



Chapter 2.

ASEAN+3 in the Global Value Networks

Highlights

- The ASEAN+3 region has become much more resilient and developed over the past few decades—emerging from crises strongly, coping well with global forces that challenge its growth, and riding on opportunities related to technological advancement and greater regional integration.
- The transition to the technology-driven “new economy” is pervasive. No sector will remain untouched for long. This means that developing and newly emerging economies—including those in the ASEAN+3 region—have limited time to develop capacity to apply new technologies and move up production value chains, many of which are cross-border.
- The tried-and-tested manufacturing-for-exports strategy remains relevant for the developing economies in the ASEAN+3 region. They should leverage their low labor cost to promote labor intensive industries as an entry point into the production networks and move up the technological value chain. A parallel track is needed to develop services as a second driver of growth and employment.
- The global economy is weaker and anti-globalization sentiments are on the rise. However, the region is facing these challenges from a position of strength as it is now both a production powerhouse and a huge source of final demand. Led by China, the region has achieved rapid progress up the income ladder and is now a much bigger part of the global economy. Rapid urbanization and the emergence of the middle class have transformed the region into the world’s largest market for consumer products and services. Regional demand has become a major driver of growth for the region. At the same time, the region should remain open to trade and investment with the rest of the world.
- On the supply side, regional economies should leverage the new digital technology to meet the rising demand of the region. The new growth paradigm creates more options to generate growth by promoting industries that develop products and services to meet customized demand regionally and globally. There is also scope to boost domestic capacity, to reduce vulnerability to disruptions to global production networks that may occur from time to time.
- ASEAN+3 countries, particularly ASEAN economies, must remain open and embrace further integration to sustain growth catch-up. They need to develop hard and soft infrastructure and connectivity, review and revamp policies and regulatory frameworks to facilitate cross-border movement of goods and services and seamless payments.
- Policymakers need to develop human capital, facilitate freer cross-border flow of skilled labor and professionals, and put in place strong social security systems to protect workers, including those in the gig economy. The new economy puts a premium on innovation, creativity, and soft skills, and the gig economy is likely to be an integral part of it.
- The COVID-19 pandemic, while highly regrettable, presents an opportunity for the region to demonstrate its collective resilience and commitment to work on solutions that safeguard and strengthen ASEAN+3 countries’ shared long-term interests. These interests are varied. Countries in the region have sufficient capacity to rise to the challenge, and shape its future together.