

**BNM Economics Research Workshop 2015**  
***The ASEAN Economic Community: Vision, Opportunities and Challenges***

9 November 2015, Sasana Kijang, Bank Negara Malaysia

**Opening Remarks by Encik Abdul Rasheed Ghaffour, Assistant Governor,  
Economics Sector**

Distinguished Guests

Ladies and gentlemen

A very good morning and “Selamat Datang” to Kuala Lumpur! It is my pleasure to welcome all of you to Bank Negara Malaysia for the 2015 Economics Research Workshop. Today, we have around 250 participants from universities, regional central banks, think tanks, embassies, the private sector and government agencies. With an audience coming from such diverse backgrounds, I anticipate that we will see an active exchange of views and experiences throughout today’s sessions.

**The Bank’s Research Programme**

2. This annual event forms an integral part of the central bank’s broader research programme. The role of rigorous and objective research cannot be overstated. Like other central banks, Bank Negara Malaysia also relies on extensive research to form its views about the macroeconomic outlook, to assess potential risks and give forward looking guidance on policy options.

3. Therefore, it is pertinent for the Bank’s staff to constantly engage with researchers elsewhere. It helps the staff stay abreast with the latest methodologies and remain at the frontier of their respective fields. To facilitate a continuous process of capacity building, the Bank created new platforms for staff to conduct collaborative research with external researchers. For example, some recent areas of collaboration

include issues pertaining to the housing market, capital flows and trade. Some of these outcomes will be published in the Bank Negara Malaysia Working Paper Series and in accredited journals. We strongly believe that taking this transparent approach to advancing the research agenda helps us to better achieve our core mandates.

### **The Theme – The ASEAN Economic Community: Vision, Opportunities and Challenges**

4. The theme we have chosen for today's event is "The ASEAN Economic Community: Vision, Opportunities and Challenges". This year marks the establishment of the ASEAN Economic Community (AEC). Since the AEC's inception in 2007, each ASEAN member has committed itself to the goal of intensifying regional economic integration. With the AEC, the creation of a single market and production base was envisioned to enhance the region's competitiveness in the global environment and raise income levels of ASEAN economies.

5. ASEAN policymakers have worked hard over the years to make the AEC a reality. I personally feel there is an air of excitement amongst us policymakers. However, I'm also highly cognizant of the fact that policy only puts in place the necessary pre-conditions for economic integration. The extent to which the private sector successfully takes advantage of these favourable conditions will determine the true success of all these policy efforts. Many large companies have long recognised the benefits of venturing outside their national borders. However, some domestic-oriented businesses and, in particular, many Small and Medium Enterprises (SMEs) have been either sceptical or completely unaware of the potential benefits of the AEC. The fact is, SMEs play a significant role in driving growth and job creation. Across ASEAN member countries, SMEs contribute 20% to 50% to GDP and 50% to 80% of employment. It is critical that this segment of the business community becomes a priority segment for the

AEC's vision to be realised. With better access to larger markets, clearer and more harmonised regulations and more integrated financial systems, there is definitely scope for everybody to benefit from the AEC. Perhaps most importantly, broad-based participation in regional economic integration is crucial for the growth benefits to be inclusive and shared amongst all segments of society.

6. It is my hope that today's event will help raise more awareness about the AEC. I have so far advertised only the potential growth dividends from the AEC's implementation. Let me also stress that there are continuing challenges that we must face head-on. For example, non-tariff barriers (NTB) remain a significant challenge in creating a single market and production base in some sectors. This will be discussed in session 1 in relation to the food industry. In some instances, changes to domestic laws are necessary. It is also important for financial market integration to progress in tandem with integration in the goods and services markets. This ensures that as corporates and labour become more mobile regionally, the smooth functioning of payment systems and financing markets continue to facilitate economic activity. The on-going progress of financial market integration will be discussed further in Session 2. A cyclical issue that arises with economic integration is that disruptive shocks have the potential to cascade with higher intensity along the regional supply chain. The papers in Session 3 will delve into the effects of such shocks and the supply chain dynamics, while also highlighting the potential need for policy coordination in managing these shocks.

7. Political will is often necessary to achieve the AEC's goals and could represent an impediment if the changes may adversely affect certain segments of society. The papers in session 4 will cover some of these challenges in more detail. Overall, the presentations will touch on a broad range of issues that are cyclical and structural, and

macro- and sector-specific in nature on this very important topic. I am looking forward to the engaging and productive discussions ahead.

### **Concluding Remarks**

7. Finally, I want to thank everybody involved in this event – the paper presenters, discussant and the audience. If this is your first visit to Sasana Kijang, do explore our museum and art galleries. I remember being pleasantly surprised during my first visit and am now a regular patron. Without further delay, let us begin the first session which I have been given the task to moderate. Thank you.

Jabatan Ekonomi  
4 November 2015