
EAST ASIA NEEDS A NEW ECONOMIC PLAN TO MEET FUTURE CHALLENGES

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A new report from the World Bank has warned that East Asian policymakers must act decisively if they want to continue the region's noteworthy development performance to date. After having basked in the comfort of the "East Asian Miracle" for decades, leaders now need to take bold steps to promote economic competitiveness and finance ambitious social policies in order to adapt to the challenges that lie ahead – a recipe that most are currently failing to grasp.

The report argues that the region's current model for development and economics can't be relied upon to deliver the same results in the future without taking account of new trade patterns and changing regimes. The zone's economies together account for almost a third of global GDP [] progress could atrophy unless significant policy reforms are made to improve the conditions for business growth, increase government accountability and support innovation.

Unfortunately, many of the countries featured in the report are not heeding the World Bank's call.

Myanmar: impending economic crash

In Myanmar, the horrifying persecution of the Rohingya people has not only attracted significant negative press, but it's also weighing on the country's economy. Inflation has notched up, while Foreign Direct Investment (FDI) is down to nearly a third of its 2017 value as the currency rapidly depreciates.

Myanmar's economic growth projection for this year was downgraded by 0.6 percent; blame for the dip was levelled at domestic factors including floods and inflation, as well as the Rohingya crisis. The situation could yet be exacerbated by another significant shock: if the European Union suspends Myanmar's access to the Generalised Scheme of Preferences (GSP) because of the anti-Rohingya atrocities, garment manufacturing, one of the country's cash cow industries could be severely curtailed.

If Myanmar's membership in the GSP is indeed suspended, the move promises to devastate the country's multi-billion-dollar garment export sector. With the EU one of Myanmar's largest trading partners and garments accounting for 72% of Myanmar's total EU exports, the country is facing hundreds of thousands of jobs lost and even the destruction of its industrial base.

The situation looks unlikely to improve soon. Indeed, amid the ongoing ethnic conflicts in Myanmar, foreign investors and various domestic social groups are turning their backs on the country's disgraced leader Aung San Suu Kyi, bitterly disillusioned over stalled reforms and

expanding inequality.

Malaysia: recycling old policies

Meanwhile, in Malaysia, economic growth is also set to decelerate considerably. After his surprise re-election in May this year on a platform of far-reaching economic reform, former strongman leader Mahathir Mohamad has walked back on many of his grand plans since and has been accused of simply copy-pasting the policies of the country's previous Prime Minister, Najib Razak. World Bank projections expect growth to languish in the range of 4 to 5 percent over the next two years – a disappointing prospect in comparison to more bullish expansion figures under the previous government and an embarrassment to Mahathir's boisterous claims.

In an attempt to provide alternative plans after the original ones turned out to be duds, Mahathir is reviving some of his less conventional economic policies from his prior administration, despite widespread opposition. For example, his perpetual dream to turn Malaysia into a major car producer is coming again to the fore. Critics have opposed the car project on grounds ranging from its unprofitability to the argument that Kuala Lumpur should instead invest into improving public transport, but the project is still set to be launched in 2020.

At the same time, the administration has done little to improve the business environment for international investors. The abandonment of the goods and services tax (GST) [] brought in 18% of yearly tax revenue, and allowed the government to steadily decrease the budget deficit [] has caused consternation among foreign investors. Worse, they are fast pulling out of Malaysian government bonds since it was revealed that the country's 2019 budget, tabled early last month, was based on perilously optimistic predictions of oil prices.

With oil revenues down and the GST scrapped, funding for essential social programmes is far from assured. Instead, Mahathir's government is now scrambling to make Malaysia's finances add up, without sufficient alternative revenue to make up the difference.

Thailand: habitual economic slump

Bangkok is no stranger to economic misjudgement either. Struggling with disappointing growth recently, the Thai government has been forced to rely on state-owned enterprises to balance the books, despite their unwieldiness and inefficiency. Slumping tourism numbers and exports to China are playing a part in the economic downturn, but some analysts have pointed the finger at lingering uncertainty over when the military junta will finally call the elections it promised in 2014.

Thailand's economy grew by a mere 3.3 percent in the third quarter, dramatically undershooting its 4.2 percent forecast. What's more, the government's response to the crisis [] falling back on state-run enterprises [] is the opposite of what's actually needed to stimulate the sluggish economy, where investments into the private sector are more likely to facilitate innovation and trigger growth.

And as pressure mounts to stage a long-delayed general election, investors are becoming skittish over the junta's apparent stalling tactics. Although it had vowed to hold an election in November, the military government once again pushed back the date to early 2019, seemingly in order to give itself more time to establish a party that will allow junta leader Prayuth Chan-Ocha to run for office.

East Asia's wake-up call?

These three countries' woes suggest that East Asia is not yet equipped to deal with a changing global environment. After enjoying remarkable economic growth over the past few decades which lifted millions out of poverty, policymakers are failing to be responsible curators of their economies. Unless they realise it is high time to change tack, the region will miss a golden opportunity to sustain its high rate of development in the future.

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