

# Latecomer or the Future: Economic Growth of ASEAN Countries

ECON 3006





# ASEAN as the "Next China"?

THE WALL STREET JOURNAL.

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## Investor Seeks the 'Next China' in Vietnam

Mekong Capital Scouts

*By Laura Santini*  
Sept. 8, 2007 12:01 am ET

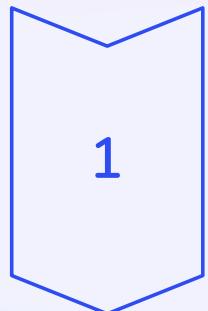
**Growth (annual %) - China, Viet Nam, Indonesia**

Source: Bank national accounts data, and OECD National Accounts data files.  
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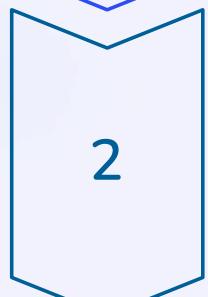
The chart displays the annual growth rate (in percent) for three countries over a 22-year period. China's growth fluctuates between approximately 3% and 14%. Vietnam's growth shows a significant peak around 2007-2008, reaching nearly 14%, before declining to around 4% by 2022. Indonesia's growth is more stable, generally ranging between 3% and 6% throughout the period.

Year	China (%)	Vietnam (%)	Indonesia (%)
2000	8.0	5.0	3.0
2002	9.0	4.0	4.0
2004	10.0	5.0	5.0
2006	12.0	13.0	6.0
2008	10.0	14.0	5.0
2010	9.0	10.0	5.0
2012	8.0	8.0	5.0
2014	7.0	6.0	5.0
2016	6.0	5.0	5.0
2018	5.0	4.0	4.0
2020	3.0	3.0	3.0
2022	4.0	4.0	4.0

# Road Map



Summary of the East Asian Model



Why did ASEAN countries lag behind in economic growth?



Can ASEAN countries grow like East Asia?

# Outline of Post-War Growth in East Asia

## Industrialization

- Trajectory of industry changes
- Industry relocation

## Domestic

- Saving and investment
- Demographic dividend
- Education

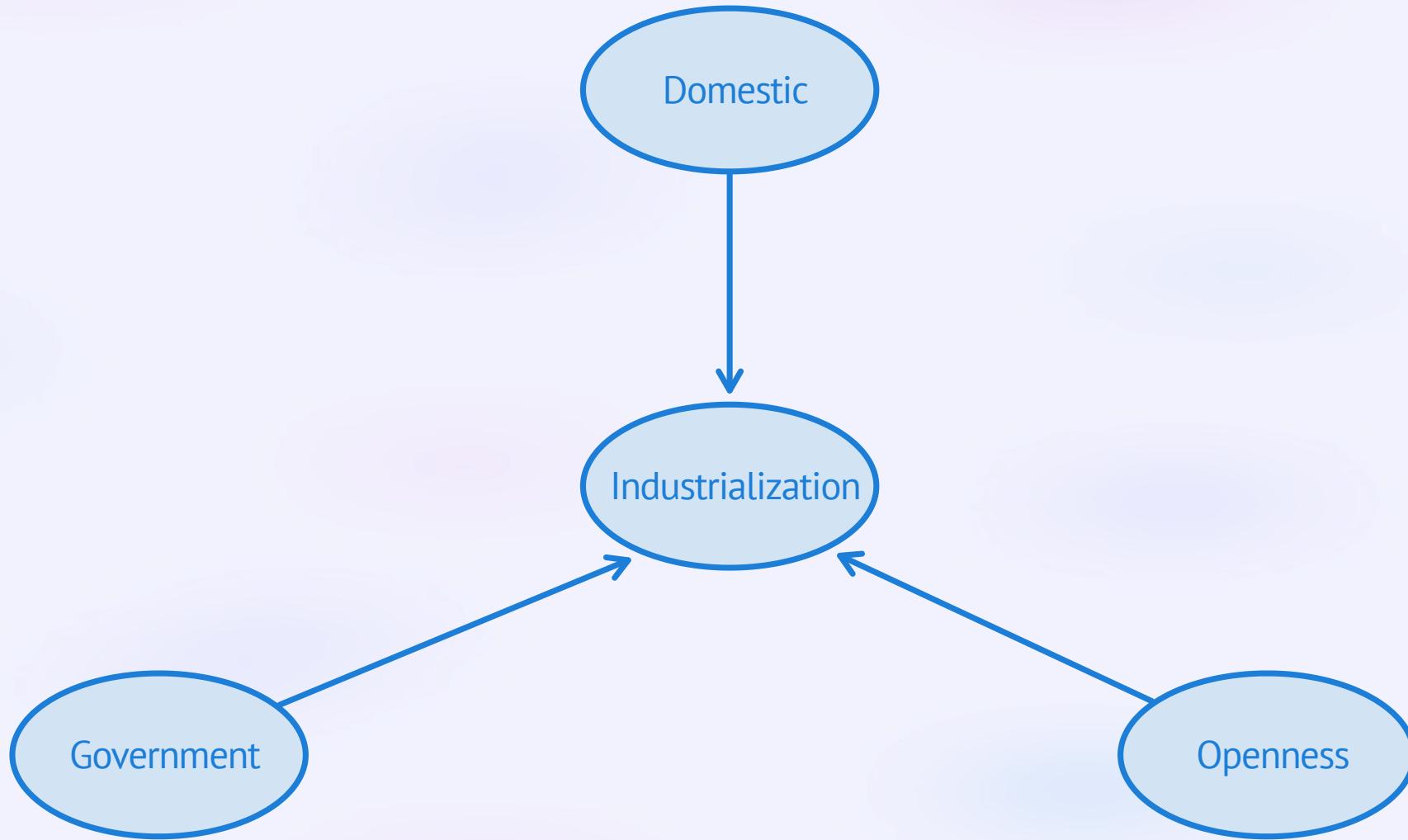
## Openness

- Export-oriented strategy
- Import+FDI
- GVC

## Government intervention

- Industrial policies
- Infrastructure

# East Asian Model

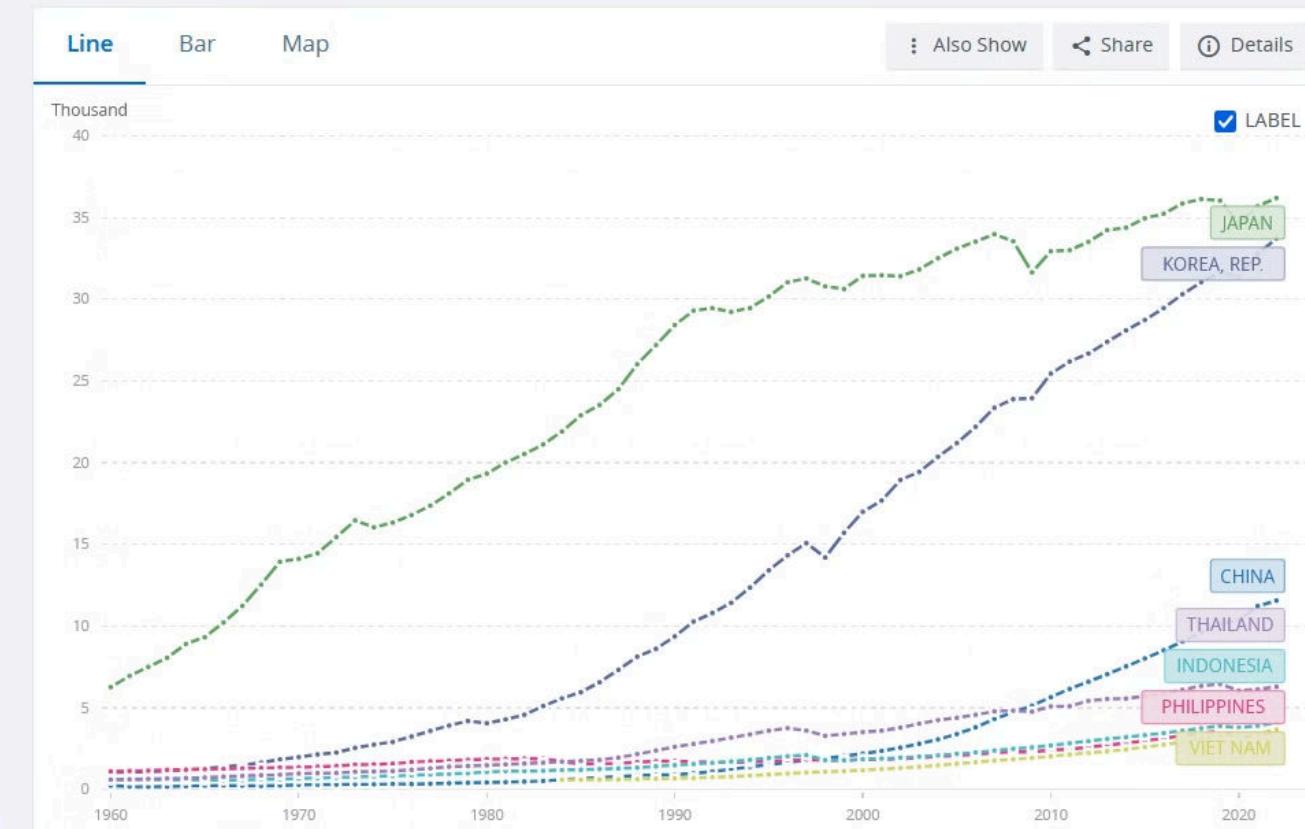


# Why did ASEAN countries lag behind in economic growth?

## GDP per capita (constant 2015 US\$) - China, Japan, Korea, Rep., Philippines, Indonesia, Thailand, Viet Nam

World Bank national accounts data, and OECD National Accounts data files.

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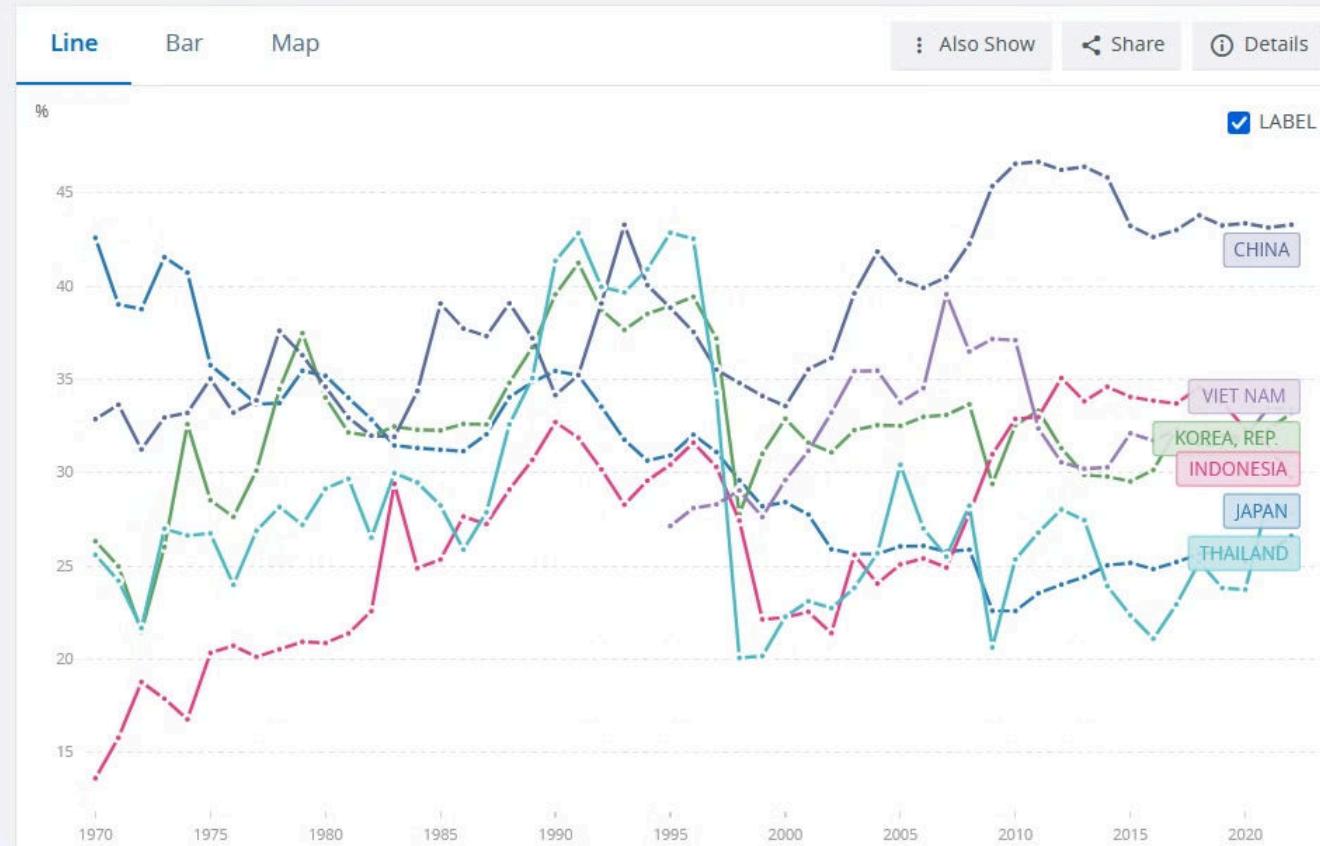


# Why did ASEAN countries lag behind in economic growth?

## Gross capital formation (% of GDP) - Japan, Korea, Rep., China, Indonesia, Thailand, Viet Nam

World Bank national accounts data, and OECD National Accounts data files.

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# NATURAL RESOURCES

## Dutch Disease

### 1 What is Dutch disease?

The term was coined in 1977 by The Economist to describe the decline of the manufacturing sector in the Netherlands after the discovery of the large Groningen natural gas field in 1959

### 2 What kinds of countries are likely to be trapped in the Dutch disease?



# Dutch Disease

## Resources

1 Rice

2 Sugar milling

3 Tin processing

4 Rubber processing

## Countries

1 Malaysia

2 Thailand

3 Philippines

4 Indonesia



# Dutch Disease: Colonial Policy

## Britain

- Burma and Malaya
- Rice and Rubber
- Britain was opposed to industrial development in its colonies on ideological free trade grounds

## France

- Cambodia, Laos, and Vietnam
- Rice
- France didn't want to lose their colonial markets for their exports

## US

- Philippines
- Sugar
- America forged free trade arrangements with the Philippines

# Fragmented Markets



# Fragmented Markets



# Import Substitution Industrialization (ISI)

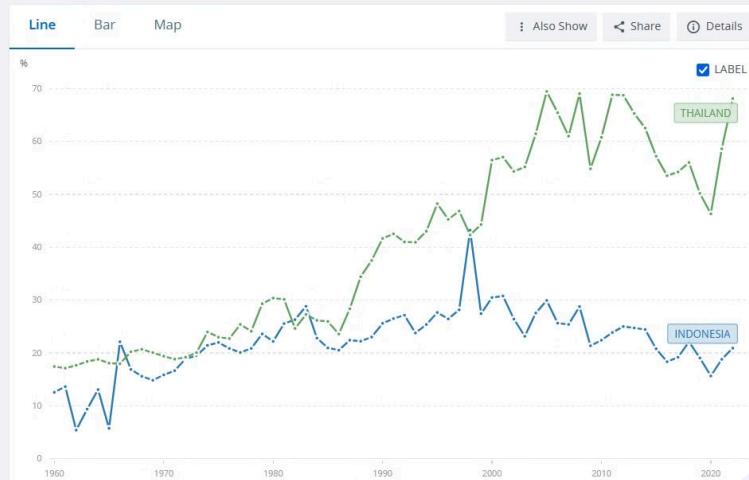
- ① Trade and economic policy that advocates replacing foreign imports with domestic production
- ② Ideology: a country should attempt to reduce its foreign dependency through the local production of industrialized products
- ③ Policies: trade protection

# Import Substitution Industrialization (ISI)

Imports of goods and services (% of GDP) - Indonesia, Thailand

World Bank national accounts data, and OECD National Accounts data files.

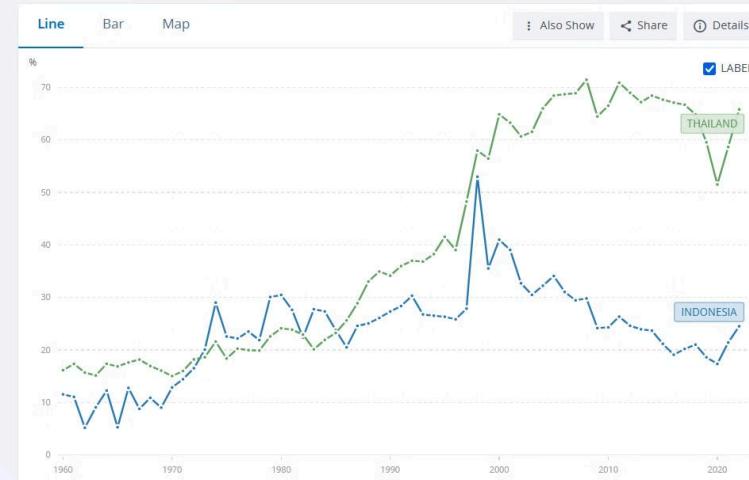
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Exports of goods and services (% of GDP) - Indonesia, Thailand

World Bank national accounts data, and OECD National Accounts data files.

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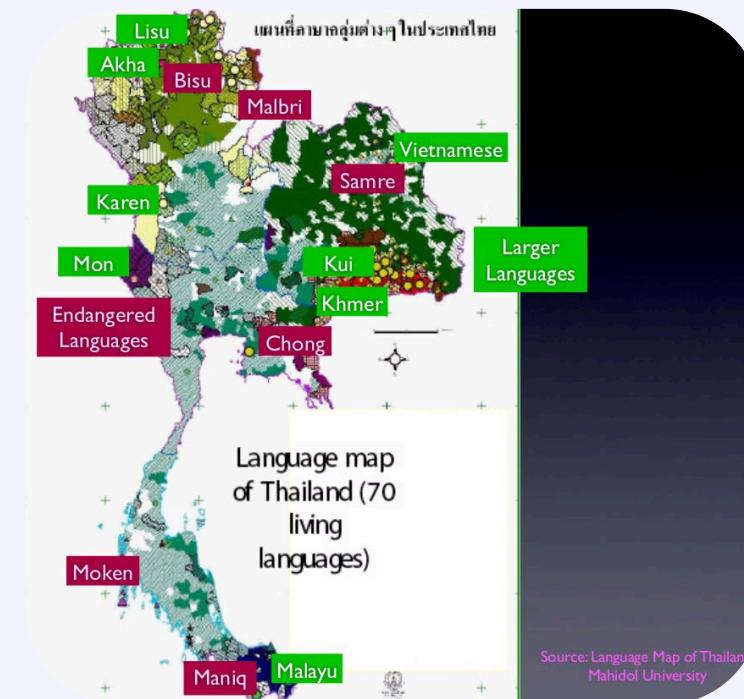
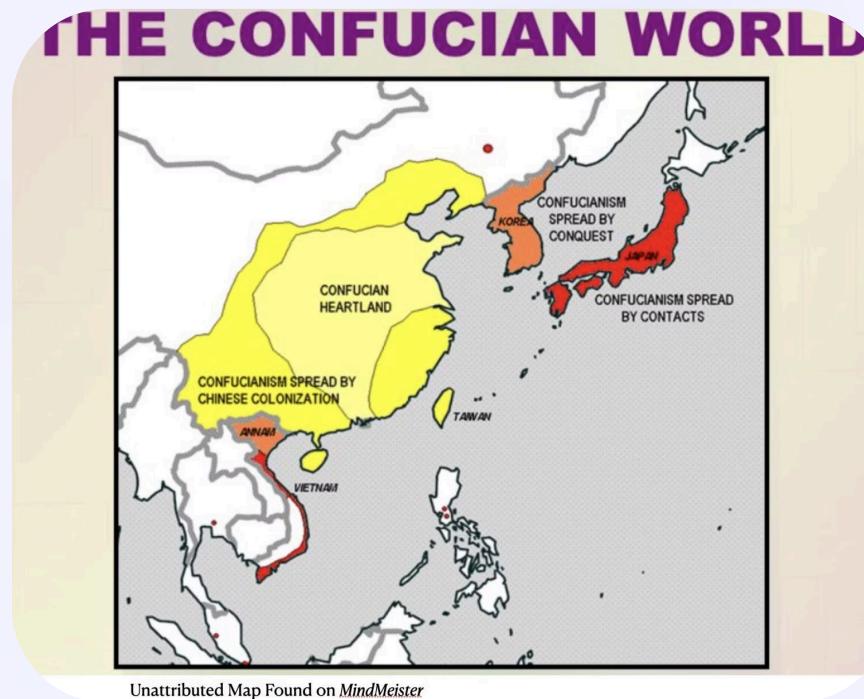
# Education

**Table 11.8.** Average years of schooling aged 25–64, 1960–2010

	Years of schooling			Japan=100		
	1960	1970	2010	1960	1970	2010
Korea	3.552	5.710	13.324	41.3	58.1	101.1
Japan	8.598	9.829	13.181	100.0	100.0	100.0
Burma	1.349	1.118	5.182	15.7	11.4	39.3
Indonesia	1.148	2.367	7.864	13.4	24.1	59.7
Malaysia	2.043	3.126	9.400	23.8	31.8	71.3
Philippines	3.744	4.727	10.030	43.5	48.1	76.1
Thailand	2.219	2.731	8.516	25.8	27.8	64.6

Source: Data underlying Cohen and Soto (2007, in electronic appendix cls-database).

# Why do East Asian countries outperform ASEAN countries in education?



# FDI

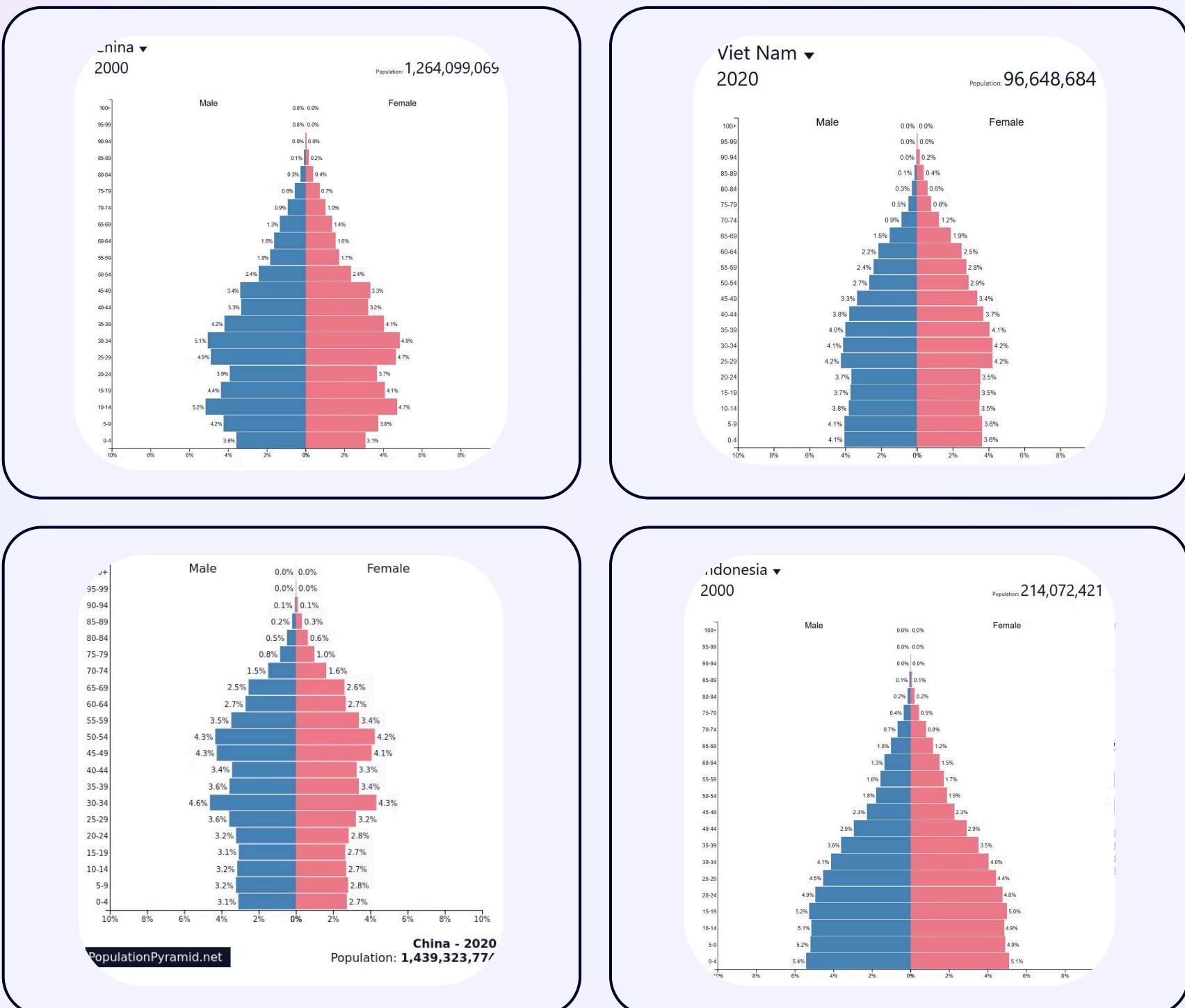
## Foreign direct investment, net inflows (BoP, current US\$) - Singapore, Thailand, Malaysia, Indonesia

International Monetary Fund, Balance of Payments database, supplemented by data from the United Nations Conference on Trade and Development and official national sources.

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# Time Machine: ASEAN as the "Next China"?



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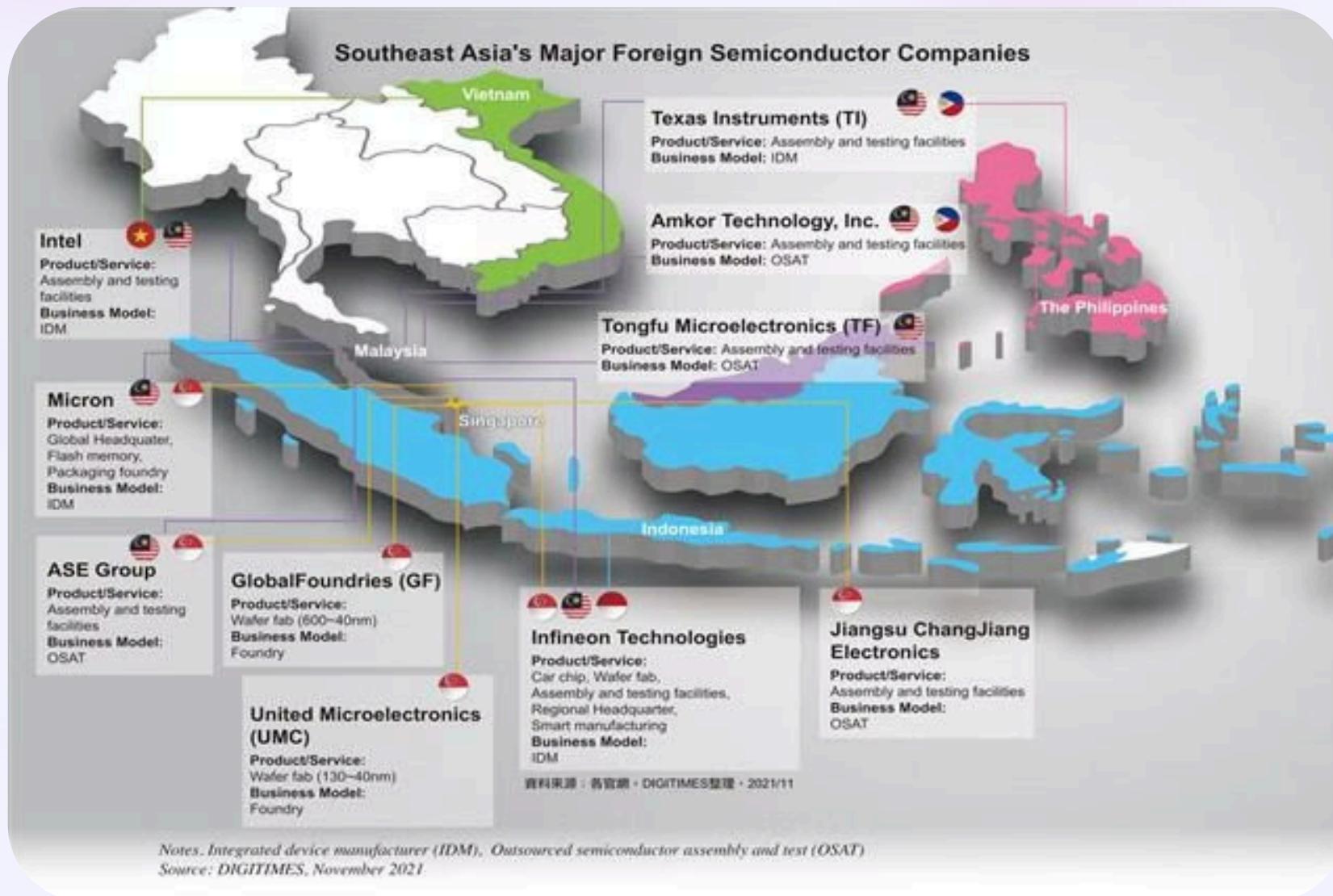
Suzhou Industrial Park



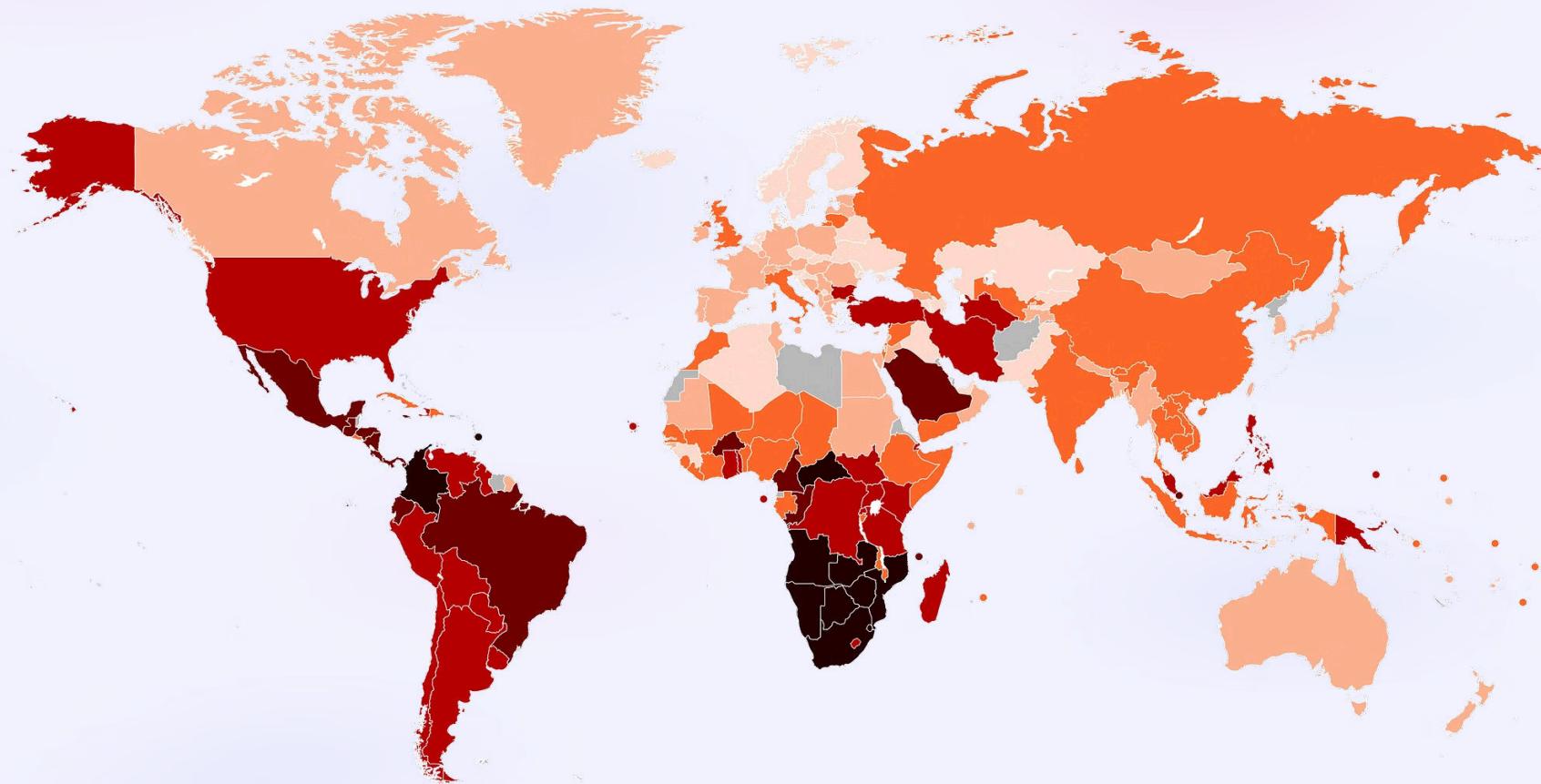
Vietnam-Singapore Industrial Park



# Time Machine: ASEAN as the "Next China"?

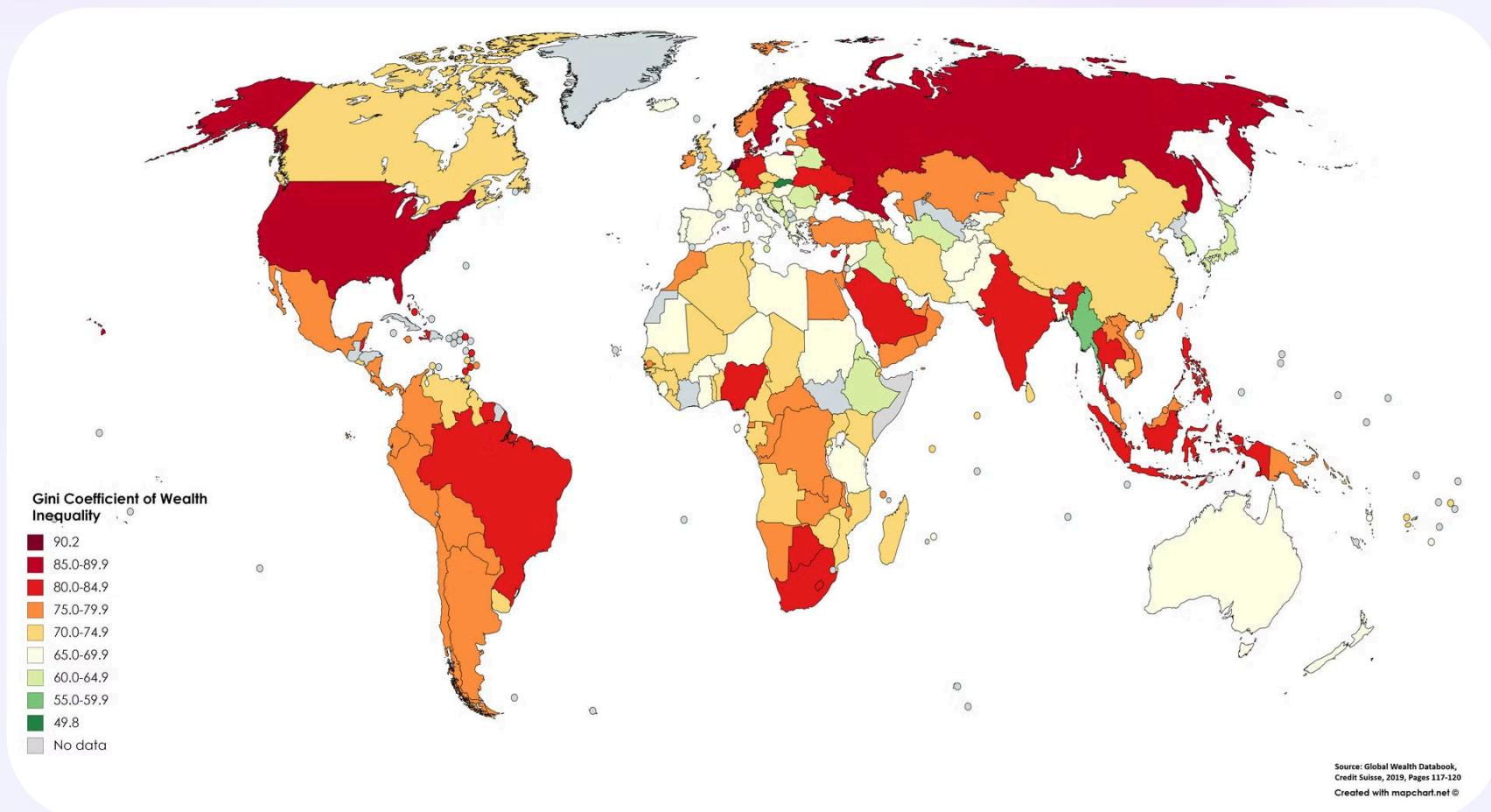


# Challenge: Inequality



Map of income inequality **Gini coefficients** by country (%). Based on World Bank data ranging from 1992 to 2020 (From dark to light: Above 50; Between 45 and 50; Between 40 and 45; Between 35 and 40; Between 30 and 35; Below 30)

# Challenge: Inequality



# Challenge: Inequality

Rank	Country	Name	Estimated Net Worth (USD billions)
1	Thailand	King Maha Vajiralongkorn	\$43
2	Brunei	Sultan Hassanal Bolkiah	\$28
3	Saudi Arabia	King Salman Abdulaziz bin Saud	\$18
4	Abu Dhabi	Emir Khalifa bin Zayed Al Nahyan	\$18
5	Dubai	Emir Sheikh Mohammed bin Rashid Al Maktoum	\$14
6	Luxembourg	Grand Duke Henri	\$4
7	Liechtenstein	Prince Hans Adam II	\$4
8	Qatar	Emir Sheikh Tamim bin Hamad Al Thani	\$2
9	Morocco	King Mohammed VI	\$2
10	Monaco	Prince Albert II	\$1

(The world's richest monarchs, as estimated by *The Business Standard 2020*)

# Challenge: Populism

## Populism

- ① A range of political stances that emphasize the idea of "the people" and often juxtapose this group with "the elite"
- ② An irresponsible form of economic policy by which a government engages in a period of massive public spending
- ③ A charismatic leader seeks to govern based on direct and unmediated connection with their followers

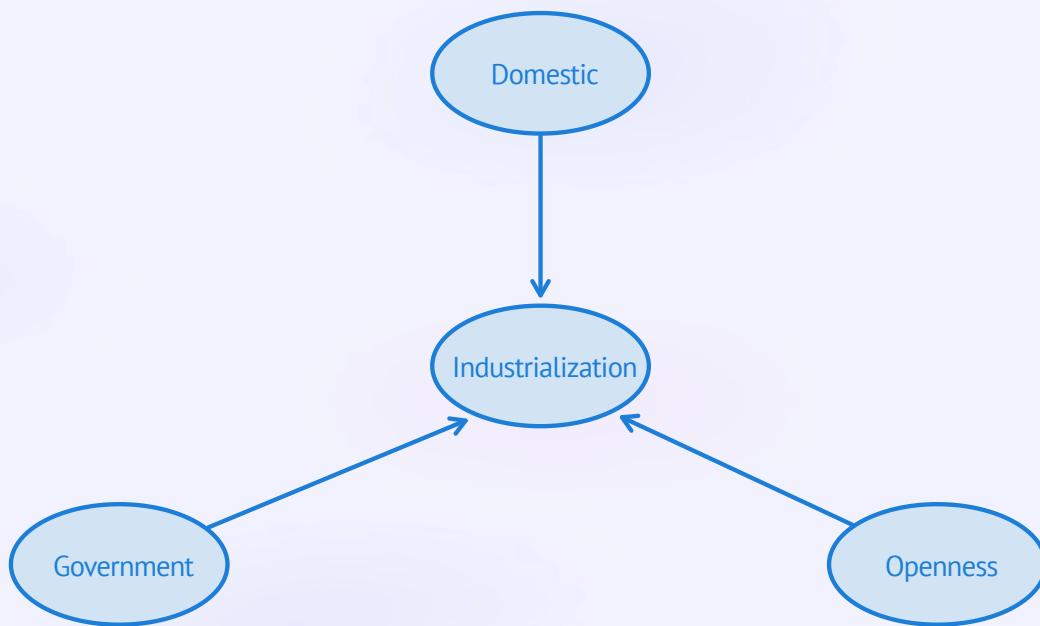
## Example: Thailand



Thaksin Shinawatra



# Summary of Asia-Pacific Economies



Changes in:

- 1 Demography
- 2 Technologies and industries
- 3 Global geopolitics and markets