

A Contemporary Observation of ASEAN in Global Economics

Joyce Say

(Graduate School of Asia Pacific Studies, Ritsumeikan Asia Pacific University, Japan)

ABSTRACT: ASEAN members are struggle with the term “people-oriented” and “people-centered”. Research was carried out and find some facts that prove this seems to be an obstacle. Firstly, the ASEAN member countries are not as democratic according to Western social standard. Some member countries are worried about the rapid inclusion of civil society. In the decision-making process since democratic governance and civil society movements might challenge their non- or semi-democratic legitimacy in various way. Similarly, the growing working population of countries such as Indonesia, Philippines and Vietnam confirm the continuation of ASEAN’s ascension as a global market. Critics assume that the fast paced development of ASEAN may ensure a quick downfall but due to the varying levels of development found across the organization, growth is ensured for much longer than other integrated economies such as the EU.

Keywords – ASEAN, Development, Economics, Governance, Policies

1. INTRODUCTION

Founded in 1967 as a community of five Southeast Asian countries, namely Indonesia, Malaysia, Thailand, Singapore and the Philippines – the Association of Southeast Asia Nations (ASEAN) is now a group of 10 member countries which includes, Brunei, Cambodia, Lao PDR, Myanmar and Vietnam. Since 1967, ASEAN has travelled a long way from a young group of countries to a major economic and political group, which is anchoring the geopolitical landscape of East Asia. The recently concluded 19th ASEAN Summit and the accompanying 6th East Asia Summit (comprising of ASEAN countries and Australia, China, India, Japan, New Zealand, Republic of Korea, USA, and Russia) in Bali, Indonesia have brought the focus of the world to the economic and political weight of this region. ASEAN, so far, has played a key role in this shift. However the growth of neighboring economies of China and India, and an increasing interest in the region by the global players have brought the ASEAN to the center of the East Asian landscape, where it has to learn to play a more pronounced global role. With competing and sometime shifting economic and political forces in Asia Pacific’s geopolitical landscape, the multilateral forums of ASEAN are required to play a key role in maintaining a stable balance in the region

At the end of Indonesia's chairmanship of ASEAN, which had set the theme 'ASEAN in a global community of nations', it is imperative to take a stock of the readiness of the region if it is well on its way to step into a truly global role in the near future, especially by its goal of becoming one community by 2015. With its strategic location, abundant natural resources, quality human resources and growing economies, ASEAN has engaged economically, by way of trade and investments, with all the large economies of the world. It has also gained strategic weight and drawn the attention of global players, both economically and politically. Its global engagement is best exemplified by the fact that 55 countries across the globe have appointed their envoys to the regional grouping and this number is growing.

Sitting in the midst of giant economies like Japan, China and India, and with active economic relations with USA and the EU, ASEAN is now seeking its due share in the global economy and politics. This Policy Brief looks into the current global profile of ASEAN and brings out policy recommendations that would help ASEAN in finding its appropriate role in the global politics and economy.

2. ASEAN: ECONOMIC POLICIES AND GOALS

In order to perform better economically as a connected region, ASEAN has made big step towards the global market in 2015 with the establishment of AEC (ASEAN Economic Community). The AEC aims to promote regional economic integration and ensure the prosperity of all 10 member states involved. Accordingly, there are a set of policies and goals have been conducted by the AEC to show the world an economic approach that will be carried out by the ASEAN. First of all, the integration may have some side effects that without a proper solution, it will cause damage to the future of development such as bad competition between active firms and even the governments. Due to such prospect, a set of competition policy has been made. This include the agreements on cross-border transportation, oversea payments and make ease of access for trade throughout the region. To promote cross-border trade and investment, improve country's competitiveness, it is important for ASEAN countries to be physically connected through various types of transportation, such as land, railroads, airlines, border ports and global shipping.

As a highly integrated and cohesive economy, ASEAN will also focus on the movement of skilled labor force within the region and from external sources. By the implementation of the ASEAN qualifications Reference Framework (AQRF), for which referencing by the ASEAN Member States is completely voluntary, to support lifelong learning and enhance recognition and the ASEAN agreement on movement of natural workers "These arrangements aim to facilitate the temporary cross-border movement of natural persons and business visitors engaged in the conduct of trade in goods, trade in services, and investment", (ASEAN Economic Community Blueprint, 2015). The Information and Communication Technology (ICT) also play an important role in the future integration. A strong and modern ICT system with pervasive connectivity in ASEAN can facilitate the establishment of a business environment that aim to attract investment and promoting global trade. Quoted: "ASEAN will need to continue prioritizing the bridging of the digital gap and ensure that all communities and businesses can benefit from ICT adoption", (ASEAN Economic Community Blueprint, 2015).

Finally, the most important aspect we need to discuss is globalization. This is the most difficult task for ASEAN in general and within the member states. Many question regarding how ASEAN can gain a spot in the World's economy, while most of the countries in ASEAN were the "background" of dominated empires in the past. In order to have a broad view about this issue, we must take into consideration the voices of the CEOs from different corporations in ASEAN. However, the globalization of ASEAN can cause some effects, the threats of alienation and foreign trade unfair still exist. For example, there are many cases of trade between ASEAN countries and other economic powers were ended up a failure. And after all the ASEAN still suffer the lost in resources and the global business credibility.

3. ASEAN: ECONOMIC HISTORY OF ASEAN

Before getting know what ASEAN has done during the past years of their economies. Briefly define about what ASEAN is basically aiming for, ASEAN (Association of Southeast Asian Nations) is a regional groups that promotes political, security cooperation and economic. The region has impelled economic integration with other regional economies. ASEAN economies are more concerned about major international currencies like the US dollar. ASEAN in this cases is one of the success stories of modern economics due to promoting rapid and sustained economic growth. What ASEAN's economic history has done for about 25 years from 1970 to 1995, ASEAN's GDP grew at an average annual rate of 7.0 percent. Today, Southeast Asia has a total market of about 500 million people and a combined GDP of more than US\$700 billion (Association of Southeast Asian Nations, 2012). In the late 1970s ASEAN has dramatically growth in GDP the total economic output of ASEAN as measured by Gross Domestic Product was \$6.9 trillion. In 2000, 14% of the region's population was below the international poverty line of \$1.25 a day (McKinsey & Company, 2014). ASEAN income growth has remained strong since 2000 with average annual rate gains of more than 5 percent. While then in 2013 the

poverty rate has come down from 33.0% to 15.3 percent. Due to this economic output according to (Lehmacher, 2016) In 2014 the region was the seventh largest economic power in the world and also the third largest economy in Asia, with a combined GDP of US\$2.6 trillion. In the same year of 2014, the world's third largest market has more than 622 million people of ASEAN countries.

According to (GOVPH), as early as 1977, ASEAN put in the place the ASEAN Preferential Trade Agreement. This steps covered areas of trade industry, that toward deeper economic integration with the Framework Agreement on enhancing ASEAN Economic Cooperation. Between 2007 US\$1.3 trillion and 2014 US\$2.6 trillion, ASEAN trade increased by a value of nearly \$1trillion. Most of that 24% was trade within the region, followed by trade with China 14%, Europe 10%, Japan 9% and the United States 8%. Same period Foreign Direct Investment (FDI) rose from %85 billion to 136 billion and share the world 5% to 11%. (Lehmacher, 2016). ASEAN has been the expansion of trade and foreign direct investment. Also become the world class investment destination of attracting 136 billion US dollars in 2014 of foreign direct investment. Thus this it create more economic and employment opportunity for the population of the people. Foreign Direct Investment played critical role, from developed countries to manufacture sectors. Flow in manufacturing sectors and imports of capital goods, invests industrial and invest social infrastructure. Social infrastructure is a fragment of infrastructure sector that accommodate social services. Example of social infrastructures is transportation: roads, railways, and information communication technology. Over the years, ASEAN's overall trade grew from US\$10 billion in 1967, US\$14 billion in 1970, US\$134 billion in 1980, and US\$302 billion in 1990 to US\$650 billion in 1955. With its combined trade value, ASEAN is the fourth largest trading entity in the world (Association of Southeast Asian Nations, 2012). The average economic growth of ASEAN's member nations during 1989-2009 was between 3.8% and 7% (Vietnam business news, 2016).

Despite this ASEAN sought economic integration by creating ASEAN Economic Community (AEC) by the end of 2015(December 31, 2015). AEC is one of the three pillars that ASEAN has built. AEC aims to integrate diverse economies into a single market with 622 million people and a combined gross domestic product of US\$2.6 trillion in 2014. The purpose for AEC is to establish a common market. It is working toward free movement of goods and services, investment and capital, as well as skilled labor. Aside from this it will also create common standards in financial services, intellectual property rights, and agriculture. These are all necessary to attract foreign direct investment and promote economic growth (Amadeo, 2016).

4. PRESENT ROLE OF ASEAN COUNTRIES IN THE GLOBAL MARKET

In 2015 ASEAN was the sixth largest economy in the world and third largest economy in Asia (ASEAN Secretariat, 2016). The main causes for this success have been the diversity and population growth of the ASEAN countries. The unique characteristics of ASEAN countries have allowed it to develop a diverse market, giving it an advantage over other large markets, such as the USA and China. This has been a driving factor in its rise to importance as the countries of ASEAN differ across languages and culture to geography and natural resources. For example, Indonesia is the largest exporter of palm oil in the world and Myanmar has become a frontier market after the recent end of its isolationist policy, showing potential for future economic growth through its large supplies of natural resources such as oil and gas. Moreover, the specialization of the member states in export goods especially countries such as Singapore, Malaysia and Thailand who have become the top competitors in the world for electronics and recent trend in the manufacture of automobile parts respectively. This has brought about a consumerist trend in a majority of the ASEAN countries, keeping the economy from going stagnant.

ASEAN's progress in the world market thus far has been commendable and the organization has made great progress in becoming a key player in the global market. The Foreign Direct Investment (FDI) of ASEAN-5 (Indonesia, Malaysia, the Philippines, Singapore, and Thailand) exceeded that of China in 2013 (McKinsey & Co., 2014).The success of these agreements will not only grant investors access to the ASEAN market but to some of the most viable economies in the world. The interconnected growth of ASEAN and its members have solidified its progression into a place in the global market. Furthermore, succeeding the " AEC Blueprint (2008 - 2015)" the "AEC Blueprint 2025" aims to improve upon five of its defining characteristics: "(i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced

Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and (v) A Global ASEAN ” (“ASEAN Economic Community”, 2016)

At present ASEAN is focusing on increasing its level of competitiveness in the global market and better integrating its member countries to create a “Global ASEAN”. In addition, ASEAN is also strengthening and expanding its ties through Foreign Trade Agreements (FTA’s) and Comprehensive Economic Partnerships (CEP’s) . It’s also working on finalising the Regional Comprehensive Economic Partnership (RCEP) and the ASEAN-Hong Kong FTA (AHKFTA). These agreements will bring more investors and solidify ties between ASEAN’s biggest customers such as China, US, and the European Union (EU). The RCEP is of special importance as it works to integrate 16 economies, forming a large market with hopes of propelling and sustaining ASEAN’s growth in the future as well.

5. CONCLUSION

From the political perspective, the ASEAN Charter should provide a basis for a stronger ASEAN, which is at the center of regional and international cooperation. Regional cooperation has the potential to be an important bridge between ASEAN countries and the rest of the world. To ensure its competitiveness and act as a central building block for wider international schemes, ASEAN should encourage the cohesiveness among ASEAN Member States and the people in ASEAN. This can be achieved through accelerated and committed efforts for achieving the goals of ASEAN Community by 2015. In realizing the objective of the AEC, ASEAN will become significantly more important over time and it should expect to achieve a greater regional cooperation within Asia and rest of the world as a whole. By taking on this lead role, ASEAN will play a central role in shaping how the regional security architecture evolves to maintain peace, stability and growth. That pre-industrial global system can become the historical foundation of the new East Asian civilization that ASEAN can help bring about; an Asia no longer merely the passive recipient of western-style globalization. But an Asia actively helping other civilizations create a new global system – in a world that can then truly – and finally – be one.

6. REFERENCES

- [1] ASEAN Economic Community Blueprint, 2025. (2015). Jakarta: The ASEAN Secretariat.
- [2] Association of Southeast Asian Nations (July 9, 2012) http://asean.org/?static_post=economic-achievement.
- [3] Lehmacher, W. (May 31, 2016). The ASEAN Economic community: What you need to know. <https://www.weforum.org/agenda/2016/05/asean-economic-community-what-you-need-to-know/>.
- [4] McKinsey& Company (May, 2014). Understanding ASEAN: Seven things you need to know. <http://www.mckinsey.com/industries/public-sector/our-insights/understanding-asean-seven-things-you-need-to-know>.
- [5] Amadeo, K. (October 25, 2016).The Balance What is ASEAN. <https://www.thebalance.com/what-is-asean-3305810> .
- [6] Vietnam Business News (November 23, 2016). What is the Association of Southeast Asian Nations ASEAN. <http://wji.at/Vietnam-News/what-is-the-association-of-southeast-asian-nations-asean/>.

INFO

Corresponding Author: *Joyce Say, Graduate School of Asia Pacific Studies, Ritsumeikan Asia Pacific University, Japan.*

How to cite this article: *Joyce Say, A Contemporary Observation of ASEAN in Global Economics, Asian. Jour. Social. Scie. Mgmt. Tech.2022; 4(1): 249-252.*