

An Overview on Growth & Development of ASEAN Countries

Dr. Ruchika Gahlot

Assistant Professor, Department of Business Administration, Maharaja Surajmal Institute, C-4 Market, Janakpuri, New Delhi, Delhi, India

***Corresponding author:**

Dr. Ruchika Gahlot

Received: 10.01.2019

Accepted: 15.02.2019

Published: 25.02.2019

Abstract: The main idea behind this study report is to understand the economic growth as well as the developmental prospects of the ASEAN economy. The study focuses on giving brief information about the ASEAN to the reader and also giving a picture that is as true as possible about the current economic and developmental scenario in the region. The study is entirely based on secondary sources of information. During the study it was found that most of the ASEAN nations which are considered to be manufacturing oriented have been shedding their image. The services sector currently employs more people than the industries sector in most of the countries. The services sector has been growing at a faster pace and can replace the industries and manufacturing sectors as the largest contributor to the ASEAN economy in the coming years. The industries like financial services, consumer goods, telecommunications have been broadening their markets rapidly and extensively due to a large consumer base that has been formed in the ASEAN.

Keywords: ASEAN, GDP, FDI, Health, trade partners.

INTRODUCTION

The Association of Southeast Asian Nations, ASEAN was established on 8 August 1967 in Bangkok by the five original member countries: Indonesia, Malaysia, Philippines, Singapore, and Thailand. Brunei Darussalam joined ASEAN in January 1984, followed by Vietnam in July 1995, Lao PDR and Myanmar in July 1997 and Cambodia in April 1999 — together making up the current 10 member states, or the ASEAN 10. This unprecedented Asian regional grouping was formed at a time of both promise and challenge for the world. While technological advances in telecommunications, production efficiency and transportation were helping to extend the post-war economic boom, especially in developed countries, geopolitical tensions continued to fuel conflict and political insecurity in Asia and other developing regions, hindering their growth, stability and prospects.

Southeast Asia's emerging economies faced many issues in common, ranging from poverty, unemployment, and limited access to education and social services, to concerns over food security for their rapidly-growing populations. The founding members of ASEAN believed that the member states had a shared responsibility for improving economic growth and

promoting peace and stability in their region, through building a unique regional model that was distinctly Southeast Asian. While not a panacea for all their challenges, ASEAN's establishment provided a foundation and framework for member states to act in concert to address a wide range of complex issues and to access emerging opportunities. In particular, there was a shared commitment to leverage existing bonds of regional solidarity and cooperation and address common shared global concerns together. The ultimate aim was both visionary and practical: to accelerate economic growth, social progress and cultural development among member states. For many living in the founding member states, however, ASEAN was still only a high-level aspiration. Translating the vision of its constituent national Leaders into a concrete regional agenda that would deliver tangible benefits to people at all levels in diverse economies and societies — in ways that also aligned with their national agendas — would become ASEAN's first, and ongoing, priority.

The ASEAN Declaration states that the aims and purposes of the Association are to accelerate the economic growth, social progress and cultural development in the region through joint endeavors in the spirit of equality and partnership in order to

Quick Response Code



Journal homepage:

<http://crosscurrentpublisher.com/ccemms/>

Copyright © 2019 The Author(s): This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC BY-NC 4.0) which permits unrestricted use, distribution, and reproduction in any medium for non-commercial use provided the original author and source are credited.

DOI: 10.36344/ccijemms.2019.v01i01.002

strengthen the foundation for a prosperous and peaceful community of Southeast Asian nations, and to promote regional

Peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and adherence to the principles of the United Nations Charter. In 1995, the ASEAN Heads of State and Government re-affirmed that “Cooperative peace and shared prosperity shall be the fundamental goals of ASEAN.”

The Treaty of Amity and Cooperation (TAC) in Southeast Asia, signed at the First ASEAN Summit on 24 February 1976, declared that in their relations with one another, the High Contracting Parties should be guided by some principles.

ASEAN established the ASEAN Community agenda in 2015, aimed at establishing a deeper and more unified ASEAN identity by 2025. Contrary to common belief, the ASEAN community agenda looks beyond purely economic aspects, and comprises three key pillars:

ASEAN Political–Security Community (APSC)

To increase political and security cooperation and strengthen ASEAN’s capacity in responding to regional and international challenges.

ASEAN Economic Community (AEC)

To develop an integrated, cohesive, and inclusive ASEAN economy that supports high economic growth, is resilient to global economic volatilities, and narrows the development gap between member nations.

ASEAN Socio-Cultural Community (ASCC)

To improve the quality of life of people through cooperation that is people centered, is socially responsible, and promotes sustainable development.

In 2017, ASEAN celebrated 50 years of peace and prosperity, an achievement which is all the more remarkable given the diversity and conflict which characterized the region over the first half of the 20th century. Over the past half century, ASEAN has successfully weathered economic headwinds such as the Asian financial crisis of 1997 and the global economic meltdown of 2008-2009, maintaining strong and steady economic progress, even after doubling its membership to 10 member nations by 1999. Since then, the region’s GDP has more than quadrupled, from US\$577 billion in 1999 to US\$2,551 billion in 2016, making it the sixth-largest economy worldwide.

Growth Leaders in ASEAN

Indonesia: Indonesia is expected to have surpassed the trillion dollar GDP mark by 2018, recording stable growth over the next few years.

Diversified exporters such as Indonesia have maintained stable growth despite global markets witnessing uncertainties in commodity prices in recent years. Having retained a healthy growth rate between 5 and 6 percent since 2010, Indonesia is estimated to have surpassed US\$1 trillion in GDP size in 2018. Factors such as stable household consumption, public spending on infrastructure, and an anticipated recovery in commodity prices are expected to maintain annual GDP growth of above 5 percent until 2022. Policy reforms have played a key role in responding to commodity risks, but more focus is required to sustain growth. Key reforms initiated in recent years include the removal of fuel subsidies in 2014–15 and the announcement of 16 economic packages over 2015–17, focusing on areas such as foreign direct investment (FDI) liberalization, deregulation, tax reforms, and reductions in permits/procedures for businesses. Although reforms have helped Indonesia jump 19 positions in the “Ease of Doing Business” ranking for 2019, the country requires greater focus on areas such as the ease of starting businesses and in enforcing contracts, where it continues to record a much weaker performance.

Thailand: Back on the upward trajectory, Thailand is projected to record lower but stable growth over the coming years. Thailand matured into an upper-middle-income economy in 2011, driven by strong growth of above 7 percent between 1985-95 and stable growth of around 5 percent after the Asian financial crisis, until the global economic slowdown in 2008-09. However, the economy then experienced a tough time, achieving just 0.9 percent growth in 2014 with political instability impacting local consumption, investments and exports. The economy has recovered strongly since then and is projected to remain on a growth path until 2022, being driven by improvements in political conditions such as an expected return to civilian rule in 2018- 19, growing private consumption, and rising infrastructure investments. Infrastructure investments mark a key focus area for the government to boost economic growth going forward.

Philippines: The Philippines will remain the third-largest ASEAN economy, while growing at twice the rate of Thailand by 2022. The Philippines is projected to grow at a significant rate, 6.7 percent per year until 2022, surpassing US\$500 billion in GDP by 2022. Growth will be driven by rising infrastructure investments and a steady flow of remittances that will continue to push consumer spending. Household consumption is also being encouraged by an expansionary monetary policy that supports consumer lending. The country’s “Build, Build, Build” program will push growth going forward. Public spending on infrastructure projects is targeted to rise to 7.4 percent of GDP by 2022, as compared with an average of only 2.6 percent of GDP spent over the last 50 years. The government targets spending between US\$160 billion and US\$180 billion between 2017-22 on infrastructure

projects, and plans to complement borrowings with higher revenue generation enabled through tax reforms (the comprehensive tax reform package).

Malaysia: Malaysia's current GDP is expected to expand significantly, by US\$200 billion by 2022. Malaysia is projected to record stable annual GDP growth of approximately 5 percent between 2016- 22, touching US\$500 billion in GDP by 2022. Growth in the fourth-largest ASEAN economy (together with Singapore, by GDP size) is expected to be driven by multiple factors, including stabilizing global commodity prices, improvements in global demand for Malaysian exports of electric and electronic goods, and rising infrastructure spending. Infrastructure will be a priority area going forward. The government plans to increase infrastructure spending in the next few years, especially in sectors such as transportation and logistics, digital connectivity, and utilities — aligned to its target of becoming a high-income economy by 2020-21. It is estimated that about 85 large-scale projects are currently active in the country (in the announcement to execution stage), representing a total investment value of US\$124 billion.

Singapore: Not many countries have been able to affect the rise out of colonial exploitation with the determination that Singapore, one of the most prosperous nation-states in the world, has. The country is one of the Four Asian Tigers, or the four Asian countries which benefited from massive growth between 1960s and 1990s, going on to attain competitive advantage in one or more fields. Singapore's 1965 GDP per capita of US\$511 pales in comparison to its GDP per capita of US\$55,182. It is the only Asian country to achieve a triple-A rating from all credit agencies, and to sustain it. Singapore's population is 100% urbanized. Cities boast of a well-developed transport infrastructure. While manufacturing drove the growth of the newly independent Singapore, today, services contribute to about 72% of Singapore's GDP. Within services, retail and wholesale, business services, finance and insurance, transport and storage, and others are the highest contributors.

Myanmar (Burma): Myanmar is a Buddhist country trying really hard to preserve its ethnicity and religion. Recently, Myanmar lower house passed Four (4) religious bills but came into controversy for deviating from Right of Religion, UN Convention on the Elimination of all Forms of Discrimination against Women and the UN Convention on the Rights of the Child. In short, these bills do not accord with international human rights, law and standards. Myanmar's GDP is worth US\$53 billion as of 2017, with an expected GDP growth rate of 6.5% in 2018, which is 4th highest among the ASEAN countries.

Cambodia: Cambodia's GDP is just US\$ 15 billion with a GDP growth of 7.2%, second highest among ASEAN countries. After achieving independence in 1953, Cambodia faced severe wars and destruction of its territory by Vietnam, the Khmer Dynasty and the French. Cambodia's rulers and population followed Hinduism. They later converted to Mahayana Buddhism. Currently, 96% of the population follows Buddhism in the country.

Laos: Laos has its roots in the ancient Lao Kingdom, which ruled the country for more than 300 years. Laos became a member of ASEAN in 1997 and WTO in 2013. Laos has the highest growing GDP among ASEAN countries with an expected GDP growth of 7.6% in 2018. Current GDP stands at US\$ 11 billion.

Brunei: Brunei is the worst performing country in ASEAN. With a GDP of just US\$ 16 billion, Brunei's GDP is decreasing at an expected rate of 0.2%. Brunei is in deflation and prices are decreasing by 0.1%. Government budget is at 11.4%, which means they are spending around 80-90% of their income. Brunei has high current account surplus of almost 43%, which is one of the highest in the world. Brunei is a big exporter of Oil and gas, which accounts to 96% of its exports. Most of it is exported to Japan, South Korea and India.

Major Trade Partners

In the 1990s, ASEAN countries established the ASEAN Free Trade Area (AFTA) with a view to raising the bloc's competitive edge as a production base through the reduction or elimination of tariffs and non-tariff barriers on intra-ASEAN trade, in addition to attracting FDI. AFTA adopted a scheme of Common Effective Preferential Tariff (CEPT) among ASEAN members for tariff reduction to between zero and 5% by 2010. The ASEAN Secretariat was given the authority to monitor and ensure compliance with AFTA measures. Despite the AFTA-CEPT, there is no common external tariff on goods imported from outside the trade bloc, with each ASEAN member applying import tariffs based on its national schedules.

EU And the ASEAN

The EU is actively engaged with the South East Asian region. Negotiations for a region-to-region FTA with ASEAN were launched in 2007 and paused in 2009 to give way to bilateral FTAs negotiations, conceived as building blocks towards a future region-to-region agreement. Negotiations with Singapore and Malaysia were launched in 2010, with Vietnam in June 2012, with Thailand in March 2013, with the Philippines in December 2015 and with Indonesia in July 2016. Negotiations of an investment protection agreement are also under way with Myanmar (Burma). The European Commission finalized negotiations of trade and investment agreements with Singapore in

October 2014 and with Vietnam in December 2015. At the regional level, the European Commission and the ASEAN Member States are undertaking a stocktaking exercise to explore the prospects towards the resumption of region-to-region negotiations. A joint EU ASEAN Working Group for the development of a Framework setting out the parameters of a future ASEAN-EU FTA gathers at a regular basis.

China and the ASEAN

In 2015, ASEAN and China concluded an upgraded agreement on *CAFTA* that expected to raise bilateral trade to US\$1,000 billion from about US\$480 billion in 2014 and ASEAN-bound FDI to some US\$150 billion by 2020. Aside from trade in goods and services, the upgraded *CAFTA* deal also covers technological cooperation. China's *Belt and Road Initiative (BRI)* will likely help improve ASEAN's infrastructure both on land and at sea.

Hong Kong and the ASEAN

As a trade bloc, ASEAN is Hong Kong's second largest trading partner after the Chinese mainland and the fourth largest export market of Hong Kong after the Chinese mainland, the EU and the US. In November 2017, ASEAN and Hong Kong signed an FTA and a related Investment Agreement. The agreements cover six areas, namely trade in goods; trade in Services; investment; economic and technical co-operation (ECOTECH); intellectual property right and dispute settlement, are expected to enter into force on 1 January 2019 at the earliest.

ASEAN and India Trade

India had been urging ASEAN countries – Singapore, Thailand, Malaysia, Cambodia, Myanmar, Brunei, Laos, the Philippines, Indonesia and Vietnam –

to ratify and implement the services pact at the earliest as it continues to get impacted by the free trade agreement (FTA) in goods, sources said. India and ASEAN had signed the goods FTA in 2009 and it was implemented in 2010. However, under the pact while imports from ASEAN countries have seen a rise, exports from India to that region have not seen a significant jump. India is now looking at ASEAN more from the strategic perspective in terms of maritime security rather than enhancing trade. This is crucial to counter China as ASEAN seeks greater participation from India even as they face Beijing's expansionist policy in South China Sea.

Growth of ASEAN

ASEAN is a fast expanding trade bloc in Asia with a growing economic clout. With a combined population of over 630 million, ASEAN's aggregate size surpassing US\$2.5 trillion in 2017.

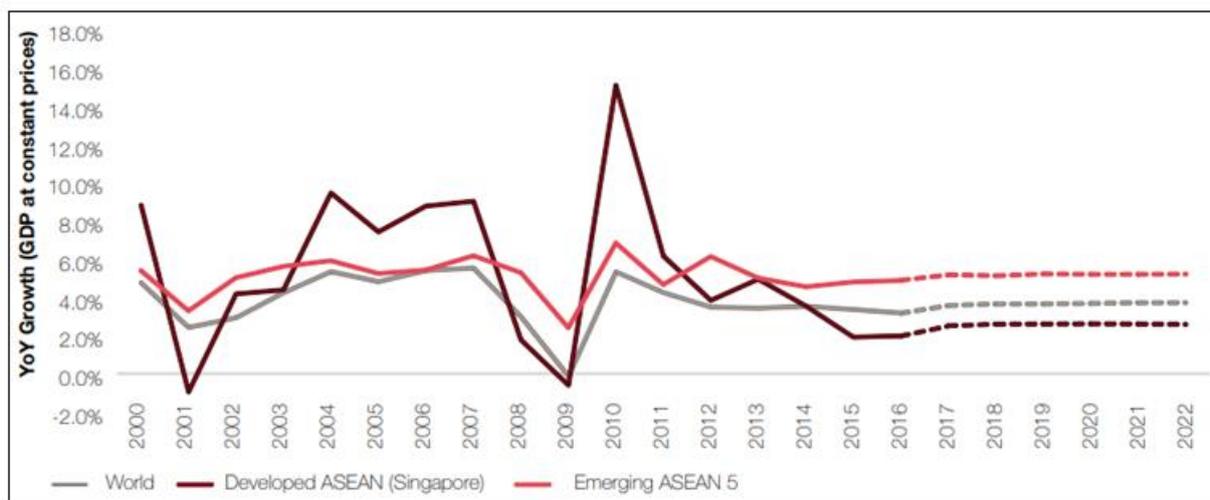
Marking a major milestone in the regional economic integration agenda, the ASEAN Economic Community (AEC) was officially launched on 31 December 2015 to create a single market to enable an easier movement of goods, services, investment, capital and people across the region.

GDP (GROSS DOMESTIC PRODUCT)

ASEAN continues to move strongly on the growth path. Its GDP is projected to touch US\$4 trillion by 2022, when it is forecast to become the fifth-largest economy worldwide. Going forward, we see the onset of a significant phase in ASEAN's growth journey over the next five Years, a phase that is unprecedented in ASEAN's history in terms of the impact being achieved in such a short period of time.

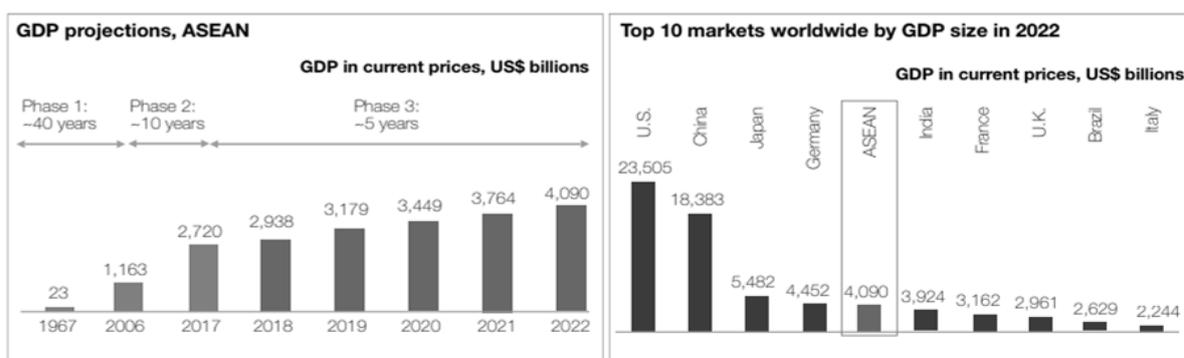
Economic Growth of ASEAN countries on the basis of GDP

COUNTRY	2017 GDP US\$	2022 GDP US\$ (estimated)	REAL GDP GROWTH (2016-2022) %
Indonesia	932 billion	1580 billion	5.4%
Thailand	407 billion	586 billion	3.3%
Singapore			
Philippines	305 billion	543 billion	6.7%
Malaysia	297 billion	500 billion	4.9%
Vietnam	201 billion	327 billion	6.2%
Myanmar	64 billion	111 billion	7.5%
Cambodia	20 billion	34 billion	6.6%
Lao	16 billion	27 billion	7.0%



Real GDP growth trends, ASEAN and the world

Source: www.pwc.com/gx/en/growth-markets-centre/publications/assets/pwc-gmc-the-future-of-asean-time-to-act.pdf



Phase 1:
Represents approximately the first four decades since inception in 1967, indicating the time taken for ASEAN to become a US\$1 trillion economy by 2006-07.

Phase 2:
Represents the next decade in which ASEAN consolidated its position in the world economy, adding another US\$1.5 trillion to its annual GDP by 2016-17.

Phase 3:
Represents the upcoming phase in ASEAN's growth journey, with the region projected to add another US\$1.5 trillion to its annual GDP by 2022. Phase 3 marks a strong growth opportunity, denoting the same quantum of growth in ASEAN's economy as in Phase 2, but in almost half the time span.¹¹

Economic Growth phase in ASEAN

Source: www.pwc.com/gx/en/growth-markets-centre/publications/assets/pwc-gmc-the-future-of-asean-time-to-act.pdf

ASEAN economies are likely to benefit from strong labor markets, which should support private consumption, strong global demand for the region's exports and healthy public infrastructure investment in economies such as Indonesia and the Philippines. However, an escalation of the trade war between the

U.S. and China is a key downside risk to growth, given the importance of both countries as export markets, while tighter financial conditions in the region could drag on domestic demand. GDP growth for the region is expected to come in at 5.1% this year, which is down 0.1 percentage points from last month's estimate.

Major Economic Indicators of Growth

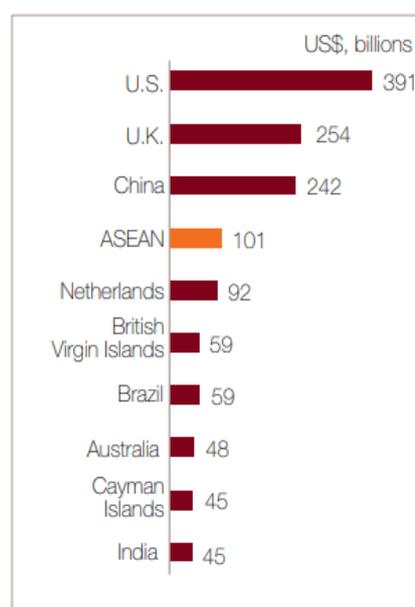
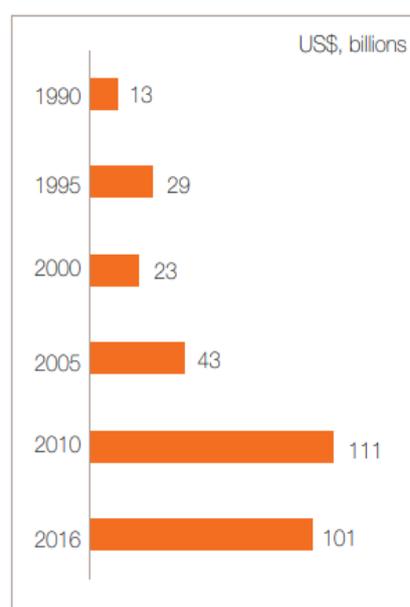
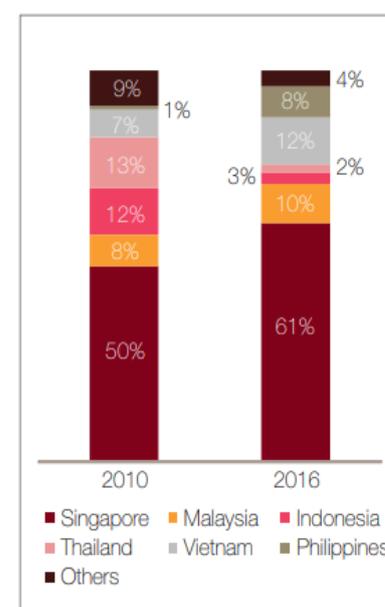
	2014	2015	2016
Population (million)	621.0	628.9	634.5
GDP (US\$ billion)	2,519.4	2,432.0	2,559.5
Real GDP growth (%)	4.7	4.7	4.8
GDP per capita (US\$)	4,057	3,867	4,034
Inflation (%)	4.1	2.8	2.1
Exports (US\$ billion)	1,294.0	1,171.9	1,150.5
Imports (US\$ billion)	1,241.2	1,101.1	1,085.9
Export (% change)	+1.2	-9.4	-1.8
Import (% change)	-1.1	-11.3	-1.4

Source: <http://emerging-markets-research.hktdc.com/business-news/article/Asia/ASEAN-Market-Profile/mp/en/1/1X000000/1X09WKZD.htm>

Foreign Direct Investment (FDI) in ASEAN

Despite the sluggishness of the developed markets over the past few years, ASEAN economies have generally remained buoyant, thanks in part to the bloc's expanding intra-Asia trade. In 2016, over 60% of

ASEAN's trade was conducted in Asia, with about one-quarter traded among ASEAN members, some 16% with the Chinese mainland, 9% with Japan, 6% with Korea, and 4% respectively with Taiwan and Hong Kong.

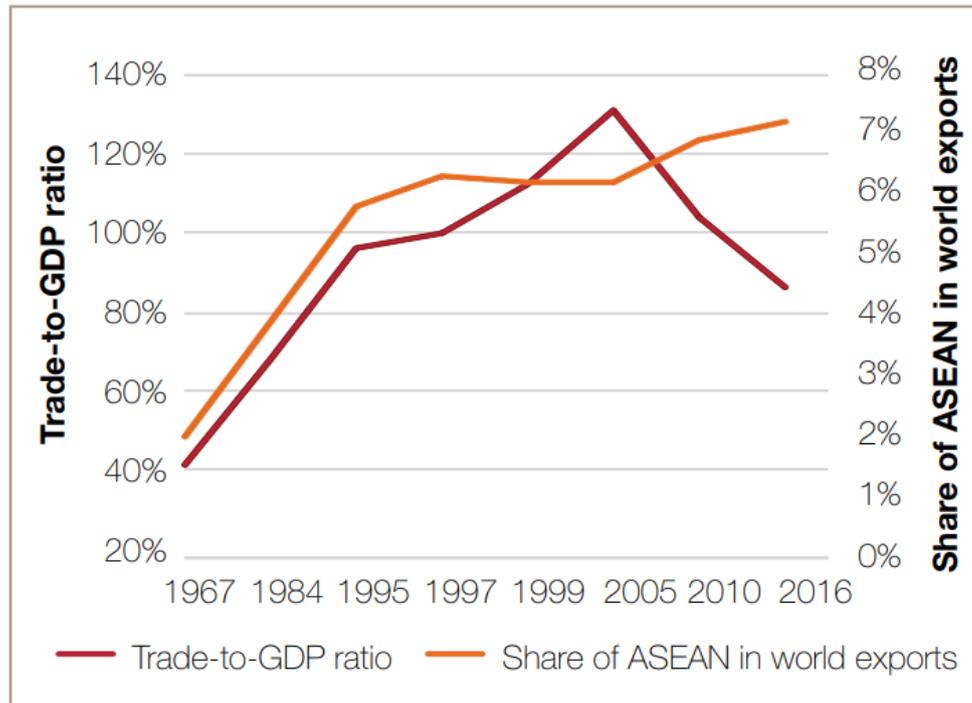
Top 10 markets by FDI inflows, 2016**ASEAN FDI inflows, 1990-2016****Share in ASEAN FDI, 2010 and 2016****FDI in ASEAN**

Source: www.pwc.com/gx/en/growth-markets-centre/publications/assets/pwc-gmc-the-future-of-asean-time-to-act.pdf

In 2016, inward FDI flow to ASEAN declined by 20.5% to US\$96.7 billion from US\$121.6 billion in 2015 due to a fall in cross-border merger and acquisition (M&A) activities, according to the ASEAN Investment Report 2017.

ASEAN dependence on Global trade

The importance of trade to ASEAN's economy has increased significantly since 1967. The trade-to-GDP ratio rose from 43 percent in 1967 to a peak of 131 percent in 2005, before dropping to 87 percent in 2016.



Share of ASEAN in world Exports

Source: www.pwc.com/gx/en/growth-markets-centre/publications/assets/pwc-gmc-the-future-of-asean-time-to-act.pdf

Total exports from the ASEAN economies dropped by 1.8% to US\$1,151 billion in 2016. ASEAN itself is actually the largest market for exports from the trade bloc, accounting for 24% of total ASEAN exports in 2016, followed by the Chinese mainland (12.5%), the US (11.4%), the EU (11.3%), Japan (8.3%), Hong Kong (6.9%), Korea (4%), India (3.3%), Australia (2.9%) and Taiwan (2.7%). The top 10 export markets accounted for 87.3% of ASEAN's total exports.

In terms of imports into ASEAN, the largest supplier was ASEAN itself with a share of 22.1% in 2016, followed by the Chinese mainland (20.7%), Japan (9.7%), the EU (9.5%), the US (7.4%), Korea (7.2%), Taiwan (5.6%), Germany (2.6%), India (1.9%) and Saudi Arabia (1.9%). These top 10 import sources accounted for 88.6% of ASEAN's total imports in 2016.

Significant Development of the ASEAN Mortality Rate

According to the 2014-2015 date the mortality rate or maternal mortality rate is highest in Lao followed by Myanmar and Indonesia.

Health Services

Cross-border provision of healthcare services in the ASEAN region has flourished during the last few years with the emergence of medical tourism, particularly in Malaysia, Singapore and Thailand. In order to harmonize the healthcare sector to ensure that projected growth takes places in the region, ASEAN has come up with the ASEAN Economic Community

(AEC) Blueprint 2025 that touches on healthcare co-operation.

Education Services

Across the ASEAN region, net enrolment rates in primary education are improving, though not all ASEAN Member States may achieve universal basic education by 2025. Youth literacy rates are improving, and by 2020 an estimated (98.5%) young people aged 15 to 24 years of age were functionally literate.

Labour Force (Employment Services)

In terms of supply-side factors driving growth, a significant expansion of the region's labor force has been a major contributor to ASEAN's growth story so far, with more than 100 million people estimated to have joined ASEAN's workforce over the past 20 years. The trend is also expected to continue in the medium term, although at a slower pace than before.

CONCLUSION

The past 50 years have seen ASEAN emerge as a global powerhouse bringing peace and prosperity to millions. However, the next 50 years will bring forth new challenges that will require greater regional trade and investments, adoption of digital solutions and the implementation of new business strategies to achieve far-reaching growth across member nations, balancing economic progress with social development. The various factor mentioned in the report play a vital and important role in the growth and development of the ASEAN. From the above study it is clear that rise or fall in even a single factor plays a vital role in the

development of the ASEAN. There has been a positive and constant growth in the Trade i.e import and export and FDI over the period.

ASEAN has made positive changes throughout the region, but disparities still exist in quality of life, infrastructure and economic prosperity. With an ageing population and rising labour costs, Countries needs to now focus on higher value-added activities and ways to boost intra ASEAN trade.

However, a lot more remains to be done to reduce the economic and social disparities between its member nations. Governments need to act cohesively in developing policies which maintain and grow the inflow of foreign investment by improving intra-regional trade, strengthening key institutions, especially within education and healthcare, and preparing for the social impacts.

REFERENCES

1. https://mpra.ub.uni-muenchen.de/62224/1/MPRA_paper_62224.pdf
2. <https://www.adb.org/sites/default/files/publication/156204/adbi-wp349.pdf>
3. <https://www.pwc.com/gx/en/growth-markets-centre/publications/assets/pwc-gmc-the-future-of-asean-time-to-act.pdf>
4. <https://www.mordorintelligence.com/industry-reports/analysis-of-key-sectors-of-asean-countries>
5. <http://emerging-markets-research.hktdc.com/business-news/article/Asia/ASEAN-Market-Profile/mp/en/1/1X000000/1X09WKZD.htm>
6. https://www.researchgate.net/publication/277207009_Infrastructure_development_for_ASEAN_economic_integration
7. <https://www.aseanstats.org/>