

ASEAN100
LEADERSHIP FORUM 2010

Can ASEAN compete?

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SUMMARY REPORT

ASEAN100

LEADERSHIP FORUM 2010

SUMMARY REPORT OF ASEAN100 LEADERSHIP FORUM 2010

Session 1: ASEAN, China and the Return of Major Power Rivalry

Address by His Royal Highness Raja Nazrin Shah, Crown Prince of the State of Perak, Malaysia.



"ASEAN is a friend to all and enemy to none."

- As the twenty-first century unfolds, Southeast Asia finds itself in the cusp of another bout of major power rivalry of which the consequences for ASEAN can be serious if not well managed.
- The surge in the economic growth of China, averaging at 11 percent annual growth for more than two decades, has rapidly transformed China into the economic hub and driver for many other economies in East Asia and enabled it to dramatically increase its strategic reach and diplomatic influence.
- ASEAN members are carefully assessing the situation and an ASEAN position is being crafted based on consultation and consensus. The impact and implications of major power rivalry and activity for the region, and the ASEAN policy that evolves, will seek to balance individual and collective interests.

- ASEAN plays several roles and its responsibility is not limited to its members. As the anchor of the ASEAN+3, East Asia Summit and ASEAN Regional Forum processes, it has a responsibility to the larger East Asian and Asia Pacific communities.
- The overriding and fundamental importance is that China is ASEAN's biggest trading partner (second is the EU, third is Japan; fourth is the US, fifth is the Republic of Korea, sixth is Australia and seventh is India). The East Asian economies are integrating at a very rapid pace and the future well-being is becoming increasingly interdependent within the region as well as with Europe and the US.
- Therefore, all major and middle powers are of paramount importance to ASEAN – thus, ASEAN's policy will have to be predicated on one cardinal principle –that ASEAN is a friend to all and enemy to none.

Session 2: ASEAN Competitiveness within Dynamic Asia

- **Professor Michael Enright**, Founding Director of Competitiveness Institute, Founding Director of Asia-Pacific Competitiveness Programmes at the Hong Kong Institute for Economic and Business Strategy
- **Tan Sri Dato Azman Mokhtar**, Managing Director, Khazanah Nasional, Malaysia
- **Mr Peter Gontha**, Member, Indonesia Investment Coordinating Board
- **Mr Michael Buchanan**, Managing Director and Chief Asia Pacific Economist, Goldman Sachs

Moderated by **Mr Manu Bhaskaran**, Director and CEO, Centennial Asia Advisers



- ASEAN cannot compete. International headlines have shown that China and India are where the action is – this year, China's GDP will be three times that of ASEAN, and in five years will be four times. This year, China's per capita GDP, will be one and a half times the ASEAN average and within a few years it may be twice. This year, China will receive nearly three times the foreign investment of all of ASEAN combined and India is likely to receive more investment than all of ASEAN for the first time in many decades.
- ASEAN cannot compete economically. China has largely displaced ASEAN nations as the location of choice for final assembly in a large range of consumer goods, while India is leading the software and business process outsourcing – an area that several ASEAN countries have targeted, but half a dozen Indian cities are more recognisable in the sector than any ASEAN country.
- How can ASEAN compete when it consists of nations with huge disparities in levels of development and economic systems? And how can individual ASEAN nations compete when so many are riven by internal divisions or are too small to be relevant, seem to have zero sum economies in which elites benefit from protected monopolies and oligopolies that deliver limited benefits to the masses, or when most prominent companies from ASEAN seem to profit by extracting wealth from local resources and populations rather than by succeeding in global markets?
- However, economic development is not a zero sum game. It is a positive sum game. It really doesn't matter if China and India are growing faster than ASEAN, as long as ASEAN has satisfactory growth itself.
- Among the natural endowments of ASEAN is its geography- being in the right neighbourhood has its privileges and the rise of China and India is really complementing the growth of ASEAN- it serves as both opportunity and threat. Rapid growth in China and India may make it easier rather than more difficult for ASEAN to grow.
- Rising resource prices and the development of strong domestic markets bode well for the future. ASEAN is a large enough market for many goods that the production will be in ASEAN. Other parts of the ASEAN economies are non-traded or involve local tastes and demands that are difficult to serve from abroad. ASEAN has the potential to become the food basket for the Asian region and Middle-East.
- The case for ASEAN-Chindia relation is obvious. As we all go through changes, our relationship with each other must also change- it can no longer be compass driven, it must be opportunity driven based on trust and common interest.

"Reforms ASEAN should look for: reducing the non-tariff barriers, improving education and infrastructure and financial sector reform all of which should be done together to provide a bright future for ASEAN." **Michael Buchanan, Goldman Sachs**

Session 3: Leadership for Economic Competitiveness

- **Mr Isra Sunthornvut**, Vice Minister, Office of the Prime Minister of Thailand
- **Mr Khairy Jamaluddin**, Chief of UMNO Youth and Member of Parliament for Rembau, Malaysia
- **Mr Roger Crook**, CEO, Asia and EEMEA, DHL Express

Moderated by **Mr Allen Lai**, Director, Asia Inc Forum



"If ASEAN wants to become a global recognised trading bloc, it needs to learn from the EU and NAFTA. NAFTA and the EU are open and are easy to do business, liberalisation has happened – which is very important for the success of ASEAN, and there are cost opportunities by reducing the supply chain. Leadership of ASEAN needs to get together." **Mr Roger Crook, DHL Express**

- Populism as experienced by Thailand can have negative meaning or consequences only if short term policies are at the expense of long term goals. Thailand is attempting to transform itself into a national welfare state where free healthcare, free education and free social system are available for all Thais.
- The Thai government is actively trying to ensure that Thailand is well-placed in short term goals, mid-term goals and long term goals. Not only is the Thai government addressing the issues of politics and the economy and trying to solve the immediate problems, but it is also engaging in a historic investment in infrastructure over the next three years in upgrading the transport network, road, railways and also improving water resources for the agricultural sector and health-care centers and schools.

- On the business perspective of leadership in ASEAN – leadership is about setting out the vision and strategic direction and communicating that vision and strategy across the organisation. It is the same for ASEAN itself. Is ASEAN being aggressive enough? Does it have a vision on where it wants to go? Looking at the current situation, ASEAN is competing very well in the global market and whilst there has been a buzz about China and India, it is to be noted that many global corporations are growing much faster in ASEAN than many other markets. Therefore, there are a lot of other markets that ASEAN can compete in aside from China and India.
- The lesson on leadership from a Malaysian perspective is not to forget that leadership should come from all the stakeholders – business, civil society and politics. In the case of Malaysia, leadership is confronted with a major dilemma – whether to do the popular thing or the right thing. The benchmark is that there simply isn't any time to make structural adjustments needed in the economy to remain competitive, Malaysia wants to achieve developed nation status by 2020 and a GNI per capita of USD15,000.
- Leadership is pre-eminent and is paramount as a value in itself for ASEAN leaders at this time. The private sector in ASEAN has to move away from business models based on lopsided deals, agreements and concessions that are beyond public scrutiny; from Nationalising losses and privatizing profit.
- Fiscal discipline relating to subsidies, that have been regarded as a right, makes it very difficult to deconstruct or dissect populist argument and establish the understanding that fiscal discipline is not about saving money for the government, but is about saving money for the future. There needs to be affirmative action and an economic system that is not built on preferences but on transparency and meritocracy.

Session 4: Governance and Economic Competitiveness

Hon. Cesar Purisima, Secretary of Finance of the Philippines

Moderated by **Datuk Rohana Tan Sri Mahmood**, Chairman, Ethos Capital



"The Philippines is an integral part of ASEAN. Fostering improved ties with ASEAN neighbors is not just a commitment that must be forged; it is an imperative if the Philippines is to survive in a world that is increasingly becoming smaller and more competitive."

- The mercurial rise of China and India presents both challenges and opportunities for ASEAN Nations. ASEAN companies are facing stiff competition in numerous industries. Today, there is increasing access to cheaper inputs and consumer goods as well as potential access to unprecedented levels of foreign direct investment and markets for ASEAN goods.
- In order to deal with the new structure of global markets, ASEAN must look from within and the key factor to ensuring global competitiveness is good, effective governance.
- The first recent automated election in the Philippines has put an end to a nine-year government plagued by questions of legitimacy, corruption scandals, and poor performance on multiple governance indicators.
- President Aquino's slogan "Without corruption, there will be no poverty" has remained the defining principle in the new Aquino administration – one that serves as the foundation of all decisions and directions, policies

and passion. It is a commitment to lift the nation from poverty and create opportunities for people through honest and effective governance.

- The Philippines is well positioned to be the logistics, finance, human resource development and information technology hub of ASEAN – and, thereby, its knowledge center.

Session 5: Forum Master Classes

[A] Brand Building in Challenging Markets

- **Tengku Dato's Zafrul Aziz**, CEO, Maybank Investment Bank
- **Mr CK Phua**, Group Chief Executive, Tee International

Moderated by **Mr Paolo Picazo**, Managing Director, Asia Crest Capital Advisers

- Western companies today continue to dominate the global market – e.g. the big brands of Walmart, Starbucks and Apple. There is no ASEAN brand that is known globally today. ASEAN companies are trying to catch up but the region still lacks serious players – perhaps because Asian culture does not like to challenge the status quo.
- There are many instances where Asian brands dominate certain countries or markets and brand themselves as “Singaporean Company”, “Malaysian Company” etc with marketing taglines such as “number one brand in Malaysia”. However, with the exception of Air Asia, nobody brands themselves as “the ASEAN Company”.
- Branding can either make a company successful or break it – while it is easy to have a brand (a logo and company name), building a successful and powerful brand can become a very tedious task. A brand is a promise and, to be successful, it has to first be breathed into every employees’ DNA.
- In order for ASEAN to succeed, it is critical for ASEAN to build a brand that will be recognised by the rest of the world. ASEAN needs to establish a common ground with what it wants to be recognised for and collectively sell it in order to build confidence in the region as an attractive business region.

[B] Corporate Social Responsibility

- **Dr Grace Ugut**, Assistant Dean, Asian Institute of Management
- **Ms Vivian Clair Liu**, Founding Director, Philanthropy Works

Moderated by **Tengku Rozidar Zainal Abidin**, Executive Chairman and CEO, Ninteen O One

- The landscape of CSR has changed tremendously over the past 10 to 15 years. Today, CSR is being taken more seriously and is no longer just “lip service”. The private sector is the engine of society and is the dominant part of any economy hence, companies and businesses have to take a stand both in improving the lives of people in their circle as well as becoming role models.
- Businesses today better understand the importance of being an integral part of the broader community and addressing issues of social and economic bottom line. The new trend is to integrate CSR as part of corporate strategy and long term plan and sustainability. CSR needs to be embedded in company culture and belief. The ESG (Environmental, Social and Government) footprint has to evolve to 3.0 stage – in which corporations genuinely believe in being socially and environmentally responsible.
- An effective CSR model that is increasingly being adopted by Corporations globally is the practice of CSR by line managers with the integrated use of Key Performance Indicators and deeper understanding of businesses and processes – rather than it being the domain purely of the CSR department.
- Difficult times such as the economic crisis in 2008 saw a lot of companies needing to abandon CSR agenda. Business is after all still business – without making robust revenues there will not be a CSR agenda and often during a crisis, companies are faced with very difficult decisions such as laying off employees and cutting down CSR budgets.
- The prospect of CSR in the future lies in re-defining the meaning and value of CSR – while businesses needs to make profits there are many ways to go about it (i.e. fairly, ethically and responsibly). Companies and businesses have to understand that CSR need not just be incorporated into company strategies but actually get implemented across all business processes. Businesses also need to uncover what is really important to all stakeholders.

Session 6: Debate: Enhancing ASEAN's Economic Competitiveness requires Learning from the East rather than from the West

- **Dr Anies Baswedan**, President, Paramadina University, Indonesia
- **Mr Leng Lim**, Managing Director, Pivotal Leadership, Singapore
- **Mr Khairy Jamaluddin**, Chief, UMNO Youth and Member of Parliament for Rembau, Malaysia
- **Dr Amado Mendoza**, Associate Professor, Department of Political Science, University of the Philippines

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



Speakers for the Motion

Dr Anies Baswedan

- The East has undergone tremendous change in the last decade resulting in the East being looked at in a different perspective. While the West took hundreds of years to build its present supremacy, it has taken the East (i.e. Japan, South Korea, China, Singapore, Taiwan) only several decades.
- Learning from the East allows ASEAN to learn how to learn effectively –the East's willingness to adopt, innovate and interact is very important for ASEAN to learn from in order to enhance its economic competitiveness. Indeed, the contextualisation of the processes can only be learnt from the East. Learning is not a matter of the transfer of knowledge, but being part of the new economies and in building networks within the region that will benefit ASEAN in the long term.

- Market economies without democracies are openly practiced in the East, which is not possible in the West because market and economies walk hand in hand with democracy. This variation in governance enables us to learn from the different approaches of the East. Further, the similarity of values and of history creates a connection between the East and the ASEAN nations.
- The importance of education is similar in the East as it is not about the preparation for work or getting into the economy, but about the core values of education itself.

Mr Leng Lim

- In the West, values are separated from profits as well being separated from economics. Some soft questions that the West refuses to address get outsourced to philosophy; philosophy then outsources all of those questions – questions of what is well being, what makes people happy – to literature and then the movies. Morals get outsourced to the church, to the court and then to the vote; and now it is all outsourced to Facebook. There is nothing more to learn from the West except outsourcing.
- The issue of reductionism that also prevalent in Western thinking – complex issues like terrorism have been reduced to religion and airport security.
- The financial sector in the West makes products that few can afford but which nobody can understand. Western economics is really about creating products that everybody wants by taking away jobs that people really need.
- Then, every few years there will be the “concept du jour” – such as deregulation, liberalisation, freeing the currency or closing the currency. Which one is ASEAN going to follow? These theories come about in the West because the name of economic competition is always seen as the “top dog” that has to win.
- The question is, is it about being a “top dog” and winning a dog’s race? Indeed, is it a dog race? In the long term, it is not a dog’s race, a horse’s race, an eagle’s race or a dragon’s race – it is a human race of how we evolve, how we can be effective and wise. The “locus of the focus” in the East is not the individual nation state – it is your family, my family, it is the family of our country and of our nations. We are a family of families here in ASEAN.

- There needs to be questioning of the assumptions about your unit of measure and well being. There are five habits of highly effective Asian families:
 - first, make peace don't fight;
 - second, don't shame the family and don't shame others - regardless of your status in society;
 - third, learn learn learn – we can learn from each other;
 - fourth, respect the spirits – don't cut down that old tree, don't disturb that old forest or that river ... they are sacred, and as it turns out its actually not superstitious but good ecology, and
 - fifth, all effective families care.

Speakers Against the Motion

Mr Khairy Jamaluddin¹

- 8 out of the top 10 countries in the World Economic Forum's Global Competitiveness Report are from the West, and 6 out of 10 in the IMD World Competitiveness 2010 Year Book are from the West. If you look at the competitiveness components within all of these reports – whether it is economic performance, government efficiency, business efficiency or infrastructure – many ASEAN countries already rank ahead of the leading lights of the East, China and India, on the sub-components basis.
- In relation to Enterprises that drive economic competitiveness, 42 out of the top 50 Fortune global 500 are based in the West. The coveted brands loved by many are all from the West.
- Education underpins competitiveness – 91 out of the top 100 Universities ranked in the Times Higher Education supplement are in the West. 100% of the top 20 are in the West. 18 out of the top 20 Business Schools ranked by the Financial Times are also in the West.
- In terms of investments that fuel competitiveness, 6 out of the top 10 FDI recipients are in the West. 62% of the FDI recipients today are in the West. Indeed, 6 out of the top10 investors into ASEAN come from the West.
- The West leads by leaps and bounds in investments, education, economic competitiveness and all other factors that make up competitiveness as we see it.
- ASEAN is a regional bloc while the rest of the East is not. The competitiveness of ASEAN as a regional bloc requires ASEAN to learn from the two arguably successful regional blocs (the EU and NAFTA) in deepening ASEAN integration, customs harmonisation, spreading around the corporate supply chain, expanding currency swap arrangements, moving towards a freer movement of capital and skilled labor. To do all these across national boundaries is difficult – therefore, ASEAN needs to

look at the EU and NAFTA as they have similar population sizes and they have mature economic development.

¹ Mr Khairy Jamaluddin views are entirely for role playing purpose therefore, may not necessarily be his own.

Dr Amado Mendoza

- You can adopt best practices from anywhere regardless of origins, the question is whether the lessons can be replicated and be applied to the ASEAN context. Given the cultural affinities in ASEAN, it would be easier to learn from Eastern cultures that have greater diversity. The Philippines is Americanised – try developing community in the Philippines, the community outlook that is supposed to be the greater strength in the East and the opposite of rugged individualism in the West.
- What is there to learn from China? China grew by exporting to the West. Without the West, where will its growth come from? Its growth is not stimulated by internal demand, it grew essentially to be the manufacturer of the world – the subsidizer of American consumption.
- China and India are not good exemplars because they enjoy the scale of economies that ASEAN does not enjoy. We cannot learn from China and India, nor other eastern examples, individually as nation economies but rather we need to learn as a regional bloc (though we have to contend with the problems of difficulties of ensuring that indeed we become one). To be able to adopt economies of scale, we must learn to confront the difficulties of acting as a large unit.
- The West is not a singular model – you have combinations of capitalism and the German welfare state. The diversity of the West can also serve as a basis for learning.

Friday, 1 October 2010

Conversation with the Prime of Malaysia on his Vision for Malaysia, his aspirations for ASEAN and the challenges that lie ahead

Dato' Seri Najib Tun Razak, Malaysia



Prime Minister Najib made a brief introduction about his journey into politics before taking questions from the floor. The Prime Minister, who was in the beginning reluctant to venture into politics, had decided to join politics after the death of his renowned father, Tun Abdul Razak in the hope of continuing the legacy of his father. Today, he feels a deep personal honor to have the opportunity to be the Prime Minister of Malaysia and to bring about something that positively affects the lives of all Malaysians.

The highlights of his Q & A session included:

- In his recent speech at the 65th UN General Assembly, he declared that Islam is a moderate religion and that there must be a kind of a “global movement of moderates” – moderate leaders to take centre stage, to speak up and have the agenda for world peace.
- On the New Economic Model, he said that Malaysia does not have the luxury of having integrated resorts such as Singapore and must, therefore, seek other resources to grow the economy. The new economic model allows Malaysia to focus on twelve key economic activities and to establish goals and targets that will enable Malaysia to achieve developed nation state by 2020. The 131 identified entry point projects will spur at least 60 business opportunities, which all together should create a huge catalyst for the market and economy.

- On commenting about the future of ASEAN, Prime Minister Najib Tun Razak said "I see ASEAN as moving quite rapidly as an economic community. The whole idea of having a single market is taking shape and we will consolidate in that direction making the trade movement of not only goods and services but also people within ASEAN to be a lot freer." However, ASEAN will not be like the EU model of institutional governance, but we will be working on a truly ASEAN mechanism and will be moving on the ASEAN agenda of an economic business community. Malaysia has commissioned a team to study a master plan on ASEAN connectivity, which will be discussed in Hanoi soon and will be implemented in the next ten to twenty years. As part of the New Economic model, Malaysia has been looking to improve its connectivity through high speed train connections with its neighbor Singapore and, potentially, with the rest of the ASEAN region.
- On commenting on the possible pitfalls of ASEAN, the Prime Minister considers that if ASEAN panders too much to domestic pressures and does not resort to mechanisms to resolve conflicts between each other on issues (such as territorial maritime, legacy issues and claims etc), the ASEAN spirit of cohesiveness and solidarity will be jeopardised. Therefore, ASEAN has to decide on a proper mechanism to resolve issues through political compromise and arbitration.

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