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SERVICE SECTOR EXPANSION AND ECONOMIC DEVELOPMENT IN SOUTHEAST ASIA

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ABSTRACT

Since the 1980s, Southeast Asia has been witnessing an increase in economic growth. Reforms to expand global and regional integration have been the driving force behind exceptional progress during the course of the recent years. As a result, the purpose of this work is to investigate the potential that regional integration helps in the growth of the economies of Southeast Asia. The question of whether or not economic and social factors have an influence on economic growth is investigated in greater depth by this research. The compilation of the panel data for Southeast Asia was place over the course of 43 years, beginning in 1970 and ending in 2013. In order to conduct an empirical investigation of the effect that regional integration has on economic growth, we make use of a cross-country growth model that includes a generalized method of moments within the context of a dynamic panel framework. According to the findings of our research, regional integration has a substantial impact on the economic expansion of Southeast Asian countries.

Keywords: *Expansion, Economic, Development*

INTRODUCTION

Even before Europeans began investing in the region, Southeast Asia had already established itself as an important center for international commerce. Spices like as pepper, ginger, cloves, and nutmeg played a very significant role in the economy of the region. The region was responsible for the production of many different kinds of items. Indian and Middle Eastern merchants were the ones who laid the groundwork for the spice trade when it was first beginning. But the lucrative spice trade was another reason that Europeans settled in the region. The Portuguese were the first people in a number of different countries to show an interest in this topic, followed by the Dutch, and then lastly the British and the French. The expansion of European commercial interests inside these countries eventually led to their incorporation into the European Union. The period's merchants actively advocated for increased national sovereignty as a means of both protecting and growing their companies. As a direct consequence of this, the Dutch were successful in their conquest of Indonesia, the British were able to establish themselves in Malaya, and the French were able to gain control of Indochina.

The inauguration of the Suez Canal, the development of telegraphic connections, the emergence of steam ships, and the possibility of increasing trade with China all contributed to the increased engagement of Europe in the area. The growth of British control in Malaya led to the establishment of a reliable legal and budgetary framework, as well as the steady development of key supporting infrastructure, most notably effective means of transportation. These accomplishments were made possible as a consequence of the gradual development of essential supporting infrastructure. Because of the favorable climate, a huge number of Chinese settlers settled in the area, and their presence contributed to the development of the tin mining industry. Later on, rubber plantations were established, which attracted an even greater number of people to the region. Burma (also known as Myanmar) achieved economic development in a manner analogous to that of Vietnam and Indonesia. Although it was not the result of colonialism, rapid Western commercial expansion took place in Siam (what is now known as Thailand) in the latter part of the nineteenth century. This took place in modern-day Thailand. Around that time, businesses from both the United Kingdom and the United States started setting up shop in the area. Rice exports became the primary focus of attention as a direct result of the Western initiatives that utterly broke what had been a Chinese monopoly on commerce. This resulted in rice exports. Traditional sectors like as textile production and sugar processing were decimated as a result of increased imports, and the country's economy grew increasingly reliant on revenue earned from exporting rice. Even though rice, sugar, and tobacco continued to be produced by small-scale producers and processed by Chinese enterprises until the middle of the 19th century in the Philippines, a plantation agricultural system was gradually formed under the influence of the Spanish and, later, the American colonists. This occurred despite the fact that the Spanish and, later, the American colonists.

The integration of Southeast Asia's economy into the global economy has a significant impact on the region's historically unequal distribution of economic expansion. Both the rate of population increase and economic activity followed patterns that were increasingly uneven. Additionally, it widened the gap in wealth between the wealthy and the impoverished, which contributed to a heightened awareness of the existence of social inequality. During the 1930s, when the globe was being rocked by the Great Depression, the industrialized nations who were most dependent on international commerce were the ones that suffered the most severely. The growth in unemployment occurred at the same time that political seeds were being planted, which would eventually result in the independence of a number of nations in the region after World War II.

Since the 1950s, practically all of the capitalist governments that govern Southeast Asia have placed a significant emphasis on the urban industrialization component of their economic growth policies. On the other hand, historically speaking, the expansion of the industrial sector has been given more priority than the development of agriculture. These tactics have a mixed track record in terms of their successes and failures. In point of fact, the economy of the region has always been predicated mostly on the procurement of completed goods, as well as the mining and shipping of raw materials. Due to the fact that it is the only nation on earth to have reached a more advanced level of industrialization, Singapore is widely regarded as one of the most important centers of commerce and industry in the whole globe.

The gap between the developed states that are members of the Association of Southeast Asian Nations (ASEAN) and those that are not is much narrower than the gap between non-member states and member states. Since the middle of the 1960s, the economies of Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand have all developed to a great extent. However, the Philippines stands out from the rest of the nations in this group due to the fact that the growth of its economy has occurred at a significantly slower rate. Despite the fact that they are not members of ASEAN, Cambodia, Laos, and Myanmar are among the poorest countries in the world. This is due to the fact that their economies have either been unable to grow at all or have only made very modest growth.

AGRICULTURE

All of the countries in the region, with the exception of Brunei and Singapore, are mostly agriculturally based due to their location. However, the number of people working in agriculture has been decreasing. Agriculture is a source of income for more than two thirds of Cambodian and Laotian employees, respectively. As ASEAN nations have reorganized their economies to place more emphasis on the expansion of their industrial and service sectors, the share of GDP that comes from agriculture has fallen. The rapidity with which this transformation has taken place in Indonesia, Malaysia, and Thailand stands out as particularly notable.

Since 1970, Southeast Asian countries have seen a significant rise in the amount of agricultural produce they produce. The spectrum of this growth is rather broad over the entirety of the area, with the most noticeable increases taking place in Malaysia and Thailand respectively. On the other hand, Cambodia, Laos, and Vietnam have each had virtually no development. As a result of agricultural failures and domestic instability, Cambodia is currently experiencing levels of starvation and malnutrition that have never been witnessed before. Even the most advanced nations still struggle with this problem. There is a substantial correlation between the availability of land for agriculture and the economic and health results of the world's rural population. Availability of land for cultivation. It's possible that the landlessness situation in the Philippines is the worst in the world.

The local agricultural economy is predicated almost entirely on the production of wet rice. When the conditions for growth are optimal, farmers often sow the seeds for two different crops at the same time. Other types of food crops, such as corn (also known as maize), cassava, and pulses (also known as legumes), are widely cultivated in arid regions when there is insufficient water for a second planting of rice. Rice can only be grown successfully when there is a consistent quantity of water available. Irrigation plays a much more significant part in Indonesia's agricultural economy than it does in neighboring Thailand and the Philippines, which both rely heavily on rain-fed agricultural systems. When it comes to cultivating high-yielding varieties (HYVs) of rice, which have been available for purchase since the 1960s, irrigation or other types of water control are absolutely necessary. The use of chemical fertilizers and pesticides during the so-called "Green Revolution" produced a variety of results, while the use of HYVs produced yet other outcomes. There is little doubt that the higher production is attributable to the hybrid strains' larger yields and the faster maturity, which has enhanced the potential of several annual crops. These hybrid strains have also sped up the maturation process. However, because to the expensive expense of using these strains, farmers who are not as financially stable are sometimes unable to reap the benefits of utilizing these strains. The majority of countries' efforts to become rice self-sufficient have, for the most part, been unsuccessful.

On big commercial estates as well as by individual producers or smallholders, a wide variety of cash crops are cultivated with the purpose of supplying the regional and global market. Even though the majority of land that is appropriate for growing tree crops is found in tropical countries, tree crops are the most lucrative crops in terms of area. Coconuts and sugarcane are among the most important agricultural products in the Philippines, while rubber and palm oil are among the most important agricultural products in southern Thailand and Malaysia. Other main export crops are cacao, coffee, and spices; chili peppers, sweet potatoes, peanuts (groundnuts), and tobacco are mostly farmed for internal and regional use. There is also a substantial amount of trade in the export of cocoa, coffee, and spices. In certain regions of Myanmar and Thailand, the production of opium poppies is a significant contributor to the local economy.

The concentration on producing rubber and palm oil is both a reaction to a significant (though ever-changing) demand for these goods on a global scale and a strategy to take advantage of a nearly continuous harvest period that offers employment opportunities throughout the entire year. Once upon a time, multinational firms from outside the region controlled production, but after the countries in the region earned their independence, a significant portion of the industry became state-owned. Even though private ownership is steadily growing, the majority of the land is still owned by the government.

Although it only accounts for a negligible fraction of the gross domestic product of the countries in Southeast Asia, fishing is an essential means of subsistence in certain regions and provides a sizeable portion of the food consumed there. The use of newly developed technology has contributed to the gradual increase in marine output. The fishing industries of the Southeast Asian nations of Thailand, Indonesia, Malaysia, and the Philippines are all significant players on the international stage. Shrimp catches are particularly in demand in the global economy. In recent years, the region has seen a rise in the importance of aquaculture, with excavated ponds being used to cultivate shrimp, carp, and grouper, among other fish and crustaceans.

OBJECTIVES

1. To study Service Sector Expansion and Economic Development in Southeast Asia.
2. To study Sector Expansion and Economic Development.

Industry of Southeast Asia

Because it did not begin until the early 1960s, the rise of the region, especially its industrialization, is sometimes seen as a phenomenon of relatively recent vintage. This is because it did not begin until that time. As was said before, the market economies of ASEAN nations have made the process of industrialization a top priority. As a result, the proportion of GDP that is provided by industry has significantly increased in all countries save Brunei. Singapore, Thailand, and the Philippines have witnessed the greatest percentage increases in their populations during the past several years. The manufacturing industry has been mainly responsible for the most noticeable improvements, with Indonesia, Malaysia, and Thailand making particularly substantial gains in the manufacturing sector throughout the 1980s. These three countries are examples of countries that have made a significant contribution to the manufacturing industry.

Small factories make up the vast majority of the manufacturing sector, both in terms of the number of companies that are engaged in the industry and the number of people who are employed by those enterprises. In most nations, the only industry that is larger than the food and beverage business is the one that processes agricultural products. Because Singapore is so skilled in the production of such a wide range of goods, the country stands out as a striking exception in this respect. The country's most famous specializations lie in the production of electronic goods and car components. Production of textiles and clothes is a significant economic driver in Thailand, Myanmar, and the Philippines, respectively. Chemical production is a significant industry in both Thailand and Indonesia. Products that are not only easy to transport but also need a lot of manual work, such as those found in the electrical and technology industries, are becoming increasingly important. The most significant rise in employment has been witnessed in the sector of the economy that is responsible for the production of these goods and textiles.

Tin is mined in Thailand, Malaysia, and Indonesia, making it the most valuable metallic mineral in that area. These three countries together provide more than half of the world's supply of tin. Southeast Asia is home to the majority of the world's tin mines. However, after alluvial lodes in Malaysia and other countries have been mined to their full potential, the economic viability of mining the remaining concentrations would decrease. Tin prices have been volatile on the market, which has also contributed to a decrease in production. Additionally, nickel, copper, and chromite are mined, but not in quantities substantial enough to be considered a contributor to the overall output of the world. The countries of Indonesia, Malaysia, and Brunei are home to some of the most significant oil and natural gas resources in all of Southeast Asia.

Trade

It should not come as a surprise to any of the countries in Southeast Asia that commerce is of utmost significance to their economies given the region's advantageous location and its long history of commercialization. The value of goods traded within the region is approximately one-third of that traded with the United States. The near-total monopoly on trade that market economies have is perhaps the most noticeable feature. The proportion of a country's gross domestic product that is contributed by exports is not very large in Laos, Cambodia, Myanmar, and Vietnam; it is only moderately large in Thailand, the Philippines, and Indonesia. Singapore, Malaysia, and Brunei are examples of nations that have a significant amount of their total trade other hand, although Malaysia's traditional exports have included palm oil, tropical hardwoods, and tin, the country's primary source of revenue from those exports is currently crude oil and petroleum products. The country's industrial base has been expanded thanks to the revenue from these exports. Food and manufactured commodities make up almost all of Thailand's overall trade, which is why the country's export structure is far less diverse than that of other countries. In a similar vein, Brunei's economy is nearly wholly dependent on its petroleum exports. On the other hand, Singapore has been successful in luring multi-national firms by capitalizing on its advantageous geographic position and highly educated workforce. As a direct consequence of this, increased investment has been made in both the manufacturing and, increasingly, the service sectors.

Even though it makes up a significant portion of Southeast Asia's total trade, intraregional trade among ASEAN members only makes up around one-fifth of the total. The Philippines' long-standing orientation toward the United States is reflected in the exceptionally low volume of its trade with the rest of the region.

Communications and transportation

Before World War II, several of the region's colonial rulers made an effort to build dependable transportation infrastructure for their subjects. The development of road networks came first, and then the construction of rail lines came after that. After the war, however, the infrastructure that had been created during the colonial period quickly deteriorated. Since gaining their independence, many of the countries have been steadily rehabilitating and expanding their road networks. This effort has been especially noticeable in Indonesia, where, owing to the immensity of the country, the task at hand has been extremely challenging. The infrastructure of the transportation networks in Myanmar and the other nations on the Indochinese Peninsula in general is underdeveloped, with the exception of certain regions of Vietnam, where advancements were made when the country was still at war.

Road transportation retains its position as the mode of transport with the utmost significance in the region. Since every nation in the world, with the exception of Laos, has access to the sea, the second most important mode of transportation is water travel. It is especially significant in archipelagic Indonesia and the Philippines, as well as in Malaysia and Thailand, where it also plays a key role. The region's archipelagic character does not lend itself well to the construction of railways; nonetheless, the comparatively short hauling distances allow road transport to be more competitive than other modes of transportation. This contributes to the relatively low relevance of railways in the region. Even in Thailand, which has the greatest potential for rail transport, a wide highway system and the availability of dependable vehicles present a severe obstacle for the industry.

The ASEAN member states all have domestic air transportation networks that are at various stages of development. The network that connects the many islands that make up Indonesia is one of the most extensive in the world. Additionally, the Indonesian government continues to subsidize the cost of air travel to its most remote islands. A number of ASEAN countries also have international airline networks, with Singapore, Malaysia, and Thailand serving as the region's primary airports and hubs respectively.

In more recent attempts, the focus has switched to strengthening connection amongst all of the ASEAN countries. In the more industrialized states, telephone service is most prevalent in the bigger cities; nevertheless, in countries like the Philippines, Indonesia, and Thailand, rural areas still lack the fundamental infrastructure required for telecommunications. There are several reasons why Singapore is so well-known. its large communications infrastructure and capabilities. Satellites have been launched in Indonesia, which have resulted in substantial advancements in the country's communications infrastructure. These satellites improve the delivery of television and telephone signals to more inaccessible parts of the archipelago.

CONCLUSION

In the final part of this study, we investigate whether or not regional integration has an effect on the rate of economic expansion is significantly impacted by regional integration. In addition, the findings of our study imply that integrating its economy with that of the region as a whole would make a substantial contribution to the expansion of economic activity in the region. However, this could put a strain on the earth's natural resources and diminish the amount of money available for public and private investment. Instability in the region's political system, as well as its macroeconomic and political environments, may be exacerbated by the lack of robust public institutions among members.

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