

**SPEECH BY SMF PRESIDENT, MR DOUGLAS FOO
AT THE ASEAN STUDIES CENTRE SYMPOSIUM ON
“UPDATES ON THE ASEAN ECONOMIC COMMUNITY:
PROGRESS AND PROSPECTS” ON 27 JULY 2017
AT ISEAS-YUSOF ISHAK INSTITUTE**

ASEAN Secretariat representatives;
Representatives from the academia and business community;
Distinguished Guests;
Ladies and Gentlemen;
Good morning.

INTRODUCTION

1. I wish to thank the ASEAN Studies Centre for giving me this opportunity to share my views on the “Private Sector Perspectives of the AEC and its Potential”. Although the AEC was adopted only in November 2015, discussions on AEC are appropriate and timely for two reasons. Firstly, the celebration of ASEAN’s 50th Anniversary this year naturally makes AEC a hot topic for discussion. Secondly, this gathering of minds allows us to exchange ideas and review what has been done so far in achieving the vision of the ASEAN Economic Community. Fruitful discussions will enable us to recalibrate our efforts towards making the AEC an exciting reality for each of the 10 member countries.
2. As we all know, the AEC’s ultimate aim and vision is to foster deep political and economic ties among its member countries so that they can move towards the formation of a single regional market and production base, with free flow of goods and services, investment and skilled labour among the ASEAN nations.
3. I am a member of the ASEAN Business Advisory Council Singapore, where we endeavour to boost ASEAN’s economic cooperation and integration by providing private sector feedback. We also integrate the AEC into the private

sector by encouraging the pooling together of the private sector's resources through collaboration.

The Immense Potential of AEC

4. With AEC, ASEAN will become a real economic force to reckon with. It is the third largest economy in Asia (after China and India), and also the sixth largest economy in the world, with a collective market of US\$2.6 trillion. Its combined GDP growth is projected at an annual average of 5.2 per cent between 2016 and 2020, and is expected to outstrip global growth. Its rate of expansion is streets ahead of the European Union and the United States.
5. In terms of manpower, AEC has the third largest labour force in the world, behind China and India. Also, the ranks of its middle-class are swelling, and they constitute a high-growth consumer segment in the fast growing markets of Indonesia, Vietnam and the Philippines. They can offer exponential growth for certain market segments.
6. Propelled by growing foreign direct investment, a rising middle class, and its abundant natural resources, the ASEAN region is forecasted to have a US\$6 trillion economy and a population of more than 700 million by 2030. If the trends continue, ASEAN could be the world's fourth largest single market by 2030 (after the EU, US, and China).

Singapore: leveraging on ASEAN growth

7. Within the ASEAN region, Singapore faces a limited domestic market, but we have been engaged in commerce since our early days as a trading post. ASEAN has always been our most important market and our largest trading partner. In 2012, ASEAN accounted for 27 per cent of Singapore's direct investment abroad. Singapore is the No.1 investor in Myanmar; Thailand's 2nd; and Vietnam's 3rd largest investor. Foreign revenue generated by the top 1,000 companies in Singapore by revenue has increased steadily from

S\$149.9 billion in 2011 to S\$223.9 billion in 2014.

Private Sector Initiatives To Date

8. At Singapore Manufacturing Federation, where I have been serving as president, we have been proactively, since the 1970s, leading and organising business mission trips for our member companies to explore opportunities for expanding their business into the ASEAN region. Today, SMF organises more than 100 business trips and tradeshows in the ASEAN markets annually. These overseas platforms help to facilitate collaborative opportunities for our member companies to enter these markets so as to address competitive manufacturing costs and sustain business growth. SMF has also undertaken various strategic alliances with trade associations in other ASEAN countries such as Indonesia and Thailand, in our common bid to help our member companies collaborate with one another within the ASEAN markets.
9. Last year, SMF partnered with International Enterprise (IE) Singapore under the Working in Partnership (WIP) programme, to help Singapore food manufacturers get their products onto the shelves of supermarket chains in Southeast Asia. The partnership was aimed to address the high entry costs and difficulty in products registration into supermarkets through economies of scale, cost savings, as well as fast-tracking their entry into the regional markets. To date, WIP has helped more than 130 companies and generated sales of \$5.3 million in markets such as Thailand, China and Myanmar. This example clearly shows the huge market potential of AEC for Singaporean businesses.

Collaboration: the Name of the Game

10. What private sector businesses can do is to collaborate with one another by identifying and harnessing the potential and strengths of each ASEAN member country. Allow me to share with you an idea of how ASEAN businesses can complement and synergise with each other to provide a total

and compelling solution. For example, in a manufacturing set up, we can have:

- a) Design from the Philippines
- b) Casing from the Indonesia
- c) Intellectual Property Rights from Singapore
- d) Financing from Brunei
- e) Tolling from Thailand
- f) Chips from Malaysia
- g) Packaging from Vietnam
- h) Labour from Laos

11. By leveraging on each other's strengths, ASEAN could offer an attractive proposition as a total solutions hub for manufacturing the next generation products for the global market. Thus, AEC will provide an engine of growth to fuel the ambitions of our local businesses looking to expand their geographical footprint.

Achieving AEC: Work In Progress

12. As an economic bloc, ASEAN has enjoyed a relatively successful and prosperous first 50 years. The next phase of its community building would be more challenging. One of the stated policy goals of ASEAN is to improve intra-ASEAN trade ties, but statistics has shown that only 13 per cent of ASEAN's trade is intra-ASEAN trade. Today, intra-ASEAN trade ties remain weak. With the exception of Laos, ASEAN countries' trade with economies outside of ASEAN still outpaces intra-ASEAN trade by a factor of three. That ASEAN has not deepened intra-regional trade ties means that opportunities have been lost.

13. Integrating the region's diverse economies into a single market has numerous advantages. It will boost investor confidence and attract more businesses to the region. ASEAN as a single market will be a much more formidable economic entity with greater clout when it comes to external negotiations with other large economic units such as China and the European Union.

14. The clarion call for economic integration has been made by ASEAN's leaders many times, but to date progress on this front has been a little slow. If the AEC is to lead to regional economic integration and be the precursor to the Regional Comprehensive Economic Partnership (RCEP) that it aims for, then policy makers must guide and measure integration with concrete and tangible action plans. Spouting of rhetoric is fine but once clear goals are established, countries and indeed ASEAN as a group will have to act decisively.

15. In my humble opinion, the collective will have to come together to galvanise the public and private sectors within ASEAN into a strong action force. The road towards economic integration has been paved with pitfalls and potholes. While good progress has been made on trade in goods and most physical goods flow without tariffs within ASEAN, non-tariff barriers for non-commodity sectors remain as there are varying standards and regulations for this sector. The services sector is also grappling with domestic pressure or resistance from each country against the liberalisation of sectors that might be dominated by strong local players. Therefore, achieving the vision of AEC hinges on the readiness of the member countries of ASEAN to embrace change and to deepen regional economic integration.

Areas To Work On for AEC

16. According to the AEC Blueprint signed in 2007, there are four areas that ASEAN markets need to focus in order for it to transit successfully towards a single market and production.
 - i. Remove barriers to trade in goods and services. Either eliminate or have those barriers kept to a minimum, for e.g. Importing license procedures and other import or export requirements such as Halal Certification or food safety and health certification etc. This will allow the ease of flow of investment, capital and skilled labour within the region.

- ii. Develop a legal framework to allow businesses to compete on a level playing field. This will result in fostering a competitive economic region. e.g. Taxation; Accounting laws; intellectual property etc.
 - iii. Develop policies to grow our small and medium enterprises. This will enable us to narrow the developing gap between members towards equitable economic development. E.g. The ASEAN Self-Certification Scheme which will allow authorised exporting SMEs to self-certify goods for preferential treatment.
 - iv. Integrate towards becoming a bloc. This will strengthen our competitiveness in the global economy through various agreements including the “ASEAN plus” FTA and Closer Economic Partnerships Agreements with major trading partners. E.g. The European Union was established in 1999 and came into full force in 2002 with 19 EU member countries.
17. If we can progressively work through the difficult areas, I am confident that we should have no problem achieving the AEC Blueprint 2025 whose vision is to have an AEC that is highly integrated and cohesive; competitive, innovative and dynamic; with enhanced connectivity and sectoral cooperation; and a more resilient, inclusive, and people-centred community, integrated with the global economy.
18. With increasing anti-trade sentiments darkening the global economic outlook, ASEAN should build a strong foundation for long-term and sustainable growth now by creating an open and inclusive regional architecture that allows unimpeded trade and investment flows. ASEAN’s economic integration as a bloc will strengthen its value proposition with other key economic markets such as China, Japan, Korea, India, Australia and New Zealand.

SMF’s AABE Initiative

19. Granted Singapore is a small red dot on the global map. But our businesspeople are globally exposed and we are nimble enough to navigate our way into other markets. Therefore, Singapore is well-placed to lead the pack and explore new frontiers. Hence, at SMF, we have initiated the inaugural Africa-ASEAN Business Expo (or AABE in short) which is taking place this coming November. Having matured over the years, I believe our ASEAN business communities are more equipped to collaborate and explore developing markets such as Africa.

20. AABE's aim is to open the business gateway for more economic partnerships between Africa and ASEAN. Trade between Africa and ASEAN has been growing at 15 per cent since 1989 with more than 300 ASEAN companies operating in Africa. SMF believes that ASEAN business people should band together to venture into new business frontiers such as Africa. The AABE will be held at Johannesburg, South Africa, and if anyone of you would like to participate, please visit www.AABExpo.com for more information.

Conclusion: Singapore's Commitment to AEC

21. Today, as ASEAN celebrates its 50th anniversary, it is clear that more determined efforts need to be made by both the public and private sectors to speed up the economic integration process. Although there are still sceptics who believe that the vast differences within ASEAN make integration a tall order, I humbly believe that diversity is not a real obstacle.

22. As digitalisation takes us to a more connected world, economic integration assumes greater importance in the coming decades. Hence, we must embrace digital connectivity for the next phase of ASEAN's economic development so that we can thrive in the future economy.

23. Singapore is strongly committed to the AEC vision. Our business community should partner our government in this continuous journey to build the foundation of an integrated, single market. To make the AEC a reality,

concerted efforts by both the public and private sectors is vital to overcome the obstacles of inertia and insular bias, and to help ASEAN residents adopt a new mindset. When this happens, I believe that the future of our region will be more exciting, more promising, and bright. The exciting promise of more opportunities for business to grow and thrive, and the uplifting prospect of improved living standards for the 622 million residents in ASEAN region.

24. On this positive note, I wish everyone a fruitful conference. Thank you.