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Consult Asean youth on the future they want

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There have existed for 50 years is no mean achievement. In the period from 1967 when it was established, Asean negotiated through the peak and aftermath of the Vietnam War, and consolidated its regional position by admitting former communist enemy and marginal Southeast Asian states to membership before the end of the 20th century.

The foundation and structures of regional peace, stability and cooperation have been well laid starting with the TAC (Treaty of Amity and Cooperation) in 1976. Asean has grown to be the seventh largest in the world, with the prospect of being the fourth largest by 2050, if not earlier.

The incremental moves towards economic cooperation culminated in pronouncement of the AEC (Asean Economic Community) at the end of 2015. Even if yet to be fulfilled, AEC is a significant milestone in Asean's history.

Intra-regional trade and investment have also grown. While not at EU (European Union) levels, intra-Asean trade comprised the largest share of Asean's total trade, at a quarter of the whole. Intra-Asean FDI (foreign direct investment) is second only to the EU in 2014, having risen by over 60 per cent over the previous seven years.

There are a number of ways of looking at these positive developments, but they come down to the question whether they are good or not good enough. Those supporting the case for Asean's slow and steady approach point to the progress that has been made and argue that it is because of this approach that the diverse member states of Asean have held together, unlike the rushed and formalistic course taken by other regional organisations, including the EU, which has resulted in desultory gains and/or in membership distress.

Asean may be 50, which is a fine achievement. However it cannot continue in the way it has done in the past in a fast changing world that will



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define the future.

The prime conditions are reduction of non-tariff barriers (which have been increasing rather than coming down), final reduction of tariffs to zero and a reduction in intra-Asean export costs

by 20 per cent.

The way Asean works is not going to fulfil any of these requirements any time soon and Asean is not going to be a single production base that it puts itself out to be. It will not achieve the future size it frequently advertises. It will be sub-optimal.

It could be argued it was better to be sub-optimal and survive than to go for it and break up. However, if Asean does not change in the way it makes decisions, very consensually and slowly, there already are a couple of global developments which could cause it to be a historical memory.

In terms of economic integration particularly, we have noted Asean's commendable progress.

Indeed the way Asean economic ministers especially have worked towards this end is notable. They recognised the Asean Business Advisory Council as the apex organisation to coordinate private sector views and inputs in the AEC 2025 Blueprint.

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Nestlé remains bullish on the Asean region. The Asean Economic Community (AEC) enhances market integration and greater connectivity for a more conducive business environment. Malaysia is a key market in Asean and AEC opens up greater opportunities for Nestlé Malaysia, as the Group's largest Halal producer and region's key exporter.

ALOIS HOFBAUER
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In fact, the consultation with the private sector that has been put in place is a form of democratisation in a kind of functional integration.

This is good structural decision-making progress, but the rate of gain against the issues of the day is not sufficient to fulfil the promises of the AEC or the sweeping economic challenges presented by geopolitical and technological change.

The rise of China will have an impact on Asean cohesion and on its centrality. Economically, Asean may not develop into the AEC as envisaged, however fast or slowly.

Different member countries are pulled towards China's economic pole in different ways. Cambodia and, to a lesser extent, Laos, are very China-centric. Already the CLMV (Cambodia, Laos, Myanmar and Vietnam) countries, plus Thailand, are in an economic development orbit with Yunnan and Guangxi.

This region, with a combined population of 400 million (against Asean total of 625 million), has a GDP half of Asean's and is growing at well above Asean's average growth rate, with very strong sub-regional economic linkages.

Had the TPP (Trans-Pacific Partnership) materialised, there would have been another mix and configuration of economic, and political relationships

China's rise will affect Asean cohesion

with only four Asean members (Brunei, Malaysia, Singapore and Vietnam) set to join.

China's BRI (Belt and Road Initiative), while improving intra-Asean connectivity, will also spawn new lines of communication, whether a revival from historic times or not.

China's economic and financial muscle exercised in individual Asean countries can have outcomes adversely affecting regional integration as planned and, indeed, affect different Asean economies in different ways.

The point is, China's rise, in economic terms alone, will shake up easy assumptions about Asean integration in the coming years.

When its economic dominance inevitably expresses itself in a commanding way in the political-military sphere, there will be differently-paced rush by Asean member states towards association or alliance with China, depending to an extent on how present and credible America is in the region at that time.

This is not all. The digitisation of

the economy - not just e-commerce, but robotics, Internet-of-Things, Artificial Intelligence - will have a sweeping impact on Asean economies, particularly the MSME sector.

The most consequential outcome will be displacement of employment. A study in Malaysia puts the probability factor of displacement in unskilled and semi-skilled employment at around 0.8. This means that Asean states looking to attract investment in manufacturing, for instance, because of their low cost of labour, like Indonesia and Myanmar, may not have their employment and economic growth plans fulfilled.

This means economic disparities among Asean countries could widen and cause strains on regional cohesion, as those further up the digital curve pull away.

For those struggling with the new economy, the social and political cost of a large pool of unemployed will find an outlet in protectionism that could reverse the process of Asean integration.

The challenges ahead are huge. We

need to give those for whom that future belongs a voice in addressing them and to suggest what future they want for Asean, how they want Asean to operate.

While we need the voice of experience as well to discuss with them afterwards the future they may propose, we must allow the younger population (Asean boasts a youthful population of 60 per cent under 35 years of age), to have their say.

We need an Asean Youth Council (presided by an experienced Asean hand, such as a respected former secretary-general of the secretariat) comprising up to 10 from each member country to discuss and come up with proposals on the Asean they want in the future they see.

Their proposals should be made public. They could perhaps begin their work in Asean's 51st year in 2018.

The Asean of the future may not be according to script. A very different world beckons. It is better to have a relevant Asean than one living in the past, however commendable that past may have been.



Muhibbah entered the Asean market 25 years ago. Today, Muhibbah's presence is in the export of services and capital goods namely cranes and waste heat recovery units. Muhibbah also undertakes construction and concession for Airport Operations. Asean is an economic community and offers opportunities in a market worth US\$2.6 trillion and population of more than 600 million.

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