

Development in the Time of AEC as the World Turns East

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1. Introduction

We are witnessing a profound change in the geography of world development. The world we were born into and have lived in up to now, the same one that our past 10 generations of ancestors lived in, will not be same as the world-to-be. We will experience many differences in this new world.

The changes have already begun: the gravity of economic development is shifting from West to East (Figure 1). Unlike in the old world, the East is now center stage with the limelight shining on China, India, Russia, South Korea, the Persian Gulf states, Brazil, Turkey, Iran, ASEAN and South Africa. In contrast, the US and Europe are on the decline — possibly on the brink of an irreversible decline due to their structural weaknesses, which are difficult to overcome in the short or medium term.

Historically the West was the sole industrial power, with Britain the world's biggest workshop until WW II and the US seizing the mantle after the war. It used to be thought that, for centuries to come, the world would never change and the West would always dominate. Kipling's classic poem, "The White Man's Burden," captured the Western colonialist view: the East is eternally backward, an inborn follower of the West, always poor and agricultural, whereas the West is industrialized, forever advanced, rich and in command of the world. Westerners are by nature the leaders, teachers, strong and rich, while Easterners are forever followers, students, weak and poor.

As it turned out, Western colonialism could not last long, let alone forever, contrary to what most in both worlds had held to be true. The East indeed changed very rapidly under colonialism, much more rapidly than the West had done in its years of industrial revolution, and almost everywhere Easterners yearned for independence or self-rule. They did this as an emulation of the modern West as well as a selective revival of their own civilizations. Western colonialism, starting in the 16th century and reaching its peak in the 19th century, collapsed in the mid-20th century after WW II ended. Since then the West has been termed the First World, or the developed world, while the East has been referred to as the Third World, or the underdeveloped or developing world. Still, until very recently virtually no one has dared to predict or expect that some of these former colonies could ever come within easy reach of the West.

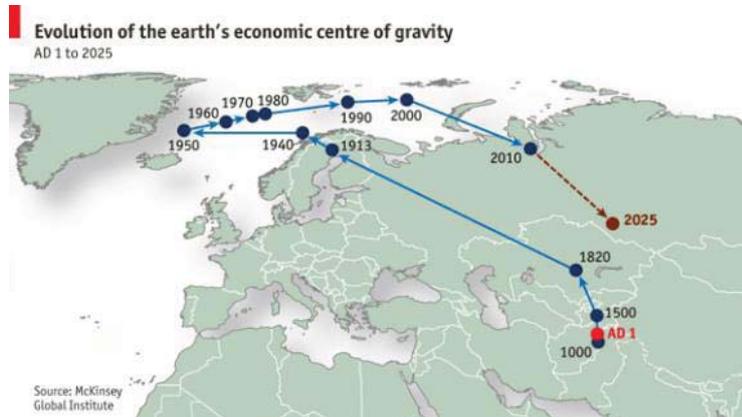


Figure 1 The gravity of economic development is shifting from West to East

Source: McKinsey Global Institute, retrieved 8 January 2013
from http://www.mckinsey.com/insights/urbanization/urban_world_cities_and_the_rise_of_the_consuming_class

2. The world's largest economies

The following chart (Figure 2) shows the world's 10 largest economies. China, Brazil and India are from the East. The East here is defined not by geography alone but includes Africa and Latin America as these areas once were under western colonialism. Russia is increasingly oriented to the East as more of her employment, income, export earnings and investments will come from China, India and the rest of Asia. Japan's largest trading partner is now China and not the US. China, Korea, ASEAN and India are now as important to Japan as are Europe or America. Asia, including the Persian Gulf countries and Latin America, receive most Japanese foreign direct investment, and Japan receives more inbound tourists from Asia than from Europe or America.

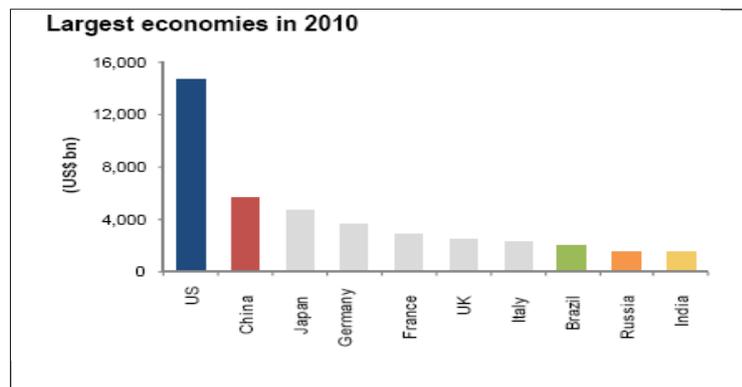


Figure 2 The 10 largest national economies in 2010

Source: Goldman Sachs Research, Bloomberg, February 2010. Cited in India Revisited, White Paper, retrieved June 2010 from http://www.goldmansachs.com/gsam/docs/instgeneral/general_materials/whitepaper/india_revisited.pdf

It is now Asia, especially China, the Persian Gulf area and Southeast Asia, where the lion's share of the world's urbanization occurs. To see the future of cities and urbanization in the world, look East, not West, as the McKinsey table (Table 1) of the world's 75 most dynamic cities by 2025 demonstrates (McKinsey Global Institute, 2012).

Another chart (Figure 3) projects the world's largest economies in 2030, when the pecking order will probably be reversed as the global economic balance tilts from West to East. China will rank No. 1, while Japan, India, and Brazil will rank third, fourth and fifth in terms of economic size, respectively. By

2030, China's GDP may be twice that of the US. Korea, Turkey and Mexico will also get much bigger and will likely be in the top 13 largest economies. Of the top 10 in 2030, four will come from the East.

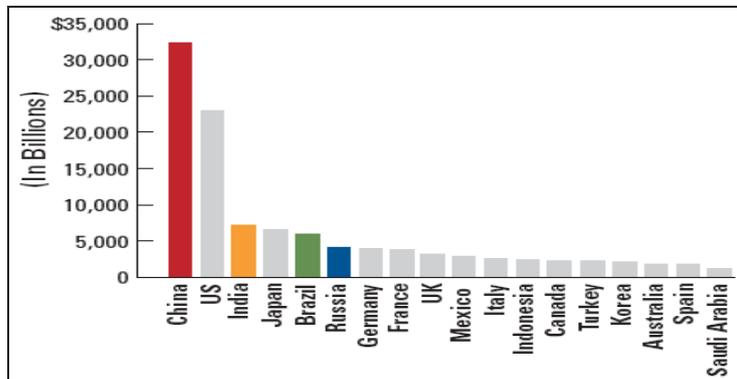


Figure 3 The world's 10 largest economies in 2030

Source: Goldman Sachs BRIC Fund. Retrieved 8 January 2013 from

http://www.goldmansachs.com/gsam/docs/funds/investor_education/investor_education/brics_brochure.pdf

Brazil is a very large and fertile land with abundant energy and natural resources, a country of about 200 million people with a per capita income much higher than that of India or China. Brazil's per capita income is in the range of Eastern European or Russian states. Brazil is a world leader in the aviation industry; its topmost company, Embraer, is world's No. 3 manufacturer of passenger jets after Boeing and Airbus. Most significantly, Brazil is the world's fourth-largest creditor nation, after China, Japan and the Persian Gulf countries whose rankings are first, second and third, respectively. On the contrary the world's first- and second-largest debtor nations, respectively, are the US and Europe. The world's current debtors, former world creditors, are now on the wrong side of the equation; they're among the biggest debtors in the world.

If Thailand comes to need foreign loans, it should not seek help from Western governments, for they have already heaped massive foreign debt onto themselves. When the AEC was first perceived and conceived, the world was under the spell of the so-called Washington Consensus. The world favored trade and investment liberalization as it tried to make a free market for almost everything. That was the order of the day, and on top of everything else, regional opening of trade and investment was the mantra of ASEAN.

Now, however, things have changed adversely as the EU, the successor of the EC and the AEC prototype is lying in sickbed if not in ICU. A leading British politician once said that if there was anything the country did right in the past two decades, it was probably its sticking to its pound currency rather than adopting the euro. Was an EU break-up unthinkable in the past? It is thinkable now: not only are the Greeks wondering whether to leave the EU, but the British, too.

3. The world's fastest-growing countries

In the following table of the top 25 fastest-growing countries in the world from 2000 to 2009, it is notable that nine are in Africa (Table 1). More surprising is which country tops the list: not China, as one might expect, but Africa's Equatorial Guinea, an oil-exporting country. South Africa, though not in the table, is strong in agriculture, mining and industry. Her GDP is about one-third of the whole continent. Some of the best minds suggest adding her to the existing BRIC rank (Brazil, Russia, India and China) to become BRICSA, where the "SA" represents South Africa.

China and India, for all the talk about their rapid growth, rank No. 9 and No. 24, respectively. Central Asia has three - Turkmenistan, Kazakhstan and Tajikistan on the list. The Persian Gulf area has one member, Kuwait. ASEAN and AEC members Myanmar, Vietnam and Cambodia are on the list. Bhutan, unexpectedly, is also included.

Table 1 The world's 25 fastest-growing countries (average economic growth in the 2000s)

Rank	Countries	%	Rank	Countries	%
1	Equatorial Guinea	18.5	14	Chad	8.3
2	Azerbaijan	15.9	15	Cambodia	8.1
3	Turkmenistan	14.4	16	Tajikistan	8.1
4	Macao SAR, China	13.6	17	Ethiopia	8.1
5	Qatar	13.5	18	Belarus	7.5
6	Afghanistan	13.2	19	Mozambique	7.3
7	Myanmar	13.0	20	Vietnam	7.3
8	Angola	10.9	21	Rwanda	7.2
9	China	10.3	22	Uganda	7.2
10	Sierra Leone	9.7	23	Sudan	7.1
11	Armenia	8.6	24	India	7.1
12	Kazakhstan	8.6	25	Kuwait	7.0
13	Bhutan	8.5			

Source: World Development Indicators, 2010

4. The rise of the East, the rise of China

The world is bearing witness to the rise of not only China, China plus India, or even Asia. It is seeing the East, or much of the East, rise, emerge or revive. Among the countries of the East, China is no doubt the most important and promising nation.

It is a myth to say that China has developed rapidly from relying only on cheap labor and money earned mainly from selling shoddy goods. Yes, China has enough inexpensive manpower to last until 2025 to remain competitive in labor-intensive industries. At the same time, however, she has improved rapidly in the high-tech field. China is a globally advanced workshop: building ships, passenger aircraft, machines and engines of all kinds and at all prices, automobiles, conventional and high-speed trains even solar cells and wind turbines to produce so-called green energy. In fact, she leads the world in the creation of green energy and green technology. China is thus as competitive in technology-intensive industries as it is in unskilled, labor-intensive ones.

China's transportation and logistic infrastructure is one of the world's best. Her highway system is as good and as long as that of the US. Her nationwide high-speed train — lines are longer than that of all European countries combined. China's aerospace industry is also advancing rapidly. China regularly and frequently earns much money sending foreign satellites into space.

Regarding R&D, China has a long way to go, but she has overtaken Japan to be second in the world after the US in terms of annual public funding of research, and with big results. In 2011, China surpassed the US as the world's largest holder of patent applications with 526,000 (Table 2), a quarter of the world total and reached "a historic turning point," said the Director-General of UN World Intellectual Property Organization.

Table 2 The most patent applications in 2011

	Countries	Number of Patent Filers
1.	China	526,000
2.	US	503,582
3.	Japan	342,610
4.	Republic of Korea	178,924
5.	European Patent Office	142,793
6.	Germany	59,444
7.	India	42,291
8.	Russian Federation	41,414
9.	Canada	35,111
10.	Australia	25,526

Source: World Intellectual Property Indicators 2012

5. The new world is a multi-power world

Even if China has yet to learn from the US, Germany and Japan in the field of advanced technological development, she is an eager student and on a steady and unceasing progression. China is set to stand with the US as the world's top two superpowers. The days of the US as the sole superpower, or of the West's monopoly on superpower nations, are gone.

In a profound and fundamental sense, a multi-power world signifies an East-West sharing of power across the globe. No longer does the US alone carry the world as it did in the 1990s and 2000s. Nor do the US and the Soviet divide up the world as they did from the 1950s to the 1980s. We are in a seemingly new and potentially multi-polar world with greater equality, giving East and West a major sharing of power, resources, contributions and opportunities. Our world is ushering in an intriguing age of an East, strong in national power but weak in per capita income, getting along or catching up with a West that is weak in national power but with a high per capita income. The East's strength lies in its countries, the West's in its individuals.

To be clear, not all countries in the East will perform excellently or succeed equally. Despite their improvement, some will not make it to the end. Many, including Thailand perhaps, will become trapped and never rise to a middle-income or a high-income level. Others will break up or turn into failed or rogue states. Even if these pessimist scenarios become reality, this new world will differ greatly from the old one; paradigm changes are in the air. The implications of this profound shift from a declining West to an East seizing the day on research and education needs to be explored further.

6. The AEC's potential as the world turns East

The AEC has 10 member countries with a combined population of around 600 million. If it were a country, that population would be outnumbered only by China's and India's. The AEC's GDP would rank sixth or seventh in the world. Of these 10 members, Singapore is a world-class economy, having one of the world's largest and best seaports and airports, internationally renowned universities, leading-edge biotechnology research, and a per capita income on a par with, if not higher than, that of Britain's, her former colonial master.

The AEC is fortunately amphibious: part continental and part maritime. Singapore, the Philippines and Indonesia are maritime nations. Laos is the only land-locked country. The remainders, Thailand included, are both continental and maritime.

AEC & Thailand

As a region, the AEC has one of the world's most heavily traveled sea passageways: the Strait of Malacca, no more than 200 kilometers southwest to us from here. It touches Thailand's Satun province. Its significance lies in the fact that the tonnage of goods, oil and gas carried through it is two-and-a-half times that which sails through the Suez Canal or the Panama Canal.

Southern Thailand may someday provide a bypass for this flow of goods, oil, and gas via a canal or land bridge linking the Indian Ocean and Pacific Ocean: a potentially profitable undertaking given the strait's increasing contribution to the world's logistics.

Thailand's coastline is the second longest in upper ASEAN after Vietnam's, longer than that of Myanmar. Four countries of ASEAN meet at the Gulf of Thailand. Moreover, if ever a canal is cut through the peninsula, Thailand is in a position to sea-link Myanmar to the gulf.

Among land borders, 33 out of Thailand's 76 provinces, or nearly half, touch another country's terrain. The nation runs a surplus on most border trades. Thailand's border trades represent a third of all its international trades, reason enough for the government to pay more attention to its borders and focus more on border trading and investments.

AEC, China & India

With China and India figuring so prominently today, the AEC should seek to build synergies with them. Of course the AEC must be on good and workable terms with the US and Japan, but China and India are dynamic and close neighbors. It was fortunate to launch the AEC as these neighbors reached top form

and strive to be among the world's top three economic powers 20 years from now. Among the ways to synergize with them would be to link with them logistically.

Above all, India's strategy is to move east to meet ASEAN, conceiving of a high-speed train and or super highway from Kolkata heading east to Bangladesh, Mandalay, Yangon, and Bangkok, before branching south through Kuala Lumpur to Singapore and east to Cambodia (or Laos and Vietnam) and onward to southern China. Any land link between India and either ASEAN or South China by land, after passing Myanmar, must include Thailand.

Meanwhile, China is looking south to get access through ASEAN to the Indian Ocean. The Chinese have an ambitious plan to build or help build three routes of highways and high-speed trains linking Kunming and Singapore via much of the ASEAN mainland:

- The western route from Kunming to Singapore will pass through Mandalay, Yangon, Bangkok, southern Thailand and Kuala Lumpur.
- The central route from Kunming will go through Laos or Myanmar, Chiang Rai or Chiang Mai, and southern Thailand to Malaysia and Singapore.
- The eastern route will start from Kunming and pass through Hanoi, Da Nang, Ho Chi Minh City, Phnom Penh, Bangkok and southern Thailand to Malaysia and Singapore.

For China to move south to reach the Indian Ocean requires a routing through Thailand: in particular Bangkok and the South, but with benefits for Thailand's North and Northeast as well.

In a longer but foreseeable future, China and India could be connected via land to Sumatra and Java; it would need a 30-kilometer bridge or undersea tunnel from the south Malaysian peninsula to reach Sumatra, and then another 50-kilometer bridge or tunnel from easternmost Sumatra to reach Java. If Sumatra and Java are reached, then India's 1.2 billion people and China's 1.3 billion people would be linked to most of ASEAN and its population of more than 600 million. Thailand would become a major inland logistic power, linking China and India with continental ASEAN and much of maritime ASEAN. In addition, Malaysia and Singapore would greatly benefit from this mega-strategic planning. To make a much better use of its position, AEC should take more cues from a geo-economic perspective. It must deal not only with achieving free trade, a regional opening of professional services, and further investment liberalization. Further, it must have achieved a fine synergy with China and India.

7. Conclusion and Recommendation

As the world turns east in this age of AEC, every part of Thailand has the potential to be a center of growth with proper planning, which must consider the following:

7.1 Bangkok must not be the sole linkage to the other AEC nations. The country should expand existing airports in Chiang Mai and Chiang Rai and develop more direct flights from these cities to neighboring countries, as well as build more, longer and better highways to effectively join these cities to these neighbors.

7.2 Northern Thailand is close to the Andaman Sea of nearby Myanmar, only two hours by car or truck from Mae Sot in Tak province.

7.3 Northeast Thailand (Isaan) is near the South China Sea, or Vietnamese Sea, as well as southern China, which includes Hainan, Guangzhou, Hong Kong, Macau, and Nanning. Bigger and better airports in Isaan should be built servicing Bung Kan, Udon Thani, Nakhon Phanom, and Mukdahan.

7.4 Isaan and northern Thailand should serve as regional hubs to AEC and China in addition to Bangkok.

7.5 The government should spend more money to develop southern Thailand to take advantage of its ready access to the Indian and Pacific oceans as well as to the Strait of Malacca. High on the development list should be new ports, land bridges, and possibly a canal linking the two oceans. Ranong, Phuket, Hat Yai, and Thailand's three southernmost provinces are potentially regional AEC hubs.

With a good and visionary government, strong commerce and an enthusiastic society, Thailand has the potential to move up high in Asian and World rankings. It has its best chance of the past several centuries and of this millennium to rise. This opportunity, however, is only that: a chance, not a guarantee. It remains to be seen if the country can gather the intellectual, physical and financial resources — and properly apply them — to succeed. Only time will tell.

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