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## **“Leadership is about Taking the First Step”**

*Exclusive stars interview with **Danny Quah, Dean and Li Ka Shing Professor in Economics, Lee Kuan Yew School of Public Policy, Singapore, conducted by Ruben Schoenenberger, Editor-in-Chief, Toggenburg Medien AG, Wattwil, Switzerland***

*Ruben Schoenenberger: In your speech at the stars Singapore symposium you argued that the Association of Southeast Asian Nations (ASEAN) could soon be a regional powerhouse. How do you arrive at this conclusion?*

Danny Quah: There are three principal reasons why ASEAN could be a regional or even a global powerhouse. The first reason is that it is where humanity is most concentrated. To visualise this idea, let us assume the world is a global democracy. Following the ideals of democracy – one person, one vote – where would the world’s most concentrated cluster of a simple majority be? It turns out to be a small circle, 3’300 kilometres in radius, with center on the border of Burma and China. That’s one sixth of the world land area. But it contains half the world’s population. So this area in Asia is where humanity lives. That also points to where the world’s global challenges are: global climate change, pandemics, financial instability. It is here that the world needs to get together to solve global problems, to tackle global challenges.

The second reason is the economic centre of gravity. It turns out this too has an answer that can be worked out. We combined Google Earth with statistics from the World Bank and constructed sort of a grid of economic activity. What we found was that in the 1980s the world’s economic centre of gravity was somewhere in the Atlantic Ocean. But the centre has drifted east over the years. Not monotonically, but more or less steadily. As of last year, the centre has moved 5’000 kilometres across the planet, from the middle of the Atlantic Ocean to the Persian Gulf. And it is set to continue. Within 25 to 30 years, the centre will be in East Asia. It will be aligned with the world’s tightest population cluster. These are two strong reasons that this region will indeed be a powerhouse.

The third reason is history. History shows that economics and politics eventually align. They converge. The reason that the world’s political decision-making body today is in the US is that the US is the most powerful economy. But as the world’s centre of economic gravity changes, power shifts.

*But ASEAN countries are quite different. To become a powerhouse, wouldn’t it be necessary for ASEAN countries to develop a common understanding of certain things?*

Absolutely right. There has to be a commonality of some kind. The obvious commonality is in the challenges they face. Not necessarily in the interests, the aspirations. They face the challenge of global climate change. They face the challenges of huge poverty, of economic development, of infrastructure investments. They face problems of international financial instability. Long before the 2008 global financial crisis we had the 1997 Asian financial crisis.

However, it is an open question whether commonality of interest is necessary or even sufficient to build a consensus. Many nations that do have commonalities do not cooperate. What the world has done is to build international systems. We built an international architecture. We built the United Nations, the IMF, and the World Bank. They bring nations together even when they do not have common interests. And even when they do, you still need that architecture. The European Union is a wonderful construction. It is a continent united in the notion that we must no longer have war. But even within Europe, there are differences of opinion. Brexit is just one manifestation of it.

*Could the ASEAN single market be a similar sort of international system?*

I would like to say that Asian or Southeast Asian or even ASEAN trade integration is the beginning of it. And the ASEAN regional integration story at first indeed does sound very hopeful. Over 95% of all goods that are considered essential are basically tariff-free now. But the reality is still quite different. There are significant obstacles in non-tariff-barriers. There are significant differences in income levels across ASEAN, in infrastructure and in many more areas. These differences make unifying ASEAN difficult. The cost of putting a factory worker to work in Singapore for example is scores of times higher than in Laos or Cambodia.

*If we take the single market in today's form or in a possible future form, how does it affect the global economy? Should the US as currently biggest economy in the world be fearful of its rise?*

Right now, the US feels threatened by the rise of China. But China remains an economy half the size and with a population four times the size of the US. Per capita, China is still very poor in comparison. The US feeling threatened by China can have various reasons. When the US looks at China, it thinks the ideology is different, they do not speak the language, it is a non-Christian society and so on. Another reason could be that the US feels its economic primacy challenged. It just so happens to be by China, but it could have been anybody. If that is the story, then yes, the US will feel threatened by the rise of an ASEAN community.

However, we could take the view that the world is one where stronger nations all around the world make for a stronger nation at home. Because economic prosperity makes people feel more comfortable, more confident. I hope that the US and the EU would look at the rise of ASEAN in this way and, therefore, with a very positive feeling that economic development and increasing incomes will make the world stronger. I hope that is going to be the narrative that people are going to believe.

*Speaking of China, you mentioned that it is an open question how ASEAN countries will deal with China's "One Belt, One Road" initiative.*

Yes, it is. Do they treat it as a potential risk or a potential opportunity? It is difficult to make a firm prediction. One view is that this is China's grab for power. That China is trying to write the rules of the game. By extending loans, China gains power over the countries borrowing. Or by enlarging its influence, China is making friends. So, nations will align with China when having to make a decision.

But there is another view as well. This view focuses on the notion that China does good for others by doing what is good for itself. By building infrastructure, China finds ready markets for its goods and in return gets access to resources. And sometimes, it is said, the initiative is a cynical attempt for China to export its excess capacity. But

that is a bit silly: all international trade is about exporting excess capacity. It always has been, ever since Portugal exported its excess capacity in making wine to England.

What is the actual reality going to be like? Probably a bit of everything. ASEAN countries will deal with it and will continue being friends with everyone.

*Coming back to the EU, how would you describe the relationship between ASEAN and the EU?*

It is a very friendly one. ASEAN as a whole realises that the EU is buying a major part of ASEAN's exports. And everybody realises that the EU is the largest foreign investor into the region. One of the EU's largest export markets is ASEAN.

*Is the EU a role model as well?*

There are some who look at the EU as a role model. Because of its supranationalism in certain areas, the EU is able to decide quickly. The ASEAN way, as it is called, is basically a system of veto that is much slower. But many think that this has been a critical ingredient for ASEAN's success.

*Making decisions is a big part of leadership. You once said in an article in the South China Morning Post that "Leadership is being the adult in the room". What do you mean by that?*

I don't subscribe to the idea that the world performs at its best when there is a strong leader who basically tells others what to do. The world we live in today does not fall in line with that. I would like to suggest a form of leadership that is about taking the first step. Making the phone calls to say we should meet, for example. And maybe not even lead that meeting then. Sometimes nobody in a room makes a step even though everybody knows that if someone makes the first step, the outcome is – no matter what – going to be preferable to the status quo. It's about initiative, it's about leading by example in a quiet, under-stated way.

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