

Encik Abdul Rasheed Ghaffour: ASEAN - advancing its potential, hurdles and the way forward

Closing remarks by Mr Encik Abdul Rasheed Ghaffour, Deputy Governor of the Central Bank of Malaysia (Bank Negara Malaysia), at the Conference, Kuala Lumpur, 4 August 2017.

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Thank you for having me here today to deliver the closing remarks for the ASEAN@50 Conference. I am also honoured that you have chosen Sasana Kijang to be your meeting point for this Conference. I'm sure that all of you have greatly benefited from the two thought-provoking panel discussions earlier, that drilled down the measures required for ASEAN to achieve its economic promise.

ASEAN proudly welcomes its golden jubilee next week. This momentous occasion not only celebrates our achievements thus far, but also marks the gravity of the work ahead of us. We will continue to galvanise all sectors of society – public, private and civil – to ensure ASEAN's achievements are not just reflected on paper, but more importantly, can be seen, felt and heard.

ASEAN stands out as a dynamic region – with diverse strengths that continues to benefit its growing population of 625 million people. In 2015, ASEAN contributed to more than 7 percent of world exports. Our strong trade performance has contributed to increased employment by about 70 million over the past 17 years – enabling better livelihoods of households. Millions have been lifted out of poverty with the significant rise of ASEAN's GDP per capita, from USD1,054 in 1996 to USD4,000 in 2016. Our economy is the seventh-largest in the world and the region's growth continues to surpass that of advanced economies. Such progress has enabled and nurtured our own regional champions, many of which have moved ahead to do even more for the ASEAN people.

Indeed, ensuring that the gains from ASEAN's development are equitably shared by all is no small feat. It requires more than just government action. It entails close, continuous and committed partnerships with the private sector.

Advancing the ASEAN potential

(a) Significance of private sector

Public-private partnership is part of the ASEAN DNA. Policymakers acknowledge the private sector's significant role in driving shared prosperity among ASEAN. This is evident in the way financial institutions; airline companies; telecommunication; retail; and other private players have been expanding their businesses beyond domestic boundaries, creating greater employment opportunities and improving living standards in the region.

In the aviation industry, for example, our regional low cost carriers have significantly increased interconnectedness among ASEAN countries. The economic spillovers from this increased connectivity cannot be ignored. By opening up access to Lombok, for example, these low cost carriers have contributed to a surge in tourists, marking the fastest growth of tourist arrivals in Indonesia. This has incentivised the Indonesian government to provide more infrastructure development, including solar power plants, water treatment facilities and roads.

This is only one of the many other success stories from our regional home-grown champions. It is my hope that we keep nurturing more, and that their footprints in ASEAN bring even greater benefits to our people.

(b) Role of Financial Integration

The private sector's role in enhancing shared prosperity in ASEAN must be facilitated by an enabling environment for efficient cross-border business transactions. This has been achieved through greater financial integration in ASEAN including deeper banking integration; smoother capital mobility; and efficient payment and settlement systems. ASEAN central banks have made significant strides towards this end, but by no means will we coast on by. We will continue to champion financial integration that benefits all.

An Asian Development Bank study in 2013 has shown that banking integration mobilises savings towards more productive investment, thereby increasing productivity and accelerating growth. This study also showed that smoother capital mobility will facilitate more competitive and productive cross-border lending and borrowing, while promoting financial sector and capital market development. Lastly, an efficient cross-border payment and settlement systems promotes cost-effective transactions by reducing the cost of doing business.

Hurdles faced by ASEAN

Like it or not, the path to achieving the strategic objectives of the ASEAN Economic Community (AEC) 2025 will be filled with hurdles. The pace of convergence within ASEAN would be shaped by members' different levels of development. It is harder for countries with resource constraints to shoulder the high costs involved in undertaking structural and institutional changes, which are required for effective integration.

In overcoming such hurdles, I stand proud in acknowledging that ASEAN adopts a gradual and phased-in approach that ensures a win-win situation for all. To illustrate this, let me share with you an anecdote from ASEAN's financial integration experience under the AEC. The core principles of our framework are inclusiveness and readiness. For example, under the ASEAN Banking Integration Framework, two or more ASEAN countries can liberalise their banking sectors if they are mutually ready. But what if a member is not ready? Do we leave them behind? The answer is, no, we do not. Instead, ASEAN countries help each other by providing capacity building to those who need them the most. This pragmatic approach is unique, but it allows us to continue pursuing integration without compromising national priorities.

The way forward for ASEAN

Close cooperation among member states and appropriate safeguards are therefore crucial to ensure integration creates a more resilient ASEAN. This can be made possible through greater collaboration between private and public sector to develop innovative solutions. This is where ASEAN Business Advisory Council (ABAC) plays an important role to further strengthen this partnership.

ABAC has been active in promoting this partnership and providing consultation to assist ASEAN integration initiatives. For example, ABAC's ASEAN Business Award – It not only recognises businesses that contribute to the growth and prosperity of the region, but also brings to the spotlight small-and-medium sized enterprises that have the potential of becoming global economic players in their respective industries. In addition, it also serves as a platform to disseminate AEC-related information.

Moving forward, greater investment by the private sector in human capital development and innovation is critical for us to maintain the current momentum. The return on investment on these two areas will be visible in the reduction of the development gap among ASEAN countries. Public-private partnerships to address this gap is essential to foster sustainable economic growth and achieve a globally competitive ASEAN.

ASEAN has come a long way in fostering cooperation and collaboration to achieve current levels of development and integration. The principle of 'prosper-thy-neighbour' is the defining mantra of the ASEAN movement and has been integral to our achievements so far. Therefore, let us

develop mutual understanding on the varying degrees of economic development and strategically address the needs of each member country.

Let me conclude with a quote, by the author Virginia Burden: “Cooperation is the thorough conviction that nobody can get there, unless everybody gets there”. I believe the spirit of cooperation and dynamism will accompany us on our journey towards building a more vibrant ASEAN Economic Community by the year 2025.