TAN SRI TONY FERNANDES

GROUP CEO, AIRASIA

All for one, one for all

In his first statement to the Singapore parliament on the Association of Southeast Asian Nations (ASEAN) on 9 September 1967, exactly a month and a day after the Bangkok Declaration was signed, Singapore's then Foreign Minister S. Rajaratnam noted that economic life was rooted in interdependence and that national frontiers did not coincide with economic ones.

50 years on, his words remain as relevant as ever. Globalisation has meant that economies are now far more integrated than ever before, as are the fates of entire nations. And this trend shows no signs of slowing, despite the current swing towards protectionism in some countries.

Globalisation has meant that economies are now far more integrated than ever before, as are the fates of entire nations. And this trend shows no signs of slowing, despite the current swing towards protectionism in some countries.

The foresight of ASEAN's founding fathers has meant that the region possesses a framework to tackle the pitfalls of trade liberalisation as one, rather than as disparate entities, and to benefit from the free exchange of goods. But the world has changed since Malaysia, Singapore, Thailand, Indonesia and the Philippines met in Bangkok 50 years ago, and this generation of leaders must be equally far-sighted in order to navigate the new challenges that face the region.

It was a very different time in 1967. The war in Vietnam was reaching its peak, China had just embarked on the Cultural Revolution, and it seemed as though Asia would forever remain divided between communist and non-communist countries. Japan was entering the economic boom

that would make it the world's second-largest economy after the US in the same decade, while Hong Kong, Singapore, Taiwan and South Korea played catch-up and rapidly industrialised.

The flying geese paradigm was in vogue. Popularised by Kaname Akamatsu, it placed Japan in the lead, followed by the Four Tigers, then Malaysia, Thailand and Indonesia, with China, Vietnam and the Philippines bringing up the rear.

That paradigm has since been upended. Now Japan and South Korea are essentially on par, Vietnam and the Philippines are rapidly elbowing their way to the front and China has leapfrogged everyone. On top of all that, India has—in economic terms—emerged from China's shadow, making its presence felt.

And while communism has survived as official doctrine in China and Vietnam, market liberalisation has brought those two countries deeper into the fold of the global economic community.

So while conditions have changed, Rajaratnam's remark that the prosperity of ASEAN is a shared one still rings true.

Wedged between a resurgent China and a burgeoning India, ASEAN has no choice but to band together and harness its collective demographic and economic advantages or risk being relegated to an economic colony of these two great nations, rather than getting the chance to act as an equal player.

In this respect, economic reality has outpaced policy. Tariffs were reduced by 15 per cent in the two decades between 1996 and 2015, while the global trade in goods more than tripled to US$16 trillion during the same period. ASEAN is now the third-largest regional economic grouping after the European Union (EU) and the North American Free Trade Agreement (NAFTA), accounting for 7 per cent of world exports.

ASEAN is now the third-largest regional economic grouping after the EU and NAFTA, accounting for 7 per cent of world exports.

However, ASEAN is still hobbled by national interests that, while sensible to each individual ASEAN member, are collectively suicidal.

That's not to say ASEAN hasn't taken steps in the right direction. The ASEAN Economic Community (AEC), which envisions a free trade

zone stretching across all 10 member nations by 2025, is particularly promising.

But time is not on our side. The region is too small to afford any further delays to the objectives of the AEC Blueprint 2025 as the result of artificial barriers that stand in the way of true economic integration and impede the region's ability to compete in the long term.

Ownership restrictions are one example. Many businesses, including AirAsia, have operations throughout the region. But due to foreign ownership caps, pan-ASEAN businesses are required to enter into joint ventures that represent, at their most basic, a poor use of capital and manpower.

This prevents ASEAN companies from becoming global contenders, and this is in a region where scale can mean the difference between the life and death of a business. This lack of size also means companies in ASEAN have to depend on external growth engines.

China and India are the engines of global growth, and the only reason ASEAN has so far been able to avoid the slowdown experienced by the US and EU is its proximity to these engines. But being hitched to China and India is a doubled-edged sword—when they slow down, ASEAN also slows down.

There must be a collective effort to ensure that ASEAN is self-sustaining. I don't see any reason why that shouldn't be possible, since the grouping accounts for some 620 million people, which makes it larger than the EU and a huge market by any measure.

And, like the EU, ASEAN cannot thrive as individual countries. It's time we looked to the examples set by neighbouring countries like Australia, which is getting rid of ownership restrictions in selected industries, such as airlines, in order to reap the benefits of its market size and incredible talent pool.

To quote Rajaratnam again: "At such a time when most countries of the world are welding themselves into bigger and bigger economic units, the countries of Southeast Asia cannot go on believing that economic nationalism and self-sufficiency are the sure roads to modernisation and progress."

On the 50th anniversary of ASEAN, the region would do well to heed the words of Rajaratnam. AirAsia's motto is emblazoned on every

staff lanyard: 'All for one, one for all'. It's time ASEAN embodied that creed too.

Tan Sri Tony Fernandes is the Group CEO of AirAsia.
He has been the Group CEO since December 2001. The AirAsia Group is a multinational airline group headquartered in Kuala Lumpur. He bought the airline in 2001 for US$0.25. The group now operates a network of low-cost carriers, including AirAsia, AirAsia India, AirAsia Philippines, AirAsia Zest, Indonesia AirAsia and Thai AirAsia.
AirAsia is the kind sponsor of this Asia House publication.