Remarks
By
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Your Excellency
Carrie Lam, Chief Executive, Hong Kong SAR
Lord Stephen Green of Hurstpierpoint, Chairman of Asia House
Distinguished Guest,
Ladies and Gentlemen

I would like to start by congratulating the Asia House for the holding of its Signature Conference at this appropriate time and for the astute theme of Asia Trade in the New Global Order.

I am pleased to share with you today the ASEAN perspective to this theme. Focusing on three points: the ASEAN's outlook on globalisation, free trade and regional integration; how will the AEC maintain its upward trajectory and growth momentum; and how is ASEAN positioning itself in the global trade governance.

On the first point, in recent years, we have observed growing protectionist sentiment and economic nationalism and populism particularly in the West as evident in recent events such as the US's withdrawal from the TPP and Brexit.

These trends are somewhat more subdued in the region, and the general sentiment to the open regionalism approach that ASEAN has been following remains positive.

The AEC Blueprint 2025, the masterplan that guides ASEAN's further economic integration agenda after the formal establishment of the AEC, explicitly recognised "a Global ASEAN" as one of its five main characteristics.

The Blueprint outlines a more pronounced external economic relations strategy going beyond just free trade agreements to also look at strengthening strategic engagement with regional and global partners, adopting common position in regional and global fora, enhancing engagement with non-FTA partners, supporting multilateral trading system and promoting engagement with global and regional institution.

In practice, during the week of the 31st ASEAN Summit and Related Summits just 2 weeks ago, we have observed the signing of the ASEAN-Hong Kong, China Free Trade Agreement and ASEAN-Hong Kong, China Investment Agreement; the conclusion of negotiations on trade in services, movement of natural persons and investment under ASEAN-Japan Comprehensive Economic Partnership; and the holding of the first ever RCEP Summit. All these send out a clear message that ASEAN is ready and open for business.

Similarly, the recent progress made by remaining TPP countries is important not only in substance but also in signalling that in many parts of the world, globalisation and trade continued to have that political support.

ASEAN, however, will not take the current support to globalisation, trade and regional integration for granted. A key lesson to be learned from the growing anti-globalisation rhetoric is the need to recognise and address early public misperceptions and discontents on the perceived impacts of globalisation and trade.

ASEAN's current success can be attributed to it being deeply embedded in the global value chains, with the region – collectively – ranked fourth top trading economy and 5th largest FDI recipient in 2016. It is not possible for the region to turn its back against its very strength. It is therefore important to ensure that the AEC is participatory and inclusive, so its potentials and benefits can be shared broadly among the stakeholders, across and within the member states and even beyond.

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On the second point, ASEAN's growth performance has indeed been robust and the region has grown into a recognised global growth centre. With growth averaging at 5.1% annually from 2010 to 2016, ASEAN's growth consistently outpaced global growth.

In 2016, ASEAN's combined GDP put the region – collectively – as the world's 6th largest economy, or third largest in Asia. And if the current growth momentum can be maintained, the region is set to become the world's fourth largest in just a matter of decades.

While the fundamentals are strong, from having a relatively young population, hence a broad productive-age workforce to a growing middle class population that could readily serve as a dynamic market, ASEAN must not turn complacent. The current work must continue and efforts intensified, particularly in the area of trade facilitation, connectivity and narrowing the development gap.

At the same time, the world is also evolving rapidly and less predictably. In the face of global megatrends and emerging issues, ASEAN must go above and beyond its usual way of conducting business. An important backdrop to this is the onset of the fourth industrial revolution which would affect not only how we do business, but also how we live, how we interact with each other and how we govern and be governed.

The digital age calls for – in addition to the imperative change in mindset – different regulations, nimble institutions, digital-ready curricula, skills and workforce. All these cannot be done overnight, but ASEAN cannot afford any further delay.

The intensification of work on electronic commerce under the new Blueprint is a good start, the key will be in the implementation – both at regional and national levels. But even electronic commerce covers only a small part of the digital age, more thoughts must also be given to related issues such as fintech, cybersecurity, among others. Conversations must also take place comprehensively and holistically across the ASEAN Community.

Beyond the fourth industrial revolution, to maintain growth momentum and trajectory, the AEC must also address the issue of sustainability as part of its growth strategy. Growth and sustainability are not mutually exclusive. In fact, properly addressed, sustainability could turn into a strength and a comparative advantage for the region to build its long term competitiveness.

ASEAN must also leverage on the potential of its micro, small and medium enterprises (MSMEs) and the region's entrepreneurial spirit. MSMEs, start-ups and enterpreneurs are new sources of innovation and hence their value, development and internationalisation must be actively encouraged and promoted.

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On the third point, given its growing economic prowess, ASEAN must no longer see itself as a rule-taker in the global and regional economic architecture and trade governance. Moving forward, it will be expected to take a more proactive role particularly in the context of shifting geo political economy which has led to a change in the proponents of the markets and multilateral trading system.

ASEAN will need to continue to reinforce its centrality in the emerging regional economic architecture. ASEAN's involvement and leadership in the Regional Comprehensive Economic Partnership (RCEP) negotiation with its six FTA Partners is a linchpin of its external relations strategy.

A successful conclusion of the RCEP will see the creation of the world's largest trade bloc, covering almost half of the world's population, almost a third of global trade and output and a fifth of global FDI flows.

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In closing, ASEAN can and should be expected to play a greater role in the new global trade order. The region is unlikely to turn inwards. To maintain growth momentum, ASEAN will go over and above the business as usual, leveraging on the power of innovation and entrepreneurship.

The region also will not shy away from influencing and shaping the regional economic architecture, one which would embrace innovation and partnership. The coming years will be an exciting period for ASEAN. I therefore look forward to welcoming you to invest in and grow with our region. Thank you.