

Towards AEC 2025: Facilitation and Connectivity

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AEC 2025

The AEC Blueprint 2025 aims towards achieving the vision of having an AEC by 2025 that is highly integrated and cohesive, competitive, innovative and dynamic, with enhanced connectivity and sectoral cooperation, and a more resilient, inclusive and people-oriented, people-centered community, integrated with the global economy.

Three Aspects of Connectivity

1. Institutional Connectivity
2. Physical Connectivity
3. People-to-People Connectivity

Institutional Connectivity

It addresses the behind-the-border issues, such as customs modernization, single-window initiative, and transport and logistics facilitation.

Physical Connectivity

It refers to the need for better port, airport, road, railway, and communications infrastructure that facilitate regional and global trade and travel.

People-to-People Connectivity

It contains the exchanges and networks across the globe that promote deeper integration between people, such as educational linkages, promotion of tourism, and increased mobility of professionals.

Trade Facilitation

- The simplification and rationalization of customs and other administrative procedures that hinder, delay, or increase the cost of moving goods across international borders

Barriers to Enhancing Participation in the Global Supply Chain

- Lack of infrastructure, institutions, policies, and services facilitating the free flow of goods across international borders

Supply Chain Barriers

1. Market Access
2. Border Administration
3. Telecommunications and Transport Infrastructure
4. Business Environment

Market Access Barriers

Those that hinder foreign or domestic access, such as quotas, local content requirements, and technical standards that make it difficult to import products into a country

Border Administration Barriers

They refer to three main categories: (1) efficiency of customs administration, (2) efficiency of import-export procedures, and (3) transparency of border administration.

Telecommunications and Transport Infrastructure Barriers

They include:

- availability and quality of transport infrastructure
- availability and quality of transport services
- availability and use of information and communication technologies.

Business Environment Barriers

- Those that are related to the regulatory environment and physical security

Effects of Supply Chain Barriers on Businesses

- Higher operating and capital expenses
- Longer delays
- Lower trade volume
- Increased risks

Global Production Networks

- Intal (2009) argues that a key factor behind the remarkable growth in intra-regional trade in ASEAN and East Asia has been the surge in cross-national production sharing among networks in the region that are connected to the global production networks.

The Concept of “Production Fragmentation”

- Jones and Kierzkowski (1990) explain that production fragmentation is the physical dispersion of production nodes which necessitates costly service links in terms of transportation, telecommunication, and other coordination tasks.
- Technological advancement and lower trade barriers lead to a significant decline in service link costs and allow the production process to be split across different locations to leverage on economies of scale.

Conclusions

- The level of infrastructure development in each ASEAN economy determines the pace of expanding connectivity within the region.
- Infrastructure investment creates a return of 5% to 25% globally, and physical connectivity associated with infrastructure affects 7% to 10% of an economy's overall productivity.
- Reducing supply chain barriers halfway to global best practices can increase the world's GDP by nearly 5%.

Recommendations

- Encourage regional cooperation in establishing and nurturing the policy environment for new regional infrastructure projects.
- Address the impediments related to customs issues, such as varying customs documentation standards, lack of adequate IT infrastructure and interoperable data-sharing systems, and arbitrary administrative fees.

Recommendations

- Sustain programs that support investments in trade and transport-related infrastructure.
- Maintain a single government coordinator at the central government level to advance cross-border or regional transport infrastructure development.



Thank You