

**SOUTHEAST
ASIA IN THE
GLOBAL ECONOMY**

The **S. Rajaratnam School of International Studies (RSIS)** was inaugurated on 1 January 2007 as an autonomous School within the Nanyang Technological University (NTU), upgraded from its previous incarnation as the Institute of Defence and Strategic Studies (IDSS), which was established in 1996.

The School exists to develop a community of scholars and policy analysts at the forefront of Asia-Pacific security studies and international affairs. Its three core functions are research, graduate teaching and networking activities in the Asia-Pacific region. It produces cutting-edge security related research in Asia-Pacific Security, Conflict and Non-Traditional Security, International Political Economy, and Country and Area Studies.

The School's activities are aimed at assisting policymakers to develop comprehensive approaches to strategic thinking on issues related to security and stability in the Asia-Pacific and their implications for Singapore.

The **Institute of Southeast Asian Studies (ISEAS)** was established as an autonomous organization in 1968. It is a regional centre dedicated to the study of socio-political, security and economic trends and developments in Southeast Asia and its wider geostrategic and economic environment. The Institute's research programmes are the Regional Economic Studies (RES, including ASEAN and APEC), Regional Strategic and Political Studies (RSPS), and Regional Social and Cultural Studies (RSCS).

ISEAS Publishing, an established academic press, has issued almost 2,000 books and journals. It is the largest scholarly publisher of research about Southeast Asia from within the region. ISEAS Publishing works with many other academic and trade publishers and distributors to disseminate important research and analyses from and about Southeast Asia to the rest of the world.

SOUTHEAST ASIA IN THE GLOBAL ECONOMY

SECURING COMPETITIVENESS AND SOCIAL PROTECTION

EDITED BY

Helen E.S. Nesadurai
and **J. Soedradjad Djiwandono**



**S. RAJARATNAM SCHOOL
OF INTERNATIONAL STUDIES**
A Graduate School of Nanyang Technological University



INSTITUTE OF SOUTHEAST ASIAN STUDIES
Singapore

First published in Singapore in 2009 by
ISEAS Publishing
Institute of Southeast Asian Studies
30 Heng Mui Keng Terrace, Pasir Panjang
Singapore 119614

E-mail: publish@iseas.edu.sg
Website: bookshop.iseas.edu.sg

jointly with
S. Rajaratnam School of International Studies
Nanyang Technological University
Blk S4, Level B4,
Nanyang Avenue,
Singapore 639798

E-mail: wwwrsis@ntu.edu.sg

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of the Institute of Southeast Asian Studies.

© 2009 Institute of Southeast Asian Studies, Singapore

The responsibility for facts and opinions in this publication rests exclusively with the authors and their interpretations do not necessarily reflect the views or the policy of the publishers or their supporters.

ISEAS Library Cataloguing-in-Publication Data

Southeast Asia in the global economy : securing competitiveness and social protection /
edited by Helen E.S. Nesadurai and J. Soedradjad Djiwandono.

1. Competition—Southeast Asia—Congresses.
 2. Competition—Government policy—Southeast Asia—Congresses.
 3. Industrial policy—Southeast Asia—Congresses.
- I. Nesadurai, Helen Sharmini.
II. Djiwandono, Joseph Soedradjad, 1938-
III. S. Rajaratnam School of International Studies.
IV. Workshop on Southeast Asia in the Global Economy: Avoiding the Problem of
Globalisation's 'Missing Middle' (2005 : Singapore)

HD3616 A9S82 2009

ISBN 978-981-230-823-8 (hard cover)

ISBN 978-981-230-824-5 (PDF)

Typeset by International Typesetters Pte Ltd
Printed in Singapore by Mainland Press Pte Ltd

CONTENTS

<i>List of Tables and Appendices</i>	vii
<i>List of Figures</i>	x
<i>Contributors</i>	xi
<i>Acknowledgements</i>	xiii
<i>List of Abbreviations</i>	xv

1. Introduction: Southeast Asia in the Global Economy 1
Helen E. S. Nesadurai and J. Soedradjad Djiwandono

PART 1: SOUTHEAST ASIA/ASEAN AND THE ASIAN “GIANTS”

2. ASEAN and India: Exploring Complementarities 21
Rahul Sen and Sadhana Srivastava
3. ASEAN and China: Managing Competition and Exploring Complementarities 59
Liu Yunhua

PART 2: SECURING INTERNATIONAL COMPETITIVENESS

4. Bilateral Economic Arrangements in the Asia-Pacific: Implications for Competitiveness 89
Heribert Dieter

5.	Technological Intensities and Network Strength: Electronics Firms in East Asia and Southeast Asia Compared <i>Rajah Rasiah</i>	114
6.	Managing Labour for Competitiveness in Southeast Asia <i>Chew Soon Beng and Rosalind Chew</i>	149
PART 3: COMPETITIVENESS AND THE SOCIAL DIMENSION		
7.	Labour Regulations in Southeast Asia: Boon or Bane for Competitiveness? <i>Carolina S. Guina</i>	175
8.	Social Security Policy in an Era of Globalization: Challenges for Southeast Asia <i>Mukul G. Asher and Amarendu Nandy</i>	199
9.	Corporate Social Responsibility in Southeast Asia <i>Bala Ramasamy</i>	224
	<i>Index</i>	249

LIST OF TABLES AND APPENDICES

Tables

1.1	Global Competitiveness Rankings, 2006	4
2.1	Domestic Macroeconomic Indicators of ASEAN-6 and India, 2003	23
2.2	External Macroeconomic Indicators of ASEAN-6 and India, 2003	24
2.3	Tariff Barriers in India and ASEAN-6	27
2.4	Top 20 Products Exported by India and ASEAN-6, 2003	30
2.5	Top 20 Products Imported by ASEAN and India from the World, 2003	34
2.6	Estimates of Export Similarity of India and ASEAN-6 Countries, 2003	35
2.7	Export Similarity Indices for ASEAN-6 and India's Merchandise Exports to the World and the United States, 1993–2003	36
2.8	Composition of Commercial Service Exports of ASEAN-5 and India, 2002	37
2.9	Export Similarity Indices for ASEAN-6 and India's Commercial Services Exports to the World Market, 2002	38
2.10	Core Competencies and Global Rankings of ASEAN Economies and India in the Global Offshoring Market, 2004	41
2.11	Sectoral Composition of FDI Inflows in ASEAN-6 and India	48
2.12	Population Ageing in Selected Countries Including ASEAN and India	51
2.13	ASEAN and India: Areas of Mutual Economic Cooperation in a Globalized Era	52

Tables

3.1	Real GDP Growth Rate of ASEAN-5 and China, 1987–2004	61
3.2	Key Economic Indicators of ASEAN-5 and China, 1995–2004	62
3.3	U.S. Imports from ASEAN-5 and China	65
3.4	Growth Rate of Imports from ASEAN-5 and China	66
3.5	Competition Matrix for ASEAN-5 and China for Different Types of Products in the U.S. Market, 1987–2000	68
3.6	FDI Inflows of China and Singapore	69
3.7	FDI Inflow of China and ASEAN-5 in the Past Eleven years	70
3.8	ASEAN's Trade with China, 1995–2004	72
3.9	Direction of Singapore's Exports and Imports	73
3.10	Tariff Export Matrix for Different Types of Products in China Market from ASEAN-5, 1987–2000	75
3.11	Main Economic Indicators of Vietnam, 1996–2005	84
3.12	Vietnam's Trade with China, 1996–2005	84
4.1	Some Asymmetries in the Australian-American Free Trade Agreement	102
4.2	Singapore's Bilateral Free Trade Agreements	105
5.1	Basic and High-Tech Infrastructure Index, 2000	121
5.2	Variables, Proxies and Expected Relationship with Network Strength	125
5.3	Breakdown of Sampled Firms, 2000	132
5.4	Two-tail t-tests of Technology Intensity Levels by Country and Ownership, 2000	137
5.5	Statistical Relationships Involving Technological Intensities, 2000	139
6.1	The Labour Market Freedom Index of Selected OECD Countries	153
6.2	The Labour Market Freedom Index of Hong Kong, Taiwan, and Southeast Asian Countries	154
6.3	Trade Union Regimes and Competitiveness	162
7.1	Labour Force Estimates of Selected Asian Countries	177
7.2	UNCTAD Inward FDI Performance Index	178
7.3	Categories of Labour Protection Policies	179
7.4	Some Basic Arguments for and against Labour Regulations	180

Tables

7.5	Scores on Worker Protection in Selected Asian Countries	187
7.6	Worker Protection Scores, Unemployment and FDI	190
8.1	Multi-Pillar Pension Taxonomy of the World Bank	202
8.2	Key Provident and Pension Fund Indicators in Southeast Asia	204
8.3	Indicators of Administrative Efficiency in Malaysia and Singapore, 2004	215
9.1	CSR Penetration in Asian Domestic Companies and MNEs	231
9.2	CSR and Social Development	232
9.3	Themes of CSR in Asia	234
9.4	CSR Themes in Malaysia and Singapore	236
9.5	ISO 9001 and ISO 14001 Certifications in Southeast Asia	239

Appendices

2.1	Export Similarity Index	55
5.1	Correlation Matrix of Independent Variables, 2000	143

LIST OF FIGURES

2.1	Comparison of ASEAN Countries and India as an Offshoring Destination in Asia	45
2.2	Foreign Investment Inflows in India, 1990–91 to 2004–05	46
2.3	Proportion of Elderly in Total Population of Selected Countries Including ASEAN and India	50
5.1	FDI in Gross Capital Formation, 1976–2000	122
8.1	Accumulation and Payout Phases of DC Schemes	209
8.2	Malaysia: Investment Allocation of EPF, 1990–2004	211
9.1	Three Stages of Social Responsibility	225
9.2	The Virtue Matrix	229
9.3	CSR in Asian and European Companies	235
9.4	Societal Expectations of CSR vs Industry CSR Performance Ratings	241
9.5	CSR Aspects Most Looked for in a Company	242

CONTRIBUTORS

Mukul G. Asher is Professor in the Lee Kuan Yew School of Public Policy at the National University of Singapore.

Chew Soon Beng is Professor of Economics and Industrial Relations in the Division of Economics, School of Humanities and Social Sciences, Nanyang Technological University, Singapore.

Rosalind Chew is Associate Professor in the Division of Economics, School of Humanities and Social Sciences, Nanyang Technological University, Singapore.

Heribert Dieter is Senior Research Associate at the German Institute for International and Security Affairs, Berlin, and an Associate Fellow of the Centre for the Study of Globalisation and Regionalisation, University of Warwick, U.K.

J. Soedradjad Djiwandono is Emeritus Professor of Economics at University Indonesia and Professor at the S. Rajaratnam School of International Studies (RSIS, formerly the Institute of Defence and Strategic Studies), a research graduate school of the Nanyang Technological University, Singapore.

Carolina S. Guina is an independent consultant working on a variety of social development and regional integration issues for international organizations.

Liu Yunhua is Associate Professor of Economics in the School of Humanities and Social Sciences, Nanyang Technological University, Singapore.

Amarendu Nandy is a doctoral student in the Lee Kuan Yew School of Public Policy, National University of Singapore.

Helen E. S. Nesadurai is Senior Lecturer in International Studies at the School of Arts and Social Sciences, Monash University (Sunway Campus, Malaysia). Previously, she was Assistant Professor at the S. Rajaratnam School of International Studies (RSIS, formerly the Institute of Defence and Strategic Studies), a research graduate school of the Nanyang Technological University, Singapore.

Bala Ramasamy is Professor of Economics at the China-Europe International Business School (CEIBS) in Shanghai, China.

Rajah Rasiah is Professor of Technology and Innovation Policy in the Faculty of Economics and Administration, Universiti Malaya, Kuala Lumpur, Malaysia.

Rahul Sen was a Fellow in the Regional Economic Studies Programme at the Institute of Southeast Asian Studies (ISEAS) in Singapore at the time of this project. He is now Lecturer in Economics at the AUT Business School in Auckland, New Zealand.

Sadhana Srivastava was a Research Scholar in the South Asian Studies Programme at the National University of Singapore. She is now Lecturer in Economics at the AUT Business School in Auckland, New Zealand.

ACKNOWLEDGEMENTS

Many people have been involved in the completion of this edited book, not least the book's contributors. Their patience as we editors put together this volume, delayed by the move by one of us from Singapore to Malaysia, is highly appreciated. Their insights have made possible this collaborative contribution to ongoing debates about the fate of Southeast Asia in a highly competitive world economy.

Special thanks are due to Ambassador Barry Desker, Dean of the S. Rajaratnam School of International Studies (RSIS, formerly, the Institute of Defence and Strategic Studies), a research graduate school of the Nanyang Technological University, Singapore, who generously allocated the funding that made possible the November 2005 Workshop in Singapore at which the various chapters in this book were first presented and debated. We are also grateful to the participants at that workshop whose active and lively participation helped the authors clarify many points of contention that emerged during the course of our deliberations.

We are also indebted to Ambassador Kesavapany of the Institute of Southeast Asian Studies for supporting the publication of this edited volume under the joint imprint of the Institute of Southeast Asian Studies (ISEAS) and the S. Rajaratnam School of International Studies. Mrs Triena Ong, Managing Editor and Head of ISEAS Publications, deserves special mention for her unwavering support for this book project. The support of the staff of ISEAS Publishing is also deeply appreciated.

Our final thanks go to the administrative staff at RSIS/IDSS who deserve special mention for their hard work, cheerful good humour and willingness to go the extra mile to ensure the successful completion of the workshop and the production of this book. Regina Arokiasamy's excellent administrative support before, during and well after the workshop has been invaluable to the editors, Peter Ee went out of his way to ensure the smooth running of the workshop,

ably supported by Ben Ng, Adeline Lim and Yvonne Lee, while Caroline Ng made sure the project progressed smoothly and its financial needs efficiently addressed. Without the help and support of these and many others at RSIS, we, the editors, would not have been able to complete this book project.

Helen E. S. Nesadurai and J. Soedradjad Djiwandono
November 2007

ABBREVIATIONS

ACCA	Association of Certified Chartered Accountants
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of Southeast Asian Nations
AUSFTA	Australia-United States Free Trade Agreement
BBC	Brand-to-Brand Complementation Scheme (of ASEAN)
BI	Basic Infrastructure
BPO	Business Process Outsourcing
CECA	Comprehensive Economic Cooperation Agreement (between India and ASEAN)
CEO	Chief Executive Officer
CPF	Central Provident Fund (of Singapore)
CSR	Corporate Social Responsibility
EFTA	European Free Trade Area
EPF	Employees' Provident Fund (of Malaysia)
EU	European Union
FDI	Foreign Direct Investment
FSPSI	All Indonesia Workers Union Federation
FTA	Free Trade Agreements
G-21	Group of 21
GATT	General Agreement on Tariffs and Trade
GCF	Gross Capital Formation
GDCFP	Gross Domestic Capital Formation
GDP	Gross Domestic Product
GIC	Government Investment Corporation (of Singapore)
GLC	Government Linked Company

GNI	Gross National Investment
GPF	Government Pension Fund (of Thailand)
GSIS	Government Service Insurance System (of the Philippines)
HR	Human Resources
HS	Harmonized System
HTI	High Technology Infrastructure
ICT	Information and Communication Technology
ILO	International Labour Organization
IMF	International Monetary Fund
IPR	Intellectual Property Rights
ISO	International Standards Organization
IT	Information Technology
JSEPA	Japan-Singapore Economic Partnership Agreement
KPO	Knowledge Process Outsourcing
MES	Minimum Efficiency Scale
MFN	Most Favoured Nation
MNCs/MNEs	Multinational Corporations/Multinational Enterprises
MSC	Multimedia Super Corridor (of Malaysia)
MTUC	Malaysian Trade Union Congress
NAFTA	North American Free Trade Area
NC	Network Cohesion
NEP	New Economic Policy (Malaysia)
NIS	National Innovation System
NS	Network Strength
NTUC	National Trades Union Congress (of Singapore)
OECD	Organization for Economic Cooperation and Development
PANEURO	Pan European Cumulation of Origin
PAP	People's Action Party (of Singapore)
PRC	People's Republic of China
PSA	Port of Singapore Authority
PT	Process Technology
R&D	Research and Development
SAP	Structural Adjustment Programme
SITC	Standard International Trade Classification
SME	Small and Medium-Scale Enterprises
SSO	Social Security Organization (of Thailand)
SSS	Social Security System (of the Philippines)
TI	Technological Intensity
UMNO	United Malays National Organization (of Malaysia)
UNCTAD	United Nations Conference on Trade and Development

USA/US	United States of America
USSFTA	United States-Singapore Free Trade Agreement
WEF	World Economic Forum
WTO	World Trade Organization

Currencies

AU\$	Australian Dollar
Baht	Thai Baht
P	Philippine Peso
RM	Malaysian Ringgit
Rp	Indonesian Rupiah
S\$	Singapore Dollar
US\$	United States Dollar

