

The Role of European Union and ASEAN in Emerging Asia

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Future relationships: closer economic cooperation and convergence in policies for addressing global issues

- Asia is soon likely to be a driver for global growth
- Closer integration in Asia will increase intra-economic linkages and regional growth.
- ASEAN is also going in for deeper integration, e.g. ASEAN Economic Community.
- ASEAN will be a key center for growth in the emerging Asia, straddling China and India
- Likely direction of future ASEAN-EU economic relationship - Closer economic links because ASEAN can be a gateway into Asia

Emerging Asia: Third Pillar of World Economy

- Asia emergence in the world economy started in 1950s with the rise of Japan.
 - Second wave: Hong Kong; South Korea; Singapore; Taipei, China
 - Third wave: Malaysia, Thailand, Indonesia,
 - Fourth wave : People's Republic of China, India, Vietnam.

Share of World GDP	1970	1990	2009
Asia	15.1	24.4	29.4
Southeast Asia	1.1	1.6	2.5
Europe	41.3	37.9	32.4

Per capita GDP	1970	1990	2009
Asia (Europe is larger by)	238.3 (8.1X)	1,704.9 (6.8X)	4,146.5 (6.2X)
Southeast Asia	125.3 (15.4X)	808.6 (14.4X)	2,528.3 (10.1X)
Europe	1,928.1	11,655.8	25,618.4

Emerging Asia: Keeping the Growth Momentum

- Emerging Asia grew by improving productivity through export-oriented strategy
- However stages of development are highly varied. Based on 2012 WEF Global Competitiveness Report;
 - Factor driven growth : India & Vietnam
 - Efficiency driven growth: Malaysia, Thailand, China, Indonesia
 - Innovation driven: Japan, Hong Kong, Korea, Singapore, Taiwan.
- Some countries are able to leap into innovation driven growth stage escaped the middle income trap and converged their growth trajectory with industrialized/advanced countries.
- Asia as a region hold huge potential because:
 - Technology and innovative endeavor are increasingly being done in Asia particularly Japan, Korea, Taiwan, Singapore, Hong Kong and China
 - Has large financial resources
 - Huge market – 60% of world population living in Asia and an emerging middle class

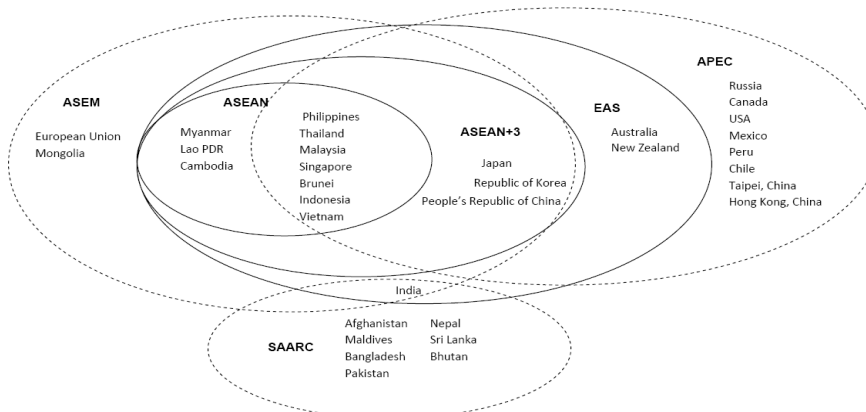
Will this be an Asian Century

	2010	2020	2030	2040	2050
Global output (market exchange rates, US\$ trillions)	62	90	132	195	292
Asian share of global output	27.4%	33.5%	38.9%	44.5%	50.6%
Global growth		4.0%	3.9%	3.8%	3.6%
Asia growth		5.8%	5.2%	4.8%	4.4%
Asian share in global growth		55.7%	59.3%	62.8%	66.0%
Global GDP per capita (PPP)	10,700	14,300	19,400	26,600	36,600
Asian GDP per capita (PPP)	6,600	10,600	16,500	25,400	38,600

Source: Centennial Group projections, 2011.

It is projected that growth by 2050 will be driven by 7 countries; China, India, Indonesia, Japan, Republic of Korea, Thailand and Malaysia.

Main Regional, Intraregional and Trans-Regional Institutions in Asia



Source: ADB's Institutions for Regional Integration (2010). Amended from page 10 to cover Northeast Asia, Southeast and South Asia only.

Among efforts that supported Asia growth into its current level is the active engagement of sub-regional institutions like ASEAN.

ASEAN main focus

- To ensure that the region is fully integrated
 - the ASEAN Economic Community be a reality by 2015
 - The other two Communities are also formed
- ASEAN Connectivity Masterplan
 - Asian railway network
 - Infrastructure
 - Energy supply, water
- Strengthening the ASEAN Secretariat
 - More power and more capability
- South China Sea
- To be one of the three growth centres – China, India and ASEAN

ASEAN Trade with its major partners

Year	Intra-Group Trade		Trade with US		Trade with EU		Intra-Group ,US & EU Trade	
	2002	2009*	2002	2009*	2002	2009*	2002	2009*
ASEAN	23.8	26.0	15.6	9.6	13.0	10.9	52.2	46.4
ASEAN-China	30.2	36.8	17.3	12.4	15.4	14.2	62.8	63.5
ASEAN-Japan	38.2	36.2	19.6	11.3	13.7	11.2	71.5	58.7
ASEAN-Korea	28.3	31.6	16.2	9.7	13.0	10.8	57.5	52.1
ASEAN+3	49.1	51.7	19.5	12.4	14.8	13.3	83.3	77.4
ASEAN-Australia	26.2	29.0	15.3	9.4	13.7	11.4	55.3	49.8
ASEAN-NZ	25.2	28.5	15.3	9.5	13.1	11.0	53.6	49.0
ASEAN-India	24.1	26.4	15.5	9.6	14.0	12.3	53.7	48.3
ASEAN+6	51.7	54.9	18.9	12.0	15.3	13.6	85.8	80.6

Source: Direction of Trade Statistics, IMF

Trend of FDI inflow by source country (US\$ million)

Source Country	1998	2003	2008	2009	2010
ASEAN	2,728	2,702	9,449.3	5,222.5	12,107.5
EU25	5,553	6,679	7,010.1	9,112.9	16,984.1
USA	3,712	1,495	3,517.5	4,086.7	8,578.1
Japan	3,944	3,908	4,129.4	3,762.6	8,386.1
China	290	187	1,874	3,925.6	2,701.0
Korea	91	550	1,595.7	1,471.5	3,769.4
India	93	102	547.3	826.5	2,584.3
New Zealand	25	88	-82.2	262.88	93.08
Australia	-302	157	787.3	775.9	1,765.1
ROW	6,844	8,367	18,247.2	8,434.22	18,789.0
Total	22,960	24,235	47,075.6	37,881.3	75,757.7

Source: ASEAN Foreign Direct Investment Database

Future of ASEAN-EU relationship

- Closer ASEAN-EU relationship as ASEAN becomes more integrated
 - More trade and investment
 - Accelerate ASEAN-EU free trade agreement
 - Establish more EU-based production network in ASEAN
 - Use ASEAN as a base to enter Chinese and Indian markets
- Open more channels for academic, innovation and technological transfer
 - EU can assist ASEAN to strengthen its human capital by providing more scholarships for ASEAN students to study in EU
- EU to work with ASEAN to address global issues such as climate change
 - standards and labeling of ASEAN commodity and agriculture exports to EU

Lessons from EU integration process

- ASEAN can learn lessons from EU for its own integration initiatives
 - Agreement in adopting universal standards for implementation in all countries in the group
 - Developing regional institutional structures
- Narrowing the development gap between member countries
- Single currency – what to avoid based on the present EU crisis
 - Central monetary and fiscal policies

Thank you