

Shaping a new narrative for regionalisation post-pandemic

s “slowbalisation” really the new globalisation? For some time now, economists have predicted that globalisation will continue, although at a much slower pace, amid declining world trade volume and the flattening growth of global value chains.

The global trade war last year, for example, threatened to set the world back in terms of globalisation and the open market. Interestingly, as the global economy grappled with the repercussions of the US-China trade war, the Covid-19 pandemic became the catalyst that tipped the balance towards economic nationalism and the temptation of self-sufficiency.

While this seems to be a sensible response at inception, such an approach may not be sustainable in the long run if we are to rebuild trust in the economy and capital market. For one, the risk of distorting market inefficiencies, ultimately leading to costlier goods and services across the board, could be a real threat to global economic growth. In addition, with a population of 32.7 million people, our domestic market is relatively small, hence this may limit our ability to expand beyond our borders and also reduce the potential for economies of scale.

Winston Churchill said “never let a good crisis go to waste”. This is certainly true for Malaysia as we restart our economy cautiously on the back of recent rate cuts by Bank Negara Malaysia and prudent consumer spending. Indeed, while the world awaits recovery from



TRUST IN Resilience

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the pandemic, we must seize the opportunity to strengthen regionalisation in the new normal. This is a narrative that needs to be built on trust through the collaboration of various stakeholders, both the public and private sectors alike, using a focused and targeted approach, recognising our limited resources.

This article, the second in the PwC series on restarting Malaysia, shares the opportunities available to the nation from an international affairs perspective. While we acknowledge that Malaysia may have little chance of influencing global trade trends on its own, we certainly can play a significant role in influencing how the Asean region can work together in responding to the Covid-19-driven economic challenges.

Here are some suggested measures:

Keeping access available and doors open

It is imperative that we keep our borders open to promote trade route activity. The region in particular needs to address its non-tariff barriers (NTBs), which have significantly hindered Asean intra-regional trade amid increasing protectionist measures over the years. This includes controls in the form of quotas and licensing, customs and assessment procedures and high taxation, which have resulted in intra-Asean merchandise trade constituting only 23% of total trade in the region in 2018 compared with 69% in the European trade block, according to CIMB Asean Research Institute (CARI).

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As a first step, we need to identify member states’ NTBs before moving to negotiation to ease barriers; and to standardise, implement and enforce new trade liberalisation measures in order to facilitate greater intra-Asean trade and investments.

In addition, more business-friendly customs

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policies can provide breathing space to the already choked supply chain. Simplification of government processes for issuance of export-import licences, less cumbersome permit application processes and reduced approval costs are some ways Asean governments can revive regional trade activities.

Supporting businesses across the ecosystem

Asean governments can also come together by providing supplier promotion policies across Southeast Asia. Such policies can be designed to maximise the potential of local companies in each country to become production partners of multinational companies and regional players that are located in the various countries. Efforts can be made by carrying out competency mapping among potential Malaysian suppliers. Government agencies have an important role to play in starting the matchmaking process between local and regional-owned companies.

In addition, governments generally have better quality information through their open data systems, which can help companies sieve out rare opportunities. They can also design programmes to bridge the gap faced by companies in accessing reliable information, and support them in improving their competitiveness. Such programmes can also be

initiated on an Asean level to extend the chances of success.

Growing the region's potential for R&D programmes

Over the past decade, Asean has been attempting to develop an innovation policy for Southeast Asia, including building a regional hub, via the Asean Committee on Science and Technology. The Covid-19 crisis provides further impetus to develop programmes that encourage collaboration between businesses and between research organisations and industries with export potential.

Such programmes could look into addressing issues like:

- Liberalisation of cross-border goods, services and flow of capital that encourages R&D expenditure;
- Encouraging the manufacturing sector to invest more in R&D and collaborate with other regional players in moving this sector up the value chain;
- Closer cooperation between R&D-based universities across the region; and
- Tax incentives for private companies to encourage applications of R&D outcomes developed in the region.

I am confident that if these suggestions are executed in the right manner, they can certainly put Asean on a stronger footing as we navigate out of the Covid-19 pandemic in the next six

to 12 months. Increasingly, the regional economies see such collaboration as a necessity contrary to the immediate knee-jerk reaction of closing all borders.

These proposals, however, can only be enhanced if we have the right “environment” for them to succeed, which is dependent on several factors:

- **Strong political will:** As a region, we need the political will to overcome the challenge of being tempted to look internally. Working together as Asean countries in addressing the spread of the pandemic is only one part of the equation. We must also work in solidarity in coming up with a multilateral response across the region to prevent further shock waves throughout the regional economy.
- **Consistent regulations and standards on data privacy and cyber security:** As digital collaboration becomes increasingly important across the region, there is also a need to strengthen cyber security and data privacy laws to boost cooperation and build trust among the Asean nations. Such regulations in the digital space across the region also need to be harmonised to enable consistent application.
- **Public-private partnerships is a must:** Running the above-mentioned initiatives will likely cost any government across the region billions of dollars, if not trillions. In this respect, pub-

lic-private partnerships become an important pillar to keep taxpayer burden manageable. Private sector contributions should not only be restricted to participation and collaboration but, more importantly, putting in tangible investment, monetary resources and leadership to drive some of the projects effectively.

In summary, the implications from the Covid-19 crisis have created an opportunity for Asean to accelerate the level of cooperation among member countries as they navigate through this unprecedented crisis. Concerted efforts will be needed to coordinate these strategies across the roughly 649 million population. More importantly, mutual trust among member countries must reach a stage where honest and transparent relationships transcend across multiple levels.

At the end of the day, the success of these initiatives hinges on the ability of each country to contain the pandemic before reopening their borders by implementing the necessary standard operating procedures and protocols to ensure the safety of their people. The road ahead may not be easy but with trust as the enabler, Asean could very well be a formidable global economic powerhouse in the near future. ■

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