



**WELCOME REMARKS BY H.E. SUNDRAM PUSHPANATHAN, DEPUTY SECRETARY-GENERAL OF ASEAN FOR ASEAN ECONOMIC COMMUNITY AT THE ASEAN-OECD INVESTMENT POLICY CONFERENCE, 18-19 NOVEMBER 2010, ASEAN SECRETARIAT, JAKARTA, INDONESIA**

H.E. Mr. Mari Amano, Deputy Secretary-General of OECD,

Ambassadors, Distinguished Speakers,

Participants and Distinguished Guests,

Ladies and Gentlemen,

It gives me great pleasure to be able, together with Deputy Secretary-General of OECD, H. E. Mari Amano, to extend warmest welcome to the Permanent Representatives of the ASEAN Member States, Ambassadors to ASEAN, distinguished guests, speakers and observers from various countries and institutions to the ASEAN-OECD Investment Policy Conference. The main objective of the ASEAN-OECD Investment Policy Conference is to promote experience sharing between ASEAN and OECD countries, and with other countries in other regions on investment related issues, in an effort to further strengthen mutually beneficial cooperation.

**The global financial crisis and prospects of FDI flows in ASEAN**

We have recovered from the dire consequences of the global financial crisis and we know that this recovery remains fragile. We are also aware at the time of such crisis, investment, especially foreign direct investment, plays a vital role in stimulating economic recovery and sustainability. In line with this, efforts to increase and sustain the inflows of foreign investments, adjustments to the investment policies in ASEAN, among other efforts, have been initiated to keep ASEAN as an attractive region for investments in-line with the goal of making ASEAN a region that allows for the free flow of investments.

Even before the economic crisis took effect ASEAN had already embarked on initiatives to make ASEAN an attractive investment region vis-a-vis the formulation of the ASEAN Comprehensive Investment Agreement (ACIA), based on international best practices. Given the competitive global environment for foreign direct investment, ACIA was drafted with the aim of creating a freer and more open investment regime within ASEAN and to also contribute

towards greater ASEAN economic integration Implementation of ACIA would facilitate the transformation and re-emergence of ASEAN into an investment hub that would be able to compete effectively with other emerging economies. The key features of ACIA include comprehensive investment liberalisation and protection provisions; clear timelines for investment liberalisation in line with the ASEAN Economic Community; benefits are also extended to foreign-owned ASEAN-based investors; preservation of ASEAN Investment Area (AIA) preferential treatment; and a more liberal, facilitative, transparent and competitive investment environment.

To further promote and facilitate investment inflows and to create a favorable environment for investors in the region, ASEAN has been engaging with its Dialogue Partners through the signing of Free Trade Area Agreements with several countries, namely with Australia and New Zealand, China, Korea, Japan and India. Negotiations are currently underway on investment and services with India and Japan.

Ladies and Gentlemen,

Allow me to briefly give an update on developments in the economic front in ASEAN. Building an integrated and competitive Single Market and Production Base is a key feature of the ASEAN Economic Community and concerted efforts have been made in that direction.

On Trade Facilitation, the ASEAN Trade in Goods Agreement (ATIGA) entered into force on 17 May 2010. ATIGA is a comprehensive legal instrument covering numerous measures with an aim to have positive impact on the achievement of free flow of goods across borders. ASEAN has also finalised the Protocol 7 of the ASEAN Framework Agreement on Facilitation of Goods in Transit on ASEAN Customs Transit System. As for Services, ASEAN has completed the 7th ASEAN Framework Agreement on Services (AFAS) Package and have signed the 8th AFAS Package Protocol. ASEAN is also making significant progress on finalising parameters to further liberalise the services commitments of the ASEAN Member States under AFAS.

On Competition, ASEAN has published two publications: "the ASEAN Regional Guidelines on Competition Policy" and the "Handbook on Competition Policy and Law in ASEAN for Business" in August 2010. These two pioneering documents are expected to facilitate the introduction and maintenance of a level playing field and to improve further the regional business environment for domestic and trans-national enterprises operating in ASEAN. As for Small and Medium Enterprise Development, ASEAN has completed the development of the Strategic Plan of Action for ASEAN Small and Medium Enterprises (SME) Development 2010-2015 which is to replace the ASEAN Policy Blueprint for SME Development 2004-2014.

On ASEAN Connectivity, ASEAN Leaders has recently adopted the Master Plan on ASEAN Connectivity at the 17th ASEAN Summit, which identifies key strategies and actions to enhance the connection of the region in three dimensions: physical, institutional, and people-to-people connectivity. Enhanced connectivity between ASEAN Member States will encourage competitive growth; facilitate economies of agglomeration and integrated

production networks; increase intra-regional trade; and significantly enhance cross-border investments.

In this regard, in the Transport sector, the ASEAN Multilateral Agreement on Full Liberalisation of Passenger Air Services has been signed by the ASEAN Transport Ministers in November 2010. This Agreement, together with the Multilateral Agreement on Air Services and the Multilateral Agreement on Full Liberalisation of Air Freight Services signed in 2009, will assist ASEAN to achieve its Open Skies Policy, which forms the backbone of the now-being-developed ASEAN Single Aviation Market. The Brunei Action Plan (also referred to as ASEAN Strategic Transport Plan 2011-2015), which was also adopted by the ASEAN Transport Ministers in November 2010, is expected to intensify and accelerate works on enhancing the ASEAN transport, the establishment of the ASEAN Single Aviation Market and the ASEAN Single Shipping Market, and infrastructure connectivity. These achievements in transport sector are expected to have a significant impact on flows of intra-ASEAN investment as well as on cross-border investment with the Dialogue Partners.

The UNCTAD 2010 World Investment Report shows a prospective future for ASEAN and the developing countries in general in terms of attracting FDIs. According to this report, the developing countries attracted half of the global foreign direct investment in 2009 and remain a favorable destination for FDI inflows in the years to come, given the continued impact of the global financial crisis. In relation to this, I am pleased to note that ASEAN's share of total global foreign direct investment inflows increased to 3.6% in 2009, from 2.8% in 2008, despite the economic downturn. These figures reflect well of the ASEAN's ability to continue to attract a consistent share of FDIs.

This optimistic outlook for ASEAN is also shared by the UNCTAD's 2010 World Investment Report which estimates that there will be an increase of global FDI flows at US\$1.2 trillion in 2010 and at US\$1.3-1.5 trillion in 2011. The report also lists four ASEAN economies among the top economies to host foreign direct investment inflows for the period 2010-2012 (*World Investment Report 2010, p.25*)

### **ASEAN-OECD Regional Cooperation**

Ladies and Gentlemen,

On ASEAN-OECD regional cooperation efforts, both ASEAN and OECD have been engaged in regional cooperation for the past several years. The real push for the cooperation came when in May 2007, the OECD Ministerial Council adopted a Resolution to expand OECD's relations with Southeast Asia.

Since then, OECD has been pursuing a strategy of engagement with and in ASEAN that combines both regional initiatives with country-specific work. Various activities between ASEAN and OECD have been implemented and more are currently being planned and pursued. At the regional level, activities that are currently being explored by the ASEAN Secretariat and OECD Secretariat include cooperation in regulatory reforms, investment policies, and financial markets.

In the area of investments, ASEAN and OECD have organized two regional forums to strengthen cooperation between the two organizations. The 1st OECD-Southeast Asia Regional Forum on “Peer Review Mechanism for Policy Reform” was organised in January 2007 in Jakarta, Indonesia which resulted in a publication entitled “Shaping Policy Reform and Peer Review in Southeast Asia: Integrating Economies amid Diversity”. The 2nd OECD-Southeast Asian Regional Forum on “Enhancing Competitiveness through Regional Integration” was organized in April 2009 in Bangkok, Thailand, which resulted in further engagement including this event.

Other joint-activities include “ASEAN Special Dialogues with the OECD” which was just concluded in October 2010 in Paris, where ASEAN introduced the ASEAN Comprehensive Investment Agreement to the members of the OECD Investment Committee. I am pleased to inform, based on the feedback of the visit, that these activities have generated positive feedback from the members of the OECD’s investment committee as well as expressions of interests to engage both the regions in further dialogues.

The OECD has also been communicating with the ASEAN High Level Task Force on ASEAN Economic Integration (HLTF-EI) and the ASEAN Secretariat on a possible multi-year programme of ASEAN-OECD activities on regulatory reform, including investment facilitation. An ASEAN-OECD Workshop on Regulatory Reform will be held on 25-26 November 2010 in Hanoi, Vietnam, and this Workshop will be essential in bringing stakeholders from the region to discuss the regulatory reform issues both at the regional and national levels.

At the national level, several ASEAN Member States and the OECD have developed strategic partnerships, striving for mutual benefits and growth in economic development. Country specific cooperation programmes too have been developed and successfully implemented. The OECD and some ASEAN Member States, such as Viet Nam, Indonesia and Cambodia have been cooperating for the past few years on the application of OECD’s Policy Framework for Investment and the conduct of Investment Policy Reviews.

In the meantime, investors from the OECD countries have been showing increasing interests in ASEAN as the destination to invest. The latest FDI Statistics shows that although foreign direct investment flows from the OECD economies into ASEAN in 2009 fell by 19% from 23 billion USD in 2008 to 18.7 billion USD in 2009, the share of OECD countries of the total FDI inflows to ASEAN remained consistently significant at approximately **47%** for both the years 2008 and 2009. The OECD share of ASEAN inflows is likely to be even higher if investment channeled through existing affiliates in one ASEAN member state to the rest of ASEAN is included. This signifies that OECD countries’ interest in the ASEAN region remains upbeat and shows continued confidence in the ASEAN region.

## **Conclusion**

In closing, I would also like to underscore the commitment of ASEAN in maintaining our effective partnership for mutual benefits.

On the 50th anniversary of the establishment of the OECD, I offer my warmest congratulations to the organization as well as leaders of the OECD countries. Collectively, the OECD economies have come a very long way in the past fifty years. I wish the OECD a happy anniversary in 2011 and greater success and achievement in the years to come.

Finally, I would like to officially declare the ASEAN-OECD Investment Policy Conference open and wish all the participants fruitful deliberations for successful outcomes at the end of the Conference.

Thank you.

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