

ASEAN's Economic Development

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A decade after the global financial crisis, the quest for global stability and inclusive growth is being mired again in downward pressures amid the escalation of trade tensions and weakening of multilateralism.

Despite these challenges, ASEAN continues to support the global trading system as the region's trade and investment regime is kept open. Such interdependence has been consistently observed throughout its history, in which regional economic integration is undertaken alongside the principle of open regionalism and the pursuit of political stability in the region. Thus, under the ASEAN Community Vision 2025, the goal is to establish an integrated, inclusive, peaceful, and stable regional economy.

External economic relations are an integral part of ASEAN's economic integration agenda. Both go together rather than substituting each other. While opening the region's economies exposes the region, it also provides unprecedented market opportunities and allows the region to leverage on its collective strength to compete better globally.

This belief also underlies the region's pursuit of the Regional Comprehensive Economic Partnership (RCEP); a proposed modern, comprehensive, high-quality and mutually beneficial economic partnership agreement between ASEAN and its existing six FTA partners (Australia, China, India, Japan, Korea, and New Zealand). At its core, the RCEP signifies ASEAN's role in upholding an open, inclusive, and rule-based trade in the region and beyond.

Engaging with the world has made ASEAN more dynamic. Between 2000 and 2017, ASEAN grew by an average 5.3 per cent annually, significantly higher than the global average of 3.8 per cent. In 2017, the region's combined GDP reached US\$ 2.8 trillion, and, by 2030, ASEAN is projected to be the fourth largest economy in the world. Today, ASEAN is the fourth top exporting region globally. It is also quickly becoming a preferred investment destination.

These benefits could nevertheless be made more visible and more equitable. As the region approaches the midway mark in the implementation of the ASEAN Community Vision 2025, and the fourth year of the 2030 sustainable development goals, ASEAN must redouble efforts in tackling the hard questions of inequality, sustainability, and productivity.

To date, 1.3 billion people still live in multidimensional poverty, of which 118 million are in East Asia and the Pacific. ASEAN has achieved remarkable success, reducing the proportion of poor people by more than two thirds over the past two and half decades. But there remain pockets of poverty, including in urban areas, which, if left unattended, may pose risks to stability. For this reason, narrowing the development gap and inclusive growth continue to be central themes to the region's work.

Furthermore, environmental sustainability and social responsibility are increasingly recognised as integral parts of growth strategy. Underlying this is a long term perspective to growth. To be profitable in the long term, businesses shall co-exist in harmony with the environment and community. In the past, mass production significantly boosted affordability at marginal costs. Today, concerns over excess, waste, and ethics have brought conversations around sustainable production and consumption to the fore. For ASEAN, the cross-disciplinary nature of causalities requires coordination across our three community pillars of political security, economic, and socio-cultural.

Another challenge faced by the region is in productivity. Improving access to resources and focusing on skills development could contribute to this effort. To this end, resource mobilisation is key. Banking integration in the region enhances financial intermediation, and, hence, availing financial resources for productive investment. On skills development, the focus is on whether the education and training system is agile enough to respond to and evolve with changes in the industry and environment.

But perhaps the biggest challenge to ASEAN is embracing the Fourth Industrial Revolution (4IR), and leveraging technological development for the region's future growth.

The digital transformation may widen the development gap through the digital divide. But the opportunities are at least as great. New technologies connect societies in unprecedented ways, thus providing access to networks, resources, information, and markets that would otherwise be unavailable. ASEAN is also leveraging financial technology to further bolster financial inclusion and financial stability in the region. A recent ADB study, for example, shows that digitally driven acceleration in financial inclusion

could boost GDP by 2 per cent to 3 per cent in countries such as Indonesia and the Philippines, and even 6 per cent for Cambodia.

Technologies may offer innovation and new solutions that could help the region address sustainability concerns. They already contribute to disaster management efforts, expansion of the reach of education and training, and improvement in climate-resilient food production to enhance food security. McKinsey estimated that disruptive technologies can lead to US\$216 billion to US\$627 billion in productivity gains in the region.

One of the key challenges presented by the 4IR is the risks to jobs. Automation, advanced robotics and artificial intelligence are likely to replace some manpower in many industries. Despite such challenges, 4IR also brings about opportunities. A recent study by Oxford Economics and Cisco, for example, argues that 4IR will create new demand for workers across industries. The task at hand is to ensure that the education and training system produces workers with the required skills and ability to adapt to and use technologies.

ASEAN has taken important steps forward under the chairmanship of Singapore this year in accelerating work on electronic commerce and digital economy, through the recently signed ASEAN Agreement on Electronic Commerce and the endorsement of the ASEAN Digital Integration Framework. The ASEAN

Secretariat has likewise completed an assessment of ASEAN's readiness for the 4IR. Efforts across ASEAN countries and the region collectively are also being stepped up for more strategic and coordinated response to the multidimensional challenges of the digital age.

To be sure, ASEAN's journey towards fair and sustainable economic development depends so much on its ability to keep markets open while also being inclusive, environmentally sustainable, and socially responsible. This would require a collective effort to reform and strengthen, not weaken, multilateralism; to make it more inclusive, sustainable, and resilient to new challenges.

In the near future, ASEAN and the wider international community, including the G20 economies, will need to renew their commitments towards economic openness and global solidarity. The voice and participation of the silent majority needs to be amplified, dialogue platforms made available, and ideas translated into concrete proposals and actions. Otherwise, it risks leaving the shape of global governance in the hands of the vocal few.

Moving forward, it is imperative for ASEAN to remain steadfast in adapting, adjusting, and embracing the 4IR so challenges can be addressed and opportunities seized. By working in partnership with others, technological advancement can further pave the way for ASEAN's collective journey to fair and sustainable future. E

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The ASEAN region is embracing the 4th Industrial Revolution