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ASEAN Economic Community: Initiatives for Socio-Economic Development

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ASEAN Economic Community (AEC) has been considered as a tool for regional connectivity and integration through its flexible liberal policies. ASEAN countries have materialized the notion of regional alignment years ago and now intend to integrate exclusively in trade, finance, business, SMEs, transportation, Information Technology, custom and many more. Economic integration generates a competitive environment for market and businesses, leading to healthy economic growth, reduced income disparities, and socio-economic wellbeing. During the recent decades, countries have recognized regional integration as a new order of the international system. Countries in every region, started strengthening their regional arrangements because this integration will activate dynamism in their economies, creating huge prosperity. The nations of south-east Asia also tried to integrate themselves in the form of ASEAN. After the positive outcomes of the ASEAN Free Trade Area (AFTA) and the ASEAN Industrial Cooperation Scheme (AICO), ASEAN established its ASEAN Economic Community in 2015. AEC is the most well-functioned economic integration of its kind after EEC. AEC aimed to establish a single market and a production base characterized by free flow of goods, services, investment, capital, people, and skilled labor, equitable economic growth, economic competitiveness and integration into the global economy. The article covers the positive implications of four-pillar of AEC on socio-economic development. It will highlight the significance of the ASEAN economic community in the continuous regional integration process in

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south-east Asia. The article examines the four pillars of AEC, i.e., (i) single market and production base, (ii) equitable economic development, (iii) economic competitiveness and, (iv) integration into the global market. The paper also highlights that how these aspects are catalyzing the socio-economic development in the region.

AEC as a Single Market and Production Base

The single market has been signed with free mobility of goods, services, investment, capital, and skilled labor. The purpose of AEC is to form ASEAN as a single market based on the EU model of free movement of goods, services, capital, and skilled labor. This integration of the member states into a single market could boost efficiency, intra-ASEAN trade, competitiveness, and diminish internal boundaries. Practicing this also let the member countries to eliminate trade-related restriction, e.g., tariff and non-tariff barriers. ASEAN is a merging of ten different economies into one economic unit that will allow investors to enhance their market reach. Along with a single market, AEC also established a single production base that ensures businesses to enhance their networks of services and products across the ASEAN.[1] This opportunity has numerous prospects. A single market and production base is an absolute attraction for investment and FDI. The greater possibility of investment creates new jobs as investors build more companies. Thus, unemployment

[1] http://investasean.asean.org/index.php/page/view/asean-economic-community/view/670/newsid/758/single-market-and-production-base.html

rates improved. This phenomenon generates more income and increases the purchasing power of the locals. Moreover, AEC′ s cooperation in infrastructure development, e.g., ASEAN highway network, Singapore-Kunming Rail Link Project, has been materialized the single market in physical terms.

Equitable Economic Development of the Region

Equitable economic development is an expansion of economic activity and opportunities to the lower-income communities or citizens.[2] ASEAN Economic Community has identified this problem and developmental gap. This initiative of equitable economic development through differential treatments and technical cooperation and assistance could alleviate this disparity among member countries. Nevertheless, Cambodia, Laos, Myanmar, and Vietnam (CLMV) have succeeded in transforming their economies through integrating into ASEAN and other regional groupings. For instance, Vietnam is a noteworthy example in this case that has achieved strong economic growth in recent years and remained successful in achieving positive socio-economic indicators i.e., poverty has declined, inflation rate remained under control and the country′ s GDP also grew by 2.7 percent.[3] Moreover, ASEAN economic community also started different initiatives for the improvement of rural living conditions. Through such initiative, urbanization will reduce due to vigorous economic activity at the local level.

[2] https://raleigh-wake.org/business-advantages/equitable-economic-development
[3] Raza, Maryam. "Vietnam as a role model for sustainable economic development: Prospects for cooperation with Pakistan", Centre for Global and Strategic Studies, Islamabad, July 2, 2021.

Highly Competitive Economic Region

The ASEAN Economic Community aspires to make ASEAN a highly competitive economic region, benefiting not only investors and businesses but also consumers. The ASEAN leadership settles for regional agreements and programs and formulated proper national laws and policies for a competitive economy.[4] ASEAN's initiative to enforce competition laws will reduce the government regulations of the market as well. AEC desire to make southeast Asian region highly competitive has manifold prospects. The cooperation of member countries in prompting competition would foster the productivity of the markets. In a highly competitive environment, businesses and companies tend to manufacture efficient and quality products/services at competitive prices. This facet of economic integration provides everyone with the opportunity of living a better life by spending less. Competitive markets tend to be more innovative and this increases efficiency and technological advancement.

Region's Integration into the Global Market

The emergence of an efficient communication systems worldwide enables companies and countries to convened their strategies more effectively. Global integration aims for economic efficiency on a worldwide scale, empowering multi-national corporations and SMEs to benefit from diversity in countries' environment. The service link cost associated with international fragmentation of production is substantially low in Asia, particularly in Southeast Asia. This is the reason that ASEAN is more attractive to

[4] http://investASEAN.ASEAN.org/index.php/page/view/ASEAN-economic-community/view/670/newsid/759/competitive-economic-region.html

international production networks. IPNs are integrated into the global value chains, and AEC has agenda to integrate its SMEs into the global value chains. In this aspect, ASEAN has devised Strategic Action Plan for SMEs Development (2016-2025), which intends to enhance the market access through support schemes to promote SMEs integration into GVCs.[5] According to the world bank development report 2020, participation in GVCs and international fragmentations of production can lead to job creations and economic growth. Furthermore, the recent establishment of the Regional Comprehensive Economic Partnership (RCEP), the significant regional trading arrangement, has proved to be a milestone development. The partnership will ensure ASEAN' s countries, further integration into the world economy, opening up to barrier-free trade, making the economies more dynamic, strong, and competitive. Thus, making the region prosperous.

Four Pillars of AEC:

The four pillars of AEC are inter-linked, aiming towards an inclusive, systematic, and sustainable economic growth of the region. It is an undeniable fact that the region is making notable welfare gains through this initiative. The recent ASEAN socio-economic indicators also support this assessment. As per an estimation, the total FDI inflows for 2018 was 137 US$ billion, total trade in services was 703$ billion, total trade in goods accounted for 2574.8$ billion, and GDP at a current price calculated at 2.8 trillion USD[6].

[5] Lopez Gonzalez, J. "Mapping the Participation of ASEAN small-and medium-sized enterprises in global Value Chains", OECD Trade Policy Papers, June 23, 2017.
[6] ASEAN Statistical leaflet 2018.

It can be anticipated that the total trade ratio has been skyrocketing in recent years and providing huge dividends. ASEAN region is heading towards prosperity. In this aspect, the improved economic sector has also positively impacted socio-economic indicators. ASEAN's regionalism has increased the south-south cooperation, which has fairly lessened the gap. The economic influence of ASEAN has augmented, drawing attention from big global economies like China. In a nutshell, the implementation of AEC Blueprint 2015 has significantly liberalized the region's economy. Economic competitiveness and equitable economic growth are bringing the greater good for all regional countries.

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