



THE ASEAN INVESTMENT AREA

16 April 2007

ASEAN is working to progressively reduce the number of investment regulations and conditions which may impede investment flows and the operation of investment projects in the region. This move towards a more liberal and transparent investment environment among the ASEAN Member Countries is aimed at making the region more competitive in attracting direct investments from both ASEAN and non-ASEAN sources. These direct investments play an important role towards sustained economic development in ASEAN.

The *Framework Agreement on the ASEAN Investment Area*, signed in October 1998, lays out the details of establishing a competitive ASEAN Investment Area (AIA).

Towards a liberal ASEAN Investment Area

The AIA Agreement provides that each ASEAN Member Country:

- opens investments in the manufacturing, agriculture, fishery, forestry and mining and quarrying sectors, and services incidental to these five sectors, for ASEAN investors; and
- accords national treatment to ASEAN investors and their investments.

Under the AIA Agreement, an "ASEAN investor" is a national or any juridical person of an ASEAN Member Country making an investment in another Member Country, "*the effective ASEAN equity of which taken cumulatively with all other ASEAN equities fulfils at least the minimum percentage required to meet the national equity requirement and other equity requirements of domestic laws and published national policies, if any, of the host country in respect of that investment*". The equity of nationals or juridical persons of any ASEAN Member Country is deemed to be the equity of nationals or juridical persons of the host country.

Within the five identified sectors, there are currently some exceptions, namely, items included in the Temporary Exclusion List (TEL) and Sensitive List (SL) of each ASEAN Member Country. The TEL and SL are meant to accommodate the sensitive sectors of each ASEAN Member Country but the TEL will

eventually be phased-out, based on agreed timelines. The phasing out of the SL does not have a designated timeline.

The AIA Agreement does not prevent an ASEAN Member Country from unilaterally opening up sectors that are not stipulated in the Agreement, in line with the country's national development objectives.

Greater Transparency

Under the AIA Agreement, the investment promotion agency of each ASEAN Member Country has the on-going responsibility of ensuring the transparency of investment rules and regulations, as well as simplifying the application procedures.

Specifically, each ASEAN Member Country will:

- increase transparency of its investment rules, regulations and policies through the publication of such information on a regular basis; and
- simplify and expedite procedures for applications and approvals of investment projects.

In supporting these efforts, every two years, the ASEAN Secretariat publishes *A Guidebook to Doing Business in ASEAN* which summarises the investment regulations of each ASEAN Member Country. The Secretariat also publishes an annual *ASEAN Investment Report*, which is a comprehensive report of investment developments and initiatives in ASEAN. *

For more information on the ASEAN Investment Area, contact Mr. Raul L. Cordenillo (raulcordenillo@aseansec.org) of the Bureau for Economic Integration and Finance of the ASEAN Secretariat.

Please visit www.aseansec.org for the full text of the Framework Agreement on the ASEAN Investment Area and its related agreements, as well as investment publications.