

# **ASEAN in the Asian Century: Balancing Economics and Geopolitics**

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***(Views expressed here are those of the  
author and not necessarily that of CDRI)***

# ASEAN in the Global and Regional Context

- ASEAN has come a long way since its inception in 1967
- One of the more durable regional forums in the developing world
- Impressive development record overall, but wide variations across countries – development divide
- Global economy's center of gravity shifting towards Asia and within Asia away from Japan towards China and India - the Asian Century
- What prospects, challenges, and options for ASEAN in the Asian Century?

# Questions Addressed

- What do long-term forecasts indicate about ASEAN's economic importance in the Asian century?
- What challenges ASEAN likely to face in adjusting to the changing Asian landscape - relative decline of Japan and the emergence of China and India?
- What role for ASEAN in the two major trans-regional forums – RCEP and TPP?
- Who leads ASEAN in the Asian century?

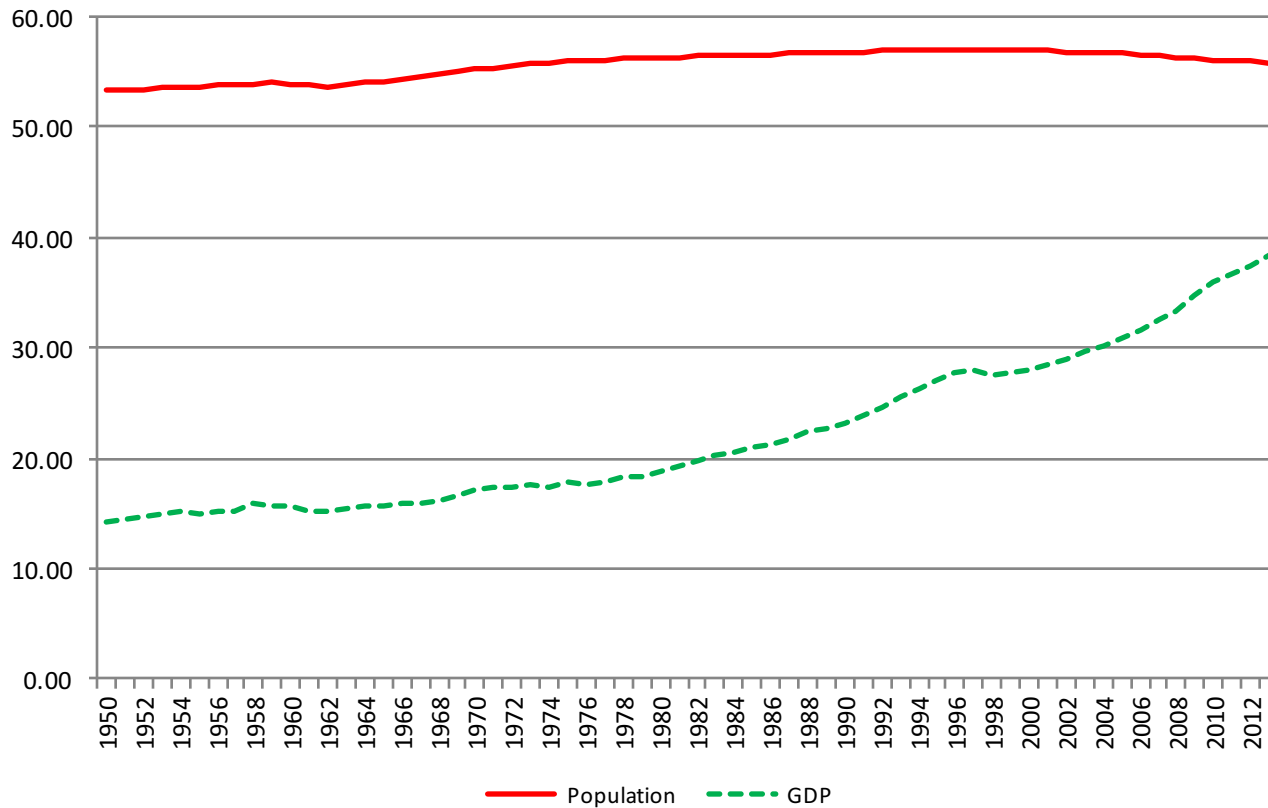
# Past Trends and Future Prospects: Asian Economy During 1950-2050

- Since 1950, even as Asia's share in the world population stable at around 53-58%, share in world GDP (PPP 2011 prices) almost tripled – 14% in 1950 to 38% in 2013 **(slide 6)**
- The rise is somewhat lower, but still substantial, at market exchange rates - 14% to about 30% (ADB study 2011).
- Within Asia too, huge changes have taken place **(slide 7)**
- Current assessment is that Asia's share in world GDP will continue to rise
- At market exchange rates could rise from 30% now to more than 50% by 2050 (ADB study 2011) – equivalent increase in PPP could be to about 60%
- That is the crux of the Asian century – regaining its share in world economy that it had almost until mid-19<sup>th</sup> century

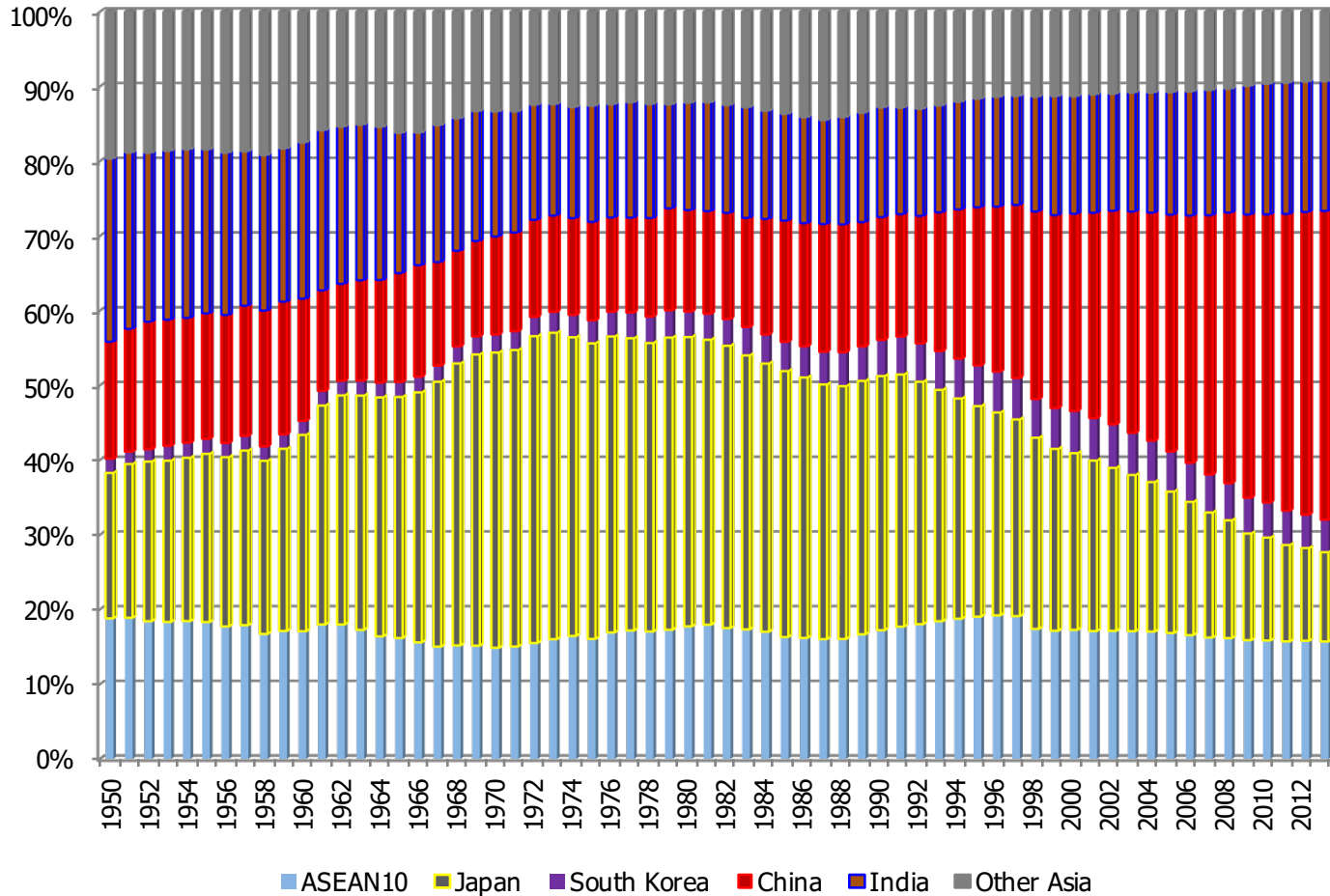
# Asian Century = Money Power + Military Power?

- Relative growth of economic muscle – money power - is the core component of Asian century. That is what economists mostly focus on.
- International Relations Experts generally postulate that sooner or later the growing economic wealth needs to be protected from outsider encroachment.
- That needs richer countries and regions to build up enough military power to protect themselves from foreign encroachment.
- This is simply the ‘international’ equivalent of richer individuals posting security guards around their homes even within national boundaries.
- No amount of international peace treaties and conventions would substitute for such build-up of military power as countries and regions become richer and wealthier.
- How will Asia behave militarily? Who will the key players in the military build-up as prosperity spreads across the region?

# Asia's Share in World Population and GDP PPP (1950-2103)



# Asia's Economic Landscape, GDP PPP 2011 prices (1950-2013)

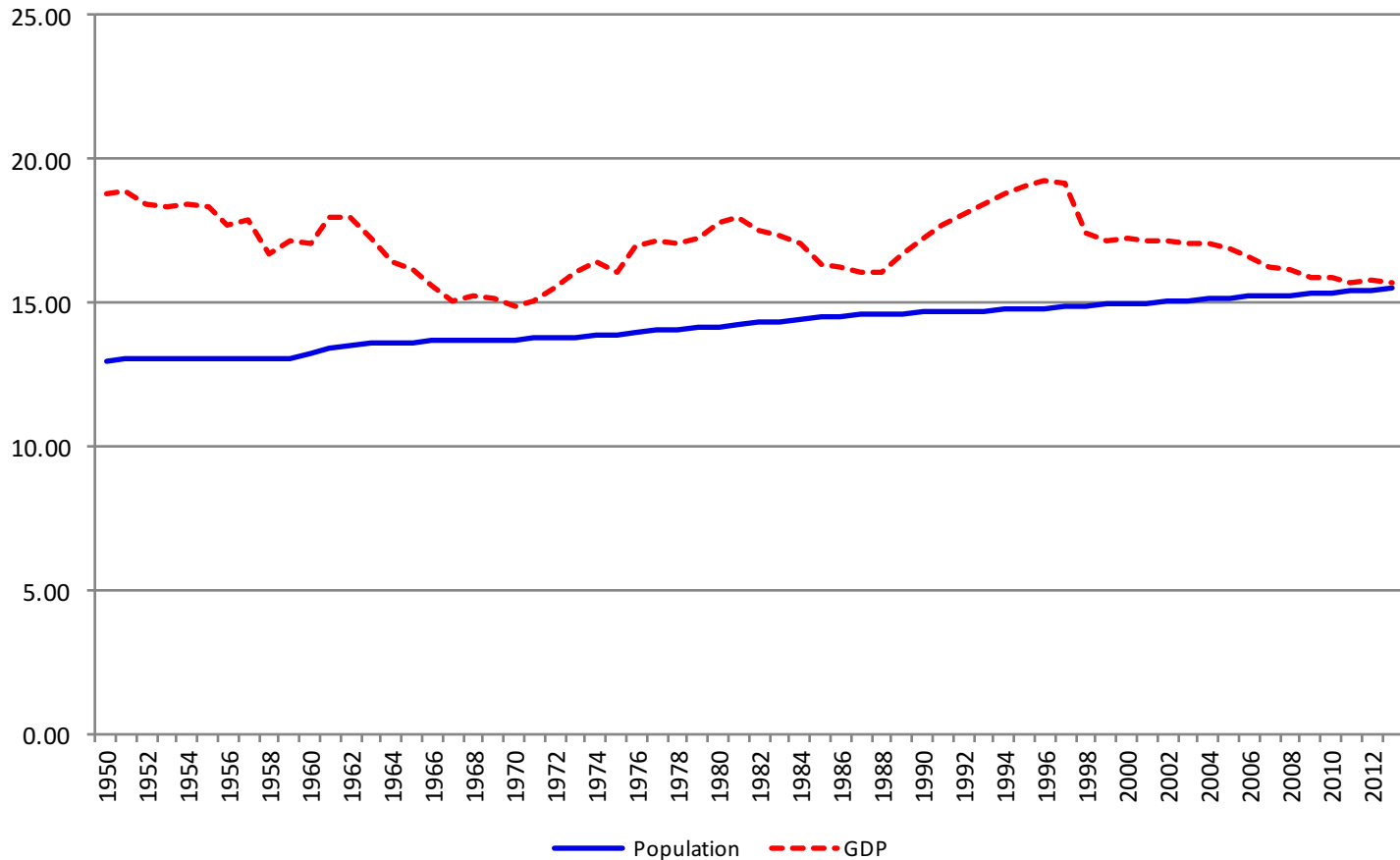


# How about ASEAN in Asia?

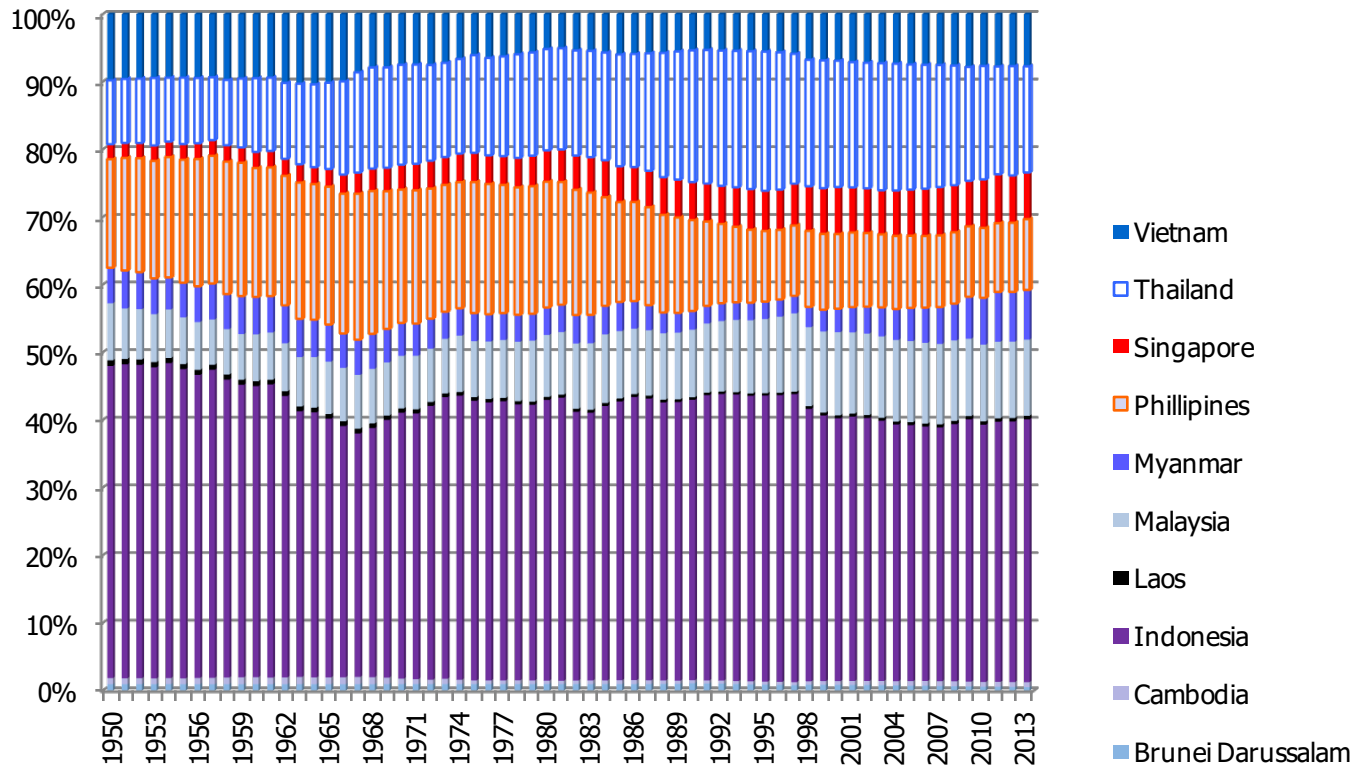
- ASEAN's share in Asia's population increased from 14% in 1950 to 15% in 2013.
- Its share in Asia's GDP (at PPP 2011 prices) – hovered in the 15-18% range during 1950-2013 (**slide 8**) – now about 15%.
- Within ASEAN too, economic landscape has changed significantly (**slides 9-10**)
- While Indonesia holding on its share about 40% in GDP, Singapore, Malaysia, and Thailand (more recently the CLVs too) rising in importance, and the Philippines losing significant ground
- ASEAN has generally outperformed the rest of Asia in terms of per capita income, although the rest of Asia has rapidly caught up with ASEAN in recent years (**slides 11-12**)



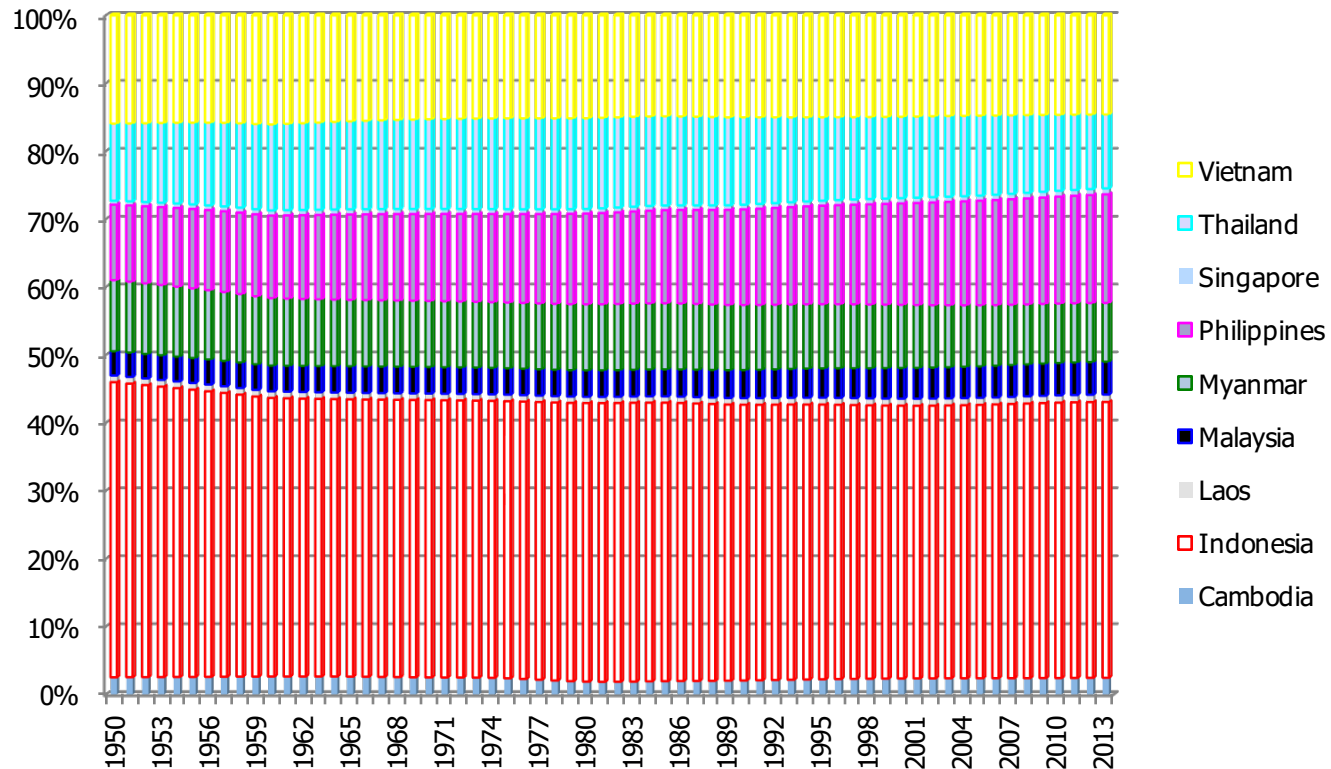
# ASEAN's Share in Asia's Population and GDP



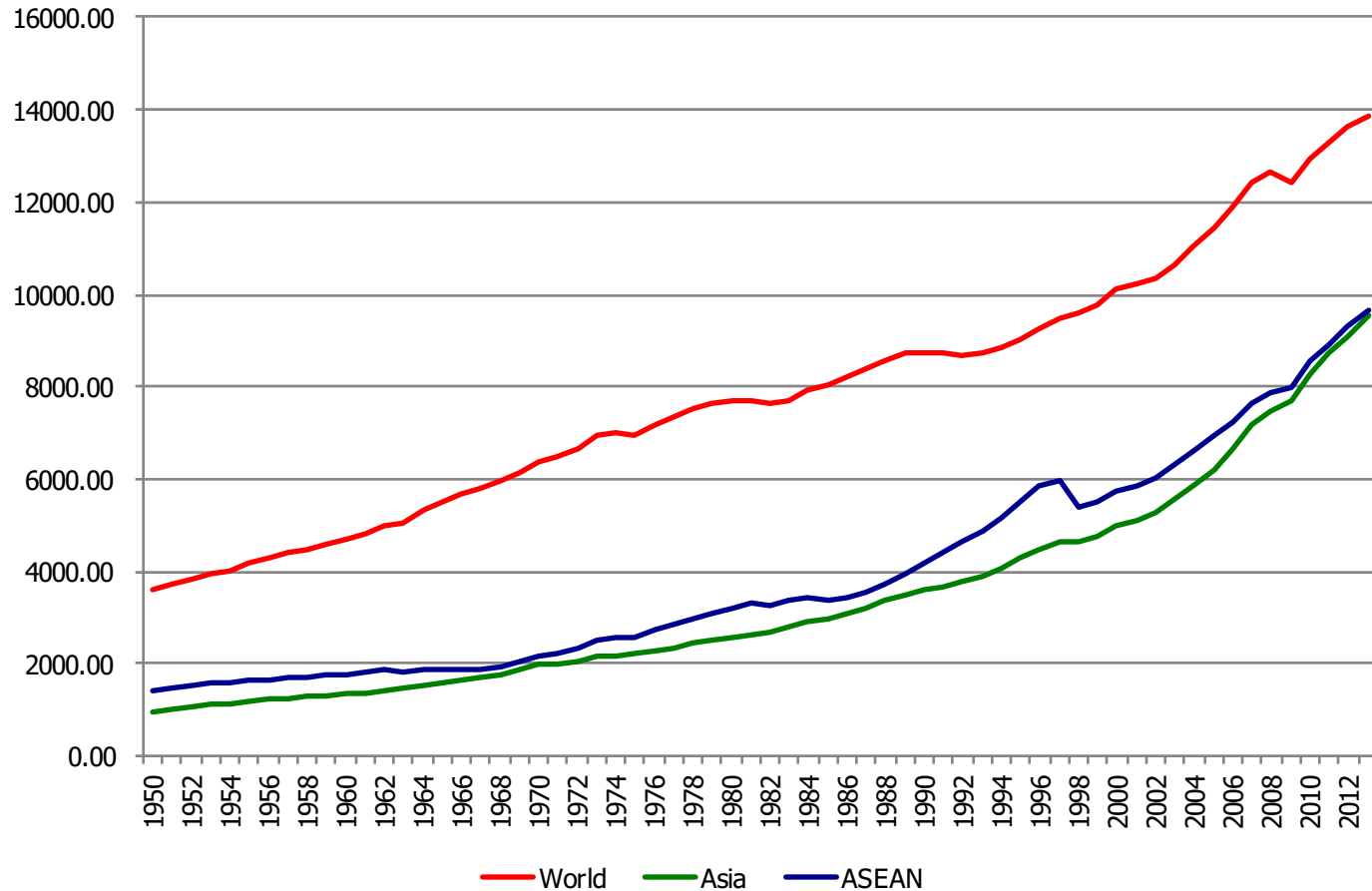
# ASEAN's Economic Landscape - GDP PPP 2011 prices (1950-2013)



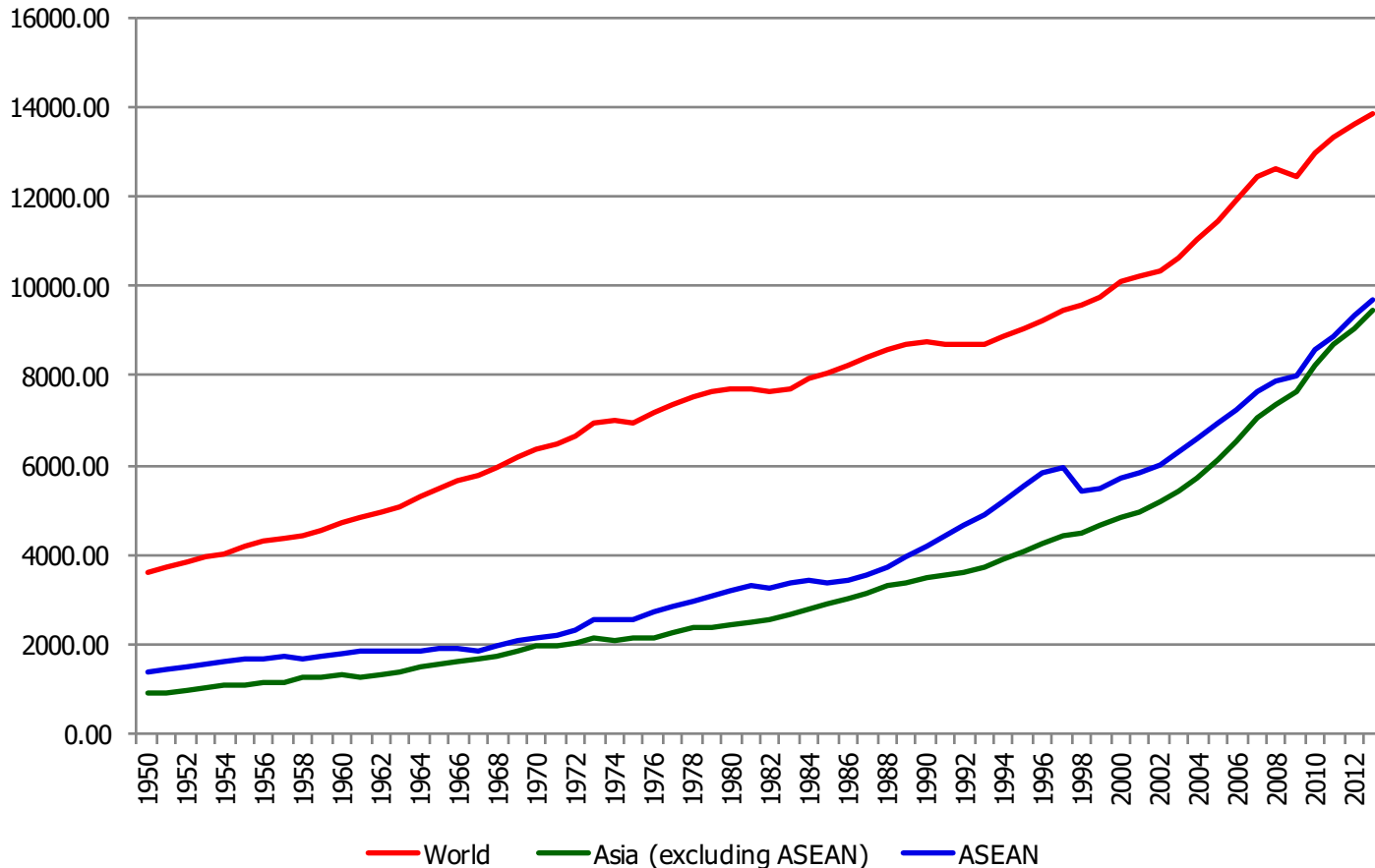
# ASEAN's Population Composition (1950-2013)



# Average Per Capita GDP PPP - World, Asia, and ASEAN



# Average Per Capita GDP PPP - World, ASEAN, and Rest of Asia



# ASEAN to maintain its Share in Asia in the Next Few Decades?

- One recent forecast places the average annual economic growth of Asia for 2010-2050 at about 6% (ADB study 2011).
- Forecasts ASEAN beyond 2030 are not available
- Two recent forecasts indicate that for the period 2010-2030, ASEAN could maintain an average annual growth in the range of 5.4% – 6.4 % – or, say, about 6 % (Petri-Plummer 2014 and ADBI 2014), but large variations within ASEAN growth.
- ASEAN could thus maintain its current share in Asia's GDP in the Asian century but that is not pre-ordained.
- How ASEAN evolves would depend on how it addresses a number of issues -
- ASEAN's internal integration, adjusting to the dynamics of China and India and the evolution of mega integration projects – RECP and TPP - and above all who leads ASEAN?

# Intricacies of Internal Integration

- Deeper and broader internal integration – an imperative? Help or a hindrance to ASEAN centrality?
- How far to go in internal integration – ADBI 2014 – towards a borderless economic community?
- The most contentious issue would be labor movement – often one of the last legs of regional integration
- Development divide – another major stumbling block
- How much institutionalization of ASEAN integration?
- Lessons from Africa and Latin America – institutionalization without integration?

# Dancing with the Dragon – the Economics and Politics of it

- ASEAN's China trade-off – value access to China's money and market; most, though, do not like China's geo-politics
- China – backseat driver of ASEAN centrality for some time - increasingly showing signs of willing to move to the front seat.
- China prefers to deal with ASEAN multilaterally on economic issues but bilaterally on geopolitical issues
- What if China attempts to connect its nine-dotted line over South China Sea - what it claims as its 'blue national soil' ?
- What if China resurrects its tributary system under its potential regional hegemony in the Asian century?
- How best to strike an appropriate trade-off between ASEAN's commercial interests and China's geo-political interests?



# Dealing with a Democratic India

- ASEAN's dilemma of dealing with India - almost the reverse of its challenges in dancing with China.
- Geopolitically, India is most unlikely to be a threat to ASEAN countries, collectively and individually.
- But neither will India's commerce, finance, and economics be highly attractive to the ASEAN, at least for some time to come.
- Of all the FTAs/economic partnership agreements that ASEAN has forged, the one with India perhaps has the longest negative/exclusion list!
- India's unpredictable stances on international issues at times aggravates ASEAN's challenges of dealing with it?

# Join TPP or be Content with RCEP?

- All ASEAN countries are members of RCEP, but only a few of them are in the TPP.
- How should ASEAN approach these two mega integration projects of huge global significance?
- RCEP is less demanding than TPP – undergraduate verses a graduate course!
- Petri-Plummer simulations suggest ASEAN's economic gains from joining TPP almost twice that of RCEP
- Should ASEAN as a regional entity join the TPP or continue to leave that option to individual members?
- What should ASEAN's strategy be if and when China joins TPP or if and when the U.S joins the RCEP?
- “It is all about power, the balance of power mainly”

# Who Leads ASEAN in the Asian Century?

- Is ASEAN paying a big price for ASEAN way – informal, leadership-lite, consensus-based decision-making?
- Race to the bottom and long delays in decision-making and implementation of its integration initiatives?
- Should ASEAN move towards some version of a majority decision-making model? What would it imply for the equal-contribution (to the ASEC) principle?
- Who among ASEAN countries would take leadership to address these (and other similar) thorny issues?
- Who among ASEAN members fulfill the three key requirements for regional leadership role – regional legitimacy, resource commitment, and willingness to lead?
- Would Indonesia – the largest ASEAN country take up the leadership role? Or any other country/countries?

# Thank You

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