

# Singapore Government **MEDIA RELEASE**

## **SPEECH BY MR LEE HSIEN LOONG, PRIME MINISTER, AT THE OPENING CEREMONY OF THE 40TH ASEAN ECONOMIC MINISTERS AND RELATED MEETINGS, 26 AUGUST 2008, 9.15 AM AT SHANGRI-LA HOTEL**

Minister Lim Hng Kiang,  
Trade Ministers and Officials,  
Distinguished Guests,  
Ladies and Gentlemen,

1. A very warm welcome to Singapore. I am pleased to join you here this morning for the 40<sup>th</sup> Anniversary of the ASEAN Economic Ministers' Meeting (AEM).

### Helping the Doha Round

2. This gathering takes place during a testing period for the international trading system. Just a month ago, the Doha Round reached an impasse in Geneva. Despite seven years of hard negotiations which brought us so close to the finishing line, the Doha Round faltered at a crucial point.

3. In the aftermath, questions have been raised over the future of the multilateral trading system. Singapore believes that a strong, rules-based global trading system is still the best recipe for continued growth and prosperity for all economies, both developed and developing. Therefore, it is imperative that we see beyond the recent difficulties, and continue to push for multilateral trade liberalisation. Provided all our economies work together, there is still a good chance to lock in what we have achieved in the last seven years, and to reach new deals. We must also be watchful of any back-sliding, and resist the temptation to raise trade barriers or resort to protectionist pressures and practices for lack of an overall agreement.

### Importance of ASEAN Economic Integration

4. At the same time, ASEAN should continue to integrate and liberalise our own economies. Our purpose is not to create a trade bloc; we are committed to open regionalism and adopt an inclusive approach. But our actions would demonstrate the practical benefits of economic openness and contribute in a modest way to maintaining the global momentum for trade liberalisation.

5. Another pressing reason for ASEAN to integrate our economies is to meet the competition from

other Asian countries, particularly China and India. Foreign investments are critical to all ASEAN countries, because we rely on them to create jobs, to bring in new technology, and to open up access to markets around the world. Investors have only one concern: they want to identify the countries with the best economic, social and political environment, to give their projects the best chance to prosper, and to minimise the risk of something going wrong. As individual economies, we do not figure highly in the minds of potential investors. But collectively we represent a market of over 550 million people, a gross regional product of US\$1.1 trillion, and total trade of about US\$1.6 trillion. Together as ASEAN, we stand a better chance at attracting investments.

6. We have done reasonably well these last few years. Total Foreign Direct Investment (FDI) inflows to ASEAN have grown steadily and exceeded US\$60 billion in 2007. But other competing regions in the world are moving rapidly to transform their economies, particularly China. China attracted almost US\$83 billion of FDI last year, ahead of all developing countries and more than the whole of ASEAN. And the inflow is fast increasing: FDI into China in the first 8 months of this year increased more than 44% year-on-year.

7. We must redouble our efforts if we want to remain vibrant economies. Last year, we launched major initiatives to strengthen ourselves, most notably the signing of the ASEAN Charter and the ASEAN Economic Community (AEC) Blueprint. I am happy to note that some progress has been made since then.

#### Liberalising Trade in Goods, Services and Investments

8. In terms of trade in goods, ASEAN has come a long way. Most tariffs on goods have been reduced or eliminated, resulting in increased intra-ASEAN trade. I recall working with my fellow ASEAN Ministers, when I was then the Minister for Trade and Industry, to launch the ASEAN Common Effective Preferential Tariff (CEPT) Scheme in 1992. This CEPT was to lay the basis for the present ASEAN Free Trade Area (AFTA).

9. Today, about 85% of all products can be imported tariff-free into the original six ASEAN countries. And very low tariffs of less than 5% are applied for almost all other products. For ASEAN's four newer members, about 87% of products are taxed at 5% or less.

10. Our officials have reported substantial conclusion on a new ASEAN goods agreement, which will allow us to move beyond tariff reforms to trade facilitation measures. These include the elimination of non-tariff barriers, harmonisation and simplification of customs procedures and development of common product certification standards. They will save businesses time and money, and increase business opportunities, especially for small and medium-sized enterprises (SMEs).

11. As our economies advance, services grow in importance, and ASEAN policies have to keep up.

We agreed on an ASEAN Framework Agreement on Services (AFAS) in 1995 and last year agreed to accelerate and achieve full services liberalisation by 2015. This means liberalising ownership requirements, improving access to markets and cutting down burdensome restrictions in the service sectors. The private sector will monitor how ASEAN will comply with the timeline it has set for itself. It is important that we demonstrate to them ASEAN's commitment to improving the business environment.

12. In addition, we are developing Mutual Recognition Arrangements (MRAs) for various professional qualifications to facilitate the flow of skilled talent and professionals within the region. I am happy to note that officials have concluded their work on MRAs for accountancy services, dental practitioners, and medical practitioners and will be presenting them to the ASEAN Economic Ministers at this meeting.

13. In the area of investment facilitation, officials have also substantially completed negotiations for a new ASEAN investment agreement. This will be a comprehensive agreement, encompassing investment protection, facilitation and promotion measures. Both ASEAN and ASEAN-based investors can benefit under this agreement.

14. To help us track our progress, officials have developed an AEC Blueprint Scorecard. To be a credible organisation, we must match words with actions. The Scorecard will thus be a useful tool. It will enable us to monitor our implementation efforts, engage users through a feedback mechanism, and address issues that may cause delays. Through the Scorecard, the ASEAN Leaders will also be kept regularly apprised of progress.

15. Completing the roadmap to become an ASEAN Economic Community will require commitment and tough political decisions. Our respective governments face pressing domestic economic and political pressures from time-to-time, but we must muster the political will to implement the roadmap which we have agreed upon. We must enlist domestic support for integration measures which will yield long term benefits to individual countries as well as ASEAN as a whole.

### Reaching Out to Partners

16. We have made good progress in reaching out to our dialogue partners. ASEAN and Japan, our third largest trade partner, have signed the ASEAN-Japan Comprehensive Economic Partnership Agreement (AJCEP) in April this year. We are continuing our negotiations with other trading partners. ASEAN's Free Trade Agreements with Australia and New Zealand, China, India and Korea are at various stages of completion. We have also commenced discussions with the European Union.

17. These agreements are important. They enhance market access for our products and services. A free trade pact between ASEAN and Australia and New Zealand, for instance, would mean a market with a combined gross domestic product of US\$2.3 trillion. Such agreements also lay the foundation for

us to forge stronger links with the other Asian economies.

18. All this progress would not have been possible without the hard work of ASEAN Economic Ministers and officials. I congratulate them on their achievements and wish them success in their continued endeavours.

### Conclusion

19. Asia has good long-term economic prospects, with many growth opportunities around us. To gain our share of investments and jobs, ASEAN needs to become a well-integrated community. We have to continue strengthening our economic foundations, reducing tariff and non-tariff barriers and simplifying business regulations. Then we can continue to grow and develop, and build better lives for our peoples.

20. Ladies and gentlemen, I wish you a fruitful week of meetings.