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FOR ASEAN ECONOMIC COMMUNITY,  
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***“Standards and Conformance: Building a Competitive  
ASEAN Single Market”***

Honourable Chair and Leaders of ACCSQ  
Distinguished Speakers and Participants  
Ladies and Gentlemen

Good morning. I am pleased to be here today participating with you in this important forum on standards and conformance. I would like to take this opportunity to highlight to you the key developments in the ASEAN Economic Community and the need to progress the community's work on Technical Barriers to Trade (TBT) to support ASEAN economic integration.

As you are aware, ASEAN, on the 15<sup>th</sup> of December 2008, celebrated a historic occasion with the entry into force of the ASEAN Charter. It was a momentous day for ASEAN, a historic milestone, placing ASEAN in a better position to meet the challenges of the 21<sup>st</sup> century and paving the way for a brighter future for the people of ASEAN. The ASEAN Charter will put in place a new legal and institutional framework transforming ASEAN into a rules-based regional community to better address the challenges posed by community-building, competition, expansion of ASEAN's external linkages, rapid globalisation and the ongoing global financial crisis.

The ASEAN Charter will be instrumental in the establishment of the ASEAN Community by 2015 encompassing the Political and Security Community, the Economic Community and the Socio-Cultural Community. This is indeed a natural progression for ASEAN towards the next level of regional integration. This new paradigm for integration is timely for ASEAN with the rise of emerging Asian economies which has reinforced ASEAN's determination to create a stronger, more cohesive, competitive ASEAN and to ensure ASEAN continues to play the central and catalyst role in the evolving regional architecture.

The goals of the ASEAN Economic Community 2015 emanates from the ASEAN Leaders' vision to transform ASEAN into a stable, prosperous and highly competitive region functioning as a single market and production base characterised by free flow of goods, services and skilled labour, and a freer flow of capital, along with equitable economic development and reduced poverty and socio-economic disparities within and across its Member States. This vision and commitment is espoused in the ASEAN Economic Community Blueprint, adopted by the ASEAN Leaders in 2007. The Blueprint sets out the action agenda for economic integration that include, among others, elimination of tariffs and non-tariff barriers to trade.

Intra-ASEAN trade is currently 25% of ASEAN's total trade of US\$1.6 trillion. This is about US\$ 400 billion of trade within the ten ASEAN Member States in 2007. Record FDI flows into ASEAN were witnessed just before the crisis, especially into the newer ASEAN Member States. Total ASEAN FDI rose to a record high of US\$63.3 billion in 2007. Intra-ASEAN investments continued on its upward trend, increasing to US\$9.5 billion in

2007, or a share of 15% of total FDI into ASEAN. In services, progressive liberalisation is taking place with more and more services sub-sectors opened for pan-ASEAN investment and FDI flows. ASEAN, as a whole, accounts for US\$331 billion or 5.2% of global trade in services in 2007.

ASEAN has to enhance intra-ASEAN trade and investment to sustain stronger growth and development and at the same time promote economic integration in the coming years. The ASEAN business sector is expected to be the driver of this integration. At the same time, ASEAN will have to diversify its export markets while strengthening trade with its traditional partners. The same will apply for investment.

The ASEAN Leaders addressed the recent global economic and financial crisis during the 14<sup>th</sup> ASEAN Summit and concurred on the necessity for proactive and decisive policy actions to restore market confidence and ensure continued financial stability to promote sustainable regional economic growth. To this end, they agreed to stand firm against protectionism and to refrain from introducing and raising new barriers to trade as well as to stay open to regional and international trade.

As we seek to enhance economic integration and facilitate the business sector role in the integration process, much of the direction is already provided for in the AEC Blueprint. The Blueprint includes, among other measures, trade facilitation initiatives, which play a major role in the path towards an integrated economic region. As tariff barriers continue to be addressed under the Common Effective Preferential Tariff (CEPT) Agreement for AFTA, the emphasis and focus under the trade facilitation

initiatives is now beginning to shift towards customs, sanitary and phyto-sanitary measures and standards, technical regulations and conformity assessment procedures.

One of the components of the trade facilitation initiatives is the reduction, if not complete elimination, of the TBTs. As you will be fully aware, it is imperative that Member States ensure that these TBTs are not applied in a manner that would create obstacles to trade or result in trade restrictive measures. TBT measures should only be applied to fulfil legitimate objectives such as the protection of the environment, consumers (prevention of deceptive practices), workers, national security, and human, animal, and plant life and health. Mandatory product regulations, voluntary product standards, and conformity assessment procedures which may include procedures designed to test a product's conformity with mandatory regulations or voluntary standards, can become obstacles to trade within ASEAN and internationally if uniquely developed to protect the trade of a Member State.

Simplification and harmonisation of standards, technical regulations and conformity assessment procedures, without compromising the legitimate objectives of safety, health and the environment, should be adopted as a measure to create a single market and production base as well as to ensure free movement of safe goods in the region. Common standards among ASEAN Member States, mutual recognition of conformity assessment procedures as well establishment of common technical regulations in ASEAN will be a move towards reduced bureaucracy, which will attract more business into the region as there would be only one

common regulation to comply with when doing business in ASEAN among ten Member States. This harmonised singular approach in ASEAN, which will support the building of a Single Market, will benefit every level.

First, the consumers will have a wider choice of safe and high quality goods resulting from the increase in competition, and quick access to new and innovative products at a competitive price. Second, the industry will be competing in a level playing field with reduced bureaucracy when placing products in market. Third, Small and Medium Enterprises will have increased business capability and business opportunity. Fourth, regulators administrative burden will have reduced through shared responsibility with manufacturers in ensuring safe products in market of Member States. Fifth, Member States, in general, will have increased trade opportunities. Sixth, ASEAN as a region will be able to boost its image and credibility as a highly competitive region fully integrated into the global economy, especially with the adoption of international standards.

A more integrated, competitive and business friendly ASEAN will help to attract new investments and ensure businesses already operating in ASEAN would reinvest in ASEAN thereby effectively meeting the competition coming from other Asian economies especially with the shrinking pie of foreign direct investments due to the global financial crisis. Foreign investment, especially now, is critical to all ASEAN Member States for job creation, new technology transfer and to open up access to markets around the world. International investors' main approach has been to target countries with the best economic, social and political environment for the success of their ventures and to minimise business risks.

As individual economies, the ten Member States of ASEAN may not always figure sufficiently highly in the minds of potential investors but collectively, ASEAN represents a market of over 570 million people with a gross regional product of US\$1.1 trillion, and total trade of about US\$1.6 trillion. ASEAN stands a better chance of attracting foreign investments if we are more integrated.

Collectively, ASEAN Member States have negotiated free trade areas (FTAs) or comprehensive economic partnership (CEP) agreements with Dialogue Partners as part of the region's outward-looking strategy to remain a vibrant and dynamic player in the global market for trade and investment. These FTAs or CEPs all aim to create a bigger market for ASEAN goods and services, attract foreign direct investments into the region, promote economic cooperation to contribute to ASEAN's efforts to narrow the development gaps among its members, and to ensure that ASEAN, as a region, remains competitive vis-a-vis other major global players. At the heart of these FTAs is the liberalisation of all barriers to trade in goods.

In all these FTAs, tariff elimination is significantly supported by trade facilitation initiatives which come mostly in the form of harmonisation, mutual recognition or equivalence of mandatory requirements to reduce the bureaucracies to minimise if not totally eliminate the trade restrictiveness of TBTs. FTAs are mechanisms adopted by partners with the same goals to reap the benefits of open trade at a faster rate than may be possible under the WTO with its more diverse membership. These FTAs do not only intend to serve as catalysts to a broader economic integration in the East Asian

region but also aim to serve as building blocks to the multilateral trading system.

ASEAN has concluded FTAs with China, Japan, South Korea and Australia-New Zealand and is negotiating an FTA with India. FTA negotiations on the TBT provisions could benefit from a unified single system for standards and conformance not only among the ten Member States but between ASEAN and its FTA partner as well. This challenge therefore calls for ASEAN to accelerate its efforts towards a common framework for regulatory and standardisation regimes so as to support these and future negotiations as well as to continue its role as a key element in trade facilitation.

As such, I would like to urge the ACCSQ as the body given the mandate to facilitate ASEAN economic integration by reviewing its TBTs in the form of standards, technical regulations and conformity assessment procedures in ASEAN Member States. ACCSQ will need to look at the bigger picture of the role of standards and conformance in ASEAN economic integration and chart the vision and direction for standards and conformance in ASEAN.

In this regard, let me suggest three approaches that the ACCSQ could take up. First, the ACCSQ could start accelerating its efforts to eliminate TBTs by addressing differences between national laws, standards, and conformity assessment procedures towards a broader and horizontal approach. Harmonising standards, technical regulations and conformity procedures for every product category by way of a sectoral approach can be a lengthy process. ACCSQ should consider an ASEAN-wide package

that harmonises the essential requirements of safety, health and the environment. Products meeting these essential requirements can then be placed in the ASEAN market confidently.

Second, the ACCSQ should also look into the development of harmonised standards that support ASEAN commitment to meet the essential requirements of safety, health and the environment. Harmonised standards are voluntary but these standards should ideally support the legislative requirements to support the technical aspects of the ASEAN policies and commitment to sustainable development with welfare and well-being of the peoples of ASEAN in the centre of the community building process.

Third, in areas where harmonisation cannot be achieved, ACCSQ could consider the mutual recognition of products manufactured legally and in conformity with the technical requirements and regulations of the exporting Member State. This approach will avoid the systematic creation of detailed rules at the ASEAN level but ensures greater observance of national traditions and diversity of products which come onto the markets.

These approaches would indeed be a challenging task for the ACCSQ but nevertheless, when the foundations are laid, this will be a cornerstone of building a competitive ASEAN Single Market as standards and conformance are strategic tools to raise business competitiveness and a major driver of economic growth through free movement of safe goods in ASEAN.

Thank you.