

ASEAN100  
LEADERSHIP FORUM 2012

# TURBULENT WORLD; RISING ASIA

*Where do we go from here?*

The Sedona Hotel  
5-6 December 2012  
Yangon, Myanmar

**SUMMARY REPORT**

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The ASEAN 100 Leadership Forum is an annual meeting of “next wave” leaders who will shape the future of ASEAN.

It brings together bright men and women from business, government and civil society who, in the next three to five years, are expected to assume higher leadership roles to influence solutions to foremost challenges and their implications to the future of business and politics.

This report highlights the key discussions that arose from the ASEAN 100 Leadership Forum 2012, which convened on the 5<sup>th</sup> and 6<sup>th</sup> of December in Yangon, Myanmar.

Key Points:

- The ASEAN Economic Community is vital for amassing regional economic weight, facilitating the centrality of ASEAN in Asia and building better communities, but it is relatively small to ensure sustained prosperity in a fast growing and increasingly integrated Asian economy.
- Myanmar is moving towards a people-centered development strategy. The government is implementing a reform strategy based on political and economic pillars, and is taking measures to transform itself into a democratic state.
- The rise of ASEAN economies, China and India has brought an unprecedented emergence of markets which Myanmar can serve, and an equally unprecedented set of investors from the region and globally.
- Myanmar can learn the Philippine approach to structural reforms in banking and other industries, investment liberalization and governance. The Philippines has rebuilt the country’s credibility to investors, which has resulted in a robust economy.
- It is more important to focus on the quality of change in Burma and changes that will take the country in the right direction. The kind of resilience Burma needs is intellectual resilience which will effect change and improve the society.
- Despite the slowdown in the US, Eurozone and China, 3<sup>rd</sup> quarter real GDP in ASEAN was resilient and four key ASEAN countries surpassed 5%. This is a reflection of the economic fundamentals as well as the health of the banking industry. Southeast Asia has demonstrated resilience and is not showing signs of slowing down. In capital markets, there is some form of integration by various stock exchanges.

- Indonesia is half of ASEAN but it needs to show that to lead, it also needs to inspire action. A recent poll shows that 70% of the Indonesian business community is not ready for AEC 2015. Indonesia has all the ingredients, however it needs to see how it can take leadership within the ASEAN platform.
- ASEAN is facing a crisis of leadership. Issues between China and the United States put ASEAN in great difficulty. Certain countries in ASEAN have to take sides and this becomes a dilemma because ASEAN must speak with one voice.
- The US is in the midst of a great oil and gas boom. North America in 10 years' time could be self-sufficient in oil, which means a major improvement in the American current account deficit. This will be positive for the US dollar.
- Over the next 12-18 months, there is a possibility for the US economy to rebound at a growth rate of 2% to possibly as high as 3%. Since the recovery from the recession in 2009, US growth rates average at only around 2.1- 2.2%. American banks had huge losses in 2008 and 2009, but are now in much better shape.
- The label "Asian Century" has been conferred because of economic success stories and the rising of emerging economies in recent years. But to say that we are in the Asian Century denotes that Asia is fast becoming a superpower which in itself is an assumption. Asia has a long way to go to become a true superpower of the 21<sup>st</sup> century. It needs to take an active role in global intervention and leadership and push for a more equitable society.

#### The Forum's Recommendations:

##### For ASEAN

- ASEAN economic integration needs to be timely and effective in the face of mounting challenges and the rise of China and India.
- ASEAN should relax the requirement for consensus in decision-making steadily. The flexibility will make for a more dynamic ASEAN and facilitate more nimble responses to emerging needs and challenges in the greater interest of the majority.
- A building block to a stronger and more resilient ASEAN Community lies in forging a network of bilateral relations among member states based on common interest, mutual friendship and shared peace and prosperity.
- ASEAN has to look into some 667 actions in the next two years in order to fully achieve the goals for an ASEAN Economic Community. The implementations (in timeline and targets) will require policy coherence at the national level.
- To be competitive as a region, ASEAN must advance policies and agreements to
  - Reduce barriers to trade and investment with each other.
  - Streamline laws, rules and regulations.

- Indonesia being the ASEAN majority needs to show leadership and action in terms of business and investments within ASEAN.

For Myanmar:

- The reform process needs to have a clear structure and sequencing in a more transparent manner. A lot of problems that are now arising in Myanmar are the result of the lack of transparency in the past.
- It is important for Myanmar government, business and people to understand the issues that will arise and prepare as much as possible in advance. This includes the issue of managing natural resources, investments and infrastructure.
- Myanmar needs to build strong economic institutions such as:
  - A fiscal authority and tax inflation authority that is one of integrity and efficiency.
  - An investment promotion agency that has authority to push things through and get things done.
- The suggestions on priorities for Myanmar are to:
  - Set realistic expectations for the population. The goal is to elevate society.
  - Build strong institutions that are staffed with talented individuals who are given legal powers to act whether it is controlling inflation, attracting investment or even collecting taxes.
  - Focus on setting the foundation for the long term.
  - Create a progressive educational system.
  - Emphasize on job creation over the next twelve months.

## OPENING KEYNOTE ADDRESS

### *“ASEAN at Crossroads: Staying Together or Drifting Apart?”*

by HRH Raja Nazrin Shah, Crown Prince of the State of Perak, Malaysia



Highlights of HRH’s address are as follows:

I believe ASEAN has been an immense boon to the countries and peoples of Southeast Asia. Born out of the embers of conflict, ASEAN has rapidly become a force for peace. ASEAN has become a benchmark for regional cooperation among developing countries. Once just five members, it now embraces all of Southeast Asia.

ASEAN’s ambition and vision have also grown over time, and with them have come new challenges. From a narrow but necessary focus upon reducing enmity and restoring trust amongst neighbours following *konfrontasi*, ASEAN has established the principles, rules and institutions for security, economic and socio-cultural cooperation. From crafting formal statements such as the ASEAN Declaration it moved to treaties such as the Treaty of Amity and Cooperation and agreements such as the ASEAN Free Trade Area. It now has the ASEAN Charter, and it is into regional community building in earnest.

It is no mean feat for a grouping of largely developing countries to be able to successfully establish and anchor the 27-member ASEAN Regional Forum and the 18-member East Asia Summit that includes countries like the United States, China, Russia and Japan. No less than 18 out-of-region countries have become signatories of ASEAN’s Treaty of Amity and Cooperation. No other regional grouping in any other part of the world has been able to accomplish anything similar.

Like any other regional grouping, indeed any coalition of nations, ASEAN has never been without challenges. Some of these challenges have come from within, others from without. At each stage of its development, with each change in its external environment, the challenges posed to ASEAN have taken new forms and assumed new dimensions.

So what of the challenges that face ASEAN today? ASEAN is often cited as being too slow and ponderous. It is a “talk shop”. It tends to skirt problems and ‘sweep things under the carpet’. It suffers from a paucity of institutions. It is long on rhetoric and short on performance. The need for consensus in decision-making reduces ASEAN to the lowest common denominator. The less developed members are a drag on the organization. The older members do not care enough about helping the others catch up in terms of development.

It is not integrating fast enough and it is not responding to new challenges quickly. The member countries’ obsessions with national sovereignty and non- interference make ASEAN an anachronism in the borderless world of the 21<sup>st</sup> century. The Secretary General is not adequately empowered and the Secretariat is not furnished with sufficient resources. The organization is still not ‘people-oriented’ enough. ASEAN is dragging its feet on human rights. The litany of criticisms and complaints of ASEAN goes on.

There could be substance in some of the criticisms and the associated challenges. ASEAN is a favorite punching bag in some quarters. The source of the problems, to the extent that they exist, is often with the member states rather than with the organization itself.

Nevertheless, the challenges confronting ASEAN are indeed very significant and perhaps it would be convenient to discuss them in the context of arguably the biggest challenge that confronts the organization and its member countries presently, that is, the successful realization of the ASEAN Community.

The ASEAN governments are only too aware that the clock is ticking, to the extent that they deferred the date of the proclamation effectively by one year, from January 1<sup>st</sup>, 2015 to December 31<sup>st</sup> to gain more time. At the 21<sup>st</sup> ASEAN Summit that took place in Phnom Penh recently, the leaders announced their determination to complete what remains to be done in the political-security, economic and socio-cultural fields by the new date.

Some from within do not share in the optimism that the ASEAN Community will be fully a reality by then. Creating a community in an environment like ASEAN’s which has no homogeneity of political systems unlike the European Union, which lacks the supranational constitution and authority of the EU structure, and which starts from a lower base of economic development and sophistication, will take an appreciably longer time. Engineering social change, transforming values and attitudes and instituting political reform will be particularly slow processes.

There are practical difficulties of fostering a political-security community that is more democratic, representative and human rights-complaint through a consensus-driven body like ASEAN.

There has been some progress too in resolving territorial disputes to enhance security in the region. The cases of Sipadan, Ligitan and Pulau Batu Putih or Pedra Blanca are especially noteworthy, because they were referred to international arbitration and are examples that others can follow when direct negotiation prove fruitless.. but territorial disputes among neighbors on land as well as sea remain in other areas and peaceful resolution is still very much work in progress and likely to be slow. When border disputes like the one between Thailand and Cambodia over the Preah Vihear temple flare up and shots are fired the credibility and standing of ASEAN take a big hit.

The most complicated territorial disputes are the overlapping claims between the four ASEAN states of Malaysia, Brunei, the Philippines and Vietnam, not to mention China and Chinese Taipei. The best that can be hoped for in the near term is faithful adherence by all parties to the provision of the Declaration on the Conduct of Parties in the South China Sea to avert and contain incidents in the area while negotiations for the more binding Code of Conduct are pursued.

ASEAN has given particular priority to strengthening the economic pillar of the ASEAN Community because it was perceived as critical to the ability of the ASEAN economies to compete in a globalised world and especially with an economically resurgent China and Asia.

The Scorecard developed by the ASEAN Secretariat records 74 percent compliance with the economic blueprint in 2011. Free trade in goods was in fact accomplished as early as 2010. The focus now is on accelerating the pace of accomplishing the services, investment, capital and skilled labour targets and on bringing down non-tariff barriers.

ASEAN has also made significant efforts to implement the blueprint for the socio-cultural pillar of the ASEAN Community. The sheer magnitude and comprehensiveness of the agenda is laudable. Its ambitious scale, however, also contributes to the difficulty of achieving targets. The enormity of the task of elevating the human development of millions of disadvantaged people and fostering a united and people-centered ASEAN with a shared sense of common identity is sometimes not fully appreciated.

The challenges here that confront ASEAN are grim. Half of ASEAN's member countries that are home to two-thirds of ASEAN's population lie in the bottom third of UNDP's human development index. Ninety million people in ASEAN live below the international poverty line of US\$1.25 PPP per day, and the burden of poverty and poverty-related issues weighs heavily on the countries and societies that can least cope with them.

Given all these challenges and probable shortfalls, did ASEAN make a mistake when it advanced the date realization by four or five years? I would think not, for there was a compelling need for hastening ASEAN economic integration in the face of mounting challenges to the competitive viability of an economically fractured ASEAN.

One might also ask, will ASEAN be deluding itself when it declares that the ASEAN Community is in place come December 31<sup>st</sup> 2015? As I intimated earlier, the remaining eleven hundred and twenty-one days before ASEAN is declared a Community is not too far away. It is also a good three years, and much of the unfinished business especially in the economic sphere can be accomplished in that time with strong political will.

I think ASEAN is absolutely essential for the peace and prosperity of the peoples and nations of Southeast Asia. A Southeast Asia without an ASEAN will not be a very pleasant place, but our well-being and our destinies will be determined first and foremost by national endeavor rather than by ASEAN. This is because ASEAN is not a supranational entity like European Union to which a large measure of sovereign authority has been ceded.

ASEAN may formulate common goals and programmes to guide implementation by member countries, but development in the member states will be driven essentially by national effort and national programmes, the nation is, therefore, also fundamental and most important building block of the ASEAN Community.

This said, I also believe that as the ASEAN Community takes firmer root, as our economies become more integrated and as we cultivate a stronger 'we' feeling, the authority for some decision making may be usefully transferred to ASEAN bodies.

ASEAN should also relax the requirement for consensus in decision-making steadily in more areas as trust and confidence in each other grows. Such flexibility will make for a more dynamic ASEAN and facilitate more nimble responses to emerging needs and challenges in the greater interest of the majority.

If the nation-state is the fundamental building block of the ASEAN Community, the next tier would be the forging of a network a bilateral relations among members states that are based on common interest, mutual friendship and shared peace and prosperity.

Many of Southeast Asia's problems are bilateral in nature and the proper conduit for their management and resolution would be bilateral channels, not ASEAN. An ASEAN Community founded upon close and cordial bilateral ties will be that much more resilient.

The ASEAN Economic Community is vital for accumulating regional economic weight, for facilitating the centrality of ASEAN and for community building, but it is too small for ensuring sustained prosperity in a fast growing and increasingly integrated Asian economy.

The ASEAN Human Rights Declaration is an important instrument for promoting human rights. There cannot be too much reliance upon it in its present; it can only act as supportive and guiding instrument for action in the domestic sphere. Primary responsibility rests with national governments, and it is a responsibility every government may wish to honour and take seriously.

The ASEAN political security community blueprint envisages an outward looking ASEAN that plays a pivotal role in the regional architecture to enhance peace and security in the Asia Pacific. This is an area where ASEAN has actually done quite well, as evident from the several region wide processes for security and economic cooperation that it anchors.

The regional security environment, however, is becoming more challenging. The immediate cause is the economic resurgence of China amidst the historic shift in geo-economic and geo-political power that is now taking place. China's rising strategic profile as a result of its growing economic weight and increasing military expenditure is making some reigning powers and neighbouring countries nervous.

It is, thus, perhaps time that ASEAN become more proactive in preventing further escalation of rivalries and deterioration of the situation. ASEAN cannot act alone. It needs the support of other stakeholders to temper situations.

ASEAN has some unique qualities and assets that can stand it in good stead in this initiative. It is a moderate force for peace. ASEAN is non-threatening. It has various bilateral and regional platforms including the ASEAN Regional Forum at its disposal. It can engage in quiet diplomacy, and it can complement this with supporting non-government forums for informal and candid dialogue to clarify issues, reduce suspicion and build confidence. The region will benefit immensely from such a concerted diplomatic initiative.

## FORUM ROUNDTABLE ON MYANMAR:

*“Catching Up: Does Myanmar have a latecomer’s advantage? Are there ASEAN lessons?”*

Address by **H.E. Professor Dr. Kan Zaw**, Union Minister, Ministry of National Planning and Economic Development, Myanmar

Followed by an Open Forum Discussion led by:

- **Mr. Serge Pun**, Chairman, YOMA Strategic Holdings, Myanmar
- **Mr. Jaime Augusto Zobel de Ayala II**, Chairman and CEO, Ayala Corporation, Philippines
- **Mr. Manu Bhaskaran**, CEO, Centennial Asia Advisors, Singapore
- **Prof. Michael Enright**, Founding Director, The Competitiveness Institute, Hong Kong and advisor to governments and leading corporations

Moderated by: **Dato Timothy Ong**, Forum Convener

*Address by H.E. Prof. Dr. Kan Zaw, Union Minister of National Planning and Economic Development, Myanmar*



Highlights of H.E. Prof. Dr. Kan Zaw’s address:

I would like to share the views of my counterparts on the vision and experience on the latest agenda, and our position on where we are heading to in this turbulent world from our continent, Asia.

In Myanmar, we are moving towards a people-centered development strategy which will encourage inclusiveness and inject powerful impetus into the development of Myanmar. Myanmar is the last frontier and an emerging market in Asia.

The government stresses the implementation of the development strategy as a major reform based on our political and economic drive, which is a priority in the overall strategy of coordinated regional development. We are taking more effective measures and determination to implement a new democratic state.

Myanmar takes many lessons from ASEAN. The profound impact of the global financial crisis still persists. After reflecting on the lessons of the crisis, both developed and emerging economies recognize the importance of developing the real economy. Myanmar is also attaching great importance to the development of the real economy. With increasing openness and integration into the world, Myanmar is trying to catch up with the global dynamics. As an important starting point, it calls for deepening economic and trade cooperation, promoting the integration of the real economy, facilitating the country's industrial transformation and forming the development plan weighted on competitive advantages, common development and shared prosperity.

Efforts should be made to strengthen infrastructure construction focused on transport systems, energy and communication to facilitate trans-regional and cross border connectivity. Industrial cooperation should be expanded to tap the potential in modern agriculture, strategic emerging industries, advanced manufacturing, service industries, energy and renewable energy, technology research and the green economy and green growth. It is notable that the economic situation in Myanmar looks brighter in 2012 than it did in the previous years, with promising markets ahead. With ample resources, Myanmar has been endeavoring to take part in steps towards ASEAN as a single market by taking economic initiatives at its national level.

Myanmar with the new system and era has emerged by reducing centralization and practicing decentralization. State and regional governments have been vested with rights and power in accordance with provisions of the constitution, and duties and responsibilities are undertaken by not only the government but also by the business community. Myanmar is investing in opportunities, incentives and jobs for its people. Since Myanmar is an agricultural country, the government is paying serious attention to agriculture and ensuring food security.

Recognizing that poverty still prevails in the country, the new government has prioritised efforts on sustainable development and has launched initiatives for poverty reduction and rural development. The steps being undertaken by the government are paving the way for the promotion of alternative livelihood to mitigate poverty and enhance rural development.

Myanmar is also moving towards new investment opportunities and better mechanisms. Regulatory and institutional support with multi-agencies and multi-disciplinary cooperation at national and regional levels is also needed to foster businesses and partnerships.

Moreover, reform measures for the macro economy are being undertaken. In financial and tax policy, trade, investment and industrial policies, exchange rate policies have been reviewed and amended to some extent. As declared by the President in his inaugural speech, "The way towards the market economy is now on the right track," the theme of the country's economic program is evolution of the market economy through people-centered development.

Myanmar is now implementing the National Comprehensive Development Plan NCDP 2011-2031 to accelerate growth, achieve equitable and balanced development and reduce the socio-economic gap between rural and urban areas.

We are also trying to sustain the growth of the economy with environmentally strong development to improve the quality of life of the people, make proper use of natural resources and protect ecological processes and biodiversity. NCDP is based on the framework for socio-economic reform strategy by taking a consensus from the public through national and regional workshops. The needs of people are now given more priority. Moreover, we are also conducting a National Comprehensive Development Vision 2015-2035 with the collaboration of Japan ASEAN Integration Fund (JAIF) and the Economic Institute for East Asia Area.

In conclusion, we continue our climb towards that future with enthusiasm and conviction for the all-around development of Myanmar. This meeting today, provides an opportunity to share the status of our country's development and reaffirm strong partnerships which already exist among ASEAN.

### ***Open Forum Discussion:***

An electronic poll was taken from the participants prior to the start of the Open Forum Discussion. The following are the results:

*Poll 1: What is the top economic priority for Myanmar today?*

Clear policies and regulation: 57%  
Investment in education and skills: 21%  
Good basic infrastructure: 21%  
Others: 2%

*Poll 2: Which is the most exciting business sector in Myanmar for foreign investors?*

Natural Resources: 34%  
Services including tourism, education and healthcare: 32%  
Infrastructure: 26%  
Agriculture: 6%  
Others: 2%



*Dato Timothy Ong: We have been hearing about the reform process in this country. A question that sits in the background is whether this reform process is reversible.*

*Serge Pun:* I do not think that the reform that we have seen in the last two years is reversible at this point in time. The possibilities and doubts in the first six months of our reform have been dispelled for two basic reasons.

Firstly I think when you have a situation of a possibility of a reversal; you are talking about two conflicting forces – one trying to move ahead and one trying to reverse it. We do not seem to see the second force at this point in time. The second forces are all going in one direction. We see some kind of friction at times but this friction is within the reform camp – they are not opposing ideologies. Frictions between legislative branch of the government, frictions between the government and the opposition parties but if you look at each and every incident- whether be case or statement they are all within the same camp and the same direction.

Secondly, we do not want to go back. In our country we have had 50 years of so called our Myanmar way to socialism, 50 years of autocratic military rule- much longer the Cultural Revolution in China. The results are very clear. People want a change and because of that- whether you are talking about people in general, you are talking civil service, you are talking of the armed forces- a change is what everybody has been longing for and the change has finally come.

*Dato Timothy Ong: As an external observer, which is the number one priority (looking at Singapore) in the reform agenda of Myanmar?*

*Manu Bhaskaran:* If you look at countries that have opened up, quite often you see the countries opening up the supply chain side of the economy, addressing the real economy, liberalizing and opening up for trade and so on but what often trips them up is a financial crisis of some kind - a surge in inflation or a banking crisis. If you look at China after it opened up in mid 80s, it went through severe bouts of very high inflation that destabilized the political system. My concern is that with Myanmar opening up, there will be huge inflows of capital, people coming in to do things and if there is no strong central bank to get the monetary side of the economy right then there could be a tendency towards inflation.

Secondly, without a central bank that can supervise the banking sector, the banking sector today is still not fulfilling its criteria, role and function very effectively therefore you could get a financial crisis of some kind. Vietnam has been struggling with this overheating, inflation, current account, banking crisis for the last two years which has really set them back. I think it would be a pity if that happens in Myanmar. So a strong economic institution is what I would look at today. But if I were to name two other strong economic institutions that are vital to any country, it would be:

- A fiscal authority and tax inflation authority that is one of integrity and efficiency.
- An investment promotion agency that has got authority to push things through and get things done.

*Dato Timothy Ong: For a long time, the Philippines was considered the sick man of ASEAN - great human capital, great companies but an underperforming economy and then in the last two three years since the new administration, things began to change in a rather dramatic way. Are there any experiences from the Philippines experience that you think would be useful for Myanmar as it catches up?*

*Jaime Augusto Zobel de Ayala: We had our bumps over the years. It has not been an easy growth path for the Philippines and it has been hard for our country over time to build credibility in the global arena but there are a few examples in the Philippines that have worked. People have not given the Philippines credibility over the years due to the leadership challenges but there are a number of things I believe the country has done well.*

Since the early 90s, there have been a number of structural reforms that the government has instituted over time that has given us the kind of strength we have today. Specifically, the central bank as we know it today – one of the most respected institutions in our country was created in the early 90s that has built up a cadre of professionals who to this day remains one of the most respectable servants in our country. This has led to a macroeconomic stability in our country as seen in the results: very low inflation, very strong exchange rate, higher international reserves in the history of the Philippines. This is the product I think of the seriousness of our central bank governor and his team which has led to a banking sector that is quite stable and progressive.

We have also liberalized the foreign banking industry in our country right after the creation of the central bank to allow competition to come in which also brought up the standards in the banking community. We moved on with reforms, liberalized our telecommunication sector, privatized (a very bold move) the water distribution for the whole of Metro Manila and a focus on liberalizing foreign investment in the energy sector.

The government has been very reform minded, using best practices that have been proven globally and setting up a competitive framework that encourages competition to come in and encourage foreign investment and local investment to enter sectors that were traditionally seen as public sector areas which result in efficiency and investment.

While we have not always been the paragons of governance, under the administration of President Aquino, the governance issues have been put very firmly on the agenda. There is a lot of seriousness about building credibility as a country and that I think has created a lot of more trust – trust that was lacking in the past, which led to the investment community both locally and internationally to trust our initiatives.

All these have created a momentum that has resulted in the kind of growth rate that we see in the Philippines today – 6% for the first half and even 7% for the last quarter.

*Dato Timothy Ong: Is there are latecomer's advantage? Is this the right question to ask?*

*Prof Michael Enright: Yes and No. It's never too late to improve economic development and it's never too late to reform. Every economy that starts down that road benefits from all the other economies that have been down that road and also in fact benefits those economies in terms of creating market opportunities.*

There are distinct advantages from embarking on this path today:

One, it's the list of experiences that have been had in the region and around the world. Some of the leading success stories and quite frankly we have some stories of what not to do and how not to do it as well.

The rise of ASEAN economies, China and India has brought an unprecedented array of markets that Myanmar can serve and also the emergence of unprecedented set of investors from the region.

Developing countries these days don't have to do everything for themselves. If we look all around ASEAN, there is no single ASEAN economy that developed itself- the development of each ASEAN economy is tied together with international systems.

On the other side, while there are many talks about the Asian century, remember it's not until the 2030 that Asia will comprise 1/3 of the world GDP so the rest of the world matter.

For outsiders and many of us, for people thinking about investment trajectories, the question of "Will Myanmar have a steeper or flatter development trajectory than other economies that have gone on the path before?" is a very real question and a very relevant question because it will heavily influence investment returns.

On that note, on being a latecomer, the questions to ask are: "What specifically are the lessons to learn, pitfalls to avoid, catch phrases sometimes to steer away from and who are the potential allies in the process?"

### *Q and A Highlights:*



*[Question from the floor] This whole process is coming with too much speed and intensity. To what extent is the Burmese business community and the regulative authorities prepared to manage this tremendous inflow of investment, tourism and business opportunities?*

*Prof Michael Enright:* The key thing is to understand the issues that are going to arise and trying to prepare as much as possible in advance. In any country that has natural resources, the details of the investment regime are absolutely critical.

The second is always infrastructure. How does one create the infrastructure to get the resources out in a way that doesn't ruin the environment either nationally or locally? I think there is experience out there either in companies, multilateral agencies, governments- to think about it in advance.

In terms of lessons from ASEAN, we have seen around the region that openness to investment has been critical to the development of competitiveness industries. We look at countries like Singapore, Malaysia, and the Philippines – there is a very large proportion of foreign investment in the export oriented industries in most of these places.

Another one is connectivity- physical connectivity and mental connectivity and financial connectivity. If we look at countries that have gotten it right, they have been able to set up markets and let markets operate and this actually requires strong governments. Basic strong governance underpins everything that we have been talking about.

*Jaime Augusto Zobel de Ayala:* The whole issue of inclusive development is increasingly important in emerging market settings - certainly for many of the countries in ASEAN.

I am a great believer that you can find economic solutions to products and services at the low end of the spectrum. I think if we put our mind to it, if we use technology, if we use innovative ways of handling those customers, you create tremendous trust, you empower a vast segment of the population, you broaden your business reach which is important to all of us in business. You create a level of upliftment that is far more sustainable than the traditional CSR approach of this development.

As a businessman, we have to remain relevant to the vast majority of our countrymen who are earning a lot less than our traditional markets, so in many ways we have to redefine and reformat the way we do business. When the government privatized the water concession of the cities in Manila and Ayala won that bid, the biggest challenge we had was to get the water out at the cheapest possible level to the vast community who lived in that area. There were many who came from a much poorer sector. The traditional model puts a meter in somebody's house and sends a bill.

So we basically kept 95% of the team that we inherited from the government and went to the Barangay captain - the head of the lowest political unit – and told him the plan to treat the village as community and pump the needed water supply. He takes charge of getting everyone to pay up. Bottom line, we got the local communities to build the infrastructure of the piping and those communities get water at a tenth of the price they used to get from middle men in that area.

*[Question from the floor] What are policies for hard infrastructure and soft infrastructure in terms of mindsets in the people to accept tourism?*

*Serge Pun:* We are cognizant that we need to get our education up. We have to do something about our education otherwise there is no way we are able to build capacity. Education has come very high on the agenda and the government is actually encouraging more and more privately owned educational institutions to come in and start the PPP where we would join forces with existing state owned schools. To privatize them is still a bit challenging.

Lastly, our country is really blessed with natural resources, we have so many resources - we have everything our neighbors have and we have more. Under the ground, we have precious stone, jade, rubies and sapphires. If you are talking about precious metals, we have iron, tungsten, manganese, copper, gold, uranium. We have oil too. Above the ground, we have teak; we have the largest teak forest in the world. In the sea, we have gas, we have a long coastline, our fish die of old age. There are so many things we can do.

*[Dato Timothy Ong] Number one priority for Myanmar?*

*Prof Michael Enright:* Number one priority is setting expectations for the local population in a realistic manner. The goal is to raise everybody and that should be the focal point and we'll worry about the gaps later.

*Manu Bhaskaran:* The single most important thing is to build strong institutions, strong in the sense where they are well resourced with talented people and that they are given the legal powers to get the job done whether it is controlling inflation, whether it is attracting investment, whether it is a simple thing of collecting taxes.

*Jaime Augusto Zobel de Ayala:* In my case I would really focus on setting the foundation for the long term and a progressive educational system. There is absolutely nothing that we can all do in our countries without that - it's what will drive entrepreneurialism, leadership in the government side and it's what will give people jobs and skills to be able to take the economy up to a new level. It is a foundation of just about everything.

*Serge Pun:* If you were to summarise all the advice from all the world-renowned professors, specialists, economists, geologists and all the "ist's" that have come to this country in the last 24 months and try to pick out what is the most urgent need for us, I think is job creation. We have to create affordable industrial land to create employment and that unfortunately needs a lot of political resolve and determination which is something that we are facing at this crossroads. I pray that our politicians will have the courage to solve this problem so that we can really finally see a thousand jobs emerging.

*H.E. Prof. Dr. Kan Zaw:* We are raising up the standard of living of our entire population through our genuine and consistent reform process so we are doing our genuine reform process gradually and we will go ahead to catch up with our ASEAN neighbors.

## KEYNOTE ADDRESS AND DINNER WITH THE VICE PRESIDENT OF MYANMAR

### *“Change and Continuity: Challenges and Opportunities for Myanmar”*

Keynote Address by **H.E. Dr Sai Mauk Kham**, Vice President of the Republic of the Union of Myanmar



Highlights of H.E. Dr Sai Mauk Kham’s address:

Myanmar recognizes the opportunities and challenges that are associated with the rise of countries in Asia and in ASEAN. ASEAN countries are showing the world how to achieve broad-based economic development by maintaining peace and stability in the region. Asia’s success stories and experiences have provided us a great deal of values, in the best way to shape the future of the country.

It is our belief that regional integration will bring benefit to the country, increase trade and investment, as well as harmonization of democratic and socio-cultural norms.

The geographical location of Myanmar plays an important role in connecting the two global key players, China and India, with the Southeast Asian countries. In this respect, we are quite satisfied and proud to have good and friendly relations with our two giant neighbors and the other remaining three neighbors as well.

To bring peace and prosperity to the region, it is imperative to have political stability, a strong and vibrant economy plus a harmonious society. Myanmar has already initiated socio-economic reforms, and has taken a lot of bold steps towards building a new democratic society.

In the political front, reforms are being carried out with the aim of ensuring inclusive participation of all stakeholders, and promoting of democratic principles. Strengthening of the rule of law, legal infrastructure and judicial systems are also on the priority list. Now, every policy initiative is being discussed and debated openly at the Hluttaw (Parliament).

Not only that, there is an open and responsible media today, and we are working hard to promote and protect human rights by establishing a National Human Rights Commission.

Political reforms serve as a good basis for economic reforms to succeed. To be an effective and fully functioning market based economy, reforms in finance, commerce and trade sectors are also being reviewed and revised accordingly. Moreover, the Parliament has already passed the Foreign Investment Law in November this year.

The new Foreign Investment Law has taken into account the interest and concerns of all stakeholders to ensure that it is beneficial to all parties. Under this new Law, potential investors are not only accorded with varying degrees of privileges related to income, commercial tax, and duties, but also protection of property and profits.

Foreign investors are warmly welcome to make investments in the Thilawa, Dawei and Kyauk Phyu deep-sea port projects and also in the special economic zones throughout the country.

As Myanmar's economy is an agro-based economy, promoting the manufacturing and servicing sectors related to agriculture are also greatly anticipated.

We believe that we have resources to enrich the region and the world, too. Our country is endowed with agriculture, marine, forest, oil and gas minerals that could significantly contribute towards food and energy needs of the region. We also have a young work force to take part in different roles in the regional labour market.

Our rich history, diverse culture and different landscapes are good bases for promoting tourism and hospitality services in the region. With that we are looking forward to seeing increased numbers of tourists from ASEAN and many other countries in the coming years.

While the reforms are implemented, we will be trying hard to use the opportunities offered to us by the affluent Asians and ASEAN markets. The number and skills of our young workforce are being improved by introducing qualitative and quantitative measures.

Furthermore, to improve the efficiency of the public service, civil servants would be trained and developed to meet the needs of the markets, too.

Programmes to encourage entrepreneurship are being initiated in Small and Medium size enterprises. A suitable environment that will encourage and promote creativity of the people will be built and nurtured, as well as large scale investment in the ICT sector to ensure a greater access to ICT by the people, is now underway.

We believe that our reform measures will bring maximum benefits if they are complemented with the support of international community. In this regard, we are seeking the encouragement and support of regional and global partners to work closely with us.

The twenty-first century Asia is providing a lot of favourable conditions for all round developments in this country. We will take these opportunities by strengthening and encouraging the process of regional cooperation and regional integration. At the same time, we are prepared to meet all the challenges that we will come across on our road to democracy.

Nevertheless, with our strong resolution to achieve success in political and economic reforms, we believe that we will become a reliable partner and an effective contributor for peace and prosperity in the region.

I wish to state that the reform measures currently taking place in Myanmar are gaining momentum with the support of the countries all over the world.

In light of these achievements, Myanmar is prepared to take greater responsibility in ASEAN and beyond. The opportunity to host the 27th South East Asia Game in 2013, and to assume the ASEAN Chairmanship in 2014, provides an opportunity for Myanmar to demonstrate that we are determined to move forward and to be a responsible member of the international community.

## THE ASEAN 100 ORATION

### *“Resilience in Turbulent Times”*

By **Daw Aung San Suu Kyi**, Nobel Laureate and Chairperson of the National League for Democracy



The extract of Daw Aung San’s oration are as follows:

It has always been my intention that we should move closer to our neighbors. This too was also the vision of my father- he wanted the Asian countries to come together, to stand together, to face problems together. Times have changed. And the region has changed since 1947. But the need for greater harmony, greater cooperation and peace will never change.

I have been asked to speak on resilience in turbulent times. Turbulence by definition means lack of tranquility, agitation, clashes, conflict. But you can look at turbulence as interaction as well- perhaps not the calmest kind of interaction but interaction of a kind so it is up to us to make the best of turbulence, to draw lessons from turbulence that will help us to achieve our goals of harmony, of peace, of progress, of prosperity, of cooperation, of a world where we create unity out of diversity.

Diversity is very precious - it is precious to me personally and it is precious to our nation because we are a nation made up of many people. We are a nation made up of much ethnic diversity and I’m proud of this but I would be prouder if we could say that we are a nation united. We have yet to be able to make such a declaration proudly and confidently and we have to move towards that goal.

The nature of turbulence changes with time. When we started out on the road to democracy, it was turbulent in a sense when we had to face many dangers and challenges. My message has always been “no hope without endeavor”. If you want to realize your hopes, you have to work for them and that’s where resilience comes in.

Resilience is more than mere endurance. It denotes the ability to recover so that means an endeavor on your part that you will overcome the challenges that you will have to faces that you will be able to meet these challenges not only with courage and endurance but with intelligence. This is what I would like for our country.

Many peoples and many countries especially countries in our region have begun to hope that Burma is on the right path. I am pleased that the ASEAN nations seem to have developed a

practical approach towards this country than many countries in the West. Our ASEAN neighbors are very much more aware of all the problems of our region and the problems of this country. I think it is good to look at things with a critical eye provided that there is also the desire to help us overcome the problems that you see.

So the turbulence that started with this year is of a different kind from the turbulence we have had to face for over the last 20 years. The turbulence before was between authoritarianism and those fighting for democracy. The turbulence now is due to conflicting perceptions of what is going on in this country.

There are many people who are very much focused on the speed of change. I would like you to focus more on the quality of change. What we want are changes that will take us forward in the right direction. So the kind of resilience that we need now is intellectual resilience that will effect change and improve our society.

Democracy is not a perfect system. We also have to understand that democracy is what is going to be what we make of it. We have to make use of our democratic right in such a way that we enhance our society, that we enhance the lives of our people.

You have to have the resilience to be able to resist the temptation to take the easy path of over optimism. I must urge healthy skepticism for the sake of genuine progress in our country.

We are beginning to enjoy a few democratic rights and it is very important that we use them in the right way. We should now build up a country that is so solidly grounded so that we will be able to face with confidence all the turbulence that we shall have to face in the future.

Unity out of diversity is the only genuine kind of unity. If you live among many people who think differently from you then you will always have to rethink, reconsider your own ideas and your own attitudes. That is what will help to create the kind of resilience which will enable us to face the challenges of the changing world.

Education is about creating an ability to face the challenges of life so education can help to build up resilience. At the moment the education system in Burma is in a very sorry state and we want to change this.

I grew up at a time when I was confident that Burma was one of the greatest countries in the world. This gave me immense confidence in my country and in myself, and part of the ability to stand up to the hardships of the last few decades was this confidence which had been instilled in me as a child. I would like to instill this confidence in all our people.

We must be aware that there is a difference between idealism and over optimism. Over optimism is based on what you want and what you wish things would be. Ideals also are what you would like things to be but ideals are what you work towards. Ideals are what shape your courage and resilience. On the contrary, it will make you totally unprepared for the problems that crop up so I would like to join idealism to resistance in Burma's last and most difficult struggle.

Resilience is the answer to overcoming the great challenges that we have to face. We must all be concerned to calm challenges through resilience, understanding and commitment to national reconciliation.

When we have achieved that, then I can say that we have achieved what we set out to achieve on the 6th of August 1988 when I said to the people of Burma, this is our second struggle for independence. What we are now struggling for is independences from ourselves, from our own prejudices, from the chains that shackle us to the past. If we manage to achieve this independence through resilience, through hard work and idealism, then I think we can say that not only will we overcome turbulent times but that we will have equipped ourselves to be able to face any kind of turbulence that may arise in the future.

The oration was followed by a dialogue with the participants and the highlights are as follows:

*[Dato Timothy Ong] What are things entailed in over optimism that you are most concerned about?*

What I am most concerned about is that this over optimism will prevent people from looking below the surface of this country, that you would be too concerned with the superficial that you will not look into the situation of the people. Has this situation improved for our people? That is what I would like for you to look at. I think everybody has been impressed by the greater media freedom that we have but that is not everything. So please look at the lives of the people and not just at the surface.

*[Question from the floor] Could you share with us what you think about the reform process in Burma today?*

I am a little concerned because I cannot see a clear structure to the reform process. As I said speed is not everything- its proper sequencing. We would like to know what kind of structure there is, we would like to be able to see a bigger, more comprehensive picture of where reform is taking our country. That is sequencing. What are going to be the priorities? What is going to come after what? And how is it going to be achieved, transparency of course is part of it. A lot of problems that are now arising in our country are a result from a lack of transparency in the past and I cannot say that I am totally satisfied with the level of transparency in government today.

*[Question from the floor] You mentioned unity in diversity. I wonder if there is a case in your opinion for a Federal Burma?*

I believe very much in Federal Burma but I must say straightaway that federalism has been vilified by this country for many decades. For political reasons it has always been made to appear that federalism meant the right to succession and we have had tremendous trouble trying to explain that federalism does not mean the right to succession. It may or may not mean right to succession. It depends on the kind of constitution that we adopt. I believe in federalism because that is the aspiration of ethnic nationalities and also because I have the confidence that with the right kind of constitution, federalism will help bring us closer rather than to drive us apart.

*[Question from the floor] What will be your three personal priorities?*

I am the Chair of a commission investigating the problems around the copper mines up in Monywa and my immediate priority is to settle this problem as quickly and as fairly as possible. In a way this has set a precedent for negotiated settlement in this country. One of the great weaknesses of our society is that our culture does not promote negotiated compromise and this

is something we've got to try to nurture. The idea of peaceful negotiated compromises my immediate priority and in a sense my long term goal because if we manage to nurture such a culture in this country then we are firmly on the way to a democratic society. Of course there are some things such as amendments of the constitution, so I will leave that for a few months later.

*[Question from the floor] There seems to be a high yearning for the highest quality of leadership. Could you perhaps give some observation whether people are asking too much of political leaders in a regular turbulent world?*

I think the people have the right to ask what they wish of their leaders but it is up to those who aspire to be leaders to be honest with the people. I look at leadership in a very simple way. It is built on trust. If you cannot win the trust of people, you cannot do anything because they will not cooperate with you. If you want to win the trust of the people, you have to be honest with them. You have to be honest about your limitations as well as about your real intentions. This has always been my policy and I've always found the people in my country very responsive to this.

*[Question from the floor] How do you feel about giving more incentives for agriculture? Where does your party stand in terms of a balanced approach to investment in this type of industries?*

I am a great believer of 21<sup>st</sup> century agriculture policy. I think food security and sustainability are going to be the greatest challenges of the future and I would like to go about the development of the agriculture sector in a new way. But agriculture approached in a new way, intelligently, will help our country to develop in a way which the other ASEAN countries will no longer be able to develop because they have taken a different route. I always say that people can do without cars but they cannot do without food.

*[Dato Timothy Ong] Where does your own resilience come from?*

I think it came from both my parents. I have often thought by nature I am probably very much more like my father than my mother. Both my father and I are very soft at the core but my mother knew that so she trained me up to be resilient to be strong. I found that difficult when I was young. I thought my mother was very strict but I realized that she knew she had to make me strong enough to face life and I also had this basic instinct that made me uncomfortable with fear. Whenever I was frightened I was uncomfortable so I thought well, rather than be uncomfortable I better get over this so I had to train myself as well.

## FORUM STOCKTAKING ON ASEAN

“ASEAN Today: Where are we? Where do we go from here?”



An Open Forum Discussion led by

- **Mr. Kavi Chongkittavorn**, Senior Fellow, Institute of Security & International Studies, Thailand
- **Tengku Dato' Zafrul Aziz**, CEO, Maybank Investment Bank, Malaysia
- **Mr. Sandiaga Uno**, Founding Partner & CEO, Saratoga Capital, Indonesia
- **Mr. Heinrich Jessen**, Chairman, Jebsen & Jessen Group, Singapore

Moderated by **Mr. Paulius Kuncinas**, Regional Editor, Oxford Business Group, United Kingdom

An electronic poll was taken from the participants prior to the session. The following are the results.

*Poll 1: Is ASEAN on track towards achieving an ASEAN Economic Community by 2015?*

Yes: 18%

No: 47%

Not Sure: 35%

*Poll 2: What is the most important thing ASEAN must do to be more competitive as a region.*

Reduce barriers to trade and investment with each other: 40%

Streamline laws, rules and regulations: 30%

Invest in infrastructure linking ASEAN members: 16%

Allow free flow of people between ASEAN members: 6%

Promote intra-ASEAN tourism: 6%

Others: 1%

*Paulius Kucinas:* Today we will talk about practical challenges facing ASEAN. Kavi, you said something very interesting that there is rhetoric and there are actual tangible steps. How many are there left before we get to the finish line and how quickly can we get there?

*Kavi Chongkittavorn:* There are three ways to look at ASEAN today and its future:

- 1) the number - this is very important to ASEAN
- 2) the leaders statements - I will outline how ASEAN is moving
- 3) the slogans and themes of ASEAN since the ASEAN Charter

The prince yesterday mentioned there are about 1110 days to an ASEAN Economic Community but did you know that there are 667 actions to be done? Out of this, 144 are AEC plan of action. So the remaining barrier is 75.4% which is untouchable including services, trade liberalization, facilitation, trades and investment. To succeed, ASEAN has to take 667 actions in the next 1109 days. Can ASEAN accomplish that?

If you look at the statements by the ASEAN leaders, the recent joint communiqué or the Chairman's statement in Phnom Penh included the words we agree three times and the seven words ASEAN like to use to really denote the ASEAN endeavor to fight for ASEAN future- we reiterate, we reaffirm, we encourage, we noted, we acknowledge and we recognize. These words were contained in the seven out of ninety nine paragraphs of ASEAN Cooperation Chairman's statement which tells you how ASEAN is moving.

If you look at the themes from 2008 until 2013, it will give you a brief agenda of the rotational chairs. Singapore in 2008 as the hub of Southeast Asia came up with the theme of "One Asia In the heart of Dynamic Asia." Thailand in 2009 (during the year of Charter implementation) came up with "ASEAN Charter to ASEAN people". Vietnam in 2010 was "The ASEAN Community from Visions to Action". Indonesia in 2011 was "ASEAN Community in a Global Community". The recent one in Cambodia 2012 was "One Identity, One Vision, One Community" and the upcoming Brunei chair in 2013 has come up with "Our People, Our Future, Together." Myanmar will become the Chair in 2014, perhaps Myanmar will be the game changer if the theme of 2014 is "One democratic ASEAN" and that could turn the tables around.

*Paulius Kucinas:* How optimistic are you that we will get there?

*Tengku Zafrul Azizi:* Coming from the banking sector, we are looking at it very positively. Despite the slowdown in the US, Eurozone and China, 3<sup>rd</sup> quarter real GDP was resilient and four key ASEAN countries surpassed 5%. This is a reflection of the economic fundamentals as well as the health of the banking industry after the 1997-1998 crisis. Southeast Asia has demonstrated resilience and is not showing signs of slowing down. In fact, in terms of capital markets, we are seeing integration of the capital markets by various stock exchanges. ASEAN Link, for example, consists of six countries and seven stock exchanges with market cap of US\$2 trillion. So this is a beginning.

From investment banking's point of view, fees for the first nine months have seen the highest level ever - from January to October this year, it was at US\$1.1 billion. In terms of the debt capital markets, activity in the region has brought in US\$270 million, and the US\$2.4 billion dollar bond issue launched in the Philippines was a landmark for the country.

In terms of the development of the Sukuk market, ASEAN has contributed 18% of the total US\$108.4 billion Sukuk globally, so we're quite positive with what is happening in the capital markets and in terms of the banking sector as well.

We are seeing more local and domestic banks becoming regional, and of course integration is important. In short we are quite optimistic, but not overly optimistic, about the progress of the capital markets within ASEAN.

*Paulius Kuncinas: ASEAN has Indonesia and Indonesia is now become sort of the emerging market star and sees itself in various contexts. Indonesia wants to be the next BRIC, sometimes Indonesia wants to be the leader of ASEAN, one thing that we all recognize that ASEAN without Indonesia will does not have strategic weight. Share with us, how does Indonesia see ASEAN moving forward and what does it want to achieve from it?*

*Sandiaga Uno: Indonesia is basically half of ASEAN but it needs to basically show that to lead, it also needs to inspire action. In terms of Indonesia, obviously the numbers speak for itself: the young demography, the GDP growth and all of the attention is in Indonesia but one thing that is happening currently is over optimism which are causing Indonesians to focus on the bigger picture and not attending to the basic infrastructure be it hard or soft. People say that we are coming into BRICs or going to be an IBRIC, however we need to look at the basic fundamentals of Indonesia.*

In a recent poll by the Indonesian Chambers of Commerce and Industry on the readiness of Indonesia when it comes to 2015, 70% said they are not ready and they would like to have another 5 years. This is really the basic feedback that we have from the business community which is largely populated by the MSMEs. Therefore, much of the work and the actions should also empower this sector.

Indonesia is growing. McKinsey just released a report that at the current trajectory, by 2013 Indonesia will be G7 and the areas of business expansion and opportunity will be in agriculture, resources and consumer products and services. We have all the ingredients there however, we need to see how we can take leadership within the ASEAN platform. The business side seems to be very reluctant. Although the growth in the Philippines and other parts of SEA is very promising, I see very little in terms of number of Indonesian companies going out. We are probably one of the very few that invest outside Indonesia - in Myanmar.

If we look at people-to-people relationships within ASEAN, that's really what ASEAN is all about. It's not really the economy because there are still 600 actions to go but if you look at sports there is an ASEAN basketball league gaining momentum, there is soccer- unfortunately Indonesia has not been the leader there- we've been too busy with democracy so much so that our soccer associations now have two or three chairman due to this euphoria of a democracy. But in the area of business, some ASEAN business platforms like CIMB and Maybank, Axiata and Air Asia have developed a good platform within ASEAN. So if you let the regulators, the bureaucrats, the politicians lead the transformation I think we are in the wrong lane. Let the business guys lead this transformation. If you look again at the survey, majority of us do not think that 2015 will be achieved, and I think we need to rethink whether 2015 is the right way to go or whether we prefer to see more quality in terms of integration.

*Paulius Kuncinas: Competition will drive integration but of course competition cannot exist without liberalization and without free movement of capital, goods and labor. Henrich, we heard yesterday that ASEAN does not want to become a European Union, that there's no political project to integrate to that extent, but at the same time they*

*have realized the benefits of free movement of goods, capital and labor. I wonder if you could share your experience of typical bottleneck at ground level in terms of moving goods and talent.*

*Heinrich Jessen:* We bring goods into ASEAN from outside of ASEAN and we also move goods from ASEAN countries to other ASEAN countries.

From the perspective of a customer, let me tell you the story of a rice miller in Cambodia who decides to want to build a biomass power plant and upgrade his warehouse facilities both in Cambodia and his distribution subsidiary in Vietnam.

He buys a boiler and a steam turbine from Malaysia. The steam turbine is made up of components from all over the world, but since it's made in Malaysia, the entire structure should be subjected to a 5% duty. However, because it is in the exemption list being power generating, the Cambodian authorities impose a 15% duty.

The boiler is shipped to Cambodia and it turns out in Cambodia there is no crane that can lift a 25 ton turbine from a ship in Phnom Penh port and onto land so the whole thing has to go to Ho Chi Minh first and then be trucked to Cambodia. When it is offloaded to a ship and onto a truck, that truck can only drive to the Cambodian border, where, because of the differences in the axle load limit between the two countries, the whole structure has to be offloaded again from the truck and loaded onto a Cambodian truck, thereby adding logistics costs, damage risk, time, et cetera.

There is no insurance policy that will cover the product all the way from Malaysia to Vietnam to Cambodia, so he has to get three different policies, three different logistics providers to quote.

He is a little luckier with the two products that he needs for warehouse upgrading - a sectional door to close the warehouse at night which is imported from Canada. The sectional door has a duty of 5% in Cambodia and Vietnam. The trouble is the exporter in Canada has to fill out the 14 different documents, writes the word sectional doors in 13 of them but only writes the word door in one of them. In Cambodia that is not a problem, but in Vietnam the Customs official picks up the wording and although he can open the container for verification and check 13 of the 14 documents that states "sectional doors," he decides it is a door which is then subjected to a 25% duty (the duty imposed on a wooden door for households). So our Cambodian rice miller has to pay that.

So it's a mixed picture there. The best example is the dock leveler which he brings from Malaysia - produced, containerized and shipped to both Cambodia and Vietnam, there is no problem with insurance and logistics - the product arrives on time and without any glitches so the view point by this customer is that ASEAN is somewhere halfway. It is a lot better than it used to be, but it's not as good as it could be.

*Paulius Kuncinas:* Do you think the goal is binding for 2015 or just a milestone?

*Tengku Zafrul Azizi:* There will be challenges in capital markets in 2015. I think the main point highlighted by Kavi is that there will be basic implementation problems as the timeline and targets require policy coherence at the national level. Different countries are at different stages of growth. There are also overlapping activities, so the perception out there especially by the market when investors come in to ASEAN, is that it is fragmented.

We notice that ASEAN member states still pursue bilateral FTAs with countries outside ASEAN, and also have sub regional agreements, growth triangles, and of course there are also gaps in private sector. Coming from private sector, the awareness, the engagement, the interest is largely driven by governments so the private sector, industries, investors and businesses need to be consulted and engaged for feedback. Foreign companies seem to be aware of what is happening and they are more interested in the AEC than ASEAN companies themselves. There is resistance by our investors and clients and local ASEAN industries to further liberalize reforms due to lobbying and vested interest in those markets.

*Paulius Kuncinas: When I speak to Indonesian businesses, they often say we are too busy with the opportunities at home, we don't have time to explore ASEAN opportunities and secondly, they feel that whenever other ASEAN investors come to Indonesia, they want to buy assets. They don't think about the quid pro quo so I guess the question is how can Indonesia can be engaged with the other ASEAN members. Can we see more quid pro quo and more focus on how to help Indonesian companies to take advantage of ASEAN opportunities and turn them into national champions?*

*Sandiaga Uno: I think competition will have something to do with it. If Air Asia did not relocate its regional office to Jakarta and create such a huge scene in Jakarta, I don't think Lion Air would be interested to go outside Indonesia because the growth is 60% and they are putting the largest order of Boeing's ever in the history of Lion Air. They now realize that there is competition coming in. Indo Food is happy selling Indomee to 250 million Indonesians but if there are any strong brands coming to Indonesia then they would run for the money. So competition would be one thing and the other thing would be the free flow of opportunities. Businessmen tend to be very optimistic in nature. We are the perennial optimists, so once our home market is being sort of threatened, we'll have a basic instinct to go out and compete outside.*

*[Question from the floor] Where do you see leadership coming from in ASEAN so that ASEAN can face up to the regional hegemonic rivalry that is building up?*

*Kavi Chongkittavorn: ASEAN is facing a crisis of leadership. Unlike ASEAN in the first 30 years, you have six members who know each other and called each other by first name. Now you have rotational leaders that come in and out so the issue that confronts ASEAN these days is that it is no longer static. You have high competition between China and the United States which puts ASEAN in a great difficulty because ASEAN wants a win-win and does not want to take sides. With this kind of heavy pressure and stress, certain countries in ASEAN have to take sides and this is a dilemma because ASEAN must speak with one voice. Since ASEAN expanded in 1995, political culture of ASEAN has changed and like it or not, the rest have shown ASEAN doesn't have the strength of unity. In the past, when ASEAN spoke, it means one voice. Now ASEAN speaks, it means 10 different countries.*

*[Question from the floor] Let me make reference to the European Community and the over optimism which we had there. We saw that it brings us to new limitations- financial and economic so I wonder whether the future of ASEAN could also be building on the political and social values but then giving free room to bilateral economic agreements in relations to secure those things like in Europe cannot happen. What's your view on this?*

*Heinrich Jessen: I think the EU is a good example for ASEAN but it is not the only one. The EU has 21,000 bureaucrats sitting in Brussels. It has a budget of €150 billion every year for economic integration of people, capital and goods and services. ASEAN has less than 300 people in the secretariat in Jakarta and a budget of less than US\$15 million. I think one of the problems we have in ASEAN where we are not following the EU model is that there is simply not enough human financial resources.*

Having said that, the EU is just one model, there are other benchmarks as well and if we take the commonwealth of independent states whereby we have very much one leader - namely Russia - 14 of the 21 years of the CIS's existence has been led by Russia, that's definitely not a more integrated region than ASEAN.

If you want to fly from Kirgizstan to Tajikistan, you have to fly thousands of miles up to Moscow and change planes and fly thousands of miles back down to Tajikistan. At least we have Air Asia and Mandala Airlines in Southeast Asia.

*How can Burma benefit from ASEAN?*

*Heinrich Jessen:* We invested in Myanmar about two years ago, and of course we've been observing how much the government is letting foreign investments come in and I think if Myanmar could learn from ASEAN, it could look at two countries - Vietnam and Cambodia.

When we went into Vietnam some time ago, Vietnam was a government that decided very much to do its own way and what we faced as investors was a very complex, difficult to understand and difficult to deal myriad of laws and interpretations.

On the other extreme, we have Cambodia which started off on a very clean slate in terms of investment laws which made it very easy almost too easy for investors to come in.

Myanmar I think looks like it is adopting more of the Cambodian approach however, I think what is important is to keep in mind that investments also benefit the people so these investors have to be careful and corporate governance has to be at the very top of the agenda.

*Paulius Kincinas:* I think we all agree in this room that ASEAN has been a force for good, and we see real examples how ASEAN is helping countries like Myanmar to move forward.

## FORUM LUNCHEON ADDRESS

### “President Obama’s Second Term: What are the implications for the world’s largest economy? What must Asia watch out for?”

Address by **Mr. David Hale**, Chairman, David Hale Global Economics, USA and expert commentator on the global economy followed by Q & A on the state of the US economy

Moderated by: **Ms. Kathy Gong**, CEO, Sichuan Seeway Machinery Co Ltd, China



The recent election we had four weeks ago very much reaffirmed the status quo we’ve had over the last two years. We have a democratic President, democratic senate and a republican House of Representatives and this creates the danger of gridlock. Our two major critical parties are very far apart on fundamental issues of taxation and public spending and find it very hard to reach agreements. We currently have probably the most polarized political system in over a hundred and twenty or thirty years. Both parties have become very rigid, very partisan, very divided.

The first issue confronting the next three or four weeks is the issue of the so called fiscal cliff. In 2010, the President and the congress agreed on an aggressive program of tax cuts- the payroll tax cuts, social security tax cut. All of these tax cuts will expire at the end of this year. If they do expire, we will have (starting in January 2012), a 500 billion dollar tax increase on the American people. The congressional budget office in Washington estimates that this will drive the American economy back at a recession during the first half of next year possibly driving unemployment rate back to 9% from just under 8% at the current time. This could be a truly catastrophic scenario.

Looming as well in the first quarter is the issue of the so called debt ceiling that will increase the pressure on both sides to look for long term solutions to the American deficit problem. What we really will have to have over the next 6 or 8 weeks is some kind of grand bargain to both resolve the fiscal cliff and also meet the challenge of the debt ceiling. The danger if we can’t work out effective solutions over the next six or eight weeks is there will be a further downgrade in the US credit rating.

The Obama administration has on its items a number of agenda for the next one or two years.

The first is to implement the healthcare laws enacted over 18 months ago. This basically compelled 30 million Americans who don't have health insurance to buy it and what the government right now is trying to do is to create insurance exchanges in the state for people to buy the insurance policies. The federal government may itself have to intervene to create a framework for people to be able to buy health insurance policies.

The second big issue is the implementation of the Dodd Frank Law. This is a major financial regulatory bill passed by the US Congress two years ago – it is over 2,000 pages long and compels members of the agency to draft hundreds of new rules to actually implement the law. At the current time, we've only drafted about one third of these rules. All these new rules are going to have a profound effect on the US banking system and will significantly increase bank regulatory compliance cost.

This will have an adverse effect on profits and the American Banking Association expects these new laws to cut in half a number of US banks. America has always been different from other industrial countries. If you go to Britain, Canada, Britain, Australia, France, Germany - the countries are controlled by four or five major banks. The US by contrast has thousands of banks. Twenty years ago we had 15,000 banks. Now we are down to just under 8,000 and the American Banking Association projects that with all the laws, we will have less than 4,000 banks by 2020. So this is a very major change in the character of the US financial system.

The Dodd Frank law will also have international implications. Right now the Commodity Futures Trading Commission (CFTC) is trying to change the regulation of non-deliverable futures markets. It wants to force all these activity under formal futures exchanges. We've had, in the last few months, protests from most Asian countries that what the CFTC is doing could be adverse to the development of the futures markets in this part of the world as it is believed that CFTC is trying to effectively force all these trading activity on to US fixtures exchanges at the expense of those elsewhere in the world. So we have an international and domestic dimension to this issue of financial regulation.

The third important area is energy regulation. Right now, the environmental protection agency is drafting a lot of new rules on carbon emissions and the basic goal of this new law is to drive out of business America's coal burning power stations. We will in the next 10 to 15 years end the use of coal for producing power in the United States – a very far reaching change. America right now is in the midst of a great oil and gas boom. In the last 3 years we have increased US oil production by 1.4 million barrels. We could in 10 years be producing as much oil as Saudi Arabia and Russia at over 10 million barrels a day. We've also had huge national gas discovery.

Global warming is also an issue. Obama focused on the issue in his first administration and the House passed a major cap and trade bill imitating what Europe did five or six years ago to try and price carbon more aggressively to discourage pollution and to discourage carbon emissions. The legislation passed the American House but it couldn't pass the Senate - it was killed by the coal-burning states. It is not clear what Obama will do on this issue. There has been talk about having a carbon tax, but the Republicans will basically oppose this in the House of Representatives.

Trade policies are also very important. The Obama administration finally completed over a year ago three free trade agreements negotiated by the Bush administration four or five years ago with

Columbia, Panama and Korea. The administration's major focus now is on something called TPP - Trans Pacific Partnership - which involves trade relations with several Asian countries and now also recently Canada and Mexico. The unclear player in the TPP talks is Japan. In any case, this administration hopes to complete in the year ahead a major new Transpacific Trade Agreement.

The Obama Administration is also reemphasizing the importance of Asia in America's foreign and security policy. We recognize that this part of the world is very important to the global economy, therefore want to be a player here, an investor, and a trader. It is also part of the plan to contain the rise of China as a major new power. There is fear in Washington that China could become over 10 or 20 years a hegemonic power in this world again as it was hundreds of years ago. And there is great concern as well over China's claims over various territories in the South China Sea.

During the election campaign a few months ago, Governor Romney the Republican nominee, was very critical of the administration's trade policy. Romney on his first day as President would have declared China a currency manipulator. The US treasury under Obama did not call China currency manipulator for 4 reasons.

- First, the RMB has over the last five years appreciated by 30% in nominal terms. As China has had a higher inflation rate than the US, it has gone up by even more in real terms.
- Secondly, China's current account surplus has fallen from 10% of GDP 5 years ago to only about 2.5% today. Now the biggest current account surpluses around the world aren't in Asia. They are actually in Germany and Holland, though Singapore and Malaysia also still have quite large current account surpluses.
- Thirdly, during the global financial crisis four years ago, China had by far the most aggressive stimulus program of any country in the world. They announced a US\$600 billion infrastructure spending program. They increased their money supply and bank loans by 30% in one year. This was hyperactive and it played a major role of leading the global economy out of recession in 2009 and the US Treasury does give China a lot of points for being so aggressive.
- Fourth, the US needs China's help on other issues. This includes help on Iran and North Korea.

So for all these reasons, the administration has not gone on a highly aggressive direction as Governor Romney would have on China's exchange rate question. But the administration has imposed new trade sanctions on China because on complaints about trade conditions in various microeconomic sectors. Indeed in the last few months, the US Trade Office has increased its number of mandarin speaking lawyers from one to six to address this issue of China's macroeconomic policy.

We have had a situation like this as well 20 years ago with Japan which involved a new process called structural impediments initiatives involving huge negotiations on Japan's microeconomic policies. The US may end up having similar negotiations with China to address areas where we do have macroeconomic tensions.

Another important area where policies are evolving is of course the area of monetary policy. There is no doubt that if Romney had won, he would have in 12 months' time probably a more conservative and restrictive monetary policy but with Obama back in office, there is no resistance to Bernanke's policy. What is unclear is what Bernanke himself would want to do after his term ends in January 2014.

There are two frontrunners to take his place. The first is the current Federal Reserve Vice Chairwoman - Janet Yellen who very much supports Bernanke's monetary policy. And American interest rates would stay low indefinitely and there could as well be further balance sheet expansion. The alternative candidate is Roger Ferguson who was a Fed Governor 10 years ago, and he too would carry on Bernanke's policies. Whoever they are, they would carry Ben Bernanke's monetary policy which means low interest rate for quite a long time and this will on the margin be a negative on the US dollar and a positive for the gold price. Possibly a negative as well for the US Equity market, so there are many different areas of policy in play right now.

The big pending issue is the fiscal cliff. Over and beyond that, we have still the evolution of new financial regulations, new energy policies, new environmental policies and a whole new strategy for dealing with the rise of China as a possible new hegemonic power in Asia. I think if we can resolve our fiscal problems, there are reasons to be optimistic on the US economy over the next two years.

We currently have several positive forces currently at work in the economy.

The first is Ben Bernanke's monetary policy. He is giving us at the current time the most expansionary monetary policy in the history of American history. Zero interest rate for four years in a row and Federal Reserve greatly expanding its balance sheet. This policy has no precedent in our history. Ben Bernanke is very determined to bring unemployment rate to below 7% from currently 7.8%.

Secondly, we've had over the last three years a very dramatic recovery in the US corporate profits- they have doubled and have given us a huge stock market rally.

Thirdly, we've made progress with consumer deleveraging. The household sector has reduced its debt by over a trillion dollars since 2009 and because of low interest rates, household debt servicing payments had fallen from 14% of personal income to less than 11%. The current ratio of household debt servicing payment is back to where it was in the mid 1990s - this is a positive for consumer spending.

Fourthly, after six years of very severe recession in the housing industry with big price declines, and a collapse in building activity, we are seeing for the first time now since 2006 signs of recovery in the housing sector. This will be positive for the economy because during the recession five years ago we lost 2.3 million construction jobs. We've so far regained only 60 thousand - we only could create in the year ahead several hundred thousand new construction jobs and this would be a very big positive in the US economy's growth rate and for household spending and consumer spending.

Finally, as I mentioned a minute ago, we're in the midst of a great oil and gas boom. North America in 10 years' time could be self-sufficient in oil. There are big increases going on in US output, Canada's developing the tar sands back to double the oil production over the next 10 years and Mexico is probably on the verge of a new revolution in energy policy. This is a very important development and it means a very major improvement in the American current account

deficit as the US currently runs large trade deficit in oil in hundreds and billions of dollars. This will be as well a positive for the US dollar.

Therefore, we do have over the next 12-18 months the possibility for the US economy to rebound - at a growth rate of only around 2% to possibly as high as 3%. Since the recovery from the recession in 2009, our growth rates average at only around 2.1- 2.2%. We had the collapse in house prices that wiped out US\$7 trillion of household wealth; we had overindebttness which required leveraging; and we had as well a problem in the financial system. American banks had huge losses back in 2008 and 2009 and now American banks have had a great recovery and are at a much better shape. This improves credit access. All we can do right now is stay tuned and see how the next two or three weeks plays out.

## THE ASEAN 100 ANNUAL DEBATE

**Motion: “This House believes that the 21<sup>st</sup> Century is the Asian Century.”**

### **Arguing for the Motion:**

- **Mr. Fong Wai Hong**, Founder, OzHut, China
- **Mr. Paulius Kuncinas**, Regional Editor, Oxford Business Group

### **Arguing against the Motion:**

- **Ms. Nicole Seah**, Member, National Solidarity Party, Singapore
- **Dr. Thitinan Pongsudhirak**, Professor, Chulalongkorn University, Thailand



An electronic poll was taken from the participants prior to the debate and after the debate. The following are the results.

*The 21<sup>st</sup> Century is the Asian Century. Do you agree?*

Before the debate:

Yes: 73%

No: 16%

Undecided: 11%

After the debate:

Yes: 51%

No: 44%

Undecided: 5%

## Opening Arguments For the Motion:

*Paulius Kincinas:* This house believes that the 21<sup>st</sup> century is the Asian Century. The transformation in the Asian region into an economic powerhouse is not only unstoppable, it is gathering pace. We are already at the Asian century. We're already seeing Asia emerge from the latest economic crisis as the only region that can deliver growth consistently, the only region that has healthy balance sheets, high productivity rates. By 2050, more than 50 per cent of the global GDP will come from Asia. I could say that more than 70% of additional growth will come from here in Asia. It will be the biggest middle class that the world has seen.

Centuries are not defined by material goods and economic performance. The greatness has to exceed such values. It is about big ideas, transforming the rest of the world the way that Britain changed the world in the 19<sup>th</sup> century through the industrial revolution the way that United States changed our culture. That is what we are looking at from Asia in the 21<sup>st</sup> century. Asian values will capture the imagination of the world, precisely because they are evolutionary and not revolutionary. We are talking about a synthesis of ideas; we're talking about improving the current economic and social society model that will prevail in the Europe and US.

At the heart of this question is debt. As Oscar Wilde famously remarked about the United States, "Never has a country moved so fast from barbarism to decadence skipping a few stages in a development." With all due respect, he was referring rightly to the exuberance of the world's largest human nations. Consumption that has been paid for by debt has created one of the biggest crises in this peaceful time. Only more easy money and printing has helped the rest of the world escape a deep recession and now as we just heard we're facing yet another cataclysmic event the so called fiscal cliff. How can such nations be defined essentially?

The opposition may argue that Asia is no stranger to debt, indeed the credit to GDP is rising in China. Debt has been part of Japan's economic developments and even here in Southeast Asia. The crucial difference is about balance, to work, to honor debt commitments and more importantly it is not about burdening your future generations with your own debt.

It all boils down to values. Asia, whether it is India, China, Mongolia all the way to Indonesia is all about family and community values. Asia is indeed a very wide and diverse region ranging from near Communist to flourishing democracy, thousands of different ethnic communities and religions but in one area are Asians all united in their aspirations to deliver a better standard of living for their children. This is in contrast to prevailing sense of individualism, entitlement culture and heavy reliance in the state that we saw in Europe.

It is certainly not going to be a European century and I sadly confess that as a European. The rise of the East is different. The obligations between the state and communities will be broadly balanced. The state will continue to play a crucial role in education, in health and infrastructure and environment but it will be up to private enterprise and individuals to earn their living and to live within their means. The age of free entitlement that was ushered in by the French revolution is over.

This is the age of pragmatism, of consensus, of regional trade, of living within one's means. This is the Asian age.

*Fong Wai Hong:* I could tell you that the top 6 out of 10 airports in the world are in Asia. I could tell you that by 2038, China is destined to overtake the US GDP. In 2041, India is going to do

the same. I could tell you that China (coming from a tech background) has the world's largest internet population, online shoppers.

Those things don't actually matter too much because I draw my confidence that the 21<sup>st</sup> century will be the Asian century not because of these little facts but because of stories that I have got the pleasure to hear. And these stories are the stories of Asian leaders and the kind of values that Asian leaders have held on to. It is the values of our leaders in Asia and our people they were leaders into this new century.

Jim Collin's book 'Good to Great' talks about level 5 leadership studying top performing fortune 500 companies in the US, he discovered that the greatest companies had in all of them level 5 leadership qualities. He marked them by their humility and the will- the determination. How do these leaders manifest? The West does not value the kind of values that these leaders hold on to, the kind of humble leaders who are determined to do what they do because humility is seen as a very weak value. In the East or Asia however, it's seen as a strong value. It is seen that for a leader to have humility, to be a brave courageous leader.

We understand that the kind of multicultural globalized world that we live in today requires not the forceful push but rather Asia's humble approach. The values that we hold on to in being the family the most important unit, that our community is more important than ourselves that we will honor and we will build and will work hard that our children may have a better living than us.

Much of the leadership in Asia has learnt how to maneuver around each other simply because of our incredible diversity. We have no other choice, this is our heritage and this is Asia. Humbled and determined, wisdom is important than the knowledge based craving that the West have been obsessed with for the long time. In leading this new century into a world that is more to live with our differences than it is to convert everyone to be thinking the same way and that is what I believe which is seen inherent in the Asian leaders.

One doesn't have to look very far as well to see examples of this kind of values of our leaders. At the summit, one simply has to look around and understand that the kind of leaders we look up to in Daw Aung San Suu Kyi, these leaders demonstrate the kind of value that we see in the kind of leaders in the west. And we herald them for that. 'There is a time for everything. If we fail to believe that this is the Asian century, then we may well fail to live it.

### **Opening Arguments Against the Motion:**

*Nicole Seah:* The label "Asian Century" has been conferred because of the economic success stories and the uprising of emerging economies in recent years. But to say that we are in the Asian century denotes that Asia is fast becoming a superpower which in itself is an assumption.

I will list off the reasons against the fact that the 21<sup>st</sup> century is not an Asian century:

- 1) Asia lacks global leadership and intervention
- 2) Asia is a heterogeneous region
- 3) Asia lacks social spending and an adequate safety net
- 4) Asia's prevalent social inequality and increasing rising income gap that government across the region are going to have to deal with
- 5) Asia as a region will be extremely vulnerable to climate change with its finite resources

In order to become a superpower, Asia needs to take an active role in global intervention in leadership which it has not done so over the past decade. It has been a passive onlooker as opposed to an active and constructive policy maker and initiator. Take for instance the intervention in Libya led by Britain and France carried by NATO says it all. There is in fact no NATO in Asia and I think that for us to imagine that superpowers such as Japan, China and India could come together in a united coalition is hardly a position that we will be looking at any time soon. We have political baggage which makes it very difficult for us to establish a strong coalition in this region such as the EU has done.

Second, Asia as a whole as a region is made up of too many disparate and diverse types of cultures and people and because of that we are a heterogeneous region. It means that the economic rise of us as a region is in itself an insular and individualistic process rather than economic success occurring as a support that we have given to each other as member countries of a coalition.

Asia has a long way to go to become a true superpower of the 21<sup>st</sup> century because economically we are rising fast but socially I believe that we are still lacking in a very strong social safety net. This is typical of Asian countries and governments. Existing government policies in Asia penalize savers through financial repression by keeping deposit rates low and paying households measly returns on savings. They reward businesses by subsidizing capital typically through low bank lending rates. So a lot of the economic wealth that is generated by huge pool of capital is in fact the result of the fact that we have a weak social safety net.

What we will see is that Asia's rapid growth will also bring about the rise in socio inequality and this will in turn undermine social cohesion and stability in the region if we are not careful. This begs us the question of who will benefit from this so-called Asian Century. Is there going to be a better distribution of wealth or is the new Asian century leadership vested enough to push for a more equitable society or are we going to see the imbalance tilting the scale even further? Our response to that will determine whether this century is truly an Asian century.

Lastly what I would like to add is that, as we carry on we will have 3 billion more affluent Asians in time to come. The fact that Asia now holds more than half of the world's population and this means that more than ever in the years ahead, we will be very susceptible to climate change. As it is, Asia itself is excessively energy reliant unless we take the lead in increasing energy efficiency, unless we take the lead in building eco-friendly infrastructures and ventures to alleviate pressure on our resources, Asia will find itself in a very environmentally vulnerable position in time to come if we do not watch ourselves.

*Dr. Thitinan Pongsudhirak:* This is a biased room because most of us are Asian and we think this will be the Asian century. You must be very careful – we have to keep the Asian triumphalism at bay. The Asian century dialogue is a decade too late. A decade ago we had books: Asia renaissance, Asia rising, Asian century but if you look a decade after or the current period, Asia is in some trouble.

We have to first address that the world doesn't work in rotation, oceans and nations don't take turn in being at the top. The Asian model as mentioned earlier is not so unique and special. China is slowing down - export led model is going to face some uphill task going forward. Our nation states of the world are in the same world economy. If you look at the trajectory of nations, most nations especially once they become a democratic, they incur more debt. We will

see similar problems that they have in Europe, America and Asia so in fact we're in the same boat.

If you look at economics – trade and FTAs of Asia are more with partners outside the region than within the region. Within the region - more of noodle-bowl FTAs, so if you look at international trade regimes, it is not so promising for Asia. The Regional Comprehensive Economic Partnership (RCEP) is ASEAN's answer to TPP.

If you look at the financial system in Asia, it is still run by international financial systems. There is no Asian Monetary Fund so the Asian economy is really still a function dependent on the global financial trade system.

Asia has not had a catalytic, cataclysmic exercise. We have not had the World Wars. The US has had the Civil War ethnic cleansing that united the country; Europe had two wars. In Asia, there has been no big war and therefore more difficult to integrate as a region. Diversity is the enemy of the Asian century. This is a region that is heterogeneous with many diverse groups, languages, religions, beliefs, ethnic makeups, identities and so on making it very difficult to blend and distill into one – even English is not spoken comprehensively universally. ASEAN is going to be a community without English really functioning at the grass roots as a common language.

Asia is not going to improve its standard of living. North Korea is not improving the standard of living of its people. North Korea, China and all the other countries that are not yet democratic like Japan and South Korea are going to face democratization pressure. This is going to be a very volatile region - not so much a very pleasant, uniform Asia region.

Demographics is a challenge for Asia apart from the export led model being questionable and not sustainable. People are ageing – you see this in Japan, China so the model is going to face some pressure and there is no social security in Asia. When people get old they are going to be in a lot of trouble.

I wish we are headed to an Asian century but I don't think that it is the case. I think that this is a case where we need to have a global century for a rising world which allows turbulence in Asia to be minimalized.

### **Rebuttals For the Motion:**

*Fong Wai Hong:* If we look back at history, we do not call the American Century simply because America was dominant in its power, but because America had to share its power with Europe to a certain degree. It was America however, that provided the leadership to the world and it is because of this leadership I see Asia will provide to the world in this new century that is the reason why we will call this the Asian century.

But the West has given us the global financial crisis. The skepticism that we have is the kind of healthy skepticism that we will need to build into our companies, governments, small businesses and people. We will see an Asian century rise; we will see Asians all over the world lead in the way we are most accustomed to with humility, with politeness.

A hundred years from now we reflect back on this century. Will we call this an Asian century simply because we are dominant in strength or will we call this the Asian century because we are able to include and draw everyone together?

As the west meets the east, we stand at the tethering apex of two civilizations and the West needs to overcome the dualism that Plato has created. The East needs to have a faith that will allow them to believe and love. Without these two hands clapping, the future yawns in awkward silence and I think that is the reason why I encourage you to believe that this is your century and I remind you to take ownership of it.

*Paulius Kuncinas:* In a country that is about to blossom with its growth rates of 6-7% it is very easy to forget where we are.

Europe just had a technical restructuring in one of the founding nations of the so-called European democracy, Greece, because of debt. Yes, Asia is divided and fragmented and has a problem of currency reserve but the future as some politicians said is a tricky business. Predicting the future is quite easy but when we have to, what do we rely upon? We rely on facts and trajectories. We rely on the direction of travel, we play down deliberately the issue of GDP growth but at the end of the day it does matter. As this region gets richer, it will be able to afford social welfare and be able to tackle problems beyond the immediate neighborhood. The issue of leadership – this is only a second decade and you all assumed that just because we are so early on, it is premature, it has to be a negative conclusion and that seems to me completely logical so where we stand today, why can't you make the leap of faith and say this can be the Asian century?

### **Rebuttals Against the Motion:**

*Dr. Thitinan Pongsudhirak:* The world is not zero-sum in the subject we are discussing. The US, even in this century with all the arguments and characteristics that we see is still the most powerful nation on earth. It has more aircraft carriers. It has more military might than all the other 9 countries combined. The US is not going away, even if Asia is more important the US will be around and that we have to keep in mind.

The West has a lot of staying power and we will be seeing that staying power manifest itself in the next three decades and beyond. We will see in the next fifty years a de-westernization of the West and a Westernization of Asia. In terms of ideas, paradigm and ideology, you will see that Asia is going to be more like the West. You look around you. We have more elections, more democratic governments (countries that do not have democratic governments are under pressure to do so).

I think the world will be more complex, full of paradoxes and contradictions. There will be more globalization but nationalism will not go away. There will be a lot of localization and nationalism that will counter at the same time globalization and universalization. If we want to emphasize the Asian century- and I think we should up to a point- it's for leverage, it's not to be pushed around by Europeans and Americans. It's really for bargaining in international financial institutions- the great problem of our time is that we have post World War II a global governing structure that is unfit for the time. We need a more Asian representation at the IMF, at the World Bank, the UN, the UN Security council, the permanent five and so on. And this is something we should emphasize- Asia for Asians to counter, to bargain Vis-à-vis the West.

*Nicole Seah:* We are not yet an Asian century. Every time we introduce someone we say this person was an alumnus of Harvard, Yale, Stanford, Oxford, Cambridge. Why do we not talk about where we come from for the Asian graduates like myself? I am a proud graduate of the

NUS, Dr Thitinan is from the very esteemed Chulalongkorn University. Why was that not raised at all? That brings me back to the point: are we truly an Asian century yet? I don't think so.

I am saying this not because I am not proud of being Asian. I think Asia has a lot going for us but as I highlighted earlier, we have lots of problems. So the question is what lies ahead for Asia and I think we are not ready yet. It is healthy for us to have healthy skepticism. I think it is time for us- all of us especially in this room to really think about how we can make it our collective responsibility to come together, to identify these problems and to solve them because it is only when we solve them that we will slowly ease into a true superpower in spite of our diversity and perhaps because of our diversity will we truly become an Asian century without even needing to say it.

I think for us to assume that we are going to become an Asian century is to really assume that in the past that there is an American century, a European century. That totally negates the fact that we are actually moving into a world that is increasingly unstable, and where things are going to become unpredictable. So, in light of that, why do we make the assumption that there is going to be a particular region that is going to rise out of this economic chaos. We will become a global century where there is no inequality in this place and where everyone is on equal standing, whether socially, economically or politically.

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