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Economic Challenges for ASEAN and Beyond



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ASEAN faces challenge of creating a credible and functioning Economic Community by 2015 -- or soonest thereafter

World macroeconomic conditions not conducive in short- to medium-term but ASEAN strategically well situated in region of growth and dynamism

AEC is integral 'Get Big' response of countries to longer-term developments – rise of China, India, also Indonesia, Vietnam, etc.



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ASEAN needs AEC to solidify its 'mass' and attractiveness. But many things happening at same time – bilaterals, TPP, RCEP, sub -regionals.

Quality EPAs are the goal: i.e. seamless trade in goods & services, stable & transparent investment regimes, liberal if not free flow of capital & skilled labour, competition, etc.

Challenge is regional integration but also national economic & social reforms and liberalisation.



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Ultimately determine pace and limits of AEC

AEC must enable (strengthen) – and be enabled (strengthened) – by domestic reforms and competitiveness. Implies rising national capacity. (Accurate or erroneous assumption?)

Rising national capacity: Political leadership and progressive society. Leadership must be visionary, practical and, above all, bold.



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Boldness needed to fight rent seeking, wastage, sinecures and non-productivity.

Steadfastness needed to resist unpopularity, complaints, resistance, blowbacks, defections, etc.

Business engagement must be predicated on ability to meet these challenges rather than past performance and present incentives.



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Perhaps most important question to ask: Is a country challenging the status quo, vested interests and doing the unpopular to make for a better future?

Malaysia has plans and programmes: 10th Malaysia Plan; Government Transformation Programme (GTP); Economic Transformation Programme (ETP), New Economic Model (NEM). All highly important -- but not decisive in themselves.



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ETP highly important because they answer the question about future sources of growth, targets, key areas, performance indicators and implementing institutions.

ETP not decisive because goals are just that: Aspirational. Depend on supportive environmental conditions and heavy dependence on private sector.



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More to the point: Is a country

- Fighting corruption?
- Getting rid of distortionary subsidies?
- Pursuing 'gold standard' EPAs ?
- Reducing fiscal deficits and debt?
- Enforcing domestic competition policy?
- Implementing equitable tax system (GST)?
- Ensuring independence of Central Bank, Inland Revenue, Law Courts?
- Eliminating government wastage?
- Investing in human capital



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- Investing heavily in broadband technologies and Internet?
- Freeing-up media control?
- Allowing greater exercise of democratic rights?
- Clamping down on illegal cross-border transactions such as people smuggling, money laundering?
- Prohibiting exports of restricted products and materials and goods to third countries?
- Signing on to international conventions?



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Malaysia is making efforts in these areas, good in some, needing more success and time in others. To be sure, no guarantees of success. But why start if no interest to succeed?

Take the “10 -Year Test”: If wholesale or dramatic change, A, if significant and noticeable change, B, if some change in key areas not in others, C, if change in peripheral areas D, and if no change, F-. You decide.



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THANK YOU

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