

Cambodia Leads Doubts Over AEC

Hopes that the ASEAN Economic Community will be ready to launch on time look increasingly ambitious.

By [Luke Hunt](#)



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Image Credit: REUTERS/Ahim Rani

In a rare moment of honesty a Cambodian official has admitted his doubts about his country's ability to meet regional expectations in time for the launch of the much vaunted ASEAN Economic Community (AEC) by the end of 2015.

“If you talk about short-term: Yes, we are not ready,” Chuop Narath, deputy director of the department of employment and manpower at Cambodia's Labor Ministry, [said](#) during a recent labor rights forum.

ASEAN officials and senior ministers from each government of the 10-member trading bloc have been adamant—after several setbacks—that a single regional market would fly by the end of Myanmar's turn as chair next year.

However, doubts have persisted over their insistence, particularly in regards to poorer members like Cambodia, Laos, Vietnam and Myanmar. This is in part due to the marked cultural differences within the Association of Southeast Asian Nations (ASEAN).

Brunei stunned many in the region when it announced that it would [shortly impose](#) Sharia law. Thailand remains on the perennial brink of a [political meltdown](#) while the [ethnic and religious divides](#) in Malaysia have rarely been greater.

As great as those cultural differences is the economic gulf between rich and poor. Singapore, ASEAN's richest country, is ranked third on the World Bank's rich list in terms of GDP, Laos and Cambodia sit near the bottom at 141 and 147 respectively.

Chuop Narath said it was up to the region's leaders to decide whether a further delay of the AEC should be initiated. He also noted the most basic of issues confronting the weaker members who sit near the bottom of the global heap in social development when he said: “For the long-term, we have to learn how to compete.”

His sentiments were backed by analysts. Gavin Greenwood, a risk analyst with Hong Kong-based Allan & Associates, said when ASEAN leaders launched their outline for an AEC in 1997 the timeframe would have appeared conservative, perhaps even overly cautious given the economic transformation experienced among core members in the preceding two decades.

That core includes Singapore, Indonesia, Philippines, Thailand and Malaysia.

“With around eight months now left before key elements that comprise the AEC Blueprint are due to take effect such aspirations appear at best highly optimistic and at worst almost delusional,” Greenwood told *The Diplomat*.

The AEC has at times been compared with the European Union (EU) but the reality falls short of those expectations. There will be no single currency and the cross-border movement of labor will be highly regulated.

Nevertheless ASEAN’s goal – in its own words – is for regional economic integration, a single market and production base in a highly competitive economic region of equitable economic development fully integrated into the global economy to be achieved through the free movement of goods, services, investment, skilled labour and freer flow of capital.

The [blueprint was finalized](#) in 2007 and a commitment to launch on time was reaffirmed in February despite an internal ASEAN assessment that found implementation rates of targets needed to launch the AEC had slipped to 72 percent in December from 79 percent in mid-2013.

Greenwood also noted ASEAN’s own internal assessments had found that efforts to implement those measures, requiring a move beyond theory and into operational practice, were lagging behind the rhetoric.

“Seemingly iron cast definitions — including the Blueprint’s 2015 delivery date — are now being reassessed and nuanced, a process that can be expected to broaden and deepen as the deadline nears,” he said. “As reality draws near, so does enthusiasm for implementing what appear to be such straightforward commitments.”

Nevertheless, higher-end industries already established in core countries such as medicine, chemical, heavy industry and banking and finance are expected to thrive.

Banks [are realigning](#) ahead of the AEC while transport was also expected to do well, which is where Myanmar, Laos, Cambodia and Vietnam are crucial in terms of opening up overland routes through road and rail for regionally produced goods into India and China.

Commercial shipping was touted as another big winner, although shipping concerns in Indonesia say they [will not be](#) ready to compete within the AEC framework until the government implements transport reforms.

This includes cuts to the value added tax on loading and unloading alongside further financial incentives to promote the country's maritime industry and a removal of policies that favor state-owned port operators over the private sector.

Trade within ASEAN has risen sharply since 2010, reaching \$323 billion in 2013, fueled largely by a reduction in cross-border tariffs. The bloc's combined gross domestic product was expected to go as high as \$3.0 trillion by 2015, with a total population of more than 600 million people. That compares with \$1.8 trillion in India and \$8.3 trillion in China.

But contributions to the broader regional economy from poorer countries were expected to be restricted to the provision of cheap and menial labor for plantations, factories, farms, construction and domestic helpers which has emerged source of friction between neighbors.

Malaysia and Singapore, where domestic helpers have emerged as a status symbol for the middle classes, have faced constant criticism over the [treatment of maids](#), with employers offering poor living conditions, few if any days off and paltry wages.

This treatment has irritated governments in home countries like Indonesia, Philippines and Cambodia where some see the deployment of women as maids in foreign lands as a national embarrassment.

Dave Welsh, Cambodia program director for U.S.-based labor group the Solidarity Center, said there were expectations that the AEC would enable workers from poorer member states to be more easily placed in jobs that were traditionally held by migrant laborers.

“In other words, we should see an increase in numbers and less hassle in Cambodians assuming jobs at the lower end of the skill set, which tend to be medium to low paid jobs with little protection,” he said.

The virtue of this, Welsh said, was that shady practices in migration bordering on human trafficking could be eliminated because the middle men arranging visas and associated paperwork should become obsolete.

“The reality I suspect will be a boom in job placement agencies, which if not tightly regulated will continue with the same extortionate, at least financially extortionate, practices,” he told *The Diplomat*.

Equally, there was a promise that low-skilled workers crossing borders for employment would have the right to join unions where they exist and automatically qualify for social security in the country where the work would be conducted.

Welsh said this would work both ways.

The Cambodian garment sector generated \$5.5 billion in revenue last year from 600 factories and according to the industry can absorb a further 150,000 workers in a workforce that currently comprises 400,000 people.

“Cambodians, for a variety of reasons, aren’t filling these positions and the industry’s growth, despite current problems shows no sign of abating,” Welsh said.

“As a result, for the first time, you could see large scale migration from other parts of ASEAN of workers lured into the garment sector with unpredictable effects on wages and conditions, but very possibly negative effects on both,” he said.

Similar issues are likely to complicate business and politics in Myanmar, which is hoping to turn its moribund economy around with the opening of its garment sector. But Welsh—like Greenwood and Chuop Narath—also said it was highly unlikely the weaker members of ASEAN would be ready for the AEC launch by the end of next year anyway.

“From a political standpoint the timeline might be ambitious given the turmoil in the region,” he added.

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