, for the sake of operators. In ASEAN, the ASEAN Trade in Goods Agreement (ATIGA) provides for a formula to calculate regional value content (RVC).

The working groups on financial services and information and communication technologies (ICT) underscored that the lack of uniformity in regulations distorts businesses activity across ASEAN, reducing their ability to operate in and across the region. In this regard, they encouraged progress in regulatory harmonization and market integration in these sectors as a means to attract foreign investment and enable a range of competitive and value added services. The EU experience in building solid market regulatory frameworks and trustworthy competition authorities can be very useful for ASEAN's on-going efforts to create competitive and integrated financial and telecommunication markets, as targeted by the ASEAN Framework Agreement on Services (AFAS). In the case of the ICT, exchanges on telecommunications regulation have been organised, and the independence of regulators has been flagged as an area in which the EU Member States' experience with their national regulatory authorities can be of use for the ASEAN Member States.

Businesses also referred to the availability and quality of skilled workforce, and spoke in favour of investing more in education and training in information and communication technologies (ICT), to move towards a better match between the labour force training and the industrial companies' needs. In this regard, in ASEAN, cooperation on progressive labour practices to enhance labour skills and productivity includes the regular convening of an ASEAN Human Resources Conference, which drafts recommendations on the matter for ASEAN Member States. A remarkable example in the field of training in ASEAN is the setting up of ICT training centres of excellence in Cambodia, Lao PDR, Myanmar and Viet Nam.

Improved connectivity and infrastructure were underlined by the industry as vital building blocks for economic integration and development, and the standardization of customs clearance (procedures, transit, documents, electronics, etc.) was pointed out as a key element to reduce time-to-market. The amended ASEAN Agreement on Customs already contains many provisions on trade facilitation and the simplification of Customs procedures and requirements, as well as provisions regarding *de minimis*

values to be respected by ASEAN Member States. In addition, the EU provides support to ASEAN on areas where it has strong expertise, including transport facilitation, elimination of barriers to trade, trade facilitation and custom-related issues, and on enhancing connectivity in the region. A good complement to all these initiatives is the current effort to achieve single aviation and shipping markets in ASEAN. Finally, ASEAN Member States are now at different development stages of their national Authorised Economic Operator (AEO) programmes that - once established - would allow to develop mechanisms of cooperation with a view to promoting mutual recognition of AEO status and customs controls.

The financial services working group stressed the importance of further developing and integrating ASEAN financial markets as a key contribution to the establishment of the ASEAN Economic Community by 2015. As a first step to support capital market development in the region, ASEAN is assessing key market gaps in national capital markets. In addition, a number of initiatives have been launched in recent years to favour the integration of capital market in the region, as for instance establishing a common criterion for acquiring the condition of Qualified ASEAN Bank (QAB) to be able to operate across ASEAN or the formulation of a comprehensive approach towards insurance sector integration in the region. Efforts are also being focused in developing quality asset investment opportunities, through the improvement of bond market's openness and liquidity, pertinent reforms in the derivatives markets, and the promotion of trading platforms connecting countries' stock exchanges. Finally, the establishment of common conventions and the harmonization of critical capital market standards across the region – such as corporate governance, accounting and credit ratings – are also key priorities for ASEAN today.

Financial sector representatives also raised the across-the-board issues of financial inclusion and the improvement of access to finance for small and medium-sized enterprises (SMEs). This has been a major concern for the EU during the recent crisis. Various policies have been designed to facilitate the access to capital markets and improve the flow of credit to the 23 million SMEs established in the EU, trying also to increase the visibility to investors of SME markets and reducing the regulatory and administrative burden. In ASEAN, the Forum on Financial Inclusion (AFFI) was created in 2012 with the idea of enhancing information sharing and best practices for financial inclusion initiatives, developing capacity building initiatives to bridge the existing gaps, and giving Member States' support to economic development through financial inclusion initiatives. From a joint perspective, sharing best practices and experiences in SME development and financing is an important point in the "2013-2017 Bandar Seri Begawan Plan of Action to strengthen the ASEAN-EU enhanced partnership".

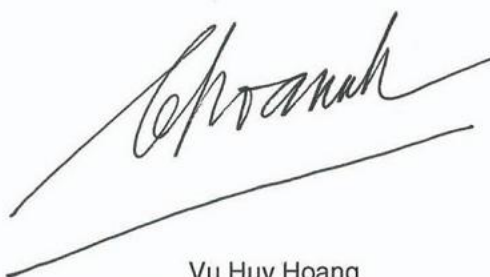
In the working group on pharmaceuticals, the sector brought up the idea of creating a joint working group, with trade and health officials, to leverage existing EU-ASEAN programs and collectively address trade, regulatory, and health policy issues. However, the creation of such a group might not be necessary, as existing dialogue mechanisms could be used to establish cooperation between all the parties. In addition, business representatives also stressed the necessity to raise awareness on the growing health threat of counterfeit and unsafe medicine. Cooperation between the EU and ASEAN on counterfeit and unsafe medicines could be established both as a form of regulatory cooperation or as a regular dialogue within the already existing IPR Dialogue that takes place once a year between the representatives from the relevant authorities and representatives from the industry. For the time being, discussions on counterfeit medicine are at initial stages and a wide path remains ahead.

Overall, numerous recommendations were made by the business sector on how to enhance the economic bonds between the EU and ASEAN, and particularly on how to deepen ASEAN economic

integration. The Business Summit was also very useful in detecting areas in which public-private collaboration can be improved.

We hope that the above indications have been of use. Please find additional and more detailed comments to the business recommendations in the table in annex. Do not hesitate to come back on any of these issues for further clarifications on our side. We will be looking forward to updating you in the next ASEAN-EU Business Summit on the work carried out on these matters in the coming months.

Yours sincerely,



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