

H.E. DR. SOMKID JATUSRIPITAK

DEPUTY PRIME MINISTER, KINGDOM OF THAILAND

Thoughts on regional integration and how the AEC could strengthen internal economies

Since the signing of the Association of Southeast Asian Nations (ASEAN) Declaration in Bangkok on 8 August 1967, ASEAN has evolved from a group of small economies in Southeast Asia to an influential economic bloc with growing markets, both regionally and globally.

2017 commemorates ASEAN's 50th anniversary. ASEAN's past achievements have played a central role in supporting robust economic growth, better employment opportunities and higher standards of living for ASEAN member states and their peoples.

ASEAN is rapidly establishing its foothold in the world economy. Intra-ASEAN trade and investment continue to make a strong contribution to the region's economic growth and resilience.

Collectively, at US\$2.4 trillion in 2015, ASEAN is the sixth largest economy in the world and third largest in Asia after China and Japan. The real gross domestic product (GDP) per capita also grew by 56.1 per cent from US\$7,052 to US\$11,009 between 2007 and 2015. ASEAN is also among one of the most advanced integrated markets, having been consistently ranked within the top 10 of the most popular destinations amongst foreign investors.

In 2015, ASEAN was the fourth biggest recipient of foreign direct investment (FDI) in the world, accounting for 6.8 per cent of the total foreign direct investment flows. With the average annual growth rate of 5.2 per cent between 2007 and 2015, ASEAN remains a vibrant region

Intra-ASEAN trade and investment continue to make a strong contribution to the region's economic growth and resilience.

In 2015, ASEAN was the fourth biggest recipient of foreign direct investment (FDI) in the world, accounting for 6.8 per cent of the total foreign direct investment flows. With the average annual growth rate of 5.2 per cent between 2007 and 2015, ASEAN remains a vibrant region

supported by robust economic performance. Looking ahead, growth outlook for the region is projected to grow at 4.6 per cent, outperforming that of the world economic outlook at 3.1 per cent in 2017.

Under a new and more challenging international environment, ASEAN member states still remain the highest source of foreign direct investment inflows, accounting for 18 per cent of the total foreign direct investment flows into the region, ahead of the EU, Japan and the United States. Recent emerging investment data suggests that ASEAN companies continue to expand their presence and invest in the region, generating new employment opportunities and boosting economic activities in ASEAN. An increasing number of ASEAN small and medium enterprises (SMEs) are taking advantage of greater market access opportunities supported by a highly integrated and cohesive regional economy. Through interaction with local stakeholders, ASEAN SMEs can engage with local suppliers to support the realisation of the ASEAN Economic Community (AEC) objectives.

Economic integration prior to and after the launch of the AEC has been a gradual and on-going process, allowing policy space and time for members to make relevant adjustments.

Economic integration prior to and after the launch of the AEC has been a gradual and on-going process, allowing policy space and time for members to make relevant adjustments. In this process national sovereignty is kept intact, and so every member can strike a balance for itself on how far integration should go. ASEAN's achievements so far have been a result of on-going consultations, negotiations, coordination and cooperation. As a result, ASEAN integrates to the extent that all members share the benefits and, at the same time, we make sure that there is flexibility and assistance for all to reach our shared goal while making sure that no one is left behind.

As previously highlighted, ASEAN economies and societies have evolved for the better in the past decades. It is reasonable to reaffirm the belief that regional integration brings benefits. With that conviction, ASEAN should strengthen the forces that bind members together, rather than allow scepticism and anti-globalisation currents to unbind us. Regardless of the international landscape, members should draw strength

from their economic interdependence, complementarity in resources and ideas, team work, synergy and the spirit of ASEAN in problem-solving based on the principles of consensus and ASEAN centrality.

The AEC Blueprint 2025 envisions ASEAN to be a highly integrated, cohesive, competitive, innovative, resilient, inclusive, people-centred and dynamic economy with enhanced connectivity and strong sectoral cooperation. To achieve the AEC Blueprint 2025, member states will have to work together to modernise their physical infrastructure and institutional components in sectors such as transport, telecommunication and energy, move to a digital society, support micro, small and medium enterprises (MSMEs), as well as promote innovation and research and development (R&D). The realisation of the Blueprint will hopefully lay a firm foundation for the sustainability and prosperity of the economies in the region.

With tariffs virtually at zero, ASEAN will have to reduce Non-Tariff Measures as much as possible in order to boost intra-ASEAN trade. It should deepen services integration and streamline cross-border procedures, as well as implement trade facilitation systems. The goal is to attract trade and investment into the region and to integrate ASEAN into the global value chains. Together with tariff liberalisation, formal restrictions in services sector have gradually been removed, thus providing member states with greater market access and opening and economies of scales in doing business in ASEAN.

The ASEAN region will also have to attach more importance to innovation, R&D and applied technologies in order for countries in the region to surmount the middle income trap. In this regard, Thailand is pursuing its Thailand 4.0 strategy, focusing on boosting competitiveness of our existing industries, attracting new growth industries, developing smart agriculture, smart enterprises and start-ups, high value-added services and highly skilled labour force. We are hopeful that the full realisation of this strategy will help make a contribution toward the attainment of a

The ASEAN region will also have to attach more importance to innovation, R&D and applied technologies in order for countries in the region to surmount the middle income trap.

more dynamic, competitive and innovative AEC.

Connectivity will need to be enhanced within the ASEAN community and with the rest of the Asia-Pacific, building on the Master Plan on ASEAN Connectivity 2025. Such connectivity will be reinforced through more integrated transport and logistical links within both mainland and archipelagic Southeast Asia, such as the East-West, North-South, and Southern Economic Corridors, as well as the sea lines of communication linking the parts of the region.

At the same time, more work has to be done to narrow the development gap in ASEAN. One way to do this is to strengthen cooperation between ASEAN and sub-regional arrangements such as the Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy or CLMVT (Cambodia, Laos, Myanmar, Vietnam and Thailand). Moreover, engagement with the private sector, civil society and the general public is also crucial. Their inclusion and participation in ASEAN's development will hold the key to success of the AEC and the attainment of the Sustainable Development Goals.

The recent rise in protectionist sentiments, and trends opposing multilateralism, reinforced by heightening uncertainties over global trade prospects and weak world economic recovery, have posed growing challenges to the open regionalism as embraced by ASEAN. To address these challenges, the AEC will need to further integrate into the global economy through free trade agreements (FTAs) with six Dialogue Partners, namely, China, Japan, Republic of Korea, Australia, New Zealand, and India. Currently, ASEAN is negotiating an FTA with Hong Kong (China) and the Regional Comprehensive Economic Partnership (RCEP). When concluded, it is believed that the RCEP will help stimulate the world economy as it includes key markets such as China and India and accounts for almost half of the world's population and 30 per cent of the world's GDP. It is expected to further enhance ASEAN's competitiveness not only through the sheer market size and the expansion of production and distribution networks but also through simplified rules and standards. RCEP which includes India also reflects the emerging trend of the movement of the centre of gravity of global economy to the Indo-Pacific region, the geographical heart of which lies ASEAN.

ASEAN Partners offer strength in their areas of expertise,

creating synergies for the work of ASEAN Plus One and ASEAN Plus Three (China, Japan and Republic of Korea). The ASEAN Plus Three Emergency Rice Reserve for example, whose secretariat is based in Bangkok, has alleviated rice shortages in disaster-hit areas in the region. The Chiang Mai Initiative Multilateralisation, which now has US\$240 billion, provides the ASEAN Plus Three countries with a mechanism for dealing with short-term liquidity needs. Moreover, the flow of capacity building and best practices shared by ASEAN Partners in areas such as science and technology, energy, ICT, and MSMEs, have also been beneficial for narrowing the development gap.

To conclude, it is my conviction that just as ASEAN has remained relevant in the past 50 years, the ASEAN community, and especially the AEC, will continue to provide the source of strength for members as well as for Asia's economy. The AEC has the potential to generate as many as 14 million new jobs by 2025 and also the potential to evolve into the fourth largest economy in the world by 2050.

On this journey, the AEC will promote complementarity and mutual benefits from each of the member states in dealing with visible, invisible and often borderless challenges of modern times. However, this alone will not be sufficient for dealing with complex challenges that exist on a global scale. How are we to confront a financial contagion or cyber threats striking across regions? What about the impact of global warming on the world's food supply on land and in the oceans? The problem of haze which affected Indonesia, Malaysia, Singapore and the southern part of Thailand is an example of a problem that is not confined to one country alone. No single nation or regional arrangement can tackle many of these global and regional challenges on its own.

Therefore, global and regional cooperation is vital and the multilateral system must be enabling. Countries must come on board to ensure peace and prosperity and work cooperatively to find solution for common challenges. In doing

No single nation or regional arrangement can tackle many of these global and regional challenges on its own.

Therefore, global and regional cooperation is vital and the multilateral system must be enabling.

so, we hope to succeed in translating the gains into shared and long lasting prosperity for our region of over 600 million people.



H.E. Dr. Somkid Jatusripitak currently serves as the Deputy Prime Minister of the Kingdom of Thailand. He previously served as the Minister of Finance and the Minister of Commerce. He was also Chairman of Saha Pathana Inter-Holding Public Company Limited, Distinguished Professor of the National Institute of Development Administration, Vice Chairman of the Rama Foundation and a Member of the National Council for Peace and Order. He received a PhD in Business Administration (Marketing) from the J.L. Kellogg Graduate School of Management, Northwestern University in the United States.