9.5: Patterns of Economic Development in East and Southeast Asia

Despite the political changes and conflicts that marked the 20th century, the 21st century has largely been marked by economic development across East and Southeast Asia. Economic geography is a branch of geography that explores the spatial aspect of economic development. Economic geographers don’t just ask “Where is economic development occurring?” but also “Why is economic development occurring in some areas and not others?” In East and Southeast Asia, economic growth has largely resulted from regional and global trade. However, development is not spread evenly across the region and economic inequalities still persist.

Global connections have been the principle driver of economic success in East and Southeast Asia. Much of the trade connections have emerged between the countries in this region and the larger Pacific Rim, referring to the countries that border the Pacific Ocean. Many of these countries are members of the Asia-Pacific Economic Cooperation (APEC) which promotes free trade across Asia and the Pacific. In Southeast Asia, the countries of the region formed the Association of Southeast Asian Nations, or ASEAN (Figure \( \PageIndex{1} \)). The organization aimed to promote political security, economic growth, and social development among member countries.

![Map of ASEAN Member States](https://socialsci.libretexts.org/Bookshelves/Geography_(Human)/Book%3A_World_Regional_Geography_(Finlayson)/09%3A...)
In China and Japan, histories of relative isolation gave way to an embrace of globalization and global trade. Although China’s government is communist, it has allowed more free-market oriented economics in areas known as Special Economic Zones, or SEZs. These SEZs are located in coastal China and have special incentives to attract foreign investment (Figure 2). Other capitalist shifts have occurred in China even allowing for US supermarkets and restaurants to open locations in the country. These SEZs, as well as other special development areas in China, have functioned as growth poles, which are areas that have attracted economic development in the region. In 2010, China displaced the United States as the global leader in manufacturing.

Broadly, foreign direct investment (also called FDI), the control of a business in one country by a company based in another country, has been a key driver of China’s economic success. In 2017, China was the second most attractive company for foreign investors, behind the United States, with over $136 billion in foreign direct investment flowing into the country according to the 2018 World Investment Report. China has done its own foreign direct investing as well, increasing outward flows of FDI from $5.5 billion in 2004 to over $125 billion in 2017, according to the same report. Hong Kong is the primary destination for Chinese foreign direct investment, but substantial sums also flow to countries in Africa as well as Australia, where China is the largest trading partner. Within Southeast Asia, China is now the top investor in Myanmar and has increased foreign direct investment in Singapore.

While China and Japan remain the largest economies in the region, other areas have experienced high rates of economic growth. The Four Asian Tigers, in particular, referring to Hong Kong, Singapore, South Korea, and Taiwan, experienced rapid industrialization and economic development led by export-driven economies, low taxes, and free trade. Some have also theorized that the Confucian work ethic present in these countries complemented the process of industrialization. Each country also developed a distinct specialty and maintains a competitive advantage in that area. South Korea, for example, is known for its manufacturing of information technology while Hong Kong is a leading financial center.

Much of the economic growth of the Asian Tigers as well as Japan has come from the export of value added goods.
When countries export raw materials, their economic benefit is limited since those raw materials are often not inherently valuable. When these raw materials are made into something useful, however, value is added and the product can be sold for a higher profit. Lumber is quite cheap, for example. When the lumber is made into a dining table, it has a much higher value. Many companies located in these countries have become household names in electronics, computing, and the auto industry. China has traditionally exported relatively low value added goods, but in 2016, the Chinese government announced a shift to higher value added products like transportation technology and telecommunications.

Southeast Asia has benefitted from its key geographical position as the **entrepôt**, a French term meaning a commercial center of trade, for the rest of Asia. The Strait of Malacca in particular is the main shipping channel between the Pacific Ocean and the Indian Ocean and a key transportation gateway (Figure \(\PageIndex{3}\)). Around one quarter of all the world’s exported goods travels through the strait each year. Malaysia’s economic success as an entrepôt is exemplified by its Petronas Towers in Kuala Lumpur, which were the tallest buildings in the world from 1998 to 2004. Indonesia has the largest economy of Southeast Asia, exporting primarily to Japan, Singapore, the United States, and China. Singapore has the highest GDP per capita in the region, again owing to its key geographical position.

One lingering issue in many of these countries has been crony capitalism, the notion that the success of a business depends on its relationship to other businesses and the state. A politician might have an old friend in the manufacturing industry, for example, and give the friend a government contract with beneficial terms. In 1997, a financial crisis that started in Thailand spread throughout the Southeast Asia region and to South Korea was, in part, blamed on the business dealings of corrupt politicians. Several countries in this region rank high on an index of corruption perception, as shown in Figure \(\PageIndex{4}\), and some have expressed concern that the communist countries of this region will continue to embrace capitalism when it is politically beneficial rather than as part of a broader and more transparent economic system.
Economic development is not spread evenly throughout the region. By most estimates, North Korea remains the poorest country in the region with an estimated GDP per capita of just $1,300 in 2016. Mainland Southeast Asia, with the exception of Thailand, remains relatively poor. Cambodia, Laos, Myanmar, and Vietnam all have GDP per capita of less than $8,000 as of 2018 and remain far less well off than their more developed neighbors in the region.

Where economic growth has occurred, it is often confined to an urban area which can drive up population densities as people move to the city in search of work. In Indonesia, the island of Java is very densely populated while other surrounding islands are relatively sparse. The Dutch colonizers and later the Indonesian government, in a stated effort to reduce poverty and overcrowding, created a policy of transmigration seeking to relocate people to the less densely populated islands. This program has been controversial, however, and the indigenous people who inhabit the surrounding islands see the program as a threat to their way of life.

In some cases, uneven distribution of economic development has led to both interregional and intraregional migration as people move in search of economic advancement. China in particular has seen a significant amount of rural to urban migration. Around 11 percent of the entire country’s population migrated from rural to urban areas in 2009 and most of them are young adults. Many of China’s migrants are part of a floating population, which refers to members of a population who reside in an area for a period of time but do not live there permanently. Around 50 million Chinese reside overseas, mostly in Southeast Asia. Thailand has the largest population of overseas Chinese, and Chinese also represent the majority ethnic group in Singapore. Long before colonization, East and Southeast Asia was a realm of global economic influence, from the Chinese empire to the trade routes of Southeast Asia. As some countries of the realm have moved toward political stability and economic growth, others have remained in a state of political and economic turmoil. Tourism could bring some of these countries an economic boost, but the prospect of tourism in countries with government instability is limited. Still, although countries like Laos, Myanmar, and Cambodia currently have some of the world’s smallest economies, they are some of the fastest growing in the world and improvements in agricultural and natural resource development combined with a stable political infrastructure could expand the economic...
strength of the region.

**Pacific Rim:**

refers to the countries that border the Pacific Ocean

**Association of Southeast Asian Nations:**

an international organization that seeks to promote political security, economic growth, and social development among member countries in Southeast Asia, also known as ASEAN

**Special Economic Zones:**

a special region in China where more free-market oriented economics are allowed, also known as SEZ

**Growth poles:**

a cluster within a region that has attracted economic development

**Foreign direct investment:**

the control of a business in one country by a company based in another country, also known as FDI

**Asian Tigers:**

refers to Hong Kong, Singapore, South Korea, and Taiwan which have experienced rapid industrialization and economic development led by export-driven economies, low taxes, and free trade, sometimes also called the Four Asian Tigers

**Value added goods:**

a raw material that has been changed in a way that enhances its value

**Entrepôt:**

a French term meaning a commercial center of trade

**Floating population:**

members of a population who reside in an area for a period of time but do not live there permanently