



MICHAEL YEOH

Founder and CEO of Asian Strategy & Leadership Institute of Malaysia

Dominique Moïsi, Special Advisor, Ifri

Thank you. Last but not least, we end with Malaysia and Michael Yeoh, who is the founder and Chief Executive Officer (CEO) of the Asian Strategy & Leadership Institute.

Michael Yeoh, Founder and CEO of Asian Strategy & Leadership Institute of Malaysia

Thank you. I will focus my remarks primarily on the Association of Southeast Asian Nations (ASEAN) region of South East Asia. During the last two days, we have heard a lot about the region encompassing China, Japan and Korea, but very little about South East Asia. I believe that some of the issues and challenges of governance that we have in South East Asia are quite universal and common with other countries.

I will just make five quick points. Firstly, I would like to argue, and I think that this is an argument that many people have put forward, that the centre of gravity for the world economy has shifted to Asia and will increasingly do so. A recent study has shown that by 2030 10 of the 50 biggest economies will be in Asia and, of those, five of the top 10 will be Asian – China, India, Japan, Korea and Indonesia. The challenge that these countries will face will be the challenge of managing success and sustainable growth.

The second point that I would like to make is that the US's pivot or rebalance to Asia is focused more on South East Asia. I would argue this because the US has already been engaged with Japan and Korea for a long time, but has had a benign neglect of South East Asia. This is perhaps manifested in the fact that President Obama has visited South East Asia twice this year, in April and November, and it is quite unprecedented for a US president to travel to South East Asia twice within six months. The President's visit to South East Asia has pushed the envelope further on human rights, democracy and good governance and these are issues that are increasingly becoming more important for the South East Asian countries.

Another point that I would like to share with you very briefly is whether in South East Asia China is a threat or opportunity. I would argue that China represents a huge opportunity for the countries of South East Asia. Today, China is the biggest trading partner of all 10 countries in ASEAN and bilateral trade has increased by double digits between China and ASEAN. The recent visits of the Chinese President and Premier to South East Asia have made it clear that China wants to elevate its relations with South East Asia to a comprehensive strategic partnership. The Premier of China announced last month at the ASEAN summit in Naypyidaw that China will sign a new friendship treaty with ASEAN to overcome some of the challenges and issues of the South China Sea. Some people argue that the South China Sea issue could be a threat to the stability of the region. However, I tend to think that this challenge can be resolved through peaceful negotiation and the adoption of a new code of conduct that is now being negotiated between the ASEAN countries and China.

ASEAN, as a whole, is on the threshold of a new era, with the ASEAN Economic Community, which is due to become a reality next year. ASEAN is a market of 600 million people, with a growing middle class of more than 100 million people and a very young population, where the majority of the population is under 40 years of age. Collectively, ASEAN, with a combined gross domestic product (GDP) of USD 2.4 trillion, can become the world's seventh biggest economy. Driving growth in ASEAN connectivity and consumption remain key drivers and the ASEAN countries have adopted a masterplan for connectivity that will further strengthen regional integration. Private consumption will continue to be a key driver of growth in the ASEAN countries.



I think that Korea has recognised the importance of ASEAN and President Park Geun hye has invited the Presidents and Prime Ministers of all 10 ASEAN countries to meet in Busan tomorrow to commemorate the 25th anniversary of Korea ASEAN relations.

I would also like to argue that, going forward, ASEAN needs to focus more on what I would classify as the four Es and the four Is in terms of governance. Firstly, we have economic governance. There is a growing debate between the free market economy and the role of governments in business in many of the ASEAN countries. Secondly, we need education and human capital development to close the skills gap in ASEAN. Thirdly, there is the challenge of employment and job creation, as some of our countries are going through a new phenomenon of jobless growth. Fourthly, we have environmental sustainability, climate change and pollution.

At the same time, ASEAN needs more of the four Is, which are investment, inclusive growth, infrastructure and innovation.

The immediate challenges facing ASEAN in the short term are what can be classified as the four Cs. There is the cost of living and its impact on the poor. Falling commodity prices have a big impact on ASEAN, as these countries are major commodity exporters, with rubber, palm oil and oil. In terms of consumption, private demand may be slowing. Finally, climate change requires the need to manage natural disasters more effectively.

In conclusion, South East Asia will continue to play a key role in the regional architecture of Asia and the hope is that we will become a middle power in the years to come.