

# Brunei Darussalam

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## Introduction

The Association of Southeast Asian Nations (ASEAN), which started out as a group of countries in Southeast Asia trying to overcome significant political and security challenges when ASEAN was created in 1967, has slowly evolved into a movement to transform the region into an economic powerhouse. Today, if ASEAN were considered as a single country, it would be the seventh-largest economy in the world, with a population of 622 million people. Data have also shown that the region's gross domestic product (GDP) has nearly doubled since 2007 (Borneo Bulletin, 2016).

Now ASEAN is a grouping of 10 Member States in Southeast Asia that fosters regional cooperation and facilitates economic integration among its members. ASEAN was formed on 8 August 1967 with Indonesia, Malaysia, the Philippines, Singapore, and Thailand as founding members. The association has expanded over the years with the joining of Brunei Darussalam, Cambodia, the Lao PDR, Myanmar, and Viet Nam. Brunei Darussalam joined ASEAN as its sixth member on 7 January 1984, a week after the country gained independence.

Based on the Bangkok Declaration of 1967 (ASEAN, 2016), ASEAN aims to (i) promote economic growth and social and cultural progress in the region through joint endeavours; (ii) foster regional peace and security; (iii) encourage active collaboration and mutual assistance in the economic, social, cultural, technical, and scientific fields; (iv) promote partnerships in the development of agriculture and industries, trade, and transportation and communication facilities in the region; (v) promote Southeast Asian studies; and (vi) maintain 'close and beneficial cooperation with existing international and regional organisations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves'.

A few key highlights have shaped ASEAN in different ways from other associations, to name a few, the ASEAN Way, the ASEAN Charter, and the ASEAN Community.

As this paper discusses and relates more to deeper economic integration, hence it is worthwhile to elaborate a little more on the ASEAN Economic Community (AEC) in this section. The AEC is set to allow the free flow of goods, services, investments, and skilled labour, while facilitating the movement of capital across the region. Formally established on 31 December 2015, the community is built on a series of agreements and pillars that establish a stable foundation for liberalised trade and economic expansion in the region. The four key pillars include the creation of a single market and production base, the development of a competitive economic region, the realisation of equitable economic growth and integration with the global economy. As a single regional market and production base, ASEAN's combined GDP in 2014 was US\$2.5 trillion, making it the seventh-largest economy and third-largest population in the world, according to a 2015 ASEAN report (Oxford Business Group, 2016b).

As ASEAN approaches its 50th founding anniversary in August 2017, it is timely to ascertain the public's perception of the association to determine the gaps and areas for improvement. The region and the world when ASEAN was born 50 years ago were very much different to how they are now. For instance, Southeast Asia is no longer the divided region that it was in the 1960s and 1970s. ASEAN must evolve with and adapt to the times and must remain relevant and responsive to the needs of its peoples.

In a *Titah* by His Majesty Sultan Haji Hassanal Bolkiah Mu'izzaddin Waddaulah ibni Al-Marhum Sultan Haji Omar 'Ali Saifuddien Sa'adul Khairi Waddien, Sultan and Yang Di-Pertuan of Brunei Darussalam at the 27th ASEAN Summit in Kuala Lumpur said (Borneo Bulletin, 2015a):

ASEAN needs to be more economically integrated and interdependent. This is possible by improving on what has accomplished [sic] to facilitate trade and investment. Businesses, especially micro, small, and medium enterprises, should continuously be made aware of opportunities and be able to take advantage of ASEAN's integration efforts.

His Majesty highlighted the importance of raising awareness of ASEAN, especially among the youth as they play an integral part in fostering a people-centred, people-oriented ASEAN. There is also the need to keep the youth informed of ASEAN's vision because they are the ones who will inherit its work.

His Majesty Sultan and Yang Di-Pertuan of Brunei Darussalam also said (Borneo Bulletin, 2015a):

It is hoped that ASEAN can continue to develop into a community that is more dynamic, based on the principles that have shaped the region today... ASEAN economies have enjoyed growth, the peoples of ASEAN have become closer and most importantly, they have benefitted from the efforts of ASEAN leaders.

## The Potential Impact of ASEAN on Brunei

Brunei is the smallest country in Southeast Asia with a population of about 400,000 people. It is at the centre of ASEAN, and this is where the opportunities, especially for our small and medium-sized enterprises (SMEs), await. In this section, we frame the impact around the four important and mutually reinforcing pillars of the AEC.

### Single market and production base

Under the first pillar, ASEAN has worked hard to improve trade and investment in the region. The achievements of local Bruneian companies, such as Sabli Foods, BMC, KTM, Tri-Sun, and Hasmit Roofing, are some of the many success stories made possible through the AEC. Local companies can benefit from the lowering of production costs, for example, through accumulation and access to cheaper raw materials, and subsequently export their goods more competitively to other ASEAN Member States like Malaysia, Singapore, the Philippines, and even beyond. The focus for ASEAN now is to further improve customs procedures and ensure that all rules and regulations are clearly published to facilitate the import and export of goods.

### Competitive economic region

ASEAN's efforts under Pillar 2 are aimed at improving the competitiveness not only of each ASEAN Member State but also of the region as a whole. As a result of ASEAN's target and commitments under this pillar, efforts have also been focused at developing the capabilities of each ASEAN Member State, including Brunei, in other areas that were targeted at improving the region's attractiveness for trade and investment. At the same time, Brunei has introduced several laws, including the Competition Order 2015 and

the Consumer Protection Order 2011, to make the country an attractive destination for foreign direct investment.

## **A region with equitable economic development**

Under the third pillar, efforts have been concentrated towards ensuring that the benefits of improved trade and investment in the region would also be equitably shared and enjoyed by the lesser developed economies, as well as SMEs, whose active contribution provides for up to 90% of total employment in the region. Brunei has been able to benefit from the programmes provided for SMEs; in particular, it has collaborated with the expertise available through the various trade and investment promotion centres, such as the ASEAN-Japan and the ASEAN-Korea centres based in Tokyo and Seoul, respectively. In the past, some Brunei companies, such as IBIC Sdn Bhd and Mustaqim Enterprise, benefitted from the product design and packaging techniques, giving them an edge in marketing their goods abroad.

## **A region that is fully integrated into the global economy**

The work under the fourth pillar aims to ensure that the AEC will not be isolated, but will instead be a relevant and key player in the global economy. To achieve this objective, ASEAN has established free trade agreements (FTAs) with several countries including China, Japan, the Republic of Korea (henceforth Korea), India, Australia, and New Zealand. As a result, ASEAN Member States including Brunei were able to open markets abroad and it enabled Bruneian companies, such as Golden Corporation, to access overseas markets like Australia, New Zealand, and Korea.

A lot of anticipation now is on the mega trade agreement between ASEAN Member States and the existing FTA partners of ASEAN, through the Regional Comprehensive Economic Partnership (RCEP). This can potentially lead to the creation of one of the world's largest free trade areas, establishing an integrated market comprising of over 3 billion people. This is beneficial for small countries such as Brunei whose local businesses and investors do not only deal with a small domestic market but also have access to a much larger regional and global market. In addition, with the AEC now established, the next stage of integration for ASEAN beyond 2015 is the AEC 2025 Blueprint. For the next 10 years, the focus for ASEAN economic integration is very likely to be set through five key characteristics: (i) an integrated and highly cohesive market; (ii) a competitive, innovative, and dynamic ASEAN economy; (iii) a resilient, people-oriented, and people-centred ASEAN; (iv) improved connectivity and sectoral cooperation to improve efficiency and ASEAN's effectiveness; and (v) a global ASEAN.

## Brunei's Role in ASEAN

Brunei's GDP per capita as of 2011 was US\$38,703 (ASEAN Secretariat, 2013). It was the second - highest in ASEAN (Singapore's GDP per capita was US\$52,888 while Malaysia's was US\$9766 in the same year). More than half of Brunei's population has Internet subscriptions. The cell phone-to-person ratio is more than 1:1; 92% of its roads are paved (ASEAN Secretariat, 2013). Almost all country targets under the Millennium Development Goals were already achieved. The new Secretary-General of ASEAN in 2018 is set to be from Brunei Darussalam and such appointment will see that the country plays a key role in opening a new chapter for ASEAN.

Brunei's commitment to continued prosperity and stable macroeconomics is underscored by *Wawasan 2035*, the National Vision. It provides for the promotion of investments both in downstream industries and economic clusters beyond the oil and gas industry. Under this vision, Brunei is also to implement national strategies in education, political stability and security, institutional development, local business development, infrastructure, social security, and the environment.

Being a small country has its inherent advantages that make it possible to ride the ascent of ASEAN successfully. The first advantage is that the country is easily manageable due to its small population and general stability. These conditions give greater room to carry out regional policymaking at the local level. The second advantage is that Brunei is in a great position to adopt global, pro-progress policies. Brunei has made great progress, for example, in the education sector; the country has the second - highest literacy rate in ASEAN in 2013 according to the *ASEAN Annual Report 2012- 2013* (ASEAN Secretariat, 2013). The success in the education sector will help drive the development of industries such as finance, real estate, and logistics trade.

Since joining ASEAN on 7 January 1984, Brunei has played a constructive role by maintaining a neutral position. Brunei's constructive role in ASEAN was highly applauded particularly on the effort to help build confidence between ASEAN and Chinese leaders throughout the ASEAN chairmanship in 2013. For example, one important development regarding the South China Sea disputes in 2013 was the agreement between China and ASEAN to actively work towards a binding code of conduct. Three months after ASEAN leaders initiated discussions on ways to handle the South China Sea territorial disputes at a meeting in Brunei in April 2013, China agreed to start consultations with ASEAN on a binding code of conduct at the ASEAN Regional Forum. The joint communiqué issued by Chinese and Southeast Asian foreign ministers in July 2013 emphasised the need to peacefully resolve competing claims in the South China Sea.

In addition, Brunei's ability in managing meeting agendas and stakeholders' concerns during the ASEAN chairmanship in 2013 have helped ensure the integrity of ASEAN-hosted meetings as venues for constructive dialogue in the Asia-Pacific, while affirming Brunei's image as a credible player in ASEAN and in the region.

Furthermore, Brunei has also encouraged other ASEAN Member States to expedite the AEC blueprint; this was an important initiative as Southeast Asia becomes more important to various regional trade integration efforts. At the East Asia Summit in November 2013, only 79.7% or 279 measures of the AEC blueprint had been completed (ASEAN Business Advisory Council, 2014). Brunei had indicated to the other ASEAN leaders to further intensify the efforts in the remaining areas to meet the common goal by the end of 2015.

In a 2015 seminar titled 'ASEAN Media: Opportunities and Challenges' held by the Ministry of Foreign Affairs and Trade, in collaboration with the Thai Journalists Association, former Secretary-General of the ASEAN Secretariat Surin Pitsuwan delivered a special keynote address on 'The ASEAN Community and the New Geopolitics in the Region'. He shared that Brunei did well with the ASEAN chairmanship in 2013 and that the country would definitely continue to be a valued member of ASEAN. When he was asked about the role of Brunei in ASEAN, Dr Pitsuwan highlighted Brunei's important role in raising the proficiency of other ASEAN Member States in the English language. He added that 'Brunei is doing what it can as a small member but it has contributed a lot of resources both financial and intellectual' (Borneo Bulletin, 2015b).

## Brunei's Scorecard in ASEAN

The AEC could open an array of business opportunities both for Brunei's large construction firms and SMEs despite the country's small labour market and relatively small number of SMEs. In 2015, the Oxford Business Group report stated that smaller businesses accounted for only 22% of total employment in the country, compared to 70% for Singapore and 65.5% for Malaysia. Brunei is preparing its human resources professionally for the open competition.

Reducing tariff and non-tariff barriers falls under the AEC pillar of creating a single market and production base. To date, tariffs on all building and construction goods and products have been eliminated for Brunei, Indonesia, Malaysia, Thailand, and the Philippines since 2010. Viet Nam, Cambodia, the Lao PDR, and Myanmar are set to become tariff-free by 2018. There are plans to completely remove the tariffs. The ASEAN-6 Member States – Brunei, Indonesia, Malaysia, the Philippines, Singapore,

and Thailand – are signatories to the ASEAN Trade in Goods Agreement (ATIGA), which came into force in 2010. ATIGA eliminates import duties for ASEAN-6 Member States, which is useful for exporters of building and construction materials and products. Indeed, the ASEAN-6 have almost fully eliminated intra-regional tariffs, with 99.2% of tariff lines at 0%, according to the *ASEAN Annual Report 2012–2013* (ASEAN Secretariat, 2013).

ATIGA ensures not only tariff reduction but also most-favoured-nation (MFN) treatment and national treatment on internal taxation and regulation, both of which can be leveraged by Member States' construction sectors to ensure favourable treatment. MFN gives ASEAN the right to request any Member State that gives a non-Member State more favourable commitments to incorporate that commitment into ATIGA. National treatment prohibits any ASEAN Member State from treating imported goods less favourably than its own domestically produced goods in terms of internal taxation or regulation.

The ASEAN Framework Agreement on Services (AFAS) aims to eliminate restrictions on trade in services and enhance cooperation within ASEAN. AFAS benefits companies providing services, including construction services, in the ASEAN region by ensuring national treatment, market access, and recognition of professions under mutual recognition arrangements (MRAs). MRAs have been agreed for engineering, architecture, and land surveying professionals, facilitating free movement and access to opportunities within ASEAN, while at the same time maintaining high standards of accreditation. The construction-related agreements are among the various packages signed by ASEAN economic ministers. These agreements include eliminating restrictions on activities such as construction of commercial buildings, installation works, rental of construction equipment, and civil engineering. Other agreements in the planning stage will see MRAs tabled for the construction and building sectors, among others.

The ASEAN Comprehensive Investment Agreement (ACIA) protects existing investments and prospective investors. This could benefit any construction project requiring foreign investment and could ultimately create a larger marketplace for mega projects along the line of the Temburong Bridge in Brunei. Along the same lines as ACIA, the Investor-State Dispute Settlement (ISDS) mechanism gives investors the right to use dispute settlement proceedings when they are unable to obtain compensation after unlawful direct or indirect expropriation. The ISDS also allows for improved transparency in investment regulations, calling for ASEAN Member States to make information on laws, regulations, administrative guidelines, or policy changes relating to investments publicly available. These policies will safeguard and further promote foreign direct investments in the ASEAN region.

Brunei, along with the Philippines and Myanmar, is a ‘Country Champion’ for the ASEAN Strategic Action Plan for SMEs Development 2016–2025 goal to promote entrepreneurship and human capital development in the community. This goal puts the country in the position of driving human capital development to enable MSMEs<sup>1</sup> to succeed. The desired outcomes include instituting entrepreneurial education and learning programmes, enhancing human capital development for microenterprises, and promoting women’s participation in MSMEs. To achieve the entrepreneurship goal, the focus for Brunei is to ensure that the creation of effective entrepreneurial human resource development can be achieved quickly. The Ministry of Education introduced in 2014 the National Entrepreneurship Agenda, which established an entrepreneurship village in the national university, Universiti Brunei Darussalam. This village aims to inculcate the entrepreneurial mindset in creating the entrepreneurship ecosystem for the country.

Furthermore, in January 2016, the Energy and Industry Department under the Prime Minister’s Office announced the formation of a new statutory body that will be responsible for the growth of local SMEs. Darussalam Enterprises (DARe) was set up to encourage and manage the growth and development of local enterprises, including SMEs. With 85% of DARe’s board of directors being drawn from the private sector, the body will be a mix of representatives comprising entrepreneurs and veteran industry players from the country’s construction, logistics, and consultancy sectors. With the necessary rules and regulations in place, and with the positive determination of entrepreneurs matched by the experience of business people, Brunei looks well placed to move its economy in the direction of ASEAN integration with a focus on how the construction and logistic sectors can contribute to this direction.

## Brunei’s Further Contribution to ASEAN

Brunei has opportunities to play a key role in ASEAN. Even though by population base it is the smallest country in ASEAN, Brunei’s potentials are there. Since Brunei is a member of the Commonwealth, it has a good connection globally and has close relations to many countries in every continent. It could then play a key role in enhancing or further maintaining good relations between ASEAN and Commonwealth countries.

Another potential is Brunei becoming an education hub in the region. This is also in line with the country’s 2020 Higher Education Strategic Plan. The basic literacy rate in Brunei

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<sup>1</sup> MSMEs stand for micro-, small, and medium-sized enterprises. Microenterprises are firms with 1–5 employees.



is almost 100%; people are mostly bilingual (Malay and English) and have access to free education. Moreover, Brunei has liberal trade policies, relatively lower corporation tax, excellent investment incentives, a clean environment, and a life of harmony and peace that can make the country an ideal destination for further education and eventually a hub of education. Additionally, Brunei has strengths in several niche areas – such as in the teaching of English and in the study of medicine, energy, and biodiversity – that can help the country attract institutions from abroad to establish themselves in Brunei, and for international students to study at local institutions.

Brunei could also greatly improve its role in the region as a major transport hub in the Brunei Darussalam-Indonesia-Malaysia-Philippines–East ASEAN Growth Area (BIMP-EAGA) region if current developments continue. First, Brunei is part of four major projects, with total investments of up to B\$20 billion in the region (Brunei Times, 2013), that include the Trans Borneo Railway, a 4,440-kilometre network that will stretch across Borneo Island and will connect Bandar Seri Begawan with major cities in Malaysia and Indonesia. Then there is the proposed ASEAN Halal Park, an integrated project that will set up many halal-certified manufacturing companies and is aimed at becoming the strongest manufacturing centre for premium halal products in the global market. The Trans-Borneo Railway will connect Sarawak, Sabah, Kalimantan, and Brunei with major sea ports and airports; it will also make Borneo’s vast commodity resources, such as coal, timber, and minerals, easily accessible, with Brunei expected to become an important shipping hub for these commodities in the region and beyond. Brunei, together with Sarawak and Sabah, can vastly benefit from such a project because it already has active port industries that are being upgraded and added to in efforts to reach some of the fastest-growing consumer markets in the world.

The Oxford Business Group Report (2015) said that Brunei’s position next to the South China Sea’s sea lanes made its 160-kilometre coastline strategically significant. Under the Kuala Lumpur Transport Strategic Plan 2016–2025, Brunei has agreed to contribute to the establishment of an ASEAN single shipping market and to promote maritime safety, security, and strategic economic corridors in ASEAN. The report said the strategic plan would enable Brunei to engage in regional maritime transport cooperation in developing the ASEAN strategic-logistics corridors.

## Results of the Face-to-Face Interviews

A total of 56 respondents participated in the face-to-face interviews.

**Table 1. Profile of the Interview Respondents**

Age Group	Number	Share of Respondents
15–30	15	26.79
31–49	39	69.64
50+	2	3.57
<b>Total</b>	<b>56</b>	<b>100.00</b>
Gender	Number	Share of Respondents
Male	16	28.57
Female	40	71.43
<b>Total</b>	<b>56</b>	<b>100.00</b>
Sectoral	Number	Share of Respondents
Public Sector	41	73.21
Private Sector	15	26.79
<b>Total</b>	<b>56</b>	<b>100.00</b>

Source: Author's compilation from the interviews.

This is a follow-up to the 103 emails our research team sent. We invited various public and private sector agencies, and 56 accepted an appointment for a face-to-face interview. Each interview took about 45 minutes. Beside questions on personal details such as age, highest educational attainment, occupation, and the sector where the respondents work, we asked five questions on their understanding, knowledge, and perspectives of the future of ASEAN. The five questions concentrated around (i) the importance of ASEAN integration, (ii) regional FTAs, (iii) RCEP and its possible impact, (iv) key 2030 challenges for ASEAN, and (v) the world facing ASEAN in 2050 and beyond.

The largest age group was composed of those aged 31–49. More females (71%) were interviewed using this random method; 41 of the respondents were from the public sector, and 15 from the private sector. All of them have at least a post-secondary education, with the majority having a bachelor's degree.

**Table 2. Linear Regression Results on Familiarity with ASEAN and Its Activities**

Model	Coefficient	Standard Error	P Values
Age	0.0024	0.0063	0.000
Gender	0.1446	0.0043	0.000
Public Sector	0.3636	0.0321	0.000
Occupation	0.2525	0.021	0.000
Education	0.0005	0.0001	0.010

R-squared: 0.2917; adjusted R sq: 0.2504

Dependent variable: Familiarity on ASEAN

Source: Author's computation.

We performed a linear regression on the data sets with responses from the 56 respondents. We found this technique more suitable than a simple correlation coefficient to understand the association between the dependent variable (familiarity with ASEAN) and independent variables (age, gender, private sector employment, occupation, and highest educational attainment). No missing data were detected when coding was carried out. The data were processed using the Analysis ToolPak in Excel. Table 2 shows that the R squared and the adjusted R squared values of the regression results for predicting the familiarity with ASEAN (0.2917 and 0.2504, respectively) show a medium/weak correlation between the independent variables and the dependent variable. Usually, we must also consider the statistically significant values to improve the validity of the results, in this case  $p < 0.05$  in almost all cases or 0.01 (education variable). Hence, we can conclude the findings are statistically significant because a smaller p value represents a more significant impact.

The results have identified that those working in the public sector, in administrative services, have a better understanding of and are more familiar with ASEAN and its activities compared to those in the private sector. The association between age and gender is not strong in comparison. The surprising finding is that the education variable, which has a coefficient of 0.0005, indicates that education does not have much productive impact on familiarity with ASEAN. Nevertheless, the result for this variable is not as statistically significant as the other variables.

## Importance of ASEAN integration

The vast majority (75%) of survey respondents believe that ASEAN integration is important in helping businesses and SMEs in the region. Some phrases (permission given to quote) given during the face-to-face interviews include: (i) ‘An integrated ASEAN provides increased opportunities to our prospects to expand the small domestic demand’; (ii) ‘Hopefully, it will help to facilitate and expedite the paperwork process’; (iii) ‘We see opportunities for Brunei to leverage on ASEAN integration to capitalist in niche sectors such as logistics, halal industry, and medical technology (MedTech)’.

Less than half (36%) of respondents indicated that their companies have an ASEAN regional strategy based on the goals of the AEC blueprint. Of the respondents who did not, many commented that they are still developing their strategy, that they focus only on a single country in ASEAN, or that they are unsure or uncertain about the timeline and feasibility of the AEC blueprint.

Respondents cited that non-tariff barriers to trade (51%) and transparency (40%) are areas of work that deserve attention to further enhance regional economic integration. Respondents from the private sector emphasised the need for effective communication between different offices or the setting up of one-stop facilitation centres to improve the ease of doing business.

## Regional free trade agreements

The majority of the respondents expressed that they are not too familiar with regional agreements. However, they believe that FTAs are important to the overall trade activities of the country and the region. The few respondents who are familiar with FTAs considered AFAS to be most important (60%).

## The Regional Comprehensive Economic Partnership

RCEP is a trade initiative proposed by the 10 ASEAN Member States and six FTA partners: Australia, China, India, Japan, Korea, and New Zealand.

It aims to consolidate the various ‘ASEAN +’ agreements listed in the previous section into one broader regional free trade network. Probably due to media coverage, 50% of respondents were more familiar with RCEP compared to the FTAs mentioned earlier. About 19% believe that RCEP will not impact trade and investment, while 17%

believe that it will lead to business expansion prospects in ASEAN and increase overall satisfaction in the local business environment.

A lot of anticipation has been on whether the two regional trade agreements, the Trans-Pacific Partnership (TPP) and RCEP, will both be implemented in the Asia-Pacific region. Furthermore, the wave of adjustment to international trade and investment rules, stirred up by the Transatlantic Trade and Investment Partnership and the Trade in Services Agreement, is becoming yet another major external factor that impacts the economic development of Asia-Pacific countries. Hence, it has become critical to optimally balance the relationship between the TPP and RCEP. However, compared to the TPP, RCEP seems more feasible now. The respondents believe that the early completion of RCEP may provide a new path and platform for promoting trade, facilitating investment, fine-tuning industry, and facilitating the resulting spillover effects that will further improve the manufacturing network, expand the value chain, and optimise the allocation of trade and production factors in the Asia-Pacific region. This will create new opportunities for every country in the region.

## Key challenges in 2030

Respondents were asked what they perceive are the key challenges for ASEAN in 2030. This question received one of the most positive responses as 80% of the respondents described ASEAN in 2030 as resilient, inclusive, competitive, harmonious, and united. In addition, about 91% of respondents unanimously shared that Asian countries are likely to be 'leading actors' on the global trade stage.

Among many issues discussed, the majority of respondents also forecasted that the number of elderly people in Asia will increase. the Asia Pacific Risk Center (2016) also reported that the number of elderly people will increase by 200 million by 2030. Almost all respondents also revealed their views that they expect greater life expectancy in the next 13 years with the increase in non-communicable diseases, such as diabetes and dementia. Increasing life expectancy and falling fertility rates result in the growing number and proportion of the elderly population. This in turn implies an increase in healthcare services such as long-term care facilities and trained workers to run them. For the workforce, it will also mean a labour shortage. One solution being tried in Japan is to make up for workforce shortages by using robotic technology to assist elderly people. The confluence of societal ageing leads to the risk of exponential growth in elderly healthcare expenditure and a rising trend of medical technology. According to the International Labour Organization, some three in five jobs in ASEAN-5 (Cambodia,

Indonesia, the Philippines, Thailand, and Viet Nam) face a high risk of being replaced by automation in ASEAN in 2030.

## The world facing ASEAN in 2050 and beyond

All respondents predicted that by 2050, there will be more people over 65 than under 15, presenting the ASEAN Member States with a whole new range of challenges. All respondents expected older people to continue living and working longer. This percentage is projected to jump to nearly 17% of the world's population by 2050, i.e. 1.6 billion (Cire, 2016). This in turn means that ASEAN's social protection mechanisms such as healthcare and pension schemes will need to be strengthened. Forty-nine percent of the respondents also shared that they expected the ASEAN region to become more integrated with open labour migration policies, so that workers from a labour surplus region can work where there is demand for their skills.

Highlighting the rapid technological advances being experienced by Asian youth, even in rural areas, ASEAN Member States would need to harness their knowledge and skills. Forty-nine percent of the respondents revealed that many jobs in 2050 might not even exist now. Repetitive jobs would likely be made redundant. Hence, it is crucial to look now into the new directions of artificial intelligence, robotics, and telecommunication. These implications were not only for education and skills policies but also be reflected in how ASEAN can use technological advances in designing cities, public transportation networks, logistics, and building codes for the future.

Although the education variable does not have a high coefficient in the regression results as shown in Table 2, the results reveal that the respondents generally felt that by 2050, workers with only a primary degree or lower have a higher chance of losing their jobs to automatons than secondary school graduates. For those with a tertiary education, the risk is substantially lower. These trends support the notion that higher education and training are vital to developing the competencies needed for complicated tasks that are difficult for machines to do.

The majority of respondents also shared that another likely scenario of the 2050 economy is that the economic growth in the ASEAN Community will face the issue of the middle-income trap. A growing population combined with financial prosperity and a heightened consumption mentality will provide a fertile environment for the consumer market. However, this may cause further economic divide in ASEAN-10 Member States. Generally, countries in a middle-income trap situation do not suffer from desperate poverty; nevertheless, they are not able to afford the luxuries enjoyed in more developed

nations. In recent years, some economists have already raised the unsettling possibility that while most countries can climb into the ranks of middle income, it might be much harder to climb up to the top level.

## Summary and Conclusion

This year on 8 August, ASEAN celebrates an important anniversary. It is the 50th year since the signing of the Bangkok Declaration, which established the association.

According to the McKinsey Report (Vinayak et al., 2014), if ASEAN were a single country, it would already be the seventh-largest economy in the world, with a combined GDP of US\$2.4 trillion in 2013. It is projected to rank as the fourth-largest economy by 2050. Nevertheless, to capitalise on these trends, the region must develop its human capital and workforce skills. For people outside ASEAN, the memories of the 1997 Asian financial crisis linger, leading many outsiders to expect that volatility comes with the territory. However, the region proved to be remarkably resilient in the aftermath of the 2008 global financial crisis. Today it is in a much stronger fiscal position where the savings levels have also remained steady since 2005 (at about a third of GDP), albeit with large differences between high-saving economies – such as Brunei, Malaysia, and Singapore – and low-saving ones – such as Cambodia, the Lao PDR, and the Philippines. Furthermore, despite their distinct cultures, histories, and languages, the 10 Member States of ASEAN share a focus on development and prosperity. Household purchasing power is rising, transforming the region into the next frontier of consumer growth. To maintain the current trajectory will require enormous investment in infrastructure and human capital development, which is a challenge for any emerging region but a necessary step towards ASEAN's goal of becoming globally competitive in a wide range of industries. In addition, it must tackle challenging questions on how to navigate the accelerating pace of technological change and digital disruption. On the one hand, the Fourth Industrial Revolution could bring huge benefits to the region, driving financial inclusion and the creation of new companies and service sector jobs.

From an economic perspective, the AEC offers an opportunity to create a seamless regional market and production base. If the implementation of the ASEAN Community Vision 2025 is successful, ASEAN could prove to be a case in which the whole does exceed the sum of its parts. Not only will this help ensure equal economic development but also it will further integration into the global economy.

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