

**ASEAN, CHINA AND INDIA: COMPARATIVE ECONOMIC PERFORMANCE,  
ISSUES AND IMPLICATIONS<sup>1</sup>****Background and context**

China and India are the world's new economic powers. Their dynamic performance has changed significantly the global and regional economic landscape.

- This applies especially to the competition for export markets and resources, and the emergence of vast, new sources of import demand.

Growth in ASEAN's gross domestic product (GDP) had been vibrant for over a decade. It was then derailed by the financial and economic crisis in the late 1990s.

- Regional economic performance was respectable although less as striking in the 2000s on account of several adverse external shocks, among other factors.

Generally, however, ASEAN remains a major host of foreign direct investment (FDI). The post-crisis decline had been reversed and investment inflows went up strongly in the mid-2000s.

- That is an eloquent testimony of external market confidence in the prospects of development and stability in this part of the world.

Meanwhile, regional integration as an ASEAN Economic Community (AEC) has been recommended for acceleration to 2015 (from the original 2020). This is to ensure that ASEAN remains a meaningful player in the world's supply chains.

- ASEAN thus aims to be the centerpiece of the emerging pan-Asian region where the world's manufacturer of choice (China) and the world's back office (India) are situated.

The series of Studies Unit briefs focus on production, trade and investment in ASEAN, China and India (or ACI collectively).<sup>2</sup> They highlight some of the long-term development trends and their causes, and the related issues and implications in the regional, pan-Asian and global context.

- The discussion covers various periods during 1990-2005.

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<sup>1</sup> The views expressed in this brief do not necessarily reflect those of the ASEAN Secretariat.

<sup>2</sup> Different data sets give different statistics on trade and investment flows and their components. The databanks at the ASEAN Secretariat do not cover data originating from non-ASEAN countries. To maintain consistency and comparability, therefore, the analysis on ACI is largely based on IMF and UN COMTRADE data. These are supplemented by statistics from various databases at the ASEAN Secretariat and other international organizations, including the World Bank and WTO.

## ***PATTERNS OF INCOME GROWTH IN ASEAN, CHINA AND INDIA<sup>3</sup>***

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### *Highlights*

- China's economic performance during 1990-2005: a class by itself and the pan-Asian powerhouse.
  - Respectable but less striking expansion of ASEAN GDP in the post-crisis early and mid-2000s.
  - Accelerating economic growth in India from the mid-1990s; if sustained, Indian GDP to equal or to exceed ASEAN's in the early 2010s.
  - Increasing shares of ACI GDPs in the world economy and rising ACI contribution to global income growth.
  - Substantial increases in income per head of population in China, and more moderate gains in ASEAN and India.
  - ASEAN's consumer market larger than India's and getting closer to coastal China's market size.
  - Emerging issues: diverse effects of China's and India's huge population and fast-expanding economies on the global and regional geography.
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### ***A. Comparable growth between ASEAN and China (1990-1995)***

The ACI economies were not that dissimilar in size some two decades ago. In 1990, for example, ASEAN's GDP (US\$ 351 billion) was in-between the range of US\$ 320 billion of India and US\$ 390 billion of China (see Table 1 at the end of text).

Both ASEAN and China showed strong GDP growth of around 90 per cent each between 1990 and 1995. India's GDP went up by about 13 per cent, in part because economic reforms in the early 1990s were yet to take root (Table 2 and Figure 1 at the end of text).

- Consequently, India's GDP (US\$ 356.9 billion) was around one-half of China's (US\$ 728 billion) and ASEAN's (US\$ 676.2 billion) in 1995.

### ***B. Lagging performance of ASEAN (1995-2000)***

The financial and economic crisis of 1997/98 led to an extended income decline in ASEAN. Coupled with exchange rate depreciation, the region's GDP was about 11 per cent lower between 1995 and 2000 (Table 2).

- Meanwhile, GDP expanded by 65 per cent in China although this was about a quarter lower than the GDP growth of 1990-1995 (Table 2).

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<sup>3</sup> The cut-off date in data collection for this brief is the end of October 2006.

- In contrast, India's GDP went up by 30 per cent between 1995 and 2000, or more than twice the rate of the previous five-year period (Figure 1).

As a result, ASEAN's GDP (US\$ 598.7 billion) fell to one-half of that of China (US\$ 1198.5 billion) in 2000. India's GDP (US\$ 462.6 billion) was catching up, being equivalent to 77 per cent of ASEAN's (Table 1).

### ***C. Accelerating growth of China and India (2000-2005)***

Strikingly, India's GDP gained another 67 per cent between 2000 and 2005. This was more than twice faster than the previous five-year growth which itself had been twice faster than the 1990-1995 expansion (Table 2 and Figure 1).

India's economic performance was thus almost as vibrant as that of China where GDP between 2000 and 2005 was 86 per cent higher. This was similar to the pace of China's economic growth a decade earlier.

- In comparison, ASEAN's GDP went up by 47 per cent between 2000 and 2005, or about one-half of the 1990-1995 expansion (Table 1).

In consequence, the gap between India's GDP in 2005 (US\$ 772.1 billion) was equivalent to 87 per cent of ASEAN's (US\$ 882.5), a gain of another 10 percentage points between 2000 and 2005 (Table 1).

- China's GDP's, however, had taken off to reach US\$ 2,234 billion in 2005.

### ***D. Long-term growth trends***

Viewed over 1990-2005, income generation rates were comparable between ASEAN (with GDP growth of 151 per cent) and India (144 per cent). However, India's GDP has accelerated from the mid-1990s so that its expansion was over 40 per cent faster than that of ASEAN's between 2000 and 2005.

- Thus, India's GDP will be equal that of ASEAN in the early 2010s if these growth trends are sustained. But it will be larger than ASEAN's GDP if India's economic acceleration continues on its upward path.

That is certainly a remarkable development compared to the situation in the mid-1990s. However, whether India could maintain a dynamic growth orbit similar to that of China in the next five years is still an open question.

- Another open question is whether or how an integrated ASEAN could match India's economic dynamism in the coming years.

Meanwhile, China remains a class by itself and is the pan-Asia region's powerhouse. The country has broken virtually all historical records in economic development with GDP rising, for example, by 476 per cent between 1990 and 2005 (Figure 2).

- In comparison, world income went up by 96 per cent in the same period.

### ***E. ACI in a global perspective***

Firstly, ACI accounted for 4.64 per cent of the world economy in 1990 and 8.75 per cent in 2005. This significant increase came mostly from China, being 1.71 and 5.02 per cent of global GDP in those respective years (Table 3).

ASEAN's plus India's share in an expanding world economy was up by just 27 per cent between 1990 (2.93 per cent) and 2005 (3.73 per cent). Consequently, their relative importance in ACI as a group fell from 63 to just 43 per cent in those respective years.

- Also notably, ASEAN has yet to regain its former economic position in the post-crisis years. The region supplied 1.98 per cent of world GDP in 2005, compared to 2.30 per cent in 1995 (Table 3).

Secondly, ACI contributed 13.04 per cent to global income growth of US\$ 21,733 billion over 1990-2005, a much higher proportion than their relative importance in the world economy.

- China's share in such contribution was dominant at 65 per cent, with 19 per cent from ASEAN and 16 per cent from India (Table 4).

For 1990-1995, 10.6 per cent of world GDP gains of US\$ 6,669 billion came from ACI. Of this proportion, China's share was about 48 per cent, with 46 per cent from ASEAN and 6 per cent from India.

- During 2000-2005, ACI contributed 12.7 per cent to global income growth of US\$ 12,805 billion. China provided 63 per cent of this contribution, India 20 per cent and ASEAN 17 per cent (Table 4).

Notably, world and ASEAN economic performance was much weaker than China's and India's between 1995 and 2000. Together, ACI generated 22.1 per cent of the global income expansion of US\$ 2,259 billion.

- China's accounted for 94 per cent of that proportion and India, 21 per cent. These helped offset ASEAN's GDP contraction which was equivalent to over 15 per cent of the combined ACI contribution.

### ***F. Increases in per capita income***

Population growth during 1990-2005 was again comparable between ASEAN (28.2 per cent) and India (29.9 per cent). It was, however, about twice faster than China's (15.1 per cent).

- In absolute terms, there were 558.6 million persons in ASEAN, 1,316 million in China and 1,103 million in India in 2005 (Table 5).

GDP per head of population is only an approximate indicator of local purchasing power and welfare. Between 1990 and 2005, it was up by 97 per cent (to US\$ 1,581 in 2005) in ASEAN and by 84 per cent (to US\$ 705) in India (Table 5).

- However, GDP per capita was fourfold higher in China, reaching US\$ 1,709 in 2005.
- Just 15 years earlier, GDP per capita in ASEAN (at US\$ 801) had been more than twice higher than in China (US\$ 339) and India (US\$ 383).

Meanwhile, ASEAN's burgeoning and substantial consumer market remains an economic attraction in itself. It was worth about US\$ 330 billion in the mid-2000s.

- According to recent estimates, this regional consumer market was larger than India's and was getting closer to that in coastal China.<sup>4</sup>

### **G. Emerging issues**

China's and India's population is huge, and their economies, fast expanding and integrating rapidly into the global economy. All these have diverse and substantial effects, both stimulating and negative, on the world and regional economic geography.

At one level, there are vast, competitive and expanding labor forces and skills bases across the technology spectrum. The intensified competition, especially from China, has already led to some "crowding out" and displacement of developing-country suppliers, including those from ASEAN, in both third- and home-country markets.

- The daunting commercial challenges facing those suppliers include (a) which markets for goods and services will expand and by how much, (b) where are the niches and opportunities for upgrading within those markets, and (c) how to initiate and sustain complementarities with China and India in exiting and emerging export markets?

At another level, there are new, vast and varied sources of demand for producer and consumer goods and services in consequence of China's and India's dynamic economic expansion.

- That means huge openings for import, inward investment and other inputs to meet China's and India's vast and growing domestic and export-driven requirements.
- But that also means a heavy demand on the world's limited supply of non-renewable resources, including energy and a clean environment, of global savings and investment, and of technologies and expertise.

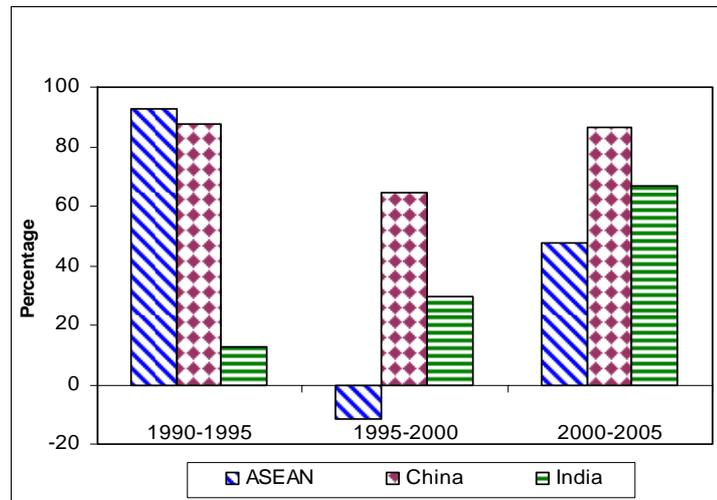
The economic impact of China and India on ASEAN and other developing and developed countries and regions is perhaps most clearly, directly and strongly manifested through international and regional trade. This will be the focus of the next several briefs on ACI.

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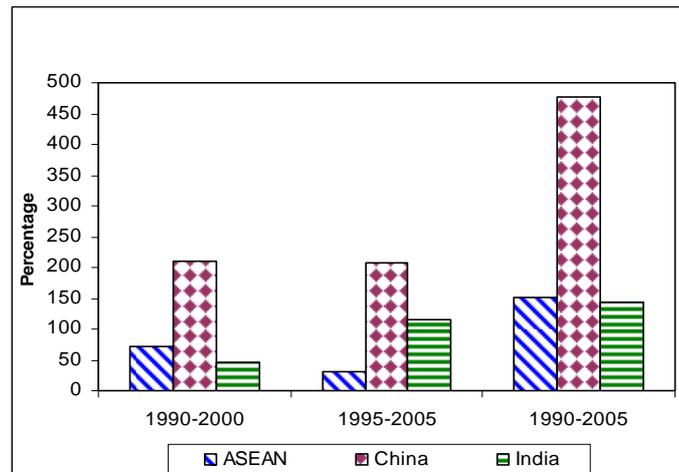
<sup>4</sup> ASEAN 2006: *Meeting Global Challenges*, document for the 3<sup>rd</sup> ASEAN Finance Ministers' Investor Seminar, September 2006, p. 2.

**Figure 1. Percentage changes in gross domestic product of ASEAN, China and India during 1990-2005**



Source: Same as in Table 1

**Figure 2. Percentage longer term changes in gross domestic product of ASEAN, China and India during 1990-2005**



Source: Same as in Table 1

**Table 1. Gross domestic product of ASEAN, China and India during 1990-2005 (US\$ billion)**

Country	1990	1995	2000	2005
ASEAN	351	676	599	883
China	388	728	1,199	2,234
India	317	357	463	772

Source: IMF, *World Economic Outlook Database*, September 2006

**Table 2. Percentage changes in gross domestic product of ASEAN, China and India in various periods during 1990-2005**

Country	1990-1995	1995-2000	2000-2005	1990-2000	1995-2005
ASEAN	93	-11	47	71	31
China	88	65	86	209	207
India	13	30	67	46	116

Source: Same as in Table 1

**Table 3. Percentage shares of GDP from ASEAN, China and India in global GDP during 1995-2005**

	1990	1995	2000	2005
ASEAN	1.54	2.30	1.89	1.99
China	1.71	2.48	3.79	5.02
India	1.39	1.21	1.46	1.74
ACI	4.64	5.99	7.14	8.75

Source: Same as in Table 1

**Table 4. Percentage contribution of ASEAN, China and India to global GDP growth in various periods during 1990-2005**

	1990-1995	1995-2000	2000-2005	1990-2005
ACI	10.58	22.08	12.72	13.04

**Percentage shares in ACI contribution from:**

	1990-1995	1995-2000	2000-2005	1990-2005
ASEAN	46	-15	17	19
China	48	94	63	65
India	6	21	20	16

Source: Same as in Table 1

**Table 5. Size and growth of population and GDP per head of population in ASEAN, China and India between 1990 and 2005**

	Population size		Population growth	Per capita income		Per capita income growth
	(million)		(%)	(US\$)		(%)
	1990	2005	1990-2005	1990	2005	1990-2005
<b>ASEAN</b>	435.6	558.5	28.2	801	1,581	97
<b>China</b>	1,143.3	1,315.8	15.1	339	1,709	404
<b>India</b>	849.4	1,103.4	29.9	383	705	84

*Sources:*

- Per capita income from IMF, *World Economic Outlook Database*, September 2006.
- Population data for ASEAN: *ASEAN Statistical Yearbook*.
- China population data: *China Statistical Yearbook (1990-2004)*; and UN Population Division Website (for 2005).
- India data: *UN, Demographic Yearbook 2003 (1995-2003)*; and UN Population Division (1990, 2004 and 2005).