

The Third Wave of Investment Opportunities with ASEAN ?

By
Anand Panyarachun
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Mr.Chairman,
Distinguished delegates to the 31st AJBM,
Honored guests.
Ladies and gentlemen,

I am honored to have been invited to address the 31st AJBM this evening.

I have known of the AJBM activities, and the Keizai Doyukai for a long time. When I was Chairman of the Federation of ASEAN Chambers of Commerce and Industry in the early 80's, I used to participate in some of the AJBM activities. I very much appreciated the supporting role played by Keizai Doyukai to ASEAN businesses through AJBM.

But lately I have heard less and less of AJBM.

So when I learn that AJBM is being revitalized, and that it will strongly support investment and businesses between Japan and ASEAN, I feel very gratified.

I would like to explain to you this evening why I am so gratified.

My past careers, diplomatic, business and political, have inevitably conditioned me in the role of an observer of international development. I have been fortunate to have often been at a vantage point to do it.

A couple of years ago, I was invited to serve on a United Nations panel to advise the Secretary-General on how the UN system could better serve the international community in the areas of threats to peace and security. That was another vantage point for me to become more aware of the inter connection of security and development issues. They are inextricably linked and they need to progress in tandem. One may even add a third element to this configuration – namely justice.

There is no security without development. There is no development without justice and there can be no justice without both. Indivisibility of security, development and justice is the conclusion.

Since the end of the second world war, there were two super powers, the United States and the Soviet Union.

Over three decades before the new Millennium the EU and Japan were second – tier countries.

Today the only recognized super power is the US, the one and supreme power in terms of politics, military, and economy.

But while there is only one recognized super power, many countries are now considered to belong to the second tier of powerful countries.

In addition to the EU and Japan, the most often mentioned countries are Brazil, China, India and Russia.

The countries in the second tier of power are all maneuvering to position themselves in this global context. Those which are not already permanent members of the UN Security Council all feel that they are entitled to such exalted positions.

Let us now turn to Asia – or to East Asia in particular. China and India are major political entities which cannot be set aside and their stability and potential economic power will inevitable have significant impact, positive or otherwise, on the rest of Asia.

China liberalised its economic system before India, focusing on manufacturing, but it was limited at first. In the recent years China went almost all the way in terms of economic liberalization, and has now achieved the status of the “ factory of the world ”.

India adopted a more liberal economic system from the early 1990s, allowing market forces to work more readily. Following this came the boom of computer software business through outsourcing. Since then liberalization and investment in other sectors have followed.

Both China and India have been very successful in their policies of economic liberalization, as evident in their international trade and their foreign exchange reserve holdings being at US\$ 769 B, and US\$ B, 143 respectively as of September 2005.

The two countries have also moved in the direction of patching up their political adversarial relationship. The progress they made in the past years has resulted in closer and more concrete cooperation in both political and economic areas.

Now both China and India are moving forward. And yet, there is a note of caution. According to a news report this morning, former Prime Minister of Singapore, Mr. Lee Kwan Yew made following remarks at a conference in India.

“Whether Asia will take its place in the world ... depends on how both India and China work together as they rise and actively set out to avoid ending up in opposing camps”

“They [India and China] must not be paranoid and suspicious of each other in a game of one-upmanship”

Japan, a giant economic power house of long – standing but a relatively minor political centre on the international scene. Its security interests are very much intertwined with the US security arrangements. There are now initial signs of the loosening – up of that relationship, but much remains to be done before it can gain its credibility as an Asian nation. As a footnote, Japan still needs to address some sensitive issues raised by China and Korea in a more responsive manner made following remarks at a conference in India.

Now we turn to the trade and business areas.

China and later India have expressed interest in developing development partnership with ASEAN.

And so has Japan.

But from the perspective of ASEAN, their relationships with ASEAN are viewed differently.

Formerly ASEAN was interested mostly in its economic relationship with the US, the EU and Japan.

But now ASEAN very much welcome the propositions from China.

ASEAN is also reciprocating its interest with India. But because of lack of familiarity, trade and investment with India will take more time to develop in a more meaningful way.

Interestingly, ASEAN wants more trade and investment with Japan. But to ASEAN, Japanese investment seems to have focused more and more on China. Beijing has now replaced Bangkok as host to the largest Japanese Chamber of Commerce and Industry in the world.

Let’s try to understand the economic strategy adopted by these important countries.

China is no longer ideologically driven and more politically stable. China is the “ factory of the world ”. It is a resource – deficit and energy – deficit country. So, it seeks special relationship with resource – surplus countries like ASEAN, Russia and also India.

While China’s intensive economic growth (averaging over 9% annually in the past three decades) is widely admired and serves as an engine of growth for ASEAN countries, one must not overlook China’s lop-sided economic structure. Chinese economy accounts for only 4% of global GDP, but consumes 25% of the world’s steel, 30% of its coal, 50% of its cement and 7% of its oil.

India, a democratically governed country, cannot be expected to pursue liberal policies as fast or as effectively as China. Its economic growth is therefore bound to be slower and more bumpy, but it has embarked on the right path. India’s potential is not to be underestimated.

India is also an energy - deficit and infrastructure - deficit country. So it seeks energy security and investment in infrastructure from ASEAN, China, and Japan, in addition to the Middle East.

Japan had a head start – long before the emergence of both China and India. It was already a formidable economic power in the sixties and seventies. And yet, the country stumbled in the nineties and its economy was in the doldrums for over a decade.

Japanese investment in ASEAN in recent years has for financial reasons been surprisingly too low.

It was also due to the fact that many ASEAN countries suffered from severe economic crisis in 1997 / 1998, which blunted investment opportunities.

But the situation now is very much different from what it was in 1998 – 2002.

Japan is recovering and assuming a more dynamic growth. We are delighted to see the beginning of Japanese economic recovery, as demonstrated by significant growth in the last four quarters. All ASEAN economies have now recovered, and have been growing at respectable rates of 4 – 6 % for a few years now.

Such growth rates are creating the need for new investment in industrial and business expansion, and in basic infrastructure.

In other words in 2005 ASEAN economies have entered a new investment cycle, offering a broad range of investment opportunities.

While ASEAN continues to welcome investment and business from any sources, be they the United States, the EU, Russia, Korea and Australia. ASEAN has shown particular interest in Japan, their important and traditional source of direct and indirect investment.

ASEAN believes this is the third round of investment opportunities, after the first in the late fifties and the second in the seventies.

A new window of opportunity is opening up. But this time the opportunity must be viewed not only in the business context. Geo-politics and geo-economics are additional elements which are playing increasingly an important role in the promotion of peace and security in our part of the world.

I envision a substantial growth in future years in economic and political relations among China, India and Japan. This triangular network would do well to strengthen their roles in ASEAN member states. Their enlarged contributions to our economic and social development and their expanded trade relationship with ASEAN would empower us as a significant partner in this Asian enterprise. The stronger Japanese economic presence in ASEAN countries would be reassuring to ASEAN of the continued close cooperation with Japan.

The question is whether Japan, the largest economic power in Asia, shares our aspirations and is prepared to be involved, both in conceptual and concrete terms, and to join in this East Asian drive towards a new economic, political vision.

The answer lies in your hands and we hope that it is a positive one.

Thank you very much for your attention.