

# ASEAN Economic Outlook

Malaysia's ASEAN Chairmanship 2025

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# ASEAN in Global Economic Shifts: 1970-2022

# Economic Shifts: 1970—2022

*Over the last half century* we have witnessed a global economic transformation.

A few countries that once held predominant influence in the world's economic landscape during the early 1970s have gradually relinquished their positions to emerging economies. These emerging economies have increased their shares in the world economy, both in significance and pace.

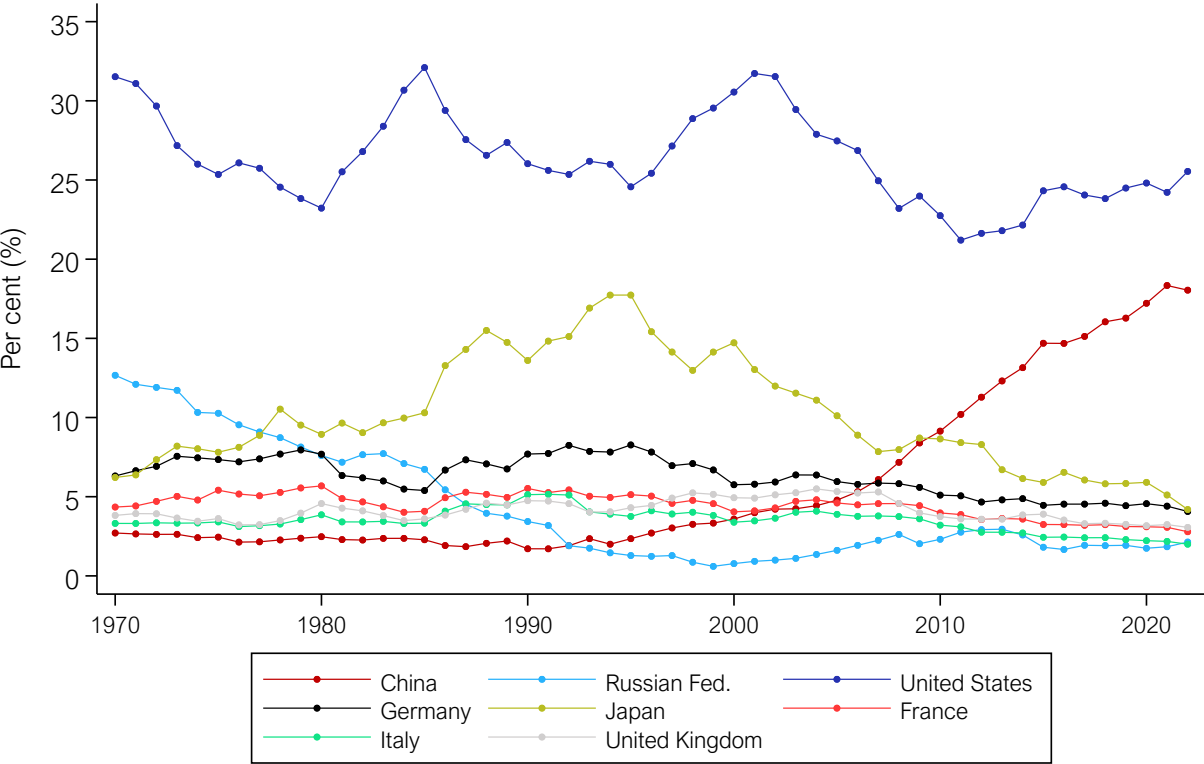
The shift is evident in their declining global shares across three key economic metrics:

- Total output (gross domestic output, GDP)
- Trade in goods
- Manufacturing value added

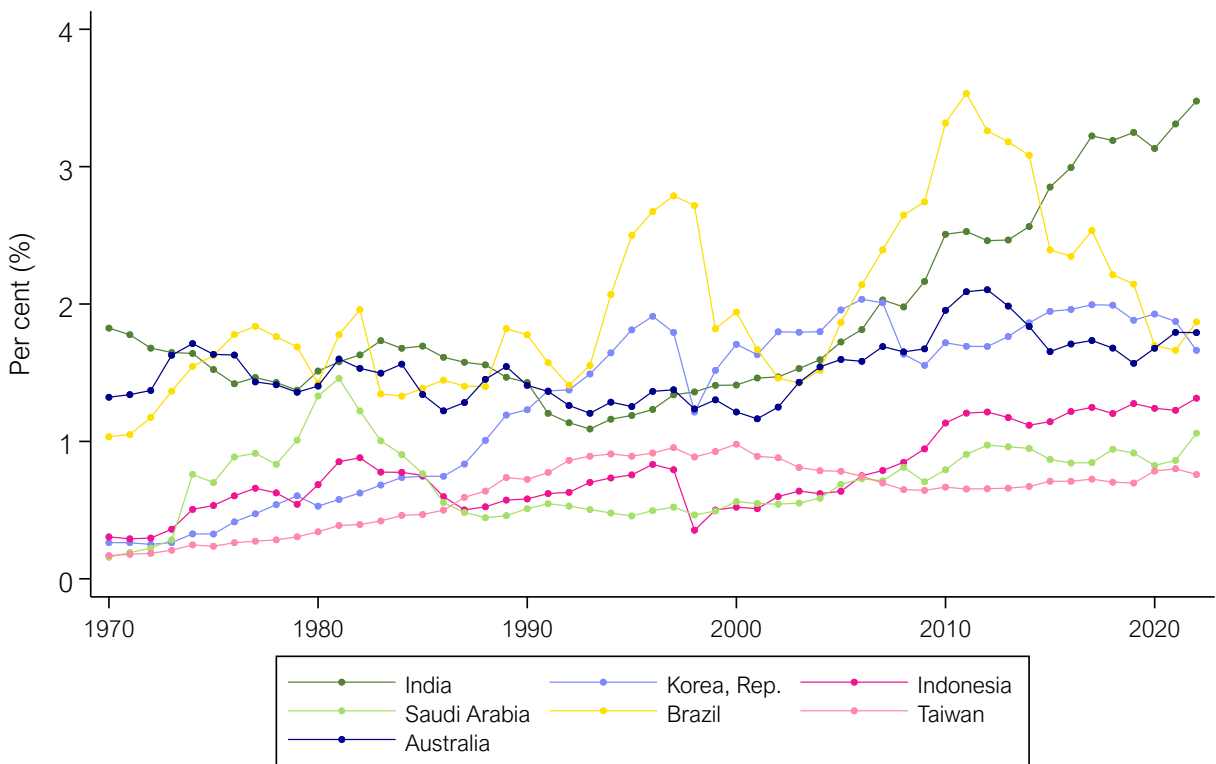
Source: Ing and Lin, Economic Transformation in 'New Global Economic Order' <https://www.eria.org/research/economic-transformation-and-a-new-economic-order>

# Share (%) in World's Nominal GDP, 1970-2022

Top 7 Decliners, except China



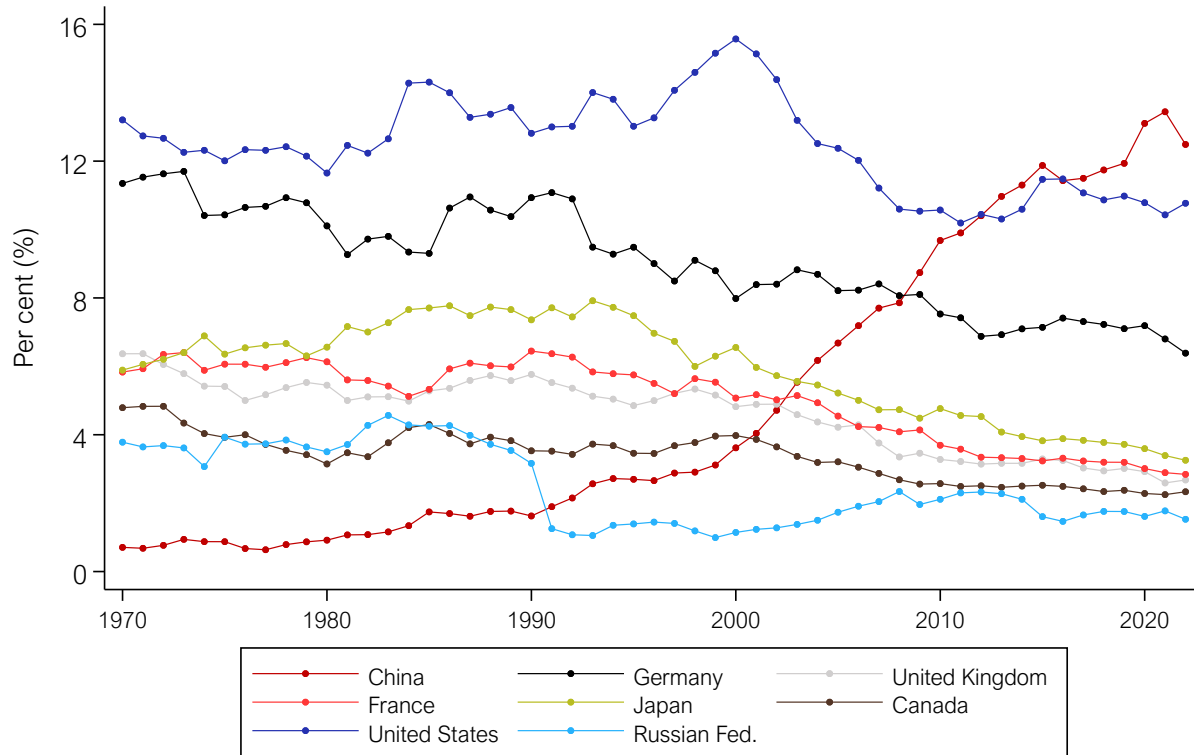
Top 7 Gainers (excluding China)



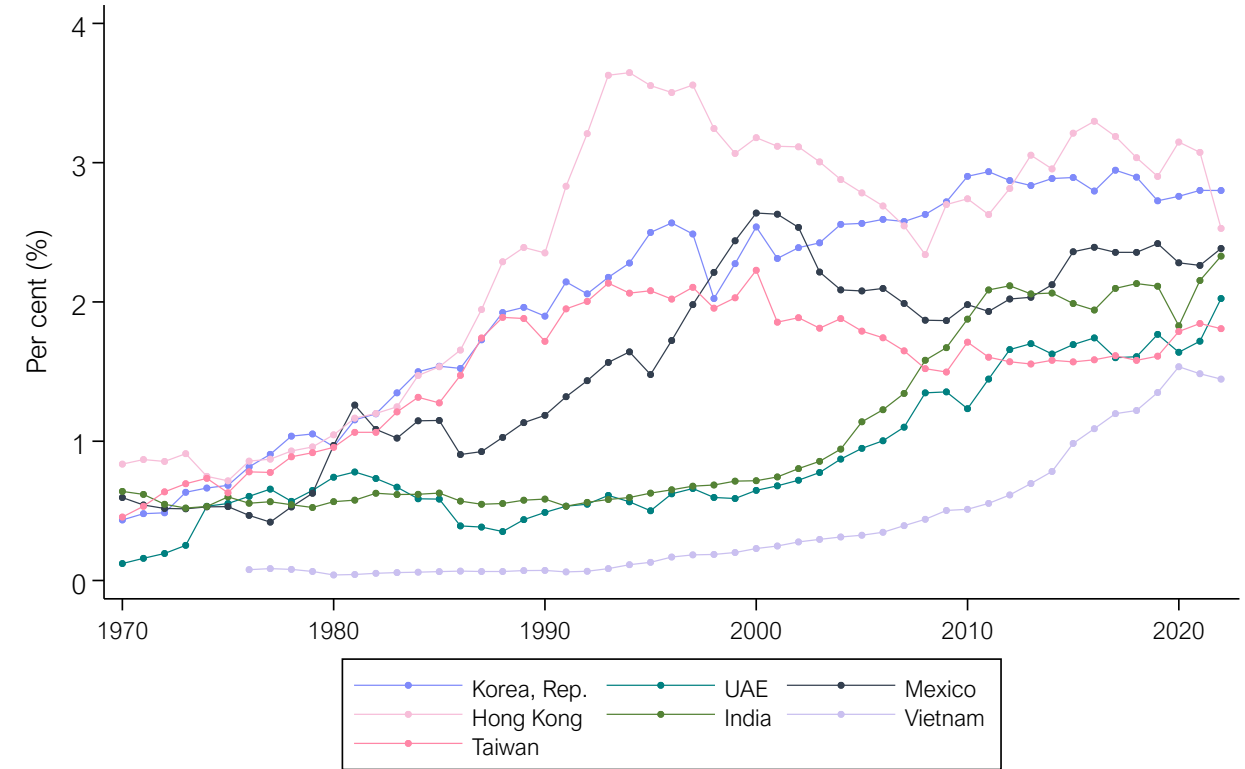
Notes: GDP is Gross Domestic Product or total outputs  
 Source: Ing and Lin, Economic Transformation in 'New Global Economic Order' <https://www.eria.org/research/economic-transformation-and-a-new-economic-order>

# Share (%) in World's Trade Value, 1970-2022

## Top 7 Decliners, except China



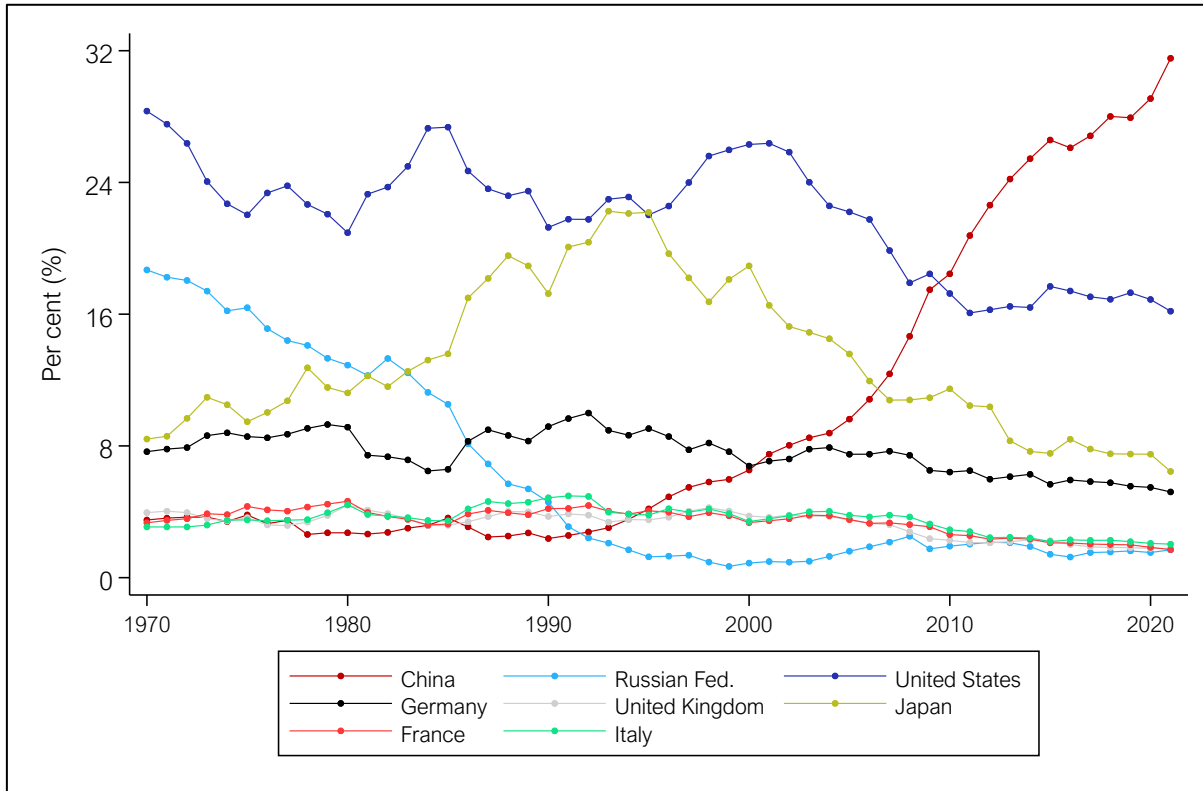
## Top 7 Gainers (excluding China)



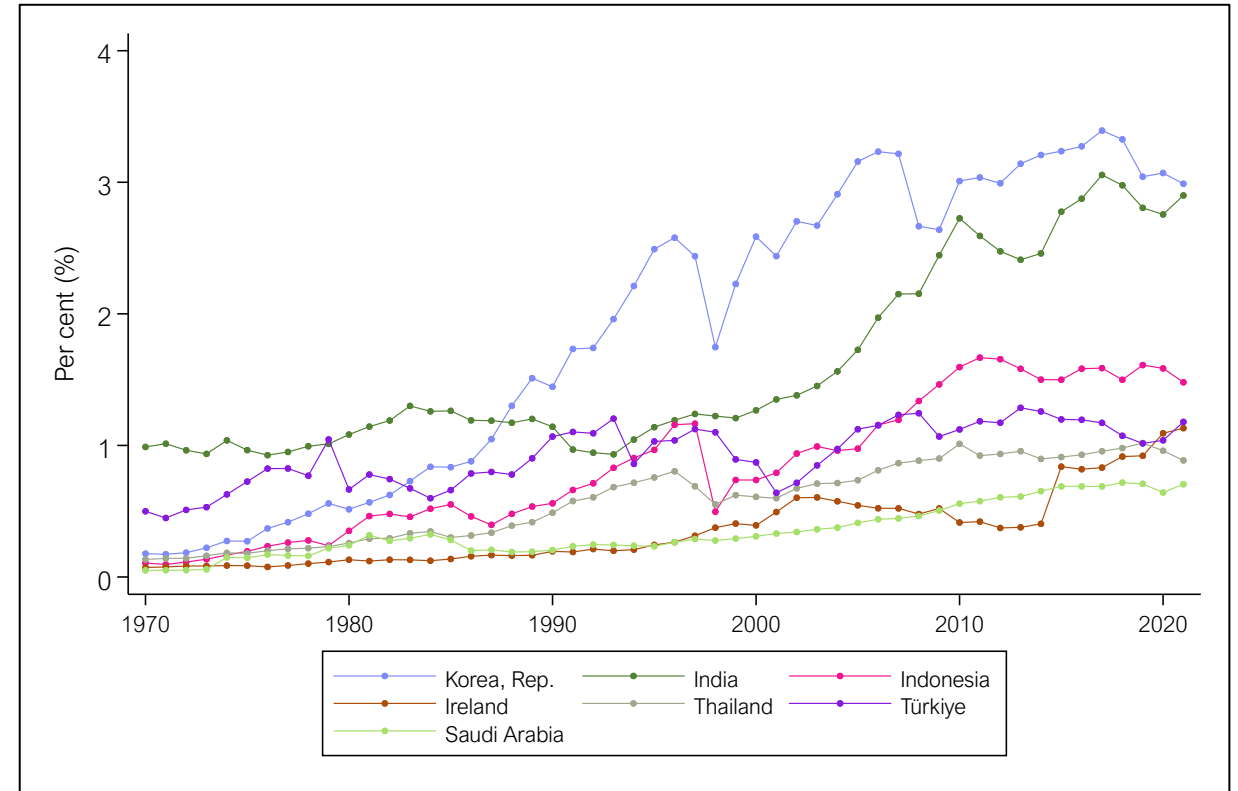
Source: Ing and Lin, Economic Transformation in 'New Global Economic Order' <https://www.eria.org/research/economic-transformation-and-a-new-economic-order>

# Share (%) in World's Manufacturing Value Added, 1970-2022

Top 7 Decliners, except China



Top 7 Gainers (excluding China)

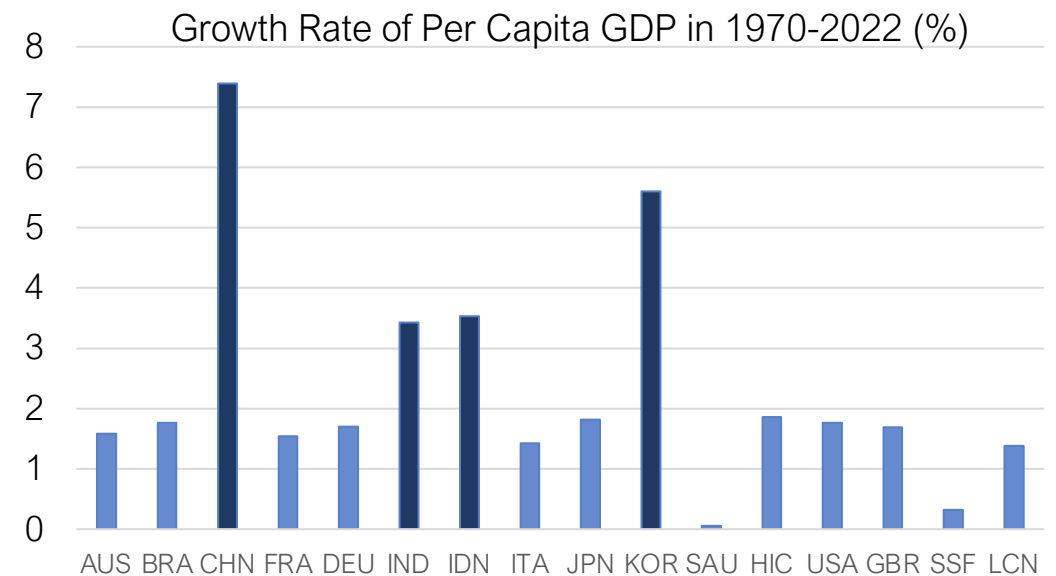
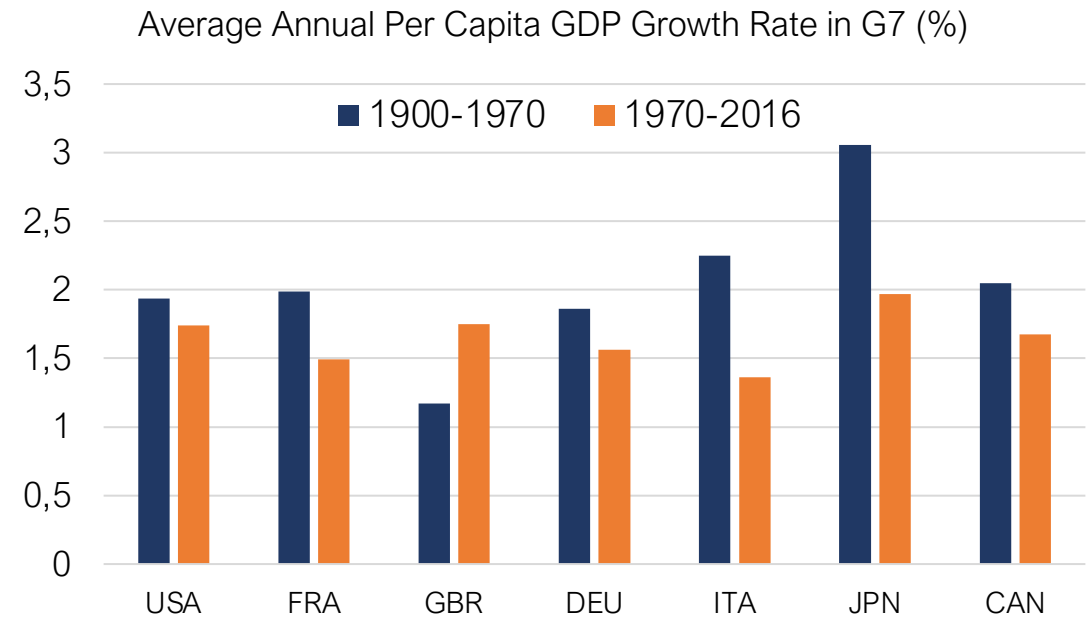


Source: Ing and Lin, Economic Transformation in 'New Global Economic Order' <https://www.eria.org/research/economic-transformation-and-a-new-economic-order>

# Lessons from the Shifts

- The economic shifts in the last half century are not caused by significant changes in the growth performance of developed countries but rather by the rapid catching up of a few emerging market economies, such as China, India, Indonesia, and South Korea.
- Economic development is a process of continuous structural transform in industries and technology (and human capital), which raise productivity, as well as hard infrastructure and soft institutions, that reduce transaction costs.
- The governments of those few successful countries adopted pragmatic approaches to turn their countries' comparative advantage from “*latent*” to “*actual*” and exploited the latecomer advantages throughout their industrialization and technology catching up process.

Source: Ing and Lin, Economic Transformation in ‘New Global Economic Order’



# Global Trade Outlook



# Global Trade Outlook

*Rising protectionism continues...*

- Geopolitical tensions
  - US —China trade tensions (now extended to technology, strategic industries, and security)
  - US's Friend shoring strategy—China's Dual Strategy
- Rising anti-globalization and protectionism
  - Stalled Multilateral Trading System (WTO)
  - Trade coercions, sanctions, and protectionism
  - World's Defragmented Value Chains

# ASEAN's Free Trade Agreements

No	FTA	In Effect
1	ASEAN Free Trade Area	Jan 1993
2	ASEAN-China	July 2005
3	ASEAN-South Korea	June 2007
4	ASEAN-Japan	Dec 2008
5	ASEAN-Australia and New Zealand	Jan 2010
6	ASEAN-India	Jan 2010
7	ASEAN-Hong Kong	June 2019
8	Regional Comprehensive Economic Partnership (RCEP) ASEAN, Australia, China, Japan, South Korea, New Zealand)	Jan 2022

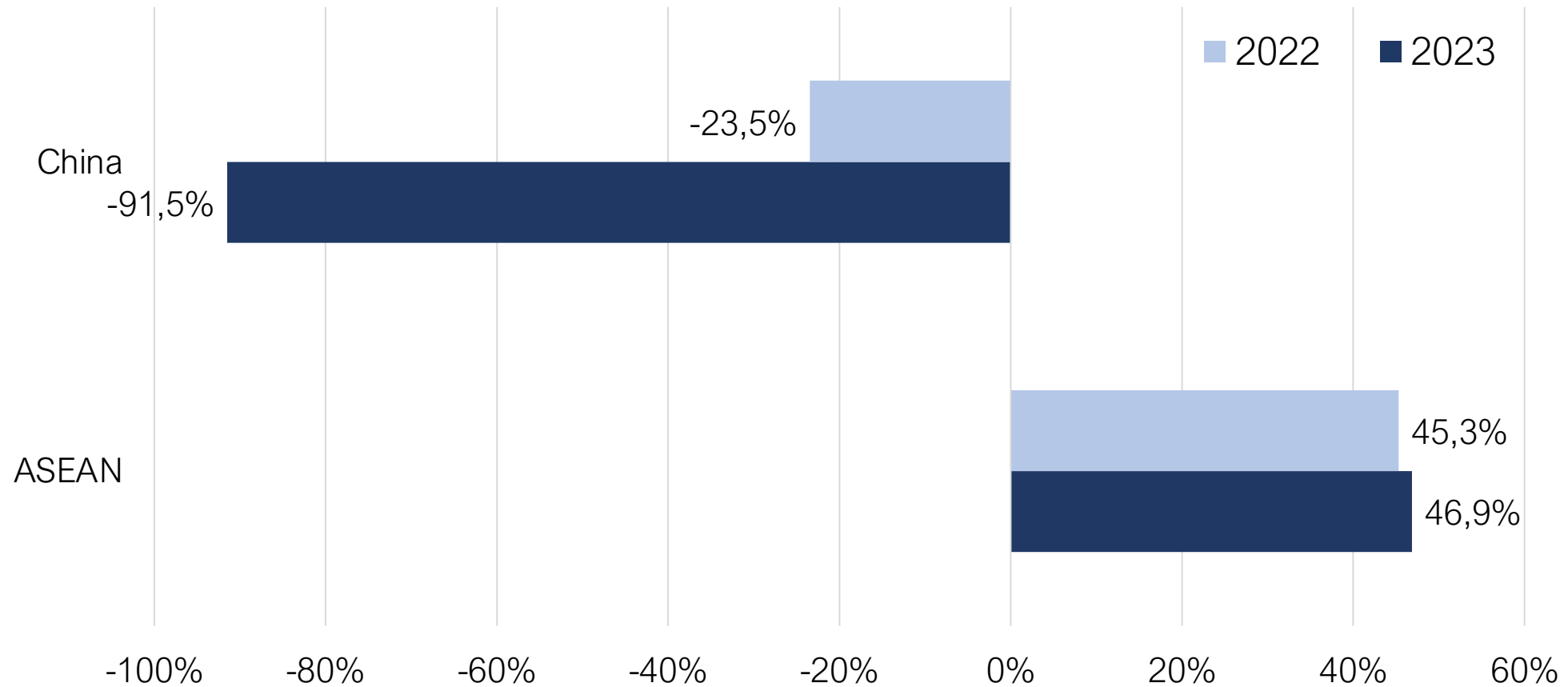
Source: <https://aric.adb.org/fta-group> [accessed 4/26/2024]

# ASEAN's Potential

*in Semiconductor and Digital Economy*

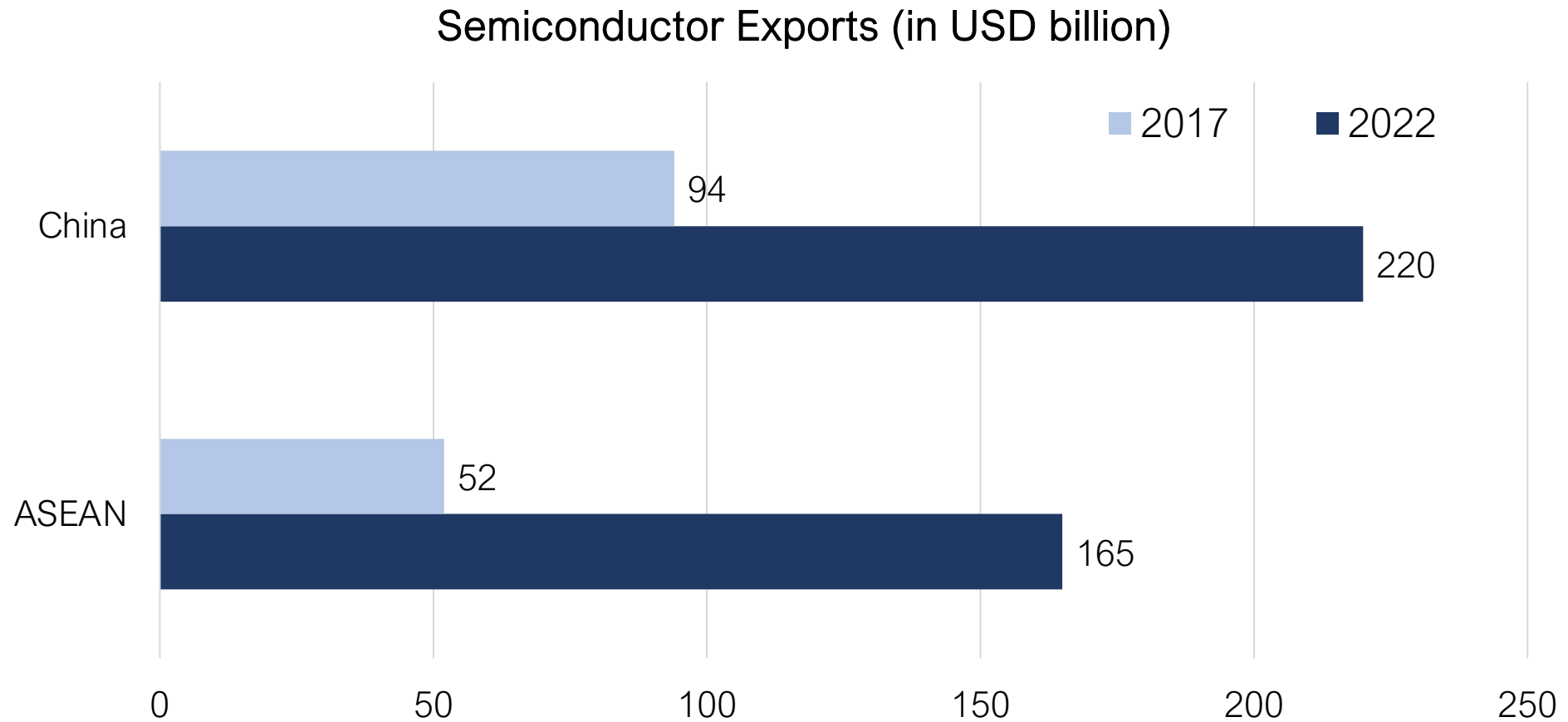
# Changes in Total FDI, after and before US—China tensions

*2022 and 2023 compared to 2018*



Source: ERIA Staff Calculations from EIU Database [accessed 8 January 2024]

# ASEAN's Potential in Semiconductor



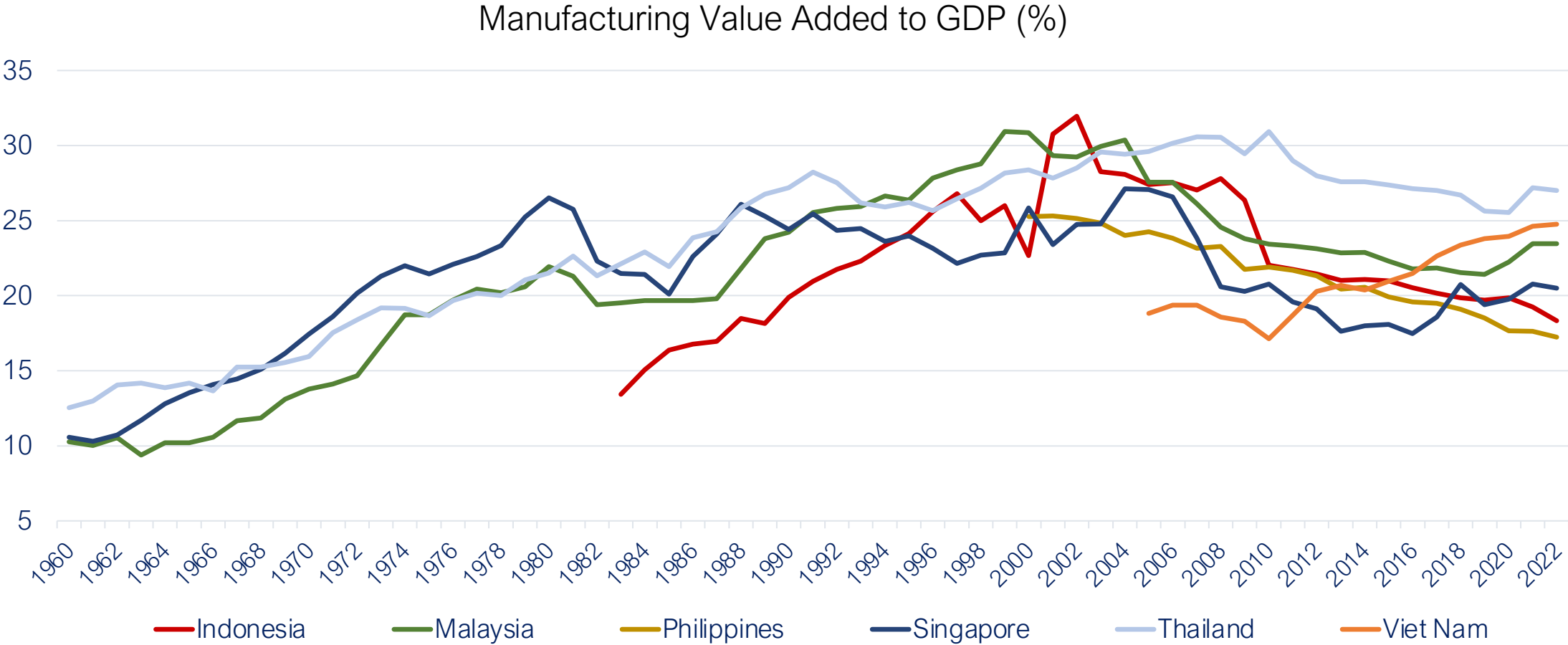
Source: ERIA Staff Calculations based on WITS Database [accessed 12 September 2023], semiconductor exports: HS 8541 and 8542

# ASEAN's Potential in Digital Economy

- In 2023, ASEAN has 679mn population, 70% of which are internet users
- In 2023, the digital economy was recorded at USD 259 billion
- By 2030, ASEAN's digital economy will reach USD 1 trillion.

# Challenges for ASEAN

# Challenge 1: Level up manufacturing value added?

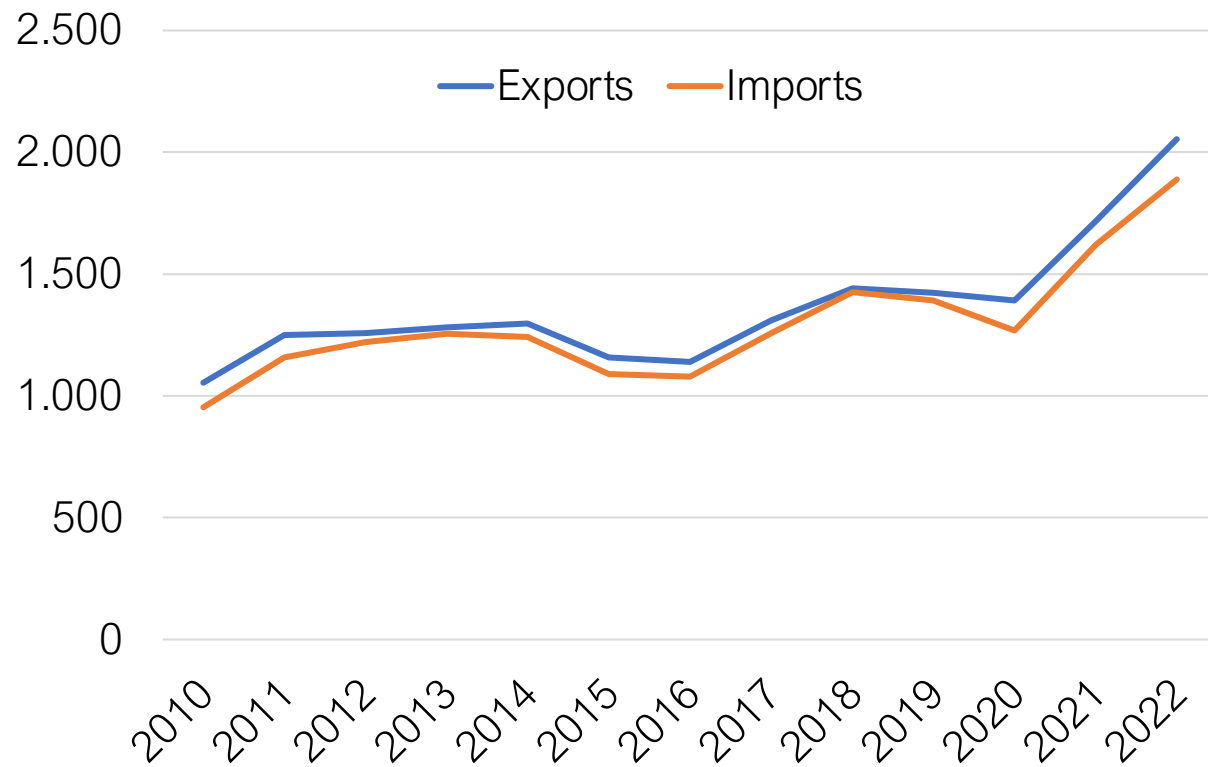


Source: World Development Indicators, World Bank [accessed 31 October 2023]



# 30% of ASEAN's exports are still resource intensive

Value of Total ASEAN's Exports and Imports to the World (USD bn)



Value of Total ASEAN's Exports and Imports to the World (billion KG)



Source: International Trade Center and WITS Database [accessed 15 January 2024]

# Challenge 2: Domestic pressures

## *Consequences from political uncertainties on economic policies*

*Despite ASEAN promising economy and potentials, there have been growing concerns on ASEAN trade and investment policies and regulations*

- Export and import bans
- Local Content Requirements (LCRs)
- Investment barriers (foreign equity and board of directors)
- Picking Winner policies (prioritizing specific industries)
- Non-automatic licensing system

# Way Forward

*Open for Discussions*

# Way Forward

## *Solid macro and micro economy*

### 1. Development Strategy:

- Optimize comparative advantage and effective infrastructure
- Accumulate capital and ensure gradual economic and political transition
- Fiscal: *wise spending* (max ratio of fiscal debt to GDP of 3%)
- Advance the use of digital technologies and ensure sustainability
  - Invest in physical and digital connectivity (develop, upgrade, and decarbonize ports, shipping, logistics, electricity, and data center infrastructure)
  - Optimize the use of digital technologies to increase productivity ensure sustainable development across all sectors

# Way Forward (trade and Investment)

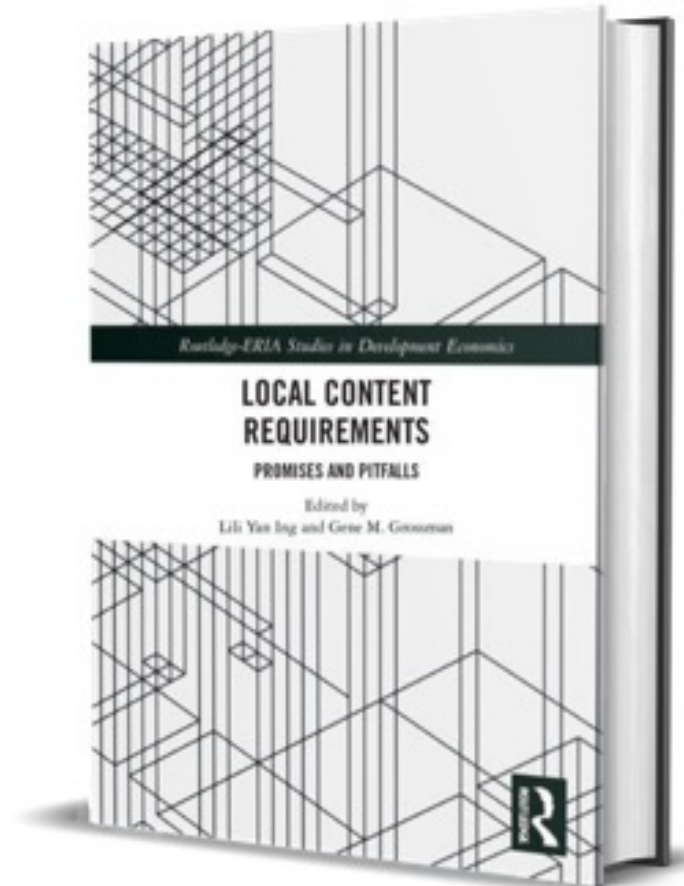
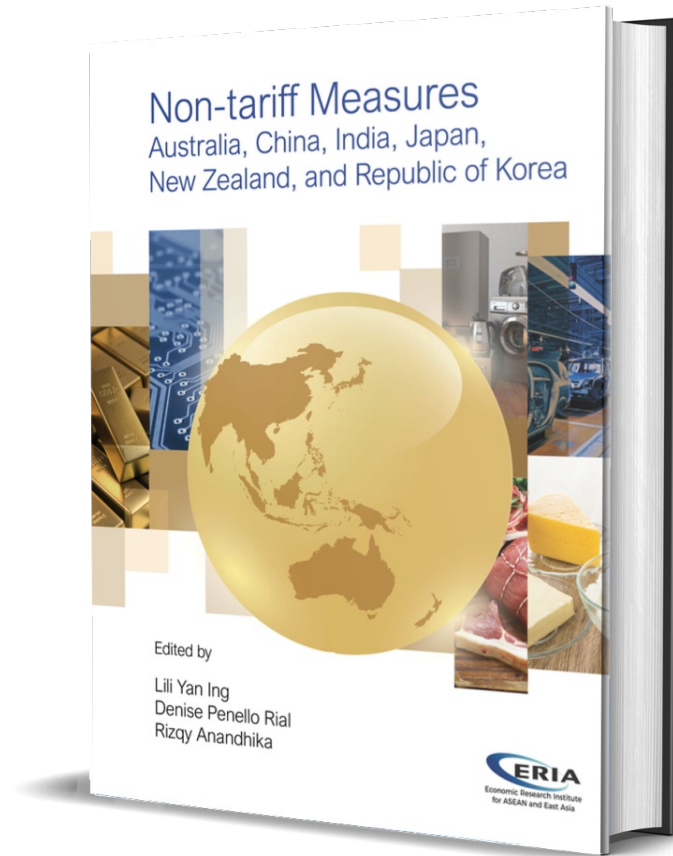
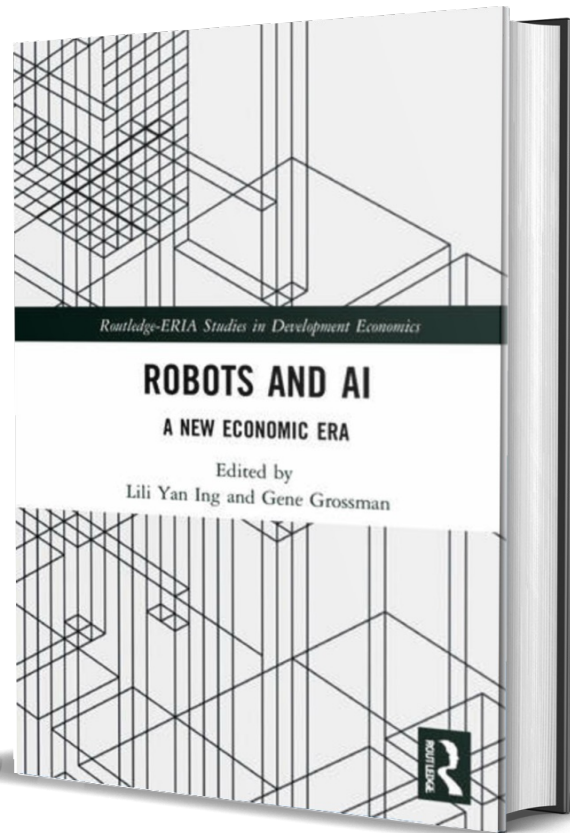
*Maintain neutral ground of ASEAN and improve cooperation*

## 2. Deepen trade and investment ties with existing and potential partners

- Ensure the effective functioning of the multilateral trading system
- Optimize the use of ASEAN FTAs: Intra ASEAN, ASEAN+1 FTAs, and the RCEP

## 3. Improve trade and investment climate

- Create conducive environment to all sectors and industries (*Not picking the winners*)
- Improve transparency in licensing, permits, and regulatory process by implementing corporate governance standards



Thank You

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# ASEAN's Free Trade Agreements

No	FTA	Signed (m/d/y)	In Effect (m/d/y)
1	ASEAN Free Trade Area	1/28/1992	1/1/1993
2	ASEAN-People's Republic of China Comprehensive Economic Cooperation Agreement	11/29/2004	7/1/2005
3	ASEAN-Republic of Korea Comprehensive Economic Cooperation Agreement	8/24/2006	6/1/2007
4	ASEAN-Japan Comprehensive Economic Partnership	4/14/2008	12/1/2008
5	ASEAN-Australia and New Zealand Free Trade Agreement	2/27/2009	1/1/2010
6	ASEAN-India Comprehensive Economic Cooperation Agreement	8/13/2009	1/1/2010
7	ASEAN-Hong Kong, China Free Trade Agreement	11/12/2017	6/11/2019
8	Regional Comprehensive Economic Partnership (RCEP)	11/15/2020	1/1/2022

Source: <https://aric.adb.org/fta-group>, accessed on 4/26/2024

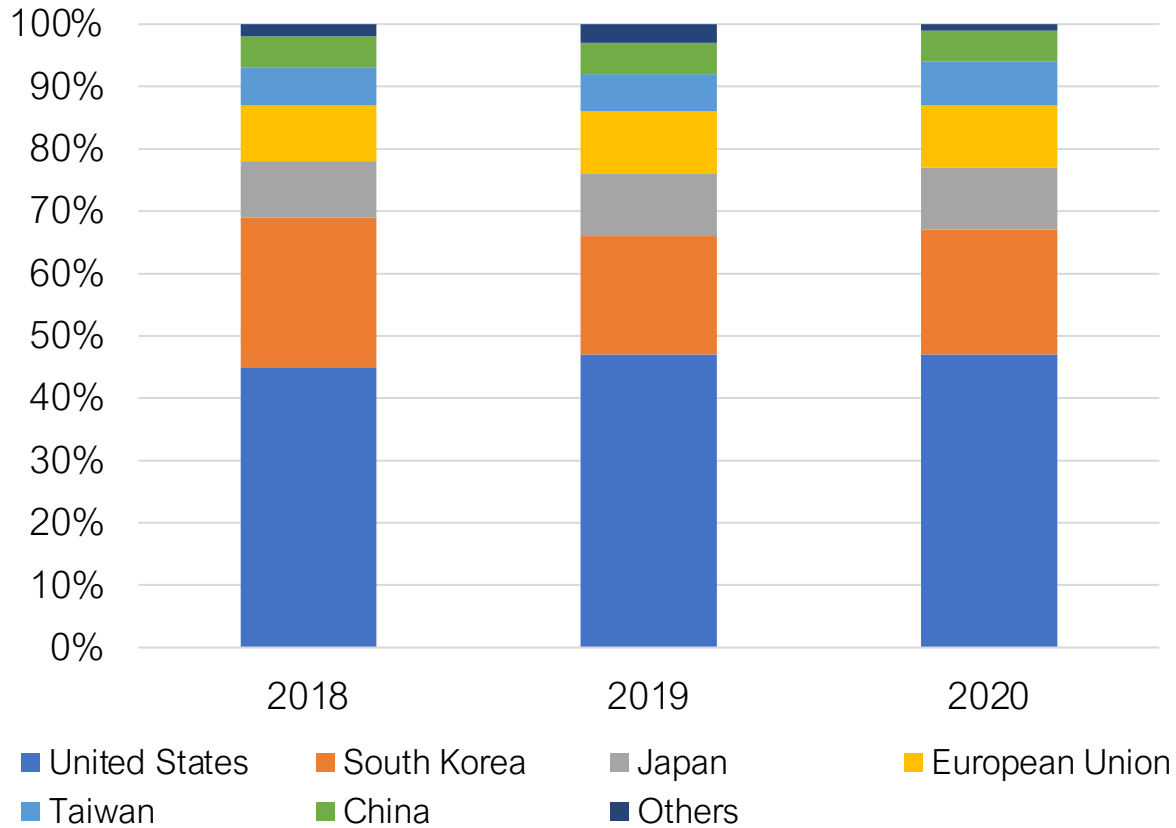


# Other Ongoing ASEAN's FTA

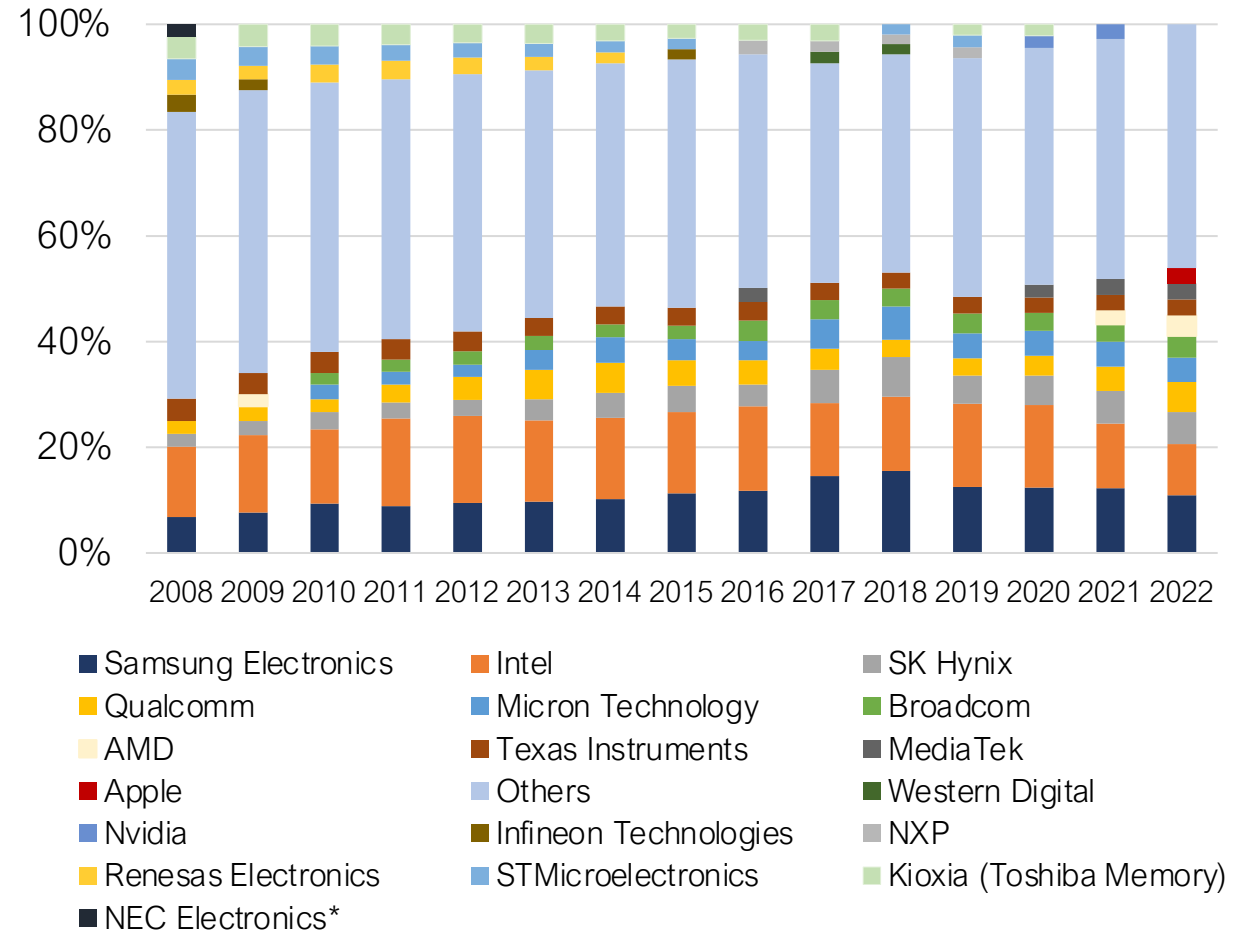
- **Negotiations launched**
  - ASEAN-Canada FTA (11/17/2021)
- **Proposed/Under consultation and study**
  - ASEAN-EU Free Trade Agreement (7/1/2007)
  - ASEAN-Eurasian Economic Union Free Trade Agreement (2016)
  - ASEAN-Gulf Cooperation Council Free Trade Agreement (2023)
  - ASEAN-Pakistan Free Trade Agreement (8/13/2009)
  - Comprehensive Economic Partnership for East Asia (CEPEA/ASEAN+6) (12/14/2005)

# Global Semiconductor Market

## Share of Global Semiconductor Industry

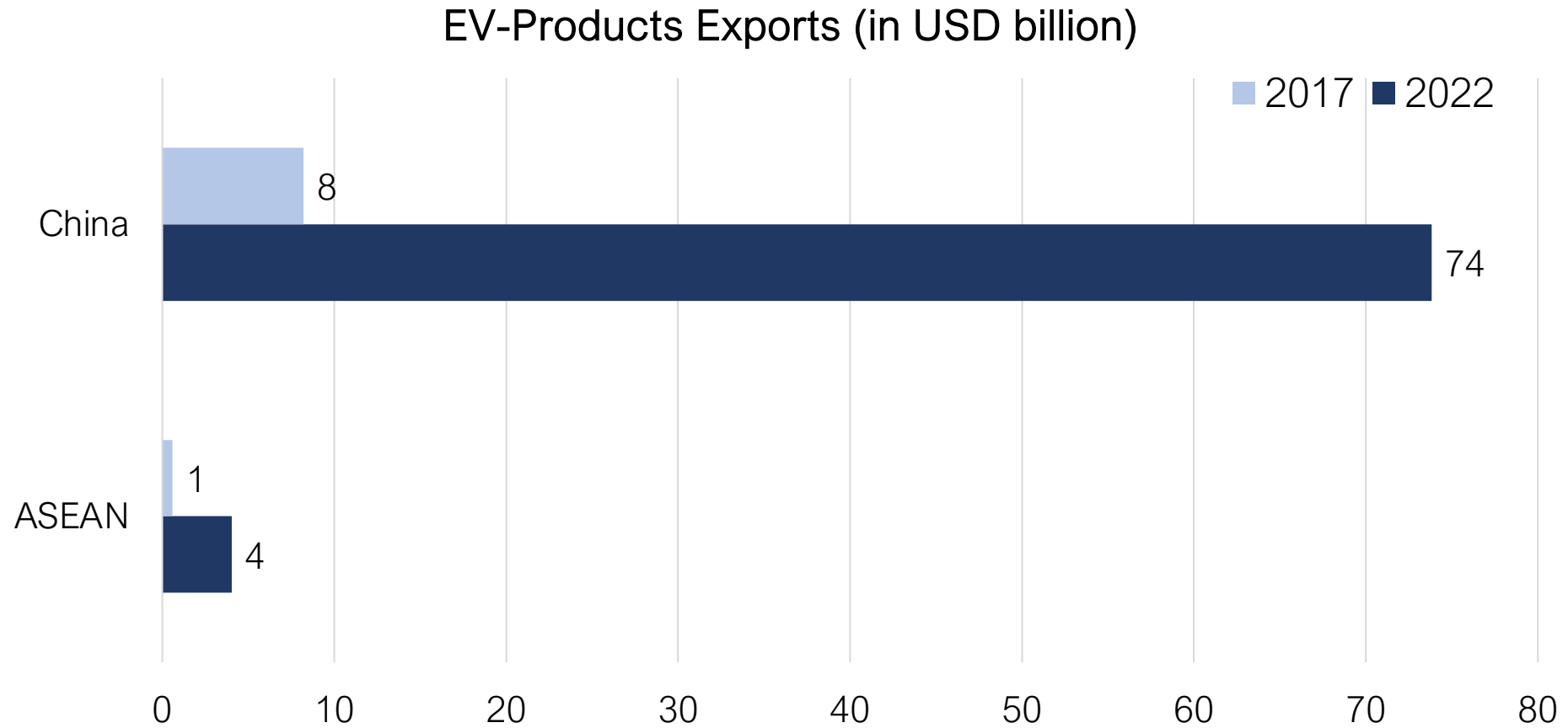


## Semiconductor Companies Market Revenue Share Worldwide



Source: ERIA Staff Calculations based on Statista Data [accessed 14 May 2023]

# ASEAN's Potential in EV



Source: ERIA Staff Calculations based on WITS [accessed 5 February 2024], Electric Vehicle exports: HS 850760, 870340, 870350, 870360, 870370, and 870380