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The Prospective Economic Cooperation between Somalia and Some ASEAN Nations †

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Abstract: The Association of Southeast Asian Nations (ASEAN) was established to address economic and political issues for the member nations; today the economy remains the centre stage of ASEAN. The group launched its Economic Community platform in 2015. The AEC is a milestone promoting ASEAN economic integration. Somalia is a potential economic hub in the East African region, and the Somali people are vibrant entrepreneurs nicknamed "the Chinese of Africa". This paper contends that Somalia and ASEAN should enhance their economic collaboration and ASEAN should not neglect or leave this part of the world to the Chinese or western economic exploitation. Given political culture of ASEAN, Somalia can learn from the enormous experiences of ASEAN both in economics and in political stability. The ASEAN region is projected to have the fourth largest gross domestic product (GDP) by 2050, and it continues to perform far better than the world's average. Somalia already has economic connections with major ASEAN economies including Malaysia, Thailand, and Indonesia. The paper provides practical suggestions for economic collaboration between ASEAN and Somalia. The methodology employed is historical and conceptual to highlight the economic and historical values of both sides. The research problem addressed is that there is a scarcity of literature on the economic relations between Somalia and ASEAN.

Keywords: ASEAN; Somalia; economic; cooperation

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1. Introduction

It was as early as 1955 when representatives from 29 Asian and African nations met in Indonesia to establish the non-aligned alliance between the two continents. President Sukarno initiated this meeting, entitled the Bandung Conference. These countries agreed to establish a framework for trade among themselves. Interestingly 50 years later from the first meeting, that is, in 2005, 106 nations from the two continents met again in Indonesia to establish the New Asian-African Strategic Partnership (NAASP), this time focusing on economic ties. From there on, the ASEAN-African business continue to expand.

Hence, there have been various projects and programs under the NAASP banner, from diplomatic training and technical cooperation to a business forum. Subsequently, according to the Asian Development Bank, from a base of ASEAN-Africa trade of merely US$2.8 billion in 1990, trade levels reached US$42.5 billion in 2012, equating to an annual growth rate of 14 percent. This has made Africa the second fastest-growing continent for ASEAN trade other than Asia. Africa is also becoming a destination for investment from ASEAN. Additionally, based on the UN World Investment Report in 2012, foreign direct investment (FDI) from Singapore reached $15.9 billion, making it ASEAN's largest investor in Africa. Similarly, the FDI from Malaysia and Indonesia is not far behind.

There are currently more than 200 companies from ASEAN operating in Africa, predominantly involved in agribusiness, manufacturing, oil and urban development. Currently, in 2021, among the ASEAN nations, the biggest traders with Africa are Thailand (US$11.6 billion), Indonesia (US$10.7 billion) and Singapore (US$9.5 billion), while South

Africa, Nigeria and Egypt have the largest import markets in Africa for ASEAN goods [1]. It is important to highlight that seven ASEAN nations have formed the ASEAN-Pretoria Committee to boost trade with South Africa, and Vietnam, Cambodia and Laos have seen sharp increases in trade since the Organisation Internationale de la Francophonie strengthened economic ties with French-speaking African nations.

Likewise, ASEAN and African nations are in the process of building a holistic body of knowledge on the relations between ASEAN and Africa as they attempt to develop a network of scholars from ASEAN countries with an expertise on Africa and a network of African scholars and institutions with expertise the ASEAN region. This is spearheaded by the ASEAN Studies Centre of Thailand.

2. Brief Delineation of ASEAN

The Association of Southeast Asian Nations (ASEAN) was founded on the 8th of August in 1967 in Bangkok, Thailand. The first to sign the ASEAN Declaration were Malaysia, Singapore, Indonesia, Thailand, and the Philippines. As agreed, the ASEAN Declaration obligates the signatory nations to cooperate for the purpose of social progress, cultural development, economic growth, and regional peace as well as political stability. Apart from the signatory nations, the other nations in the region started to join, as ASEAN expanded in the region. Brunei Darussalam joined the group on 7 January 1984, while Viet Nam became a signatory on 28 July 1995. Subsequently, both Lao PDR and Myanmar became members on 23 July 1997, while Cambodia decided to come aboard on 30 April 1999; making ASEAN a group of ten Member States. ASEAN aims to accelerate the economic growth, social progress, and cultural development in the region through promoting regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries of the region and adherence to the principles of the United Nations Charter through joint endeavors in the spirit of equality and partnership to strengthen the foundations for a prosperous and peaceful community of Southeast Asian Nations [2].

3. Somalia and Its Economy

Somalia obtained its independence from the Italians and then, in 1960, from the British. By then Somalia was already one of the East African nations renowned for its trading with the Arabian Peninsula, Persia, India, and China. The country went through the first phase of development under an Arab sultanate from the XIIIth to the XVIth century. Ibn Battuta, the Muslim traveler, visited Somalia in 1331 and provided historians with a first-hand description of this nation. The military regime tried to build government institutions through tyranny and an authoritarian form of government; nonetheless, after the defeat in the Ogaden war against Ethiopia in 1978, the fragile political and economic situation of the nation deteriorated and eventually collapsed in 1990 [3].

From there on, the country has been maintained by the international community and its income is mainly determined by them and by the Somali diaspora. The United Nations, therefore, classified Somalia's economy as one of the least developed nations in the world; almost 85% of the nation's population depends on agriculture and livestock for their livelihood. The IMF and the World Bank are the few reliable sources supporting Somalia's economic activities. The IMF believes that the Somali economy has expanded by 5.9% since 2014. The Somali diaspora are the key investors in Somalia, in the transportation, communications, fishery equipment, airlines, hotels, telecommunications, education, health and construction sectors.

The economy of the nation, in its larger sense, consists of both traditional and modern production but gradually moves towards modern industrial techniques. According to the World Bank, the nation's economy suffers because of state failure. Based on the information available from the African Development Bank, it is almost impossible to capture Somali economic data as the nation is characterised by a severe lack of basic economic and social statistics, with the civil war and institutional collapse as the main cause of this situation. Nonetheless, according to the World Bank data, the nation's GDP has risen from $917.0 million in 1990 to an annual GDP of $6.2 billion in 2018 [4].

In this pastoral economy, agriculture accounts for about 78% of the GDP and employs 70% of Somalia's workforce, while livestock contributes about 48% of the Somali GDP and more than 57% of the export earnings of the nation. Other main exports constitute sugar, bananas, fish, corn, and meat. It is significant to note that Somali traders are challenging major meat exporters such as Australia in the Persian Gulf livestock and meat market, offering quality animals at a comparatively lower price. In 2012, Somalia exported 3 million sheep to the Middle East overtaking Australia's 2 million. Somalia has a modest industrial sector based on the processing of agricultural products, accounting for 15% of the nation's GDP. Although the security situation hinders the formation of large manufacturing entities, small and medium firms are appearing in major cities, thanks to the Somali diaspora. Many of these small-scale plants have opened or re-opened in recent years and newer ones have been created. These plants include fish-canning, meat-processing, pasta processing, mineral water, and plastic bags. The Somali diaspora developed various telecommunications companies providing the nation with basic communication systems. This basic but useful initiatives are owned and funded by local entrepreneurs and backed by expertise from China and Turkey. The firms offer affordable services, bringing Somalia ahead of many parts of Africa in this sector.

4. The ASEAN Economy

The ASEAN economy is one of the most developed economies in the world and it produces goods and services that Somalia needs most. In fact, even in challenging times such as 2021, ASEAN economies were poised for robust recovery with 6% real GDP growth. As stated by Global Data: "The six largest ASEAN nations (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) are expected to witness positive real GDP growth rates in 2022" [5].

Malaysia has successfully diversified its economy, from an agriculture and commodity-based economy to one that is robust in manufacturing and services.The economy has propelled the country into becoming a leading exporter of electrical appliances and related components. Besides, Malaysia developed an open economy and trade relations with the world, with a trade to GDP ratio averaging over 130% since 2010. Indeed, openness to trade and investment has been instrumental in employment creation and income growth, with about 40% of jobs in Malaysia linked to export activities. With COVID-19 still a threat, Malaysia's short-term economic outlook will be dependent on government measures to help the private sector weather the shock of COVID-19 reduced export-led growth; meanwhile, the exhausted fiscal space limits public investment-led expansion. Over the longer term, nonetheless, as Malaysia converges with high-income economies, incremental growth will depend less on factor accumulation and more on raising productivity to maintain higher potential growth.

The government's ongoing structural constraints will be vital to support and sustain Malaysia's development strategy. The World Bank ranks Malaysia 55th out of 157 countries on its Human Capital Index; if Malaysia is truly interested to realize its vision of developed status, it must further progress in the key sectors, such as education and health. Social harmony is also included in the key important areas. In Southeast Asia, the country ranks fourth according to the IMF; and in the world, it stands as the 36th largest economy according to the 2020 report. The Malaysian economy has adopted high labour productivity as it maintains a high density of knowledge-based industries; it also upholds cutting-edge technology for manufacturing and digital economy compared to its regional neighbours including Thailand, Indonesia, the Philippines, or Vietnam. This makes its economy the 27th most competitive in the world. In addition, the country's economy is highly diversified with the export value of high-tech products standing at US$57.258 billion, the second highest after Singapore. It is also important to note that the country is the second largest exporter of palm oil products globally, after its neighbour, Indonesia [6].

Meanwhile Indonesia's economy is the largest in the region; and competitively one of the emerging markets in the world. As a middle-income nation and member of the G20, the country is categorized as a newly industrialized nation. Indonesia is the 15th largest economy in the world, and 7th largest in GDP. Some ten years ago, in 2012, Indonesia replaced India as the second-fastest-growing G-20 economy, behind China. COVID-19, however, has stressed the Indonesian economy, with economic growth collapsing to almost −2.07%, making it the worst growth since the 1997 Asian economic crisis [7].

Since Indonesia is the world's largest producer of palm oil, agriculture is a key sector which contributes more than 15.45% to the GDP of the nation. This sector has around 35% of land area that is uses for agricultural purposes and it employs more than 52 million workers; this is almost 45% of the total workforce in the country. Another industry classified within the agriculture sector is the production of seafood which has reached over 25.55 million metric tons, valued at around 23.35 billion US dollars in 2016 [8]. The manufacturing sector plays a key role in the economic development of the country. In fact, this sector contributes over 25% to the GDP. With these economic capacities taken into consideration, the Indonesian government is ambitiously planning to push the country up into the top ten economies in the world by 2030. The manufacturing sector could be seen as the heart of this economic determination and of the vision of 2030; it includes but is not limited to, food and beverages, textiles and garments, electronics, chemicals and automotive industries. It is this sector also that makes Indonesia the 10th-largest manufacturing country in the world. Other notable sectors are renewable energy and the automotive industry [9].

Interesting to note is the fact that over 65% of Thailand's economy depends on exports. As a newly industrialised nation with a GDP of US$508 billion, Thailand remains the 8th largest economy of Asia. The agricultural sector produces 10.6% of GDP; whereby the trade, logistics and communication sectors combined produce 14.5%. The construction and mining sectors are responsible for 4.8% of the nation's GDP, while sectors such as education, restaurants and hotels produce over 25% of the nation's GDP [10].

This second-largest economy in Southeast Asia, which also ranks fourth in Southeast Asian per capita GDP, holds US$238.6 billion in international reserves. That is the second largest in Southeast Asia. Moreover, Thailand has a surplus in the current account balance which ranks tenth of the world as it ranks also second in Southeast Asia in external trade volume. In fact, the World Bank calls it "one of the great development success stories". Thailand is a member of the WTO and AFTA and it has diverse types of free trade agreements with Australia, China, United States, and the European Union. Notably, COVID-19 has had a slighter impact on Thailand's economy comparatively; subsequently, the economy remained in good condition, having the highest growth in Southeast Asia. The three main economic sectors, namely agriculture, manufacturing, and services, contribute the most to the nation's export ability. Manufactured goods stand at over 85%, including electronics at 16%, vehicles at 15%, machinery and equipment at 8% and foodstuffs at 8%. Agricultural goods such as rice and rubber, contribute 9% GDP. Other key sectors include textiles and garments, plastics, footwear, electronics, integrated circuits, computers and components, automobiles and parts, and cement [11].

The economy of Singapore is a genuinely free market economy and the most open market in the world. It is also the 3rd least corrupt country in the world. Thus, it has an environment and government which are the most pro-business in the world; it remains the second highest GDP per capita by purchasing power, with low tax rates. This business-friendly nation has attracted international companies and hosts the headquarters of APEC. It has benefited from the inward flow of FDI from global investors and institutions due to its highly attractive investment climate and a stable political environment in recent years. It may be noted that much of Singapore economy remains in the hands of the Sovereign Wealth Fund Temasek Holdings which dominates the stakes in the nation's largest companies. Other important factors to note in the Singaporean economy are FDI, wealth management, an extended concept of intermediary trade and purchasing raw goods and refining them for re-export. Vietnam's economy on the other hand, focuses on electronics including computers and electrical products and textiles. According to the World Bank and IMF, Vietnam has over performed in building its economic sector in the last ten years.

The 34th largest economy of the world is that of the Philippines. According to the IMF report 2021, the economy of this nation is the 12th largest in Asia. As an emerging market, the Philippines is one of the three largest economies in ASEAN. As a newly industrialised nation, its economy is in transition from one based on agriculture to one based more on services and manufacturing. The nation's purchasing pawer parity is estimated to be US$1.49 trillion and the 18th in the world. The Philippines' exports include but are not limited to semiconductors and electronic products, transport equipment, garments, copper products, petroleum products, coconut oil, and fruits. Its major trading partners include China, United States, Japan, some European nations, and ASEAN. Besides, the country is one of Asia's fastest growing economies, and the economy of this nation is projected to be the 4th largest in Asia and 13th largest in the world by 2050 [12].

Cambodia, although, comparatively small economy, follows an open market system, and the nation has seen rapid economic progress in the last decade. Its US$24.58 billion GDP is rapidly increasing; tourism and textile industries are the nation's largest economic generators. Nonetheless, agriculture remains the key source of income for ordinary Cambodians, particularly those living in rural areas. However, 83% of the country's exports come from the textile industry, which represents the largest portion of Cambodia's manufacturing sector. The sector employs 336,600 workers, of which 93% are female. Agriculture is the traditional backbone of the Cambodian economy. Agriculture accounted for 96% of the nation's GDP in the 1980s and employed approximately 87% of the working citizens. Cambodia produces rice, maize, cassava, soyabeans, sweet potatoes, sesame seeds, groundnuts, as well as dry beans. Rubber and rice are, nonetheless, the principal commercial crops of the nation. Tourism, since the late 1990s, is becoming the nation's second largest industry, after textile manufacturing. The country's cultural heritage is popular, with many foreign tourists visiting the ancient Hindu temples and other attractions.

The economy of Laos is termed as that of a "developing economy"; this socialist nation, however, is rapidly growing its economy and has lower-middle income status currently. The Laos market model is a combination of high degrees of state ownership with an openness to FDI. Since the era of the planned economy the nation underwent several economic reforms as part of economic restructuring that aimed to integrating the nation to the world economy. Laos currently ranks amongst the fastest growing economies in the world, averaging 8% a year in GDP growth. The government initiated the latest round of state-owned enterprise reform in 2019; these reforms are meant to ensure the state-owned enterprises (SOEs) remain profitable ventures and sustainable resources for the nation. Agriculture, mainly rice farming, dominates the economy, employing an estimated 88% of the nation and producing 53% of the nation's GDP. Laos's agricultural products include vegetables, corn, sweet potatoes, coffee, sugarcane, tobacco, cotton, tea, peanuts, rice, buffalo, pigs, and cattle.

Laos opened itself to the world in the early 1990s, making tourism one of the fastest growing industries in the economy and it plays a vital role to this date. Brunei on the other hand, has a hybrid economic approach, with a variety of private actors combined with centralized economic government regulations. As a member of APEC and ASEAN, as well as the Trans-Pacific Partnership (TPP), the country aims for economic transformation. Its economy is entirely dominated by the export of crude oil and natural gas, as this sector accounts for over a half of the GDP and the nation's revenue. Nonetheless, the government has made remarkable progress in diversifying some basic policies of the economy away from oil and gas. The country is the third-largest oil producer in Southeast Asia [13].

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