

7th Hitachi Young Leaders Initiative

Transcription of speech – Dato' Dr. Michael Yeoh

Honourable minister, fellow speakers, distinguished ladies and gentlemen.

Firstly, thank you for the opportunity to present and to share with you some of my thoughts and perspective. I have always found it interesting to meet student leaders, having been a student activist myself in my younger days. I think today I am like a sandwich, between two very big heavyweights on this subject of economic integration. Kawai-san, our earlier speaker, has given us a lot of theoretical input. I have the honour of being with him in two other previous conferences. This is the third time that we are meeting on the same stage. The first time was in Tokyo in February at the Asia Integration Conference, and then just a few weeks ago, at the World Bank Forum in Singapore. And also with our honour, Dato' Mustapa, the Minister who is the economic heavyweight in Malaysia.

Perhaps I would like to start by saying that in Asia today, if I can paraphrase Charles Dickens, who wrote in his book, *The Tale of Two Cities*, "We're living in perhaps the best of times and the worst of times." The best of times that is epitomised by the rising economic prosperity of Asia, the vast dynamic progress of science and technology, and the growing sense of Asian-ness and regional cooperation. And the worst of times is epitomised by the rising threat of terrorism, by environmental de-gradation, and by continuing social injustices and income inequalities. I think these are issues and challenges that we have got to tackle and ponder over.

Coming back specifically to this topic of Asia economic integration. It is my belief that this is an idea whose time has come. And I put forward three reasons for saying so. Firstly, we believe that ASEAN has already effectively implemented the ASEAN Free Trade Area (AFTA). AFTA today is no longer just a concept but has become a reality. And in Malaysia alone, more than 95% of our products are already under the Common Effective Preferential Tariff (CEPT). ASEAN has therefore become a great integrated market of 550 million people, that is, half the size of China.

The second reason for saying so is that once again, we see outside powers courting us and showing interest in ASEAN. After the 1997 financial crises, we in South East Asia have been somewhat marginalised and side-lined with Foreign Direct Investment (FDI) flows shifting to China. And also with the Japanese recession we have in the 1990s, a decline in Japanese FDI in the region. The fact that today we in South East Asia are being courted by people and countries from outside the region – China, India, USA – is again indicative of the fact that people see the potential of ASEAN. And in fact, today, they are talking about the possible formation of an ASEAN-China free trade area, which potentially could become the world's largest free trade area. And the negotiation for the Japan-ASEAN Closer Economic Partnership Arrangement (CEPA) and individual CEPAs with individual countries between Japan and countries of their region. We are also looking at ASEAN-India cooperation, ASEAN-Australia cooperation and the US-ASEAN (Trade and Investment Framework Agreement (TIFA) arrangement with individual countries being negotiated right now.

The third reason for saying why Asia economic integration will become a reality: In the stalemate of the WTO Doha development negotiations, we are beginning to see many more countries forging bilateral free trade agreements. Singapore and Thailand are taking the charge and making other countries in the region like Malaysia and Indonesia recognise that we cannot stand by idly and we must also be involved in the bilateral FTA process, so as not to be marginalised and left behind. It is therefore truism to say that open regionalism in Asia is gaining greater momentum today. The first

East Asia Summit that will take place in Kuala Lumpur on 13th and 14th of December will be a major historic milestone.

The second question I'd like to pose is how will this Asia integration take place? I believe that this will be a three-phase process. The first phase being the establishment of Asean economic integration – AFTA and ASEAN Investment Area. The second phase being the bilateral ASEAN+1 negotiation with China, Japan, India, and possibly, Australia. The third phase, which Professor Kawai has earlier referred to, is a wider East Asia integration, culminating in the East-Asia FTA.

The first two phases are already work-in-progress. The third phase will pose the greatest challenge and I think that some of the issues that need to be taken into account will be the increasing China – Japan rivalry and animosity, which is one factor that needs to be addressed and factored in. Talking also about East Asia integration, one needs to also consider the rise of China as well as the emergence of India as the regional economic powerhouse. But there are some questions that we need to ponder upon. Will the rise of China remain a peaceful rise, twenty to thirty years down the road? Will China be a belligerent player in the region? Is China a threat or an opportunity? Economic data or trade statistics have shown that there has been a tremendous increase in bilateral trade between China and Malaysia and between China and ASEAN. And I think perhaps in the short term, we see China as an economic opportunity for the region.

Another question we need to also consider is will Japan and Korea accept wider Chinese hegemony in the region. We need to therefore take a look at the longer term scenario and hopefully, you will get the liberation to factor in some of the scenario.

Next we need to look at India – the emergence of India as an economic powerhouse. India has got a large skill base with widespread use of English, a common law system, a pro-business-reform government. Therefore India has become a very interesting place for doing business. And as such, I think we must also take into account India's role in Asia for economic integration.

Lastly, I'd like to leave some questions for our Hitachi Young Leaders to perhaps ponder upon.

Firstly, it is the sustainability of our East Asia Economic model. Is that model still sustainable or still relevant as we move forward? Perhaps you need to think about having new growth drivers. What are these new growth drivers for the domestic and regional economics?

One of the next questions to take into account is the relevance of ASEAN, whether there is continued relevance for ASEAN in an East Asia scheme of things. Right now, in the ASEAN+3 process, ASEAN is the key driver in the dialogue with China, Japan and Korea. But when the East Asia Summit takes place, all the 10 ASEAN countries will be there as individual countries and individual players. It is not there with ASEAN as a bloc. Will this then in the future marginalise ASEAN?

One also needs to take into account the question of energy security – to assess both the need for ASEAN to have sources of energy and the need of consuming countries like Japan and China to have access to energy. With the increasing cost of oil, will we be able to sustain energy and security? I think this is key to long-term peace and stability of the region.

We need to also ask the question of who will take the leadership role in East Asia. Will it be ASEAN? Will it be China? Will it be India? You need to also perhaps consider the role of US and Australia in regional economic cooperation and regional integration.

The final point I would like to make is that perhaps there needs to be a greater focus on people-to-people connection in any discussions on Asia economic integration. There must be people-centered development. People of East Asia must have a buy-in to the whole process of East Asia integration and what it means to us as individual citizens of the region.

The question I'd like to end with is whether people within ASEAN have a sense of ASEAN consciousness like the Europeans have a European consciousness, or, within East Asia, do we have that sense of East Asia consciousness? I believe that these are some of the questions that perhaps our Hitachi Young Leaders need to ponder and reflect upon.

Thank you.