

Asian Financial Forum 2017

Panel Discussion on Prospects for ASEAN

Synopsis:

Entering the second year of AEC establishment, ASEAN will likely fare well despite a challenging external environment due to slackened demand for ASEAN exports in Europe, Japan and China, partly compensated for by an upswing in the US economy. Solid infrastructure and consumer spending in ASEAN continue to underpin domestic demand. Although individual ASEAN countries may differ in their responses to the sluggish global economy and the attendant tumble in commodities prices, some have succeeded in turning adversity to advantage, deepening policy reforms and seeking fiscal discipline through energy subsidy reduction. This panel will discuss how the AEC, as an integrated consumer market and production base, can ride on demographic and urbanisation dividends to usher in new waves of trade and investment opportunities while leveraging the Belt and Road Initiative and other regional free trade arrangements.

Moderator

Mr Anthony Nightingale, Director, Jardine Matheson Holdings Limited

Panel Speakers

Mr Chairul Tanjung, Founder and Chairman, CT Corp

Ambassador Zhou Wenzhong, Secretary-General, Boao Forum for Asia

Mr Jaime Augusto Zobel de Ayala, Chairman and Chief Executive Officer, Ayala Corporation

In a world that has become increasingly sceptical of free trade, ASEAN stands to benefit from its exceptional internal cohesion and alignment with China's Belt and Road Initiative.

With bilateral trade between China and ASEAN worth US\$472.16 billion in 2015, the latter is now a major trading partner – the world's seventh biggest economy – whose influence will increase as infrastructure and development in Southeast Asia continue.

The session was led by Anthony Nightingale, a Director of Jardine Matheson Holdings Limited, who offered an overview of the flourishing trade relationship between the mainland and Southeast Asian bloc that could be soured by a rising tide of 'anti-globalisation'.

"The incoming [US] President has promised to withdraw from the Trans-Pacific Partnership, to renegotiate the North American Free Trade Agreement and slap tariffs on a variety of companies and countries whose trade investment policies offend him," Mr Nightingale told the panel.

“The likely demise of the TPP will enhance the performance of two other initiatives very relevant to our region. The first is China’s One Belt One Road programme. Then there is ASEAN’s own Regional Comprehensive Economic Partnership, which aims to combine in one umbrella agreement ASEAN’s free-trade agreements with China, Japan, Korea, Australia, New Zealand and India. Some have criticised RCEP for not having a sufficient level of ambition, but at least it can be seen as moving forward the cause of free trade in a world that has become increasingly sceptical.”

The RCEP framework could further extend the benefits of globalisation across the ASEAN bloc, according to Jaime Augusto Zobel de Ayala, Chairman and Chief Executive Officer of the Ayala Corporation. A decade of growth, development and stability is apparently coming to an end under the impending anti-trade measures of United States’ President-elect Donald Trump. “I’m beginning to think there are more positives to this than negatives,” Mr Ayala said.

While there are currently two trade agreements that may affect the bulk of ASEAN’s trade, the TPP and RCEP, Mr Ayala said the TPP system has probably been sidelined: “I think the natural winner will be the RCEP. Precisely it is its inclusiveness to being a framework that will be readily accepted. All ASEAN countries are part of RCEP and not all countries were part of the TPP. There’s a renewed opportunity here, as the United States potentially closes and Europe potentially closes, for China to put fifth gear on and use RCEP as a way of encouraging a continuous open trading environment within our region. That’s a unique opportunity.”

Mr Ayala said he was encouraged by the input of both the mainland and Japan, who he said was increasingly strong and engaged with ASEAN members. But it was the Belt and Road Initiative that promised to deliver the greatest benefits to a bloc that was “one or two decades” behind in terms of infrastructure development.

“The One Belt One Road, combined with trade policy and massive infrastructure spending, is a positive for all of ASEAN,” he said, adding it would be a “life-changer” for the people living in the bloc.

Ambassador Zhou Wenzhong, Secretary-General of the Boao Forum for Asia, said ASEAN’s accent on engagement this year is a particularly harmonious match with the mainland’s One Belt One Road Initiative. By working together, both partners should improve the dynamism of the trading bloc’s economy and create a global force.

Mr Zhou said there were 40 Belt and Road Initiative projects underway at the beginning of the year and at the heart of the initiative is connectivity.

On trade and dealing with the US administration under President-elect Donald Trump, Mr Zhou, a former US Ambassador, said China has experience in handling new governments. “This time the difference is the president-elect was not in government before and so he has a very

limited experience in dealing with China. I hope that he will learn in the job and he will see why the relationship is so important for China and the United States and the world at large. I hope sense will prevail eventually for the benefit of America.”

Chairul Tanjung, Founder and Chairman of the CT Corp, outlined the demographic dividend for investors in ASEAN. Investors will be able to access a diverse, young and increasingly affluent population, whose natural tendency is to towards urban areas where the balance of money is increasingly to be found.

The Belt and Road Initiative will be crucial to this trend. “Belt and Road would assist the connectivity, making it easier for people, services and resources to move,” Mr Tanjung said.

The biggest challenge to this trend in the short term would be a slowdown elsewhere. “China is very important for ASEAN,” he said. “If China can grow by more than 6.7 per cent, that will be very important for ASEAN. If China can grow by more than 6.7 per cent, ASEAN will be happy.”

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