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GLOBAL ECONOMIC
UNCERTAINTIES AND
SOUTHEAST ASIAN
ECONOMIES

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CONTENTS

<i>Preface</i>	vii
<i>Contributors</i>	xi
1. Challenges Facing a Globally Connected ASEAN <i>Jayant Menon and Thiam Hee Ng</i>	1
2. Fragile Balance of Payment in Indonesia under Global Economic Uncertainties <i>Reza Y. Siregar and Maria Monica Wihardja</i>	22
3. Malaysia in the Midst of Global Economic Uncertainties <i>Tham Siew Yean</i>	56
4. Singapore: Reinventing Itself amid Global Economic Uncertainties <i>Sanchita Basu Das and Catherine Rose James</i>	77
5. Thailand: Dependency or Diversification? <i>Somprawin Manprasert</i>	106
6. Vietnam's Economic Experience since WTO Accession <i>Vo Tri Thanh</i>	123
7. Global Economic Imbalances and Reform Policy: Evidence from Asian Economies <i>Aekapol Chongvilaivan</i>	148

8.	Foreign Exchange Rate Adjustment Policies in Asia <i>Paitoon Wiboonchutikula, Bangorn Tubtintong, and Nuchit Pruektanakul</i>	174
9.	Monetary and Financial Architectures for ASEAN+ <i>Chayodom Sabhasri</i>	218
10.	Global Uncertainties: Implications for the ASEAN Community <i>Piti Srisangnam, Sineenat Sermcheep, and Nuanpan Thamanovanish</i>	242
	<i>Index</i>	257

PREFACE

Southeast Asia entered its worst post-1997 recession against the backdrop of the global economic breakdown in 2008–9. Southeast Asian countries were able to decouple themselves from the ripple effects of the global financial shocks and bounced back strongly in 2009–10, thanks to their growing domestic markets, limited financial exposure to the crisis epicentres, and timely stimulus packages. The major Southeast Asian countries like Singapore, Malaysia and Thailand in 2010 exhibited a V-shaped recovery with staggering GDP growth of 15.0, 6.5 and 6.2 per cent, respectively, from a sharp contraction in 2009, while Indonesia, the Philippines and CLMV (Cambodia, Laos, Myanmar, Vietnam) countries demonstrated exceptional resilience. More recently, however, Europe's worsening financial and banking crisis and a sluggish recovery of the United States have dampened Southeast Asia's growth prospects. According to the latest estimates by the Asian Development Bank (ADB), the escalating global economic uncertainties have seen Southeast Asia's growth forecast revised downwards to 6.6 per cent in 2012 and 7.1 per cent in 2013, from the earlier estimates of 6.9 per cent and 7.3 per cent, respectively.

The current global economic circumstances underscore the risks of disproportionate dependence on exports as a crux engine of growth and the unsustainable features of overproduction in developing Asia, upheld by undue consumption in the United States and the European Union. There is a need, therefore, for Southeast Asia to bolster domestic demand and to put greater emphasis on intra-regional sources of economic potentials. For the time being, the region is in dire need of an optimal mix of macroeconomic and trade policy measures that differ by country, underpin domestic demand, and revive the domestic economies. More importantly, a new phase of Southeast Asia's economic policy needs to address several socio-economic issues which constitute a root cause of

the imbalances — including a lack of social security, underdeveloped and incomplete intra-regional financial markets, rapidly increasing income inequality, and limited competition among service products, and put in place a shield against emerging challenges such as a shift of demands towards East Asia, managing capital flows, escalating intra-regional trade linkages, and the mounting significance of intra-industry trade and trade in differentiated products.

Nevertheless, the quest for concrete regional actions and coordination has been plagued by the complication of individual economies and the diverse levels of economic and cultural development, on top of the widely varied states of statistical accuracy and, not least, secrecy. For the time being, Southeast Asia is at a critical juncture where a regional panacea for tackling the challenges necessitates in-depth, region-specific economic policy discourse. This book illuminates how a policy push is at work in the region and sheds light on room for strengthening regional cooperation.

Against this backdrop, the Institute of Southeast Asian Studies (ISEAS), the Faculty of Economics and the ASEAN Studies Center at Chulalongkorn University jointly organized an international conference on “Global Economic Uncertainties and Southeast Asian Economies” on 22–23 August 2013, at the Faculty of Economics, Chulalongkorn University. Drawing on the research findings and brainstorming from among experts at this conference, this edited book marks the first collaborative effort by the three institutions and aims to deliver the theses on the implications of the global economic uncertainties on Southeast Asian economic agendas.

More specific objectives of this book are to: (1) discuss the developments of macroeconomic and trade-policy mix against the backdrop of the eurozone sovereign debt crisis and economic prospects for major countries in Southeast Asia (i.e., Singapore, Thailand, Malaysia, Indonesia, and Vietnam); (2) assess the effectiveness of policy responses to the global economic unrest; (3) identify opportunities and challenges facing Southeast Asia in the midst of the global economic slump when developing Southeast Asia leverages on an ever-expanding role in the global business environment; (4) rethink the East Asian model of growth where enormous gains were driven principally by export demands from advanced economies; and (5) pioneer the key areas of regional cooperation and macroeconomic and trade policy reforms that may potentially strengthen regional economies.

In convening this conference, grateful recognition is due to Ambassador Tan Chin Tiong, ISEAS Director, and Dr Ooi Kee Beng, ISEAS Deputy Director, for their continued support and encouragement. Our sincere thanks go to the conference speakers and participants for insightful inputs, the ISEAS Publications Unit for their efforts in publishing this book, and, last but not least, Ms Wanwadee Wongmongkol and Ms Sansanee Somboonsin for excellent assistance.

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