

Focus: ASEAN Business Club Forum

Slow ride to common market

SPEAKERS SEEK ACTION PLAN AS FRUSTRATIONS MOUNT OVER LACK OF PROGRESS IN ECONOMIC INTEGRATION

By JAIME KOH in Singapore
For China Daily Asia Weekly

Top business leaders in the Association of Southeast Asian Nations (ASEAN) have voiced their frustration at the slow pace of progress toward the ASEAN Economic Community (AEC).

At the third annual forum of the ASEAN Business Club in Singapore on May 14, speakers questioned if ASEAN had the political will to carry through with the implementation of the AEC.

"What we need is a clear action plan," Nazir Razak, chairman of the Kuala Lumpur-based CIMB Group, said at the opening plenary session of the forum, themed The Road to ASEAN Integration.

The forum was jointly organized by the CIMB ASEAN Research Institute and the ASEAN Business Club, consisting of the chief executives of key business enterprises in ASEAN.

The leaders of ASEAN adopted the idea of the AEC in November 2007. ASEAN had aimed to achieve economic integration by December of this year, but the grouping has since said that the AEC will not reach its completion goals by then.

Last month, Mustapa Mohamed, Malaysia's minister for international trade and industry, said that ASEAN had so far implemented 90.5 percent of its measures to realize an economic community.

The AEC measures, 505 of them, were outlined by member nations and relate to matters of tariffs, investments, services, air transport, financial services, customs procedures and standards.

Analysts have cited the disparity in economic development across the grouping's 10 member countries.

Also speaking at the opening plenary session, Timothy Ong Teck Mong, chairman of Asia Inc Forum, a regional network of political and business leaders, cited the World Bank's *Ease of Doing Business 2015* survey.

Of the 189 economies ranked, ASEAN countries ranged in the list from Singapore in first place to Myanmar in 177th. "ASEAN is not a region that is converging on rules and regulations," Ong pointed out.

In addition, he said there are substantial cultural differences between the public and private sectors.

"You put them in the same room, they appear to communicate but they are not getting through to each other," he said, adding that there is "still some distance to go" in bridging the gaps.

It comes as no surprise that the



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Leaders from across the region gathered in Singapore to debate the progress of the ASEAN Economic Community, which is intended to be launched at the end of 2015. Some speakers from the private sector expressed disappointment with what they see as a lack of engagement from the ASEAN leadership.



The forum heard how the wide disparity in efficiency, transparency and culture among ASEAN's member states is making integration a difficult task.

business community is frustrated.

Nazir said: "We are collectively frustrated at where we are today. CIMB bought in lock, stock and barrel to the promise of 2008 (when the AEC was launched).

"We reorientated our business plan to align to that aspiration (of a single integrated ASEAN market)."

Razak was forthright about how the leaders of ASEAN did not seem to appreciate the effort it takes for a

Suthad said that the ASEAN perspective was very much security oriented and hence more closed, unlike the more open approach that private businesses were used to.

He defended the ASEAN leadership, saying that the private sector has not done its homework about understanding the processes of decision-making at the leadership level when preparing documents for the leaders.

"The time for decision-making is very, very limited," Suthad said.

Nazir rejected Suthad's criticism that the private sector is disorganized. "We are trying to get organized and engage the leadership, but who do we talk to?" he asked, adding that many in the public sector do not seem to have the capacity to respond adequately.

Further, Nazir pointed out that businesspeople often had to go to the ASEAN Secretariat before their requests were forwarded to the leaders who had the decision-making power.

"My suspicion is that the secretariat has been kept weak for political reasons (because) ASEAN is really very hesitant about the reality of

integration, which, at the end of the day, has to come with some concession on governance," he said.

For Ong, the ASEAN Secretariat is a reflection of how ASEAN functions — namely it is a grouping of 10 different countries, each jealously guarding its sovereignty. There is a balancing act between nationalism and regionalism, he said.

There were several suggestions on how to break the business-government impasse over the lack of progress on the AEC.

One suggestion, raised by Suthad, was decoupling the political-security functions of ASEAN from economic engagement.

He suggested having a separate secretariat with the emphasis on priority sectors, in order to help the private sector and lobby the governments to make a decision.

At another event last month in Malaysia, Nazir also suggested that the secretariat should be better funded and more resources be devoted to help it deal with specific business sectors and their challenges.

But all these come at a price tag,

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and it will be hard to decide who should pay and how much they should pay, said Suthad.

Guillermo M Luz, co-chairman of the National Competitiveness Council of the Philippines, agreed that the decision-making power "clearly" does not lie within the ASEAN Secretariat.

He suggested that businesses should look to outside channels, such as the Pathfinder Project, which promotes intra-regional trade, if progress in regional integration is to be made.

"The real value of having something outside is to have independence and freedom to work, and not get caught up in the bureaucracy," he said.

While the AEC is about regional integration, it is not only about an internal market, Suthad said. With intra-regional trade amounting to only 24 percent, he said "we have been looking too much at ourselves".

He called on the private sector to look at the "outside opportunities" such as trade with India, China, South Korea and Japan.

"Don't focus on the 24 percent (of intra-ASEAN trade), focus on the 76 percent (of trade with the outside world)," Suthad said.

He added that intra-ASEAN trade has been about 20 percent but has never been much higher, nor will it go much higher.

Serge Pun, chairman of the multinational real estate firm Serge Pun & Associates, believes that it is the governments, and not the business sector, that has to lead the way if the AEC is to be implemented successfully.

"Business cannot lead. If you want the AEC, it's the governments that have to lead ... You have something good, we will follow.

"We will probably get there faster than you think if there's a good platform to do business. But there wasn't. There was a lot of talk but nothing concrete," he said.

But Pun is positive that the AEC is going somewhere. "In the last year or so, seeing that the AEC is 'really happening', more businesspeople are willing to give it a shot and the governments also seem more committed to the idea of AEC than three or four years ago when it was all hot air," he said.

The issue of commitment to the AEC also raised a nagging concern over Indonesia's intentions. Nazir pointed out that he is "a little anxious" that Indonesia's commitment to ASEAN under President Joko Widodo is a little "ambiguous".

Since Widodo took office last October, Indonesia has not been showing much interest in the AEC. Except for media, there were no Indonesian delegates at the forum.

"ASEAN is nothing without Indonesia," Nazir said of ASEAN's largest economy. Indonesia's GDP was \$856.07 billion in 2014, ranking it among the top 20 countries with the largest GDP last year.

Blazing a trail in regional trade

TEN FIRMS FROM EACH NATION WILL GET SUPPORT TO EXPAND CROSS-BORDER BUSINESS

By JAIME KOH

Flesh was put on the bones of the ASEAN Pathfinder Project during the ASEAN Business Club Forum, held on May 14 in Singapore.

The project, first proposed by Malaysia during the 21st ASEAN Economic Ministers' Retreat in February, will focus on engaging companies from the Association of Southeast Asian Nations (ASEAN) in intra-regional trade.

"There will be big, medium and small companies. It will be determined country by country, and each ASEAN country will pick 10 companies. We're giving full liberty to all countries to choose the companies," Idris Jala, minister in the Malaysian Prime Minister's Department, told the press at the time.

At the ASEAN Business Club forum, Idris delivered an update on the plan, telling the audience of about 250 people that the economic ministers he had spoken to had voiced their support of the project, which could be underway by June.

Under the project, 10 companies from each of the ASEAN member countries interested in expanding their regional trade, but that have met with obstacles such as non-tariff barriers, will be brought on board. Idris said these companies will be assisted by experienced facilitators who will find out and resolve their problems.

But he made clear that this was



Minister in the Malaysian Prime Minister's Department Idris Jala delivered an update on the ASEAN Pathfinder Project which focuses on encouraging trade between the region's countries.

not merely a lip service promise. He said the plan was not for the issues to be solved only for the 100 companies involved, while the problematic processes remain the same. "That's a bypass," he said. "You attack the processes and make changes to the processes."

This, he hopes, will then open the door for the other ASEAN companies and investors who want to follow in the footsteps of the first 100 companies and expand regionally.

The minister laid out a timeframe of getting the project up and running in the next few months. In June, the various governments will appoint their respective country facilitators. Workshops will then be conducted for these facilitators and the participating businesses.

By September, it is hoped that the facilitators and companies will be able to engage with the relative agencies in the destination countries.

"If the private sector is willing to do it, my team and I are prepared to work with you," said Idris. He closed his presentation with a quote from Martin Luther King Jr: "Faith is taking the first step even when you don't see the whole staircase."

In a live anonymous poll conducted by Idris at his presentation, the Pathfinder received unanimous support.

While Idris did not reveal what the budget of the project may be, he indicated that the proposed cost for each participating company may range from \$15,300 to \$238,000.

The cost for smaller companies may be absorbed by the Malaysian government, although Idris did not define what he meant by small companies.

Idris added that there was no profit for Malaysia to be made from the project.

The live polling also showed that businesses were happy for the Pathfinder project to be co-funded by the businesses and the government.

Serge Pun, chairman of the Myanmar-based real estate firm, Serge Pun & Associates, said the Pathfinder Project was "not about concession, but about let's get something going... regardless of what others think," he said.

He believed that Pathfinder was "something we have to do and hopefully it will get us somewhere.

DBS chief executive officer Piyush Gupta said at one of the break-out sessions at the ABC Forum that there has been "a lot of ring-fencing around capital, data, people, technology ... We have seen enough political lip service but not enough political support."

He believed that there was a need to "create infrastructure capabilities and trading linkages, and then effectively market them".

But whether Pathfinder would deliver an impetus to the slow progress of the implementation of the ASEAN Economic Community, due to launch by the end of this year, still remains to be seen.

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