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**Issues of Trade, Development,
and Democracy in Asia – Pre
COVID-19 Status and
Discussions**

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Aspects of Development in Asia before and during COVID-19 – An Introduction

Nathalie Homlong & Elisabeth Springler¹

In the last couple of decades, the global economy has undergone severe fluctuations. After the global economic and financial crisis of 2009, Asian economies had to recover mainly from indirect effects from the global slump, particularly driven by the overall fall of import demands from Western industrialized economies. As China, the driving economy of the region, could spur development already in the beginning of the 2010s, also other Asian Economies profited from this upswing, while Europe, mainly the European Union, showed asymmetries in recovery. The European South was more strongly hit, and a debt crisis followed by severe fiscal constraints affected Central European economies². Germany focused on an inner European export strategy to boost economic growth again. In this time of fragile economic developments in other parts of the world (mainly Western industrialized economies), nevertheless Asian economies showed strong growth rates with an average of more than 7% already in 2010 (OECD 2010). Over the 2010s the dynamics in economic development in terms of growth rates slowed down, but still showed an average of around 7% annual growth rates for example in India, China and Cambodia in the period 2013 to 2017. Another group of Asian countries with more moderate annual GDP growth rates of between approximately 3% and 5% included Thailand, Malaysia, Singapore and Indonesia (OECD 2019). In 2019 the OECD outlook for the region had forecast an average annual growth rate slightly above 6% for India and China for the period of 2020-2024 (OECD 2019), which is approximately

¹I am grateful to the City of Vienna, especially the Municipal Department 23 (MA 23), for funding the research project Political Risk Management as competitive advantage (STRATOS) <https://ccbsr.fh-vie.ac.at/stratos/about-the-project/?lang=en>, a 5-year research project for the Competence Center Black Sea Region at UAS BFI Vienna, in which I was integrated as part of my research for this book project and the included paper.

²The classification of economies into European South and Central European Economies refers to their recovery dynamics and strategies after the global economic and financial crisis in 2008/2009 (see Wöhl et al. 2020: 13f).

one percentage point lower than the averages of the period 2013-2017, but still remarkably high compared to European economies. Challenges for the next period were expected to be driven by developments of digitalization, the related questions of education and human capabilities, as well as transformation processes in production aimed at addressing environmental challenges and demands by civil society.

These challenges have been the side effects of the substantial development of Asian economies in the decades before. However, these trends do not always lead in a positive direction, but are sometimes ambiguous. For example, while poverty in countries like China has been reduced for large numbers of people, the gap between rich and poor has been increasing in most Asian nations, including China (Piketty et al. 2017; Zhuang et al. 2014). And China is also a notable example of how positive economic developments frequently go hand in hand with unfavorable trends in terms of environmental sustainability.

The ongoing COVID-19 pandemic has added to existing challenges, both in Asia and elsewhere. This raises the question what kind of challenges Asian economies and companies in Asia are facing as a result of the pandemic. How do states and societies react to these challenges? Building on these developments, the book is divided into two parts: international trade relations, and digitalization, societal changes and democracy. While the chapters were written before the onset of the Corona pandemic, the problems raised and policy issues that are presented are still at the center of discussion.

Impact of International Trade Relations and the Impact of Digitalization

While the export orientation of Asian economies has been part of the success story leading to strong economic development in the last decades, exactly this economic development strategy seems to be under pressure. Already before the COVID-19 crisis the demand for de-globalization and restructuring of trade and global value chains was observable. It reached its climax during the crisis due to a lack in supply of raw materials and final goods from Asia to Western industrialized economies. However, a more narrow definition of global value chains involves more than a focus on production that combines inputs originating from different countries, but looks at the import of raw materials and intermediate goods for the production of export goods (Simola 2021:2). Therefore, also the negative

impact of trade restrictions is severe whenever foreign value added accounts for a large part of total value added (Simola 2021:12) In the case of Asian economies this means that not only protectionism hampers economic prosperity, but also that these economies are hit multiple times within the global value chain due to COVID-19 (Fang 2021:289). Furthermore, recent data reveals the potential of a markedly uneven recovery post-COVID-19 for Asian economies, depending on the structure of export and status of other macroeconomic indicators. Herrero (2021) clusters Asian economies into two groups: China, Taiwan and Vietnam on the one hand are seen as economies with a strong recovery. Thailand, India and the Philippines on the other hand experienced economic growth below expectations in 2020. Three reasons are detected to account for this uneven development: firstly, the level of domestic demand to offset the slump of export demand during the COVID-19 pandemic. Secondly, the structure of export seems to matter, as economies with a sectoral export specialization driven by e.g., IT-components have not faced an export slump compared to economies with a strong dependency on the export of services, e.g. tourism. Thirdly, economies are limited in their potential to intervene with fiscal measures by their level of current account deficits and their overall structural stability before the crisis (Herrero 2021: 241f).

Contributions to this Book – Trade Relations

Nucharee Nuchkoom Smith and *Angayar Kanni Ramaiah* refer in their chapter to the importance of the export sector for economic development in Asian economies with as special focus on ASEAN member states. Out of this group of countries the three most developed ones, Thailand, Malaysia and Singapore are at the center of discussion. The authors argue that since the Uruguay round of trade negotiations did not hold its promises and is lagging behind in time, economies were seeking for bilateral and plurilateral trade agreements to raise the potential of the export sector for economic development. The analysis of the three most developed economies unveils their structural differences and respective economic advantages, which had been identified already in the past. Malaysia had aimed to move up the manufacturing value chain and therefore had started a stakeholder process with different interest groups affected by trade liberalization to find overall institutional consensus for

these developments. Compared to this, Singapore's approach focused on a strong export strategy mainly with China. On the one hand, Thailand focused on a dual approach, the transition from a rural to an industrial economy with trade agreements with China, without shifting its main exports away from the export sectors. On the other hand, new markets, especially the EU, USA and Japan were to be established. All in all, these strategies led already before COVID-19 to structural problems, like increasing unequal societies and structural deficits in the labor market driven by a strong process of automation, followed by a decreasing need for a skilled workforce, while a high share of the working population is still employed in the shrinking agricultural sector.

Nattapon Sang-arun builds on these facts and analyzes increasing inequalities of Thailand's economy. The focus is laid upon spatial differences. Inequalities between regions, as well as provincial clusters, in terms of inequalities between and within provincial cluster, are detected. It becomes evident that all three forms of inequality can be detected within Thailand. However, overall they seem to be depending on the business cycle and diminish in times of recession. This can be clearly demonstrated by clustering the time period of 1995 to 2015 into sub-periods and linking these periods to the developments of the business cycle. In terms of inequality between regions, it can be seen that the Southern region has the second highest gross regional product (GRP) per capita in comparison to other regions in Thailand, and is above the national average of GDP per capita. However, within the period of 1995 to 2015, the annual average growth rate of GRP per capita is lower than in all other regions. Inequality between provincial clusters is highest in the Southern region, and is especially increasing within the Andaman Cluster. Although the paper does not relate the special inequalities between regional and provincial clusters to sectoral economic development, the author concludes from his empirical analysis that policies to develop the specific capacities of regional and provincial clusters must be adopted. Relating these findings to the analysis of post COVID-19 development by Herrero (2021) as presented above, it can be concluded that structural specifics might diminish the rebound effect of Asian economies to their economic growth path. This has manifested already in Thailand's economy in the past 25 years where relatively high GRP per capita could be seen in the Southern region with strong service-oriented export sectors, mainly tourism, but which had a lower annual average growth rate over that period.

With his analysis of bilateral trade between Bangladesh and India, *Anisul M. Islam* completes the focus on international trade developments of the first part of this book. It becomes evident that India strongly dominates Bangladesh in bilateral trade, resulting in a strong trade deficit for Bangladesh with India. Again, this can be seen as a structural obstacle for future development after COVID-19, as mentioned by Herrero (2021). The empirical results of Islam in his paper manifest structural problems for Bangladesh, as for example the fact that the country's exports are highly import-intensive. In turn this does not only hamper the trade balance with India, but shows the country's dependence and an upward spiral into trade deficits when exports increase and out of this, imports even more. Furthermore, effects of de-globalization as discussed as results of COVID-19 might hamper the position of Bangladesh in the global value chain even more. Islam concludes in his paper that stronger trade integration between India and Bangladesh in line with the support of FDI inflows from India to Bangladesh would be imperative to develop the country's critical sectors. Furthermore, it would foster the country's capacity to deepen production and increase trade efficiency. One key proposal of the paper is to further promote trade liberalization mostly driven by India to allow products produced in Bangladesh to access the Indian market. According to Islam this would not only help Bangladesh to foster development, but also reduce its structural problem of a high trade deficit.

Contributions to this Book – Digitalization, Societal Changes and Democracy

Building on indirect effects, which are driven by the societal structure and questions of political processes, the second part of this book focuses on the labor market, and on issues of democracy, women's rights and activism of the civil society. Among others due to the influence of media, "Western values" are spread to all corners of the globe. Yet, as threats to democracy also in established democracies in Europe as well as in the USA show, the "Western values" of democracy and equality that have been held high in the decades after World War II are by no means headed only in one direction, but can easily come under threat. And as stated earlier, economic developments are not only heading in a positive direction, either.

Digitalization, already widely discussed before COVID-19, clearly accelerated as a result of the pandemic, and is considered one of the major challenges for Asian economies in the future (OECD 2019). *Nathalie Homlong* and *Elisabeth Springler* refer to the digitalization and automation processes in India from a company point of view and focus on the impact on the Indian labor market. Clearly these developments cause major structural challenges, but can foster economic development, when applied properly. The focus of this chapter is to search for main indicators for policy proposals to focus on. Applying the theoretical framework of Polany, four areas of indicators, namely the educational system, labor regulations, wage levels and company embeddedness are identified. These indicators highlight the preconditions to shift towards a humane digital transformation. The paper concludes that shifts towards strong digitalization and automation will occur in India with a delay compared to Western industrialized economies. It also becomes evident that to enable a humane digital transformation and to diminish negative effects for the labor market, especially the commodification of labor, social regulations as part of labor regulations have to be applied beforehand. This theoretical company view towards structural and institutional country specifics also allows an interconnection between economic and political risks that multinational companies have to be aware of. As Leitner (2020: 19) shows, democratic political systems are not a precondition for multinational companies to diminish political risk per se, but transparency, political stability and legal securities seem to be relevant factors and allow companies to develop strategies to manage political risks and state capture, which seems to be especially relevant in non-OECD economies (Leitner/Meissner 2020: 9)

Changes in society, such as equal rights for women, are reflected in several arenas. One of these is the military, as shown in *Gede Sumertha, Herlina Juni Risma Saragih* and *Sarah Astried's* chapter about the participation of female Indonesian military staff in peacekeeping missions. The authors investigated reasons for the still low number of women deployed by Indonesia in UN peacekeeping missions. The authors show hinderances like lack of a gender policy for peacekeeping missions by the Indonesian military, and women needing written approval by their husbands to be able to join such missions due to the role females play in family life and child rearing. At the same time, the chapter also highlights the benefits of including women in these missions, such as empowering

girls and women, and providing female victims in the country the mission is carried out in with the possibility to share experiences of violence that they had been exposed to, and which they would less likely share with a male peacekeeper.

Activism in Japan is the topic of the chapter by *Rosemary Dawood*. The triple disaster in Japan in March 2011 – earthquake, tsunami and the meltdown at the Fukushima nuclear power plant – led to a deep crisis in Japan's society. Groups that had previously not been politically active, started to engage in protests against the government. These included *Mama no kai*, mothers opposed to war. In her chapter Dawood shows how women without previous experience in activism participated in protests against a change to the pacifist Japanese constitution by the government. According to article 9 of the Japanese constitution, war and any potential for war is renounced. However, this amendment of the constitution would allow Japan to deploy self-defense forces to assist its allies during wars. An interesting aspect of this form of protest is that the members of this activist group position themselves as mothers, rather than as women activists – a fact that may be explained by the political structure and strong state in Japan, which allow for few opportunities for civic activism. The role of dedicated mother is highly valued in Japanese culture and helps activists in gaining support by society. It also leads to a change of the image of the role of mothers, from being powerless, and lacking interest in politics and political knowledge, to a position of empowerment.

A different form of action by individuals in Japan, in this case by local groups like residents, landowners and business owners, is discussed in the chapter by *Jun Mitarai and Naphasinee Suebsuk*. They focus on Area-Based Management (ABM). ABMs aim at community development, revitalization, and the improvement of the value and quality of life in specific urban areas. The authors point out that this is of special importance, given the demographic development in Japan with a declining population and problems with the maintenance of infrastructure. ABM have become widespread, with over 500 of these organizations identified by the authors. These groups complement planning and development activities by both the public and the private sector. This chapter investigates characteristics of ABM in terms of objectives, activities and effects, as well as problems that ABMs are confronted with.

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