

Regional Agenda

# World Economic Forum on East Asia Courageous Transformation for Inclusion and Integration

Nay Pyi Taw, Myanmar 5-7 June 2013





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# Preface



Sushant Palakurthi  
Rao  
Senior Director  
Head of Asia, World  
Economic Forum

As the first international gathering to be held in Myanmar after its bold economic and political reforms were introduced, the 22nd World Economic Forum on East Asia provided a historic opportunity for participants to analyse and help shape the country's ongoing reforms and reconciliation process. As such, senior-level leaders from government, business and civil society came together in Nay Pyi Taw to leverage their collective creative and strategic capital to address the most pressing economic and societal challenges in new ways.

In light of Myanmar's upcoming chairmanship of ASEAN in 2014 and the bloc's planned economic integration in 2015, the meeting provided insight to leaders from the region and elsewhere who see in the ASEAN countries an important and evolving geopolitical and geo-economic pillar of the global economy.

The six Co-Chairs of this year's meeting reflect the best of leadership from different sectors and regions who embrace the importance of continuing to enlarge dialogue across all stakeholder groups. Under the theme "Courageous Transformation for Inclusion and Integration", the meeting convened over 1,000 leaders from business, government and civil society in Nay Pyi Taw to address issues and identify actions on the path to regional integration. The programme was based on three pillars: Inspiring Inclusive Transformation; Realizing Regional Integration; and Scaling Regional Solutions for Global Resilience.

With these elements in mind, participants focused on opportunities to accelerate Myanmar's growth balanced with a significant social and inclusive development agenda to benefit all stakeholders through responsible investments. They also explored the ramifications of ASEAN's planned integration in 2015. Achieving this target will require a solid commitment to improving the region's connectivity, investing in an integrated energy agenda, securing an efficient food supply chain and building a skilled workforce. Finally, leaders at the meeting recognized that the region faces multiple risks due to factors such as natural disasters and financial shocks, and explored how best to reinforce efforts to build resilience and scale solutions across the region.

The deliberations in Nay Pyi Taw explicitly demonstrated the commitment of all stakeholders – from Myanmar, the region and globally – to leveraging investment towards responsible and inclusive growth both in Myanmar and in ASEAN. Only by coming together and having frank discussions is it possible to build trust and an understanding of how key social and economic development challenges such as creating jobs, improving education, ensuring better healthcare and enhancing regional connectivity can be addressed.

The World Economic Forum is grateful to its Members and communities for their continued commitment to and participation in the World Economic Forum on East Asia. We look forward to welcoming you to next year's meeting, which will take place in the Philippines.

# News from Nay Pyi Taw

## Co-Chairs



Helen E. Clark  
Administrator  
United Nations  
Development Programme  
(UNDP)  
New York



Anthony F. Fernandes  
Group Chief Executive  
Officer  
AirAsia  
Malaysia



Yorihiro Kojima  
Chairman of the Board  
Mitsubishi Corporation  
Japan



Indra Nooyi  
Chairman and Chief  
Executive Officer  
PepsiCo  
USA



Subramanian Ramadorai  
Vice-Chairman  
Tata Consultancy Services  
India



John Rice  
Vice-Chairman  
GE  
Hong Kong SAR



## Powering Myanmar's Growth

Today, 74% of Myanmar's people lack access to power and endure basic infrastructure. To attain a position of sound institutional governance, the country needs to deliver comprehensive energy access to its people and fuel the engines of commerce and industry. Myanmar's energy architecture is pivotal to its transformation, and now is a critical time to craft its design.

The World Economic Forum, in collaboration with Accenture and the Asian Development Bank, launched a new report in Nay Pyi Taw, *New Energy Architecture: Myanmar*. The report is the result of a consultative process with the government, local and foreign businesses, and civil society. It offers clear support for the development of national strategies and policy frameworks to help the country achieve and balance economic growth, sustainability, and energy access and security. The consultative process forms part of the New Energy Architecture Initiative, a collaboration between the World Economic Forum and Accenture to address and accelerate the ongoing global energy transition.

[www.weforum.org/issues/new-energy-architecture](http://www.weforum.org/issues/new-energy-architecture)



## Smart Tourism Takes off in ASEAN

Ministers and tourism authorities of Myanmar, Cambodia, Indonesia and the Philippines signed a Letter of Intent on 5 June in Nay Pyi Taw to collaborate on facilitating travel in the region by developing Smart Tourism. This collaboration heeds a call made by leaders at the ASEAN Summit, which took place in November 2011. Smart Tourism aims for progressive relaxation of cross-border restrictions and technological advancement of the visa application process, to the benefit of both ASEAN and non-ASEAN travellers in region.

The objective is to eliminate barriers to the movement of tourists – currently a major obstacle to travel and job creation in the region's travel and tourism sector. The Letter of Intent was signed at the Forum's Travel & Tourism Summit and is one result of joint efforts to improve growth of the national and regional travel and tourism sectors, along with social integration. Facilitating economic growth and job creation was one of the main goals of the summit and is a core activity of the Forum's Industry Partners and Members of the Global Agenda Council on New Models for Travel & Tourism.



## Table For Two Comes to East Asia

Young Global Leaders (YGLs) announced that a programme that tackles child malnutrition will expand into South-East Asia, starting with Myanmar. Table For Two (TFT) is a Japan-based non-profit initiative created by YGLs in 2007. The mechanism is simple: every time someone eats a healthy TFT meal at a participating restaurant or company cafeteria, a percentage of the cost is donated to fund a school meal in a developing country. TFT is supporting meal programmes and school gardens at primary schools in Myanmar in partnership with the UN's Food and Agriculture Organization. Children in Myanmar will be the first TFT beneficiaries before the programme is rolled out elsewhere in South-East Asia.

Across the region, economic disparities and rising food prices are putting pressure on families living in poverty. According to the FAO, in South-East Asia, 10% of the population – some 65 million – are undernourished. The project will provide a long-term, sustainable source of nutrition for the children by funding the development of fruit and vegetable gardens at local schools.



## Myanmar's Future

In a wide-ranging televised session, Myanmar Union Minister Soe Thane discussed the future of the country with Aung San Suu Kyi, Chairman of the National League for Democracy (NLD); Member of Parliament from Kawhmu Constituency. Soe Thane is often described as the minister whose thinking is closest to that of President Thein Sein. "I want to run for president and I'm quite frank about it," said Aung San Suu Kyi. "But for me to be eligible for the post of the presidency, the constitution will have to be amended." She described the document as "the most difficult constitution in the world to amend." Soe Thane stressed that the political and economic changes in Myanmar are "irreversible" and asked for patience from the people of Myanmar and the international community. The process started only in 2010. The conversation touched on many issues, including political prisoners, holding accountable those who misruled the country and committed illegal acts, and ensuring that the fruits of reform are shared with all citizens. Despite its problems, the overwhelming majority of the 400 or so participants in the session indicated that they are optimistic about where the country is headed.

More here: [www.weforum.org/sessions/summary/myanmar-what-future](http://www.weforum.org/sessions/summary/myanmar-what-future)

# For Inclusion, Balance Development and Growth

At the historic 2013 World Economic Forum on East Asia in the capital of Myanmar, participants examined the country's transformation in the context of East Asia's economic integration. The message of Myanmar's moment is that achieving inclusiveness requires balanced development and growth.



“

All the reforms we are undertaking are in response to the desires of the people.

”

U Thein Sein President of Myanmar



**01:** Klaus Schwab, Founder and Executive Chairman, World Economic Forum; Nguyen Tan Dung, Prime Minister of Vietnam; U Thein Sein, President of Myanmar; and Thongsing Thammavong, Prime Minister of Laos

**02:** Serge Pun, Chairman, Serge Pun & Associates (Myanmar), Myanmar; Saill Shetty, Secretary-General, Amnesty International, United Kingdom; and Eddy Setiawan, President, South-East Asia, The Dow Chemical Company, Singapore

Myanmar's political spring of the past two years has fuelled a rush of investors excited by the prospect of transformational change in a nation that for decades had shunned and been shunned by the West. Moves to pass fundamental reforms are strong signs that Myanmar is on an irreversible path from command to market economy, from authoritarian state to democracy. "We are part of the global community now," President Thein Sein declared in the closing plenary of the World Economic Forum on East Asia. "We are getting back to our rightful place."

The surge of interest in Myanmar's re-emergence has obscured the fact that this remains one of the least developed economies in the world. With 70% of the population of 60 million living in rural areas and few with even a fixed-line telephone, let

alone a mobile device or Internet access, Myanmar has yet to enter the digital age. Years of isolation because of sanctions have kept the market out of today's global supply chains and impeded progress in what was once regarded as one of the most promising economies in Asia.

At last year's World Economic Forum on East Asia in Bangkok, on her first trip abroad since her release from house arrest, Daw Aung San Suu Kyi, Chairman of the National League for Democracy (NLD); Member of Parliament from Kawhmu Constituency, Myanmar, called on businesses rushing into her country to be socially responsible and to ensure that their investments help eradicate corruption and reduce inequality.



“  
**We need time to loosen, to untie the rope [that had bound the country] for 60 years.**  
 ”

U Soe Thane Union Minister, Office of the President of Myanmar

That call certainly struck a chord with Forum participants. In Nay Pyi Taw, they took a sober look at Myanmar's transformation, examining it in the context of the economic integration of South-East and East Asia and the launch at the end of 2015 of the ASEAN Economic Community. As a late arrival on the globalization wave, Myanmar can learn from the experience of its neighbours, including China and India.

Yet, despite its controversial past and current communal challenges and, in part, because of the traditions and spiritual grounding of its people, Myanmar has its own lessons to impart about reconciliation, the sequencing of reforms and the need for inclusion. Social responsibility and sustainability are part of the culture, Serge Pun, Chairman, Serge Pun & Associates (Myanmar), Myanmar, maintained. "We have this CSR (corporate social responsibility) culture embedded in individuals and companies."

Among the reformist government's priorities have been to pass legislation on labour and land rights and lift controls on the press. Two new telecom licences – due to be awarded at the end of June – should lead to the swift growth of mobile telephone service, which in the next few years should be a significant driver of financial inclusion and job creation in rural areas and enhance health and education delivery.

Economic reforms are just starting, with laws on financial regulation and the central bank not yet in place. "Everybody says let's get the economy going and workers' rights will come later," Pun observed. "We have it the other way around. This is a new model."

Myanmar's arrival at the development runway may be opportune, coming more than 15 years after the Asian financial crisis revealed the perils of cronyism and corruption and five years after the global meltdown



“  
**Twenty-five years from now, Myanmar will not just be an Asian Tiger but an Asian Jaguar, an Asian Cheetah, because it's really sprung forward and taken lessons from all the other countries.**  
 ”

Indra Nooyi Chairman and Chief Executive Officer, PepsiCo, USA; Co-Chair of the World Economic Forum on East Asia

underscored the value of resilience. Times have changed. Gone are the days of fast growth without consequences. The Internet, smartphones and social media have rendered command-control leadership – even in the tightest of societies – obsolete. Protecting the environment is no longer a matter only for those who can afford to be concerned. Already evident is the impact of climate change and water scarcity.

Like a new car that has to be driven carefully and fine-tuned once or twice in its first few thousand kilometres so that it eventually runs at peak performance, Myanmar could risk a crash or malfunction if it goes too fast too soon. Argued Helen E. Clark, Administrator, United Nations Development Programme (UNDP), New York, a Co-Chair of the 2013 World Economic Forum on East Asia: "For Myanmar, a lot of boats have been pushed out and are midstream.

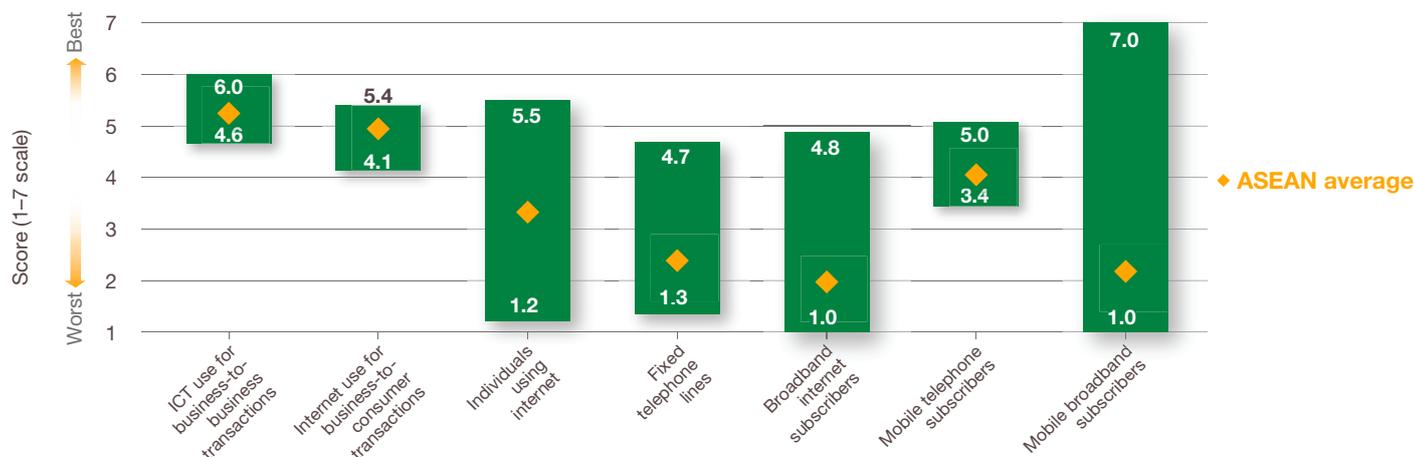


## There is a significant gap in some elements of ICT infrastructure among ASEAN countries

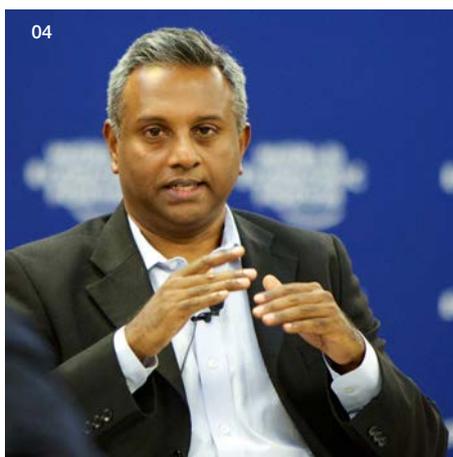
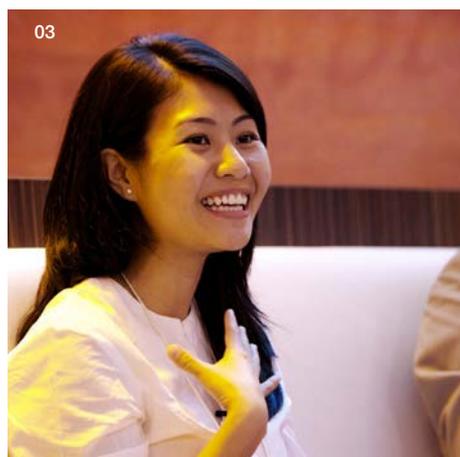
Travel and Tourism Competitiveness Index, ASEAN, select indicators

Source: World Economic Forum, 'The Travel & Tourism Competitiveness Report 2013'

Note: The Travel & Tourism Competitiveness Index measures enabling criteria of the Travel and Tourism (T&T) sector in different countries. It has 14 pillars across three subindices: T&T regulatory framework; T&T business environment and infrastructure; and T&T human, cultural and natural resources subindex.



The Travel & Tourism Competitiveness Index gap is particularly significant in areas such as use of the internet and penetration of mobile broadband technology



**01:** Geoffrey Lipman, President, International Council of Tourism Partners, Belgium; Anthony F. Fernandes, Group Chief Executive Officer, AirAsia, Malaysia; Mari Elka Pangestu, Minister of Tourism and Creative Economy of Indonesia; U Htay Aung, Minister of Hotels and Tourism of Myanmar; Ramon R. Jimenez Jr, Secretary of Tourism of the Philippines; and Sébastien Marot, Executive Director, Friends-International, Cambodia

**02:** Rishaad Salamat, TV Anchor and Reporter, Bloomberg, Hong Kong SAR; Yorihiro Kojima, Chairman of the Board, Mitsubishi Corporation, Japan; Cesar V. Purisima, Secretary of Finance of the Philippines; Harish Manwani, Chief Operating Officer, Unilever, Singapore; Kittiratt Na-Ranong, Deputy Prime Minister and Minister of Finance of Thailand; and Tarek Sultan Al Essa, Chairman and Managing Director, Agility, Kuwait

**03:** Vanessa Han Yin Mon, Founder and Managing Director, Myanmar Mentors, Myanmar

**04:** Salil Shetty, Secretary-General, Amnesty International, United Kingdom

**05:** U Shwe Mann, Speaker of the House of Representatives of Myanmar

**06:** Daw Aung San Suu Kyi, Chairman of the National League for Democracy (NLD); Member of Parliament of Kawhmu Constituency, Myanmar





“  
**We are here as partners  
 – partners in a process that  
 has become irreversible.**  
 ”

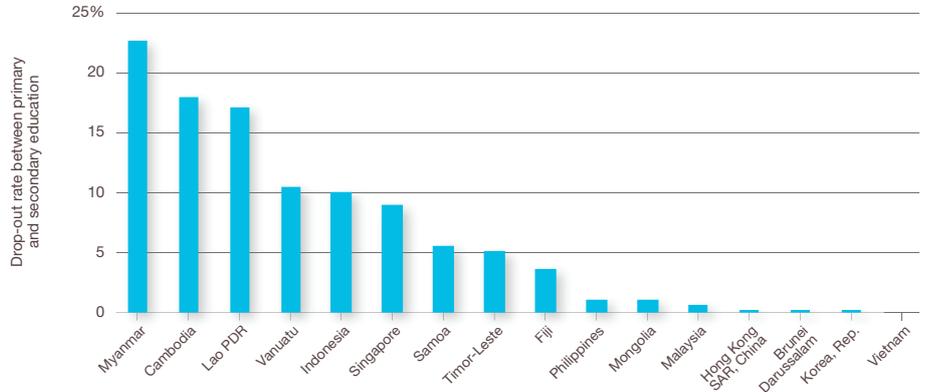
Klaus Schwab Founder and Executive  
 Chairman, World Economic Forum

**A significant percentage of students are not moving beyond primary education in East Asia, but there is a big variance**

Drop-out rates between primary and secondary education, East Asian countries

Source: UNESCO Institute for Statistics

Note: Drop-out rate estimated by subtracting the primary to lower secondary effective transition rate from 100%. The effective transition rate in a given year (t) is the number of new entrants to the first grade of lower secondary education in the following year (t+1) divided by enrolment in the last grade of primary education in the given year (t) minus the number of repeaters from the last grade of primary education in the following year (t+1). Primary and lower secondary education correspond to the International Standard Classification of Education levels ISCED 1 and ISCED 2. Data is from the most recent year available years: 2010 Cambodia, Lao PDR, Samoa, Timor-Leste, Mongolia, Hong Kong SAR, China, Brunei Darussalam, Vietnam; 2009 Myanmar, Vanuatu, Indonesia, Malaysia; 2008 Singapore, Fiji, Philippines, Korea, Rep.



“  
**We as a business are only  
 answerable to our  
 shareholders, but they are  
 just one of our stakeholders.**  
 ”

Ajit Gulabchand Chairman and Managing  
 Director, Hindustan Construction Company,  
 India

It is now a question of prioritizing and sequencing the reforms.”

Take the development of the extractive sector. While Myanmar possesses abundant natural resources that are much sought after by large economies looking for energy security, it should open up its extractive industries in a measured way that neither leaves the economy vulnerable because of a narrow base nor wreaks havoc on the environment.

From the minerals and other materials that it does unearth, Myanmar should aim to gain the most value by building up the capacity to process the raw materials rather than simply exporting them. Plentiful now, these resources could run out, leaving the prosperity of future generations in jeopardy. As in many other countries that have exploited their natural wealth, vested interests could take advantage, abuse privileges and get rich quickly, leaving others to suffer the consequences or clean up.

“This is an amazingly rich country with some of the poorest people on the planet,” observed Saili Shetty, Secretary-General, Amnesty International, United Kingdom, a Member of the Global Agenda Council on the Role of Civil Society. “The rule of law is still a work in progress at best,” he said.

In the post-crisis age where resilience is the key, inclusive transformation – whether in Myanmar or any other



## Better Yields for Farmers and Agriculture

In South-East Asia, the majority of farming is undertaken by smallholder farmers, who often lack access to credit, training and markets for their produce. As a result, their productivity often falls short of what it could be. Government, the private sector and other stakeholders can play important roles in strengthening smallholder farmer productivity, by catalysing investment in the sector in particular.

In Myanmar, the government has prioritized the agriculture sector for modernization and growth. With extensive arable land and water resources, the country offers great potential for agriculture, yet many challenges need to be addressed – strengthening infrastructure, markets, education and policies.

“We need to look at giving farmers economic, political and social power with cooperative solutions,” said Estrella Penunia, Secretary-General, Asian Farmers’ Association for Sustainable Rural Development (AFA), Philippines. Farmers should have access to basic resources such as land ownership and credit, as well as the opportunity to contribute to policy decisions affecting the sector.

Overall, agriculture should be treated as a business and expanded through entrepreneurial and technology-based solutions. A thriving agriculture sector will help rural areas to become more attractive places in which to live for the next generation and the main driver of greater productivity for the region.

For more information about the Forum’s work on agriculture and food security issues, visit: <http://www.weforum.org/issues/agriculture-and-food-security>

**01:** Don Lam, Chief Executive Officer and Co-Founder, VinaCapital Group, Vietnam; and Omar Lodhi, Partner, The Abraaj Group, Singapore

**02:** Aiko Doden, Senior Commentator, NHK (Japan Broadcasting Corporation), Japan; Hiroto Arakawa, Vice-President, Japan International Cooperation Agency (JICA), Japan; Subramanian Ramadorai, Vice-Chairman, Tata Consultancy Services, India; Daw Aung San Suu Kyi, Chairman of the National League for Democracy (NLD); Member of Parliament of Kawhmu Constituency, Myanmar; Jaime Augusto Zobel de Ayala II, Chairman and Chief Executive Officer, Ayala Corporation, Philippines; Annie Koh, Vice-President, Business Development and External Relations; Associate Professor of Finance, Singapore Management University, Singapore



“

**For Myanmar, a lot of boats have been pushed out and are midstream. It is now a question of prioritizing and sequencing the reforms.**

”

Helen E. Clark Administrator, United Nations Development Programme (UNDP), New York; Co-Chair of the World Economic Forum on East Asia

economy in East Asia or elsewhere – is achieved through balanced development and growth, said World Economic Forum on East Asia Co-Chair John Rice, Vice-Chairman, GE, Hong Kong SAR. Myanmar will have to move forward with improving its hardware or infrastructure, as well as its software or capacity. This includes the rule of law, regulatory frameworks and education to help the country make best use of its youth dividend.

The country needs to move quickly on some fronts, such as addressing extreme rural poverty by investing in agriculture to make farmers more productive and farming profitable, and to take a deliberate approach in other areas such as the development of the extractive sector. Concluded Rice: “Balance is required to make responsible, sustainable progress.”



## Myanmar Has Got IT

When it comes to telecommunications, Myanmar is practically greenfield. Less than 7% of the population have a mobile phone, while only 1% has a wire connection – the third-lowest penetration rate in the world behind North Korea and Eritrea. The current telecom law dates to 1885. But the country is poised to catch up. Already, mobile subscription rates have fallen significantly, although they remain high for South-East Asia. New legislation is on the way – and just days after the 2013 World Economic Forum on East Asia, the Myanmar government was due to award two telecom licences. “We are in the process of liberalization,” said Thaug Tin, Deputy Minister of Communications and Information Technology of Myanmar. “Two years from now, the telecom landscape will be very different,” he said.

The proliferation of mobile telephony could be an important way for Myanmar to take the latecomer’s advantage and jump directly into the IT age. As has happened, for example, in Kenya, the spread of mobile phones will support the development of mobile banking and microfinance, significantly boosting financial inclusion. It should also promote the delivery of healthcare and education and become an important tool for entrepreneurs and retailers. The adoption of technology in a country that sat out the IT revolution will drive change quickly – especially in what its people can do to better their lives. Concluded Dan’l Lewin, Corporate Vice-President, Strategic and Emerging Business, Microsoft Corporation, USA: “Myanmar has the opportunity to amplify human potential.”



01



02



“ We know we have to do a lot. Myanmar was out of touch for many years. We don’t want to be left behind. ”

U Thant Kyaw Deputy Minister of Foreign Affairs of Myanmar

**01:** Shamsuddin Shahril, President and Group Chief Executive Officer, SapuraKencana Petroleum Berhad, Malaysia; John Rice, Vice-Chairman, GE, Hong Kong SAR; Amrita Cheema, Anchor, Deutsche Welle TV, Germany; Gita Wirjawan, Minister of Trade of Indonesia; Hamish Tyrwhitt, Chief Executive Officer, Leighton Holdings, Australia; and Stephen P. Groff, Vice-President, Operations 2, Asian Development Bank, Manila  
**02:** Taking Quantum Leaps with Technology  
**03:** Christopher Logan, Co-Founder and Chief Executive Officer, Silk Road Mining and Development, Canada; and Melody Meyer, President, Chevron Asia Pacific Exploration and Production Company, Chevron Corporation, USA



03

# Making the ASEAN Dream a Reality

Even as political tensions have flared in regional hotspots, East Asian leaders have reiterated their commitment to increased economic integration. As interconnectivity intensifies, East Asia will be more resilient to exogenous shocks and reap the much-needed benefits of its ballooning GDP.



“

We don't want our road workers to remain at the level of road work. Give us the skills to solve our own humanitarian and development problems ourselves.

”

Daw Aung San Suu Kyi Chairman of the National League for Democracy (NLD) and Member of Parliament from Kawhmu Constituency, Myanmar

Encompassing a vast region characterized by disparate levels of development and wealth – consider affluent Singapore alongside an underdeveloped Myanmar – East Asia is as diverse as it is promising.

The challenge for the region and, in particular, the 10 nations that make up the Association of Southeast Asian Nations (ASEAN), lies in harnessing its much-touted potential.

Describing it as a beacon of stability amid a climate of global economic uncertainty, Harish Manwani, Chief Operating Officer, Unilever, Singapore, said that “ASEAN is bigger than even ASEAN imagines.”

A key driver of the global economy, the bloc has a combined GDP of US\$ 2 trillion – an output that is expected to double by 2020. Emerging markets in Asia are expected to be the fastest growing worldwide and will continue to expand over the coming decade.

“The future is bright if we do things right. Greater connectivity in regulation, infrastructure and among people will boost productivity,” Cesar V. Purisima, Secretary of Finance of the Philippines, told participants at the World Economic Forum on East Asia in Nay Pyi Taw.

The regional bloc has already formulated the blueprint for a unified free trade market by 2015. Known as the ASEAN Economic Community, or AEC, the proposed market will facilitate the free flow of goods, services and skilled labour among 650 million people and form one of the largest trading blocs in the world.

Drawing lessons from the EU, ASEAN has moved away from a full-scale monetary union, focusing instead on synergizing trade and creating a single production base.

Enabling the AEC and the regional integration it lays out hinges on a collaborative effort to harmonize



“  
**I believed in ASEAN probably before ASEAN believed in itself. For me it is the final piece of the puzzle to get Myanmar into this wonderful group of countries. It is a very exciting period for us, and a great way to reduce poverty.**  
 ”

Anthony F. Fernandes Group Chief Executive Officer, AirAsia, Malaysia; Co-Chair of the World Economic Forum on East Asia



- 01:** Kishore Mahbubani, Dean, Lee Kuan Yew School of Public Policy, National University of Singapore, Singapore; Naoyuki Shinohara, Deputy Managing Director, International Monetary Fund (IMF), Washington DC; Yasutoshi Nishimura, Senior Vice-Minister of Cabinet Office of Japan Mashiur Rahman, Adviser to the Prime Minister of Bangladesh; and U Thant Kyaw, Deputy Minister of Foreign Affairs of Myanmar
- 02:** Sushant Palakurthi Rao, Senior Director, Head of Asia, World Economic Forum; John Rice, Vice-Chairman, GE, Hong Kong SAR; Yorihiro Kojima, Chairman of the Board, Mitsubishi Corporation, Japan; Helen E. Clark, Administrator, United Nations Development Programme (UNDP), New York; Subramanian Ramadorai, Vice-Chairman, Tata Consultancy Services, India; and Anthony F. Fernandes, Group Chief Executive Officer, AirAsia, Malaysia

regulations, streamline customs processes, remove tariffs and trade barriers, and boost the competitiveness of its supply chains.

While some describe the AEC target as aspirational, the region's economic integration is fast becoming a reality. Customs tariffs for 90% of items are already down to zero in the lead up to the 2015 deadline, and political leaders have continued to express commitment to ASEAN centrality even as tensions in the South China Sea have threatened to undermine it.

The Philippines' Secretary of Finance echoed these sentiments, noting that there is "no room for regulatory nationalism in ASEAN."

Traversing the development spectrum, ASEAN's economic diversity offers businesses operational flexibility and strengthens the case for regional unification. Leaders also understand that it is not in ASEAN's interests to go it alone, nor to leave any states behind. "Individually, ASEAN countries are small, but we are stronger together," noted Purisima, "We need to complement rather than compete against each other."

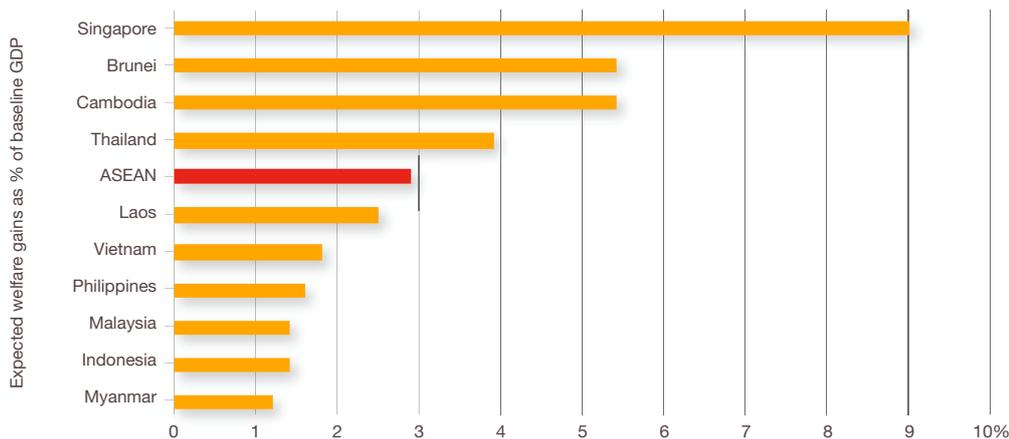
While ASEAN integration is not perfect, the bloc has created a strong foundation for regional growth and a local market for its members. Properly implemented, ASEAN's economic plans will dissolve bottlenecks, drive growth and generate the capital necessary to fund vital infrastructure in some of its nascent markets.

For a country like Myanmar, emerging from decades of disinvestment and isolation, infrastructure needs must be prioritized. With a predominately rural population and a threadbare electricity grid, only 13% of households have electricity. As John Rice, Vice-Chairman, GE, Hong Kong SAR, a Co-Chair of the World

## Greater ASEAN integration is expected to lead to positive gains in GDP across all ASEAN countries

### Country welfare gains (2015) from implementing ASEAN Economic Community

Note: Projections based on the following scenario: Completion of AFTA (ASEAN Free Trade Area) agreement through the elimination of remaining intra-ASEAN tariffs and non-tariff barriers, including regulatory barriers such as diverging standards and testing requirements. Since the base year of the data is 2004, these effects may include changes that have been already implemented at the current time. In the absence of detailed information on non-tariff barriers, they have been modelled by assuming a horizontal reduction in trade costs of 5 percent of trade values. The scenario has been implemented relative to an estimated 2015 baseline which incorporates the general expansion of ASEAN economies (based on IMF estimates) but freezes trade policy at 2004 levels. Source: Peter A. Petri, Michael G. Plummer and Fan Zhai, *The Economics of the ASEAN Economic Community*, 15 September 2010.



- 01:** Ramon R. Jimenez Jr, Secretary of Tourism of the Philippines; and Sébastien Marot, Executive Director, Friends-International, Cambodia; Social Entrepreneur
- 02:** Fazle Hasan Abed, Founder and Chairperson, BRAC, Bangladesh; Social Entrepreneur
- 03:** Gary Coleman, Managing Director, Global Industries, Deloitte, USA
- 04:** Chasing the Next Big Idea



## Designing a Sustainable Safety Net

Cash transfers to the poor are becoming part of the social safety nets in some countries, like Indonesia and the Philippines. Conditional cash transfer programmes protecting the poor and vulnerable can be coupled with broader goals such as ensuring universal education. Education, health, financial inclusion and other basics cannot be divorced from social protection. Some countries in Asia choose to focus on providing pension and health insurance benefits to workers in the formal economy. In Cambodia, on the other hand, the government looks at social protection in terms of pensions and health and as part of a wider safety net of food security, maintenance of irrigation systems and community-based microfinance, micro life insurance and micro health insurance.

But care must be taken that these programmes be sustainable. It is estimated that government revenues must account for 20% of GDP to make large-scale government social protection programmes sustainable. Most developing economies in Asia have not reached this threshold, and so must be judicious in what government-supported programmes they put in place. Harnessing the private sector and civil society can help, in addition to the traditional means of social protection. Multilateral agencies and international donors must ensure that they support schemes that not only meet social protection goals, but are also sustainable and do not destroy traditional values, particularly those that strengthen the family as an institution.



Economic Forum on East Asia, put it, “You don’t care if a nice new road passes by your house if you can’t even turn on the light.”

Implementing comprehensive power grids is a prerequisite for all components of development not only in Myanmar, but also across ASEAN’s emerging markets.

Analysts estimate that East Asia will need US\$ 750 billion a year over the next five years to meet basic infrastructure goals in transport, communications and the energy sector. Lack of infrastructure is a huge drag on growth; infrastructure improvements will benefit both individual nations and ASEAN as a

whole. These advancements will also see the emergence of a more sophisticated market as ASEAN moves beyond export-oriented growth towards increased intra-regional connectivity.

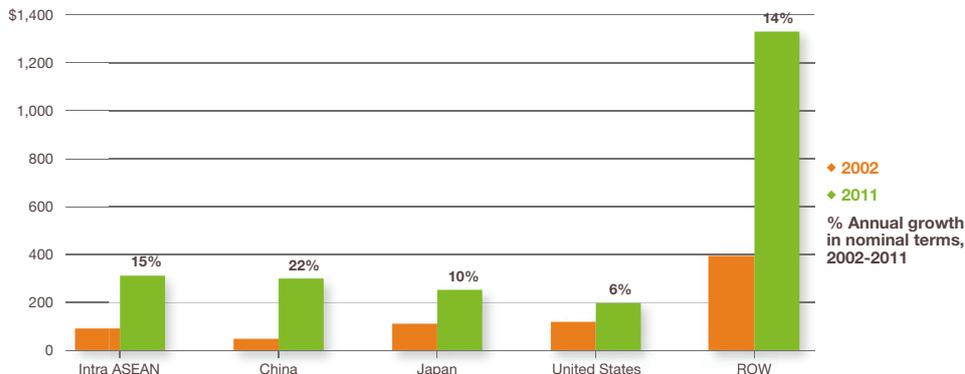
With a somewhat overwhelming list of regional infrastructure needs, not everything can be built at once and choices must be made; but the burden cannot rest with government alone. What governments can do is take responsibility for ensuring political stability and regulatory clarity to create an environment conducive to investment. It is certainty, not liquidity, that is lacking. “We are not looking for a risk-free

## ASEAN intra-regional trade has grown 15% annually over the past 10 years

ASEAN intra- and extra-regional trade, 2002 and 2011

Note: US Dollars at current prices and current exchange rates. Total trade with US, Japan, China and ROW are calculated as exports plus imports. ASEAN intra-regional trade calculated using exports.

Source: UNCTAD Statistics, PwC analysis



environment,” said Rice, “We are looking for stability and reasonable risk-adjusted returns.”

But development is more than just economics. To improve lives from the rice paddy up, less-developed nations must target growth that is sustainable and inclusive. ASEAN is a success story in terms of economic growth. But what about its human and intellectual capital, and the numbers of local patent and PhD holders? In ASEAN, participants agreed, the emphasis should not only centre on cost, but on quality.

Without significant investments in human capital, education and health, the region’s developing countries will fail to move beyond attractive sources of cheap labour. In a region characterized by its rapid urbanization, large informal economy and youth dividend, channelling resources into education will boost employability and help lift some 80-100 million people out of poverty.

Noted for its hospitality and rich cultures, the region is targeting job creation and skills development and pursuing new models of sustainable growth through tourism. Within

the tourism sector, which indirectly employs some 25 million people, the region is moving towards a common ASEAN visa, regional standardization and an “open sky” policy.

Anthony F. Fernandes, Group Chief Executive Officer, AirAsia, Malaysia, a Co-Chair of the World Economic Forum on East Asia, noted that regional integration is already well underway. “Low-cost carriers and youth are driving ASEAN integration much quicker than any politician or CEO,” said Fernandes, “We have planes full of young people travelling from country to country and meeting each other every day.”

In the works for decades, the time to intensify ASEAN integration is now. The challenge to unlocking the tremendous potential is to balance its fast-paced metamorphosis with a calibrated, measured approach – one that epitomizes the true scope of development.



“

**When you look at the challenge of providing infrastructure for a growing middle class that really wants better things, you need private companies and the technology they bring, you need capital, you need the capacity and you need to train people.**

”

John Rice Vice-Chairman, GE, Hong Kong SAR; Co-Chair of the World Economic Forum on East Asia



“

**An empowered government, supported by the people, in turn empowers its people.**

”

Benigno Simeon Aquino III, President of the Philippines



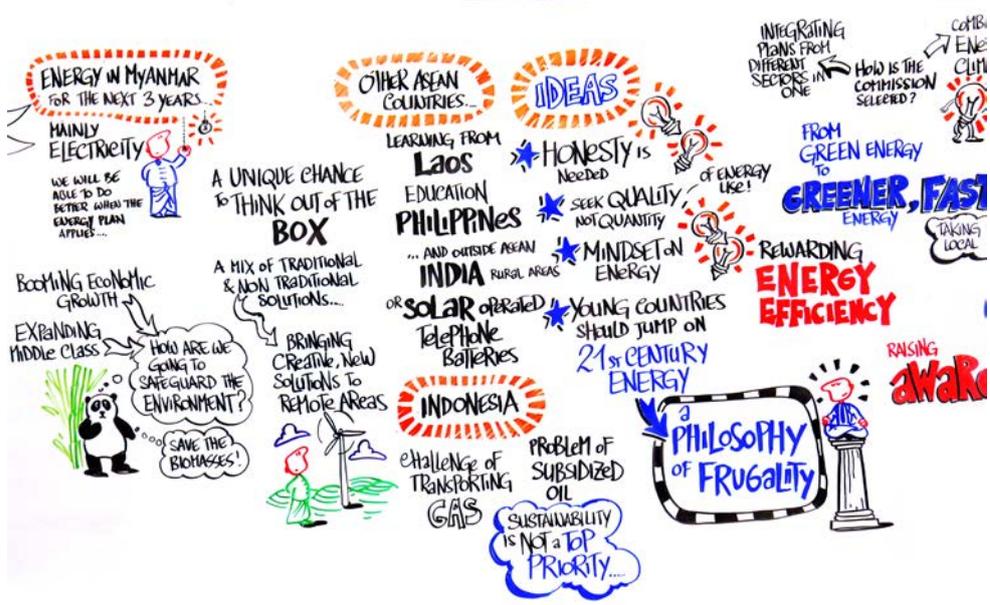
01: Klaus Schwab, Founder and Executive Chairman, World Economic Forum; U Thein Sein, President of Myanmar; and Benigno Simeon Aquino III, President of the Philippines  
 02: Sustainable Energy for Resilient Growth



## A Pragmatic Approach to Improving Infrastructure

Infrastructure deficits, the equivalent of economic deadweight, are prevalent and huge drags on growth in ASEAN. Analysts estimate that the region will need US\$ 750 billion a year over the next five years to meet basic infrastructure goals in the transport, communications and energy sectors. But not everything can be done at once and, as ASEAN embraces a more region-centred growth model, it needs to prioritize the basics, with primacy going to energy development. But the burden cannot rest with governments alone and a better allocation of risk between the public and private sector is needed.

Private sector participants underlined that they are not seeking an impossible risk-free environment, but stability and reasonable risk-adjusted returns; and they acknowledged the reality of trade-offs. The private sector and governments must also acknowledge that infrastructure development means planning for the long term rather than taking a short-term, profit-blinkered outlook. With more than 60 million people waiting to see what benefits democracy will deliver, Myanmar and the private sector must see that some benefits are delivered soon and others over time. It is clearly a great moment for Myanmar and, with a vision in mind, the country must also be flexible to market and development realities.





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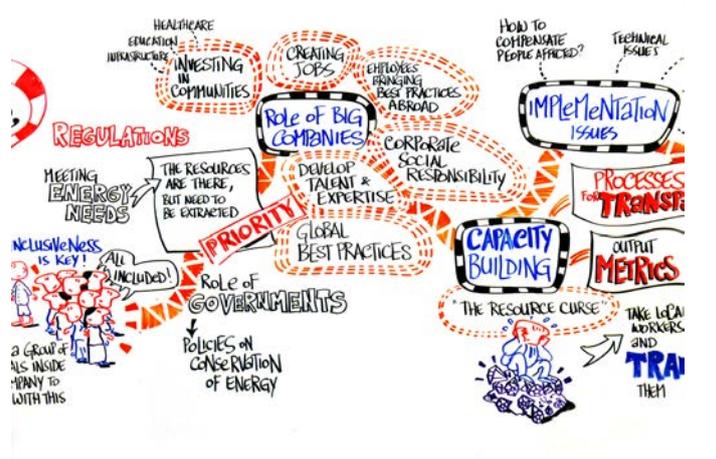
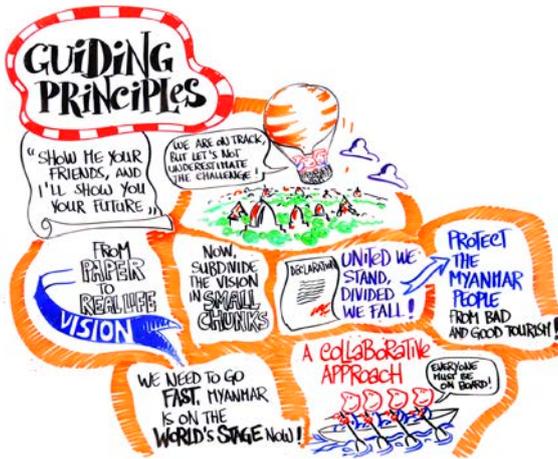
05

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**01:** Yang Shu, President and Chief Executive Officer, South-East Asia Region, Huawei Technologies, People's Republic of China  
**02:** U Thein Sein, President of Myanmar; and Benigno Simeon Aquino III, President of the Philippines  
**03:** Lutfy Siddiqi, Managing Director, Foreign Exchange Asia-Pacific, UBS, Singapore  
**04:** Anand Sharma, Minister of Commerce and Industry and Textiles of India  
**05:** Sir Martin Sorrell, Chief Executive Officer, WPP, United Kingdom  
**06:** U Htay Aung, Minister of Hotels and Tourism of Myanmar

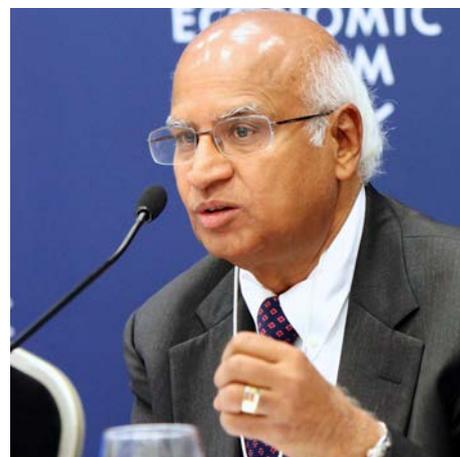


- 01:** Dispanadda Diskul, Chief Development Officer, Doi Tung Development Project, Thailand; Noeleen Heyzer, Executive Secretary, United Nations Economic and Social Commission for Asia and the Pacific; and Simon F. Cooper, President and Managing Director, Asia Pacific, Marriott International, Hong Kong SAR
- 02:** Tarek Sultan Al Essa, Chairman and Managing Director, Agility, Kuwait
- 03:** Sodhani Arvind, President, Intel Capital and Executive Vice-President, Intel Corporation, USA
- 04:** Keely Stevenson, Chief Executive Officer, Bamboo Finance, USA
- 05:** Than Lwin, Deputy Chairman, Kanbawza Bank (KBZ), Myanmar
- 06:** Don Lam, Chief Executive Officer and Co-Founder, VinaCapital Group, Vietnam; Global Agenda Council on South-East Asia



# Surviving Shocks and Scaling Solutions

Asia has been an engine of growth in the global economy in recent years. However, several hotspots of risk could roll back recent gains. Prosperity in the region depends on incubating solutions locally and borrowing global best practices to strengthen resilience.



“

The opportunities for youth are immense and you must seize them because they don't come every day. We must look at it as a long-term opportunity.

”

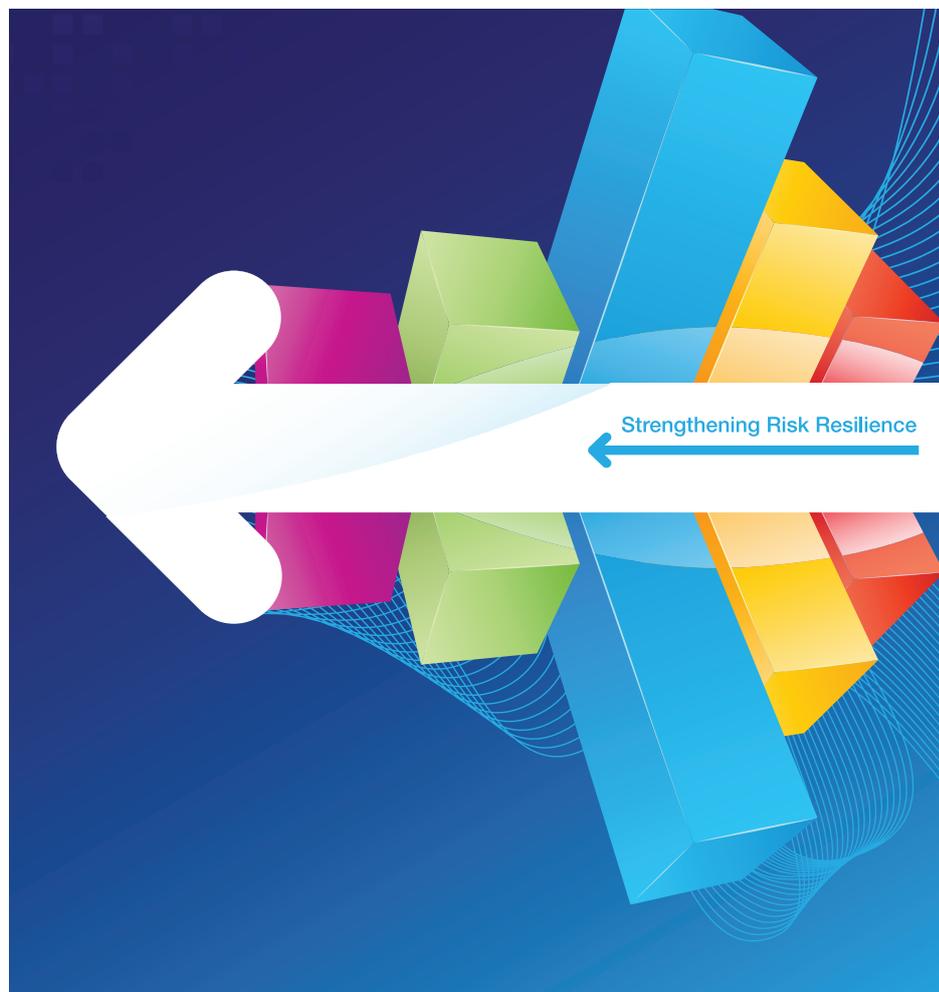
Subramanian Ramadorai Vice-Chairman, Tata Consultancy Services, India; Co-Chair of the World Economic Forum on East Asia

Strong governance underlies nations' ability to withstand shocks and offer prosperity to its people. Myanmar's recent political reforms offer a case study in peaceful governance transition, and the nation has passed many new laws to strengthen land rights, set a minimum wage and increase environmental protections, among other policies.

But history shows that laws on paper are not enough. Good governance depends on a broader set of institutions – from courts to customs – and a culture of enforcement. East Asia offers a heterogeneous collection of governance systems, and several offer models of transparency where local communities have a stake in decision-making. Japan developed land ownership laws that set a foundation for a profitable agriculture sector. South Korea increased transparency in tax collection, which improved public trust in the government.

Risks that could undermine good governance include exclusionary policies that deny ethnic or marginalized groups a voice in politics. In addition, corruption generates economic costs through increased inefficiency and unfair competition, and it undermines public confidence in governments.

A range of political factors could complicate regional integration, in particular ASEAN's plans to form an economic community in 2015. ASEAN emerged based on common economic interests, and its member states have broadened their commitments to include political, social and environmental goals. Its original focus distinguishes ASEAN from the European Union and other regional alliances and has helped create positive "regional chemistry," according to Kishore Mahbubani, Dean, Lee Kuan Yew School of Public Policy, National University of Singapore, Singapore.



## Strengthening Risk Resilience

Earthquakes, flooding and other natural disasters have hit almost every country in Asia in recent years. Risks in the region include security risks posed by North Korea; territorial disputes; asset bubbles; health pandemics; and high expectations of governments by the citizenry in Myanmar and in ASEAN, which is due to launch an economic community in 2015. While little can be done to avert natural disasters, action can be taken to minimize the loss of lives. Governments should take action to ensure building and fire codes are strictly observed and monitored. Governments and businesses should also consider transferring disaster risks to insurers.

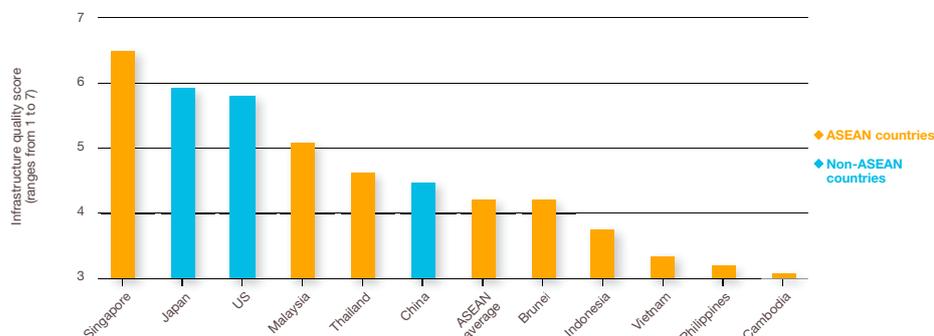
Economies can manage financial risk through agreements such as the Chiang Mai Initiative, a multilateral currency swap arrangement among the 10 ASEAN member nations, China, Hong Kong SAR, Japan and Korea. Promoting financial literacy in the citizenry and of politicians will also help, as will government transparency about the impact of policies such as fuel subsidies and why they can weaken the resilience of the economy to financial risk. Frank communication will help manage expectations, particularly in economies like Myanmar where political and economic changes are stoking visions of prosperity for all.

## There are large differences in the quality of infrastructure among ASEAN member states

### Quality of infrastructure score, ASEAN countries

Source: World Economic Forum, "Global Competitiveness Report 2012-2013"

Note: Infrastructure is assessed based on quality of overall infrastructure, quality of roads, quality of railroad infrastructure, quality of port infrastructure, quality of air transport infrastructure, available airline seat kilometres, quality of electricity supply, mobile telephone subscriptions and fixed telephone lines. All data, except for that on airline seat kilometres, mobile telephone subscriptions and fixed telephone lines, are from the World Economic Forum's Executive Opinion Survey which asks respondents to assess a particular variable in their country, with 1 being 'extremely underdeveloped' and 7 being 'extensive and efficient by international standards'.



Geopolitical tensions could undermine this goodwill, including naval competition between the US and China and ongoing territorial disputes in the East and South China Seas. Thus far, ASEAN has managed to navigate peacefully among the interests of strong states with regional influence – India, Australia and Japan, in addition to the US and China.

Some experts argue that deft mediation of geopolitical competition could be in ASEAN's best interest, given the increased FDI, as well as political, educational and cultural support that great powers often use to win ASEAN's favour.

Economic growth has also created a large middle class in the region – one that is expected to increase more than threefold by 2020. This emerging middle class can be the basis of a more resilient economy if the region develops sustainably. For example, "collaborative consumption" offers a model for growth that uses technology to facilitate sharing, rather than consuming or purchasing new goods. From power drills to cars to apartments, such sharing reduces overall resource consumption and creates new value by allocating goods more efficiently.

Sustainable resource usage presents still other challenges. The extractives industry has been one of the most dynamic areas of growth in Myanmar in recent years. Mining, logging and fossil fuel extraction have yielded profits, but they have left a chequered legacy in terms of environmental and social impacts.

Myanmar lies on a tectonic seam that has endowed it with vast and relatively untapped mineral wealth compared to the rest of the world. This richness also leaves it vulnerable to the "resource curse". Avoiding this fate requires learning from a range of global examples. For instance, properly structured partnerships with companies can contribute to social welfare in terms of job creation, skill development and multiplier effects for the local economy.

A number of nations have emphasized local content – sourcing products and talent within the country – in extraction negotiations with foreign investors. This stipulation can increase benefits to the host nation, but often comes at the expense of speed. Balancing competing interests in resource development requires transparency and the involvement of companies, governments and local communities.



**The secret is that ASEAN [countries are] at different stages of development, allowing companies to be more selective about where they set up production bases and focus on value add across the region.**



Yorihiro Kojima Chairman of the Board, Mitsubishi Corporation, Japan; Co-Chair of the World Economic Forum on East Asia

Agriculture is another critical dimension of resource development. In Myanmar, 70% of the population is rural, but its agriculture sector has lagged from decades of underdevelopment and crumbling infrastructure. Meanwhile, food security is a major concern for the region. Younger generations typically do not regard farming as an attractive profession: the average age of a Malaysian rice-paddy farmer is more than 60.

"Science has to be put in the hands of the people that practice agriculture every day, meaning the farmers," said Rajeev A. Vaidya, President, South Asia and ASEAN, DuPont, India. "It's collaboration that unlocks the potential of science." For example, mobile phones can help farmers prepare for weather and time harvests based on crop prices.

## Positive Regional Chemistry

ASEAN has experienced rapid economic growth in recent years, and experts shared a sense of guarded optimism that this prosperity will continue in the coming years. Myanmar has an opportunity not just to participate in these gains, but also to help advance the region, given its increasing openness to foreign investment and trade. Myanmar experienced a peaceful political transition to a more open, democratic government due to individual actors within the nation and because of positive “regional chemistry”.

This chemistry distinguishes East Asia from other regions such as the Middle East, where regional tensions complicate internal political transitions. Further, market forces rather than political will was the biggest driver in fostering coordination among ASEAN nations. This economic foundation distinguishes ASEAN from the European Union’s model of regional coordination, with which ASEAN is often compared.

In both agriculture and extractive industries, clearly established land rights are essential. The international community, civil society and private sector partners can play a role in translating best practices – in Myanmar and throughout the region – and spreading information about responsible enforcement.

Another component of resource development is infrastructure. The region will face challenges balancing the need for speed in infrastructure development with competing demands of environmental assessments and community inclusion. Again, nations such as Myanmar, Laos and Cambodia have the opportunity to bypass the mistakes of more developed nations by using technology more effectively, considering a range of environmental risks and involving local constituents.



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**01:** Shamsuddin Shahril, President and Group Chief Executive Officer, SapuraKencana Petroleum, Malaysia

**02:** Gita Wirjawan, Minister of Trade of Indonesia

**03:** Zin Mar Aung, Activist and Co-Founder, Rainfall, Myanmar

“

**We are living in a world that is not very well governed as far as global governance is concerned. If the G20 is only going to discuss where the Eurozone is going to be, it's useless. The rest of the world has to raise its voice.**

”

Supachai Panitchpakdi Secretary-General, United Nations Conference on Trade and Development (UNCTAD), Geneva



Widening income disparities, unemployment and ethnic tensions are some of the social concerns that could undermine the region. One way to increase societies' resilience is to strengthen education systems. This is a particular concern in Myanmar, where compulsory education ends after primary school.

Creative use of e-education and vocational training can contribute to improving education throughout East Asia. Online courses can educate students in remote areas, provided that nations upgrade ICT infrastructure. The private sector can also play a role in offering on-the-job and vocational training. For example, internship programmes in the hospitality industry can help strengthen the travel and tourism industry, which constitutes more than 10% of South-East Asia's GDP.

Inadequate healthcare systems also pose risks in East Asia. The cost and prevalence of chronic diseases as well as ageing populations threaten to overburden already taxed systems. Smarter use of technology can help doctors reach more patients, allocate



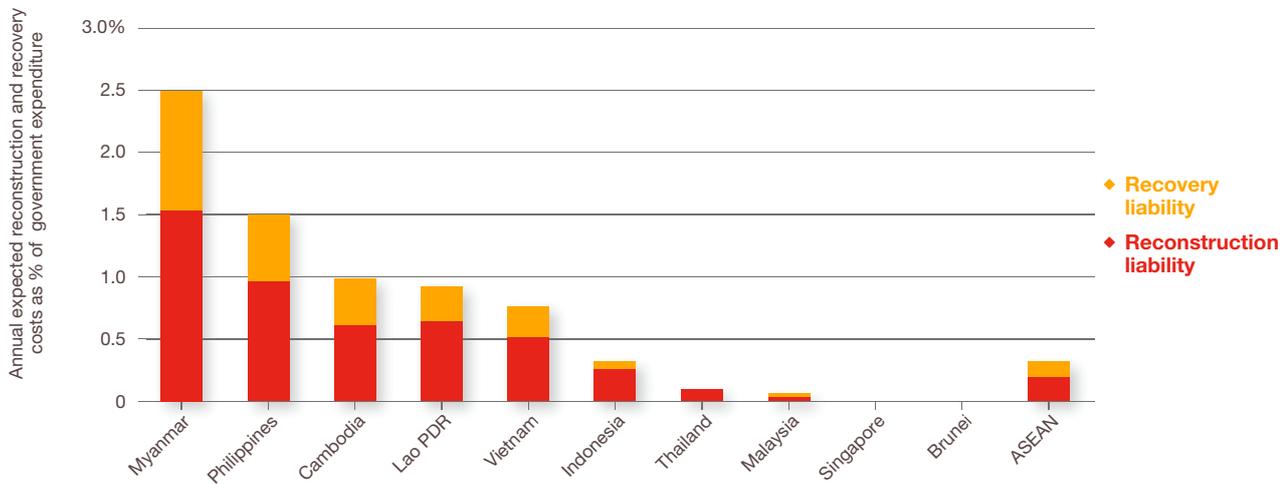
- 01:** Andi Taufan Garuda Putra, Founder and Chief Executive Officer, Amarta Microfinance, Indonesia
- 02:** Mainstreaming Gender Session
- 03:** Estrella Penunia, Secretary-General, Asian Farmers' Association for Sustainable Rural Development (AFA), Philippines
- 04:** U Thaung Tin, Deputy Minister of Communications and Information
- 05:** Rusman Heriawan, Vice-Minister of Agriculture of Indonesia
- 06:** U Aye Myint, Minister of Industry of Myanmar
- 07:** Civil Society Session

## Up to 2.5% of government expenditure a year is spent on natural disaster recovery in ASEAN

Expected government costs as % of annual spend due to natural disasters, ASEAN

Source: World Bank and Global Facility for Disaster Reduction and Recovery (GFDRR), 'Advancing Disaster Risk Financing and Insurance in ASEAN Member States: Framework and Options for Implementation' (April 2012).

Note: Limited data available for Myanmar - annual expected losses may not accurately reflect long-term average annual losses, which may affect estimation of government costs. 40 percent of contingent liability is incurred within 12 months from the date of a disaster, in the form of recovery requirements. 60 percent of contingent liability is incurred 12-24 months from the date of a disaster, in the form of reconstruction requirements.



“

**Everybody says let's get the economy going and workers' rights will come later. We have it the other way around. This is a new model.**

”

Serge Pun Chairman, Serge Pun & Associates (Myanmar), Myanmar

nurses' time more efficiently and distribute public health information more quickly. "In the West, we would never create the systems of education and healthcare that we have today," said Tony Blair, Middle East Quartet Representative. Less developed nations have the chance to design systems that use technology more efficiently.

Building resilience is complex and expensive, but the region has demonstrated its tenacity in

weathering the global economic crisis, maintaining a commitment to regional integration and increasing emphasis on inclusion and good governance. Continuing this trajectory – and avoiding a range of future risks – requires strong partnerships at the local, regional and global levels.

- 01:** U Aung Min, Union Minister, Office of the President of Myanmar
- 02:** Sandip Patel, President, Aetna International, Aetna, USA
- 03:** Mari Elka Pangestu, Minister of Tourism and Creative Economy of Indonesia
- 04:** Michael Andrew, Global Chairman, KPMG International, Hong Kong SAR
- 05:** Zaw Oo; Executive Director; Myanmar Development Resource Institute, Myanmar
- 06:** Keat Chhon, Deputy Prime Minister and Minister of Economy and Finance of Cambodia





01



01: Kittiratt Na-Ranong, Deputy Prime Minister and Minister of Finance of Thailand

02: Naoyuki Shinohara, Deputy Managing Director, International Monetary Fund (IMF), Washington DC

03: Jaime Augusto Zobel de Ayala II, Chairman and Chief Executive Officer, Ayala Corporation, Philippines

04: Teeranun Srihong, Co-President, Kasikornbank Public Company, Thailand

05: Nakornthap Anudith, Minister of Information and Communication Technology of Thailand; and U Myat Hein, Union Minister of Communication and Information Technology of Myanmar

06: Cesar V. Purisima, Secretary of Finance of the Philippines

07: Jerroo Billimoria, Managing Director, Child and Youth Finance International, Netherlands

08: Hiroto Arakawa, Vice-President, Japan International Cooperation Agency (JICA), Japan



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**01:** Young Global Leaders and Global Shapers at the YGL Annual Summit 2013  
**02:** Andrew Stevens, Anchor and Correspondent, CNN International, Hong Kong SAR  
**03:** Sunil Bharti Mittal, Chairman and Group Chief Executive Officer, Bharti Enterprises, India  
**04:** Roy L. Prosterman, Founder and Chairman Emeritus, Landesa, USA  
**05:** Donald P. Kanak, Chairman, Prudential Corporation Asia, Hong Kong SAR



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- 01: Eddy Setiawan, President, South-East Asia, The Dow Chemical Company, Singapore
- 02: Helen E. Clark, Administrator, United Nations Development Programme (UNDP), New York; and Michael Andrew, Global Chairman, KPMG International, Hong Kong SAR
- 03: Nik Gowing, Main Presenter, BBC World News, United Kingdom
- 04: Martyyn Parker, Chairman, Global Partnerships, Swiss Re, United Kingdom
- 05: Heizo Takenaka, Director, Global Security Research Institute, Keio University, Japan
- 06: Amstrup Lars, President, CHEP Asia, Singapore
- 07: Thomas Klotz, Managing Partner, South-East Asia, Roland Berger Strategy Consultants, Singapore
- 08: Debbie Taylor, Co-Founder, Proximity Designs, Myanmar
- 09: Franky Oesman Widjaja, Chairman and Chief Executive Officer, Sinar Mas Agribusiness & Food, Indonesia

# Acknowledgements

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*The World Economic Forum wishes to recognize the contribution of the following companies as Partners and Supporters of the World Economic Forum on East Asia.*

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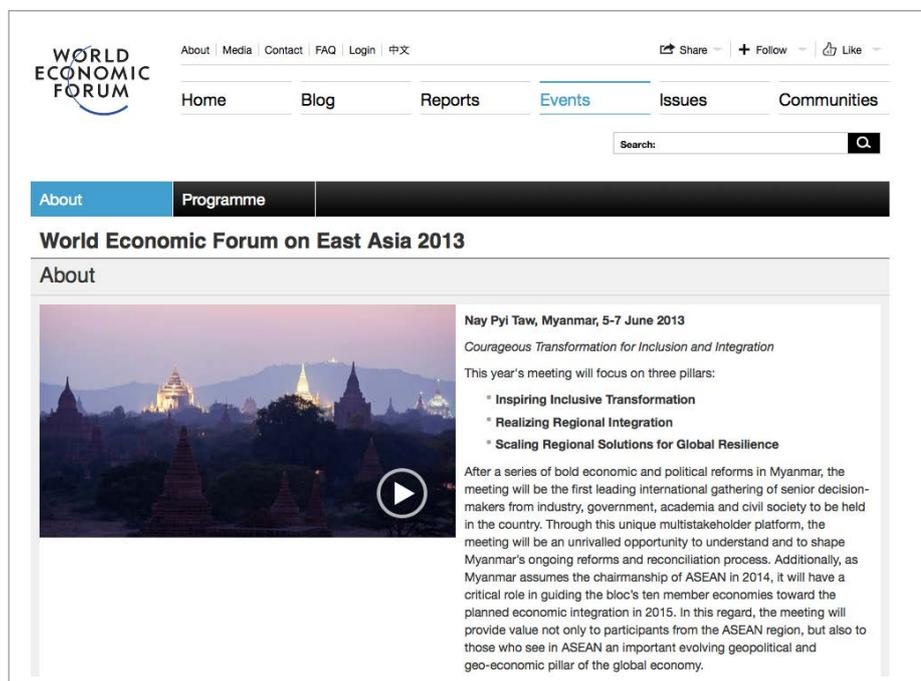
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### World Economic Forum on East Asia 2013

#### About



**Nay Pyi Taw, Myanmar, 5-7 June 2013**  
*Courageous Transformation for Inclusion and Integration*

This year's meeting will focus on three pillars:

- Inspiring Inclusive Transformation
- Realizing Regional Integration
- Scaling Regional Solutions for Global Resilience

After a series of bold economic and political reforms in Myanmar, the meeting will be the first leading international gathering of senior decision-makers from industry, government, academia and civil society to be held in the country. Through this unique multistakeholder platform, the meeting will be an unrivalled opportunity to understand and to shape Myanmar's ongoing reforms and reconciliation process. Additionally, as Myanmar assumes the chairmanship of ASEAN in 2014, it will have a critical role in guiding the bloc's ten member economies toward the planned economic integration in 2015. In this regard, the meeting will provide value not only to participants from the ASEAN region, but also to those who see in ASEAN an important evolving geopolitical and geo-economic pillar of the global economy.

The event page of the World Economic Forum on East Asia provides access to a richer level of content from the meeting, including videos, photographs, session summaries and webcasts of selected sessions:

<http://wef.ch/ea13>



This report is available to download: <http://wef.ch/ea13report>

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# Upcoming Meetings

## Annual Meeting of the New Champions 2013

Dalian, People's Republic of China 11-13 September

### Meeting the Innovation Imperative

The Annual Meeting of the New Champions – known as the Summer Davos – is the foremost global business gathering in Asia. The meeting creates an opportunity for exchange between leaders from top-ranked multinationals and chief executive officers of dynamic and fast-growing companies, including key decision-makers from government, media, academia and civil society. It will bring together more than 1,500 participants from 90 countries to share strategies and solutions and discuss global issues and risks.

For more information, please e-mail: [NewChampions@weforum.org](mailto:NewChampions@weforum.org)

## Summit on the Global Agenda 2013

Abu Dhabi, United Arab Emirates 18-20 November

The Summit on the Global Agenda brings together the most relevant thought leaders of the Forum's Network of Global Agenda Councils. Comprised of groups of experts from academia, business, civil society, international organizations and government, the Councils advance knowledge and collaboratively explore issues shaping the global, industry and regional agendas. Over 900 Members of the Network will engage in workshops and sessions to provide comprehensive insight and recommendations on some of the most pressing global challenges.

For more information, please e-mail: [gacsummit@weforum.org](mailto:gacsummit@weforum.org)





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