INVESTMENT POLICY COOPERATION IN ASEAN LEADING UP TO ACIA

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Evolution of ASEAN’s investment agreements

1987
Agreement for the Promotion and Protection of Investments (IGA)

1998
ASEAN Investment Area Agreement (AIA)

2009
ASEAN Comprehensive Investment Agreement (ACIA)
• Region-wide investment guarantee agreement (IGA)

• Amended in 1996 to include provisions on:
  – Transparency and predictability
  – Dispute settlement procedures
  – Accession of new members
1987
Agreement for the Promotion and Protection of Investments (IGA)

1998
ASEAN Investment Area Agreement (AIA)
ASEAN Heads of Investment Agencies (AHIA)

Joint regional investment initiatives focusing on promotion, facilitation and liberalization

ASEAN Plan of Action on Cooperation and Promotion of FDI and Intra-ASEAN Investment

Between 1987 – 1998....

1996-1998 Work Programme
• Signed on 7 October 1998.

• The most significant attempt at economic cooperation in the area of FDI.

• Designed to further enhance the process of FDI policy liberalization, promotion, facilitation and harmonization that was already taking place in ASEAN.
Key features of the AIA:

- Liberalization
- Promotion
- Facilitation
- Cooperation
- High level FDI policy making body
1998
ASEAN Investment Area Agreement (AIA)

2009
ASEAN Comprehensive Investment Agreement (ACIA)
Significant events after the AIA......

Effects of the 1997 Asian Financial Crisis still widely felt

Dec 1998
Short Term Measures to Enhance Investment Climate
(6th ASEAN Summit, Ha Noi)

Sept 2001
AIA amended

Oct 2003
Bali Concord II; calling for establishment of ASEAN Community by 2020
(9th ASEAN Summit, Bali)

Jan 2007
Acceleration of ASEAN Community to 2015
(12th ASEAN Summit, Cebu)

Aug 2007
Decision to review AIA
(10th AIA Council)
Why review the AIA?

AIA is outdated!

- Inadequacy of AIA to meet AEC objectives
- Emergence of China and India
- Developments in bilateral and regional FTAs
Inadequacy of AIA to meet AEC objectives

AEC Goals
- Single market and production base

Insufficient scope
- AIA only covers market access.
- Protection of investments is under the 1987 IGA.

Geopolitical developments
- AIA was drafted before 1997 Asian Financial Crisis
- Outbreak of pandemic diseases affected investor confidence
### Developments in bilateral and regional FTAs

#### Bilateral
- By 2007, several ASEAN member countries had comprehensive FTAs with both developed and developing economies.

#### Regional
- ASEAN+1 FTAs more comprehensive than AIA.
- Australia and New Zealand, China and Korea.

#### Unilateral
- Several ASEAN member countries had undertaken liberal investment policy reforms.
Rising competition from China and India

Source: UNCTAD World Investment Report 2007; ASEAN Secretariat FDI Database 2007, BOP Basis
The 39th ASEAN Economic Ministers Meeting in 2007 agreed to review the 1998 AIA and the 1987 IGA.

Formal negotiations began in January 2008 based on agreed guiding principles.

Main objectives:
- To create a free and open investment regime to attract investments
- To achieve ASEAN economic integration (AEC)

Signing of ACIA completed by AEM on 26th February 2009.
Is ASEAN on the right track?

Since the establishment of ASEAN, economic integration has been high on the agenda.

Free flow of investments is a core element under the AEC.

Regional investment policy cooperation has been developed in a balanced manner to reflect international best practices and to address current global trends and challenges.
The road ahead......

Post 2007-crisis

- FDI inflows to ASEAN has been declining:
  - 2007: US$74.4 billion
  - 2008: US$49.5 billion
- However, growth prospects for 2010 are encouraging (ADB improved its earlier GDP 2010 forecast for ASEAN from 5.1% to 6.7%).

Is ACIA the answer?

- ACIA aims to address key challenges facing the region in terms of the need to provide:
  - more transparent, consistent, and predictable investment rules, regulations, policies and procedures; and
  - promote ASEAN as an integrated investment area and production network.
THANK YOU

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