

## ECONOMIC DEVELOPMENT OF ASEAN IN CHANGING GLOBAL ENVIRONMENT: ISSUES AND CHALLENGES

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### 1.0 ABSTRACT

The Association of South East Asian Nations (ASEAN) countries are looking ways to increase growth and development in Asia. In the phase of slow economic progress in the world economy, selected economic indicators have depicted robust growth in ASEAN countries as a whole. In the light of this milieu, this paper discusses the model of economic development as well as issues and challenges faced by ASEAN countries. It observed that ASEAN countries are trying joint ventures through FDI and other means to augment its growth. This study put forward certain remedies to enhance the performance of ASEAN countries and also advocate certain positive methods for raising capital in the region to help accomplish its goals

**KEYWORDS:** ASEAN, Economic development, Challenges, Remedies.

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### 2.0 Main Objectives of the Study:

The main objectives of the present study are as follows:-

1. To analyze the position of Economic Development of ASEAN.
2. To find out the opportunities and Challenges of Economic Development ASEAN Countries.
3. To provide best possible ways to solve the problem of economic development of ASEAN Countries.

### 3.0 The Review of Literature:

**Sharma (2008)** reveal that agricultural trade is unexpectedly a small share of the total trade for China, India and AFTA. Also, this share is decrease further as non-agricultural trade is increasing rapidly. Still, agriculture still remains important for poverty reduction, particularly in India and China together with several ASEAN countries. The data also prove that China, India and AFTA trade quite heavily with countries outside this block, the exemption being AFTA because of its large intra-AFTA trade.

**Lee (2008)** evaluate the extent of trade adjustments and other economic effects that the enlargement and redefinition of a free-trade agreement to encompassing ASEAN+3 or ASEAN+6 could have on European Union (EU) and North America. The trade and output effects on European Union (EU) and North America are relatively small as well with the distinguished omission of crops in North America.

**Ismail (2007)** found that GDP, population, relative endowment, distance and common language are the main determinants of bilateral trade in ASEAN. The ASEAN dummies used to measure the intra ASEAN trade prove that there was trade creation among the five ASEAN members. Closer examination also shows that the trade creation among the ASEAN-5 is enhanced following the AFTA formation.

**Hapsari and Mangunsong (2006)** found that the standard gravity variables such as reporting and partner country GDP, distance, common language, common border and whether the partner country is landlocked or not have significant effects on the bilateral exports of ASEAN members.

**Park (2000)** finds that AFTA will enhance intra-ASEAN trade and accelerate the economic growth of ASEAN member nations. The author concludes that economies with higher pre-FTA tariff barriers and larger intra-regional trade volume such as Philippines and Thailand share larger gains from freer trade

#### **4.0 Problem of Economic Development of ASEAN Countries:**

**4.1 Individual Member Country Constraints and Weaknesses:** - Internal administrative weaknesses and resource and infrastructure constraints within individual Member Countries often got in the way of effective implementation of HPA initiatives. For example, the effort to forge strategic private sector alliances including among agricultural cooperatives was complicated by the need of some Member Countries to take a longer time than the others to carry out the required activities. Similarly, the HPA Mid-term Review indicated that many cases remain where national authorities require more than the prescribed time for processing AICO applications. Apart from bureaucratic inertia, parts of the delays are explained by the need to conduct public consultation before national authorities could decide on an application.

**4.2 Lack of Funding and Other Support:-** A number of projects could not be implemented for lack of funding support. Among the notable ones are the study to identify high-impact investment opportunities in key food, agriculture and forestry sectors; the study on the value-added contribution of the ASEAN manufacturing sector; projects in research and development (R&D), and the second phase of the Forest Information System. Other projects had met with limited success due to downscaling necessitated by inadequate funding, such as the Visit ASEAN Campaign and the conduct of joint tourism promotion missions. It was a common observation that the HPA suffered from the serious flaw of listing various initiatives and projects without any clear indication of funding sources therefore.

**4.3 Lack of Progress in Sound Policy Commitments: -** In general, lack of political will on the part of specific Member Country governments has hampered compliance with policy commitments. At the same time, the lack of a stronger mechanism for discipline and compliance among the members has slowed down implementation of AFTA commitments. This has even made it possible for certain members to backtrack on earlier commitments with little adverse consequences for them.

**4.4 The Development Gap between ASEAN Countries: -** The widened diversity in political orientation, economic development and readiness for economic liberalization is called development gap. It came with the expansion in the group's membership has also slowed down the progress of economic integration. For example, a Vietnamese official pointed to the need to enhance the technical infrastructure in the CLMV countries in the areas of the legal system, equipment, and human resources. Some Member Countries have no existing regulatory framework or legislation to govern delivery of services in the identified common sectors. Consequently, not all Member Countries are able to participate and table indicative offers in the negotiations.

**4.5 Lack of Information and Understanding Rules & Regulations:-** Negotiations are often hampered by lack of information on rules and regulations governing the concerned sectors in respective Member Countries. An ASEAN Secretariat officer also mentioned lack of information from individual Member Countries as a constraint to the updating of the directory of associations of services suppliers and professional associations in ASEAN.

**4.6 Terrorism:-** It is evidenced that countries that are the targets of a larger number of terrorist attacks trade significantly less than similar countries that do not have such problems. The mechanisms through which this can occur may be divided into three broad groups. The first is that terrorism, in increasing insecurity and uncertainty, also acts to increase transaction costs associated with trade, thereby lowering the incentives to do so. Secondly, terrorist attacks often lead to tightened security arrangements that can make trade more expensive. Thirdly there is the risk that traded goods will be destroyed or stolen.

**4.7 Highest Increase Oil Prices and Costly Energy Process:** There is some concern about any impact the recent inflation of oil prices may have on economic development in the region. The high degree of dependence of several ASEAN economies on oil imports raises the concern that recent increases in oil prices to over US\$40 a barrel, if continued, could dampen, or even reverse economic recovery in net oil consuming economies. However, it is unlikely that recent increase in oil prices will be as large or match the impacts of previous oil shocks, with the real price of oil still substantially lower than was the case with the 1970s oil price shocks.

**4.8 Health Related Problems:-** There are some health related problems also arising day by day in this reason. These are:-

**4.8.1 Communicable Diseases:** Despite great improvements in epidemiological surveillance systems in the South-East Asian region since the outbreak of sudden acute respiratory syndrome and concern over the avian flu, such systems remain at various stages of development. Epidemiological surveillance systems are vital to the early detection and prevention of out-breaks of life-threatening diseases. They become increasingly important as developing countries near eradication of target diseases such as polio or leprosy in order to prevent new outbreaks or re-introduction. While the monitoring of new diseases such as sudden acute respiratory syndrome is important, it is worth noting that according to the World Health Organization (2004), certain communicable diseases, such as HIV/AIDS, malaria and tuberculosis will remain as major problems of public health in the region and that priority needs to be given to their surveillance and control.

**4.8.2 Non Communicable Diseases:** Associated with the rapid progress of economic development in the region has been a gradual increase in life expectancies. Non-Communicable diseases have therefore become more important in the South East Asian region. This potentially places new burdens on the health care systems of South-East Asian countries. While all countries in the region have official public health policies, the World Health Organization (2004) argues that the quantity, quality and accessibility of information on non-communicable diseases in the region largely remain inadequate

## **5.0 Ways to Solve the Problem of Economic Development between ASEAN Countries:**

**5.1 Sound Policy for The ASEAN Countries Economic Development:** - The ASEAN Secretariat consistently received praises from respondents around the region for their competence, dedication and professionalism. There tends to be a prevailing sentiment that much more substantive contributions should be provided by the Secretariat to help speed up the work for economic development. Thus, there is a need for a significant increase in the staffing complement of the Secretariat, with the number and deployment of positions to be determined from the required organization to support the forthcoming Vientiane Action Programme. The ASEAN Secretariat needs to be able to undertake a minimum of research in-house, even as it

should continue to tap think tanks and other academic institutions around the region to undertake policy analyses that will complement its own work. In particular, some research to support development efforts can best be undertaken from within the Secretariat, due to their unique vantage point, perspective and access to information that cannot be possessed by outside consultants.

**5.2 Sound Mechanisms for Discipline and Accountability:** - The problem with lack of political will leading to non-compliance with policy reform commitments is to a large extent attributable to the lack of stronger mechanisms for discipline among the Member Countries. The so-called “ASEAN way” of voluntary compliance and polite non-interference with each other’s actions even in the face of violations of commitments must give way to mechanisms and modalities for stronger peer pressure.

**5.3 Strong Considerations of the Economic development disparities among Member Countries:** - There must be a much stronger consideration for the economic development disparities among member countries in the design and implementation of ASEAN initiatives. There is a recurrent plea from the CLMV countries that the development gap must be factored into the design and implementation of policies, programs and projects towards closer integration in the region. This may call for outright redesign of certain initiatives, varying timetables for compliance, or varying levels of flexibility. There is fear, for example, that the pursuit of bilateral FTAs by some advanced members may have the undesired effect of further widening the development gap. Thus, mechanisms must be put in place to ensure that such arrangements would lead to “win-win” outcomes for all members.

**5.4 Liberal Trade and Investment Policies:** - The efforts are needed to gather and disseminate empirical evidence on the benefits (and costs) of closer economic development. The arguments for closer economic development and more liberal trade and investment policies tends to be based more on assertions and less on hard data. For policymakers to speak and act with conviction on policies for closer economic integration, they need to be equipped with empirical justification for such policies that tend to attract resistance from groups or sectors perceived to be direct losers from the policy. This suggests the need for a focused research program on the empirical analysis of economic development policies, in direct support of policy advocacy.

## 6.0 Conclusions & Recommendations:

ASEAN is playing an important role in the economic development of member countries. Certain immediate actions are needed in order to ensure that ASEAN continues to be a key player in the global economy. There must be stronger mechanisms for discipline and accountability among member countries. There should be earnest efforts to gather and disseminate empirical evidence on the benefits of sound economic development policies, to encourage promotion for reform. Also, there must be much stronger consideration for the economic development disparities among Member Countries in the design and implementation of ASEAN initiatives. The research and analytical capabilities of the ASEAN Secretariat need to be significantly strengthened. It would be beneficial if regional initiatives benefit from a participatory or at least consultative process beginning at the national level. There must also be greater reliance on needs-based, tailor-fit bilateral training initiatives.

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