

CHAPTER I

INTRODUCTION

This undergraduate thesis analyzes economic disparities among the member states of ASEAN, as it is believed as one of the obstacles to achieve the goals of the economic integration. This paper attempts to conduct further research on the roles of ASEAN in narrowing the economic disparities through the launching of Initiative of ASEAN Integration (IAI) in 2000 and 2009 and the establishment of Declaration on Narrowing Development Gap to enable the Cambodia, Lao PDR, Myanmar, and Vietnam (CLMV countries) in accelerating the economic development.

A. Background

Association of Southeast Asia Nations (ASEAN) was established as the regional organization in the scope of economic, social, and cultural. This regional organization develops the partnership among the member states. One of the cooperation is on the economic development where ASEAN release the notion of the economic integration, where the on-going integration program due to the start in 2015 is the ASEAN Economic Community as it is mentioned to be the milestone to integrate the economy of ASEAN countries.

Then, the establishment of economic integration to share the benefit of the cooperation for all the member states becomes an obligation for ASEAN. It is stated in the ASEAN Charter as, “to alleviate poverty and narrow the development gap through mutual assistance and cooperation.” (ASEANSecretariat, 2013).

Thus, the economic disparities among ASEAN Member States become one of the concerns for ASEAN.

Then, there are several assessments to define the economic disparities among states. According the book of Understanding the ASEAN Development Gap, there are two different definitions of ‘economic disparities’. Firstly, it is argued that disparity is portrayed by the differences living standard and quantitative economic measure. Secondly, the economic disparity defines as the gap that is drawn by the different policy and driving factors that determine the welfare of the society (Mark McGillivray, 2013). In this research, the quantitative measure used to indicate the disparities among the member states is the Gross Domestic Product (GDP). GDP becomes the global indicator in showing one country’s economic condition and also result from producing goods and services. All the member states of ASEAN have different background of the quantitative economic measure that portrayed by the GDP.

Table 1. GDP of ASEAN member states (in millions US Dollar)

Years/Countries	1995	1996	1997	1998	1999
Singapore	25581	25127	25147	20892	20611
Brunei	17723	170296	16227	11961	12670
Malaysia	4313	4766	4672	3257	3485
Thailand	2896	3134	2656	1900	2046
Philippines	1093	1184	1157	896	1018
Indonesia	1019	1167	1128	488	693
Vietnam	270	337	361	361	374
Myanmar	239	109	100	144	189
Laos	359	393	336	244	278
Cambodia	308	317	320	265	295

source: National Accounts Database of the Statistics Division of United Nations Secretariat (Alavi Rokiah, 2008)

Referring to the Table 1, Singapore's GDP in 1999 is the highest among all the member states. To compare, we may measure that Singapore's GDP is twenty times higher from the GDP of The Philippines. However, if we are looking to the total GDP's per capita, there is the large gap between the ASEAN-6 and CLMV countries. For instance, between the GDP of Singapore and Myanmar, we can see the ratio of difference that reaches until 1:110. Thus, according to the quantitative measurement the disparities among the member states of the ASEAN are high.



Figure 1. Map and Logo of ASEAN (Nurjannah, 2017)

Referring to the figure above, ASEAN's official logo represents a stable, united and dynamic community. The stalks of padi in the center of the logo represents the dream of ASEAN to compromise all the countries of Southeast Asia, bound together in friendship and solidarity. ASEAN categorized its member states with two terms, ASEAN-6 and CLMV Countries. ASEAN-6 consists of Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand.

Singapore mentioned as the developed countries, Brunei Darussalam as the wealth countries with the stock of crude oils. Indonesia, Thailand, Philippines and Malaysia are the countries with the high economic growth rate. While the ASEAN-4 or mentioned as Cambodia, Lao PDR, Myanmar and Cambodia (CLMV) are the newest countries joining ASEAN and have the instability of political condition and also lower GDP measures than the other.

Then, idea for reducing the gap among the member state of ASEAN is launched in 2000 during the ASEAN Summit in Singapore. Then ASEAN establish the ASEAN Declaration on Narrowing Development Gap in 2001 and Initiative on ASEAN Integration in 2002. The aim of this initiative is as the tool “to enhance the ASEAN’s competitiveness as a region” (Master Plan on ASEAN Connectivity, 2013). The economic disparities will reduce the competitiveness among the ASEAN member states and will be a barrier to the regional integration.

ASEAN has established three initiatives. The first Initiative of ASEAN Integration (IAI) is launched on 2002 where it more likely contained the mandate for the ASEAN to assist CLMV countries. The first part of IAI is the main framework to achieve the narrower economic disparity within the ASEAN. Then, ASEAN established the second Initiative of ASEAN Integration in 2009. This initiative was used from the period of 2009-2015. In the second part of initiative, the content is focused on the three pillar of the ASEAN—economic, socio-cultural, and political security. The economic pillar clearly stated that the ASEAN would like to accelerate the economic development of CLMV countries by the policy of free flow from goods, labor, service, and capital (Master Plan on

ASEAN Connectivity, 2013). It also mentioned the development of Small and Medium Enterprises (SMEs) and the integration of economic among ASEAN member states. In the end, the writer would like to have further research towards the roles of ASEAN in narrowing the economic disparities and the development of economic in the Cambodia, Lao PDR, Myanmar, and Vietnam by the Initiative of ASEAN Integration and Declaration on Narrowing the Development Gap.

B. Research Question

Based on the background elaborated previously, the question raised by the researcher is: *What are the roles of ASEAN in narrowing economic disparities among ASEAN Member States in order to establish the ASEAN Economic Integration?*

C. Theoretical Framework

This research uses the liberalism view to describe the research question. Liberalism in the political definition closely defines as the perspective where every policies of the state should reflect and represent the right of the individual (Doyle & Ikenberry, 1997). Meanwhile, this research focuses on the economic liberalism. It emphasizes on the freedom to conduct international trade in the region of Southeast Asia.

Then the research describes the economic disparities with the concept of regional inequality. Furthermore, the writer would like to describe the role of ASEAN with the concept of role in the international organization and describe the way of working within the ASEAN by using the concept of interdependence in

the international relations. In the end, these theories and concepts will become the framework to conduct the further research of the problem.

1. Concept of Regional Inequality

The rising of regionalism was started at the end of World War II where it was believed that the existence of global institution will help the states to grow the income and economic development. It was marked by the deepening of European Integration in 1948. Then, in 1967 ASEAN was established in the region of Southeast Asia. The main purpose of the formation was on the political issue in the region. However, the cooperation in the ASEAN enlarges to the issue of economy and International trade. According to the book of Power and Interdependence, “Regionalization may enable a group of states to make more effective its regulations toward global corporations and other mobile entities” (Robert Keohane, Joseph Nye, 2011).

However, there is regional income inequality considered as a regional problem. Inequality defines as the condition of being unequal, usually expressed in the quantitative matters. It is believed that regional inequality in cooperation will create the stagnancy of growth, limitation on the poverty reduction, and lack of labor mobility and opportunity (Bock, 2014).

This concept offers solution to create the inclusive institution in order to narrow the inequality in the region. Referring to Daron Acemoglu and James A. Robinson, below are the characteristics for inclusivity of institution:

Table 2. Characteristics of Inclusive Economic Institution

Institution	Characteristics
Inclusive Economic Institution	Property rights are guaranteed, law and order, relying on the market, the state supports the market (via public services and regulations); market entry relatively free, respect for contracts, access to education and opportunities for a majority of citizens.

Source: Summary from Daron Acemoglu and James A. Robinson, Why nations fail: The origins of power, prosperity, and poverty (Vu-Thanh, 2015)

This solution was implemented by ASEAN that enhances the regional inclusivity by the establishment of economic integration and through the Declaration on Narrowing Development Gap to minimize the disparities among the member state. In the end, the inequality among ASEAN member states becomes an obstacle in the process of regional integration.

2. Concept of Role in International Organization

ASEAN can be categorized as an intergovernmental organization, where according to J. Samuel Barkin it is understood as “organizations that are created by agreement among states” (Barkin, 2006). The member states of ASEAN agreed on the establishment of this institution with several aims, where all of the purposes are to establish the active cooperation and collaboration in the region of Southeast Asia.

There are three major roles of international organization that can be identified, they are: instrument, arena, and actor. Instrument is defined as the role of international organization as the instrument in gaining foreign policy objectives for its member states. Then, arena is the type of role from international

organization where the decision are taken place. Finally, the role of international organization as actor means the international organization can act as their own within the international system (Archer, 2001).

Hereby, ASEAN as an international organization has the role of arena. It is proven by the process of creating framework to all the member states, where one of them is the Declaration on Narrowing Development Gap. This agreement was declared by the member states where one of the highlighted points is the narrowing of disparity by the help of ASEAN-6 in giving the support and assistance towards the economic development of CLMV countries.

Then, as stated by the Clive Archer's International Organization, in implementing arena as its role, international organization should be inclusive that any new rules can be agreed by the widest range. Thus, ASEAN with its ASEAN Community's slogan of "One vision, one identity, one community" would like to enhance its inclusivity for the people in the ASEAN Member States in order to ease the existence and awareness of ASEAN.

3. Concept of Interdependence

Interdependence is used to explain state relations in global context. In the economic term, it explains the states relations among the global economic cooperation. As there is intensification towards global relations, it is assume that economic is also shaped by the system of linkage between the countries. Thus, it is assumed that a state cannot fulfill the needs by itself. Then, two states or more will create cooperation and partnership to benefit their economic condition.

The interdependence is also defined from Power and Interdependence's Joseph Nye and Robert Keohane as:

Interdependence, most simply defined, means mutual dependence. Interdependence in world politics refers to situations characterized by reciprocal effects among countries or among actors in different countries. These effects often result from international transactions—flows of money, goods, people, and messages across international boundaries (Robert Keohane, Joseph Nye, 2011).

After the era of World War II there was the massive increase on human's interconnectedness due to the development of communication and technology. Following these phenomena, the national economic of a state is also integrated towards the global economic atmosphere and the global trade activities (export and import) (AAGCenter, 2011). Then it caused a state depends on the other states and will lead to the global interdependence. This situation will be called as a global interdependence when the cooperation will share the mutual benefit among them (Robert Keohane, Joseph Nye, 2011).

Since the concept of interdependence portrays the condition of mutual benefits of cooperation among states it can be implemented to describe roles of ASEAN. In the end, the concept of interdependence can be implemented in describing the way ASEAN works with the value of mutual benefit that agreed by the member states. Furthermore, the mutual benefit can be measured with ASEAN conducting its role as international organization in creating output, such as framework, initiative, or declaration that agreed by the member states.

D. Hypothesis

The role of ASEAN in narrowing the economic disparities among ASEAN member states is as the arena, with the efforts of:

1. Intensifying the economic cooperation among the member states.
2. Accelerating economic development of CLMV countries through the Declaration of Narrowing Development Gap.

E. Purpose of Research

The main purpose in conducting this undergraduate thesis paper is to describe the roles of ASEAN as regional government organization in narrowing the economic disparities among the member states. Then, this research aims to draw further attention towards the economic disparities in the CLMV Countries as one of the obstacle in order to achieve the economic disparities in the ASEAN.

Finally, this paper is written to implement the knowledge from studying in the department of International Relations and becomes the requirement to attain the bachelor degree from International Relations department, Faculty of Social and Political Science, Universitas Muhammadiyah Yogyakarta.

F. Research Method

In order to complete this research, the writer used the qualitative method. The data collecting method was the library research in which there were several types of sources that the writer uses. First, the writer used the Roadmap for ASEAN Community 2009-2015 published by the ASEAN Secretariat. This type of source helped to analyze the policy and the basic framework of the ASEAN

Economic Integration towards the disparities among ASEAN countries. Secondly, the writer used official reports from ASEAN Secretariat and related office to describe the research problem.

Then, the writer would like to use relevant references, for instance the academic journals, books and official report from ASEAN and the governments. Finally, the research used the descriptive analysis to describe the impact of the ASEAN economic integration towards economic disparities among the member states of ASEAN.

G. Scope of Research

The undergraduate thesis limits its research during 2000-2009, because ASEAN Member States agreed to prioritize the narrowing development gap started in 2000 during the ASEAN Summit. Following the summit, ASEAN established Initiative on ASEAN Integration I with time period of 2002-2008. Thus, in 2009 ASEAN evaluated the First Work Plan of Initiative on ASEAN Integration. Then, the scope of this research is on the policy of ASEAN economic integration towards the economic disparity among the ASEAN member states.

The research focuses on the economic condition between the ASEAN-6 (Singapore, Indonesia, Malaysia, Thailand, The Philippines, and Brunei Darussalam) and the CLMV countries (Cambodia, Lao PDR, Myanmar, and Vietnam). Then, the researcher would like to describe the implication of the implementation on the ASEAN economic integration and the evaluation on the Initiative of ASEAN Integration (IAI) and the Declaration on Narrowing