Major Challenges to Economic Growth and ASEAN’s Programs

Josef T. Yap

26 November 2015
Endogenous Growth Framework

Economic growth depends on the quantity as well as quality of inputs

Note: Some of the ideas were culled from the 7th Meeting of the International Policy Advisory Group of the Asian Development Bank.
Categories of Major Challenges

• Factors of Production
• Macroeconomic Stability
• Sustainability
Factors of Production

• Investment in physical infrastructure
  ➢ Developing Asia: USD8 trillion requirement between 2010 and 2020
  ➢ Chronic fiscal crisis, especially advanced economies
  ➢ Public private partnerships
  ➢ Will AIIB provide a significant boost?
Factors of Production

• Innovation
  - Main long-term driver of economic growth
  - Need to balance IPR protection and access for developing countries

• Skills upgrading
  - Job-skills mismatch
  - Closer coordination among academe, government, and private sector
  - Promote TVET

• Quality of Education
  - Nurturing innovative thinkers and managers who can address complex issues and develop creative solutions.
Macroeconomic Stability

• Financial Sector stability
  ➢ Disruptive asset price shifts in financial markets
  ➢ Volatile capital flows
  ➢ Tendency for boom-bust cycles
  ➢ Further strengthen financial regulation and supervision
  ➢ Clearer role for capital account regulations
  ➢ Sovereign debt workout mechanisms
  ➢ Promote regional cooperation, e.g. CMIM
Macroeconomic Stability

• Narrow fiscal space
  - Impact of ageing populations
  - Need to maintain macroeconomic stability
  - Lack of public goods (e.g. undercapitalization of World Bank)

• Policy Coordination
  - Global macroeconomic imbalances
  - Reduce reliance on accumulation of foreign exchange reserves
  - Address financial sector instability
Sustainability

• Environmental Management
  ➢ Climate change: mitigation and adaptation

• Inequality and Social Cohesion
  ➢ Inclusive growth
Sustainability

• Rebalancing and product diversification
  ➢ Leads to new sources of economic growth. E.g. Philippines ➔ modest shift towards investment and manufacturing

• Demographic winter in many countries
  ➢ Migration policy
ASEAN Programs

• Master Plan for ASEAN connectivity
  ➢ ASEAN Highway Network
  ➢ Integrated and Competitive Maritime Transport in ASEAN
  ➢ ASEAN Single Aviation Market

• Cooperation in education - ASEAN Quality Assurance Network, ASEAN Universities Network

• Intra-regional migration - ASEAN Declaration on the Protection and Promotion of the Rights of Migrant Workers; 8 MRAs have been concluded
ASEAN Programs

• Financial Cooperation
   CMIM, AMRO
   Roadmap for Monetary and Financial Integration of ASEAN
   ASEAN Financial Integration Framework

• SME development (rebalancing and inclusiveness)
   Strategic Action Plan for ASEAN SME Development 2010-2015
   ASEAN Benchmark for SME Credit Rating
   Methodology, the SME Service Centre, the ASEAN SME Policy Index and the ASEAN
   Common Curriculum for Entrepreneurship.
ASEAN Programs

• Environment – ASEAN Environmental Cooperation in 10 priority areas

• Overall goal of AEC: (a) a single market and production base, (b) a highly competitive economic region, (c) a region of equitable economic development, and (d) a region fully integrated into the global economy.
Thank you!!!