

KEYNOTE ADDRESS BY SINGAPORE PRIME MINISTER GOH CHOK TONG AT THE APEC CEO SUMMIT ON 19 OCTOBER 2003, SUNDAY, IN BANGKOK, THAILAND

ASEAN ECONOMIC COMMUNITY

1. Thank you for inviting me to address the APEC CEO Summit.
2. My topic is the ASEAN Economic Community. I will keep my speech short, so that we have more time for Q&A.

ASEAN Summit in Bali

3. Two weeks ago, at the ASEAN Summit in Bali, ASEAN Leaders adopted a framework to achieve an ASEAN Economic Community, or AEC, by 2020.
4. The AEC aims to create a single market and production space, where there is free flow of goods, services, investment, capital and skilled labour. This will make for a more competitive ASEAN economic region.
5. The AEC plan of action encompasses four bold steps.
6. First, to build on current economic cooperation.
7. For example, ASEAN has been working on non-tariff barriers to trade. We will put in place, by 2005, a definitive work programme with clear timelines to remove all such barriers.
8. We also intend to harmonise our product standards and technical regulations. In particular, we are bringing forward to 2004/2005, the completion of mutual recognition arrangements for five priority sectors: electrical and electronic equipment, pharmaceuticals, cosmetics, telecommunications equipment and prepared foodstuff.

9. To give momentum to the process of economic integration, ASEAN Leaders agreed that those ASEAN countries which are ready to liberalise certain sectors bilaterally, can do so. They do not have to wait for the others, who can join in later. This is a 2+X approach.

10. In this context, Thailand and Singapore will tango first in several areas. Other ASEAN countries can join us on the dance floor anytime they are ready, so long as they do the same dance.

11. For instance, our two countries had earlier planned to fully liberalise our air cargo services sector. In Bali, Brunei, Cambodia and the Philippines came on board. Later, India, a Summit Partner of ASEAN, also decided to join the 2+X team to liberalise air cargo services.

12. Second, ASEAN Leaders have agreed to “fast track” integration in priority sectors, by taking a vertical approach. We have identified 11 such sectors. These include automotive, textiles and apparels, electronics, air travel and healthcare.

13. This is an example of ASEAN's pioneering spirit. ASEAN currently takes a conventional, horizontal approach to trade and investment liberalisation. We cover all sectors. But the width of this approach comes at the expense of depth of commitment. On the other hand, the vertical approach allows us to zoom in on certain sectors, and do everything necessary to fully and effectively liberalise these sectors.

14. Third, ASEAN is strengthening its institutions, so as to streamline the decision-making process and ensure effective implementation of all ASEAN initiatives.

15. We will set up the ASEAN Consultation to Solve Trade and Investment Issues, or ACT. The ACT will help companies operating across ASEAN to cut red tape and resolve their problems within 30 days. We have also endorsed a non-politicised and legally-binding dispute settlement mechanism. This will promote greater certainty and predictability in ASEAN's business environment. They are significant steps that will lead to greater discipline in the implementation of ASEAN's commitments.

16. In Bali, ASEAN Leaders also agreed that each ASEAN country will appoint a Minister with overall responsibility for ASEAN economic integration.

17. Fourth, to strengthen ASEAN as a team, the older ASEAN members will continue to help the newer members in capacity building and narrow the developmental gap.

Significance of the AEC

18. The ASEAN Economic Community has several important objectives.

19. First, the AEC is really a vision of a prosperous and thriving ASEAN community. It is to harness the members' various resources and strengths, integrate them, and in this way, increase their competitiveness.

20. Second, the AEC will help to keep ASEAN on the radar screen of investors. ASEAN was a model for regional cooperation before the 1997 financial crisis. The crisis led some people to doubt ASEAN's future. But ASEAN's fundamentals remain strong. Moreover, many ASEAN countries have undertaken reforms and are now in better shape than before. ASEAN can continue to be a development model through the AEC.

21. Third, the AEC will ensure that ASEAN becomes a single production base that will allow manufacturing operations to be linked seamlessly throughout the region.

22. A McKinsey study estimated that an integrated ASEAN could increase the region's GDP by at least 10%, and reduce operational costs by up to 20%. This amounts to an additional GDP of US\$50 billion for the whole of ASEAN.

23. Fourth, the AEC signals Southeast Asia's commitment to remain open and outward looking. This is critical in the wake of the collapse of the WTO talks in Cancun.

An open, outward-oriented ASEAN

24. The AEC will help ASEAN develop synergies, but an integrated ASEAN will still not be the equal of giants like the US, China or Japan. No matter how good or how hard we tango, ASEAN will always be limited by the size of our dance floor. This is why we have, and must continue to forge links with other regional economies.

25. ASEAN is currently negotiating FTAs with China and Japan. For ASEAN-6 comprising the older members of Brunei, Indonesia, Malaysia, the Philippines, Thailand and Singapore, the ASEAN-China FTA will be in force by 2010 and the ASEAN-Japan Comprehensive Economic Partnership by 2012. In Bali, Korea too, proposed the development of an ASEAN-Korea FTA.

26. These FTA initiatives are strategically important. They help to bring the northern and southern halves of East Asia together. They are concrete steps towards the eventual realisation of an East Asian Community.

27. India wants to be part of this community. In this regard, Prime Minister Vajpayee has proposed a broader Asian Economic Community, comprising the 10 ASEAN countries, our 3 Northeast Asian Summit Partners, and India. As a first step, India has initiated FTA talks with ASEAN. It is aiming to establish tariff-free trade with a core group of ASEAN members by 2011. India, in fact, will be signing a FTA with Singapore early next year. ASEAN's annual summits with India will also bind South Asia closer to East Asia.

Conclusion

28. The ASEAN Economic Community, and the wider moves towards an East Asian Community, and later an Asian Economic Community, are big and bold steps by ASEAN and its Summit Partners. They will also have a positive influence on the APEC process. They will contribute towards the realisation of the APEC Bogor Goals, as seven members of the ASEAN Economic Community are also members of APEC. The three Northeast Asian Summit Partners of ASEAN too, are members of APEC. Together, these ten East Asian countries account for half the membership of APEC, and three-quarters of its population.

29. Last week, at the World Economic Forum East Asia Economic Summit in Singapore, I described this process as spinning a benign web of closely connected economies. I believe that this web has the potential to be expanded to incorporate the developments in APEC, and bring about a more prosperous Asia Pacific region.

Thank you.
