

**Remarks
by
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at
2nd BIMP-EAGA and IMT-GT Business Leaders' Conference
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Excellencies

Mr. Fidel V. Ramos, Former President of the Republic of the Philippines

Ms. Luwalhati R. Antonino, Chairperson, Mindanao Development Authority
and Philippine Signing Minister for BIMP-EAGA

Mr. Rodrigo Duterte, Mayor of Davao City

Distinguished Guests

Ladies and Gentlemen

Maayong buntag !

It is an honour to be among over 700 participants from national and local government agencies, senior business executives, and representatives of international development organizations at today's 2nd BIMP-EAGA and IMT-GT Business' Leaders' Conference.

Events such as this creates a good venue for both the public and private sectors to engage each other in a comprehensive, meaningful, and candid dialogue on why regional integration matters and how integration translates into tangible benefits at the regional-, subregional-, country-, local-, firm-, and individual-levels.

As we all know ASEAN is now in the process of building an ASEAN Economic Community (AEC), which would be an integrated market and production base that is highly competitive, equitable, and fully integrated into the global economy.

While ASEAN's ten member states are close in terms of geographic proximity, the characteristics and levels of development of each ASEAN Member State are varied. Furthermore, within each ASEAN Member State – including newly industrialised and middle-income countries such as Indonesia, Malaysia, Thailand and the Philippines – some pockets of underdevelopment still exist in areas such as those that are more difficult to access by existing modes of transportation, and areas where resources and opportunities are yet to be fully tapped.

However, in the midst of such diversity, there exist strong economic complementarities within sub-regions through their shared resources and geographical accessibility, which is enhanced by their close historical and cultural ties.

In the same vein, economic complementarities also exist between these sub-regions and the rest of ASEAN.

Today, with a combined population of about 148 million, the BIMP-EAGA and IMT-GT sub-regions comprise about a quarter of the total population of Southeast Asia.

In 2012, the IMT-GT contributed as much as 15% to the over-all GDP of ASEAN economies as well as 19.8% of total ASEAN trade, with 20% of IMT-GT exports going to ASEAN countries, and 18.6% of IMT-GT imports originating from ASEAN – making ASEAN the top exporting and importing partner of IMT-GT.

In the past two decades, ASEAN and subregional groupings such as the IMT-GT and the BIMP-EAGA have worked to complement and supplement each other. Whereas, ASEAN provides the regional context, goals, frameworks (e.g. agreements, roadmaps) that serve as a guide for sub-regional initiatives; while sub-regional initiatives, on the other hand, pursue activities that help implement ASEAN's goals.

It is in this context that sub-regional initiatives have been referred to as the building blocks to the greater regional integration process.

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Allow me to describe how subregional cooperation complements regional integration and economic development, and to offer some suggestions on how this can be further pursued.

Economic corridor development helps link economic activities of other growth areas within ASEAN Member States (e.g., Sumatra, Peninsular Malaysia and Southern Thailand in IMT-GT and Kalimantan, Sulawesi, Maluku, Papua, Sabah, Sarawak, Labuan, Mindanao, and Palawan in BIMP-EAGA) with the production

networks of ASEAN capitals, other countries in the region, and the rest of the world.

One of the major focuses in developing sub-regional economic corridors is the improvement of physical infrastructure that facilitates movement of goods and people.

Economic corridors are aimed to attract investments that spur the creation and development of supporting industries, which usually comprise local micro, SMEs.

As virtually all of the supporting industries are SMEs, the benefits of increased trade and investment through economic corridor development will redound to SME development.

Improvements in physical connectivity as well as transport and trade facilitation between sub-regions and the rest of ASEAN could also help SMEs link with more industrial areas and capitals. This allows them to participate in the different states and phases of regional value chains as supporting industries, for instance: (a) in backward linkages, they could act as suppliers of raw materials or machines; (b) in the production system itself, they act as service providers, sub-contractors of larger firms; and (c) in forward linkages, they could take on the role of retail sellers/agents and exporters.

In other words, the work of “transforming ASEAN economies” is intrinsically linked with SMEs policies. As such, more can be done in creating an environment that is conducive to SME development not only in sub-regions,

but also throughout the rest of the region such as (a) creating a supportive policy environment and framework; (b) formation of industrial clusters that will support regional and global supply chain integration (e.g. through membership in industry associations or export groups); and (c) incorporating inclusive and equitable development opportunities to benefit the poor, women, youth, and persons with disabilities.

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In transport and energy infrastructure development, subregional projects supports the actual completion of strategic region-wide connectivity initiatives in the ASEAN Strategic Transport Plan, Master Plan of ASEAN Connectivity, and the ASEAN Plan of Action for Energy Cooperation, such as the ASEAN Highway Network, the Trans-ASEAN Gas Pipeline and the ASEAN Power Grid.

Sub-regional efforts to fund, seek support, and implement specific segments of region-wide connectivity initiatives have helped augment ASEAN Members States' and ASEAN Secretariat's resources and capacity to facilitate the implementation of regional plans and agreements.

Examples of such subregional projects include the Sumatra Ports Development Project, Sumatra Toll Roads Project, Melaka-Pekanbaru Power Interconnection, West Kalimantan-Sarawak Power Interconnection, all of which support region-wide infrastructure plans.

Regional Transport Facilitation efforts can also be enhanced and consolidated by linking with on-going sub-regional efforts, and encouraging partnerships with regional development institutions such as the ADB.

The implementation of the Sub-Regional, Trilateral & Bilateral Cross-Border Arrangements in the GMS, BIMP-EAGA and IMT-GT sub-regions is actually helping the operationalisation of the ASEAN-wide transport facilitation initiatives, amongst others, include the ASEAN Framework Agreement on Facilitation of Goods in Transit, the ASEAN Framework Agreement on Facilitation of Inter-State Transport and, the ASEAN Framework Agreement on Multimodal Transport.

Currently, ASEAN is working on the development of an ASEAN Agreement on Facilitation of Cross-Border Transportation of Passengers, which is very much drawn up from the experience of implementing the GMS and BIMP-EAGA Cross-Border Transport Arrangements.

Sub-regional efforts in clustering and branding have contributed to collaborative tourism promotion, developing tailor-fitted agro-based industry strategies, and addressing specific environmental issues – that are not tackled as comprehensively at the regional level.

For examples, in the areas of tourism, the tagline of BIMP-EAGA as “Equator Asia: The Heart of Biodiversity” has encouraged tourist arrivals and air transport linkages in the region.

For the food sector, BIMP-EAGA could be promoted as a Food Basket for ASEAN and the Rest of Asia to supports overall ASEAN Integrated Food Security Framework. In IMT-GT, there are specialization in halal food and product certification where halal analysis training programme are conducted for SMEs and trade fairs are being held for Halal products.

In the environment sector, we have the IMT-GT's Green Cities Initiative covering Melaka, Medan and Songkhla. Their activities include Green Cities Action Plan for Energy Efficient State Owned Government Buildings, Electric Management Unit System, and Green City Benchmarking and Baseline Indexing which are supported by ADB

The sub-regional groupings which comprised mainly of provinces and states that are far from capitals and major cities, and are predominantly agricultural areas. Economic development in these areas has also helps increase the people's income, socio-economic level and reduce poverty.

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Though it has been said a number of times in the past two decades, it is indeed worth emphasizing that sub-regional cooperation programmes could serve as test-beds for implementing ASEAN frameworks and policies. It is in this context that subregional cooperation is seen as an essential mechanism and forum for building cooperation and capacity to narrow the development gap among member states in ASEAN.

ASEAN Leaders have already agreed to develop ASEAN Community's post-2015 vision with emphasis on politically cohesive, economically integrated, socially responsible, and a truly people-oriented, people-centered and rules-based ASEAN as its central element. This presents a good opportunity for the subregional cooperation agenda and their work plans to provide much needed inputs to the development of post-2015 vision for ASEAN to align its sub-regional activities with regional initiatives and enable both to capitalize on each other's strengths, resources and opportunities to realize shared goals.

At the end of the day, the most important element of implementing the AEC Blueprint and the respective blueprints of the sub-regions is ensuring that benefits will trickle down to firms and individuals, and this can best be done through more frequent and strategic interactions and concerted efforts.

First, there is a need for greater coordination within member countries, between sectoral bodies at sub-regional and regional levels, including the Secretariats.

Second and equally important is coordination with external development partners to maximize synergies, where possible, given the resource constraints.

Third, feedback from Joint Business Councils and individual businesses from subregional initiatives can serve as valuable inputs to the design and implementation of activities.

As such, conferences such as this are welcome additions to the policy space and conversations on ASEAN, providing useful and realistic inputs to policy-makers and implementers.

And on that note, I wish the Conference great success and look forward to hearing the views of my fellow panelists.

Maraming Salamat Po!