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The Population and Rapidly Changing Economic Situation in Asia

Kua Wongboonsin*

Introduction

Asia is a region of wide diversity in political, cultural, and historical dimensions with disparities in economic and social stages of development. However, during the two decades before the end of 1997 most of the Asian countries shared the characteristics of being in transition and dynamic in economic and demographic terms. While there were considerable changes in the growth rate, structure and distribution of population, Asia achieved such a remarkable economic performance that the term “Asia’s Miracle” has dominated the topics of economic and development literatures. Some economists expected the rate of Asian economic performance to be maintained into the next century. Moreover, while the next century will be an era of globalization, the core of growth is expected to be in Asia. Accordingly, the next century has also been called an “Asian Era,” despite the Asian currency crisis since late 1997.

Since population and development are interrelated, impacts of the rapidly changing economic situation on population in Asia are currently of major concern to demographers in the spheres of academics, practitioners, policy planners and decision-makers here and elsewhere.

This paper deals with the interrelationship of population and economic performance in Asia, including in this paper mainly East, Southeast, and South Asia based on the availability of readily comparable data. After the discussion on the current Asian economic performance and the population setting in the region, the paper elaborates on their interrelationships with particular emphasis on the case of Southeast Asia.

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The Asian Economic Setting

During the past two decades, Asian countries experienced a rapid pace of development with special progress towards industrialization. One prominent result is manifested during the past decade when the term "Asia's miracle" was used by some economists to describe Asian economic performance.

Shunsuke Bando (1997) cites four factors contributing to such a high economic performance in Asia in general:

1. The strengthened export competitiveness of Asian products in the world market due to the prolonged appreciation of the Japanese yen after the Plaza Accord in September 1985;
2. The inflow of foreign capital which was encouraged by the deregulation of foreign investment restrictions, and the development of the domestic financial and capital markets which were conducted for the purpose of efficient utilization of foreign capital and technologies, with Japan as its main focus;
3. Low and stable raw material prices while the Asian economies tried to industrialize themselves out of their primary goods export-oriented economy;
4. Continuous expansion of the economies of developed countries, mainly the United States, which were major export, markets for Asian products.

While Asia includes industrialized, newly industrialized, and less developed economies, the term "Asian miracle" is used to refer to the most ten dynamic economies: Japan, South Korea, Taiwan, Hong Kong, and six ASEAN countries (Singapore, Brunei Darussalam, Malaysia, Thailand, Indonesia, and the Philippines). Throughout the 1980s, these ten countries grew economically at an average rate of slightly over 10% per year. The rate is more than twice as high as the comparable figures for the European Union and North America. In the second half of the 1980s, besides the vigorous direct investment among them, the growth rate of their intra-trade exceeded the growth rate of their trade with other regions.

However, the present Asian currency crisis as a shock wave of economic stagnation and the collapse of the bubble economy spilling over from Thailand, has become a strong pressure here and abroad.

The Center for Pacific Business Studies (1997) cites five factors behind the present currency crisis in Asia:

1. "Asian governments linked their currencies to the US dollar in order to attract foreign investment. As the US dollar began to appreciate in 1995, those currencies appeared increasingly overvalued, and the export competitiveness of the countries concerned was adversely affected."

2. "The inadequacy of supporting industries in Asia means that Asian economies must rely on imported capital goods and parts. Over the years, this situation has brought a steady rise in current account deficits, which must be financed either by market fund-raising or overseas borrowing."

3. Because of the first factor mentioned above and the fact that domestic interest rates were maintained at substantially higher levels than US dollar interest rates, "inflows of foreign funds were even greater than current account deficits. This situation induced a real estate bubble...." and a huge bad debt problem, particularly in Thailand.

4. "Asian economies were also affected by declining exports and decelerating economic growth, due to a global semiconductor market slump in 1996, a loss of competitiveness in labor-intensive industries due to the improvement of China's export competitiveness following a 33% devaluation of the renminbi in early 1994, and the erosion of export competitiveness as a result of the yen's shift to a downward trend from 1995 onward."

5. Thailand's unstable political situation and latent potential political instability in Indonesia and the Philippines.

The current Asian financial crisis is expected to induce economic deceleration that may not recover before the turn of the century. According to the Center for Pacific Business Studies, the growth rates of the Asian economies in 1997 were lower than in

1996. The average real GDP growth rate for 12 Asian economies are estimated to have declined from 7.6% in 1996 to 6.9% and 6.1% in 1997 and 1998, respectively.

Real GDP Growth Rates of 12 Asian Economies

	1996 (actual)	1997 (estimate)	1998 (estimate)
South Korea	7.1	5.8	3.0
Taiwan	5.7	6.5	6.7
Hong Kong	4.9	5.5	4.0
Singapore	7.0	6.9	6.6
Thailand	6.4	-1.0	0.0
Malaysia	8.2	7.5	4.7
Indonesia	7.8	6.4	3.7
Phillippines	5.5	4.9	3.8
Vietnam	9.6	9.4	8.5
India*	6.8	6.5	6.8
China	9.6	9.4	8.5
Japan*	3.2	0.0	1.2

* Based on fiscal years (April-March)

Source : Adapted from Center for Pacific Business Studies (1997)

Despite the concern about the potential economic downwave, some economics are of the opinion that the crisis is temporary. One reason is the fact that the crisis has forced Asian governments to initiate economic management strategies as a national priority. The strategies include adjustment of policies, legal and institutional mechanisms, and industrial restructuring. Such domestic strategies are supplemented by cooperation from abroad. Other reasons are the existence of the domestic structures that supported the past high growth and the latent growth potential of the Asian economies. The Center for

Pacific Business Studies expects Asian economic recovery despite the delay by disposal of bad debts.

Other studies base their optimism upon three main, long-term trends of development towards the next century:

1. Bilateral and regional cooperation for progress and development;
2. Transition to an open-door market economy with a technological base;
3. Globalization and regionalization with advancement of deregulation and liberalization of trade, investment, services, capital, and labor.

One should note that the trend of trade liberalization is not restricted to the manufacturing sector, but is also moving towards the liberalization of agricultural trade. There is a trend towards integration of agricultural markets in APEC and ASEAN. The trend is a result of the growth and changing composition of agricultural trade in the region as a result of rapid economic growth and policy reforms and a rising food demand at the global level during the past decade (see Figures 1 and 2).

According to Figure 1, Asia mostly experienced a trade deficit in terms of agricultural trade compared with the NAFTA region in the early 1990s. A study by Cargill, Inc. (1997) reveals that Asia has lately lacked surplus food-producing resources to meet the growing global food demand while it is a major consumer of food from the US (see Figure 3).

The Provision Agenda for the Food Summit's projection for the next 30 years states that, rather than the current increase of about 20%, food supplies must increase nearly 100% in East Asia and by nearly 150% in South Asia to satisfy the increasing demand of their growing population (Cargill, Inc., 1997). In order to meet the opportunity and challenges of growing food demand at the domestic, regional and global levels, an efficient food system is therefore an urgent need in Asia.

Population Setting

Asia is considered the largest region in the world not only in geographic but also in demographic terms, with China and India as the two demographic big brothers. Nevertheless, considerable changes have occurred in the dynamics, structure and distribution of population in Asia. Fertility rates have declined and will continue to do so throughout most of Asia.

Size, percentage distribution, annual rate of increase by sub-region, UN medium variant projections, 1950 to 2025

Year	East Asia	Southeast Asia	South Asia
Population (millions)			
1950	661	182	481
1970	972	287	754
1990	1313	445	1200
2010	1585	616	1789
2025	1702	726	2161
Annual increase rate (%)			
1950-1955	1.75	1.92	1.99
1965-1970	2.43	2.51	2.38
1985-1990	1.34	2.05	2.30
2000-2005	0.79	1.51	1.91
2020-2025	0.42	0.99	1.12

Source: United Nations, 1991 in ESCAP, 1993.

The projection not only suggests continuing declining rates of population, but also a changing distribution of population in the region. The contribution to Asia of East Asia will be decreasing, while those of Southeast and South Asia will be rising.

According to ESCAP (1993), by 2025 China's contribution is expected to diminish while that of India will expand. Apart from China and India, there were four countries with populations exceeding 100 million in 1990 : Indonesia, Japan, Pakistan and

Bangladesh, while countries with populations between 50 and 99 million included the Philippines, Vietnam, and Thailand. By 2025, Vietnam, and the Philippines will join the 100 million population category, while the populations of Indonesia, Pakistan and Bangladesh will rise beyond the 200 million mark. Japan will remain under 130 million. The Republic of Korea and Myanmar will join the 50-99 million category, to which Thailand has belonged since 1985.

**Crude birth rate and total fertility rate by sub-region
UN medium variant projections, 1950-2025**

Period	East Asia	Southeast Asia	South Asia
Crude birth rate (per 1,000)			
1950-1955	40.8	44.1	44.9
1965-1970	21.0	35.2	37.7
1985-1990	20.1	29.6	34.8
2000-2005	14.7	22.0	27.5
2020-2025	12.6	16.7	18.0
Total fertility rate (births per woman)			
1950-1955	5.72	5.99	6.11
1965-1970	2.78	4.79	5.27
1985-1990	2.36	3.68	4.70
2000-2005	2.06	2.95	4.01
2020-2025	1.80	2.10	2.16

Source: United Nations, 1991 in ESCAP, 1993.

The total fertility rate (TFR) in Asia was around 6 children per woman during the 1950s and 1960s. A decline in the TFR has been clear since the 1970s, with a relatively steep trend in East Asia, a remarkable but relatively slower decline in Southeast Asia, and a much slower decline in South Asia. The recent decline in TFR is projected to continue during the coming decades, reaching the level of 3 children per woman on

average in the period 2000-2005, and 2.02 children per woman in 2020-2025 with more of a decrease in South Asia.

**Crude death rate, life expectancy at birth and infant mortality rate
by regions, UN medium variant projections, 1950 to 2025**

Period	East Asia	Southeast Asia	South Asia
Crude death rate (per 1,000)			
1950-1955	23.3	24.4	25.1
1965-1970	7.0	12.8	14.6
1985-1990	6.7	8.9	11.8
2000-2005	6.8	6.8	8.4
2020-2025	8.4	6.8	6.7
Life expectancy at birth (both sexes; years)			
1950-1955	44.9	41.1	39.1
1965-1970	67.0	54.1	51.9
1985-1990	70.4	60.9	56.8
2000-2005	73.9	67.3	63.8
2020-2025	77.2	72.8	70.5
Infant mortality rate (per 1,000 live births)			
1950-1955	181	152	189
1965-1970	39	89	127
1985-1990	31	63	102
2000-2005	18	40	71
2020-2025	9	25	39

Source: United Nations, 1991 in ESCAP, 1993.

During the period 1985-1990, the life expectancy at birth for the Asian region was 62 years for both sexes combined. The corresponding rates for East, Southeast and South Asia were 70.4, 60.9, and 56.8 respectively. It is projected that regional differences in mortality will narrow, as a number of countries attain very high life expectancies, after which further gains will be hard to achieve. It is also expected that all the sub-regions will have a mean life expectancy exceeding 70 years by 2020-2025.

Explanations for such Asian trends are partly the fact that Asian countries have had explicit population and family planning programs since the 1950s. The programs have been based on population growth, population distribution and population structure. The 1950s and 1960s are said as the pioneering period of family planning associations and consequent recognition by governments that rapid population growth needed to be managed through family planning programs, despite the fact that they were launched on an experimental basis. The 1970s is considered a period of an upsurge of national family planning programs with the outcome of the population policies to contain population growth (ESCAP, 1993).

After a modest increase in population growth during 1980s, population factors are viewed as central to the process of national development planning with the recognition that human development is the overriding condition for the success of population policies. This is due to the fact that the impact of rapid fertility decline on the population of school-going and of working ages is being felt. Human resource development is becoming a major concern, along with the problems of population ageing, migration and urbanization (ESCAP, 1992).

Impact of Economic Development on Population

According to Herrin et al. (1985), the population and development interrelationship occurs as a result of the demographic processes of fertility, mortality and migration, resulting in demographic outcomes in terms of population size, age-sex structure and spatial distribution. The demographic transition successively affects the socio-economic processes comprising, among other things, land and labor utilization, urbanization and population distribution, consumption of goods and services, savings and investment, public

expenditure and international trade and finance. The operation of these socio-economic processes then determines the socio-economic outcomes in terms of income, employment, education, health and nutrition, old age security, human resource development, environmental quality and public utilities. In turn, these socio-economic outcomes affect the operation of the demographic processes, starting a new cycle of the interrelationship between population and development.

Based on the above notion, economic development cannot solely be measured in terms of economic growth. Since the economic growth rate is mostly measured in terms of GDP or GNP growth, it is considered to be only one aspect of economic development which must be evaluated multi-dimensionally. According to ESCAP (1992), while the process of development is seen as a series of interconnected societal transitions, one of the most significant transitions that the development process implies is the demographic transition from high to low fertility rates. Since high rates of population growth impede economic development, a sound economic policy ideally reduces not only poverty but also population growth rates. Higher economic development is also expected to increase the qualitative aspect of development of the population.

To discuss about the impacts of economic development on population, this study emphasizes on the case of ASEAN and other Southeast Asian countries. During most of the past decade, there was a big gap in economic prosperity defined in terms of GNP per capita between then-ASEAN nations and other Southeast Asian countries. The latter's GNP per capita in 1992 was below US\$250. The average annual growth rate of Myanmar's GNP per capita was 3.2% in the period of 1965-1980 and declined to 2.4% in the period of 1980-1989. According to the Working People's Daily on April 1, 1993, an economic plan released by the State Law and Order Restoration Council (SLORC) expected to achieve 5.8% growth by the end of 1994. The GNP per capita average annual growth rate in Laos increased from 1.7% in 1970-1980 to 2.6% in 1980-1992 and was expected to continue rising to 2.8% by 2000, according to the World Bank (1992).

Before becoming the 7th member country of ASEAN in 1995, Vietnam may be considered the only non-ASEAN country with economic success owing to its "doi moi" or

reform policy. The economic growth of Vietnam rose at an annual rate of 6-7% during the past decade. These compare with the rates of growth in ASEAN member countries which ranged from 3.2% in the case of the Philippines to 8.3% in the case of Singapore during the same period (P. Wongboonsin and K. Wongboonsin, 1995).

Besides the big gap in terms of economic growth, there was a big gap in terms of human development between ASEAN and its above-mentioned neighbors. The indices of the latter for 1990 ranged from 0.186 in the case of Cambodia to 0.472 in the case of Vietnam. This compares with the ASEAN range between 0.515 in the case of the Philippines to 0.849 in the case of Singapore (P. Wongboonsin and K. Wongboonsin, 1995).

Human Development Index by Country in Southeast Asia: 1990

	Life expectancy at birth	Education attainment	Adjusted GDP per capita	Human Development Index
ASEAN				
Brunei	73.5	2.08	5017	0.847
Indonesia	61.5	1.88	2181	0.515
Malaysia	70.1	1.92	4901	0.790
Philippines	64.2	2.37	2303	0.603
Singapore	74.0	2.04	5043	0.849
Thailand	66.1	2.16	3987	0.715
Non-ASEAN				
Cambodia	49.7	0.58	1100	0.186
Laos	49.7	1.11	1100	0.246
Myanmar	61.3	1.74	659	0.390
Vietnam	62.7	2.09	1100	0.472

Source: UNDP. Human Development Report 1993, pp.135-137, New York: Oxford University Press, 1993.

Singapore and Brunei Darussalam were the only two countries in Southeast Asia for which the human development indices rank slightly above the average for industrial countries (around 0.82) slightly below that of the Republic of Korea (P. Wongboonsin and K.Wongboonsin, 1995).

The big gap in economic prosperity between ASEAN and its neighbors has brought about a major flow of illegal, unskilled immigrants into ASEAN member countries, with Thailand as a major recipient and transit country. It is estimated that almost all unskilled immigrants in Thailand are illegal. They are not only from Myanmar, Laos, and Cambodia, but also from South China, Pakistan, Bangladesh and India (P. Wongboonsin, 1998).

The flows of unskilled immigrants bring not only economic but also health and social burdens to the host countries. According to an AIPO study (1997), there have been reports from the Thai borders with Myanmar and Cambodia that contagious diseases which have long been eradicated from Thailand have re-emerged. They include the "elephantitis," resistant strains of malaria, among others. The rapid spread of HIV/AIDS in the ASEAN region and neighboring countries has also become apparent in recent years. Cross-border movement has played an important in the process. Accordingly, the spread of contagious diseases through uncontrolled cross-border migration has become a major concern for ASEAN.

With its aim of a "Greater ASEAN" with a geopolitical span of all Southeast Asia, ASEAN is expected to narrow the socio-economic gap between long-time members and the new and prospective members, Vietnam, Laos, Myanmar and Cambodia in the next few decades. In other words, those four relatively less developed economies are expected to join the general ASEAN momentum of growth and development if there is progress in their economic reforms in terms of scope and intensity.

According to the ASEAN Secretariat (1997), based on purchasing power parity, by the year 2020, ASEAN-10 will be one of the five large economic powers in the world, after the North America Free Trade Area (NAFTA), the European Union (EU), China and Japan.

Such a prospect was considered very high given the progress in the implementation of the ASEAN Free Trade Area, in the economic reforms of the new ASEAN member countries, and in the development fund raising by ASEAN so as to minimize the existing socio-economic disparity with the new ASEAN member countries. However, the prospect is now being delayed by the Asian financial crisis, spreading from Thailand. The crisis is now aggravating the problem of low competitive human resources of the Southeast Asian region as a whole. The poor, the ageing, and the vulnerable sections of the society are most negatively affected in terms of health and education/training. The vulnerable population of the region includes illegal, unskilled migrants. This group of population is considered very large. The current financial crisis is now pressuring the governments to adopt a tough policy towards illegal, unskilled immigrants. This population group will become more vulnerable when they are deported without the provision of socio-economic support back home.

Even after the crisis, it is expected to take some time to restore and to hasten the development of regional human resources necessary to carry out the ASEAN ambition of global competitiveness.

ASEAN Vision 2020 gives more weight to human resource development in terms of education and training than to the health of the Southeast Asian population. The author of this paper is of the opinion that the problem of dietary intake will be a major concern here soon. This is due to the lack of an efficient food system and the growing food demand in the region, as a result of the growing population growth, growing urbanization, and inequitable income. Given the fact that a number of areas in Southeast Asia are still in poverty, and that there will be increasing costs for food consumption in the region, a large proportion of the population will have difficult access to healthful and safe dietary intake. The current financial crisis is now aggravating the problem in terms of both food production and consumption with potential negative impacts to the next generation.

Conclusion and Recommendations

In the past decade, Asia shared the characteristics of being in transition and dynamic in both economic and demographic aspects. However, the gap of development still exists. The dynamics of Asian economic growth has brought about both positive and negative impacts on the population. The past economic dynamism has now come to a halt due to the financial crisis starting in July 1997 in Thailand. The crisis, which is now spreading throughout Asia, has aggravated the existing problems of its population with potential negative results to carry on to the next generation. The problem is particularly serious in terms of human resource development to attain the ambition of global competitiveness in this era of globalization, regionalism and economic liberalization. The case is particularly clear in Southeast Asia where the gap of socio-economic development is still wide and where a large portion of the population is still in poverty. A sound development requires a more integrated approach to planning and implementing economic and population policies at both the domestic and regional levels. Future strategies for Asian development should be geared towards the maximization of strengths and the minimization of weaknesses of both the economic and population factors. Human security should also receive more attention from now on.

Figure 1 Changing Composition of Trade

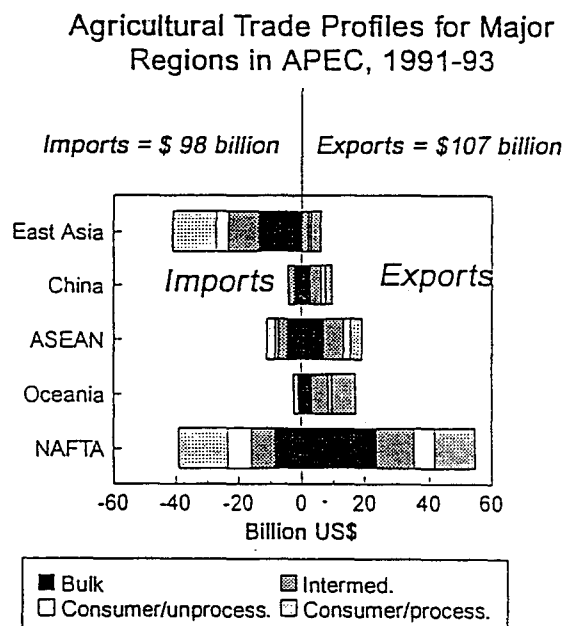
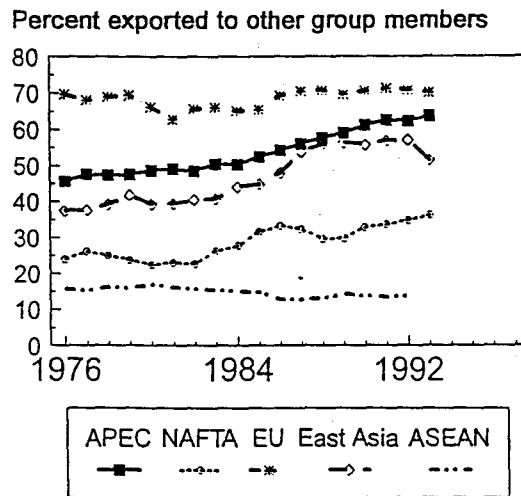


Figure 2 Increased Intra-regional Trade

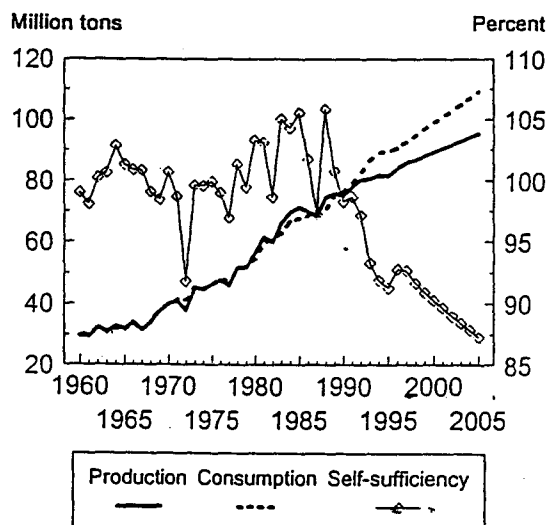
The APEC region is becoming increasingly integrated through agricultural trade



Source: National Center for APEC(1996), Figure 21

Figure 3 Grain Outlook for ASEAN

A growing gap in ASEAN's consumption and production of wheat and coarse grain; exportable surplus of rice grows



Source: National Center for APEC(1996), Figure 15

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