

Crises in west could be boon to Asean

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Asean companies are encouraged to take advantage of the global crisis, as the economic outlook for this region is promising in the medium and long terms, according to business leaders and academics.

Investors should not worry too much about how much stock markets plunge today, Kishore Mahbubani, dean of the Lee Kuan Yew School of Public Policy at the National University of Singapore, said yesterday.

In his keynote address to the CIMB Asean Conference in Kuala Lumpur, Mahbubani told business leaders that the future of Asia was bright despite the sovereign debt crisis in Europe and weakening of the US economy.

"Global economic power will shift towards Asia regardless of what happens in Europe and the US," he said.

As China has emerged and it is believed it will someday overtake the United States as the world's largest economy, Asean stands to gain from the shift of the centre of economic gravity from the West to the East.

"Middle-class populations in Asia now are estimated to be about 500 million and will rise to Bt1.75 billion in the next eight years" to 2020, he said in reference to the rise of purchasing power that would drive the Asian economy.

As both China and the US have increased their roles in the region, Asean will also benefit from a combination of competition and cooperation between the two giants, he said.

Asean has also enjoyed a peaceful society despite the diversity of faiths and cultures. There is no war in the region as Christians, Buddhists, Hindus, Muslims and others live in harmony with one another.

"The tragedy is that many of us are not aware of the opportunities," he said.

Nazir Razar, chief executive officer of CIMB Group, said the bank had done very well despite the global economic downturn.

"We have taken advantage of the global situation and made two significant purchases - the Asia-Pacific investment banking and equities operation of RBS, and the majority shares in Philippine Bank of Commerce," subject to regulatory approval, he said.

After the second purchase, Bank of Commerce, CIMB will have full universal banking capacities in all five of the large Asean economies - Malaysia, Indonesia, Thailand, Singapore and the Philippines.

However, CIMB is not less anxious about what lies ahead. The world is in the midst of a simultaneous banking, financial-markets and economic crisis that, in the last few months, has taken on a dangerous socio-political dimension in Europe with high unemployment, rapid changes in governments and growing diplomatic tensions at the international level.

There are concerns over the two Asian giants of China and India, with growth slowing in China and a potential foreign-exchange crisis bubbling in India.

Asean leaders should bring down barriers, especially non-trade barriers, within

the region, Nazir said. Asean should capitalise on its demographic dividend - a large population of the young. Asean needs to invest in infrastructure - logistics, roads, railways, ports and energy - which the Asian Development Bank estimates would need US\$60 billion (Bt1.9 trillion) per year.

Asean leaders should also liberalise financial markets to develop investment vehicles that can utilise the high savings in the region for infrastructure investment, he said.

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