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Nazir Razak  
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## **NAVIGATING ASEAN AND THE NEW WORLD ORDER**

Esteemed life honorary advisors of Huazong

Mr. Kerk Loong Sing, chairman of the working committee

Mr. Tan Kim Chuan, general manager of promotion, Sin Chew

Co-organisers

Members of the media

Distinguished guests

Ladies and gentlemen.

Chow an. Ni hao ma.

It is good to be back at this fabulous event. I would like to thank Huazong and the co-organisers for the invitation, and for giving me the honour of speaking to this distinguished audience of leaders and aspiring businessmen.

The title of my talk is "Navigating ASEAN and the New World Order" although it sometimes feels like it is a new world "disorder". I have been tasked to share my experience in growing CIMB in ASEAN, my perspectives on ASEAN for those seeking business opportunities in the region and then take some questions. However, before I get to that, I would like to first discuss the big picture - the bewildering state of the world.

### **NEW WORLD ORDER**

The world has been turned upside down. That was my conclusion at the World Economic Forum annual meeting that I attended in January in Davos. President Xi Jinping became the first Chinese president to make an appearance in Davos and he delivered a stunning speech, in which he enthusiastically defended globalisation and took an assertive stance on free trade during the very week Donald Trump was sworn in as the 45<sup>th</sup> US President and delivered an equally stunning inauguration speech that called for "America first". You know a new world order is emerging when the leader of the Communist Party extols the virtues of globalisation and free trade, and the US President extols protectionism and self-sufficiency.

This was not the first sign China is stepping forward on the world stage. 'One Belt, One Road', the Asian Infrastructure Investment Bank, South China Sea, mega investments across the developed and developing world, acquisitions of top footballers for the Chinese league and so on should be seen as part of a coherent overall plan to take on

a leadership position, in part to defend its own interest. China has been a huge beneficiary of the US-led era of free markets, globalisation and liberalism (even though it chose to ignore the liberal part most of the time).

There are also now serious questions on conventional thinking about political systems. When the Berlin Wall fell in 1989, all we read about was the inevitability of democracy evolving in all countries; it was just a question of time. Today, when the US democratic system produces a President Trump and the Chinese one-party system produces a President Xi, you have to wonder what has gone wrong with democracy.

Brexit, Trump and the rise of the so-called neo-populist movements have economic underpinning. The rise of populism is a widespread working-class revolt against the establishment or business as usual, driven primarily by rising income inequality. A McKinsey study of 25 advanced economies showed that between 1993 and 2005, only less than 2% of households were not advancing in incomes. However, in 2014, 65-70% of households were in income groups with flat or falling incomes. In absolute numbers, fewer than 10 million people were affected between 1993 and 2005, but the figure exploded to between 540 million and 580 million between 2005 and 2014.

Globalisation and free markets have been hugely successful at bringing hundreds of millions out of poverty, mainly in the developing world, but inequality in the developed world has become unsustainable.

Technology has, of course, been a major contributing factor to economic and socio-political trends - the spread of information, automation and threat to jobs, as well as business dislocation. Technology empowers and brings new opportunities, but also massive challenges, to traditional businesses. It has also shaken democracy by virtue of the power of technology for the spreading of customised, but false, information.

So a new world order is emerging. What that new order will look like will be determined in the coming months and years.

How sustainable is the Trump-led US that is more insular and xenophobic at home and employing more muscular diplomacy for self-interest abroad? And if the regime itself sustains, what will the impact be on a world that has more potential flash points now than we have had in a long time – the Middle East, Eastern Europe, North Korea and South China Sea?

Will China's ascension as a superpower - economic and military superpower - be smooth?

What are the long-term effects of Brexit on Europe, but also on the idea of regional economic integration?

Where do democracy and free markets go from here?

How do we bring truth back to politics?

How will the technological change happening at this incredible pace affect our lives?

Big, big questions. I do not have the answers, but I would like to emphasise three points:

- 1) We live in uncertain times and change is the operative word; in business, politics and society. One needs to keep abreast of change; get ahead of it or strategise to avoid being victims of it.
- 2) I believe that the majority is in favour of moderation and collaboration. This majority have to rise and stand up against extremism to shape the new order.
- 3) Businesses have to become more socially responsible, with or without government intervention. We can no longer be just about bottom lines, but also about community interests. Business cannot survive if society fails. It is interesting that in India, there is even legislation that commands businesses to spend 2% of net profits on corporate responsibility programmes.

Ladies and gentlemen

## ASEAN'S GREATER INTEGRATION

Paradoxically, despite and because of all the uncertainties in the global arena, I have actually become more bullish about ASEAN as a regional community.

ASEAN is far from perfect, but in view of Brexit and the fragmentation of the European Union, the so-called ASEAN Way has been somewhat vindicated. We have been integrating slowly because ASEAN makes decisions on a unanimous basis and countries are allowed to opt out of initiatives they do not deem suitable or are not ready for. As a result, unlike in Europe, no one talks about exiting ASEAN; we talk about doing more with ASEAN.

The establishment of the ASEAN Economic Community, or AEC, on 1 January 2016 was a major milestone in the regional economic integration agenda that began in 1992 with the ASEAN Free Trade Area, and then gathered pace in 2007 with the ASEAN Charter. There have been positive steps to enable the freer movement of people, capital and resources around ASEAN, but the AEC fell considerably short of being the single production base that was promised, simply because it was too ambitious, especially since the implementation paradigm was the ASEAN Way.

The question now is whether we should stay with the pace that got us here or should we recalibrate in view of the emerging new world order? I believe that it is now time to accelerate economic integration. In times of great external uncertainty, we should look inwards and find ways to be stronger together, within ourselves.

ASEAN is a collective of over 600 million people so the opportunity to build great businesses accessing such a large market is obvious. We are one of the fastest-growing regions in the world, and demographics and our natural endowment suggest that high growth will continue. Similarly, the opportunities for synergies between countries and across the region remain enormous - studies show that if fully implemented, the AEC could bring at least 2.5% uplift in ASEAN GDP in 2025.

The risk is that if we do not take advantage of the opportunities soon, in the era of the Fourth Industrial Revolution, big global companies will eat our lunch as technological advancements transcend borders so easily. Take e-commerce and the huge success of Chinese enterprises, not least Alibaba because of the huge China market. Today, if you want to build an e-commerce business in ASEAN, you face all sorts of barriers to cross borders, from logistics to trade restrictions.

I believe that there are lots of integration opportunities within ASEAN that do not put at risk national interest, unless that national interest is narrowly-defined to be that of domestic companies. In banking, I see it every day where we would be far more efficient if we had more latitude to move people, information and processes. There are similar opportunities in other sectors, but what business needs are leadership and a more empowered ASEAN secretariat to drive change in rules and regulations in different countries. The ASEAN secretariat remains severely under-funded and under-resourced.

Ladies and gentlemen

## CIMB'S ASEAN JOURNEY

CIMB's vision is to be the leading ASEAN company. I have had the privilege to lead and transform CIMB from a small Malaysian investment bank to a leading ASEAN universal bank through a series of mergers and acquisitions as well as new builds across Southeast Asia. CIMB aligned its international strategy with the AEC from the moment it became official in the ASEAN Charter. Inspired by the promise of ASEAN as a single market and production base, we committed ourselves to being an integrated ASEAN company, and expanded rapidly to create a banking platform that would best serve the needs of institutions, companies and individuals in the region, especially those that operate in multiple ASEAN countries. We are now in all markets except for the Philippines and became arguably ASEAN's biggest cheerleader by making our tagline "ASEAN For You".

We fully embraced the AEC - the promise land of a single production base with the free movement of goods, services and skilled labour by 2015 - and we designed our business model to benefit from the expected greater flows of businesses across borders and easing of rules on operating across national borders.

It has been a tough journey. We knew that operating in multiple markets would be very challenging as it means managing and navigating different cultures, languages,

economic structures and political systems. However, what surprised us was how slowly the non-tariff barriers would come down so trade, capital and people flows did not grow as fast as we expected, and, more importantly, how resistant banking regulators were to regional integration. Governments have also largely ignored ASEAN in domestic policy-making.

Knowing all that I know today and having experienced many obstacles across ASEAN, I am happy to say that if transported back in time to 2005 when we first decided to evolve CIMB into a regional universal bank, I would still do the same. We have benefitted from regional economies of scale and the larger market. As a simple example, we recently spent RM1 billion on a new regional core banking system; a new system for each banking entity would have cost us at least 1.5 times that. And I can see more and more benefits of being regional coming over time, not least as we take on the cost of digitalising the bank.

If I had all the hindsight I have today though, I would, of course, make little tweaks in tactics and pace of how we went about regionalising CIMB. So perhaps some of the lessons we learnt can be helpful to those of you in this room who are contemplating expanding into the region.

Ladies and gentlemen

## KEY LESSONS

### **ASEAN is diverse**

The biggest mistake you can make in ASEAN is to believe that what works in one country will work in another. Diversity defines ASEAN. Even "yes" means different things in different countries. In Singapore, when your staff says yes, it means it is understood and it will be done. In Indonesia, it just means yes, I heard you. You have to follow up to make sure it is done. In Thailand, 'outrider' doesn't mean police escort, but your open bike.

To truly understand ASEAN, you have to have trusted local leaders to help you navigate local cultures, sensitivities and nuances.

### **Think multi-local, act regional**

When you face the customer, it is best to be local - your people as well as your communications and advertising strategy - even if the brand is regional. When we launched the CIMB Clicks mascot, the Octo, across the region, we found out later that in Indonesia the octopus was the description used for corrupt politicians getting into many pockets! We then had to retreat from an expensive advertising plan.

What is important are internal synergies and processes so we tell our people to act local, but think regional.

## **Integrity**

When operating abroad, you are a foreigner so stay clean. There will be all sorts of temptations to short-cut processes with a little bit of 'grease'. Rest assured that if anything goes awry, it is the foreigner that gets canned.

## **Community**

I spoke earlier about the importance of giving back to the community. When operating overseas, this is even more important. In Indonesia, there have been several instances when anti-Malaysia sentiment was expressed with demonstration, but CIMB Niaga has been spared because we have managed to be seen as part of the local community, and to some extent, more ASEAN than pure Malaysian.

## **Humility**

Finally, humility is important. As you strive for success, you may not want to be too successful and draw too much attention. We had the opportunity to merge and make large acquisitions, but I always declined being too big as at some level, nationalistic sentiment comes into play.

Ladies and gentlemen

## **FINAL REMARKS**

I have shared with you my perspectives on the world and ASEAN, and key lessons from my journey with CIMB across ASEAN. I think the turmoil that the world is going through now is leading us to a new normal with a changed political, social and economic landscape. History will reflect on the mid-2010s as a defining time in world history. Did we make the right leadership choices that have led us to a path of reforms, and to a more sustainable and stable global economy and geo-political balance? Did we avoid the clash of civilisations? Or did we make the old fault lines the battle lines of the future?

Amidst the emergence of the new world order, I think that ASEAN, a regional organisation with global importance economically and politically, must remain resilient, but be bold to exploit glaring value-creation opportunities.

For businessmen, I would say ASEAN is an opportunity. Seize it, but with eyes wide open; do not believe what the label says, but there is still much to enjoy provided you regionalise consciously.

Thank you.

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