

IPS Book Launch

Economic Diplomacy – Essays and Reflections
by Singapore's Negotiators

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Panel Discussion

Topic:

US Economic Engagement with Asia: Issues and Challenges

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Salutation

1 Amb Ong Keng Yong, Prof Lim Chin Leng, Prof Margaret Liang,
Amb See Chak Mun, Amb Barry Desker, Ladies and Gentlemen.

Congratulations

2 I congratulate IPS and the World Scientific Press for co-publishing this important book. It is important for Singapore's policy makers, practitioners and negotiators to record their experiences, reflections and lessons learnt, as they form part of our collective memory and intellectual capital. I see this book as a valuable addition to Chan Chin Bock's book, *Heart Work*, on the EDB; and the book, *The Little Red Dot*, which Chang Li Lin and I have co-edited on the

reflections of MFA's diplomats. I hope that there will be new books on our defence diplomacy, environmental diplomacy and cultural diplomacy.

3 Next, I wish to congratulate the two editors, Margaret and Chin Leng, for having done a good job in editing our essays. I hope Margaret and Chin Leng will forgive me for constantly reminding them to "jia you" and get the book done.

A Proposed Outline

4 I have been asked to speak on the topic of the US economic engagement with Asia. I propose to touch on the following three points:

- (a) the economic importance of Asia to the US;
- (b) the economic importance of the US to Asia; and
- (c) a positive agenda for the economic engagement between Asia and the US.

Asia's Economic Importance to the US

5 One of the books which made a deep impression on me, when I was a student, was Arnold Toynbee's *Magnum Opus, The Rise and Fall of Nations*. When we look at the world in the past 2,000 years, one is struck by the rise and fall of Asia during that period. As Stewart Gordon has pointed out in his book, *When Asia was The World*, from AD500 to AD1500, all the centres of civilisation were in Asia. However, except for Japan, which succeeded in re-inventing itself as a modern

state, the rest of Asia has been in decline for over 200 years. The tide of history has changed its course. Asia is on the rise again.

6 Asia already has the second and third largest economies in the world, namely, China and Japan. India has made impressive strides in the past two decades and has the potential to overtake Japan in time, to become the world's third largest economy. ASEAN is never spoken of in the same breath as China and India, but it should. ASEAN has a common market of 600 million consumers, a combined GDP equal to that of India, hosts more of America's FDI than China and India combined, and is a bigger market for US exports than India. South Korea is already the world's 11th largest economy and has a very dynamic and competitive economy. Although Japan has been stagnant for the past two decades, we should never under-estimate Japan's strengths and its capacity to re-invent itself again. Taken together, Asia's prospects in the coming decades are very bright. Asia is at peace and focused on development and regional integration. Asian governments are investing in education, infrastructure and human welfare. The people of Asia are optimistic about their future.

7 The IMF has estimated that Asia's economy will be 50 per cent bigger in the next five years. The IMF has also estimated that, by 2015, Asia will account for one-third of global output and will be comparable in size to the economies of the US and Europe (Anoop Singh, *Asia Leading the Way*, June 2010). In 2009, Asia absorbed 26 per cent of USA's exports to the world. This percentage will rise in the coming decades as Asia's economy will be growing much faster than those of the US and Europe. Asia will have the world's largest

middle class, most of whom have a huge appetite for American goods, services and culture. An example of how US economic engagement with Asia will benefit the American people can be seen from the recent visit of President Obama to India. During his visit, President Obama wrapped up deals worth more than US\$10 billion, which will create more than 50,000 jobs in the US. In addition, there was a preliminary agreement for India to buy 10 C-17 military transport aircraft, which would be worth another US\$10 billion, and create another 22,000 jobs.

America's Economic Importance to Asia

8 What is the economic importance of the US to Asia? America's recovery has been slow and anaemic. America is beset by many problems. It is, however, a mistake to write America off. It has always bounced back from its adversities, including the Civil War, the Great Depression, the Vietnam War, etc. The excellence of America's elite universities and research institutions, its capacity to attract and assimilate the talent of the world, its culture of innovation and enterprise and its spirit of optimism, are some of her great strengths. I am confident that America will emerge successfully from its current adversity.

9 America is still the world's largest economy. America is Asia's biggest export market. America is a source of investment, technology, know-how, talent, etc. America has a competitive advantage in many sectors of industry and services. Some of the top brands of the world, such as, Boeing, Caterpillar, Cummins, GE, Johnson and Johnson, IBM, Intel, HP, Apple, Microsoft, Intel, Google, Facebook, Ralph

Lauren, Tiffany, Harry Winston, Hollywood, etc, are American. America's forward-deployed military presence helps to maintain peace in Asia and the world. For all these reasons, America is economically and strategically important to Asia.

A Positive Agenda for US-Asia Economic Engagement

10 I want to suggest a positive agenda for the economic engagement of Asia and America.

11 First, I suggest that the US and ASEAN should consider enhancing their economic engagement with each other. The US Secretary of State, Hillary Clinton, has described ASEAN as "the fulcrum" of Asia's new regional structures. Now that the Government of Myanmar has released Daw Aung San Suu Kyi from house arrest, the time has come for the US to review the feasibility of launching an FTA with ASEAN. This is a logical progression from the existing US-ASEAN Trade and Investment Framework Agreement.

12 Second, in 2011, the US will be the Chairman of APEC. APEC is very important to the US because it accounts for 58 per cent of US exports to the world. I hope that the Honolulu Summit will have concrete deliverables. Started by three small and open economies, Chile, New Zealand and Singapore, the Trans Pacific Partnership (TPP) now includes Brunei, the US, Australia, Peru, Vietnam and Malaysia. The US hopes to conclude the current negotiations in time for the leaders of the nine negotiating partners to sign in Honolulu. The TPP should be viewed as a stepping stone towards the ambitious

goal of a Free Trade Area of the Asia Pacific (FTAAP). At the Yokohama Summit, APEC Leaders declared that, “now is the time for APEC to translate FTAAP from an aspirational to a more concrete vision”.

13 Third, the US and Asia should commit themselves to cooperating with each other, and with other like-minded partners, at the WTO, to seize the critical window of opportunity next year to bring the Doha Development Agenda to a successful conclusion. I would urge the two parties to live up to the pledge to resist all manifestations of protectionism. I would also urge them to continue their dialogue and consultations on such sensitive issues as exchange rate policies, rebalancing the global economy, quantitative targeting, etc.

Conclusion

14 Economically and strategically, the US needs Asia and Asia needs the US. Asia will continue to grow in prosperity. The good news is that Asia will remain open and outward looking. It welcomes a deeper engagement with the US. The recent decision by the East Asia Summit to welcome the participation of the US (and Russia) in 2011, is an expression of this attitude. The American people should not view a rising Asia as a threat to American prosperity but as an asset and an opportunity. As President Obama said, at the APEC CEO’s Summit in Yokohama, “In the 21st Century, the security and prosperity of the American people is linked to the security and prosperity of Asia”.

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