

Speech by Michael Yeoh, Chief Executive Officer, Asian Strategy & Leadership Institute (ASLI) at Asia Society's Foreign Policy Update Forum in Melbourne on 7th November 2005.

The Changing ASEAN Landscape – New Challenges

If I can paraphrase Charles Dickens, ASEAN has gone through the best of times and the worst of times. After the Asian Financial Crisis erupted in 1997, many have written of ASEAN as a spent force, doubting its relevance and its inability to overcome what was then a debilitating crisis that enveloped Thailand, Indonesia and Malaysia. Today, ASEAN has regained its footing. Southeast Asia has recovered. The coming into being of the ASEAN Free Trade Area (AFTA) and the Asean Leaders decision at the Bali Summit in 2003 to establish an ASEAN Economic Community of 550 million people, will only accelerate Asean economic integration.

The first East Asia Summit in Kuala Lumpur in December this year marks a historic moment for ASEAN. Not only does it formalizes the Asean+3 annual meetings between the leaders of China, Korea and Japan and ASEAN, it marks the participation of the Prime Ministers of Australia, New Zealand and India. ASEAN will be in the driver's seat in the East Asia Summit. Another first to take place in December in Kuala Lumpur is the First Russia-Asean Summit. This marks the third time since 2003, President Putin of Russia would have visited Kuala Lumpur. Contrast this to the United States where no US President has visited Malaysia since 1963.

ASEAN's recovery from the doldrums of 1997 and the vast potential from a region roughly half the size of China and India has attracted substantial interests in Southeast Asia. China was first to explore a bilateral free trade agreement with the proposed China-Asean Free Trade Area which can be potentially the world's largest Free Trade Area. Japan has offered a closer Economic Partnership Agreement (CEPA) with Asean and with individual countries in Southeast Asia. India and Australia are also interested in forging economic linkages with ASEAN through bilateral FTA's. The US has offered bilateral trade arrangements with a number of ASEAN countries through the Trade and Investment Framework Agreement

(TIFA). This goes to show that ASEAN is far from being irrelevant or a spent force as some have argued, with growing interest shown in ASEAN by outside powers.

I believe that going forward, economic integration will be a key driving force within Asean. ASEAN will adopt open regionalism. Asean integration will be inclusive. This is seen from the web of multilateral and bilateral partnerships and free trade agreements being forged by Asean collectively and by individual member countries to link up key markets. In my opinion, the success of Asean economic integration will to a great extent depend on the 3C's – Connectivity (linkages with the outside world), Community (a sense of community and shared prosperity) and Capacity-building (building and strengthening key institutions).

Going forward, I believe that ASEAN's future economic competitiveness will depend largely on 3E's – Economic growth strategies and pro-business friendly policies, Education and human capital development and Environment and sustainable development. These three key economic challenges will need to be effectively addressed for ASEAN to retain its economic resilience and competitiveness, more so with greater competition coming from China. That is why economic integration is no longer a choice but a key imperative for Asean. That is why nothing short of an education revolution, in the words of Malaysia's Prime Minister Dato Seri Abdullah Ahmad Badawi is necessary for ASEAN to leap frog into the knowledge-economy.

Southeast Asia is at a crossroads. Its next stage of development will have to build on its earlier success. Going forward, ASEAN must be unique. Its value proposition to its partners must be based on its uniqueness. Asean must continue to conceptualize policies and programmes that will build on its uniqueness. New thinking and new ideas are needed. As such, I perceive the coming together of the ASEAN Eminent Persons Group to develop an ASEAN Charter as something strategic and important. This ASEAN Charter will have to further define ASEAN's uniqueness. The ASEAN Charter will have to guide ASEAN in creating a common destiny for our common good. This must permeate all levels of society

in ASEAN – so that the people of ASEAN have a sense of belonging, a sense of identity in ASEAN, a sort of an Asean consciousness. The ASEAN Charter which will be discussed at the ASEAN Summit in December will have to build on the goals of ASEAN's VISION 2020. This can be an important outcome of the December Summit in Kuala Lumpur.

Let me quote the Prime Minister of Singapore, Mr. Lee Hsien Loong who recently said at the Asean 100 Leadership Forum that the ASEAN Charter, “will strengthen ASEAN's organization and set a clear and ambitious long term direction for the group. ASEAN members must be guided by some fundamental principles as we pursue greater integration. The formulation of an ASEAN Charter will point us in that direction”. It is my profound belief that ASEAN cannot continue to play safe by sticking to tried and tested approaches and methodologies that worked well over the past three decades. It needs to be reinvigorated with fresh idea and new thinking that hopefully the Eminent Persons Group can provide in determining ASEAN's Charter and finding its future strategic direction.

What are some of the possible guiding principles? Without trying to read the minds of the Eminent Persons Group that will be developing the ASEAN Charter, let me put forward five core principles which, in my opinion are fundamental to ASEAN's future success:-

First, common regional good is dependent on regional peace and stability, economic prosperity and social justice.

Second, Asean must remain committed to open regionalism. It needs to engage countries outside the region and seek a web of win-win partnerships.

Third, Asean must become more people-focused and accord greater priority to people-centred development.

Fourth, there must be a mind-set change in ASEAN to optimize ASEAN's potential and possibilities. We must debunk sacred cows. There must be greater willingness to discuss sensitive issues.

Fifth, There must be a strengthening of institutions in ASEAN and greater accountability and transparency.

It needs to also be recognized that ASEAN today has a new generation of leaders who do not have the same legacy or the same baggage as its previous generation of leaders like Sukarno and Suharto in Indonesia, Tun Razak and Tun Dr. Mahathir in Malaysia, Lee Kuan Yew in Singapore and Macapagal and Marcos in the Philippines. ASEAN's new leaders have a historic opportunity to forge a new beginning for ASEAN as the group needs to rise to address new challenges.

The first of these new challenges, I believe, is to make ASEAN increasingly relevant to the younger generation. The Asean youths must find Asean relevant and meaningful. Greater space must be given to the younger generation. We need to work to demystify ASEAN to the younger generation. How can we trust the younger generation? How can we cultivate a greater sense of Asean regionalism as distinct from the stirring calls of nationalism that gripped the youths of yesteryears when many of Asean's member countries embarked on their struggle for independence – 40/50 years ago.

The second key challenge, Asean has to address is regional terrorism. The fact that Asean has been able to maintain regional peace for so many years and prevented outbreak of wars for more than 3 decades is in itself an achievement. But the fight against terrorism is a new challenge, and a new security dimension that need to be addressed. In doing so, Southeast Asia must recognize that 40%-45% of its population are Muslims, as former Thai Foreign Minister, Surin Pitsuwan said "struggling to manage the transition to modernity". The battle of the mind between Muslim moderates and liberals on the one hand and devitionists and

extremists on the other needs to be carefully monitored. The outside world needs to better understand, the grievances of the Muslims and identify the causes of terrorism. The Muslim community at large should not be equated with terrorism.

As Australia's closest neighbour, Indonesia is the world's largest Muslim nation. Australia can do a lot more to better understand the Muslims and through this deeper understanding help promote inter-faith dialogue for peace. Such understanding can reduce narrow stereotyping and prejudices.

The other new challenges facing ASEAN are non-traditional challenges but new ones like the Avian flu, HIV-AIDS, increasing cross-border crimes and the haze brought about by uncontrolled forest fires in Indonesia. New strategies and new thinking have to be brought to bear on these new unfolding challenges. In meeting these challenges, there must continue to be a high-level of trust among the current leaders of ASEAN and the second and third echelon leaders. Another non-traditional challenge that Asean has to increasingly address is the cross-border movement of people – the migrant workers from Indonesia and Philippines, the pull from Singapore of young professionals and knowledge-workers and the small trickle of refugees from Southern Thailand that can grow if the violence there continues and worsen.

Let me now turn my attention to what the first East Asia Summit in December will likely achieve. In my humble opinion, I do not expect anything earth-shattering to emerge from this inaugural summit. The fact that it is taking place is to some extent a success in itself. The fact that the summit proper will only be for half-day with 16 Presidents and Prime Ministers attending, notwithstanding a further half-day informal retreat does not allow much time for much substantive discussions to take place. But, what is perhaps of significance is the presence of the Prime Ministers of Australia, New Zealand and India. That the East Asia Summit has been widened to 16 from the original Asean 10 plus the 3 Northeast Asia countries – Japan, China and Korea is significant. I expect that this inaugural East Asia

Summit on 14th December will decide whether the summit should be held annually and whether it should be widened to include other countries. Russia and Pakistan are interested to pursue membership. What I also need to elucidate is that the East Asia Summit will not replace the Asean+3 Summit as popularly believed. The Asean+3 Summit will still be held one day before the East Asia Summit. To me, the difference between the Asean+3 Summit and the East Asia Summit is that in the Asean+3, the 10-member countries of Asean engage the plus 3 dialogue partners as one entity. Asean, speaking collectively as one voice, whereas in the East Asia Summit, the 10 Asean countries are participating individually as individual nation-states, putting forward individual national interests. Inevitably, the East Asia Summit will chart a new regional political architecture for the entire region whose usefulness and effectiveness will be seen over time.

I believe that the East Asia Summit will discuss ways of enhancing regional economic cooperation, the threat of terrorism and measures to combat avian flu. Capacity building, particularly in infrastructure development and human capital development are also expected to be discussed by the leaders. It has been estimated by the Asian Development Bank that Asean needs between 2006 and 2010, USD200-300 billion to build infrastructure and develop linkages in energy, ICT and transport. In this regard, the proposal by Malaysia's Prime Minister Dato Seri Abdullah Ahmad Badawi for an Asean Infrastructure Development Fund merits serious consideration. Prime Minister Abdullah proposes that each Asean member country sets aside 0.1 percent of its foreign exchange reserves for this fund. The fact that Asean's combined foreign exchange reserves amount to USD2.5 trillion, shows that such a fund has tremendous potential. It will be a tremendous boost to regional cooperation if the other participating countries in the East Asia Summit, Australia, China, Japan, Korea, India, New Zealand can also contribute to the fund.

Any discussion on East Asia will not be complete without reference to China. Many of us have looked on the rise of China as awesome. Its growing economy and its enormous capacity for domestic consumption, has led to significant changes in the patterns of trade of many Asean member countries. Today, China is a major importer from Asean. China's trade with Japan, Australia and India have also increased substantially. In the case of Malaysia, in the 10 years between 1994 and 2004, Malaysia's trade with China has increased 726 per cent. The question is whether China's rise will remain benign and peaceful? Going by history, China has not been an aggressor nation or a warring nation. It has not invaded or conquered countries in the region. It has no known territorial ambition in Southeast Asia. Despite China's claim to the spratlys in the South China Sea and the hostility across the Taiwan Straits, I for one, do not perceive China as a threat. China, no doubt, will remain a formidable competitor to the Asean economies. But, the strategy for Asean is to be a supplier to China as it increasingly seeks to become the factory of the world. We need to be able to find specific niches in our economic relationship with China. Southeast Asia has benefited from an inflow of Chinese tourists to the region. Chinese FDI's into Asean is also expected to rise. I am confident that China's peaceful rise will be beneficial to ASEAN.

We are justifiably concerned about China's economic resilience and growth prospects. Any dramatic slowdown in China's growth will have an adverse impact on Asean's export growth. Singapore's Minister Mentor Lee Kuan Yew speaking at the Boao Forum for Asia, earlier this year said the three key economic challenges facing China are the income inequalities between the prosperous coastal regions and the interior, the balance between economic growth and social justice and China's access to energy. In short, suffice for me to say that a prosperous, benevolent China is good for Asean. Nevertheless, we need to also note the diplomatic spat between China and Japan and the tensions across the Taiwan Straits which has somewhat eased. Meanwhile, Japan's economic recovery and tensions with China due to Premier Koizumi's regular visits to the Yakushini Shrine could be deemed to be positive for Southeast Asia as more Japanese FDI's flow southwards to the ASEAN countries.

Let me end, by sharing some thoughts on Australia's role in Asean and East Asia. Having been educated in Australia and having lived here in Melbourne for about seven years in the 1970's, I do personally welcome Australia as a partner in East Asia. I believe Australia can play a significant and positive role in the region. The Australian Government can assist us in capacity building in fighting the haze and environmental degradation, the avian flu and HIV-AIDS as well as in human capital development. I like to see more technology exchanges between Australia and ASEAN. I believe, Australia, can also play a vital role in promoting inter-faith dialogue and strengthening understanding and dialogue between Muslims and Christians. The sharing of best practices in Education, Healthcare, Manufacturing Technology and professional services can further enhance cooperation and build trust between Australia and ASEAN.

The Australian business community can participate in infrastructure development in ASEAN and look for business opportunities in the following growth sectors: Education and Training, Healthcare, Environmental Services, Professional Services and Logistics – areas which Australia has known strengths and comparative advantages.

Finally, I wish to propose for further consideration by both Asean and Australia the establishment of a Professionals Exchange Programme as well as a Youth Exchange Programme between Australia and Asean as these Exchanges between the professionals and the younger generation can further deepen our bilateral relationships and promote greater understanding, mutual respect and trust so vital to keep the relationship vibrant and dynamic. In conclusion, I believe that if we emphasize the commonalities that we share and build on the tremendous goodwill that exist, we can, both sides, reap bountiful results.

I thank you.