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**FOR ASIA AND THE PACIFIC**

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Theme : Enhancing Regional Economic Integration  
in Asia and the Pacific

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Salutation

1 Mr Chairman, Prime Minister, Ministers, Your Excellencies, Ladies and Gentlemen.

2 I wish to thank the Executive Secretary of ESCAP, Dr Noeleen Heyzer, for inviting me to participate in this important discussion.

ESCAP

3 ESCAP is the UN's largest regional economic commission, both in terms of geography and population. Consisting of 53 countries and 9 territories, it has a combined population of 4.1 billion or 60 per cent of the world's total population of 7 billion. ESCAP's membership is also extremely diverse, comprising both very big countries and very small countries, very rich countries and very poor countries, countries which are land-locked and countries which are sea-locked. ESCAP has functioned as the region's think-tank, provider of advice and assistance, and the region's conscience. I support the ESCAP report entitled, "Growing Together: Economic Integration for an Inclusive and Sustainable Asia-Pacific Century".

## Dr Noeleen Heyzer

4 The Executive Secretary, Dr Noeleen Heyzer, is one of the world's most admired women. She had a distinguished career in academia and civil society before joining the United Nations. She was the dynamic head of the UN Development Fund for Women (UNIFEM) and was instrumental in persuading the UN Security Council to adopt the landmark resolution on women, peace and security. She has brought vision, dynamism and focus to her leadership role at ESCAP.

## My Three Points

5 In the 15 minutes allocated to me, I will touch on three points. First, I will discuss the benefits of regional economic integration. Second, I will give a brief survey of the different regional economic integration initiatives in the Asia-Pacific region. Third, I will give an assessment of the progress by ASEAN on its target of achieving the ASEAN Economic Community by 2015.

## What are the Benefits of Regional Economic Integration?

6 Is regional economic integration a good thing? I wish to make the case that regional economic integration deserves our support. Why? First, because it promotes peace and prevents war. I wish to recall the fact that the original reason for European economic integration, after the Second World War, was to prevent war and to institutionalise peace. Second, because regional economic integration creates economies of scale. This, in turn, makes business more efficient and more competitive. For example, economic integration would enable ASEAN to compete more effectively with China and India. An integrated economy of 600 million connected people with a combined GDP of US\$1.8 trillion would also be more attractive to investors than 10 individual economies. Third, and the most important reason for supporting regional economic integration is that it creates jobs and enhances human welfare. I agree with ESCAP that it is not enough to produce economic growth. We have to ensure that the growth is inclusive and that everyone benefits from the growing

prosperity. We should also ensure that the growth is environmentally sustainable.

### Survey of Regional Initiatives

7 Let me now turn to survey briefly the different initiatives of regional economic integration in the Asia-Pacific.

8 First, let me begin in the South Pacific. The three major initiatives are PICTA, SPARTECA and PACER-Plus. The Pacific Island Countries Trade Agreement (PICTA) is a reciprocal free trade agreement among 12 Pacific Islands. The agreement is only applicable to trade in goods and is hampered by the fact that there is very little intra-regional trade. The South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) is a 1981 agreement among 15 members of the Pacific Island Forum, including Australia and New Zealand. The Pacific Agreement on Closer Economic Relations Plus (PACER-Plus) is an “umbrella” agreement for the gradual integration of the Pacific Island economies into a single market. I wish to pay my respect to my old friend, Ambassador Neroni Slade, the Secretary-General of the Pacific Islands Forum and assure him of my strong support.

9 Second, the countries of South Asia belong to a regional organisation called the South Asia Association for Regional Cooperation or SAARC. The South Asian Free Trade Area Agreement (SAFTA) was signed in 2004 and came into force in 2006. The main objective of SAFTA is to increase trade within SAARC and to gradually reduce tariffs in order to create a free trade area. After six years, SAFTA has made very little progress. The fact that intra-regional trade is only 10 per cent of the region's trade with the world speaks for itself. The key to the success of SAFTA lies with India and Pakistan. Recent developments between those countries, including the granting of MFN status by Pakistan to India and the agreement to move from a positive list to a negative list, are promising. I also note that, in recent times, several influential thinkers in India have called upon the Indian government to unilaterally grant tariff-free access to the Indian market to all of India's neighbours in addition to Bhutan and Nepal.

10 Third, on Mother's Day, the 13<sup>th</sup> of May 2012, the leaders of China, Japan and the Republic of Korea agreed to launch formal negotiations to conclude a trilateral free trade agreement among them. Given that China and Japan are the world's second and third largest economies and South Korea is the eleventh, this is a very significant development for the world economy and for peace in Northeast Asia.

11 Fourth, it is in Southeast Asia that we find the most ambitious and successful efforts at regional economic integration. I have already referred to ASEAN's plan to establish the ASEAN Economic Community by 2015. The Master Plan on ASEAN Connectivity will facilitate the community building. I should also mention that ASEAN has concluded free trade or comprehensive economic partnership agreements with Australia and New Zealand, China, Japan, Republic of Korea and India (in goods). Both ASEAN+3 and the East Asia Summit are exploring the possibility of concluding free trade agreements among their respective members. ASEAN supports both initiatives and seeks to reconcile them through the framework of the Regional Comprehensive Economic Partnership (RCEP). Finally, I should mention that seven out of 10 ASEAN countries are members of APEC and four ASEAN countries, namely, Brunei, Malaysia, Singapore and Vietnam, are among the nine countries negotiating the Trans-Pacific Partnership or TPP.

12 Fifth, I would like to touch briefly on the situation in Central Asia. Strictly speaking, there is no Central Asian Free Trade Area, in existence or being negotiated. What we do have is the UN Special Programme for the Economies of Central Asia or SPECA. The members of SPECA are Azerbaijan, Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. ESCAP and the Economic Commission of Europe (ECE) are helping the seven countries to strengthen sub-regional cooperation in Central Asia and their integration into the world economy.

## ASEAN Economic Community

13 Let me now turn our attention to the most advanced effort at regional economic integration in our region, the ASEAN Economic Community. The plan is to transform the 10 economies of ASEAN into a single market and production base by 2015.

14 Is ASEAN on track? ASEAN has developed an ASEAN Economic Community (AEC) scorecard to monitor the implementation of and compliance with the AEC Blueprint's commitments. In phase I, 2008 to 2009, the rate of implementation was 86.7 per cent, with 14 outstanding measures in the areas of trade in services, investment and transport. For Phase II, 2010 to 2011, the implementation rate was only 56.4 per cent, with 97 measures completed and 75 measures still outstanding. The overall implementation rate of the AEC Blueprint, from 2008 to 2011, stands at 67.9 per cent. At their Summit, in Phnom Penh, in April 2012, the ASEAN Leaders pledged to "double our efforts to realise the ASEAN Economic Community in 2015". There is much to do in the next three years. By 2015, the rate of implementation has to be raised from 67.9 per cent, in 2011, to 100 per cent.

15 2014 will, therefore, be a critical year. It is also the year in which Myanmar will assume the chairmanship of ASEAN. Concerns have been expressed in some quarters on whether Myanmar will be able to rise to the occasion and exercise its leadership in pushing ASEAN over the finishing line. I am confident that Myanmar will live up to our expectations.

## Conclusion

16 Let me conclude. ESCAP should support regional economic integration in the Asia-Pacific region for three reasons. First, it promotes peace and reduces the danger of war. Second, it makes our economies and businesses more competitive. Third, it promotes economic growth and advances human welfare. I agree with ESCAP that we have to ensure that the growth is inclusive and benefits all our

citizens and not just some of our citizens. I also agree that we need to do a better job in reconciling economic growth with care for the environment. The present trends in our region are not favourable. We are becoming more unequal. We are also growing in disharmony with the environment. Let us pledge, at this forum, to reverse those trends and to build a peaceful, prosperous, equitable and sustainable future for our countries and peoples.

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