The ASEAN Economic Community 2016
Challenges and Opportunities in the Region
Dej-Udom & Associates, an independent law firm in Bangkok, Thailand, provides legal services to a diverse client base that ranges from leading multinational corporations to local companies and individuals. The firm supplies partner-led service in the practice areas of Litigation, Immigration & Employment, Intellectual Property, Corporate Law and Services, Taxation, and Financial Markets and Investment to clients who value expert counsel and astute representation coupled with realistic billing policies and personal contact and attention. Founded in 1986, the firm has strong roots in Thailand’s business and legal community and regularly takes on cases and problems that demand sophisticated understanding of intricate legal issues and penetrating focus on strategy, government policies, business planning & procedures, and technology. The firm’s highly qualified lawyers and respected negotiators also successfully resolve local and international disputes through multiple alternative dispute resolution channels and offer specialized regional advice on the upcoming ASEAN Economic Community integration. As the International Lawyers Network’s member law firm in Thailand since 1990; Dej-Udom & Associates is part of a leading association of high-quality, full-service law firms represented by over 5,000 lawyers in 66 countries.

Legal & Business Intelligence: AEC Challenges & Opportunities

The ASEAN Economic Community continues to attract global attention as a popular business and investment destination. However, in today’s marketplace, it’s difficult to stay current with all the information available, and for the potential investor, the amount of relevant data is staggering. One of Dej-Udom & Associates’ strengths is its ability to serve as an international legal and business resource for investors interested in Southeast Asia. Our ongoing series of reports and articles allows the firm to pass on significant information about the region.

Disclaimer: All material provided here by Dej-Udom & Associates is for informational purposes only. It does not constitute legal advice from this law firm nor any of its attorneys. It was compiled from multiple sources, and while every effort has been made to verify the material, information can change suddenly with no notice. Before acting on any of the information contained herein, please obtain professional advice from a qualified lawyer in the respective country.
Dej-Udom Krairit
Founder and Managing Director
The founder of the firm, Dej-Udom Krairit has 48 years of experience in local and international law practice and is now serving his third three-year term as President of the Lawyers Council of Thailand. He also serves as counsel to many multinational companies and is a member of numerous international organizations. He is currently a Foreign Affairs Director and Member of Committee of the Thai Bar. Over the past 36 years, he has been a lecturer at the Thai Bar, at Thammasat and Chulalongkorn Universities, and the Lawyers Council of Thailand.

Worawut Krairit
Senior Partner & Executive Director
Mr. Worawut Krairit’s fields of specialization are Corporate Law, Customs, Taxation, Property, and Intellectual Property. In addition to his other duties, Mr. Krairit has worked closely with many major Fortune 500 companies in obtaining Board of Investment privileges. His supervision includes, but is not limited to, Corporate Law, the Board of Investment and Taxation.

Nipa Pakdeechanuan
Senior Partner
Corporate Law, Incorporation, and Business Startup
Ms. Nipa Pakdeechanuan is the firm’s senior corporate partner and has advised many foreign clients on the regulations and requirements for establishing businesses in Thailand. Her areas of expertise include undertaking legal due diligences for foreign companies entering into joint ventures with Thai companies.
The ASEAN Economic Community 2016: Challenges and Opportunities

1. Brunei
Area – 5,765 sq km
Population - 429,646 (July 2015) 47% between 25-54
GDP –$11.64 billion (2015)
GDP - per capita (PPP): $79,700 (2015), 8th in world
Exports - $7.08 billion (2015)
Imports - $4.84 billion (2015)
Net FDI - $568 million
Tourist Arrivals – 3.88 million (2014)
- Country working to diversify from oil and obtain non-oil revenue sources
- Key strategic focus on government on expanding regional and international trade
- Plans to change tariff structures, amend foreign investment rules, and enact a competition law
- Miscellaneous License Act Amendment Order 2015 came into effect on January 1, 2016. Its purpose is to speed up the business startup process and create a pro-business environment.
- Central bank issued new capital market rules and plans to launch a securities exchange as early as 2017.
- Central bank started to issue long-term Islamic bonds
- Continuing impact of implementation of Sharia penal code system

2. Cambodia
Area – 181,035 sq km
Population - 15,708,756 (July 2015) 51% between 0-24
GDP - per capita $3,500 (2015), 179th in world
Exports - $7.867 billion (2015)
Imports – $10.65 billion (2015)
Net FDI - $1.73 billion (2014)
Tourist Arrivals - 4.77 million (2015)
- Needs to improve its poor infrastructure and limited electricity supply and telecommunications - business operation costs are very high due to these.
- Has a very youthful population – 51% of population are 24 years and under.
- Has low literacy rate and needs more English language ability and needs to focus on education and developing skills of labor force in order to compete within ASEAN.
- A new online business registration portal that allows local and foreign companies to register their business in Cambodia online and a separate online system for the issuance of certificates of origin are now available.
- Many petty taxes that targeted the country’s working poor were cancelled including tariffs on motorbikes, tuk-tuks, and farm machinery.
3. Indonesia
Area – 1,904,569 sq km archipelago of 17,508 islands, 6,000 inhabited
Population - 255,993,674 (July 2015) 45% between 0-24 and 42% between 25-54
GDP – $872.6 billion (2015)
GDP - per capita (PPP) $11,300 (2015), 131st in world
Exports - $152.5 billion (2015)
Imports – $138.4 billion (2015)
Net FDI – $26.3 billion (2014)
  - Infrastructure development is a top priority and government setting high infrastructure budget
  - Poor infrastructure and limited electricity supply raises business operation costs and effects flow of goods and services
  - Needs to focus on education and developing skills of workforce
  - Manufacturing reliant on imported raw materials and semi-finished goods
  - 35 industrial sectors from the Negative Investment List (NIL) were removed to attract investment. These sectors are now open to foreign direct investment, some with up to 100% foreign ownership.
  - Abandoned strict labor rules for foreign workers that included companies having to hire 10 locals for every foreign employee
  - Launched multiple economic stimulus packages that included tax incentives, deregulation, de-bureaucratization, simplifying licensing procedures, accelerating the land acquisition process, and discretion in the settlement of disputes
  - To increase tourism, now allows visa free travel for citizens of 175 countries.

4. Laos
Area – 236,800 sq km
Population - 6,911,544 (July 2015) 55% between 0-24
GDP – $12.55 billion (2015)
GDP - per capita (PPP) $5,400 (2015), 163rd in world
Exports - $3.115 billion (2015)
Net FDI – $721 million (2014)
Tourist Arrivals – 4.15 million (2014)
  - Needs to develop infrastructure and improve transportation, services, and banking sectors
  - Faces serious competition from other ASEAN members
  - Needs to increase cooperation between state-run and private businesses, support SMEs, improve laws and regulations pertaining to business, and increase understanding of regional and global connectivity
  - The country’s abundant natural resources will help draw investment and attract tourism
  - Keeps strongly increasing its total electricity generation capacity, up 70% in 2015 from 2014, by opening multiple large-scale hydropower stations and plans to sell its surplus electricity to neighboring countries to help boost its GDP to 7.5% per annum
5. Malaysia
Area – 329,847 sq km
Population - 30,513,848 (July 2015) 45% between 0-24
GDP – $313.5 billion (2015)
GDP - per capita (PPP) $26,600 (2015), 68th in world
Exports - $203.8 billion (2015)
Imports – $174.7 billion (2015)
Net FDI – $10.6 billion (2014)
Tourist Arrivals – 27.44 (2014)
- Economic reforms focus on the generation of domestic and foreign investment
- Encourages foreign direct investment through incentives and attempting to move the economy up the value chain by promoting investment in high tech industries and back office service operations
- Challenges due to reliance on oil and gas industries and revenues
- Attractiveness for lower wage manufacturing has diminished
- Wants the country to achieve high income status by 2010 – launched the Economic Transformation Program and Government Transformation Program in 2010 to help achieve this goal
- To increase tourism, liberalized its visa application process and launched a new e-visa program. Visitors from 100 countries, including all ASEAN countries, can enter visa free for 30 days and visitors from 58 countries can enter visa free for up to 90 days.
- Climbed two places in World Economic Forum Global Competitiveness Report 2015-16 and now ranked as one of the top 20 most competitive economies in the world.

6. Myanmar
Area – 676,578 sq km
Population - 56,320,206 (July 2015) 44% between 0-24
GDP – $65.78 billion (2015)
GDP - per capita (PPP) $5,200 (2015), 165th in world
Exports - $9.752 billion (2015)
Imports – $12.64 billion (2015)
Net FDI – $1.39 billion (2014)
- Needs to improve hard infrastructure – electricity, transportation, telecommunications and property - and soft infrastructure - regulatory reforms and improving human resources and skills
- Country’s legal and regulatory framework needs to develop and strengthen
- Customs environment not mature
- Needs to focus on education, health care, and developing the skills of workforce
- Has large, youthful population
- The country’s abundant natural resources will help draw investment
- Has potential renewable energy sources especially hydropower
- To increase tourism, needs to grow number of available rooms and improve standards over entire industry
7. Philippines
Area – 300,000 sq km the Philippine archipelago is made up of 7,107 islands
Population - 100,998,376 (July 2015) 53% between 0-24
GDP – $299.3 billion (2015.)
GDP - per capita (PPP) $7,500 (2015), 152nd in world
Exports - $43.94 billion (2015)
Imports – $59.6 billion (2015)
Net FDI – $6.2 billion (2014)
Tourist Arrivals – 5.36 million (2015)
- Biggest challenges are country’s economic restrictions, poor infrastructure, bureaucracy, and corruption
- To boost investment in infrastructure and deepen financial markets, government plans to reform laws and lift restrictions.
- While the investment law has been liberalized, many competitive industries protected with only limited investment allowed
- The country continues to have robust growth and rank well in competitiveness along with credit rating upgrades.
- Two new fair trade laws were signed into law in 2015. The Competition Act seeks to promote free and fair trade by preventing companies from forming cartels and monopolies and fixing prices and other anti-competitive practices. The Foreign Ships Co-Loading Act will help reduce shipping costs, create an efficient import and export system, and lower the prices of consumer goods.
- The Central Bank of the Philippines ended its 16-year ban on granting new bank licenses. The ban was imposed to encourage financial institutions to become stronger through local mergers and acquisitions. The ban will be gradually lifted and fully removed by January 1, 2018.

8. Singapore
Area – 697 sq km
Population - 5,674,472 (July 2015) 50% between 25-54
GDP – $294 billion (2015)
GDP - per capita (PPP) $85,700 (2015), 5th in the world
Exports - $384.6 billion (2015)
Imports – $294.2 billion (2015)
Net FDI – $67.5 billion (2014)
- Biggest challenges are continued growth and how to raise productivity in an already advanced economy and its aging and declining population.
- High costs are also a drawback as is the shortage of talent due to small market
- Singapore attractive to investors due to access to funding, superior geographic location, experienced workforce, knowledge based manufacturing and services, favorable taxes, and a well-developed legal system
- Has the potential to become a regional financial center and become a conduit for foreign investment into the less developed ASEAN countries.
9. Thailand
Area – 513,120 sq km
Population - 67,976,405 (July 2015) 47% between 25-54
GDP – $373.5 billion (2015)
GDP - per capita (PPP) $16,100 (2015), 100th in world
Exports - $214.8 billion (2015)
Imports – $196.4 billion (2015)
Net FDI – $3.7 billion (2014)
• Needs to repair and upgrade existing infrastructure and complete new projects
• Economy growing slowly even with government incentives to kick start it and low export growth continues
• Country’s large number of SMEs not looking regional and need to adjust to stay competitive
• Needs to promote and increase education standards and address aging population issue
• Strategic geographical location makes it gateway into region and has an extensive existing infrastructure system
• Well-defined investment policies focus on liberalization and encourage free trade and have government support and incentives which offers investors a range of tax incentives, support services
• Has both long-established and newly emerging industries that continue to grow and diversify.

10. Vietnam
Area – 331,210 sq km 3,444 km of coastline
Population - 94,348,835 (July 2015) 41% between 0-24 and 45% between 25-54
GDP – $198.8 billion (2015)
GDP - per capita (PPP) $6,100 (2015), 159th in world
Exports - $158.7 billion (2015)
Imports – $150.4 billion (2015)
Net FDI – $9.2 billion (2014)
Tourist Arrivals – 7.94 million (2015)
• Needs to speed up the development of infrastructure in transport, power, and communications and raise labor productivity as country lags behind other ASEAN countries
• Needs to reform state owned enterprises, grow financial sector, implement social safety nets, and open up closed industries to foreign investment
• 96% of Vietnamese companies are SMEs and are considered weak in capital, technology, and skills, and not competitive within the region. Repairing business gaps is now a priority and exporters are being urged to meet international requirements for standards and quality, safety and hygiene, and source of origin.
• Strong agricultural commodity exports and has developed a large export network to US and the EU
• Growing strength in manufacturing sector, especially electronics
• Country’s business climate improving – average time on tax and social insurance matters has dropped from 900 to 400 hours a year.
Sources
The CIA – The World Factbook
U.S Department of State Investment Climate Statements
World Bank – Doing Business Reports
ASEAN Website – www.asean.org