

Southeast Asia and the global economy

WHAT is the economic outlook for Southeast Asia at a time of general growth slowdown in emerging markets, and when global monetary conditions are set to tighten? Is it realistic to talk of a "regional" outlook, given extreme intra-regional diversity? That begs another question: Is ASEAN economic integration pushing the region to becoming a more distinctive collective entity in the global economy?

Our starting point must be Southeast Asia's extreme economic diversity.

The gap in living standards between the richest and poorest countries (Singapore and Myanmar respectively) is 40-to-1. Singapore is a services-based economy; Brunei is oil-based; Malaysia and Thailand are fast industrialisers; Thailand and Vietnam are big agricultural exporters; Indonesia and the Philippines are net food importers; and Cambodia, Laos and Myanmar are still agrarian societies. Singapore is a free port in which trade is 400% of GDP. At the other extreme, Myanmar has only recently started to open up; trade is only 31% of GDP.

Then there are huge gaps in the quality of regulation, institutions and the business climate. According to the World Bank, Singapore ranks first in the world for "Ease of Doing Business"; Malaysia and Thailand are in the top 20; but the others are way behind. Compounding such economic diversity are wide differences in history, culture, geography, population, population density and – not least – political systems.

Nevertheless, there are elements of convergence across ASEAN

countries. Integration with the global economy stands out: since the 1980s, all ASEAN countries have liberalised trade and foreign direct investment. Average import-weighted tariffs are around 5% for most ASEAN countries; all except Indonesia, Philippines, Laos and Myanmar have trade-to-GDP ratios of about 100% and well above. In tandem, ASEAN has become a regional production hub for parts and components in global manufacturing supply chains. This has knitted ASEAN and Northeast Asia – including China – in ever-tighter trade and production linkages.

Now turn to the regional economic outlook. The IMF forecasts growth at 5% for the ASEAN-5 this year, in line with growth in the last few years. A slightly stronger post-GFC recovery in advanced economies, particularly in the USA, should give a marginal boost to ASEAN growth through exports.

Storm clouds ahead

But there are storm clouds ahead. First, China's growth slowdown has implications for ASEAN's exports of intermediate products in global supply chains, its exports destined for the Chinese domestic market, and Chinese investments in ASEAN.

Second, ASEAN countries have seen a credit explosion as a result of loose monetary policies at home and around the world. Consumer debt has piled up. Asset and property bubbles are getting bigger. Tighter global monetary conditions, especially with "tapering" by the US Federal Reserve and the likelihood of higher interest rates in the West, increase the risk of a mini-crash. Governments will have to bite the political bullet and wean themselves off loose-money policies sooner rather than later.

That said, ASEAN countries are in a much better position to weather global shocks than they were



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during the Asian financial crisis in 1997. Fiscal and monetary conditions are better, exchange rates are more flexible, there is much less exposure to short-term foreign debt, and bond markets are deeper.

Third, a decade of cheap-money policies and high commodity prices has engendered lazy complacency in emerging markets. ASEAN is no exception. Governments have neglected structural reforms to reduce market distortions. These

are now more visible with tighter global monetary conditions and falling commodity prices. Large swathes of markets for land, labour and capital remain unreformed. That is also true of much of the public sector. Liberalisation of international trade and investment has slowed down or stalled. Government red tape plagues the business climate. The World Bank's Doing Business Index has Vietnam in 99th place, Myanmar bringing

up the rear in 182nd place, with Philippines, Indonesia, Cambodia and Laos in between.

ASEAN countries need fresh structural reforms

ASEAN countries need fresh structural reforms not only to cope better with external shocks, but also to take advantage of emerging trends in global supply chains. Multinationals are looking for new investment destinations as China becomes more expensive.

If South Asia – India in particular – opens up more to global markets, labour-intensive, export-oriented manufacturing will migrate there.

That will present huge opportunities for ASEAN countries in the middle of pan-Asian regional production networks, halfway between China and India.

Genuine ASEAN economic integration – the free flow of goods, services, capital and people within the region – would deliver huge gains, not least from deeper integration into global supply chains. That is the logic of the ASEAN Economic Community (AEC).

The bulk of intra-regional tariffs have been abolished. Partial progress has been achieved on simplifying and harmonising customs procedures, cross-border infrastructure projects, and opening up ASEAN skies to low-cost airlines. A few sub-regional integration initiatives have made headway, notably the Greater Mekong Sub-Region and Iskandar-Singapore.

But, overall, the AEC is well behind its targets to reduce and

abolish non-tariff and regulatory barriers in goods, services and investment. Most restrictions to intra-regional commerce lie here, not in tariffs and quotas "at the border". Moreover, ASEAN monetary and financial integration is even weaker than it is in trade and investment, so far restricted to modest measures like the Chiang Mai Initiative.

This mixed record reflects the "ASEAN Way" of "loose inter-governmentalism" and "shallow integration". Incremental progress,

not a Utopian leap to EU-style top-down, institution-heavy integration, is probably the best ASEAN can expect given its political realities.

"Second generation" of market reforms needed

Southeast Asia has made substantial economic progress because its governments have liberalised markets, thereby enabling integration into global supply chains. Now a "second generation" of market reforms is needed to cope with external shocks and to take advantage of new regional and global opportunities. This will be politically challenging because it has to go deeper into the thickets of domestic regulatory protectionism. It is primarily a matter for unilateral action by individual countries, but incremental ASEAN cooperation can be a helpful auxiliary.

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My View



Global Economics

By Razeen Sally

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Memories of my father, courtesy of an old fountain pen

ON my last trip home to Sri Lanka, my mother gave me a gift. A 1950s vintage Parker 51.

It was the only pen I have seen my father ever use. The sight of the pen's 12-karat rolled gold cap, initials engraved and almost permanently clipped to his left-side shirt pocket, was synonymous with his very presence.

We were told it was a gift received when he graduated the 'Senior Exam'. Family legend has it that the '51' was in his pocket when he boarded a bus from the southern bastion of Matara as a teenager and headed to Kegalle to start his own business.

"This pen and 55 cents were all I had when I came here," he would proudly announce whenever he had to part with some money for his offspring's needs. Actually, each time he told that story, the amount of money he had in his possession would vary, but we never doubted the pen's existence.

No ordinary pen

I never got to write with it, but always knew of the power it wielded over the rest of us. I was awed by the incredible journey it had undertaken over the years, accompanying my father, always dangling close to his heart and playing a huge and ubiquitous role in the unfolding of our lives. Now, nearly two decades after his passing, it was mine.

And as any good son who inherited a precious family heirloom would do, I Googled it! Turns out, this was no ordinary pen; and was richly deserving of all the praises sung by its doting original owner.

One of the most robust and practical writing instruments ever made, it was once voted the fourth best industrial design of the 20th century. It was named '51' to mark the year 1939, the Parker Pen Company's 51st year of existence. The pen's resemblance to the P-51 Mustang, a fighter plane used extensively during World War II, had no bearing on its name, though some of its fans still make the comparison.

From its inception, Parker had big plans for the 51. So by giving the pen a number instead of a name, Parker avoided the prob-

lem of translating a name into other languages, enabling rapid marketing of the product in countries around the world.

Illustrious users

The venerable pen has an impressive catalogue of illustrious users. They say US General Douglas MacArthur used a Parker 51 to sign the Japanese surrender in 1945; and a popular photograph exists of General Dwight Eisenhower and later President, holding two Parker 51s in a V for the victory in Europe in 1944.

British fiction writer Sir Arthur Conan Doyle apparently used a 51, as did Indian writer R.K. Narayan of Malgudi fame. Chiang Kai-Shek, the founder of Taiwan, used one too. Among the lesser known aficionados of the Parker 51 was my father. And therein lies my relationship with a fountain pen that has now come full-circle.

Host of memories

The old writing instrument now sits proudly atop my desk at home, far away from its original environs on the other side of the globe. And with every glance, it incites a host of memories that help me visualise the unfolding of my own life. Funny I should attribute such credit to a fountain pen; but in retrospect, the pen has come to epitomise my father's place in my life.

Back in the day in boarding school, Sunday was letter writing and letter receiving day. My letters home always revolved around the urgent need for pocket money and how desperately my friends and I were in need of homemade rice packets. My father would take time from his busy business activities to frequently pen a reply to these calls for help.

Putting his Parker 51 to paper, he would make eloquent statements about the need to experience life's challenges and forge ahead to make something of one's self, much like he had when he arrived in Kegalle with a fountain pen and an undetermined sum of money in his pocket.

Of course the first thing I would look for inside the brown envelope from home was for a crisp two rupee note, which back in the day, could buy you a mini feast at the college tuck shop, and then some. While I

marvelled at his cursive penmanship, the advice itself would usually be skimmed over fairly quickly. Priorities are different when you are eleven.

Power of the written word

For someone who didn't spend too much time with books, he was remarkably aware of the power of the written word, no doubt aptly supported by his faithful pen. He wrote quite well, a fact that began to dawn on me whenever I received his letters during my university years overseas. Looking back, I am so glad we didn't have e-mail and texting those days, which would have limited our correspondence to typo-ridden one-liners ending with a smiley face! Unfortunately, that will be the legacy I will be handing over to my own son.

He would write elaborately, not about the

goings-on around the family, but about the monumental developments that would rock Sri Lankan society with alarming frequency. Later on, working as a journalist in Sri Lanka, I myself would learn to grudgingly welcome, as a fact-of-life, the chaos that unfolded around our lives, all of which provided potent material for writers.

Citizen journalism

I was actually introduced to 'citizen journalism' through the letters of my father. Shortly after the 1977 general election, a letter from him spelled disbelief at the decimation of Sirima Bandaranaike's SLFP at the hands of J.R. Jayewardene and the UNP. An SLFP loyalist to his death, he would go on to lament the suspension of Mrs. Bandaranaike's civil rights and rightly argued about the need to uphold people's democratic rights, when much of the country was caught up with the windfall from the "open economy" of the day.

In another letter was a clipping of a photograph from the Daily News which showed President Jayewardene wearing the traditional amude when he parti-



Mohan Samarasinghe with his father's pen

pated in a national Wap Magul ceremony with members of his Cabinet. Needless to say, he had some saucy comments about JR's bare buttocks and chastised the Daily News for displaying them on its front page for the whole world to see. It wasn't until I started to work for the Daily News many years later that his affection for the paper returned.

Another observation attributed to his pen was when he mused "how in this majority Sinhala nation, a Tamil party would become the official opposition," which was a reference to the TULF's rise to power in '77. As many others of his generation, he could not grasp the reality of this watershed development in our country's political history. He was equally dumbfounded when the Sixth Amendment brought in by the Jayewardene administration virtually outlawed the TULF and left Sri Lanka's Tamils without political representation.

It didn't take me long to understand that my father was a wise man.

More agonising letters would follow. His heartache at the bloodbath of Black July 1983; and how he may have even saved some people, when he protected them from marauding mobs. His faith in humanity had taken a beating and



he advised me to be prepared to face a different country if I were to return. I did and experienced worse.

Peculiar relationship

The pen would accompany him and us through our lives. Weddings, funerals and all other good and bad times that life would throw at us. It probably played a small role in all of them. And it was most likely in his possession the night he passed away.

And now it has begun a rather peculiar relationship with me. For like most people of this day and age, I write on a computer and use multiple electronic devices to communicate with my loved ones. Such as "I gonna be late today" to my wife and "dinner ready, come down now" to my son. What would be the role of a fountain pen in such a society, I wonder?

The answer lies in my attachment not to the instrument itself, but to my relationship to its owner whose blood runs through my own instruments. It is about what he communicated to me, obviously sans such deep analysis, of how he felt of the world around him. For me, the pen is a pale shadow of a man whose life and times had a profound impact on my own.

I shall keep the old 51; and on a snowy Canadian evening, will once again take it for a spin down memory lane!

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