

Highlights

- The ASEAN+3 region has achieved immense economic progress in the past two decades. Collectively, ASEAN+3 economies have now become the biggest driver of global growth. However, the various tailwinds that facilitated remarkable growth are dissipating while headwinds are rising, and the speed of the region's catch-up with high-income peers has been moderating since the global financial crisis of 2008–2009. More critically, the region is experiencing this slowdown in an environment increasingly beset by challenges from key secular trends, including aging, a global trade reconfiguration, and rapid technological change.
- Aging is happening faster in ASEAN+3 than in many parts of the world. Its total working-age population is projected to shrink in the second half of this decade, which carries negative implications for the region's growth potential, macroeconomic stability, and the sustainability of public finances. However, these consequences are not predetermined and can be mitigated somewhat—especially if the population is allowed, and able, to age productively. When considering healthier life expectancies in the ASEAN+3 region, policies that support and promote healthy longevity could see about 200 million workers reenter the region's labor force by 2050.
- The ongoing reconfiguration in global trade carries key implications for the region's time-tested export strategies. Geopolitical dynamics are increasingly realigning trade relationships globally and have unveiled new trade opportunities for ASEAN+3 economies that have been able to swiftly leverage their comparative advantage. At the same time, the region's trade has become concentrated into fewer trading partners and—in a world economy faced with higher uncertainty—this could translate into lower economic security. On the other hand, harnessing cross-border services trade, especially modern and digitally deliverable services, offers significant opportunities for growth and diversification.
- Technology will unlock many solutions that the ASEAN+3 region can use to navigate the ongoing demographic transition and global trade reconfiguration. Tech-enabled advances in medicine, automation, and work and learning platforms are crucial for productive aging. Advanced production technologies and smart logistics will be instrumental in making regional supply chains highly agile against sudden shocks. Yet, technology is also a harbinger of change. Rapid advancements in artificial intelligence, for example—especially in generative artificial intelligence or Gen AI—are raising legitimate concerns about the future of work. A realistic, qualified, and balanced approach to Gen AI's capabilities would be a sensible approach at the current juncture.
- This chapter provides context for AMRO's future in-depth research work and to help steer policy discussion on these issues. While the optimal policy mix—and timing—will differ across the region's economies, well-designed domestic policies that (1) emphasize quality infrastructure, (2) encourage innovation, and (3) promote inclusivity, would enable each economy to transform the challenges from these secular trends into growth opportunities.
- Aging, trade reconfiguration, and rapid technological change are common long-term challenges that cut across borders. Effective responses to these common challenges—such as diversification, infrastructure upgrading, technology diffusion, and labor mobility—require enhanced and inclusive dialogue within ASEAN+3 economies and their key economic partners. Leveraging the strength of collective action will make for robust and resilient long-term growth in ASEAN+3—regardless of how the global economic order unfolds.