



## ASEAN: An Economic Pillar of Asia

Singapore, 2 March 2018

**Speech by European Commissioner for Trade Cecilia Malmström**

*ASEAN Business Conference*

Ladies and gentlemen,

Thank you for inviting me here today. First I would like to thank our Singaporean hosts – in particular, Minister LIM Hng Kiang. The Minister's and Singapore's commitment to free and open global trade are very important. It is an example of a common value we share. Singapore is a gateway to Asia, and Asia is an increasingly important region for the EU, as we heard this morning. Our total trade in goods with Asia as a whole is 1.4 trillion EUR, a number that dwarfs every other region.

It is no news that as a mood of protectionism takes hold in some places, the EU looks to its friends in Asia more and more. Friends who see the value of open economies. As a **key economic pillar of the region**, ASEAN is a natural partner. The EU is ASEAN's 2<sup>nd</sup> largest trading partner after China. It accounts for around 13% of ASEAN trade. The EU is by far the largest investor here, with around 19 billion EUR coming into the region annually.

The EU is important to ASEAN, and as our 3<sup>rd</sup> largest trading partner after the US and China, ASEAN is important to the EU. We put particular value in our relationship, as we both believe in open and fair markets. These ideals are not always respected by other partners, and are increasingly threatened in the world today. But our partnership is strong and we can together overcome these threats.

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Even as we speak: Machine parts from Thailand are crossing the ocean to car manufacturers in Germany. Clothing from Vietnam is being stocked on shelves in Spain. Rice from the Philippines is filling bowls in the UK. And many of these goods originated or transited in the Singapore harbour.

There is a lot to be gained from cooperation, And we are already working together on a country-to-country basis. Singapore and the EU have come to a comprehensive free trade agreement. In mid-April, the European Commission hopes to submit it for final approval, and after that it will be in the hands of our Parliament. We hope that it can enter into force by the end of the year. We have a deal with Vietnam we want to submit too. Last year we opened negotiations with Indonesia and we had a fruitful round last week.

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These agreements are important in their own right, but they are also part of a bigger picture. We see them as building blocks on the way to a broader integration. Our regions have much in common and much to share. We both believe in open global trade, we both find strength in diversity, and we are both forward looking and future-oriented.

The EU-ASEAN working group is looking at a region-to-region free trade agreement. They had their first meeting last year. There was not yet a lot of progress and more work lies ahead if we want to lay solid foundations for a resumption of the actual negotiations between our regions. But building consensus is a long-term process. It will take time. We understand this and are committed to building a partnership.

The EU is working hard in negotiations at the moment. We are building a circle of friends around the world. It is made up of countries that share a belief that open trade is a good thing. We have an ambitious agreement with Canada. The agreement with Japan should also enter into force hopefully this year. We are close to closing deals with Mexico and Mercosur. We launched negotiations to modernise our agreement with Chile. We will open negotiations later this spring with Australia and New Zealand.

We would like ASEAN to join this circle of friends eventually. You have already shown your commitment to trade in TPP and RCEP negotiations. A regional agreement would send a strong message to the world, that ASEAN, the EU and other partners stand shoulder-to-shoulder in support of open trade. To the benefit of our companies – big and small – citizens and consumers.

A strong and united ASEAN on the global stage needs further regional integration. This ambition is highlighted in ASEAN's motto; "One vision, one identity, one community." We encourage you in this goal, but we also understand the challenges. There is diversity in interests, opinions and cultures in the region. This is something we understand in Europe. Indeed, it is no surprise that the EU's motto is "United in Diversity". Coming together and agreeing is difficult, but worth it. Together we are so much stronger.

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These are global issues. And it is appropriate that we discuss them in Singapore. It has been called the 20<sup>th</sup> century's most successful development story. I can't think of any other economy that has had such rapid growth, full employment and good social indicators.

It is a bastion of free trade: an example of what very low tariffs and few non-tariff barriers can do. As a result it is connected to the world in an unprecedented way. It has the second busiest port in the world. Last year I visited it. It made quite an impression on me. I also come from a harbour city, but it is much smaller. Each year, 140,000 vessels transport enough cargo to stretch halfway to the moon. This cargo leaves from Singapore to be delivered all over the world. And I hear that soon it will be expanded!

The scale and ambition of this operation shows that Singapore is truly a country with a global view.

At the moment we need a global view. Climate change, globalisation, inequality. We are facing global challenges that need global solutions. This is why the EU, like ASEAN, is committed to the multilateral trading system. We still believe it is the best way to create an international rules-based order.

The recent round of negotiations of the World Trade Organisation was disappointing. I was in Buenos Aires. I saw deep divisions in Members' positions and failures in the WTO's negotiating function. There is a lack of political engagement and leadership in the system. This needs to be fixed.

Basically, there are a few within the organisation who want to stop progress. Those who want to move forward should not be held hostage. More flexibility is needed in discussions. And there are potential solutions. We could let members move forward at different speeds, allowing countries to integrate and meet criteria at different times.

Exploring this option would allow us to make progress in key areas such as:

- subsidies
- e-commerce
- domestic regulation in services
- investment facilitation

Creating plurilateral agreements will also apply pressure to those being more difficult. It is not a way of undermining the multilateral system. It is a way of saving and unblocking it.

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I was glad to see that one of Singapore's priorities for its Chairmanship is deeper ties with external partners. Commitment to a multilateral system is a natural conclusion of this, as is deepening ties with the EU.

I was glad to see that the priorities were shaped by business and other stakeholders. You are best placed to give perspectives on trade and markets. You work on the ground and can give us that feedback. Indeed, Minister LIM called on businesses last month to continue to give feedback throughout Singapore's Chairmanship. Another priority that addresses a global challenge is in energy security.

I was glad to see energy efficiency and renewables mentioned. The EU is committed to promote and protect the environment. This is yet another value we share.

There is a Cambodian proverb that I like. "You don't have to cut a tree down to get at the fruit." We believe in free trade, but not at the cost of sustainability.

We believe in openness, but not at the expense of our values. We seek to grow, but not when it hurts our society. This is why EU trade agreements contain provisions that strengthen society. They are modern, values-based agreements with transparency, high-standards, and fairness at the core.

If we want sustainable economies, we need sustainable communities.

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Sustainability leads to strength in the long term. And we want strong partners in ASEAN. Especially given the rising pressure from China. This is why we support the development of the region through our Generalised System of Preferences.

For example, Indonesia and Vietnam benefit from lowering of tariffs on over 66% of EU tariff lines. Our GSP strengthens economies and provides livelihoods. It's critical to helping businesses establish themselves in global value chains.

Countries like Laos and Cambodia, as Least Developed Countries, benefit even further. They are both beneficiaries of our Everything But Arms scheme. This grants full, duty free and quota free access to the EU for all products except arms and ammunition.

Regional development in ASEAN cannot leave behind the Least Developed Countries, and as committed partners of ASEAN the EU is willing to do its part.

These countries do not have to open their markets to us in the same way we open to them. However this access does not come without responsibility. We only support countries who sign up to UN conventions on human rights, environmental cooperation and basic labour rights.

And if there are systematic violations of these principles, there is scope for removing preferential access. We work with the countries to help the conventions become a reality, supporting partnerships between business, trade unions, NGOs and authorities.

So do many of you.

And we do so in a sustainable way that strengthens civil society as they develop. To create real change, everyone must accept it willingly.

This is not the only way we contribute to development in the region. I am happy to announce a 9 million EUR pilot project on responsible supply chains. We will work with the OECD, ILO and key partners in the region, such as China, Japan, Myanmar, Vietnam, Thailand and the Philippines.

The project aims to do two things.

First, it will help investors and businesses understand their responsibilities. Second, it will help create policy environments that promote responsible conduct and dialogue. It will also support coordination across the region for maximum effectiveness. A fair society is a sustainable one, and a sustainable society is a strong one.

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Last year we celebrated 60 years of the European Union. Up until the EU's foundation, Europe had been a violent place. It had been hard to imagine our continent at peace. Now it is hard to imagine our continent at war. Peace came not just from the political constructs, but from the interconnectivity of our economic interests. Business led the way, building connections across borders. This led to peace, and peace led to development. The more open our economies became, the more we prospered. This is where our commitment to open trade comes from – from experience.

We are now entering a new chapter of open trade. This time the connections are built beyond regions, and extend to the world. Globalisation is transforming the world.

And sometimes not for the best. We need to shape it and harness it. Trade is one of the tools to do this.

Trade is a formidable tool for growth. It can also be used to address global challenges. It has lifted millions out of poverty. When used correctly, it can help us develop sustainably and inclusively. It can help us shape the global order and create global rules.

As an important partner and friend, we look forward to working with ASEAN to do this.

Thank you.