

**REMARKS BY MINISTER FOR FOREIGN AFFAIRS DR VIVIAN BALAKRISHNAN
AT THE 4TH EU-ASEAN BUSINESS COUNCIL AGM GALA DINNER
27 JUNE 2017**

Mr Donald Kanak, Chairman of the EU – ASEAN Business Council
Dr Michael Pulch, EU Ambassador to Singapore,
Mr Francisco Fontan Pardo, EU Ambassador to ASEAN,
Distinguished members of the business community,
Ladies and Gentlemen,

1 A very good evening to you all.

2 Let me begin by expressing my heartfelt appreciation to the organisers for this chance to address you tonight. I am going to share my thoughts, frankly and openly, on three topics. First, I would like to take stock of Singapore–EU relations. Second, to place this within the broader context of ASEAN- EU relations. Third, some of the political and trade related challenges that are confronted by ASEAN and the EU.

Singapore–EU Relations

3 First, let me touch on Singapore–EU relations. Singapore and the EU enjoy excellent and substantive relations, and this is underpinned by multi-faceted cooperation in a whole host of areas. Our leaders meet regularly. Indeed, in the last eight months, we have hosted the leaders of France, Netherlands and Luxembourg in Singapore. Our President Tony Tan made State visits to Italy, Poland and the Czech Republic, all that in May alone. At the invitation of German Chancellor Angela Merkel, my Prime Minister will attend the G20 Summit in Hamburg next week, and all these visits underline and reaffirm the Singapore–EU relationship, and help to maintain mindshare in our respective regions.

4 As many of you here tonight are part of the European business community in Singapore, you would be aware that the Singapore–EU economic relationship is as robust as ever. Singapore’s trade with the EU accounts for approximately 11% of Singapore’s total trade with the world, and the EU was Singapore’s third largest trading partner in 2016 with total trade valued at S\$93.2 billion. Singapore is the EU’s largest trading partner within ASEAN, as well as the top FDI source and destination, amongst the ten ASEAN countries. According to the EU-Singapore Trade and Investment Report 2016, the stock of ASEAN’s investments in the EU in 2014 was around €54 billion, of which Singapore alone accounts for around 80% or €44 billion. Singapore also accounts for more than half of the EU’s stock of investments in ASEAN in 2014. These figures are testament to the strong Singapore-EU ties, and of the key catalytic role that Singapore plays in forging closer ASEAN-EU relations. I would also hasten to add that these impressive numbers reflect the hard work of all you in the business community, representing your corporate sectors of the European Union in Singapore. A big thank you to all of you for working so hard and keeping those numbers up.

5 The well-established presence of European companies in Singapore from our largest trading partners which includes Germany, France, the Netherlands and the UK, forms a strong foundation of the European presence in Singapore. We have 4,000 British, 1,800 French and nearly 1,600 Dutch companies in Singapore alone. These companies provide jobs, access to technical know-how and access to global markets. We are also exploring further collaboration in science and technology, innovation and the future economy with these countries. For example, we have just issued a Joint Declaration on Innovation with France, which will provide a framework to grow emerging areas of cooperation, such as in Space Technology, Smart Cities, and Financial Technology. I would also echo the earlier comment that beyond the figures, the other point about our engagement with Europe is its long-term horizon - it is a long term relationship.

6 Singapore is also keen on expanding our cooperation with emerging markets in Central and Eastern Europe. Countries such as Hungary, the Czech Republic, Poland, and Slovak Republic have seen steady positive economic growth despite the macroeconomic challenges. We see the potential to expand our trade and investment links with them, and we believe that Singapore can serve as a gateway for their investments into ASEAN, and the broader Asia-Pacific region.

7 In this regard, the EU-Singapore Free Trade Agreement will, we believe, bring concrete benefits to EU and Singapore companies by providing improved market access and greater commercial opportunities. With the recent release of the European Court of Justice's Opinion on 16 May, I believe that this has provided greater clarity (on the way forward) and we look forward to the swift ratification of the EU-Singapore FTA.

ASEAN - EU Relations

8 Let me now turn to ASEAN–EU relations. ASEAN continues to be one region of the world with great growth potential. We constitute a bloc of 630 million people - that is actually a larger population than in the EU. Although the combined GDP of ASEAN is only US\$2.5 trillion today, ASEAN is a region that is politically stable, has a young population and a growing middle class. 60% of ASEAN's population today is estimated to be below 35 years old. This demographic profile stands in stark contrast to the demographic profile in Northeast Asia. What this means is that the ASEAN region will continue to reap the demographic dividend, and we will be able to grow our economy in the next few decades to come. The economic growth, and the corresponding rise of the middle class - some commentators expect the middle class will grow from 24% to 65% of ASEAN's total population - will have a profound impact on consumer demand patterns, and will enhance ASEAN's value as a single market and a single investment zone. ASEAN is projected to become the world's fourth-largest economy by 2030 with a combined GDP of US\$10 trillion, and this will make us the 4th largest economy after EU, US and China. This makes ASEAN, we believe, a great match for the European Union which represents today a single market of more than 500 million people. So think of not only the great figures now, but also think of the potential in the decades to come, with greater integration, greater communication and greater opportunities to integrate the economies of our two regions.

9 Indeed our robust trade and investment figures today reflect this potential. The EU was ASEAN's largest trading partner in 2016, with total trade amounting to €208 billion. The EU is also ASEAN's largest source of FDI inflow in 2016, and this inflow creates jobs and stimulates the economies of our two regions for the benefit of all our people.

10 Earlier this year in March, I was heartened to hear that the ASEAN Economic Ministers and EU Trade Commissioner had agreed to launch preliminary talks to lay out a framework for a future ASEAN-EU Free Trade Agreement. Singapore obviously fully supports this endeavour. During the almost eight years since the hiatus of the initial ASEAN-EU FTA negotiations, we have seen many positive developments. At a regional level, ASEAN has committed to further deepen our trade and investment liberalisation – especially with the establishment of the ASEAN Economic Community in 2015. Globally, we have also seen progress in efforts to advance trade facilitation, particularly with the recent entry-into-force of the WTO Trade Facilitation Agreement. As our economic officials embark on this important work, Singapore continues to welcome your feedback, particularly in areas that will make a real difference for your businesses in our two regions.

11 Our transport officials are also negotiating a Comprehensive Air Transport Agreement between the two regions. This will not only deepen the economic linkages and facilitate the ease of doing business for companies on both sides, but also boost people-to-people links and tourism between our respective regions. However, the European Commission is taking, in my view, a very cautious approach, as it is only focused on an air transport agreement with limited rights. The economic and business interests however, are best served if the governments on both sides can put aside protectionist sentiments and fully liberalise the aviation sector. Both sides should take the opportunity to pursue an ambitious CATA, with full 5th freedom passenger rights, to send a strong signal of the confidence and commitment that the two regions have in each other.

Challenges

12 Finally, let me end with a few comments on some of the broad political challenges faced by both ASEAN and the EU, and how we should respond to them.

13 The global architecture today, particularly in the political arena, is far more complex than it was at ASEAN's founding 50 years ago. We are facing a changing economic order, and in the political field, the global consensus on the benefits of free trade and globalisation is fraying. We are also in the midst of a technological revolution which will disrupt and displace traditional economic functions, and have an enormous impact on jobs everywhere.

14 2016 will be remembered as a year of political shocks, surprises and unexpected turns in global geopolitics. In Europe, you have seen several elections and referendums since the start of the year, and although some of the elections went well in the end, depending on your perspective. You nevertheless saw the rise of nationalism and

protectionism, and that nationalism and protectionism enjoyed considerable domestic support. It is therefore important, now more than ever, for governments and businesses that you represent to demonstrate and to make the case for the benefits of regional and inter-regional integration. Only then can we deliver meaningful and long lasting benefits to the peoples of our respective regions.

15 I do not need to persuade the people in this room about the benefits of deeper economic integration, or free trade, or that free trade can bring about tangible outcomes in terms of growth and jobs. But this is not the case outside this room, and certainly a more difficult case to make when you are facing a political election and you are making a rally speech. So it is imperative for all of us to realise that even as we seek economic growth and to take advantage of the benefits of new technology, we have to do our best to ensure that growth is equitably distributed and that measures are taken to ensure that everyone can see their lives uplifted in a concrete way. Otherwise, if we don't put in place the necessary domestic shock absorbers and compensatory mechanisms, we risk losing support for economic integration, and trade becomes the unwitting victim of these political leaching. Therefore, even as we reaffirm our commitment to free trade, we have to ensure that no one is left behind. Governments have to do this by refining our policies, but businesses also need to do your part by making sure that you incorporate fair, inclusive and sustainable business practices, to benefit your employees, and the community in which you operate.

16 The advent of the Fourth Industrial Revolution will bring about both great disruptions and great opportunities. There is going to be tremendous potential for both ASEAN and the EU to collaborate and to keep our economies relevant and forward-looking. Businesses that you represent have a critical role to play, as you are at the frontlines, and are often more sensitive than governments. You are better at forecasting trends, understanding them and taking advantage of them.

17 Even as Singapore prepares to take over the Chairmanship of ASEAN in 2018, as well as the country coordinator role for ASEAN-EU relations from August 2018 onwards, we will continue to look for opportunities for both our regions to cooperate and to build up expertise, and seek opportunities in new areas including e-commerce, cyber-capabilities and making our cities "smarter".

18 This year marks the 50th anniversary of the establishment of ASEAN, and the 40th anniversary of ASEAN-EU dialogue relations. While some parts of the world continue to face challenges in pursuing free and open trade and investment, ASEAN and the EU on the other hand have stood firm in our commitment to bring about development, prosperity, and benefits for our businesses and our people through regional integration. It is critical therefore that we succeed, because the proof of the pudding is in the eating.

19 In this regard, I would like to take the opportunity to express my appreciation for the work done by the EU-ASEAN Business Council (EU-ABC). We take your suggestions and your recommendations seriously, because we know that we are faced with an existential and political challenge. We need to listen to you because you are closer to the ground and are at the cutting edge of new technologies. Rest assured that we will listen. And in the case

of Singapore, we are good at translating what we have heard into actionable plans, programs and initiatives quickly.

20 Thank you and I wish you all the very best, and my parting shot is that I am sure that I can count on your support for the ratification of the EU-Singapore FTA. Thank you all very much.

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