

**Keynote Speech by H.E. Dr. Sok Siphana
at the Regional Seminar on
"ASEAN Economic Community (AEC): Sharing Perspective, Knowledge and
Experience"
Mekong Institute, Khon Kaen, Thailand
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Dr. Watcharas Leelawath, Executive Director of the Mekong Institute

Mr. Daisuke Hiratsuka, President of IDE-JETRO Bangkok Research Center,

Dear Participants, Ladies and Gentlemen

1. At the outset, I would like to express my thanks to the Mekong Institute, in particular my good friend, Dr. Watcharas Leelawath, for his invitation and all the hospitality extended to me. My appreciation goes as well to Japan ASEAN Integration Fund (JAIF) for its support of this important project.

2. The holding of this regional seminar cum workshop titled 'ASEAN Economy Community (AEC): Sharing Perspective, Knowledge and Experience' is so timely. Just less than two weeks ago, Lao PDR, as current ASEAN Chair, successfully concluded the 28th and 29th ASEAN Summits in Vientiane under its theme '*Turning Vision Into Reality For A Dynamic ASEAN Community*'. Much has been discussed and agreed on important issues ranging from the implementation of the ASEAN Community Vision 2025 to narrowing of the development gap, trade facilitation, MSMEs and tourism development, and connectivity.

3. I have the opportunity to witness first hand many interesting development there as well as in previous ASEAN Summits since 2011. It is thus with great pleasure and humility that I could share with you some of my views on the progress of the AEC to date and perhaps I could offer also a few thoughts on its future, in particular as they relate to the Mekong Subregion cooperation.

4. I want to congratulate the Mekong Institute for being able to mobilize such a broad representation of stakeholders ranging from regional and national public organizations, inter-governmental organizations, private and non-profit developments organizations and academic institutions.

Ladies and Gentlemen

5. Let me start first with the AEC Blueprint 2025 and its implementation progress and results. As you all are aware, 2016 is the inaugural year of the AEC where the 10 Southeast Asian countries are now fully integrated into an ASEAN Community. We should be proud to recognize that collectively ASEAN has made important economic achievements and is a significant contributor to the global growth. With a combined GDP standing at USD 2.43 trillion as of last year, ASEAN is firming up the region's position as a global growth centre.

6. ASEAN's real GDP grew at a robust rate of 4.7% last year amidst increasingly challenging global conditions. For this year and 2017, we have to reckon that external headwinds are expected to weigh on ASEAN's growth prospect. Nonetheless, the region's economy is still projected to grow by 4.5 per cent this year and forecasted to accelerate to 4.8 per cent in 2017.

7. Let me impress you all a bit about ASEAN trade and investment. ASEAN total merchandise trade remains resilient, standing at USD 2.28 trillion last year, with intra-regional trade accounting for the largest share at 24% or USD 545 billion. Foreign direct investment (FDI) inflows to ASEAN stood at USD 120.0 billion last year, with the services sector as the largest contributor at 62.5%. Intra-ASEAN FDI inflows also accounted for the largest share of FDI inflows to the region. Tourism wise, ASEAN received 108.9 million international visitors last year, an increase of 7.3% from 2014.

8. Speaking about tariff liberalisation and elimination, one must recognize that significant progress was made to date: An overall 96.01% import duties of all ATIGA tariff lines were eliminated: 99.2% for the ASEAN-6, which include Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand; and 90.9% for the CLMV, meaning Cambodia, Lao PDR, Myanmar and Viet Nam. By 2018, the percentages of tariff elimination for ASEAN, ASEAN-6 and CLMV will be at 98.67%, 99.20% and 97.81% respectively.

Ladies and Gentlemen

9. It is quite clear that the AEC has not been transformed into a single economic entity by 1 January 2016. It was rather a "work in progress". Less than two weeks ago, Lao PDR's successful chairmanship of the 28th and 29th ASEAN Summits has marked

another major milestone in this "work in progress" process. All the initiatives that have been adopted or put in place will serve as a foundation to effectively implement the AEC Blueprint 2025. These include the adoption of sectoral work plans under the various AEC Sectoral Ministerial Bodies to operationalise the strategic measures outlined in the Blueprint. I could comfortably state that the broad directions for the AEC for the next ten years are in place and the momentum is on. What we have is a clear action driven Vision ASEAN Post-2015, which lays out succinctly the progressive community building works leading ultimately toward ASEAN full integration.

Ladies and Gentlemen

10. Let me now turn my focus on the Mekong Subregion. We could say that the five Mekong countries, with their strong economic potentials, are recognized as a dynamic region and even as one of the world growth centers. Whenever I spoke to policy makers or businesspeople from these five countries, I can feel their aspiration for growth and prosperity. All of them view this geographical landmass as a subset of ASEAN where they can attract FDI in manufacturing industries, agri-industries and other production centers, which are integrated into the global and regional production chains.

11. Access and exposure to FDI, to foreign trade, to modern ways of doing business, to sophisticated professional practices, are an important contribution that the AEC will bring to the subregion. The ASEAN Summit and Related Summits in Vientiane have had significant impact on the AEC as whole but more so for SMEs in the Mekong countries. Let me highlight a few initiatives, which I believe can bring immediate benefits to SMEs:

12. First, SMEs can learn so much from the recently launch of (1) the ASEAN SME Service Centre Web Portal www.aseansme.org, which is an information hub for MSMEs operating in the region; and (2) the ASEAN SME Academy (www.asean-sme-academy.org), which is a self-help and self-paced online learning tool for SMEs, comprising of numerous practical best practices.

13. Second, for SMEs who are in the export business, they could access the ASEAN Tariff Finder website, which is a no-cost online-based tariff search facility

[\(http://tariff-finder.asean.org/\)](http://tariff-finder.asean.org/). There is also the National Trade Repository (NTRs), which all ASEAN Member States will link their information to the ASEAN Trade Repository (ATR). Once fully operationalized, the ATR will provide a one-stop online database containing all ASEAN trade and customs related information for the private sector in the region.

14. Third, for those who seek to explore business opportunities in ASEAN, they can access this link [\(http://assist.asean.org\)](http://assist.asean.org), which is a portal for ASEAN Solutions for Investments, Services and Trade (ASSIST). This service is aimed at delivering practical solutions to help businesses address their concerns and difficulties while doing business in the region.

Ladies and Gentlemen

15. On the role of the private sector in advocacy and networking, I want to pinpoint you a very positive trend. More and more business forums, business summits, irrespective of what they labeled them, are on the rising trend. I am just citing the ASEAN Business Advisory Council (ASEAN-BAC), which has recently held the 2016 ASEAN Business and Investment Summit (ABIS 2016). Many other regional initiatives are adding on at their sidelines similar gatherings. More and more ministers and officials have recognized the meaningful involvement of the private sector in achieving optimal outcomes for the AEC. Moreover, the AEC Blueprint 2025 explicitly highlights the greater involvement of the private sector in the AEC's work.

16. In recent years, entrepreneurs from various Mekong countries are getting themselves organized to better prepare to participate in these networking events, with great success, if I may add. In my country, Cambodia, there are a lot of efforts undertaken by the Cambodian Chamber of Commerce, and other business associations, like the Young Entrepreneur Association of Cambodia (YEAC), the Cambodian Women Entrepreneur Association (CWEA), the Cambodian Investor Club (CIC), and the CEO Master Club, to build and enhance the capacity of their members to tap these networks.

Ladies and Gentlemen

17. Whenever I spoke about the Mekong countries or the GMS, one recurring topic always comes to my mind: Connectivity. In the last decade, the ASEAN Connectivity, both physical and non-physical, has assisted the ASEAN countries in so many ways: It has helped us increasing competitiveness, promoting economies of agglomeration and integrated production networks, enhancing trade and investments, and, last but not least, deepening ties among ASEAN people. In this context, the adoption of the Master Plan on ASEAN Connectivity 2025 (MPAC 2025) by the ASEAN Leaders at the last ASEAN Summit marks another significant step toward making the regional connectivity vibrant.

18. Let me touch briefly on air connectivity. The ASEAN open skies is another major achievement, particularly through the full ratification of the open skies agreements in April 2016. I foresee over the near future more and more liberal and mutually beneficial air transport agreements concluded, including the third, fourth and fifth freedom traffic rights. I am proud to announce that on the 1st of September of this year by All Nippon Airways (ANA) has launched daily direct Tokyo-Phnom Penh flights. As you all know well, tourism is a major contributor to Cambodia's economic growth and I expect to see an upward trend in Japanese tourist and business arrivals in the Kingdom to visit the World Heritage Site of Angkor Wat Temples, and other famous sites throughout Cambodia.

Ladies and Gentlemen

19. All the achievements I have highlighted previously are not done only by ASEAN member states. That is why we have to recognize, with gratitude, the important role of our Development Partners for their contribution in stimulating regional growth and advancing the ASEAN Community agenda.

20. To give you some perspectives, let me quote a few statistics: China retains the top position with total bilateral trade with ASEAN at 15.2 per cent of total ASEAN trade, followed by Japan at 10.5 per cent, EU-28 at 10.0 per cent, and the US at 9.3 per cent. For FDI, the EU is the largest external source of FDI flows, accounting for 16.4 per cent of the total inflows to the region, followed by Japan at 14.5 per cent, the US at 10.2 per cent and China at 6.8 per cent.

21. Moving forward, we expect these numbers to increase thanks to the continuous improvement of existing, and the negotiation of new, trade and investment arrangements like: the conclusion of services and investment negotiations under the ASEAN-Japan Comprehensive Economic Partnership; the commencement of the negotiations for further liberalization under ASEAN-Korea Trade in Goods Agreement; and the negotiations for ASEAN-Hong Kong, China FTA.

22. Let us not forget the advanced stage of negotiations of the Regional Economic Comprehensive Partnership (RCEP), which once concluded will be a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement for ASEAN to benefit.

Ladies and Gentlemen

23. In closing, let me state the obvious. There is no doubt that the AEC has had positive effects on the overall economic growth of the Mekong countries and has contributed to narrowing their development gaps and facilitated their smooth integration into the ASEAN Community. As a "work in progress" we can't let up our works. One thing for sure which we can say with confidence is that we do have a clear work agenda cut out for us for the next decade. I wish the meeting an interesting discussion for the next two days.

Thank you.