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## **28 Outstanding Young Asian Future Leaders Express Their Thoughts on ASEAN's Role in Asia and the Global Economy**

*– The 12<sup>th</sup> Hitachi Young Leaders Initiative students believe enhanced connectivity, closer cooperation and greater integration will bring many benefits to ASEAN countries –*



**Bangkok, July 5, 2013** – Hitachi, Ltd. (TSE:6501) today announced that it hosted the press conference on 4 July for the 12<sup>th</sup> Hitachi Young Leaders Initiative (HYLI) students who shared their thoughts and recommendations under the theme '***The Road Ahead: ASEAN's Role in Asia and the Global Economy***'. The event, held in Bangkok from July 1 to 5, 2013, sees the gathering of key regional politicians and thought leaders to speak on the said subject.

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A regional corporate social responsibility program by Hitachi, Ltd., HYLI has, for the past 17 years, provided young people with a platform to exchange ideas on pressing issues in Asia.

HYLI brings together the brightest 28 students from seven participating countries, namely Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam and Japan, who have shown potential to become leaders.

After interaction with the distinguished speakers on the first two days, the students conducted three days of intensive workshops and expressed their ideas on the theme '***The Road Ahead: ASEAN's Role in Asia and the Global Economy***', as well as sub-themes '*AEC 2015: What can ASEAN really expect? Asia's significance in the global economy*' and '*Connectivity: The driver of ASEAN competitiveness*'. They also participated in field trips, community activities and a cultural tour that enhanced their understanding of the themes.

"We are delighted to see our future Asian leaders taking ownership of the current issues affecting the ASEAN region by working together with their fellow HYLI students to propose solutions that have the potential to inspire positive change," said Ms. Yukiko Araki, Executive General Manager CSR Division, Hitachi, Ltd.

"HYLI has not only given me the chance to voice my ideas on how and in which ways I would like to see my country developing, but also fostered cross-cultural understanding among our friends in Asian countries," said Mr. Aekarak Sethi, one of the 12<sup>th</sup> HYLI students from Thailand.

Please refer to the *Executive Summary of the four groups of students' proposals* for more details.

**About Hitachi Young Leaders Initiative (HYLI)**

The 'Hitachi Young Leaders Initiative' (HYLI) is a community relations programme that aims to identify and nurture potential Asian leaders by bringing them together to discuss regional issues with influential government officials, prominent business leaders, academics and NGO representatives. Since its inauguration in Singapore in 1996, the HYLI has been successful in bringing the best and brightest students in Asia together. Currently, the seven HYLI participating countries are Indonesia, Malaysia, the Philippines, Singapore, Thailand, Vietnam and Japan. The initiative offers student participants a unique platform to broaden their outlook on regional and global issues while promoting Asian values and cross-cultural understanding. For more information, please visit <http://www.hitachi.com/society/global/hyli/>.

**About Hitachi Asia Ltd.**

Hitachi Asia Ltd., a subsidiary of Hitachi, Ltd., was established in Singapore in 1989 and operates across seven Asian countries (Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam). Business includes information systems, power and industrial systems and digital media systems. For more information about Hitachi Asia, please visit <http://www.hitachi.com.sg>

**About Hitachi, Ltd.**

Hitachi, Ltd. (TSE: 6501), headquartered in Tokyo, Japan, is a leading global electronics company with approximately 326,000 employees worldwide. Fiscal 2012 (ended March 31, 2013) consolidated revenues totalled 9,041 billion yen (\$96.1 billion). Hitachi is focusing more than ever on the Social Innovation Business, which includes information and telecommunication systems, power systems, industrial, transportation and urban development systems, as well as the sophisticated materials and key devices that support them. For more information on Hitachi, please visit the company's website at <http://www.hitachi.com>.

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12th HYLI (2013) - Group 1 – AEC 2015: What can ASEAN really expect and Asia's significance in the global economy

## EXECUTIVE SUMMARY

### Group 1: The Role of ASEAN: Leadership in the Global Economy

ASEAN Economic Community (AEC) 2015's goal of economic integration, creating one single market and production base among ASEAN countries is almost nearing enactment. With a proposal this important, full cooperation from ASEAN Member States (AMS) is of utmost importance.

The ASEAN Secretariat, being the coordinating organ that ensures diplomatic relations, has a vital role in the realization of this undertaking. However, the current limitation of the Secretariat's power in terms of ensuring implementation of these agreements has been one of the major roadblocks in the process of integration. Therefore, it is imperative to extend the scope of responsibility of the Secretariat, allowing it to perform functions such as providing an Early Warning System to AMS who are performing inadequately in their respective domestic responsibilities without sacrificing diplomacy among nations. This would urge the governments to be more assertive in the implementation of the AEC guidelines.

Free movement of skilled labor as a window of opportunities to create single market is faced with challenges where there is variety of standards set up nationally for each professional. ASEAN Mutual Recognition Agreement (MRA) was agreed upon by ASEAN nation to facilitate the movement of skilled labor but it lack implementation at the national level and require the empowerment of national governing body of each professional. By empowering these governing bodies it would not threaten the decision making power of the local government rather it is to assist them in the implementation process of each MRA.

Strengthening of soft infrastructures such as health care and education would lead to the capacity building of nations. By improving the health status of the population, you are enriching the workforce, allowing them to be more productive members of an economy. ASEAN's efforts in achieving MDGs have already paved way for the improvement of the health status. Using this forward current as a vehicle, ASEAN can provide incentives to AMS that are showing the most improvement. Domestic measures such as people empowerment and effective channelling of human resources to where they are needed are key interventions in achieving this goal.

The survey on ASEAN Community Building Efforts shows that 76% of ASEAN Citizen "lack of a basic understanding" about ASEAN. However, the statistics also show that 81% are "familiar with" or have heard of the idea of ASEAN. This means that there is a good foundation to build up in terms of raising awareness about AEC 2015 among ASEAN citizens. More specifically, several solutions for this issue may include: Providing in depth information about AEC to SMEs owners via Coordinated National Governmental Agencies; Suggesting AMS governments to increase ASEAN youth awareness about AEC 2015; Promoting campaigns about AEC 2015 to ASEAN youth; Including education about history and culture of AMS as well as the history of ASEAN itself from elementary level to enhance people's comprehension about ASEAN in the long term.

Small and Medium Enterprises (SMEs) must be guided by agencies in order to navigate around the complexities of the rules and regulations of AEC. We propose the establishment of a local agency in each country (which will be staffed by professionals) which could assist SMEs in taking advantage of the preferential tax treatments brought about by AEC. In addition, these agencies could promote intra-regional investments across borders. One of the key issues that are preventing SMEs from expanding overseas is the inability to understand sociocultural nuances, regulatory and business landscape of a foreign country. The SMEs could approach these agencies for assistance when it comes to entering the market. This will actually greatly remove the barriers that are preventing SMEs from moving across borders. More importantly, we believe that such a proposal would be very feasible to implement as various ASEAN countries already have SME agencies. All we need to do is to give these agencies the additional responsibility of guiding local SMEs around the changes brought about by AEC as well as foreign SMEs around the business landscape.

In conclusion, by empowering ASEAN Secretariat such as to implement the early warning system, it will ensure the AMS to implement the plans to achieve AEC2015.



### **Executive Summary – Group Two**

The ultimate goal of AEC is to shape ASEAN into a leader in today's world. Leadership in the global arena involves competence in sustaining economic growth, being the preferred center for investment and trade, being an influential player, and resilience against external shocks. The first task of ASEAN is to build a region with a strong and integrated internal foundation that is vulnerable to threats. This would provide a strong foundation for ASEAN, enabling the region to work towards the realization of those critical goals. These five major challenges have to be overcome.

First, development gaps among the member states need to be closed, and problems pertaining to them need to be overcome. Varying economic positions of the AMS lead to conflicting interests towards common rules such as tariffs, while it remains essential to find a way to finance infrastructure projects in the CLMV to foster their growth. As it is urgent to strengthen competitiveness of private sectors in these countries, a committee ought to be established to improve the supervision of both public and private sectors to facilitate growth. One method of financing infrastructure projects is Public-Private Partnership. An alternative would be to compose multilateral financing agreements with dialogue partners such as Japan.

In addition, SMEs demand serious attention from the ASEAN leaders. Accounting for 96% of enterprises in the region, they play a crucial role the realization of AEC. At present, most SMEs in ASEAN do not have sufficient capacity to innovate and survive in the regional market. Therefore, sector-specific dialogues between ASEAN officials and SMEs are important to promote cross-border investment and help SMEs develop products that possess regional appeal. In this regard timely report on the implementation of the ASEAN Policy Blueprint for SME Development 2004-2014 is essential.

In order to encourage and stimulate FDI, current inconsistencies and disparities in market standards such as quality control have to be addressed. The implementation of market standards would facilitate an open and equitable market, bringing the advantages of reliability and consistent superior quality, promoting equitable economic development. These standards need to be agreed among AMS and implemented on ministerial levels through ministries of trade or industry, chambers of commerce and BOI. This would foster accountability and transparency within the diverse and fragmented markets of ASEAN.

Perceived benefits of existing FTAs are distorted when multiple FTAs overlap, producing the “noodle bowl effect”. ASEAN needs to work towards integrating itself into the global economy as a region, instead global interaction at the level of individual countries in order to foster collective growth due to the absence of a strong regional bloc in the present. Priorities of the region need to be unified so that infrastructures and resources can be used in the most effective way. Limiting priorities to top three needs on each sectoral level and defining a niche for the ASEAN economic region are the solutions.

Furthermore, progress of AEC is impeded by the inability of the ASEAN Summit to enforce AMS to comply with relevant agreements, rigid bureaucracy and lack of cooperation that delay the implementation of plans stated in the Blueprint, and the ineffectiveness of the AEC Scorecard in helping private sectors evaluate ASEAN leadership. The leaders must be pushed to grant more space to ASEAN Secretariat to take bold actions, align national agenda with regional priorities, and invite external agencies to assist to compile and assess a more detailed Scorecard in 2014 to enable effective action

Ultimately, the successful implementation of measures specified in the AEC Blueprint by 2015 does not guarantee a desirable regional economic integration. It must be supported by thorough completion of provisions specified in the APSC Blueprint and the ASCC Blueprint as well. For example, ASEAN identity, R&D initiatives, and education systems urgently need to be promoted to instill a sense of belonging. Good governance, conflict prevention mechanisms and pacific settlement of disputes also need to be robustly enhanced. APSC guarantees regional survival against destructive security threats, while ASCC ensures that the benefits of AEC are well-utilized by the ASEAN citizens. It is concurrent implementation of these three schemes that can concretely facilitate work towards a united ASEAN.

Group 3 Executive Summary

## Executive Summary

### Connectivity: The Driver of ASEAN Competitiveness

#### Optimization of regional energy resources through enhanced connectivity

With the dynamic and exponential economic growth of ASEAN, it will surely be one of the top regions in the world that would need to generate more energy to facilitate the boom. Therefore, energy security and sustainability have been raised as main concerns of not only each member country but also the whole region. However, ASEAN countries' energy efficiency and inequality are now posing tremendous challenges for its energy security. To tackle these two main challenges, we propose initiatives calling for collective efforts and actions from multiple stakeholders, such as governments, citizens and enterprises, especially SMEs and MNCs, in both national and regional schemes aiming towards a future of sustainable and efficient energy situation.

Standardizing energy infrastructure, increasing ASEAN physical connectivity as well as optimizing renewable energy resources are key solutions to energy inequality. The energy connectivity effort is going on the right track with the implementation of ASEAN Power Grid (APG) and Trans-ASEAN Gas Pipeline (TAGP) but are obstructed by numerous technical, economic, social, environmental problems. We propose a more visionary planning, stronger commitment and closer cooperation among ASEAN governments. On the other hand, to facilitate the executions of countries and region-wide projects, standardization of the energy infrastructure across all member countries should take place, providing more feasible benchmarks as a region as well as addressing the disparities in power generation compatibility and safety regulations. Governments should also prioritize and support renewable energy generation by promoting Public-Private Partnership Model, aiming to diversify energy resources and ensure sustainability.

Issues on energy efficiency should be tackled at both the generating and consuming levels. For the former, technology should be improved. For the latter, environmental awareness and responsibility need to be deeply cultivated in consumer behaviour. Besides this, we propose the promotion of eco-friendly products where media and education play a significant role in raising people's awareness; the government in giving incentives, especially tax reduction for *green production*. Moreover, our initiatives also emphasize the vital role of governments as fundamental drivers and stakeholders. Governments should foster their relationship and prioritize support for research institutes, especially universities, to encourage innovation on sustainable energy solutions. Investment in sufficient and cleaner public transportation can also work out as social effort to save energy consumption and solve other environmental, infrastructure problems.

In conclusion, ASEAN countries need to take tremendous national actions and regional cooperation to achieve the goal of better energy efficiency and sustainability. Taking these initiatives can help create a *Self-Sustaining, Greener and Integrated ASEAN* which ensures energy self-sustainability for each member nation, optimizes renewable energy resources and pursues eco-friendly energy actions with a collaborative spirit.

## 12<sup>th</sup> HYLI (2013) - Group 4 – Connectivity: The Driver of ASEAN Competitiveness

### **Tackling ASEAN's Energy Imbalance: *Solving the Technological and Capital Disparity***

Tackling the energy imbalance remains an ASEAN priority. The region faces a steep surge of energy demand in the next two decades, and despite having considerable amounts of coal and gas in the region, more will still need to be imported. Demand sources include forecasted rapid urbanization and industrialization rates, potentially aggravated by the implementation of the AEC. ASEAN will also witness a phenomenal increase in vehicle ownership over the next two decades, resulting in staggering demand for gasoline and diesel, of which most of it has to be imported.

Successfully tackling the energy imbalance in ASEAN will bring about improved electrification rates, reduced impact of price volatility on energy imports, and ultimately, reduced developmental gap within ASEAN. To do so, technological development and diffusion are vital. Poor infrastructure to support electrification rates, the non-existence of refineries in Cambodia and Laos, the usage of outdated, oil-dependent technologies, and energy transmission inefficiencies are striking examples.

In our recommendation, there should be a new set of regulation for Private-Public Partnerships (PPP), which includes a proposal for a new *Energy Saving Mechanism*, allowing foreign private companies to share technology with local ASEAN companies, through proper intervention of government, which will produce efficient means of energy saving. The larger portion of this savings in terms of resource is going to the local private company for further use, while the rest is going to the foreign company and the ASEAN energy reserve. Another alternative is to grant long-term partnerships and/or tax breaks as incentives for producers and generators in exchange for a “*joint education program*” set by the foreign company.

Due to the fact that in 2012, Indonesia alone spent \$20 billion for subsidies in the energy sector, a second viable recommendation would be to reallocate such subsidies and invest those amounts in green energy, public transport, et cetera. However, reduction of subsidies often leads to riots and political instability. To resolve this predicament, six main points are necessary to operationalize this proposal: flexible policy, compensation, transparency, balance of information, right price, communication, and strong leadership. Moreover, it is proposed that the best time to impose subsidy reduction is strategically during the period when oil prices are low and after the election period.

The long-term approach to even out the technological and capital disparity between ASEAN member countries is through education. In our recommendation, the education programs will be implemented in three stages. The first stage of the program entails arranging power saving courses that will be compulsory for primary schools to give to the students. University students that study in the energy sector will be exposed to the second stage of the program, which requires the freed capital from reducing subsidies to be allocated to updating the curriculum to reach international standards. For the third stage of the program, the government will have to design regulations for the foreign private companies participating in the PPP program to include local engineers to the technical and management teams working on the energy project that the companies undertake.

The implementation of the recommendations presented to solve the technological and capital disparity in the region must go hand-in-hand with the programs intended to address the domestic issues that still plague each member countries in order to create an ideal ASEAN: an integrated market that is self sufficient in energy.