

7th Hitachi Young Leaders Initiative

Transcription – Yang Berhormat Dato' Mustapa Mohamed

Distinguished Panel members,

Ladies and Gentlemen,

Assalamualaikum, and a very good morning.

I would like to thank Hitachi (Malaysia) for inviting me to speak at today's forum, and commend Hitachi for continuing a 10-year strong initiative in bringing future leaders together, and providing them with invaluable exposure and experience.

The Malaysian government, particularly so under the stewardship of the Right Honourable Prime Minister Dato' Seri Abdullah Ahmad Badawi, recognises the importance of furthering human capital development and a program such as today's, which brings together young minds from across borders to foster understanding through shared learning bodes well in support of that inspiration; not just for Malaysia, but obviously, the region too.

Before proceeding with my remarks, let me first acknowledge the achievements of the 24 young VIPs in the room today. Your selection to participate in this program is testimony to your achievements, and more importantly, the faith placed in your tremendous potential for the years to come. My heartiest congratulations to you all!

Ladies and Gentlemen:

The rise of Asia on the global stage is undeniable. With 3.6 billion people across 35 countries, Asia represents 56% of the total world population. In 2004, World growth was 4.8% but industrialised Asia grew at 7.3% due to rapid growth, especially in China, India, as well as Singapore, Hong Kong and Malaysia. The huge potential in Asia is understandably most effective and capable of changing the global growth pattern. China on its own is creating waves in global trade and is envisaged to overtake the US economy as a single largest economy by 2020.

Given this, it is perhaps not surprising that the notion of Asian Economic Integration arises. Such a consolidation of the region's economies would further strengthen Asia's position as an economic force. But let us understand the assumptions made in reaching this conclusion, and examine the challenges in bringing about closer integration among the Asian economies.

Let me begin by exploring the driving forces for integration. Here, the generally accepted assumption is that integration brings about an increase in efficiency and overall improvement in income and the quality of life. This is one motivation of the creation of the European Union. We can look at this from two perspectives: political and economic.

Politically, of course, the integration of a number of sub-regions into a bigger entity will result in the new entity having more clout and power. By extension, the bigger the political entity, the more influence it can exert on world affairs. This will be more so if political power is complemented by economic power.

One of the major driving forces for economic integration is the creation of a larger market and the consequent increase in scale of operations of firms. Surely, with the formation of a large economic entity, existing trade barriers would be reduced, if not eliminated; and the resulting

rise in production efficiency would also benefit consumers directly.

A single economic entity would also open the way for unimpeded capital flow, thus allowing not only for free movement of capital. There will also be freer flow of labour and expertise. It is partly for these reasons that the ASEAN Economic Committee, for example, has been conceived.

Other benefits from economic and political integration relate to the opportunities for economies of scale in the implementation of infrastructure and development projects. The Asian Railway project would be one such example; creating a rail network spanning the entire continent, connecting the continent and bringing with it tremendous opportunities for commerce and trade. Likewise with the Mekong Basin development that is aimed at enhancing development among the CLMV countries. By embarking on strategically orchestrated initiatives like these too, countries avoid costly duplication of projects, thus allowing for the optimal use of resources for the best possible gains.

The ASEAN Economic Committee initiative, or AEC, tabled in November 2004 at the ASEAN Summit in Bali is aimed at achieving a single market by 2020 featuring a common production base with a freer flow of goods, services, investment and perhaps labour as well.

The scheme would also introduce a freer flow of capital within the Community.

Central to the initiative was the establishment of focus and common goals. Eleven Priority Sectors were defined and formalized for integration, encompassing agriculture, manufacturing and technology and services sectors. The aim was to create a combined regional advantage, promote intra-ASEAN investment, retain manufacturing and promote outsourcing within ASEAN and finally, to develop a "made in ASEAN" brand.

Outcomes resulting from the proposed integration were also clearly defined, namely:

- a. Trade in Goods
- b. Trade in Services
- c. Investment
- d. Facilitation Measures.

To encourage **trade in goods**, member countries would move to eliminate tariffs on 85 % of nine goods sectors by January 2007 for the ASEAN-6 and, by January 2012, for Cambodia, Laos, Myanmar and Vietnam – the staggered implementation, clearly taking into consideration the need to allow less developed economies to prepare for the implications on still infant sectors of their economy

With regard to **trade in services** the goal is to enable a freer flow by 2010 through the removal of impediments in cross-border supply, consumption abroad, commercial presence and movement of natural persons.

Moving with the liberalization of **investment**, the AEC's measures included:

- e. Accelerating the **opening up of industries** for the 11 priority sectors
- f. Reduction of restrictive **investment measures**
- g. Establishment of **Free Trade Zones** to leverage comparative strengths in manufacturing, and
- h. Facilitation of **joint and cross-border investments** for manufacturing activities through special incentives.

Finally, with regard to **facilitation**, the AEC identified three areas of focus, namely:

- a. Standards harmonization
- b. Customs cooperation and
- c. Promotion of trade and investment.

Even with this brief description of steps needed to achieve regional integration, it should be quite apparent that the task of integrating economies is daunting, to say the least!

But, let us step back and look at the AEC proposal. It talks of the need to bring together the economies of 10 nations with a collective population of 530 million people. I have already alluded to the fact that member states are in various stages of economic maturity, and indeed, these countries have a diverse range of approaches in organising themselves politically.

If achieving the ASEAN economic integration is faced with challenges, having an economically integrated Asia is even more challenging. Add to the equation, 'historical baggage' in bi-lateral relations between some of the players; factor in unique social and religious values, and the ideal of achieving integration becomes less of a 'ready-made solution'.

Take the AEC scenario and apply it to all of Asia, with three times the number of players, a myriad of socio-political dynamics and for good measure, the fact that geographically, Asia spans almost 50 million square kilometres -- and we can expect the journey towards Asian Economic Integration would be one riddled with obstacles. Asia has some of the most advanced economies in the world. At the other end of the spectrum, we have some of the least developed among the developing countries.

And yet, for the very reasons of economic prosperity and development, the future of Asia is tied to the formation of strategic alliances and partnerships. Therefore, there is a need for Asia to integrate more economically; or at least move towards this objective in stages.

Ladies and Gentlemen:

As complete integration is probably a long way off, we need to find a middle ground to ensure continued growth and prosperity. We have to continue reducing trade barriers and better coordinate policies.

In order to find a broadly applicable solution however, it may be necessary to introduce the concept of a focused Regional Trade Agreements. We have already seen that the task of unifying all of Asia is highly improbable, in the short term but in the medium term, it would be quite possible to segment the continent into three hubs, perhaps as:

- a. one for India and her neighbouring countries,
- b. one for China,/Japan and the north-eastern region, and
- c. one for ASEAN.

These hubs would deliver the sought-after increase in economic strength through unity and would have the added advantage of geography. Being in the same geographical area enhances the chances of success. The hubs can then be strategically linked together and the outcome will be closer integration among Asian economies.

Ladies and Gentlemen:

If I may, I would like to now step away from the consideration of macro economics and recognise the significance of why we are gathered here today. Hitachi, in their far sightedness, started a program which regularly brings together 24 young scholars and future leaders to appreciate the realities of the world at work.

Education is perhaps the single most valuable gift we can provide our future generations, and with exchange programs such as these, I feel we are seeding a future of increased understanding and cooperation; a very good thing indeed. Educational exchange can promote closer integration. The young in Asia need to share more with each other, but we have to move beyond exchanges and into sharing of Research & Development, Science & Technology, the development of similar curriculum and the ability of students to transfer credits between universities in our respective countries.

In conclusion, let me say that the journey towards Asian Economic Integration, in its various guises will not be an easy one. Far from it being my intention to discourage, I urge you to consider this as a call for action; to explore the conditions which make us unique and find ways to leverage that diversity by pursuing a greater good in for all of us.

Congratulations once again to the chosen Young Leaders – “SYABAS”, and thank you for your attention.