ASEAN needs to create more substance and go beyond creating just expectations, said Surin Pitsuwan in a candid keynote address on Wednesday.

Speaking to invited guests at the presentation of the Asean Competitiveness Report 2010, the Asean secretary-general said: 'Asean has been very good at providing the centrality of goodwill. But with research like this coming our way, it is time for Asean to provide the centrality of substance . . . We need substance.'

Dr Surin added: 'We (Asean) are not operating in a vacuum. While we are attracting investments, we must continue to improve our competitiveness as we are competing with others for these investments.'

He felt that among other things, Asean countries must 'increase investment, improve productivity and drive technological innovation in order to keep other competitive markets away.'

The report, which adopted the competitiveness model developed by Michael Porter of Harvard Business School, analysed the areas of relative strengths and weaknesses in Asean's competitiveness fundamentals while doing a cross-country comparison within the grouping of 10 countries.

According to Wong Marn-Heong, assistant professor at the Lee Kuan Yew School of Public Policy and lead author of the report, Asean as a whole has relative strength in the areas of supporting and related industries and clusters, capital market infrastructure and strategy and operational effectiveness. Its areas of relative weakness are in administrative infrastructure, rule of law and human development.

On a cross-country comparison, Singapore's top three strengths are in administrative infrastructure, due to the low burden of government regulation as well as the short time required to start a business; context for strategy and rivalry owing to low rigidity of employment, among other things; and logistical infrastructure built on a world-class port and airport infrastructure.

In a separate presentation, Tan Kong Yam, director of the Asia Competitiveness Institute and adjunct professor at the Lee Kuan Yew School of Public Policy, traced the evolution of the US, European Union, Japan, China and India as growth engines of the Asean-5 countries (Singapore, Malaysia, Indonesia, Thailand and the Philippines).
According to Prof Tan, although China has become a major engine of growth for the Asean-5 over the past decade, the US is still 1.53 times more important than China, and the US and Japan put together are still twice as important as China as the growth engine for the Asean-5.

The EU's importance to the Asean-5 is equal to that of China. However, China has become 1.88 times more important than Japan as a growth engine for Asean-5.

India, on the other hand, is not yet a substantial growth engine for the Asean-5 even though it is of increasing importance to Singapore, Malaysia and Indonesia.

A worrying trend is the pattern of trade growth within Asean. The presentation showed that the growth engines have actually weakened among the Asean-5, with intra-Asean growth engines mainly confined to among Singapore, Malaysia and Indonesia.

For Singapore, China's importance as a growth engine has increased from 0.165 in the 1980s to 0.748 in the past decade, and it is as much as 2.52 times more important than Japan as an engine of growth.

Japan and the US both saw declines from the 1990s in terms of relative importance as engines of growth for Singapore, although when compared with China, the US is still 1.34 times more important.

Meanwhile, the mutual dependence of Singapore and Malaysia as growth engines fell. However, Indonesia has risen to become a more important growth engine for Singapore over the past decade.

Prof Tan also noted that US participation in any Asian regional grouping is critical as it is still the most important engine of growth for all the Asian economies, except Taiwan and Hong Kong.

He also recommended that for Asean to strategically balance the rising over-dependence on China, based on its rapidly rising relative importance, the key network linkages with the most future potential are India-Indonesia-Singapore, Australia-India and Japan-Indonesia-Singapore.