

**Keynote Speech by
H.E. Le Luong Minh
Secretary-General of ASEAN
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*Mr Michael Lawrence, Chief Executive, Asia House
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First of all, let me thank Asia House for hosting this Conference on ASEAN Developments and thank you all for your participation. Born 47 years ago as a loose grouping of five countries in Southeast Asia, ASEAN has grown into an enduring rule-based organization comprising of ten sovereign Member States. A little more than a year from now, by the end of 2015, we will see the fruition of our efforts to build a three-pillared ASEAN Community of political cohesion, economic integration and social responsibility.

ASEAN's efforts to build such a truly ASEAN Community have underpinned the peace and stability of the region, allowing our regional and national economies to flourish and remain resilient. All these have not only benefited the ASEAN region as a whole but also presented significant contributions to the Asia Pacific region and the international community at large.

Having a central role in the regional architecture, ASEAN is parlaying this position and influence by providing a trusted and stable platform and bringing both big and small countries to discuss their multi-faceted interests and cooperate on wide-ranging security and economic issues. Under the ambit of ASEAN mechanisms and governed by various plans of action, differences are discussed and relations are strengthened through regular consultations and concrete cooperation activities. As such, in the context of seemingly intractable tensions, complexities and strife elsewhere in the world, the ASEAN region remains relatively peaceful and stable.

While its most recognisable achievement so far has been the maintenance of peace and stability in the region and the demonstration of its unity despite great diversities in politics, cultures, religions and levels of development, ASEAN's ultimate success as a regional organisation will be seen in how it has contributed to the improvement and betterment of the living conditions of nearly 620 million ASEAN citizens. For this, ASEAN has used its central and pivotal role to drive the deepening of economic integration within the region and into the global economy. ASEAN's goal for integration seeks to have a competitive regional economy that fosters equitable development to reduce poverty and socio-economic disparities among its Member States and peoples. By bringing the economies of the ten

ASEAN Member States together, ASEAN today represents a major economic bloc with a gross domestic product (GDP) of nearly 3 trillion US dollars—approximately 3% of the world's total.

Although the building of the ASEAN Economic Community is still and will remain very much a work in progress, there has been substantial advancement in the run up to 2015. ASEAN is moving towards the creation of a tariff-free zone for ASEAN products, with close to 90% of products subject to zero duties, a self-certification scheme to encourage more ASEAN-based companies to benefit from ASEAN integration efforts. ASEAN is putting trade facilitation issues at the forefront of its economic agenda. ASEAN is spending a great deal of resources to set up a single window for customs clearance, an ASEAN trade repository of laws and regulations, and harmonise standards and conformance.

Greater efforts are also being made to make the region competitive and provide a level playing field for businesses. The establishment of competition laws in all ASEAN Member States is part of the AEC Blueprint. Already five Member States have competition laws in place. Ten years ago, this was not even well-received. Similarly in the area of intellectual property protection, 9 Member States have IP laws being enforced and the remaining one will pass its IP legislation soon.

ASEAN is also working on the registration, protection, and enforcement of IPRs and programmes that will enable the region to provide simple and user-friendly protection frameworks, and improve the quality and accessibility of IP services.

ASEAN Connectivity is another important plank in ASEAN's strategy to enhance ASEAN competitiveness. Physical connectivity is focused on the components of air, road, rail and maritime.

The aviation industry in ASEAN witnessed a remarkable development over the past decade with international arrivals in ASEAN increasing three-fold between 2003 and 2013, from 33 million to 99 million. The capacity of ASEAN airlines almost tripled over the past decade. The overall capacity increased from 94 million seats in 2003, to 268 million seats in 2013. This was mainly attributed to the boom in Low-Cost Carriers (LCC). In 2003, the share of LCC was only 4.2% with 4 million seats, while in 2013 the LCC within the region have become major players with 57% share or 155 million seats. Anticipated increase in tourism – will correspondingly increase demand for air travel, the purchase of more aircraft and associated investment in airports and air travel services.

Significant progress has been made in transport services liberalisation through

the implementation of the ASEAN Open Skies Policy. Liberalisation of air services up to the 5th freedom traffic rights for both passenger and cargo transport was concluded in 2010. Under these Agreements, any designated airline of an ASEAN Member State is able to exercise unlimited services of transporting passengers and cargo, to and from any cities with international airports, in other Member States. Once the remaining Member States complete their ratification process, we would see a greater boom in the aviation industry. These developments provide a sound platform for ASEAN to begin engaging our Dialogue Partners in further liberalising market access for air services into the major markets such as China, EU, India, Japan and the Republic of Korea.

In terms of land transport connectivity, the priorities are given to the completion of ASEAN Highway Network (AHN) and the Singapore-Kunming Rail Link. Maritime connectivity is also at the forefront. The Master Plan and Feasibility Study on the Establishment of an ASEAN Roll-on/Roll-off (RoRo) Shipping Network and Short-sea Shipping in March 2013 has been completed. Preparations by the private sector are on-going to look into the launch of the RoRo services in different parts of the Philippines and Indonesia – and these have potential to attract more private investment. ASEAN is working towards the

establishment of an ASEAN Single Shipping Market (ASSM). The Implementation Framework of the ASSM is being finalised.

ASEAN has concluded five FTAs with China, Japan, Korea, Australia and New Zealand. The areas covered are broad – goods, services and investment and cooperation in areas like competition policy and intellectual property are also included. ASEAN has embarked on the process of upgrading some of these FTAs and has taken the lead to launch the Regional Comprehensive Economic Partnership negotiations with these FTA partners. ASEAN has also begun negotiations for an ASEAN-Hong Kong FTA.

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ASEAN is now almost into the last lap of the implementation of the AEC Blueprint. 82.1% of the 229 prioritised key deliverables identified for 2013 have been implemented. We admit there is still much to be done to fast-track the implementation of these AEC deliverables. ASEAN is focusing on the high-impact priority areas and measures for establishing a single market and production base, like the customs single window, services and investment liberalisation.

Economic integration and greater connectivity have brought dynamism and synergies that allowed ASEAN Member States to grow rapidly over the past three decades, remarkably at twice the rate of the world economic growth. Poverty reduction is also significant across all Member States, declining nearly by half in some countries.

Thanks to ASEAN's economic integration efforts, important gains can already be felt by the Member States. Real GDP growth is holding well within a range of 5-6% in the last few years. Total ASEAN trade in 2013 was US\$2.5 trillion with top trading partners being China (12%), EU (9.8%) and Japan (9.7%). FDI inflows increased to US\$122.4 billion in 2013 from US\$114.3 billion in 2012. Top investors are the EU (22%), Japan (18.7%), intra-ASEAN (17.4%) and China (7%). Increase in per capita incomes has been substantial. Consumer markets are more competitive leading to cheaper and a wider range of goods and services. Development gaps are narrowing with the total combined GDP of the CLMV having increased from merely 6% of that of ASEAN as a whole in 2009 to approximately 12% in 2013. In fact the less developed CLMV are gaining the most in productivity from regional integration.

With ASEAN economic integration being “trade-creating”, ASEAN’s integration efforts have been a “building block” and not a “stumbling block” for world trade. As reflected above, trade within ASEAN expanded; trade with the rest of the world has also increased proportionally. In fact, the European Union is ASEAN’s third largest trading partner in 2013 with total two-way trade volume estimated at US\$ 246.2 billion.

Significantly, regional integration has also made ASEAN more attractive to foreign direct investments, both from outside and particularly from inside the region, with several ASEAN countries among the world’s top investment destinations. Greater investments can be seen as a consequence of rising confidence in future opportunities in the region and the relative stability it offers compared to the rest of the world.

The region’s success as a manufacturing hub demonstrated that ASEAN is able to host world-competitive intermediate manufacturing facilities. Major global European companies in various industries have established their presence in ASEAN and many of them are expanding in the region. Current figures show that foreign direct investments from the European Union to ASEAN rose from US\$18.1 billion in 2012 to US\$27 billion in 2013, comprising 22% of total FDI

flows in ASEAN, making it the largest source of foreign investment in the region and second to the investment from ASEAN itself. With investment being an important component of ASEAN's success, we hope to continue to further liberalize our investment policies and encourage more European companies to invest in Southeast Asia.

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Many of these ASEAN's initiatives and the progress ASEAN has made in their implementation would not have been possible without the help of our Dialogue Partners, especially the European Union. Under the ASEAN-EU Plan of Action, cooperative activities are being carried out in combating transnational crime, food security, SME development, climate change, disaster management, connectivity, human resource development and in the implementation of the Initiative for ASEAN Integration (IAI) and the promotion of youth and cultural exchanges.

Going further, we note the on-going interest to resume the negotiations on ASEAN – EU Free Trade Agreement (FTA) in a near future which will further expand economic ties and contribute to the economic growth of the two regions.

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While other regional groupings like the European Union continue to serve as an inspiration, recognising the great diversities among its Member States, ASEAN has over the years developed its own distinctive way of regionalism. Since ASEAN progressed at a pace that is comfortable to all while solidifying its regional cooperation and consultation mechanisms at the same time, ASEAN has had extensive experience to share and has found itself a unique and successful formula that, we hope, can also serve as an example to other regional and multilateral organizations.

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With progress having been achieved in many fronts, the process of ASEAN Community building has been inspiring and gratifying. However, there remain many challenges in the horizon. ASEAN will have to consolidate the gains thus far and complete the remaining deliverables of all three Community pillars by the end of 2015. We need to sustain our efforts to promote peace and reconciliation in the region; to address common security issues, including combating transnational crimes, coordinating our response to disasters and pandemics as well as mitigating and adapting to the impacts of climate change. Further liberalising our economies,

exploring new avenues for economic growth and expanding our economic engagement with other regions of the world remain key imperatives. Greater convergence of our economic and development agendas is vital. While poverty has been reduced, coupled with significant investments in education, technology, health as well as labor and social protection measures, there remains more to be done to keep poverty reduction in pace with sustainable economic growth and, ultimately, improve the lives and ensure the bright future of our citizens.

ASEAN altogether is now facing a changing and shifting geo-political and geo-economic landscape that is impacting the peace, security and stability of the region. More than ever, we need to strengthen our efforts in ensuring a united and collective strategic response to these contemporary and emerging challenges.

Having ASEAN centrality, credibility and continuing relevance in mind, this year we have embarked on two ASEAN-wide processes to look into the strengthening of ASEAN's institutions and to ensure ASEAN's vision and perpetuity beyond 2015. All these are pursued to ensure that the region will continue to live with peace and stability, enjoying the fruits of integrating our economies, and more importantly, sharing all these with all ASEAN peoples.

In recognition of ASEAN's dynamism, strategic importance and contribution to the region and wider Asia Pacific region, we are now seeing sustained interest, a renewed focus, and greater engagement from other countries and regional groupings. Actively promoting our collective interests and increasingly speaking with one voice, ASEAN is ready and well-positioned for the future as a more integrated and seamless ASEAN, a significant contributor and player in the world stage, and one that is firmly embedded in the global community of nations. Working towards these goals, we thank and look forward to enjoying further support and cooperation of you all.

Thank you!