

Regional Agenda

World Economic Forum on East Asia

Leveraging Growth for Equitable Progress

Metro Manila, Philippines 21-23 May 2014



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Preface

The Philippines is one of the greatest economic comeback stories in recent years. The country is expected to be the strongest performing South-East Asian economy in 2014, with GDP growth projected to surpass 6.5%. The region's connectivity imperative will see a significant acceleration in institutional and physical infrastructure. This will present unparalleled opportunities for investment and growth in areas such as the transport network, energy, mobile health, tourism, technology, financial services and agriculture.

The country is also a member of ASEAN, which comprises 600 million people and is just a year away from achieving a common market through the ASEAN Economic Community, with a combined GDP of nearly \$2 trillion. As part of the broader East Asia region, the market size increases to 3 billion consumers and, by all measures, is the fastest-growing economic region in the world. Fresh demand in Europe and the United States, along with recently concluded trade agreements, are expected to boost production and consumption in East Asia, and almost all of the 10 ASEAN economies are expecting growth above 5% in 2014.

In this context, the 23rd World Economic Forum on East Asia took place in Metro Manila on 21-23 May 2014. It brought together more than 700 regional and global leaders from business, government and civil society to address issues and identify actions on the path to regional integration. Over the three days of the meeting, participants explored a range of issues affecting East Asia as it defines its role in a challenging global, and regional, context.

Despite the many gains of fast-paced economic growth, increased interdependence and a climate-defined future create risks that could challenge the region. Under the meeting theme, Leveraging Growth for Equitable Progress, participants addressed these challenges and examined the region's prospects through the lens of the thematic pillars of the programme: Achieving Equitable Progress; Advancing Models for Sustainable Growth; and Realizing Regional Connectivity.

New technologies are transforming markets and society's expectations at breathtaking speed, and government and industry are often ill-prepared to cope with them. Rising inequality and increasing unemployment are raising new questions on how economic resilience, infrastructure development and trade enablement can better address short-term and long-term challenges.

There were frank and stimulating discussions on all of these during the meeting, the ideal platform for participants to deliberate the opportunities of the ASEAN Economic Community. Key among the topics was the need to promote greater inclusion across the region and to instil more resilient decision-making in the face of unpredictable economic and natural disruptions. The deliberations provided value not only to participants from the ASEAN region but also to those who see in the ASEAN countries an important evolving geopolitical and geo-economic pillar of the global economy.

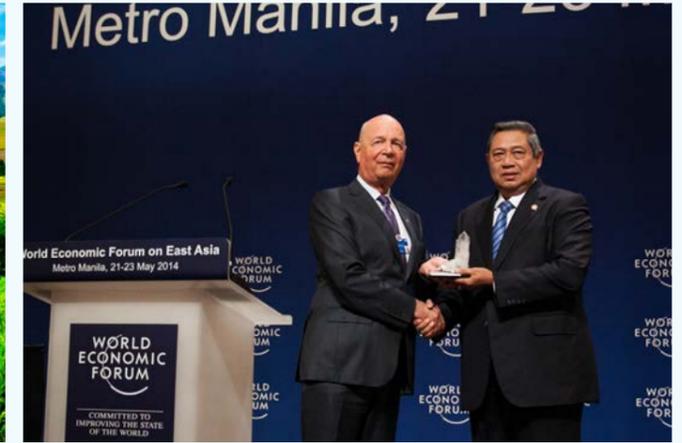
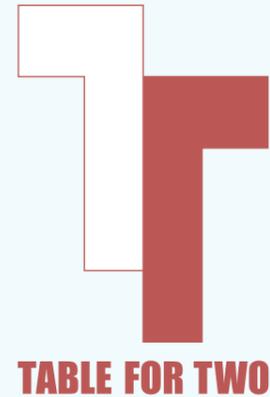
The four Co-Chairs of the meeting reflected the best of leadership from different sectors gathered in Metro Manila, and they highlighted the importance of enlarging the dialogue across stakeholder groups. They shared their insights and perspectives with participants on topics that ranged from tackling corruption to strategic infrastructure.

The World Economic Forum is grateful to its Members and communities for their commitment to and dynamic participation in the World Economic Forum on East Asia. We look forward very much to welcoming you to next year's gathering in Indonesia.



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

Metro Manila Highlights



Meet East Asia's top 20 trailblazers

Twenty of East Asia's fastest-growing companies have been invited to join the World Economic Forum's Global Growth Companies community. They consist of the region's most dynamic and high-growth companies, the trailblazers, shapers and innovators that are committed to improving the state of their region and the world. The 20 East Asian GGCs represent a broad cross section of industrial sectors, but share in common a track record in exceeding industry standards in revenue growth, promotion of innovative business practices and demonstration of leadership in corporate citizenship.

"The World Economic Forum is proud to recognize these 20 champions that are at the forefront of driving responsible economic growth, job creation and entrepreneurship in East Asia," said David Aikman, Managing Director and Head of New Champions at the World Economic Forum.

Companies are nominated on the strength of their ability to become future global leaders and are drawn from a broad spectrum of sectors, including financial services, retail, media, chemicals and energy. The Global Growth Companies community currently consists of over 360 companies from around the world.

The list of newly selected GGCs can be downloaded here: <http://wef.ch/ggcealist14>

Offsetting calories to promote health

TABLE FOR TWO, a global non-profit committed to tackling hunger, malnutrition and obesity, launched its Calorie Offset programme at the World Economic Forum on East Asia. The new programme works by taking "excess" calories from the developed world and transferring them to people in need, particularly children. This is done by companies designating healthy foods, such as those that are low in calories, sugar and sodium.

The reduced calories are monetized in the form of donations, which are then used for agricultural training, school gardens and other sustainable initiatives to improve the production of nutritious food in developing countries. In addition to food products, the programme seeks partnerships with fitness apparel brands, sporting events and other activities that contribute to burning calories. Calorie Offset marks a new venture for TABLE FOR TWO, which has traditionally focused on school cafeterias and restaurants.

The emphasis on food products, the health fitness industry and sporting events enables a greater number of people to participate in the programme. More information on Calorie Offset is available at www.calorieoffset.jp.

Grow Asia to tackle food security challenge

The World Economic Forum is developing a new partnership, Grow Asia, to support food security goals in ASEAN, a region deeply vulnerable to the vagaries of natural disasters, climate change and food security – and where, on average, half of the population rely on agriculture for their livelihood.

Participants at the meeting in Metro Manila pledged their commitment to this innovative umbrella initiative as the best way to ensure food security in the region. Developed in tandem with the ASEAN Secretariat, Grow Asia is designed to advance food security and promote sustainable and inclusive agricultural growth as well as to facilitate more active links across the entire value chain.

Lisa Dreier, Senior Director, Head of Food Security and Development Initiatives, World Economic Forum USA, also emphasized the need for new approaches and partnerships in the region. "The ASEAN region has significant potential to be a leader in environmentally and socially sustainable food production to further food security in the region. Realizing that potential will require innovative new approaches, including partnerships."

Statesmanship award for Indonesia's president

In front of a gathering of global and regional political and business leaders in Metro Manila, President Susilo Bambang Yudhoyono of Indonesia was awarded the Global Statesmanship Award from the World Economic Forum. Klaus Schwab, the Founder and Executive Chairman of the World Economic Forum, who presented the award, praised President Yudhoyono for his significant contributions to global dialogue on economic development and democratization.

President Yudhoyono is only the third recipient of the award, which was launched by the Forum at its Annual Meeting in Davos-Klosters in 2010. He said: "We have proved to ourselves and to the world that we do not have to choose between democracy and development. We can have both political freedom and high economic growth. Leadership can be the difference between new peace and continuing conflict and between development and decay."

President Luiz Inácio Lula da Silva of Brazil was the first recipient of the Global Statesmanship Award in 2010, followed by President Felipe Calderón of Mexico in 2012.

Four-step path to solid growth

Discussions at the 23rd World Economic Forum on East Asia in Metro Manila put forward a set of building-block principles necessary for attaining inclusive growth in a region that is both a powerhouse of the global economy and the home of a large proportion of the world's poor.

At the World Economic Forum on East Asia, news from around the region delivered stark lessons on achieving equitable progress. From Thailand came reports of the military's decision to impose martial law and take over the government, underscoring the dangers of a divided society, where certain segments feel excluded. A bombing in China's Xinjiang region and the flare-up of a territorial dispute between China and Vietnam that led to street protests by Vietnamese brought home how, even in fast-growing economies, there are threats to peace and stability.

Adjacent to front-page stories on the meeting in the Philippine dailies were articles about an ongoing graft investigation, which highlighted the importance of good governance.

The discussions in Metro Manila resulted in no quick fixes for inequality, terrorism or corruption but they did put forward a set of principles necessary to attaining inclusive growth.

First, there must be a twin focus on education and employment – the development of human resources. Second, stakeholder collaboration, particularly between employers



“Where there is no corruption, there will be no poverty.”



Benigno Simeon Aquino III, President of the Philippines

and educators, is essential. Third, good governance at all levels and in both the public and the private sectors is crucial if the right policies and practices for inclusion of the vulnerable and the marginalized are to be shaped and implemented. Fourth, reform and restructuring must be constant to ensure that maximum economic gains are equitably distributed.

A key part of achieving equitable progress is inclusive employment – producing enough workers with the skills to fill the available jobs and producing enough jobs to ensure that people are fully and productively employed and can earn a living. To achieve inclusive employment requires attention to education.



01: Klaus Schwab, Founder and Executive Chairman, World Economic Forum; Benigno Simeon Aquino III, President of the Philippines; Susilo Bambang Yudhoyono, President of Indonesia; Nguyen Tan Dung, Prime Minister of Vietnam; U Nyan Tun, Vice-President of Myanmar
02: Jose Isidro Camacho, Vice-Chairman, Asia-Pacific and Country Chief Executive Officer, Credit Suisse, Singapore; Budi Gunadi Sadikin, Chief Executive Officer, Bank Mandiri (Persero), Indonesia; In Channy, President and Group Chief Executive Officer, ACLEDA Bank, Cambodia
03: Kyung-Wha Kang, Assistant Secretary-General for Humanitarian Affairs and Deputy Emergency Relief Coordinator, United Nations, New York

The education challenge is both at the micro level – in the classroom and at home – and the macro level, in shaping policies and practices. Educators and employers seem to be more at odds than they are partners. Teachers can fail to recognize the need to bridge the skills gap, while business can fail to communicate exactly what skills they are looking for or find lacking in the work force, said Kevin Sneader, Director, McKinsey & Company, Hong Kong SAR. “If you ask employers what proportion of the students they recruit are well-trained for the job, they will say 87% are not. If you ask education advisers, they will tell you the opposite, that 87% are well-equipped.”

Curricula must change. In a world where the chief characteristics of the market are uncertainty and risk, young people in school are not encouraged to take chances. As the World Economic Forum on East Asia Co-Chair Takeshi Niinami, Chairman, Lawson, Japan, stressed in the closing plenary: “This region needs more entrepreneurs” – people who take risks every day.

A key solution: closer cooperation and coordination among employers, government and the education sector. Education is delivered in a closed box, said another meeting Co-Chair, James Riady, Chief Executive Officer, Lippo Group, Indonesia. “The education system is like a silo. They have their own system. They decide everything by themselves. Even accreditation is by peer review. So some sort of integration is what the business world and our economy need.”

The business process outsourcing (BPO) in the Philippines, which has expanded rapidly in recent years and has become a major driver of growth for the economy, is a model



Democracy and development go hand in hand

Participating in the World Economic Forum on East Asia were leaders of the two most populous countries in South-East Asia: President Susilo Bambang Yudhoyono of Indonesia and Benigno Simeon Aquino III of the Philippines.

Both have been lauded for turning around “sick-man” nations, transforming them into fast-growing economies that have displayed remarkable resilience amid crises. The Forum presented Yudhoyono with its Global Stewardship Award to recognize his achievement in reshaping Indonesia.

The recent resurgence of the Philippines has been especially impressive: Last year, it vied with China to be Asia’s fastest-growing economy, with GDP rising 7.2% despite a series of natural disasters including Typhoon Haiyan, the worst recorded storm to make landfall. Aquino’s government has also signed a landmark peace deal with Muslim separatists.

Both Yudhoyono and Aquino made good governance – eradicating corruption and shaping appropriate and effective policies – a key part of the vision that won them voter trust. It became a theme of their governments and both now credit sense and sensibility for success in moving their messy democracies forward and pursuing high yet inclusive growth.

of the benefits of coordination among policy-makers, industry and educational institutions to ensure that enough people with the required skills are available. Such success comes from good governance, both in the public and private sectors. This means both clean government and business practices and sensible policy-making. President Benigno Simeon Aquino III has made the fight against corruption the hallmark of his administration.

In South-East Asia, compensation of civil servants has been a factor. Higher pay typically means better quality government, lower incidence of corruption and better governance. Yet too often culture is used as an excuse for tolerating dishonesty and lack of transparency. That is changing, as young people are refusing to accept corruption as a cultural norm.

To achieve equitable growth requires getting policies right and coming up with innovative solutions to ever-changing complex challenges. “The problems today are different from the ones last week and the ones next week,” said Co-Chair Yolanda Kakabadse, President, WWF International, Switzerland. “We cannot close our discussions in a box. We need to be permanently renovating our

“Countries like the Philippines need long-term vision.”



Kevin Lu, Distinguished Fellow, INSEAD, Singapore; Young Global Leader

way of thinking and looking at new technologies and actors.”

Strategies have to change with the changing conditions – and the right sectors have to be targeted to aim for the equitable distribution of maximum gains. In the session on equitable employment, Corazon Juliano-Soliman, Secretary of Social Welfare and Development of the Philippines, told participants that her government is focusing on stimulating employment and productivity in agriculture and manufacturing, two sectors where the economic benefits will be greatest.



01: Manuel V. Pangilinan, Chairman, Philippine Long Distance Telephone Company (PLDT), Philippines
02: Marife Zamora, Chairman, Convergys, Philippines

“The potential of the ASEAN economic community is massive.”



Anthony F. Fernandes, Group Chief Executive Officer, AirAsia, Malaysia; Young Global Leader Alumnus



“Bad governance kills creativity.”



James T. Riady, Chief Executive Officer, Lippo Group, Indonesia; Co-Chair of the World Economic Forum on East Asia



Banking access benefits all

When Mann Deshi Mahila Sahakari Bank applied for a licence 14 years ago, monetary authorities refused because most of the women involved were illiterate. But the women proved they were qualified by reckoning interest without a calculator. The licence was eventually granted.

Today, the rural bank serves 210,000 customers in two Indian states. From the start, the women rejected fancy products, social entrepreneur Chetna Vijay Sinha, Founder, Mann Deshi Mahila Sahakari Bank; President, Mannvikas Samajik Sanstha, India, recalled in a session on financial inclusion. They just wanted savings accounts and passbooks the bank would keep. So the bank designed an electronic passbook card. “These clients just want simple solutions to make their lives easy,” Sinha said.

There are about 2.5 billion adults with no access to financial services, 59% of them in East and South-East Asia. Some 200 million small and medium-sized enterprises (SMEs) are also “unbanked”, with about half of them in East Asia. Bringing banking services to such people is one of the most powerful tools of inclusion.

Financial inclusion is not only about microfinance or small loans to people. It entails bringing a host of products and services such as insurance, credit, payments systems and social welfare payments to people previously without any or easy access to them. Digital technology, particularly mobile phones, has provided huge savings over cash transactions.

“The challenge is making the unbanked segment aware of the benefits,” said Jaspal S. Bindra, Group Executive Director and Chief Executive Officer, Asia, Standard Chartered, Hong Kong SAR. “Financial literacy has to be a very big part of the process to make financial inclusion possible.”

Wider financial inclusion does not only benefit those at the bottom of the pyramid. If more people have access to financial services, particularly SME financing, then overall economic gains are greater – and those at the top benefit too.



01



02



03

01: Loren Legarda, Senator of the Philippines
02: Karen Davila, News Anchor and Correspondent, ABS CBN Television Network, Philippines; Young Global Leader

03: Astrid S. Tuminez, Regional Director, Microsoft Operations, Singapore

“We need regional stability and peace. From an investor’s point of view, that is number one.”



Victor L. L. Chu, Chairman and Chief Executive Officer, First Eastern Investment Group, Hong Kong SAR; World Economic Forum Foundation Board Member



01



“Corruption is a cancer. It is a cancer that will grow and will kill you.”



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

01: Yolanda Kakabadse, President, WWF International, Switzerland; Co-Chair of the World Economic Forum on East Asia; Takehiko Nakao, President, Asian Development Bank, Manila; Dong Kwan Kim, Managing Director, Hanwha Group, Republic of Korea; Young Global Leader

02: Melody Boone Meyer, President, Chevron Asia Pacific Exploration and Production Company, Chevron Corporation, Singapore

03: Jia Jih Chai, Regional Manager, South-East Asia and India, Airbnb, Singapore



02



03

“Development is not possible without peace and stability.”



World Economic Forum on East Asia
 Nguyen Tan Dung, Prime Minister of Vietnam

Collaborative consumption for new needs



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

“We are living in a global world. We need global partnerships. We need global peace.”



World Economic Forum on East Asia
 Metro Manila, 21-23 May 2014
 Klaus Schwab, Founder and Executive Chairman, World Economic Forum

ASEAN has emerged as a leader in global economic growth. Factors such as its young population, proximity to China and natural resource wealth have boosted the economies of member states. The Philippines, now the second fastest growing economy in Asia, provided a fitting venue for this year’s East Asia meeting.

“The story of the past four years is a comeback story,” said Cesar V. Purisima, Secretary of Finance of the Philippines. “Governance is the most important ingredient.”

But fast growth does not necessarily translate into sustainable growth. The region has experienced several recent reminders of the vulnerability of its success, from the Philippines’

Typhoon Haiyan last year to the political unrest in Thailand.

First, from a political perspective, one of the biggest barriers to sustainable growth in ASEAN is persistent income inequality. GDP growth in recent years has helped lift millions of people out of poverty. But poverty alleviation is not enough to support the needs of Asia’s growing middle class or its

vulnerable low-income populations. Inequality will also limit economic growth in the long term if nations do not find new ways to distribute the gains of liberalized trade more equitably.

ASEAN varies widely in terms of economic prosperity of its member states. Several lower-income nations have adopted political reform to improve social services and poverty assistance. For example, the Philippines introduced conditional cash transfer programmes, which reward families for sending children to school or for using medical clinics. Health voucher programmes encourage vulnerable communities in nations such as Myanmar and Laos to use prenatal care and other medical services. Tax schemes and labour reforms are also important steps to reducing inequality.

While these sectors remain areas of critical need, East Asia has

been a leader in generating and supporting new business models for sustainable growth. The circular economy – also known as “collaborative consumption” – has generated a great deal of attention recently, as services such as those provided by AirBnb, Lyft and Uber have become increasingly popular.

These businesses focus less on consumption of a product and, instead, offer services that meet consumers’ needs. “No one buys a drill because they want a drill. They want a hole in the wall”, explained Jia Jih Chai, Regional Manager, South-East Asia and India, Airbnb, Singapore. Technology platforms can be used to identify existing but underemployed resources – such as private cars or lodging – and allow users to pay for limited usage of these goods or services.

While a number of millennials in ASEAN have embraced collaborative consumption, the

“There is no age barrier, there’s no wealth barrier, there are no barriers whatsoever now.”



Vikas Pota, Chief Executive Officer, Varkey GEMS Foundation, United Kingdom; Young Global Leader



01: Gregory L. Domingo, Secretary of Trade and Industry of the Philippines
 02: Designing Solutions for Closing the Gender Gap in Leadership





“Education is the great equalizer.”

01: Fu Jun, Executive Dean and Professor, School of Government, Peking University, People's Republic of China
02: Chetna Vijay Sinha, Founder, Mann Deshi Mahila Sahakari Bank; President, Mannvikas Samajik Sanstha, India; Social Entrepreneur
03: Steven Fox, Managing Partner, Veracity Worldwide, USA; Florencio B. Abad, Secretary of Budget and Management of the Philippines
04: Connect on Trade: Lifting Barriers to Growth



Cesar V. Purisima, Secretary of Finance of the Philippines

“We are moving forward with every step towards equitable development.”



U Nyan Tun, Vice-President of Myanmar

region’s younger generation varies tremendously in terms of access to technology. Improving education and ICT infrastructure are needed to equip the region’s young population with needed job skills.

Green energy is another sector poised for growth in the region. Asia has outpaced most of the world in its support for renewable energy. However, ongoing reliance on fuel subsidies undercuts these advances. Because of price support by governments, many communities still rely on inefficient power such as generators rather than switching to micro-grids or smarter energy-distribution systems.

Innovation in storage remains the “holy grail” for green energy. “If you could develop an incredibly, unimaginably high-performance storage battery, you’d be able to solve almost 90% of energy issues on the earth”, said Atsutoshi Nishida, Chairman of the Board, Toshiba Corporation, Japan; Co-Chair of the World Economic Forum on East Asia.

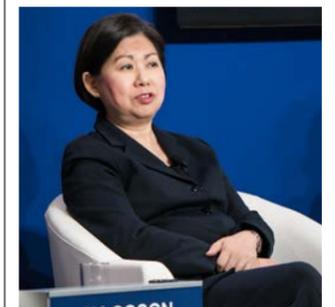
Breakthroughs in green energy alone will not be enough to prepare South-East Asia for the anticipated 3 to 4 degrees of global warming predicted on the basis of current carbon emissions. Typhoon Haiyan was a recent reminder of the disastrous effects that extreme weather can have in the region.

“Haiyan is the new normal” became a popular saying in the aftermath of the disaster. Most ASEAN leaders recognize the need to prepare for more frequent and more extreme weather events. The concentration of both economic activity and



01: Philipp Rösler, Managing Director and Member of the Managing Board, World Economic Forum; Nguyen Tan Dung, Prime Minister of Vietnam
02: Jasmine Lee, Member of the National Assembly, Republic of Korea
03: Ramon R. Jimenez Jr., Secretary of Tourism of the Philippines
04: Sun Chanthol, Senior Minister; Minister of Commerce of Cambodia

“Entrepreneurs are everywhere. It’s just a matter of giving them opportunities.”



Teresita Sy-Coson, Vice-Chairperson of the Board, SM Investments Corporation, Philippines

“Financial literacy has to be a very big part of the process of making financial inclusion possible.”



Jaspal S. Bindra, Group Executive Director and Chief Executive Officer, Asia, Standard Chartered, Hong Kong SAR



Opening doors to better trade

Free trade has been one of the most important mechanisms for fuelling growth in East Asia in recent decades. ASEAN nations have reduced regulatory and logistical barriers to the free flow of goods, capital and people such that the bloc of 600 million people functions increasingly as an economic unit.

Extending this growth in the coming years involves identifying new ways to eliminate trade blockages, and a number of treaties and agreements have formalized nations’ commitments to do exactly that. The most obvious is the 2015 ASEAN Economic Community, and a number of industry-specific and global agreements have also emerged, such as the Trans-Pacific Partnership Agreement (TPP) and the 2015 ASEAN Open Skies, to create a single open airline market in the region.

Boosting trade means more than sealing bilateral or multilateral agreements. Logistical barriers to the movement of goods and people cost the region millions in potential economic activity. According to 2014 World Economic Forum study, <http://www.weforum.org/reports/global-enabling-trade-report-2014>, if all ASEAN nations could improve border efficiency and infrastructure to half the level of Singapore, then exports from South-East Asia would increase by around 12% and regional GDP would increase by 9%. Taking advantage of these opportunities could raise income levels and improve livelihoods throughout the region.



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02



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01: Shinta Widjaja Kamdani, Chief Executive Officer, Sintesa Group (PT Widjajatunggal Sejahtera), Indonesia
 02: Shigeo Iwatani, Secretary-General, Trilateral Cooperation Secretariat (TCS), Seoul
 03: Takehiko Nakao, President, Asian Development Bank, Manila

populations in megacities along coastlines creates a number of challenges for East Asia.

Cities such as Bangkok, Jakarta and Manila are engines of growth for their respective nations. But rising ocean levels and extreme weather could have catastrophic effects on these urban zones and particularly on their low-income residents who often live in informal housing.

Technologies such as GIS and crowd sourcing have improved relief efforts following natural disasters. However, even more effective than post-disaster response is preparedness and resilient design of communities. Adapting to these environmental, economic and political challenges will be essential to fueling the next generation of sustainable growth in the region.

“The whole point of civic engagement is not just to dialogue but for dialogue to get results.”



Jared Genser, Managing Director, Perseus Strategies, USA; Young Global Leader Alumnus



Climate change: challenges and opportunities

East Asia is particularly vulnerable to the impacts of climate change. Typhoon Haiyan, one of the strongest tropical cyclones recorded, highlighted the urgent need for governments to actively pursue climate change mitigation policies and implement more sustainable models of growth. The region, known as a hub for technological innovation, also has the potential to take a leading role in the adoption of renewable energy sources such as wind and solar.

From a regional perspective, current migration trends point to an increasingly urbanized society, which presents challenges and opportunities. In the event of a natural disaster, urban clusters allow for faster, better-coordinated responses, while centralizing such a large percentage of the global population on only 2% of available land also leaves many populations more vulnerable.

As people flock to the cities, there are fewer producers and growing pressure to produce more to feed a burgeoning global population. By 2050 food production will have to increase by 50%. For those that stay in rural areas, climate change brings new threats. In East Asia more than half of the population relies on agriculture for their livelihood, and many of those are smallholder farmers who are the most vulnerable to the impacts of climate change.

Despite the threats ahead, current scientific research points to an optimistic future. New tools such as improved understanding of molecular genetics could engineer a biological revolution, the result of which could be more resilient crops that can withstand the onslaught of climate change.

Closer ties make good connections

With the region on the verge of a single integrated market – the ASEAN Economic Community, which will span 10 countries and account for a combined GDP of more than \$2 trillion – unlocking its vast potential hinges on its ability to realize regional connectivity.



“What we need to achieve in Asia is a closer economic integration.”



Lee Il-Houng, G20 Sherpa, Ambassador for International Cooperation, Ministry of Foreign Affairs of the Republic of Korea



01: Yorihiko Kojima, Chairman of the Board, Mitsubishi Corporation, Japan
 02: Yang Shu, President and Chief Executive Officer, South-East Asia, Huawei Technologies, Thailand
 03: Annie Koh, Vice-President, Business Development and External Relations; Associate Professor of Finance, Singapore Management University, Singapore



Within ASEAN the more efficient flow of goods, services and people will allow the region to sustain competitive growth rates, deepen intra-regional trade, attract much-needed investment and continue to bring millions of its citizens out of poverty.

Yet achieving regional connectivity in a vast, economically divergent and logistically complex region is no easy task. Under-investment over recent years has led to chronic bottlenecks – in the Philippines, for instance, it is faster to ship to Singapore than some of its outer regions – while regional connectivity projects account for only a fraction of total spending on critical infrastructure.

In physical terms, connecting the dots necessitates huge developments in the transport, energy and telecommunications sectors. With key financing challenges to overcome, no actor can achieve ASEAN’s connectivity goals alone. Major infrastructure developments will require long-term vision and more effective



01: Haslinda Amin, TV and Radio Anchor, Bloomberg News, Singapore; James T. Riady, Chief Executive Officer, Lippo Group, Indonesia; Co-Chair of the World Economic Forum on East Asia; Teresita Sy-Coson, Vice-Chairman of the Board, SM Investments Corporation, Philippines; Kevin Sneader, Chairman, Asia Pacific, McKinsey & Company, Hong Kong SAR; Vikas Pota, Chief Executive Officer, Varkey GEMS Foundation, United Kingdom; Young Global Leader; Mark Ruiz, President and Co-Founder, Hapinoy / MicroVentures, Philippines; Social Entrepreneur
 02: Jaime Augusto Zobel de Ayala II, Chairman and Chief Executive Officer, Ayala Corporation, Philippines
 03: Muhammad Lutfi, Minister of Trade of Indonesia; Young Global Leader Alumnus
 04: Ashvin Dayal, Associate Vice-President and Managing Director, Asia, Rockefeller Foundation, Thailand
 05: Designing Solutions for Sustainable Health Systems

“Asia is now the engine of world economic growth.”



Susilo Bambang Yudhoyono, President of Indonesia

collaboration between governments and the private sector (see sidebar on infrastructure).

A world away from East Asia’s thriving mega-cities, broadened networks must also reach remote and rural areas, where, for many, basic necessities such as electricity remain a luxury. “The provision of infrastructure underpins the region’s ability to address critical challenges with respect to inclusive growth,” Stephen P. Groff from the Asian Development Bank told participants at meeting. “There is still a huge number of people that live in this region that are mired in poverty.”

Beyond the bricks and mortar, intensifying connectivity will also require so-called “soft” infrastructure, a cohesive and supporting institutional and regulatory architecture. The removal of trade barriers and tariffs, harmonization of regulations and the implementation of a single ASEAN visa, for example, will help to mobilize talent and enable a

freer movement of goods, services, capital and labour.

Implementation has been patchy thus far and while the institutional groundwork is in place the resulting gaps in economic integration are detrimental both to tourism and trade.

A number of businesses, for example, see tremendous potential in the growth of e-retail. However, South-East Asia lacks the “retail ecosystem” to capitalize on these opportunities. Credit systems vary widely in ASEAN countries, and some nations lack credit ratings or e-payment systems to enable e-commerce.

Similarly, the growth of Asia’s middle-class, particularly in China, is likely to bring new waves of tourists. However, challenges such as a shortage of airline pilots and secondary infrastructure to bring tourists from airports into cities and tourist destinations are holding the region back.



01: Budi Gunadi Sadikin, Chief Executive Officer, Bank Mandiri (Persero), Indonesia
02: Cao Duc Phat, Minister of Agriculture and Rural Development of Vietnam
03: Estrella Penunia, Secretary-General, Asian Farmers' Association for Sustainable Rural Development (AFA), Philippines
04: Winston Damarillo, Executive Chairman, Exist Global Corporation, USA; Young Global Leader; Alyssa Fitzpatrick, Senior Vice-President, Global Partner Organization, CA Technologies, USA

“If you could develop an unimaginably high-performance storage battery, you’d be able to solve almost 90% of energy issues.”



Atsutoshi Nishida, Chairman of the Board, Toshiba Corporation, Japan; Co-Chair of the World Economic Forum on East Asia



United approach holds key to security

In today’s world, one where traditional threats exist alongside modern vulnerabilities such as cyber and data threats, global pandemics and a looming shortage of food, the only certainty is uncertainty. In East Asia, the region’s fast-paced economic growth brings with it new security dimensions.

Discussing the future security outlook for the region at the World Economic Forum on East Asia, participants stressed the need to maintain ASEAN unity, and cautioned against the dangers of unilateral action. For example, in the resource-rich South China Sea – one of the most militarized zones in the world – tensions over territorial claims will be resolved fairly and transparently only with a common regard for international law.

“For ASEAN we want to encourage the major actors not to engage in unilateral actions that will create a narrower space for co-operation,” said Laura Q. Del Rosario, Undersecretary, International Economic Relations, Philippine Department of Foreign Affairs. “We hope that all actors, including ourselves can follow the norms of good behaviour.”

To effectively manage complex security challenges in the future, participants called for ASEAN to take a more active role in dispute resolution by adopting a unified set of norms and legal institutions. Any expansion of ASEAN’s mandate must be underscored by strategic maturity and an even balance of power among the 10 member states.



01: Victor L. L. Chu, Chairman and Chief Executive Officer, First Eastern Investment Group, Hong Kong SAR; World Economic Forum Foundation Board Member
02: Rex Bernardo, Director of Research, Mabini Colleges, Philippines; Young Global Leader

“Food security is important for the future of the planet and the future of humanity.”



Yolanda Kakabadse, President, WWF International, Switzerland; Co-Chair of the World Economic Forum on East Asia

Skirted by dynamic economies such as China, India, Japan, South Korea and Australia, ASEAN is well-placed to capitalize on its comparative advantages and geographic dividends if it can realize its internal connectivity potential.

At the heart of the equation is a shared commitment to the ASEAN community and good governance. Sharing the Philippine experience, Manuel Araneta Roxas, Secretary of the Interior and Local Government of the Philippines, told that without the clean leadership of President Benigno Simeon Aquino III the country might still be the “sick man” of Asia instead of the fastest-growing economy in the region after China.

“With his leadership we were able to break the mould, the notion of going along to get along,” said Minister Roxas, “We were able to reject this kick-the-can-down-the-road’ mentality and this has enabled us to pull ourselves up by our bootstraps.”

As the region’s upward trajectory continues, new levels of dialogue both within and between states will have far-reaching socio-cultural and political implications. Rising incomes on the back of robust growth and a ballooning middle class will boost access to education, while the explosion of social media will facilitate deepened civic engagement and force businesses and governments to be more accountable.

“Civic engagement is an antidote to cynicism and authoritarianism,” Christopher Herink, the National Director of World Vision Myanmar, said. “But for the future, we need

to move from the web to reality, from empowered individuals to empowered communities and nations.”

Moving beyond its primary mandate of economic integration and considering the security risks ahead, particularly in relation to overlapping territorial claims in the South China Sea, participants called for ASEAN to play a more active role in resolving future volatilities by adopting a codified set of norms and regulations (see sidebar on security).

With the groundwork for a cohesive multilateral architecture in place, realizing regional connectivity will reinforce the centrality of ASEAN. Enhancing and improving connectivity is the key to East Asia’s continued economic prosperity and political stability.

“We are growing at 7.2%; yet we need to make sure that everyone gets the benefits and we target inclusive growth to life.”



Corazon Juliano-Soliman, Secretary of Social Welfare and Development of the Philippines

“Business should have long-term vision, not short-term.”



Takeshi Niinami, Chairman, Lawson, Japan; Co-Chair of the World Economic Forum on East Asia



01: Nandu Nandkishore, Executive Vice-President, Asia, Oceania, Africa and Middle East, Nestlé, Switzerland
02: Rachel Kyte, Vice-President and Special Envoy, Climate Change, World Bank, Washington DC

03: Aldi Haryoprato, Co-Founder, Ruma, Indonesia; Young Global Leader



Slow-growth approach can close infrastructure gap

Asia will need to invest an estimated \$8 trillion in infrastructure by 2020 to sustain its economic growth. This huge figure highlights challenges and opportunities related to upgrading the region’s transport systems, communication networks and “soft” infrastructure of social services, such as healthcare and education. Many of the gaps in infrastructure are well-known. For example, lack of efficient transport in the Philippines makes it cheaper for some corporations with offices on Philippine islands to import goods from Hong Kong than to ship them directly from Metro Manila. Bad roads and bottlenecks in border customs processing create a drag on the free flow of goods and depress economic growth.

Discussions at the East Asia meeting focused on moving beyond identifying gaps to proposing solutions for improving the region’s infrastructure. In the medium- to long term, the development of railroads will be essential to supporting trade in ASEAN. In the short term, more holistic approaches are needed to ensure that existing infrastructure can be used efficiently. For example, many nations are building new airports to support travel and tourism goals. However, construction of new facilities is not enough: these airports also need secondary transport systems to bring visitors to cities and tourist destinations. Likewise, the region needs to improve its vocational-training infrastructure to produce new airline pilots, given the anticipated shortage in the region.

Public-private partnerships can be part of the solution to accelerating regional infrastructure development. Many ASEAN nations need support in developing “bankable” projects to attract international funding. But private capital cannot be a substitute for government funds because not all infrastructure projects can generate sufficient returns to attract investors. Several nations have expressed caution about the risks of hasty infrastructure development. Given the long-term horizons and large scale of most major infrastructure projects, sometimes a slow-growth approach is the most appropriate.



01: Ruth Rowan, Chief Marketing Officer, Asia-Pacific, Middle East and Africa, BT, Hong Kong SAR; Bob Griffin, Chief Executive Officer, i2 Group and Vice-President, Industry Solutions, IBM Corporation, USA; Sandra Wu Wen-Hsiu, Chairperson and Chief Executive Officer, Kokusai Kogyo, Japan
02: Designing Solutions for Climate and Resource Risks
03: Christopher Ng, Regional Secretary, Asia and Pacific, UNI Global Union, Singapore
04: Agricultural Transformation in East Asia



01: Mustapa Mohamed, Minister of International Trade and Industry of Malaysia
02: Yoshiteru Uramoto, Assistant Director-General and Regional Director, Asia-Pacific, International Labour Organization (ILO), Bangkok
03: Connect on Consumption: The Millennial Sustainability Movement
04: Accelerating ASEAN Strategic Infrastructure
05: Dinh Ba Thanh, Chairman and Chief Executive Officer, DatVietVAC Group Holdings, Vietnam
06: Luis Antonio Tagle, Cardinal and Roman Catholic Archbishop of Manila, Philippines
07: Pierre Tami, Founder, Hagar International, Cambodia; Social Entrepreneur
08: Samuel J. Locklear III, Commander, United States Pacific Command, USA



01



03

01: Designing Solutions to Disruption: Civic Engagement as a Way Forward
02: Cesar V. Purisima, Secretary of Finance of the Philippines; Muhamad Chatib Basri, Minister of Finance of Indonesia; Muhammad Lutfi, Minister of Trade of Indonesia; Young Global Leader Alumna; Budi Gunadi Sadikin, Chief Executive Officer, Bank Mandiri (Persero), Indonesia
03: Laura Q. Del Rosario, Undersecretary, International Economic Relations, Department of Foreign Affairs of the Philippines



01



02



03



02

01: Philipp Rösler, Managing Director and Member of the Managing Board, World Economic Forum; Yolanda Kakabadse, President, WWF International, Switzerland; Co-Chair of the World Economic Forum on East Asia; Takeshi Niinami, Chairman, Lawson, Japan; Co-Chair of the World Economic Forum on East Asia; Atsutoshi Nishida, Chairman of the Board, Toshiba Corporation, Japan; Co-Chair of the World Economic Forum on East Asia; James T. Riady, Chief Executive Officer, Lippo Group, Indonesia; Co-Chair of the World Economic Forum on East Asia
02: Thura Ko, Managing Director, YGA Capital Limited, Myanmar; Young Global Leader
03: U Win Shein, Union Minister of Finance and Revenue of Myanmar; Stephen P. Groff, Vice-President, Operations 2, Asian Development Bank, Manila

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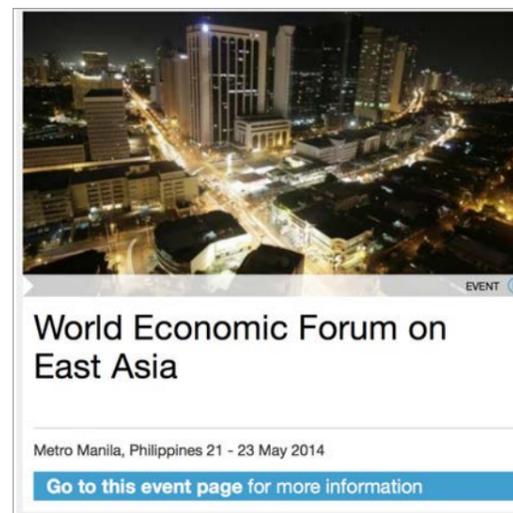
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The event page of the World Economic Forum on East Asia provides access to a richer level of content from the meeting, including videos, photographs, session summaries and webcasts of selected sessions.

<http://wef.ch/ea14>



This report is also available to download:
<http://wef.ch/ea14report>

More information on the World Economic Forum on East Asia in Metro Manila, Philippines, on 21-23 May 2014 can be found using the following link:
<http://wef.ch/ea14>

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Upcoming Meetings

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For more information, email: NewChampions@weforum.org

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