

**SPEECH BY
YAB DATO' SERI ABDULLAH BIN HAJI AHMAD BADAWI
AT THE OPENING OF THE 38TH ASEAN ECONOMIC MINISTERS MEETING
AT MANDARIN ORIENTAL HOTEL , KUALA LUMPUR
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“ASEAN’S STRATEGIC ROLE IN A DYNAMIC GLOBAL ECONOMY”

Honourable Ministers and Delegates,
Excellencies,
Distinguished Guests,
Ladies and Gentlemen.

Let me begin by wishing a warm welcome to all present and a special welcome to Malaysia to all the foreign delegates. I do hope they will also find some time to see a little more of Malaysia. I am indeed very pleased to be here this morning and take part in this opening of the 38th ASEAN Economic Ministers Meeting.

2. I am keenly aware of the role that the ASEAN Economic Ministers have played, and which they should continue to play, in building a strong economic foundation for our region. We must harness the synergy of our diverse economies. To enable us to do that, we need to strengthen regional economic cooperation. It will bring mutual benefits and create greater prosperity for all of us. The annual A.E.M, like this one, is therefore always an important event in the ASEAN calendar.

Ladies and Gentlemen,

3. ASEAN Leaders had, in fact, been taking bold steps to strengthen cohesiveness in ASEAN. For instance, they have decided to establish the ASEAN Economic Community by 2020. They have adopted the Vientiane Action Programme which outlined the measures to broaden, and deepen, economic integration of the region. And, at the 11th ASEAN Summit in Kuala Lumpur last year, we agreed to further accelerate the liberalization and integration of the services sector from 2020 to 2015, to be in line with the timetable for liberalization of the goods sector.

4. We have taken these decisions because we are committed to the enhancement of ASEAN’s competitiveness. We need to ensure that the ASEAN region remain attractive to investors. This is particularly necessary in view of the pressure of increasing competition, regionally and globally. Indeed, ASEAN has been making good progress over the past ten years in building the necessary foundation for a higher level of economic integration. ASEAN’s best option is to continue building upon this foundation.

5. The launch of the ASEAN Free Trade Area, or the A.F.T.A initiative, in 1993 was an outstanding example of our commitment to regional economic integration. Tangible benefits have since been derived. High G.D.P growths have been maintained except during the period of the regional financial crisis around 1997. An attractive business environment has been in place. Some 241 billion U.S Dollars of Foreign Direct Investments (F.D.Is) came into the ASEAN region between 1995 and 2004.

6. I have been informed that the Economic Ministers have been deliberating on the possibility of advancing, from 2020 to 2015, the end date for realizing the ASEAN Economic Community. I would support that, especially as there are now even more compelling reasons for us to advance the date. We must therefore make all efforts to create the single market of an ASEAN Economic Community by 2015. If we do not hasten the creation of that regional single market, ASEAN may run the risk of losing its position as an important investment destination. We must take the necessary steps to protect our position as a competitive production base, and as an important economic entity, in the global trading environment. ASEAN's external trade reached almost one Trillion U.S Dollars in 2004.

7. It is worth noting that we have been able to cooperate because we have been able to adopt the pragmatic approach. This means we were able to continually adjust, and respond to, the challenges of the rapidly changing regional and global economy. As a result, our economies are more interdependent now, and there is a growing sense of community among us. ASEAN needs to continue adopting this proactive and strategic role so as to strengthen the economic resilience of the region and contribute positively to sustainable global economic growth.

8. We must remain steadfast in our commitment to realise the vision of the ASEAN Economic Community. The substantive objective is to create a stable, prosperous, and highly competitive economic region. The larger objective is to reduce poverty and socio-economic disparities, and thereby improve the overall quality of life within the region.

9. Our cooperative strategy in the coming years must therefore focus on the building of capacity of the ASEAN economy. Investment strategies should be designed to promote both intra-ASEAN investments as well as to attract investment from outside the region. The challenge for ASEAN is to lower business transaction costs and be competitive. The long term objective is to create a region with seamless movement of goods and services, investment and capital.

10. ASEAN countries will need to address the balance between domestic and regional interests in order to achieve the broader goal of the region becoming a single integrated seamless market, and serve as an international production base. Strengthening the economic base will facilitate the establishment of the ASEAN Economic Community. This in turn will provide a good foundation for ushering into being the ASEAN Socio-Cultural Community and the ASEAN Security Community.

Ladies and Gentlemen,

11. At this stage of community building, I cannot overemphasize the need to address the problems of implementation. Unless these problems are adequately addressed, our efforts will be impeded. There is no doubt that some regional level measures will affect some domestic level sectors. Certain changes in national legislations might become necessary to enable regional liberalization initiatives to succeed. Regional countries may need to harmonize some of their domestic laws before it becomes possible to operationalize and implement certain regional level measures.

12. I am confident that ASEAN Governments can, in the traditional ASEAN way, find the answers to address and resolve these concerns. We do have an ambitious economic integration programme. We must not allow anything to derail the progress we have made thus far in this process. We must never lose sight of the larger benefits which the programme can bring to the region.

Ladies and Gentlemen,

13. One of the challenges we must face together are the realities of the global trade talks. We can better protect and promote our respective interests if we are able to present united and common positions in the multilateral negotiations. As 10 active trading nations representing more than 560 million people, our collective negotiating strength can be formidable indeed. With a sizeable population base and the extensive economic infrastructure already in place, ASEAN's potential as an economic entity is quite obvious. But, we will remain marginal players unless we decide to formulate group positions and exert our influence as a group. I believe the time has indeed arrived for the ASEAN economies to adopt a united front on international economic issues. The more united we are as an economic player, the bigger will be our role in steering the process of the global trade talks. Projecting the ASEAN economic profile at the global level is also a necessary part of the process of building the ASEAN Economic Community at the regional level.

Ladies and Gentlemen,

14. There is another important external challenge which we must face together. As the ASEAN economy becomes increasingly integrated into the global economy, we need to monitor developments in other regional groupings and the initiatives of ASEAN's major trading partners entering into various forms of trade arrangements with others. We need to take into account these external developments because they will impact on our own regional economic integration efforts.

15. As such, while we give priority to the "internal" integration of ASEAN, it is also important as a matter of policy to continue engaging and expanding linkages with our major trading partners. In this connection, I am happy to note that the ASEAN -

China Free Trade in Goods have been implemented. And, the Free Trade Agreement with the Republic of Korea will be coming into force soon. I know that F.T.A. negotiations are still on-going between ASEAN and several other trading partners.

16. These economic engagements are important to enable ASEAN to enhance market access for ASEAN products and services. It is important that these engagements be focused not merely on market liberalization but include as well programmes for economic cooperation. For instance, capacity building programmes must be given equal priority and complement the liberalization initiatives.

17. In this context, it is worthy of note that ASEAN's trade and investment ties with the East Asian economies of China, Japan and the Republic of Korea are substantial and growing. Many programmes have been undertaken within the ASEAN + 3 framework. This is not only consistent with ASEAN's aspiration to foster a larger East Asia Community but will also contribute positively to global economic growth.

Ladies and Gentlemen,

18. The private sector deserves special mention because they are the ones who actually drive trade and investment. In the wake of liberalizations and business expansions, the private sector has indeed become the major force in integrating the regional economies. In fact, private sector interests, and expectations, are set to rise and expand. ASEAN governments would need to match such expectations.

19. It is important, therefore, that we continue to promote a pro- business environment. We must effectively address the impediments faced by the business community in doing business within the region. Just as we expect the private sector to contribute positively towards regional economic growth and integration, governments must provide the private sector with the necessary facilities to expand and grow. We must strengthen interactions between the public and private sectors of ASEAN in various ways.

20. At the same time, I would like to also call upon the private sector of ASEAN to come out with ideas and innovations to assist ASEAN governments in the formulation of strategic policies. This is also the best way of ensuring that measures taken by the governments are in tandem with the expectations of the regional business community.

Ladies and Gentlemen,

21. ASEAN Leaders are committed in their resolve to achieve a cohesive ASEAN region. The Eminent Persons Group have been tasked to make recommendations for the writing of the ASEAN Charter. This is a very important step in shaping the future direction of the region as a whole.

22. The acceleration of regional integration is vital to make our economies more efficient, to attract greater investment inflows and generally stimulate economic activity. To accelerate the momentum of dynamic growth, ASEAN must therefore intensify the process of integration. It will furthermore contribute to the openness and stability of the world economic system by instituting greater predictability and transparency of economic policies.

23. The challenges facing ASEAN are many and complex. I hope your deliberations will identify new opportunities for the region and provide further directions for strengthening ASEAN solidarity and cohesiveness

24. I am confident that you will be able to identify your priorities, set out your future work programme in areas of trade and investments and thereby accelerate regional economic integration. The entrepreneurial spirit and market oriented policies that have driven our economic integration must continue to be the hallmark of ASEAN cooperation.

25. Regional economic integration has its own economic logic. It is also a security imperative. Economic prosperity will help foster regional peace and stability which, in fact, is the underlying objective and purpose of regional integration.

26. On that note, I wish all of you success in your deliberations and I have the pleasure, now, to declare open the 38th ASEAN Economic Ministers Meeting.

Thank you.