

THE 29TH ASEAN ECONOMIC MINISTERS

SUNWAY LAGOON RESORT HOTEL, PETALING JAYA, SELANGOR, 16
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At the outset, I would like to congratulate the ASEAN Economic Ministers on the commendable achievements in the Association's economic cooperation over the last ten years. These achievements, coupled with sustained economic progress of individual member countries have placed ASEAN as an important player in international economic relations.

2. I recall addressing the First ASEAN Economic Congress ten years ago here in Kuala Lumpur and posing the challenge then for ASEAN to establish a closer, more constructive and complementary relationship in the area of economic cooperation. Today, we are proud that our collective resolve has brought us the first harvest of tangible results. Ten years ago, the idea of a free trade area in ASEAN was not acceptable. It was seen as a move that would slowly erode national sovereignty. Today we are into the fifth year of the implementation of the ASEAN Free Trade Area (AFTA) an initiative that has achieved much greater success than the previous PTA (Preferential Trading Arrangement). Intra-ASEAN trade last year amounted to US\$155.2 billion, a ten-fold increase over that in 1987 when it amounted to US\$14.7 billion. Over 95 percent of that trade is covered by tariff concessions under the Common Effective Preferential Tariff (CEPT) which will lead towards the realisation of AFTA.

3. When we embarked on AFTA, we were not addressing it solely to increase intra-regional trade within the Association. The larger markets for our goods lie outside ASEAN and that the prospect for expansion and realising regional growth lies with the international market. We need AFTA to increase competition and upgrade the efficiency of our industries in order that they become more competitive in the world market. This would in turn make ASEAN an attractive area for long-term non- speculative foreign direct investments (FDI) and attract more world class producers to locate their operations in the region. I would like to remind ourselves that the bigger the intra-ASEAN trade, the more attractive will we be to the serious FDI.

4. Our thrust forward require us to go beyond tariff reduction. ASEAN's own involvement in industrial production needs to be nurtured along with the foreign direct investments to deepen and to share in the benefits of growth. We in ASEAN agreed to upgrade industrial cooperation by introducing the ASEAN Industrial Cooperation Scheme. We also realised that the services sector will be the key sector to develop greater competitiveness and widen the base of economic growth of ASEAN. To achieve this, we concluded the Framework Agreement on Cooperation in Services and launched negotiations in market access beyond our commitments to the General Agreement on Trade in Services. We reviewed action plans in the sectors of transport and communications, energy and minerals while at the same time we provided greater focus in our plans for cooperation in the food industry, agriculture, forestry, and tourism. We also concluded a Framework Agreement on

Cooperation in Intellectual Property to ensure that our region will provide effective protection for intellectual property, both foreign and domestic. Protection for the former will further raise the confidence of foreign investors while protection for the latter is essential as our own entrepreneurs now have the capability and capacity to produce works, systems and inventions. We are also formulating guiding principles towards the formation of an ASEAN Investment Area which foresee a freer flow of capital as well as effect transparency and predictability of policies and practices in investment, with a view to making the ASEAN region a haven for investors.

5. Given the mutually reinforcing initiatives put in place by AEM, I have no doubts that as we move into the first five years of the next millennium, ASEAN economic cooperation would be brought to the "higher plane" that was envisaged by the Fourth ASEAN Summit in Singapore in 1992. However to remain on this higher plane, we need to set our sights higher. To make ASEAN relevant in the next millennium we need to have a longer term vision of what we want to be as an Association. Twenty five years from today do we foresee ASEAN becoming a common market like the former EEC? Are we setting our sights to be a single market or an economic union ala the EU? What is certain is that we need to make the bold move towards greater economic integration, as we will have to face an uncertain environment. Our recent experience with currency manipulation should be a big lesson for us. While we should always avoid abusing the system, we must be perpetually alert to the possibilities of others exploiting our weaknesses in order to weaken us further. We have a duty to bring order within and between our countries, and indeed contribute to a more orderly world environment.

6. What is clear to us now is that the challenges which we will have to face will be enormous. First, while we are closer to achieving the vision of our founding fathers for ASEAN to embrace all 10 countries of Southeast Asia with the membership of Lao PDR and the union of Myanmar and the eventual membership of Cambodia, we need to remind ourselves that the development gap between the old and new members require special attention.

We need to step up the pace of our collective development efforts in order to stay ahead of change. We have to encourage the new members to face change with greater determination if we are to benefit from such changes. I see the Mekong Basin development initiative serving as the primary vehicle for us to collectively spur economic development of the new members. Through this initiative, we can work together in developing much needed hard infrastructure such as roads, bridges, railways, airports and ports, industrial estates, schools, hospitals and the like as well as soft infrastructure such as education and training, trade and investment facilitation, improvements in administration and management of projects. This regional effort will not only benefit the riparian states, but also the region as a whole. Our resolve to assist the development of the riparian states must be matched by deeds and financial commitments on mutually beneficial terms.

Second, we need to liberalise without ignoring the dangers posed by those who

see only the opportunities afforded them by their strength and experience and the weaknesses which their victims may have. We must not just think of level playing fields but also the relative strength of the contestants. While standing together to face problems may not amount to much, but it is much safer than isolating ourselves in the hope that we may not be noticed and thus left alone.

Some postulate that the future of the world will be characterised by herd behaviour and herd instincts. The different herds will wheel to the left or the right or will charge ahead, trampling upon whatever may be in the way. This does not speak well of the progress human civilisation has made. But then, the history of human civilisation is full of the exploitation of the weak by the strong and the powerful.

Third, we need to ensure that the multilateral trading system remains fair and open. We were able to contribute positively to the conclusion of the Uruguay Round by exerting a positive influence on the debate on issues and by our actions in effecting orderly liberalisation measures. We have continued to exert ASEAN's influence during the WTO Ministerial Conference last December to ensure that extraneous issues and non-trade issues are not brought within WTO disciplines. It is important that the WTO becomes the sole organisation for the settlement of disputes. Actions taken outside the WTO should not be allowed and should not be respected. An organisation must have rules in order to exist and be relevant. Such rules must have the force of law, international laws which are properly and democratically enacted. An organisation without rules and regulation will not result in equality of benefits for the members. Liberalisation is not about doing away with rules and laws altogether. It is about everyone submitting to the same set of rules, regulations and laws on a world scale rather than national scale.

Fourth, we have to embrace the positive aspects of the development of capital markets. Developments in our capital markets over the last five months revealed how vulnerable we are to various abuses. We must make a distinction between speculative short term hot money operations and serious investments in productive activities. We should continue to welcome real long-term investments but must be wary of operations which do not create any real wealth for us. We need to cooperate in macro economic policy formulation to ensure the achievement of stable, sustainable economic growth for the region.

Fifth, we need to harness benefits from developments in Information Technology very early before the enormity and speed of these developments render it impossible for us to catch up. The conduct of trade and commerce itself has not been spared from the development of IT. Electronic Commerce is the buzz word that we need to embrace. Early discussions have begun on the need to formulate a framework for electronic commerce. Whether we are conscious of it or not, all of us in ASEAN have conducted part of our business transactions using modalities that form part of electronic commerce. We need to engage ourselves in the discussions to formulate a framework for electronic commerce to ensure that the guiding principles within that framework do not put us at a disadvantage but in fact places us all in a position to reap maximum benefits.

We cannot ignore that we need revenue in order to govern ourselves and much of this revenue comes from commercial activities.

Sixth, we need to upgrade, strengthen and expand our services sector to complement our strength in the manufacturing and industrial sector. The latter cannot remain as the only engine of growth as its contribution to GDP has almost reached the optimum while the lack of strength in the former has been highlighted as a major contributor to the current account deficit in most of ASEAN economies.

Seventh, we must continue efforts at upgrading the knowledge and skills of our people with greater vigour if we are to keep pace and move ahead of change. We must also continue to emphasise raising productivity levels in all activities.

7. In moving towards greater economic integration, ASEAN may need to look at the way we cooperate with a new perspective. Our targets must be that of gaining advantage from our strengths rather than merely protecting our weaknesses. We had struggled hard to gain independence and we cannot afford to lose our sovereignty in the name of free, unrestricted breaching of our economic and other borders. At least we must ascertain that such breachings will be subjected to eventually beneficial rules.

8. We have also to acknowledge that as we move towards greater economic integration, we are more exposed to the occurrence of disputes among ourselves in the implementation of the economic initiatives that we may put in place. We have to resolve such disputes swiftly and effectively. The Agreement on Dispute Settlement in Economic Initiatives concluded in April this year provides the much needed reference.

9. While we implement initiatives toward greater economic integration in ASEAN, we must not overlook the critical element of reducing transaction costs or the cost of doing business in ASEAN. We need to review regulatory and administrative procedures at the national and ASEAN levels with a view to making them more simple and transparent and ensure that new measures introduced have the effect of facilitating decisions and approvals. We have to combat corrupt practices squarely.

10. Towards reducing the cost of doing business we will have to review the efficiency of our utilities industry. The cost of electricity, gas, water and telecommunications will be less of a burden to business if we liberalise the more restrictive regulation. In the same vein, we need to make our ports and airports more efficient, our haulage and freight forwarding services more responsive.

11. At the same time, we have to adopt processes that are sustainable, clean and environment-friendly to avoid costs associated with environmental degradation. We have to educate and encourage our rural population to do away with antiquated practices in their daily economic activities which can pollute the environment. The proximity of our borders requires that we address the problem of pollution from both the national and regional perspectives. Failure to do so will

most certainly cost us a lot and will retard our progress.

12. ASEAN economic cooperation has come a long way from the time when we embarked on our first collective economic initiative 20 years ago. The journey ahead is longer and more demanding. We can make the journey less onerous if we prepare ourselves well for it, if we remain focused in addressing issues that confront us and if we remain committed to achieve our regional goals.

13. I thank the ASEAN Economic Ministers for inviting me to officiate at the 29th Meeting of AEM. I wish them success in their deliberations.