PRESENTATION OUTLINE

1. About AEC Guidebook

2. What is AEC?

3. What does AEC mean for Cambodian businesses?

4. How enterprises views AEC?

5. How should businesses adapt?
ABOUT THE AEC GUIDE
The development of the ‘ASEAN Economic Community (AEC): Guide for Business in Cambodia’ responds to two critical circumstances:

- The formal establishment of the AEC and its growing influence on regional economic and business growth;
- Low enterprise awareness on opportunities that the AEC brings and lack of preparation among Cambodian businesses for such dynamic trend.
WHAT IS THE GUIDE FOR?

Help business owners—big and small—, business associations, human resource managers and corporate employees to:

- Understand the AEC and its implications for businesses;
- Assist them to better respond and react to the AEC;
- Assess their needs in relation to AEC.
AEC: WHAT & WHERE IS IT NOW?
To establish ASEAN as a single market and production base, transforming it into a more integrated, dynamic and competitive region for trade and commerce;

The AEC Blueprint as a comprehensive master plan to chart the region’s integration journey;

The establishment of AEC will see greater openness in five fundamental economic sectors: goods, services, investment, capital and skilled labour.
IT’S A WORKING PROGRESS

- Gradual Implementation ➔ No abrupt change
- Journey, rather than destination, toward a more open ASEAN
- The establishment of AEC 2015 is a major milestone in ASEAN integration agenda
- ASEAN leaders agreed on post-2015 measures and action plans toward AEC 2025 vision
FREE FLOW OF GOODS

➢ What is it?
  ✓ Eliminate tariff and non-tariff barriers
  ✓ Trade facilitation such as harmonisation of tariff lines, and simplifying and harmonising customs procedures

➢ What is the likely impact?
  ✓ Reduced time and cost of cross-border trade;
  ✓ Increase in intra-ASEAN trade.
FREE FLOW OF SERVICES

- **What is it?**
  - It involves the removal of restrictions on barriers to trade in services such as foreign ownership, market access, and mobility of service providers.

- **What is the likely impact?**
  - Investors can move more freely in the region to provide services
  - The provision and consumption of services across borders are also expected to increase
FREE FLOW OF SKILLED LABOUR

➢ What is it?
  ✓ Facilitate mobility of professional within ASEAN
  ✓ Covers 8 professions: engineering, nursing, architecture, surveying, medicine, dentistry, accountancy and tourism.

➢ What is likely impact?
  ✓ Mobility will increase and so will diversity among the workforce;
  ✓ High-skilled labour migration will not increase significantly in short-term but in long-term;
  ✓ Low-/medium-skilled labour migration is likely to increase significantly
FREE FLOW OF INVESTMENT

> **What is it?**
> - Provide enhanced investment protection
> - Progressive liberalisation of investment regimes

> **What is the likely impact?**
> - Investment flow from within and outside ASEAN is likely to increase
FREE FLOW OF CAPITAL

➢ What is it?

✓ Strengthens ASEAN capital market development and integration
✓ Allows greater capital mobility

➢ What is the likely impact?

✓ Companies will be able to access deeper and wider pools of liquidity for raising money.
WHAT DOES AEC MEAN FOR CAMBODIAN BUSINESSES?
THE AEC PRESENTS OPPORTUNITIES FOR PRODUCER AND CONSUMER

- With lower tariffs and easier access to regional markets, export firms expand their market share more easily;

- Producers will benefit from lower production costs due to cheaper inputs sourced from other ASEAN countries;

- Consumers will benefit from access to cheaper and a wider range of imported goods and services.
There will be newer and more business models and approaches such as joint venture arrangements, overseas distribution, and outsourcing.
MOBILITY WILL INCREASE AND SO WILL DIVERSITY AMONG THE WORKFORCE

- This will ease pressure on Cambodia’s current labour market caused by skills mismatch and skills gaps

- Firms will have easier access to a greater pool of talents and diverse levels of qualification and experience across the region.
Companies from China, United States, European Union, South Korea, Japan and Australia are looking for cost and production efficiencies;

Cambodia emerges as an attractive location.
HOW INTERNATIONAL COMPANIES VIEW AEC?
International companies’ attitude toward integration are overwhelmingly positive with regard to both their business and the regional economy.

A clear majority of companies view integration as an opportunity to growth their businesses.
The vast majority of companies reported that they are taking action to prepare their organizations for ASEAN integration. Here are some of the key actions companies are planning:

- **Increase penetration of existing ASEAN markets**: 27% strongly agree, 51% agree (78% total)
- **Expand internationally and enter more ASEAN markets**: 22% strongly agree, 50% agree (72% total)
- **Invest in better understanding of other ASEAN markets**: 16% strongly agree, 54% agree (70% total)
- **Adapt go-to-market business models**: 18% strongly agree, 48% agree (66% total)
- **Adjust product or services offerings**: 11% strongly agree, 48% agree (59% total)
- **Internationalize the organization**: 21% strongly agree, 46% agree (67% total)
- **Improve M&A and joint-venture capabilities for ASEAN**: 16% strongly agree, 48% agree (64% total)
- **Invest in international talent**: 20% strongly agree, 46% agree (66% total)
- **Improve international supply chains**: 14% strongly agree, 51% agree (65% total)
- **Increase manufacturing in ASEAN**: 10% strongly agree, 33% agree (43% total)

*Source: BCG ASEAN Economic Integration Survey, April 2014. Note: “ASEAN” refers to the ten member states of the Association of Southeast Asian Nations. *Excludes nonmanufacturing industries, such as financial services and telecommunications, media, and technology.*
VIEW OF CAMBODIAN BUSINESSES?
LOW AWARENESS LEVEL

Majority of enterprises are neither fully aware of the challenges the AEC will present nor prepared to capitalise on concomitant opportunities.

Do you understand the AEC and its implication for your business

- Yes I understand it well, 33%
- No I don't understand / not sure, 67%

Source: CAMFEBA(2016), AEC Guide for Businesses in Cambodia
Nevertheless, majority of firms believe that AEC will bring some opportunities for their companies.

How much of an opportunity do you believe the AEC poses to your company?

- Somewhat of an opportunity: 70%
- Significant opportunity: 4%
- No idea: 26%

Source: CAMFEBA(2016), AEC Guide for Businesses in Cambodia
Majority of Cambodian firms surveyed are generally not yet well prepared for the AEC.

To what extent is your enterprise making the following adjustment/preparation for AEC?

- Prepare HR plan (skill recruitment)
- Invest in innovation and technology
- Be part of regional supply chains
- Invest in international talent
- Adjust product or services offerings
- Investing in better understanding of other ASEAN markets
- Expand internationally and enter more ASEAN markets
- Increase penetration of existing Cambodia’s market
- Incorporate AEC in strategic planning

Source: CAMFEBA(2016), AEC Guide for Businesses in Cambodia
HOW SHOULD BUSINESSES ADAPT?
Business operational shift

- Formalize operation
- Improve product and service quality
- An open-minded attitude toward cooperation, collaboration and partnership

Learning and communication

Innovative and Flexible

- Invest in information and knowledge
- Ongoing learning
- Engage in AEC discussion and policy agenda
THANK YOU

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