



ASEAN-BAC

ASEAN LEADERS & ASEAN-BAC DIALOGUE

Thursday, 28 October 2010 @ 12.00 – 13.30 Hrs, Hanoi, Vietnam

ASEAN BUSINESS ADVISORY COUNCIL

INTRODUCTION

Your Excellency,
Mr. Nguyen Tan Dung, Prime Minister of the Socialist Republic of Vietnam
and Chairman of the 17th ASEAN
Distinguished Guests, Ladies and Gentlemen,

1. ASEAN-BAC is pleased to note the elimination of tariff for intra-ASEAN trade activities, whereby on 1st January 2010, such efforts has brought 99 per cent of total tariff line items under the Common Effective Preferential Tariff (CEPT). ASEAN-BAC also noted the pursuance of ASEAN significant efforts on integration into the global economy as a trading bloc, free trade agreements (FTAs) and comprehensive economic partnership (CEP) agreements with several dialogue and major trading partners, including China, India, Japan, the Republic of Korea (ROK), Australia and New Zealand (CER).
2. These efforts are ongoing in in 2010, and making significant progress into the fulfillment of of a fully integrated ASEAN Economic Community (AEC) by 2015. In this report, ASEAN-BAC would like to present the general position of the private sector, highlight the recommendations, and provide an update on the activities of the Council.

PRIVATE SECTOR POSITION ON THE ASEAN ECONOMIC COMMUNITY

3. First and foremost, please allow me to inform you that ASEAN-BAC has initiated a survey on ASEAN's competitiveness for trade and investments. This survey gathers the views of businesses across ASEAN countries on their investment strategies in a post-crisis global economy, assesses the pace of ASEAN's economic integration and its importance to investment decisions, as well as identification of priority policy measures that ASEAN can undertake to improve the region's competitiveness. This study is conducted by the Lee Kuan Yew School of Public Policy, National University of Singapore (NUS).
4. Please allow me to briefly share the results of the study:
 - a) Multinational corporations, the larger-size ASEAN companies and SMEs welcome the integration development in different ways. Their level of involvement, understanding and use of the opportunities vary considerably. Despite the differences, businesses in general have a positive view of the attractiveness of the ASEAN region for trade and investment. The implementation of the AEC Blueprint will impact on their investment decisions;
 - b) Respondents expressed satisfaction with several areas of AEC Blueprint implementation, including tariff eliminations, investment protection, transparency, predictable investment rules and liberalization, and rules of origin. They rate the progress in customs procedures, tariff classification, standards and conformity, trade in services on ASEAN's priority integration sectors, and elimination of non-tariff barriers (NTBs) as average. They recommend to upgrade consultations with businesses, step up joint investment promotions and substantially enhance the dissemination of information;
 - c) When asked to evaluate the attractiveness of ASEAN relative to China, large companies tend to find China more attractive as a market for sale of goods and services and as a low cost production location. Whilst a larger share of the smaller companies rate ASEAN as being more

attractive. This emphasizes the importance of the regional integration process for Small Medium Enterprises (SME) development;

- d) SMEs account for 96% of all enterprises in ASEAN, but we find that a significant number lack both ability and interest to engage in intra-ASEAN trade and investment activities. It is recommended that ASEAN intensifies its efforts to disseminate information to SMEs around the region on how they could benefit from ASEAN policy initiatives and develop policy measures to help SMEs grow more regional internationalize.
5. Findings above were further substantiated by individual assessments of ASEAN-BAC members from regional and national engagements, as well as participation in various forums across the region.

HIGHLIGHTS OF RECOMMENDATIONS

Your Excellencies and Distinguished Colleagues,

6. I would now like to highlight our recommendations, and proposed initiatives of ASEAN-BAC, pursuant to the findings above:
- a) **Improving SME Competitiveness in ASEAN Region:** Recognizing that trade and the competitiveness of our SMEs are both critical to ASEAN's economic future, a comprehensive policy to improve the performance of SMEs will require measures that improve their access and capacity to use information systems in their business practice and export transactions. This will be even more important for start-up firms, which will be encouraged in the ASEAN-BAC proposals for business incubators. Based on all of these considerations, ASEAN-BAC is urging steps to provide a 21st century platform for trade and commerce that will foster economic integration, spur trade, and advantage our businesses, large and small alike. This trade platform must connect our strengths with the global market, improve the ability of businesses to have real-time, dynamic information to leverage their opportunities, and ensure swift, reliable logistical supply chains in the region and beyond. The proposal that was presented to us by the Global Coalition for Efficient Logistics, or GCEL (***attached to this report***), provides the tools and road map to build this trade platform, making ASEAN a benchmark for the world. This initiative will not only massively reduce trade costs but also make ASEAN SMEs and businesses much more competitive, all at no cost to them. In the process, this initiative will trigger broad-based economic development throughout ASEAN over many years;
 - b) **Establishing ASEAN Trade & Investment Centers (ATIC):** Cognizant of the need for SMEs to be equipped to take advantage of the various economic initiatives, ASEAN-BAC is initiating the establishment of ASEAN Trade and Investment Centers (ATIC). ATIC's primary objectives are to serve as business incubators and as a trading house that would facilitate access to companies wishing to undertake export and import activities and presence within the regional market. The centers will use its private sector networking capacities. Such interaction could look into the initiative of GCEL, among others;
 - c) **Nurturing Climate Change Business Sector and Growth Opportunities:** Climate change is one of the key issues of a global sustainable growth strategy and industry of environment friendly products and services, which will become a major business trend. SMEs do not seem to be fully cognizant of this trend, as this climate change sector requires significant human, knowledge and financial capital, which any small enterprise on its own, simply cannot satisfy. It is necessary to seek the engagement and cooperation of public private partnerships and investments in enterprises across ASEAN countries. Therefore, we respectfully recommend that in the pursuit of AEC 2015, policies be accelerated to encourage enterprises to further cooperate in this sector such as incentivize growth of knowledge, technology, capital, favorable tax policies and market development support. The development of an environment friendly industry will be ASEAN's significant competitive advantage and create prospective markets and investment in general.
 - d) In the organization of the 2010 ASEAN Business and Investment Summit (ASEAN-BIS) on 26-28 October 2010 at the National Convention Center in Hanoi, Vietnam, ASEAN-BAC has build-up these complementary support:

- i) Topics and themes centralizes on liberalization of trade services, freer flow of investment and capital, skilled labor, competition policy and ways to improve the competitiveness of priority integration sectors of ASEAN and SMEs;
 - ii) Sessions with Dialogue Partners and major trading partners, namely, Australia-New Zealand, China, Japan, Republic of Korea, Russia, and India are provided for the business participants to have better understanding on the FTAs and CEP agreements; and
 - iii) Finalists and winners of the ASEAN Business Awards (ABA), companies that have significantly contributed towards ASEAN's economic growth and prosperity, will be conferred on large size ASEAN companies and SMEs in the categories on *growth; employment; innovation; and corporate social responsibility* and will be honored as ASEAN Most Admired Enterprises.
7. In addition to the activities above, ASEAN-BAC is pleased to inform that it has continued to interact and engaged in various forums across the region involving business organizations, academia, research institutions, and other stakeholders, all in support of AEC's Communication Plan and promotion of ASEAN's economic initiatives, as a whole. At the same time, ASEAN-BAC remains to be guided on its mandate to engage on activities with Dialogue Partner countries.

CONCLUSION

8. In closing, I would like to take this opportunity to inform your Excellencies that ASEAN-BAC welcomes the new council members from Malaysia and Vietnam this year.
9. On behalf of the ASEAN Business Advisory Council, I would like to express my thanks and appreciation for your kind attention.

