

Keynote Address by
H.E. Le Luong Minh
Secretary-General of ASEAN
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Distinguished Guests,
Ladies and Gentlemen

It is indeed a privilege for me to be invited to this forum of leading international CEOs and managers.

Ever since ASEAN set the target of establishing the ASEAN Economic Community (AEC) by 2015, there has been increasing interest and enthusiasm from both regional and international business community to learn more about AEC and understand how the ASEAN's economic integration would impact on their business. With only little more than two years left before the deadline of December 2015, ASEAN is actively engaging in efforts to communicate to all interested stakeholders and partners, especially the private sector, what AEC will have to offer and what challenges will come with it. I would like to thank the Management Association of the Philippines for organizing this 11th MAP International CEO Conference 2013 and for providing a platform to have wide-ranging discussions on ASEAN's economic integration efforts. Pertinent to the purpose of this Forum, I will reflect on the regional economic outlook as a result of integration, the progress and challenges in the realization of the ASEAN Economic Community, the role of the private sector in this process and the need for businesses to prepare for the ASEAN Economic Community.

Regional Economic Outlook

With this in mind, we are pleased to note that ASEAN has been experiencing its strongest economic growth since the Asian financial crisis. For this year, ASEAN is projected to grow between 5.3 and 6.0% compared with 5.7% last year. According to the 2013 ASEAN Surveillance Report prepared by the ASEAN Integration Monitoring Office (AIMO) of the ASEAN Secretariat, strong domestic demand will continue to underpin ASEAN's economic growth this year. The growth in ASEAN-5 is expected to stay around 5.2-6.0% at the end of 2013 while Brunei Darussalam and the CLMV economies (Cambodia, Lao PDR, Myanmar and Viet Nam) are expected to grow at 5.5% at the same period. Indonesia's growth will lead the ASEAN-5 while Lao PDR's growth will present the highest growth among Brunei Darussalam and CLMV countries.

These growth figures would not have been sustainable without the successful efforts of the ASEAN Member States to avert the direct impact of the global downturn on the regional economy. Although the region's growth is well-anchored on domestic demand, exports are still an important source of growth with China, the EU and US being the key markets for ASEAN exports.

With the global trade for goods and services projected to grow by 3.6% this year, from 2.5% in 2012, ASEAN's trade is also expected to grow at a rate of 3.6%. Total intra-ASEAN trade last year remained stable at US\$ 601 billion, and accounted for the highest share in both ASEAN's total exports at 26% and total imports at 23%. The ASEAN economies have become increasingly competitive in production of final consumer goods, which will contribute to intra-regional demand.

Foreign direct investment (FDI) inflows to the region showed a remarkable increase since the outbreak of the global financial crisis in 2008, reaching a record US\$ 108.1 billion in 2011. In 2012, ASEAN was able to maintain its FDI level at US\$108.2

billion, bucking against the trend of declining global FDI inflows, particularly in developing economies. Intra-ASEAN FDI net inflows also soared significantly, reaching US\$20 billion or an 18.5% share in 2012.

Despite risks caused by global financial crisis and other challenges including weak external demand, rising food and energy prices and growing global economic imbalances, the 2013 outlook for ASEAN remains broadly positive. These positive figures show that ASEAN is becoming more integrated and remains an attractive destination for global, regional and local investments. While the current global uncertainty will cause the regional growth to be modest, economic activity in the region will remain robust.

A positive trend is also reflected in the rate of implementation of the AEC Blueprint. By the end of July 2013, around 79.7% of measures have been implemented, with significant results across the four pillars of the ASEAN Economic Community as a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy. In a recent survey, 95% of the companies consulted expressed their confidence that ASEAN would be able to achieve its vision of an economic community as a major pillar of the ASEAN Community.

However, to achieve this vision, some key challenges remain. A major challenge among them is the effective and timely implementation by Member States of regional commitments. Another is the development gaps which significantly influence the quality and pace of our economic integration initiatives. While we are implementing measures to narrow such gap and carry out cooperation programs designed to capacitate ASEAN Member States, we have been experiencing tremendous resource constraints. There has been considerable difficulty in transposing regional commitments, both intra-ASEAN and extra-ASEAN commitments, into domestic laws and regulations due to lack of capacity

and financial resources. Without full implementation of the regional commitments at the national level, regional economic integration cannot progress.

Communication of ASEAN's integration efforts also needs to be enhanced. Based on recent Surveys on ASEAN Community Building 2012, of the total respondents in the 10 ASEAN capital cities, 76% reported that they have almost no idea of what the ASEAN Community is; 55% of the business respondents indicated having a slightly better understanding and 30% showed a lack of basic understanding. While ASEAN integration is seen as having positive impact in that it will create more jobs and allow one to travel more freely within region, the business sector expressed two major concerns. One is that they may have to face greater competition. Two, they may have to deal with the impacts of increased labor migration. Due to wide development gaps and varying levels of competitiveness, there is also a perception that the Member States with more developed economies would benefit more from economic integration.

Coupled with the numerous targets, across the various sectors, the development gaps, the lack of capacities as well as lack of awareness and understanding will bound to have an impact on meeting the 2015 goals.

Thus, there is a need for more concerted actions and better coordination at the national and regional levels as well as further enhancement of the support and compliance mechanisms in ASEAN. There is also a need to intensify our communication efforts to the public and to our business community – who should be kept well-informed and consulted on AEC initiatives.

Ladies and Gentlemen,

With the broad range of targets encompassing many economic sectors, I will zero in on two key areas for the AEC, which may be of interest to the business community gathered here today. One in trade facilitation and the other is services and investments.

Free flow of goods as an integral part and key driver of the AEC

Following the realization of the ASEAN Free Trade Area or AFTA last 1 January 2010, **the ASEAN Trade in Goods Agreement (ATIGA)** entered into force on 17th of May 2010. With ATIGA serving as the legal framework for liberalising and facilitating trade in goods, ASEAN seeks to achieve the free flow of goods within the AEC by the year 2015.

Key achievements and progress with regards to trade facilitative measures that will have a significant impact on cross-border trade include:

- The average intra-ASEAN preferential tariffs have been reduced to almost zero with 0.6% remaining in ASEAN-6 countries. For CLMV countries, the share of tariff lines at 0% preferential duty has significantly increased to 67.6% in 2012, with efforts to expedite the reduction of the remaining tariffs based on the timelines agreed upon.
- A Regional Work Programme on addressing Non-Tariff Measures (NTMs) was already adopted while the Economic Ministers have also recently mandated the set up of national coordinating agencies to oversee the recording and reporting of NTMs and to serve as link to their regional commitments.

- The ASEAN Trade Repository (ATR) will also be set up to provide comprehensive trade related information of all ten Member countries. This will facilitate not only intra-ASEAN trade but would also be a key component to support global trade. The completion of this initiative will see an ATR that will be linked to all the National Trade Repositories to provide support to the private sector and ease trade transactions across the region.
- ASEAN is finalising the implementation of an ASEAN Wide Self-Certification which will allow selected registered exporters to certify export documents on their own. This will serve to support the business community to move goods across the region with ease and reduced costs.
- We have successfully completed the scaled down version of the pilot stage of the ASEAN Single Window (ASW) which seeks to provide a platform for seamless exchange of electronically transmitted trade related documents amongst Member States. To support this initiative, ASEAN is drafting a legal protocol to govern cross-border transactions for electronically exchanged documents which will provide the needed confidence for the private sector to engage in the electronic exchange of trade documents.
- Customs Integration in ASEAN is supported by the new **ASEAN Agreement on Customs** signed in 2012 which provides the necessary platform for greater customs cooperation. A pilot project to create the **ASEAN Customs Transit System (ACTS)** by 2015 is being undertaken in 3 countries, which will allow for movement of transit cargo across land borders to its final destination within ASEAN using real time electronic transmission of relevant documents.
- As an integral and mandatory requirement for making ASEAN a single production base, ASEAN is currently in the process of harmonising standards

and conformance procedures and discussing Mutual Recognition Arrangements which are specifically targeted towards the priority integration sectors.

Free flow of services and investment as an integral part and key driver of the AEC

Ladies and Gentlemen,

Toward the strategic objective of creating a single market and production base and a single investment area, ASEAN also aims to realize free flow of services and investment within the region.

Recognizing that investment is critical in the region's productive capacity, ASEAN is mounting great efforts to create the enabling environment for business and investment. We need to attract and retain investments into and within the region, particularly where competition for investments is very high, with BRICS, Latin America and Africa, and not to mention with our neighbors in Asia.

For us to be able to do this, we have to reduce and/or eliminate intra-regional barriers. Thus, similar to trade in goods, for services and investment, ASEAN is improving the environment for ASEAN investors and service suppliers alike to have greater market access and national treatment. This is being achieved through progressive or further liberalization under the **ASEAN Framework Agreement on Services (AFAS)** and the **ASEAN Comprehensive Investment Agreement (ACIA)**.

- Specifically, under ASEAN Framework Agreement on Services, to date, 8 packages of commitments have been concluded since 1997 and we are now in the process of finalizing the 9th package. Under each package, the ASEAN Member States are opening up their services sectors for other Member States.

- Mutual Recognition Arrangements (MRAs) have been concluded to facilitate recognition of professionals, including accountants, architects, surveyors, engineers, dental practitioners, medical practitioners, nurses and tourism professionals.
- Last November 2012, the **ASEAN Agreement on Movement of Natural Persons** was signed to facilitate the temporary movement of natural persons including skilled labor across the region in the areas of trade in services, trade in goods and investments.
- On investment, the ASEAN Comprehensive Investment Agreement (ACIA) seeks to improve the investment environment and make it more conducive to business. The ACIA reservation lists are expected to be reduced or shortened as more sectors are opened up for investments by 2015.

In all these measures, we endeavor to ensure transparency, stability and predictability. Information on scheduling of commitments as well as non-conforming measures under these agreements, and the relevant laws, regulations and guidelines is all publicly available. There is greater access to information now, via the ASEAN website and our newly-created InvestASEAN website, which is specifically created for the business community.

For business and investments, protection is very important. Hence, one of the major pillars of the ACIA is investment protection. This is to ensure that investors and their investments not only enjoy the benefits of non-discriminatory treatment but also of investment protection relating to treatment, compensation against strife, transfers of funds, unlawful expropriation, and investor-state dispute, among others.

Under the ACIA, ASEAN is also enhancing investment facilitation and promotion. Initiatives are being undertaken through regional projects that will help Member States address bottlenecks and red tape to investing in the region, thereby reducing the cost of doing business.

Role of the Private Sector in ASEAN Economic Community

Ladies and Gentlemen,

The private sector plays a very important role in achieving the ASEAN Economic Community by 2015. Recognising this, the AEC Council has called for all AEC sectoral bodies to engage the private sector in economic integration. The ASEAN Economic Ministers have done it through "leadership by example" in engaging the private sector at both sectoral and private sector association levels. They have dialogue sessions with ASEAN-wide sectoral associations such as in textiles & clothing, automotive and logistic services as well as with business councils such as the ASEAN Business Advisory Council and other business councils in ASEAN. ASEAN will also continue to do its outreach to the private sector, both with multinational companies (MNCs) and small and medium enterprises (SMEs) to enhance cooperation with our business community.

In this respect, I would like to urge the participants of this Conference to seek possible avenues of cooperation with the relevant ASEAN bodies at the national level and regional levels. Sharing the private sector's valuable experience and insights from the ground will contribute to the on-going discussions on policy and programmes being undertaken by ASEAN.

In the process, being interested, keeping track and engaging with ASEAN from hereon will be one of the best investments that any business would make. Preparation, prudence and foresight would certainly help any company's standing for AEC in 2015.

Preparing for AEC 2015

With increasing interest in ASEAN, we have seen efforts by companies in setting up their own ASEAN affairs units or having ASEAN officers that keep abreast with ASEAN activities. We have seen a growing number of business associations seeking to engage with the ASEAN Sectoral-Ministerial Bodies and working groups.

Broadly, a company should seek to understand the workings of ASEAN, particularly its various economic instruments. The regional legal frameworks set the scope and terms by which ASEAN Member States are cooperating and working with each other. They also will serve as a guide to the regulatory reforms that will be undertaken at the national level, which in turn, will impact on a company's way of doing business. Studying the ASEAN economic agreements and programmes will allow one to see the opportunities offered by economic integration – from trade facilitation, labor mobility, to infrastructure connectivity, among many others. It will also allow one to understand the changes brought about by AEC and their accompanying impacts. In turn, this will enable companies to formulate strategies and prepare for 2015.

At this juncture, ASEAN companies should start strategizing on how they can capitalize on the single market and production base which will be created by 2015. They should also capitalize on the market access provided through the various existing bilateral Free Trade Agreements (FTAs). Presently, ASEAN has been embarking on efforts for the largest FTA we aim to create so far, which is the **Regional Comprehensive Economic Partnership (RCEP)**. It would be an opportune time for business to share challenges they faced in tapping the market access provided by ASEAN+1 FTAs. This

way, these challenges would be addressed accordingly when the ASEAN Member States negotiate RCEP with ASEAN's major trading partners.

With ASEAN's immense growth potentials, a company preparing for 2015 should consider increasing its investments. It should no longer limit its sights on the investment opportunities in its own home country but also explore the possibilities in the other Member States. The private sector should carry out in-depth market analysis of the region to identify potential markets and challenges, given the diversity in language, culture and development gaps between ASEAN Member States. Through private sector partnerships, we are seeing and are encouraged by the trend of cross-border investments in the region. ASEAN has mechanisms in place that facilitate these arrangements.

As noted before, we have the ASEAN website and the InvestASEAN website which the business community can go to learn more about ASEAN and Investing in ASEAN. Contact points have also been established to answer questions and concerns. There are also several publications which are available to the public. Recently, we released the **ASEAN Investment Report 2012** and the **ACIA Guidebook to Businesses and Investors**. These will detail the potential areas for business in the region and how companies can take advantage and avail of these opportunities.

It is important to share information and seek partnerships with both public and private sectors. Now is the time to identify potential partners in anticipation of increased economic activity by 2015. Exchanging information with similar industry players within the region will enable one to understand the challenges and changes that are taking place. This platform can also be used to provide inputs for policy development. B2B links and having the necessary synergies and complementarities, supported by a knowledge-based economy, will certainly create a community that is better prepared for AEC 2015.

Continued engagement with the regional and national mechanisms would eventually foster better understanding and dispel any misconceptions about the impacts and consequences of AEC. Eventually, it is hoped that this understanding will pave the way for greater support and confidence in ASEAN's economic integration efforts. This understanding should lead the private sector to take part and assist the ASEAN Member States in implementing their commitments by providing much needed technical assistance, capacity building programs as well as other resources.

Conclusion

With the target of achieving the ASEAN Economic Community only little more than two years away, there has been both a lot of interest generated but also tremendous pressure mounted on ASEAN to deliver on its economic integration goals. Building the ASEAN Economic Community will not be the work of Governments alone. Private sector involvement is of critical importance. However, it is imperative on the private sector to understand, to support and to be engaged meaningfully in our efforts for ASEAN economic integration. I hope the ASEAN CEOs and managers gathered here today will use this forum to have wide-ranging discussions, in order to foster greater support and understanding as well as to take an active part in the process of building the ASEAN Economic Community within the ASEAN Community by 2015 which will benefit us all-the peoples of ASEAN, their businesses and all other partners and stakeholders.

I wish success to the Conference!