

OPENING REMARKS BY Mr. AMANO,

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Your Excellencies, distinguished Chairs, Ladies and Gentlemen

Many thanks for the kind words of introduction.

I would like to take this opportunity to express my gratitude to our hosts and co-organisers, the ASEAN Secretariat, for making this conference a true partnership event. We welcome the opportunity to work with the ASEAN policy community, to share experiences in advancing reforms and to discuss how to improve the business climate.

This ASEAN-OECD Investment Policy Conference is part of the continuing and deepening dialogue between the OECD and ASEAN to share experience and good practices in investment policies. In fact the collaboration with the ASEAN Secretariat is one of the pillars of the Asian projection of the OECD. In recent years we have discussed “peer review” as mechanism for co-operation at the 2007 OECD – Southeast Asia Regional Forum; and the Secretary General of ASEAN joined me in opening the second Regional Forum last year where we have explored ways to enhance competitiveness through regional integration. In addition, the first Southeast Asian Economic Outlook was launched in Tokyo last week.

Over the past 20 years the global economy has undergone a structural transformation. The world’s economic centre of gravity has moved towards the east and south, from OECD members to emerging economies. This re-alignment of the world economy is not a transitory phenomenon, but represents a structural change of historical significance. In a recent report, the OECD has dubbed this phenomenon “shifting wealth”.

Asia is at the core of this transformation and there is an expectation that, within our generation, the ASEAN economies could become a powerhouse for world economic development. In fact the relative position of the region in the world economy has been reinforced by the global crisis. Released on 13 September, the Asian Business Cycle Indicators of the OECD point towards steady growth based on sound exports and strong domestic demand supported by improved business sentiment.

Countries in the region have not just been growing – they have been growing quite wealthy. Economic reform and political stability have contributed to high, sustained rates of domestic savings and investment – far beyond those of other developing countries and of most OECD economies as well.

However, I would like to underline that there is not yet such a thing as an “Asian economy”. Major disparities remain within the region. Impressive wealth creation and technological sophistication still coexist with poverty and unresolved development challenges.

While some Asian countries have done well on the strength of their domestic savings alone, many others rely on a degree of external finance as well. Thanks to good business prospects and improved investment climate, direct investment inflows in Asia have grown in volume over time and are now much higher than they were before the Asian crisis. UN figures for FDI into the whole of South, East and South-East Asia show inflows up six-fold from 46 billion US\$ in 1993 to 282 billion US\$ in 2008, before levelling off in 2009. Much of this success belongs to China: over the past three years inflows averaged almost 88 billion US\$ per year.

Taking a long term perspective, ASEAN countries have not lagged far behind. Given the size of their economies, in the last decade countries like Thailand and Malaysia have fared almost as well as China. More recently, Vietnam has emerged as an important destination for international investment. However, the crisis and the rising competition from China have made the situation more difficult for some of the ASEAN countries where foreign direct investment flows have slowed rapidly. Middle-income ASEAN countries such as Malaysia, Thailand, Indonesia and the Philippines are now facing the major challenge of improving their competitiveness and attractiveness as hosts to FDI in a rapidly changing economic environment.

Effective policies require a better understanding of the different patterns of investment flows into South and South-East Asia from different parts of OECD. According to the results of an annual survey of Japanese investors, every year since 1993, China has been rated as the best place to invest – but the five ASEAN countries have been in the top ten every year for the last decade. Moreover, recent analytical work, including presentations at this conference, show that ASEAN increasingly benefits from investment flows from Europe and North America.

Let me go back for a while to the broader picture of changes in the global economy. South-South FDI has also increased. China is the largest developing country outward investor with an investment stock estimated at more than USD 1 trillion. However, the phenomenon is broader, with growing activity from many firms in Brazil, India and South Africa, as well as new smaller outward investors from countries like Chile and Malaysia. Examples included the investment by the Chinese diaspora into mainland China.

South-South investment has enormous untapped potential for low-income countries. Southern multinationals, for example, are more likely to invest in countries with a similar or lower level of development since they often have technology and business practices tailored to developing country markets. Against this background, Asian economies are emerging as partners to OECD’s investment policy community, faced with similar choices and challenges in designing their investment policies.

I am convinced that this is the right place at the right time to deepen our collaboration to achieve common goals. Our organisation has much to offer the countries of the region. For example, fewer than three weeks ago the OECD Secretary-General was in Jakarta to present the

findings of the Investment Policy Review of Indonesia. At this event, Indonesian Minister for Finance Martowardojo explained his government's important policy efforts to reform the Indonesian economy in order to attract more investment. This demonstrates that the political will and leadership needed does exist to address internal constraints and create a policy environment that attracts foreign investment. The OECD would like to use its accumulated experience, know-how and various forums to collaborate with Indonesia and other Asian countries in achieving such economic goals.

We also have a lot to learn from the region's experience. Let me congratulate ASEAN countries for what they have achieved: the rest of the world is taking notice of this sweeping transformation and companies from OECD member countries have poured over USD 330 billion into ASEAN economies. This amount is indeed far more than what the same OECD-based enterprises have invested in China and India combined.

We at the OECD look forward to making this conference a fruitful one by taking a practical and constructive approach and linking experience and action. I encourage you to pinpoint the priority areas for enhanced investment policy cooperation between Asian countries, OECD and other international organisations.

Thank you.