

Regional Agenda

World Economic Forum on ASEAN

Shaping the ASEAN Agenda for Inclusion and Growth

Kuala Lumpur, Malaysia 1-2 June 2016



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Preface



Justin Wood
Head of Asia-Pacific
Member of the Executive Committee
World Economic Forum

In 2016, the World Economic Forum celebrated the 25th anniversary of our regional summit in Asia, with Malaysia as the host country. It was the first time that our regional meeting focused specifically on the Association of Southeast Asian Nations (ASEAN), a decision driven by recognition that the region stands at a critical moment.

Without question, South-East Asia is full of opportunity and potential. ASEAN continues to be one of the most exciting parts of the global economy, having grown by around 5% a year for nearly two decades. The demographics are strong, with 630 million people, most still extremely young. Economic transitions continue to unfold, with workers shifting from agriculture to manufacturing and on into services. Regional integration is deepening with the launch of the ASEAN Economic Community (AEC) at the end of 2015. And the competitiveness of countries is improving, in some cases significantly. The Philippines, Indonesia and Cambodia, for example, have climbed steadily up competitiveness rankings produced every year by the Forum.

But while ASEAN has much to celebrate, it also faces challenges. Economic growth, so impressive by global standards, has been trending down in recent years as the global context has turned more challenging. China, ASEAN's largest trading partner, is rebalancing its economic model and slowing as a result. For ASEAN, it has meant slower trade and lower commodity prices. Meanwhile, the normalization of monetary policy in the United States has changed the pattern of global capital flows, with ASEAN feeling the effects of that too. Ongoing weaknesses in Europe and Japan, and outright recession in some emerging markets, have further damped trade and investment.

As such, ASEAN must look much more to its own internal drivers of growth for the future. That means implementing

economic reforms, upgrading human capital, developing infrastructure and strengthening the quality of institutions and governance. It also means continuing to push the AEC forwards. All of these issues were on the agenda at the meeting in Kuala Lumpur.

But the theme of the meeting, Shaping the ASEAN agenda for Inclusion and Growth, was about more than the quantity of growth. Just as important was the quality of growth. In particular, how inclusive is it? Is everyone benefiting, or only some? Research by the Forum suggests that inequality appears to be rising in much of ASEAN. Yes, the growth in recent decades has lifted millions out of poverty. But many are stuck at low and vulnerable income levels. They are not rising to become middle class. Without middle-class formation, ASEAN will struggle to shift from relying on global demand to relying on regional demand.

Underpinning all the discussions at the meeting was the transformative impact of the Fourth Industrial Revolution. As new technologies sweep the globe, ASEAN faces huge challenges. How to prepare workforces for the jobs of the future? How to stay competitive when the plummeting cost of automation means cheap labour is no longer an advantage? How to build cities that harness digital technology? How to formulate regulation for service industries that are being disrupted overnight?

Some 600 participants from more than 40 countries gathered to debate these issues, and many others. The discussions and workshops were both frank and constructive, generating a wealth of ideas for the future.

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

Co-Chairs of the World Economic Forum on ASEAN



Sigve Brekke
President and Chief Executive Officer
Telenor Group, Norway



Kathleen Chew
Group Legal Counsel
YTL Corporation, Malaysia



Yoshiaki Fujimori
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LIXIL Group, Japan



Shahril Shamsuddin
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Salil Shetty
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George Yeo
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National University of Singapore,
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World Economic Forum on ASEAN

Kuala Lumpur, 1-2 June 2016

Philipp Rösler, Head of the Centre for Regional Strategies, Member of the Managing Board, World Economic Forum; Jusuf Kalla, Vice-President of Indonesia; Samdech Techo Hun Sen, Prime Minister of the Kingdom of Cambodia; Mohd Najib Bin Tun Abdul Razak, Prime Minister and Minister of Finance of Malaysia; Rui Maria de Araújo, Prime Minister of Timor-Leste; Trinh Dinh Dung, Deputy Prime Minister of Vietnam

Kuala Lumpur Highlights



World Economic Forum launches ASEAN platform

The World Economic Forum used the meeting to unveil a new approach to engaging the ASEAN region, with much stronger roles for regional participants. The new strategy will see the strengthening of the ASEAN Regional Business Council (RBC) as a vehicle for representing the voice of business in ASEAN. Nazir Razak, chairman of CIMB Group of Malaysia, was unveiled as the inaugural chair of the new RBC.

Alongside the RBC, the Forum is also establishing a Regional Strategy Group (RSG), made up of representatives from the RBC, but also from government, academia, international organizations and development banks. The RSG and the RBC will work together to shape the Forum's activities in ASEAN. The goal is to create a platform that convenes key stakeholders in the region to collaborate on difficult issues and to design initiatives that can deliver impact.

"It's about leveraging the capabilities of the World Economic Forum in a regional context," said Nazir. "One important area of focus will be to support the ASEAN integration process."

The final composition of both the RBC and the RSG will be confirmed by 25 October when the Forum will stage a sub-regional meeting on the Mekong region in Hanoi.



Michelle Yeoh speaks out on gender equality

Global movie star Michelle Yeoh told participants that women must be true to themselves, hold their own against male colleagues and be uncompromising in their career decisions to fight for equality.

"At the moment I feel that there are not enough roles that depict strong women," she said. The Malaysian celebrity is famous for doing her own stunts as a martial arts expert opposite male stars such as Jackie Chan, and for playing a Bond girl in *Tomorrow Never Dies* as well as the Burmese leader Aung Sang Suu Kyi in *The Lady*.

In a wide-ranging interview with Bloomberg anchor Haslinda Amin, Yeoh said she insisted on doing her own stunts to show the men that she could do it. Despite an injury that prevented her from becoming a ballerina, crippling stage fright and claustrophobia, she fell into acting "unplanned" and "hated it with such passion".

Nevertheless, she was offered an opportunity to act opposite Jackie Chan in a wristwatch commercial and found her acting groove, training hard in a martial arts gym.

She said she was forced to hit her male counterparts hard in her first movies. "They won't take you seriously because you are a girl," she said. "These guys had to understand that you are just as tough as them and you have to take them on. I hit them hard a few times and then it became more fun."

When asked if she always has to play the role of a strong woman, Yeoh replied: "No. I can play a strong guy, too!"



Report puts aviation on new flight path

A new report on aviation, launched at the meeting, urges government and industry leaders alike to revisit current regulations on foreign ownership and investment in airlines. *A New Regulatory Model for Foreign Investment in Airlines* calls for leaders to dismantle the “nationality rule” to enable the aviation industry to operate more competitively, thereby reducing fares and increasing choice for air travellers.

The travel and tourism industry accounts for 10% of global GDP and over 12% of ASEAN’s GDP, with projections for annual employment growth of 4% over the coming decade. However, the ability and success of the industry to meet these projections will be largely dependent on the positive contributions from the aviation industry. Despite the importance of international aviation to the global economy, the airline sector has historically not been part of broader international trade talks, operating within outdated and protectionist sectoral restrictions, which prevent the industry from operating like any other global business.

The new report examines these issues and recommends the elimination of the “nationality rule” restriction, which prohibits foreign ownership of airlines. The rule limits airlines’ potential investors, thereby increasing the cost of capital. It also denies airlines the opportunity to use transnational mergers or foreign subsidiaries to achieve efficiencies of size and scope, to fully integrate their networks to offer passengers expanded route selections, and to benefit from knowledge transfer between management groups.

http://www3.weforum.org/docs/IP/2016/MO/WEF_AT_NewRegulatoryModel.pdf



Grow Asia sows seeds of progress in first year

More than 150 leaders from across South-East Asia, from government, farmer organizations, business and civil society came together in Kuala Lumpur to share and evaluate experiences from the first year of Grow Asia, an initiative to provide access to capital and knowledge for smallholder farmers. Their discussions focused on what is needed for agriculture to ensure a food-secure future for the region and how to build a more resilient agricultural sector across South-East Asia. Grow Asia’s goal is to reach 10 million smallholder farmers by 2020 in order to improve farm productivity, profitability and environmental sustainability by 20%.

The initiative was established by the World Economic Forum in cooperation with the Association of Southeast Asian Nations (ASEAN) Secretariat. It is a unique platform that enables locally led value chain initiatives to focus on smallholder farmers and environmental sustainability through a high-level, multistakeholder approach. Since its launch in 2015, Grow Asia has supported country-level partnerships in Vietnam, Indonesia and Myanmar and launched new partnerships in the Philippines and Cambodia. In the past year, 34 new value chain initiatives were launched across all five countries. Grow Asia now engages over 260 partners and has reached 471,200 smallholder farmers.

“Our progress to date demonstrates the effectiveness of Grow Asia’s unique multistakeholder model in bringing together a diverse group of stakeholders to collaborate and drive action on the ground to improve smallholder farming. The commitment of high-level leaders to collective action empowers farmers and instigates innovation and economic prosperity, making a significant contribution to national and regional food security,” said Kavita Prakash-Mani, Executive Director, Grow Asia.

Will ASEAN leaders craft a new economic model that promotes growth and inclusion?

Optimism is strong that the ASEAN region will continue to grow, becoming the fifth-biggest economy by 2020. But fundamental questions about the character of growth remain unanswered.

As ASEAN moves towards deeper integration through its connectivity blueprint, there is no disputing its potential. Blessed with robust growth rates and a young and savvy population that is rapidly urbanizing, industrializing and generating creative solutions for perennial woes, the excitement is palpable.

Yet as ASEAN works to shape and roll out its bright future, it is important to evaluate what true progress might look like for a region defined by immense diversity and economic disparity. Can we really get excited about the Fourth Industrial Revolution when people

living in rural Myanmar or eastern Indonesia are not yet connected to electricity, let alone the internet?

ASEAN clearly faces many challenges ahead in ensuring that it engineers a type of economic growth that is sustainable and inclusive. Incomes are rising across the region, and yet some 180 million citizens – about 29% of the ASEAN population – still live in poverty. Plugging the much-needed infrastructure, energy and education gaps, improving gender equality and protecting one of the most biodiverse places on the planet will all be part of the delicate and critical balancing act.

Environmental concerns have certainly been at the forefront for many ASEAN leaders over recent months as the region faces the economic fallout of El Niño. The protracted dry season has wreaked havoc across the region, causing shortages of drinking water in Cambodia, decimating rice crops in Vietnam and exacerbating cross-boundary haze as peat land in Borneo and Sumatra goes up in smoke. Economic growth at the expense of the environment, the ASEAN community is starting to realize, is no longer viable.



“I hope that the ASEAN member states will join hands together in the spirit of unity and solidarity to make our family strong.”

Trinh Dinh Dung
Deputy Prime Minister of Vietnam

"I think this topic is extremely urgent for the world and especially for our region. We are seeing the classic consequences of environmental degradation, particularly this year," said Cao Duc Phat, Minister of Agriculture and Rural Development of Vietnam. "We are suffering the consequences not only of El Niño but also of our activities of past economic growth."

Recalibrating for a more balanced and equitable future will mean that governments and policy-makers will have to take environmental protection into account when it comes to drafting their social and economic development plans. Some regional leaders are calling for a fundamental rethink of the current model that is fuelled by relentless consumption and excessive waste.

"There are automatic assumptions about growth. Does that mean unlimited growth at any expense?" asked Charles Abel, Minister of National Planning and Monitoring in Papua New Guinea.

But environmental worries are just one of many concerns for ASEAN leaders working on new models for future growth. Another critical issue is the ongoing integration process of the ASEAN bloc. If successful, it promises to promote regional economic strength and resilience by creating a bigger market, and combining the region's different capabilities in complementary ways. "I hope that the ASEAN member states will join hands together in the spirit of unity and solidarity to make our family strong," said Trinh Dinh Dung, Deputy Prime Minister of Vietnam. "We need concerted efforts to improve our synergy."

Among the efforts to create regional synergies is a strong focus on building infrastructure, which not only drives integration but also powers inclusivity by connecting rural and marginalized communities with the wider economy. While historically the region has

underspent on infrastructure, today there is strong political will to realize ASEAN's linkage routes, domestically and across national borders.

"I am excited to see how ASEAN will unleash its economic potential, especially if we work on connectivity and transport infrastructure," said Liow Tiong Lai, Minister of Transport of Malaysia.

Lai and other ASEAN transport ministers came together at the end of 2015 to develop a strategic infrastructure plan for the next decade. The idea is to transform the region and stimulate strong levels of intra-regional trade, a sector in which ASEAN lags far behind some other trading blocs, such as the European Union.

But, noted Stephen Groff, Vice-President, East Asia, South-East Asia and the Pacific, at the Asian Development Bank: "[While] we have strong high-level commitment across ASEAN governments to build infrastructure, the challenge comes in how you translate that political commitment into the design and execution of projects at lower levels within governments." However, he added, there is cause for optimism. The Philippines, for example, has centralized much of its infrastructure planning into a Public-Private Partnership Center that is showing great progress.

In the energy space, the region will face significant challenges as it seeks to provide the power its economies need to fulfil their growth potential. ASEAN energy ministers have agreed that 23% of the region's energy will be generated from renewable sources by 2020. But even as certain renewable sources, notably wind and solar, achieve cost parity with fossil-fuel generation, there are stark regional variations. In ASEAN, 20% of citizens don't have access to electricity.

"We are working hard to include women as much as possible in the process of decision-making."



Rui Maria de Araújo
Prime Minister of
Timor-Leste

To drive sustainable growth and a more inclusive future, ASEAN also needs to prioritize education, especially as the Fourth Industrial Revolution reaps strong disruptive change to regional labour markets. Anies Baswedan, Minister for Education of Indonesia, acknowledged the challenges. "We have 21st-century students, but 20th-century teachers and 19th-century classrooms," he said. "We need to change our education system so that it teaches new skills: financial literacy, cultural literacy, IT literacy. And on top of that, we have to emphasize creativity, critical thinking, collaboration and communication . . . these are the skills workers will need in the future."

Gender equality in ASEAN is an equally important issue. It is well-established that funding women in society results in more money reinvested in health, community and children's education. Thankfully, the region is pursuing such goals.

"We are working hard to include women as much as possible in the process of decision-making and in the process of socio-economic development because we believe that the inclusion of women will have a great impact on the economic development of the country," said Rui Maria de Araújo, Prime Minister of Timor-Leste.



01: Investing in ASEAN's Energy Future
02: In Channy, President and Group Managing Director, ACLEDA Bank, Cambodia
03: Haslinda Amin, Correspondent and Anchor, Bloomberg News, Singapore; Nazir Razak, Chairman, CIMB Group Holdings, Malaysia; Mari Elka Pangestu, Professor of International Economics, University of Indonesia, Indonesia; Yoshiaki Fujimori, President and Chief Executive Officer, LIXIL Group, Japan; Ulf Ewaldsson, Senior Vice-President and

Chief Technology Officer, Ericsson, Sweden; Shahril Shamsuddin, President and Group Chief Executive Officer, SapuraKencana Petroleum, Malaysia
04: Kavita Prakash-Mani, Executive Director, Grow Asia, Singapore; Cao Duc Phat, Minister of Agriculture and Rural Development of Vietnam; Estrella Perunia, Secretary-General, Asian Farmers' Association for Sustainable Rural Development (AFA), Philippines; Tun Winn, Deputy Minister of Agriculture, Irrigation and Livestock of Myanmar

05: Franky Oesman Widjaja, Chairman and Chief Executive Officer, Sinar Mas Agribusiness & Food, Indonesia
06: Uwe Krüger, Chief Executive Officer, WS Atkins, United Kingdom
07: Michelle Yeoh, Actress, Malaysia



John Pang, Senior Fellow, S. Rajaratnam School of International Studies, Singapore; Kirinde Dhammaratana Nayaka Maha Thero, Founder, Ti-Ratana Welfare Society, Malaysia; Nenette Motus, Regional Director for Asia and the Pacific, International Organization for Migration (IOM), Switzerland; Christopher Ng, Regional Secretary, Asia and Pacific, UNI Global Union - Asia and Pacific Regional Organisation, Singapore; Pierre Tami, Founder, Shift360, Cambodia

Tackling the challenge of human trafficking

Around June 2015, a crisis was unfolding in the waters of ASEAN. Thousands of Rohingya migrants aboard rickety fishing boats found themselves in a game of human ping pong. For months their boats continued to be pushed back and forth between the waters of Thailand, Malaysia and Indonesia, with each country refusing to let them in. As fights broke out on board over dwindling supplies of food and water, Indonesian fishermen unwittingly caught up in the regional stand-off finally rescued the migrants.

Driven by trouble at home in Myanmar and Bangladesh, that crisis was soon followed by revelations of slavery and abusive practices in South-East Asia's fishing industry. The media investigation that unearthed the abuses also implicated multinational firms and global supermarket chains across the United States and Europe.

"It was an eye-opener for businesses to really look at their supply chains," said Rafendi Djamin, the head of Amnesty International's South-east Asia and the Pacific Regional Office, referring to the slavery scandal.

Ensuring that companies have fully accountable supply chains is imperative, he said. "As a business person, you don't want to have your supply chain involving a company here in Thailand, or Indonesia, or elsewhere, that is using slavery. It will be bad for your reputation and bad for the sustainability of your business."

Djamin welcomed the Forum's initiative to discuss human trafficking and modern-day slavery – a first for the meeting. Evidence of the complex and transnational issue of human trafficking is pervasive in South-East Asia, from people-smuggling networks that operate illegal trades across ASEAN borders to the fishing, sex, agriculture and infrastructure industries.

The ASEAN grouping made a strong step in 2015 towards acknowledging the need for a crackdown on such illegal practices by signing the ASEAN Convention against Trafficking in Persons, Especially Women and Children (ACTIP). The legally binding instrument is designed to curb human trafficking and offer protection for victims but is yet to be ratified by all 10 nations.

Djamin urged both the private sector and governments across the ASEAN region to take shared responsibility for victims of trafficking and seriously to question how prioritizing inclusive growth could protect those most vulnerable

"Some governments here think economic rights are most important, that political rights aren't important. That is completely wrong. Inclusion requires a respect for fundamental freedoms, and what is that?" he said. "Being able to express yourself, empower the poor and empower the excluded because the excluded are often the ones that become victims of trafficking."



01: Realizing ASEAN Capital Markets 2026

02: Prakash Mallya, Managing Director, South-East Asia, Intel, Singapore; Zohar Abdoolcarim, Asia Editor, Time, Hong Kong SAR; Kathleen Chew, Group Legal Counsel, YTL Corporation, Malaysia; Gerald Lawless, Head of Tourism and Hospitality, Dubai Holding, United Arab Emirates

03: Apiradi Tantraporn, Minister of Commerce of Thailand

04: Investing in ASEAN's Energy Future

01: Battling over Asia's Economic Architecture

02: Alois Hofbauer, Managing Director, Nestlé (Malaysia), Malaysia; Mohammad Faiz Mohammad Azmi, Executive Chairman, PwC, Malaysia

03: Ken Tun, Chairman and Chief Executive Officer, Parami Energy Group of Companies, Myanmar

04: Don Lam, Co-Founder and Chief Executive Officer, VinaCapital, Vietnam; Global Agenda Council on South-East Asia

05: Sandra Wu Wen-Hsiu, Chairperson and Chief Executive Officer, Kokusai Kogyo, Japan

06: Chandran Nair, Founder and Chief Executive Officer, Global Institute for Tomorrow, Hong Kong SAR



World Economic Forum on ASEAN Kuala Lumpur, 1-2 June 2016



Can ASEAN's creative and connected youth master the Fourth Industrial Revolution?

New technologies will have a transformative impact on South-East Asia, from manufacturing to services to the relationship between citizens and government. How prepared is the region for the coming changes?

The Fourth Industrial Revolution promises to have a profound impact on South-East Asia. As technologies such as artificial intelligence, machine learning, the internet of things, autonomous vehicles, 3D printing and hyper-connectivity take hold, the region will be transformed. For ASEAN, the question at the forefront of the meeting was the degree to which these technologies present an opportunity or a risk, and how ASEAN should prepare.

Naturally, opinions were mixed, but the general tone of the discussions was positive. "How can you not be optimistic when you have 630 million people, of whom more than half are extremely young?" asked Shahril Shamsuddin, President and Group Chief Executive Officer

of SapuraKencana Petroleum in Malaysia. "These people are creative, they're increasingly connected and because of their familiarity with the new technologies, they are natural collaborators."

Yasmin Mahmood, CEO of Malaysia Digital Economy Corporation, was equally bullish. "The Fourth Industrial Revolution will be driven by the millennials. Given our demographic profile, we have a lot of digital natives. The issue today is that they are digital consumers and not yet digital producers. That is the challenge for government policy, to create the talent so that they become producers too."

But here, too, there was hope. Nick Nash, Group President of Garena in Singapore, observed: "For many years, South-East Asia has had an inferiority complex relative to China, India and the West. But this is changing . . . for the first time we're seeing indigenous, home-grown companies building digital businesses and succeeding in a fantastic way."

The development of a digital economy is further supported by the rapid adoption of smartphones and the mobile internet. Sigve Brekke, CEO of Telenor, described how his company began operations in Myanmar just 15 months ago, but already has 15 million subscribers, 60% of whom are using internet-enabled smartphones. "Digital consumers in Myanmar have



"How can you not be optimistic when you have 630 million people, of whom more than half are extremely young?"

Shahril Shamsuddin

President and Group Chief Executive Officer of SapuraKencana Petroleum;
Co-Chair of the meeting

leapfrogged from nothing to being at the same stage as consumers in Singapore or KL or Bangkok in just 15 months,” he said. But he also warned that the pace of change was leaving regulators behind. “The uptake of digital services in ASEAN is so fast and these services don’t recognize borders. Governments in ASEAN have to get together and work on harmonising their regulations and policies.”

Nonetheless, many participants warned that digital inclusion still has a long way to go in ASEAN, with internet penetration still less than 50% for the region as a whole. And, stressed Emirsyah Satar, Chairman of Matari Mall in Indonesia, connectivity means speed as well as access. “Our e-commerce operations now reach 462 out of the 512 cities in Indonesia, but the speed of broadband is still an issue. In Jakarta, the speeds are 25 times faster than in Papua.”

The Fourth Industrial Revolution isn’t only about new digital services, it is also about transforming established businesses, and some of the debate centred on the future of manufacturing. Much of ASEAN has relied in the past on labour-intensive, export-based manufacturing as a critical part of its development strategy. As the cost of automation falls sharply, questions arise about whether ASEAN can continue to be a major export hub.

Samdech Techo Hun Sen, Prime Minister of Cambodia, noted: “The Fourth Industrial Revolution will provide many opportunities, but we must be aware of the risks . . . the use of robots could hurt manufacturing jobs . . . There are still many people in ASEAN only just above the poverty line.”

However, Yoshiaki Fujimori, President and CEO of LIXIL Corporation in Japan, was less concerned. “We have a lot of factories in ASEAN, based on low-cost labour. They are Second Industrial Revolution factories, and they will leap to be Fourth Industrial Revolution. That can potentially create issues for labour, but our overall employment in the region will rise. The types of jobs will change and

become higher value-adding and more interesting.”

Ulf Ewaldsson, Chief Technology Officer for Ericsson of Sweden, agreed. “The value-add from labour in a telecoms product on the manufacturing side is only 2% . . . what we want to do in ASEAN these days is not to set up factories. What we want is to set up software development centres.”

But for ASEAN to succeed in this uncertain future of the Fourth Industrial Revolution, education will be critical. “How do we prepare children for jobs that don’t yet exist when they leave school?” asked Kathleen Chew, Group Legal Counsel of YTL Corporation in Malaysia. “And how do we reskill and retrain people? Every time there is a technological shift, people do get left behind.” Of particular concern, she worried about mid-level workers such as clerical staff who are at great risk from artificial intelligence systems.

One important solution will be to forge stronger links between the public and private sectors. Education systems are in danger of becoming dislocated from the jobs of the future and therefore teaching the wrong skills. That means not only designing curricula so that students learn new skills, especially soft skills such as communication and collaboration, but also encouraging students to spend greater portions of their education actually in the workplace, experiencing first-hand what the world of work demands. Just as important, argued Anies Baswedan, Minister for Education of Indonesia, school principals should spend time with companies so that they also understand how to reform their classrooms.

“Digital consumers in Myanmar have leapfrogged from nothing to being at the same stage as consumers in Singapore or KL or Bangkok in just 15 months.”



Sigve Brekke
President and Chief Executive Officer,
Telenor Group; Co-Chair of the meeting

“The Fourth Industrial Revolution will provide many opportunities, but we must be aware of the risks.”



Samdech Techo Hun Sen
Prime Minister of
Cambodia



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01: Paul Low Seng Kuan, Minister in the Prime Minister's Office, in charge of Governance and Integrity, Malaysia

02: Yoriko Yasukawa, Regional Director, United Nations Population Fund (UNFPA), Thailand

03: Pierre Tami, Founder, Shift360, Cambodia; Social Entrepreneur; Gerald Lawless, Head of Tourism and Hospitality, Dubai Holding, United Arab Emirates

04: Anne-Birgitte Albrechtsen, Chief Executive Officer, Plan International, United Kingdom

05: Nick Nash, Group President, Garena, Singapore

06: In Channy, President and Group Managing Director, ACLEDA Bank, Cambodia

07: Participants in the session, Multistakeholder Approaches to Financial Inclusion

08: Charles Abel, Minister of National Planning and Monitoring of Papua New Guinea





Eduardo Francisco, President, BDO Capital and Investment Corporation, Philippines; Salil Shetty, Secretary-General, Amnesty International, United Kingdom; Brian West, Global Managing Director, Crisis and Issues Management, Fleishman-Hillard, Singapore; Eran Wickramaratne, Deputy Minister of Public Enterprise Development of Sri Lanka

Building trust, integrity and techno-transparency

The ever-deepening integration of digital technologies into how we live and work presents powerful opportunities for improving efficiency and integrity in public and private governance. For example, social media and other methods of networking are making it easier for civil society activists to organize and protest. Digital tools also promote transparency, for example in areas such as government procurement. However, digital deepening also raises risks and concerns, notably about privacy.

"The new frontier in the battle for power is online," said Salil Shetty, London-based Secretary-General of Amnesty International, in a session on digital transparency. "Malaysia used the sedition act 91 times last year. One cartoonist was charged with sedition 11 times, once for each time he tweeted a cartoon. Technology is itself neutral, but it has become a new axis of power asymmetry."

In the age of connectivity and the cloud, the shift of countries from authoritarian rule to more liberal regimes inevitably stirs tensions. "Governments need to have the debate about freedom versus security when they have the space to do so," said Eran Wickramaratne, Deputy Minister of Public Enterprise Development of Sri Lanka. "When you have a very peaceful society, you should put measures in place to protect both freedom and security."

In business, IT is prompting changes in governance and how companies interact with stakeholders. A social media storm, whether based on truth or not, can destroy enormous value. "Digital media can make or break an institution," said Eduardo Francisco, President of BDO Capital and Investment Corporation in the Philippines. "Things can get overblown and reputations can be damaged when in fact they could have been managed."

There are thoughtful initiatives in business and government to use technology to draw the public closer. The governor of Indonesia's capital Jakarta, for example, has set up a digital hub that takes social media input from citizens to map flood-prone and traffic-congested areas. He introduced a mobile app for citizens to lodge complaints on everything from poor rubbish collection to pavement potholes. Such innovations don't cost much, yet they add significant value in building trust between people and government.



01: New Models for Corporate Social Innovation

02: The Future of ASEAN Manufacturing

03: Murat Sönmez, Chief Business Officer, Member of the Managing Board, World Economic Forum; Samdech Techo Hun Sen, Prime Minister of the Kingdom of Cambodia

04: What's Next for the AEC?

05: Anies Baswedan, Minister of Education and Culture of Indonesia

06: Balancing Rapid Growth with Environmental Sustainability

01: Fraser Thompson,
Director, Alphabet, Singapore

02: Digital Transformation
in ASEAN

03: Anindya Chatterjee,
Regional Director, Asia,
International Development
Research Centre
(IDRC), India; Richard
Samans, Head of the
Centre for the Global
Agenda, Member of the
Managing Board, World
Economic Forum;
Niall Dunne, Chief
Sustainability Officer, BT
Group, United Kingdom

04: Building Smart Cities
in ASEAN

05: Managing Risk: The
Dark Side of Technology

06: Jusuf Kalla, Vice-
President of Indonesia

07: Trinh Dinh Dung,
Deputy Prime Minister of
Vietnam



Will ASEAN's rich diversity be its greatest strength?

The Association of South-East Asian Nations will celebrate its 50th anniversary in 2017. What future lies ahead for the ASEAN bloc? And what role will geopolitics in the wider region play?

"I'm an optimist and I'm an ASEANist! I believe in ASEAN. We have great prospects," declared Mari Pangestu, Professor of International Economics at the University of Indonesia, and a former cabinet minister in the Indonesian government.

Support such as this for the ASEAN regional project would have been unthinkable 49 years ago, when the Association of Southeast Asian Nations was first unveiled. Back then the bloc was conceived as a regional security grouping among newly independent nations so that they could develop against a backdrop of peace and stability. Today, the focus has shifted to forging an integrated economic

region that can stand shoulder-to-shoulder with the giant neighbours of China and India.

The launch of the ASEAN Economic Community (AEC) at the end of 2015 promises to create a powerful single market across 10 countries with a free flow of goods, investment and skilled labour. But while progress has been significant, much remains to be done.

"The fact that the World Economic Forum has chosen to focus on ASEAN specifically this year is a testament to the growing significance of our region . . . We know what we are, and we know what we can be. The question now is: will we take the necessary steps

to reach that goal?" said Najib Razak, Prime Minister of Malaysia. "What is required is nothing short of a complete transformation if ASEAN is to achieve its potential . . . We need a transformation of rules, of procedures and habits. But we also need a transformation of the mind, as we learn to think of ourselves more as ASEAN, act as ASEAN, and then reap the benefits of being ASEAN."

One particular issue highlighted by the prime minister was the lack of funding for the ASEAN Secretariat. "The annual allocation of around \$17 to \$20 million is inadequate for the Secretariat to drive ASEAN forward," he said. Historically, this low level of funding



"I'm an optimist and I'm an ASEANist! I believe in ASEAN. We have great prospects."

Mari Pangestu

Professor of International Economics at the University of Indonesia

has stemmed from concerns among ASEAN nations about giving away too much sovereignty to a supranational organization. However, he stressed: "Our national identity and interests can coexist and even complement ASEAN's identity and interest."

Another big challenge is the disparate nature of development across the member states, which could exacerbate inequality and tensions, ultimately undermining relationships. Some countries are first-world states with mature, knowledge-based economies, while others are still transitioning from agriculture to basic manufacturing. Digital penetration, infrastructure connectivity and financial services are all at varying stages of development. In ASEAN, 40% of adults have bank accounts, leaving another 260 million people without. The economies are largely cash-based, which drives inefficiency of up to 1.5% of GDP and perpetuates poverty.

In terms of healthcare, Malaysia has already achieved universal healthcare through a policy that stipulates that all Malaysians have the right to access the public health system at all levels, but not all ASEAN countries have reached the same standard. If the gap between the rich and poor

countries becomes too big, ASEAN could face its own migrant crisis, said Low Seng Kuan, Minister in the Prime Minister's Office of Malaysia in charge of Governance and Integrity.

But despite such concerns, there are signs of growing solidarity. ASEAN is one of the fastest-growing regions in the world, with annual growth expected to be around 5.5% per year over the next five years, and it is the third-largest labour market behind China and India. ASEAN is a vibrant amalgam of religions, cultures, languages and ethnicities, and many believe that its rich diversity is its greatest strength – if people can pull together.

A study produced in 2016 by the World Economic Forum's Young Global Shapers Community, titled "We are ASEAN", suggested that 76% of young people in ASEAN identify with being part of the region, and 95% say they are very interested in learning about the different ASEAN cultures. More than 95% say it is important to cultivate stronger relationships across ASEAN.

The region also has shared values, according to Annie Koh, Vice-President, Office of Business Development, and Professor of Finance, Singapore Management University. Koh's grandparents came from China and moved to Malaysia, before her generation then moved to Singapore. Her niece is marrying a man from Jakarta, Indonesia. "At a family level, all of us have connections to all parts of ASEAN," she said, likening ASEAN to rojak, the South-East Asian salad made up of diverse fruits, vegetables and spices. "If you take away one of the ingredients, it's no longer rojak, and that's the same for ASEAN."

But the importance of regional relationships to the nations of South-East Asia extends beyond the ASEAN bloc to the wider region. Geopolitical tensions, particularly in the South China Sea,

"We need a transformation of the mind, as we learn to think of ourselves more as ASEAN, act as ASEAN, and then reap the benefits of being ASEAN."



Mohd Najib Bin Tun Abdul Razak
Prime Minister of Malaysia

were a recurring theme during the meeting. "It's a trial of strength between the US and China, which we should expect for years to come," said George Yeo, Visiting Scholar, Lee Kuan Yew School of Public Policy, National University of Singapore.

Zhu Feng, Executive Director of the China Center for Collaborative Studies of the South China Sea, Nanjing University, said China's claims are driven by "domestic nationalism and growing geopolitical competition", adding that there needs to be a mechanism to reduce the tensions. Yeo agreed: "The key is that ASEAN has to maintain a high degree of solidarity."

"If you take away one of the ingredients, it's no longer rojak, and that's the same for ASEAN."



Annie Koh
Vice-President,
Office of Business
Development;
Academic Director,
Business Families
Institute; Professor
of Finance
(Practice), Singapore
Management
University



01: Murat Sönmez, Chief Business Officer, Member of the Managing Board, World Economic Forum; Sigve Brekke, President and Chief Executive Officer, Telenor Group, Norway; Kathleen Chew, Group Legal Counsel, YTL Corporation, Malaysia; Yoshiaki Fujimori, President and Chief Executive Officer, LIXIL Group, Japan; George Yeo, Visiting Scholar, Lee Kuan Yew School of Public Policy, National University of Singapore, Singapore; Shahril Shamsuddin, President and Group Chief Executive Officer, SapuraKencana Petroleum, Malaysia; Salil Shetty, Secretary-General, Amnesty International, United Kingdom

02: Anthony F. Fernandes, Group Chief Executive Officer, AirAsia, Malaysia

03: Managing Risk: The Dark Side of Technology

04: Managing Risk: The Dark Side of Technology

05: Liow Tiong Lai, Minister of Transport of Malaysia

06: Mustapa Mohamed, Minister of International Trade and Industry of Malaysia

07: ASEAN in 2026: Are Integration and Inclusiveness Compatible?

08: Klaus Schwab via video message





Battling over Asia's Economic Architecture

A delicate balancing act on trade and investment

ASEAN is one of the fastest-growing regions in the world, making it highly attractive to foreign nations seeking opportunities for trade and investment. With so much potential, China and the United States are both competing for influence in the region via free trade and investment initiatives. During the meeting, participants debated how ASEAN can manage the difficult task of embracing all partners without alienating any of them.

The US-driven Trans-Pacific Partnership (TPP) trade deal takes in 12 nations, including four ASEAN members. But it has stiff competition. "China has become a bigger elephant and it's sitting in the living room of all regional members," said Zhu Feng, Executive Director of the China Center for Collaborative Studies of the South China Sea, Nanjing University. It's using the Regional Cooperation Economic Partnership (RCEP) and the "One Belt, One Road" initiative to extend the country's influence in ASEAN.

In particular, One Belt, One Road has the potential to transform infrastructure in South-East Asia, deploying industrial over-capacity in China to meet the development needs of ASEAN countries. "Water pressure is building up [in China] and is just waiting to spill on to its neighbours," said George Yeo, Visiting Scholar, Lee Kuan Yew School of Public Policy, National University of Singapore. "China will be integrating its neighbours into ever-widening circles because of the sheer size and dynamism of its economy."

So what can ASEAN do to balance the competition between the two great powers without choosing sides? "The key is that ASEAN has to maintain a high degree of solidarity among its member states," Yeo said. "Nobody wants China to be an enemy because there is too much to lose, but everyone also wants America and Japan to be a friend."

India also looms as a growing power, with its dynamic economy and young labour force. Its population is expected to overtake China's in 10 to 15 years. "They are an economic giant that we need to deal with," said Mustapa Mohamed, Minister of International Trade and Industry, Malaysia.

"India is new to the ASEAN game, and I think we need to involve India more," agreed Apiradi Tantraporn, the Minister of Commerce of Thailand. "It's going to be very important if we can link China and India through ASEAN."



01: Juliana Chan, Assistant Professor, Nanyang Technological University, Singapore; Jason Smith, Head, Asia Cluster, Novartis Asia Pacific Pharmaceuticals, Singapore; Sathasivam Subramaniam, Minister of Health of Malaysia; Yoriko Yasukawa, Regional Director, United Nations Population Fund (UNFPA), Bangkok; Walter van Kuijen, Senior Vice-President, Global Government and Public Affairs, Royal Philips, Netherlands

02: Battling over Asia's Economic Architecture

03: Welcome Reception



01



- 01:** Trinh Dinh Dung, Deputy Prime Minister of Vietnam; Samdech Techo Hun Sen, Prime Minister of the Kingdom of Cambodia
02: Realizing ASEAN Capital Markets 2026
03: Taro Kono, Chairperson, National Public Safety Commission; Minister of State of Japan
04: Izzaddin Idris, Group Managing Director and Chief Executive Officer, UEM Group, Malaysia
05: Alison Kennedy, Strategy Lead, ASEAN; Managing Director, Accenture, Singapore

- 06:** Idris Jala, Chief Executive Officer, Performance Management and Delivery Unit, Government of Malaysia
07: Zainal Amansyah, Chief Executive Officer, InvestKL Corporation, Malaysia
08: Ian Grundy, Head, Public Affairs, Adecco Asia Pacific, Singapore; Idris Jusoh, Minister of Higher Education of Malaysia

- 09:** Peter Sok Puthyvuth, Chief Executive Officer, SOMA Group, Cambodia
10: David Mann, Chief Economist, Asia, Standard Chartered Bank, Singapore



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Outcomes of the Meeting

The meeting saw progress across a number of workstreams linked to the Forum's focus areas:

- The World Economic Forum on ASEAN has put Education and Development of Skills firmly on the ASEAN agenda with particular urgency due to the region's young demographic and the challenges of the technological transformations of the Fourth Industrial Revolution. The Forum also launched the Human Capital Outlook on ASEAN report to provide insights and fresh data for decision-makers across all sectors.
<https://www.weforum.org/reports/human-capital-outlook-association-of-southeast-asian-nations-asean/>
- The ASEAN meeting saw the World Economic Forum share its latest research on inclusive growth within an ASEAN context with the launch of a new report, *Ensuring Economic Growth and Social Inclusion in ASEAN*. With inequality in the region at high levels, and rising in many places, the report details a toolkit of policy ideas that the region can consider for shaping its economic future. <http://widgets.weforum.org/cards/>
- The Grow Asia Forum in Kuala Lumpur has expanded its agriculture partnership in the region to reach almost half a million smallholder farmers. Looking ahead, Grow Asia's goal is to reach 10 million smallholder farmers by 2020 to improve farm productivity, profitability and environmental sustainability by 20%.
- Meeting participants issued a strong call to action on human trafficking – a growing problem in the region that affects predominantly women and children.
- The ASEAN meeting provided a platform for 150 media representatives as well as 600 leaders from business, the public sector, academia and civil society to have a frank exchange on the challenges for civic space, human rights and freedom of expression throughout the region.
- Five senior political leaders, including the heads of government of Malaysia, Cambodia and Timor-Leste, have embraced the idea of deeper integration within ASEAN as a prerequisite for inclusive growth.
- Business leaders have urged the region's governments to harmonize their economies and cut red tape to unleash growth, allow for more trade and break down barriers for talent development.
- The launch at the meeting of a new ASEAN Regional Business Council by the World Economic Forum will create a powerful vehicle for business and other stakeholders in the region to support the ASEAN integration process.
- The participants recognized the need to quicken the pace to adapt regional economies to profound technological changes if ASEAN wants to benefit from the opportunities of the Fourth Industrial Revolution.

Acknowledgements

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Digital Update



World Economic Forum on ASEAN 2016

The event page of the World Economic Forum on ASEAN provides more information from the meeting, including photographs, press releases, social media and webcasts of selected sessions.

 <http://wef.ch/asean16>



 <http://wef.ch/asean16report>

Contributors

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Upcoming Meetings

World Economic Forum on Latin America

Medellín, Colombia 16-17 June 2016

After almost a decade of continual growth, Latin America has arrived at a crossroads, both in the face of global developments and regional transformation. On one hand, growth rates are stalling, aggravated by external macroeconomic pressures, falling commodity prices and a low savings rate in various countries. On the other hand, the region is entering a new phase of international trade and witnessing historic political milestones. The World Economic Forum on Latin America brings together leaders from all sectors, as well as academic thought leaders and millennials, to explore how a new prosperity agenda can be actively shaped. Returning to Colombia, the meeting will be hosted in Medellín, a stunning example of successful 21st-century urban innovation. At the same time, Colombia is close to a historic accord that promises opportunities for sustained peace, economic progress and social inclusion. These inspiring achievements are a reminder that socio-economic advances require constant attention as well as concerted and strategic action.

For more information, email: LatinAmerica@weforum.org



Annual Meeting of the New Champions 2016

Tianjin, People's Republic of China 26-28 June

Established in 2007 as the foremost global gathering on science, technology and innovation, the Annual Meeting of the New Champions convenes the next generation of fast-growing enterprises shaping the future of business and society, and leaders from major multinationals as well as government, media, academia and civil society. Join a community of more than 1,500 participants from 90 countries for a true global experience addressing today's unprecedented set of intertwined global challenges – economic, political, societal and environmental. Taking place in conjunction with the Annual Meeting of the New Champions, the Industry Strategy Meeting 2016 will convene the Forum's community of Industry Strategy Officers – senior executives of Forum Industry Partner companies – to collaborate on understanding and defining the major disruptions that are impacting the future of industry, highlight critical interface between sectors and explore how industries can shift from managing change to pioneering change in the context of the Fourth Industrial Revolution.

For more information, email: [NewChampions@weforum.org](mailto>NewChampions@weforum.org)



India Economic Summit

New Delhi, India 6-7 October 2016

With a strong demographic dividend, growing entrepreneurial ecosystem and large domestic market, the time is right for India's economy to soar. If the economic liberalization of 1991 was a watershed moment for India, 25 years later the country again stands at the brink of another historic moment. The World Bank and International Monetary Fund both project a robust 7.5% growth for the country in 2016 and 2017. Yet India faces challenges such as shrinking exports, an infrastructure deficit, barriers to business and stalled reforms. With India taking on the G20 presidency in 2018, progress made now will define India's G20 leadership. The summit will explore some of these issues while engaging the global multistakeholder community of the World Economic Forum for action and impact. For more information, email: India@weforum.org



For a full list of upcoming meetings, visit the World Economic Forum's website: www.weforum.org



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