

## **CHAPTER IV**

### **THE ROLES OF ASEAN IN NARROWING ECONOMIC DISPARITIES AMONG ASEAN MEMBER STATES**

The economic disparities become the concern of ASEAN and an obstacle in establishing ASEAN economic integration. The disparities in the region of ASEAN would create several problems, like the stagnancy of growth when implementing the integration. Thus, to maximize the benefit of economic integration, ASEAN Member States should concern in narrowing the disparities among them. The urgency to narrow the economic disparities arrived because the disparities will enlarge the inequality within the ASEAN member states in the future.

The policy option to narrow the regional economic disparities is to create the inclusive institution (Bock, 2014). For all this time, ASEAN is often labels as government-centered institution. It because there is the lack of socialization towards the people in Southeast Asia that they belong to the entity of ASEAN. Thus, it is important to promote ASEAN as people-centered institution because it will involve the participation of the people from ASEAN Member States. The people-centered ASEAN will benefit the domestic economic condition of each member states. The ASEAN will be successful to share the benefit maximally. In the end, the aims of regionalization, which is to create the effectiveness of cooperation in global system, can be achieved (Robert Keohane, Joseph Nye, 2011).

Then, ASEAN as the regional governmental organization was established with the role where regional decisions are taken place. Comparing to the bilateral cooperation, international organization argues to:

provide their members with the opportunity of advancing their own viewpoints and suggestions in a more open and public forum than that provided by bilateral diplomacy (Archer, 2001).

As a regional organization, ASEAN has a role of arena. It is proven by ASEAN's output in producing several frameworks that are agreed by its member states. Then, ASEAN's concern towards narrowing the economic disparities between the ASEAN-6 and CLMV countries, ASEAN has established a framework of Initiative on ASEAN Integration (IAI) and Declaration on Narrowing the Development Gap (NDG).

#### **A. The Initiative for ASEAN Integration (IAI) and Declaration on Narrowing Development Gap**

In order to understand the roles of ASEAN in narrowing economic disparities, it is important to understand that the establishment of Initiative for ASEAN Integration (IAI) and Declaration on Narrowing Development Gap (NDG) as the keys in describing the roles of ASEAN as arena, which means international organization provide a forum where the member states use ASEAN as regional organization in enhancing the cooperations to tackle the problems. IAI and Declaration on NDG are two frameworks in which becomes the fundamental basis on ASEAN to narrow the economic disparities. Both frameworks was declared with the purpose of promoting the economic development where the

benefits are equally shared, the reduction of poverty in the region, and to narrow the economic disparities in the ASEAN region.

ASEAN established three IAI Work Plan. The Initiative for ASEAN Integration (IAI) was firstly launched in 2000. While, the second following IAI was launched in 2009. Then, the latest working plan was established and adopted in the 28th ASEAN Summit in Vientiane in 2016. The aims of these three frameworks are to help the ASEAN's newer member states in implementing the commitments and agreements, and to narrow the development gap within ASEAN by giving the special assistance to Cambodia, Lao PDR, Myanmar and Vietnam (CLMV countries). However, each IAI Work Plan has different purposes:

Work Plan I, from 2002 to 2008, comprised 232 projects in four areas. Work Plan II began in 2009, and includes 182 actions aligned with the three ASEAN Community Blueprints 2015. The aims of Work Plan III is to undertake a more strategic and focused effort in the development and implementation of the actions. IAI Work Plan III has been developed in close collaboration with CLMV countries, other ASEAN Member States and stakeholders, and is aligned with the ASEAN Community Vision 2025 and the various sectoral work plans (ASEAN Secretariat, 2016).

Those are the overview of these three IAI. The complete information can be seen through Appendix 1, Appendix 2, and Appendix 3.

The IAI is the mechanism for the ASEAN-6 to provide help to CLMV countries in order to achieve the Blueprints of ASEAN Community. By providing helps, the member states put their commitment on the agenda to narrow the development gap. Then, in between the establishment of the IAI, the member states of ASEAN agreed to establish a Declaration on Narrowing Development Gap (NDG). The ASEAN Member States believed that there is an urgency to reduce the disparities among ASEAN Member States by declaring its concern on

the disparities among them in term of economic and development. As it was declared in 2001, Declaration on NDG was created as the implementation of the IAI and it also contains working plans for the stakeholders within this agenda.

## **B. The Roles of ASEAN in Narrowing Economic Disparities among ASEAN Member States**

### **1. Intensify the Economic Cooperation among the Member States**

Based on the approach towards the concept of interdependence, the economic cooperation and partnership among several states will lead to the mutual benefit for each states economic condition. It happens because the assumption that in a globalized era, one state will not be able to fulfill the needs by itself. Thus, the economic cooperation conducted by ASEAN will be based on the mutual partnership where every member states will be able to share the benefits equally. Then, several economic cooperations are established, to speed up the economic integration where all member states will share the mutual benefits.

As economic disparities between the CLMV countries and the rest of the member states become one of the problems for ASEAN to conduct economic integration in the region, then ASEAN has efforts to enhance its cooperation through the intensification of the economic cooperation. The intensification of ASEAN economic cooperation can be seen from the detail of the cooperation, which the cooperation developed from the simpler to be more detailed one. There are two kinds of biggest milestone in economic cooperation done by ASEAN,

which are the ASEAN Free Trade Area (AFTA) and ASEAN Economic Cooperation (AEC).

Firstly, the intensification of economic is through AFTA. Even though many skeptical views regarding the establishment of AFTA since this integration were the very first economic cooperation among ASEAN Member States to liberalize its regional market showed the intensification on its cooperation. However, as expressed by Deputy Secretary General of Procure on Asia 2003 that, there is a significance increased and the Intra-ASEAN trade grew faster faster. Furthermore, in addressing the problem of economic disparities, the cooperation in AFTA created several exceptions for the CLMV countries. The exception was by giving the extension of deadline to pursue the goal of the agreement on several AFTA agreement, such as the reduce of tariff and other trade barriers (Ahmad, 2013).

Secondly, the deepening of integration was established through ASEAN Economic Community (AEC). It has been discussed in the preceding chapter on the ASEAN Economic Integration. AEC was a big milestone on economic cooperation. The idea of AEC is one of the pillars in the ASEAN Community, in which it was established to create the concept of “one community” within the ASEAN Member States.

Many views argue that ASEAN is great at creating framework but lack of the implementation (Rudiany, 2016). However, in accordance with the role of ASEAN to narrow the economic disparities within the ASEAN Member States, it is stated that CLMV members will be supported in:

“improving their customs departments (example: automation, capacity building) and in the process facilitate and streamline the customs procedures, work towards the standardization of their products; harmonization of procedures and processes to speed the processing of imports and exports and when markets integrate, increased economies of scale and scope, competition and productivity at the company level all lead, at the regional level, to higher investment flows, increased intraregional trade and prosperity” (Hank Lim, Kim Maung Nyunt, 2010).

Thirdly, the intensification of cooperation in order to narrow the development gap is also involving the dialog partners of ASEAN. Referring to the concept of interdependence, in which the global linkage of cooperation and relations will lead to the existence towards the intensification of relations in the international system, thus, ASEAN’s role to narrow the disparities are reflected to the communication and cooperation towards the extra-ASEAN relations. It is because the enlargement of global relations is causing more comprehensive economic cooperations that lead to the global interdependence. The intensification of ASEAN’s partnership to the dialog partners portrays on the intensification on negotiation to share the reciprocal benefits among parties. At the end, the advantage for ASEAN is the decision of the extra-ASEAN partnership to give special assistance for the CLMV countries to develop its economic condition. For instance, China as one of ASEAN’s dialog partners in ASEAN Regional Forum. Under the intensification of ASEAN’s cooperation with China, where ASEAN invites China to participate in the IAI Work Plan as donors, China gave the economic assistance to the CLMV countries by giving the infrastructure support to increase the capacity of CLMV countries.

To conclude, these efforts proved the roles of ASEAN in the establishment of intensification in economic integration to also focus on the speeding up to narrow the development. Furthermore, the ASEAN need to focus on its main goals to make sure the benefits of ASEAN cooperation and the establishment of its frameworks will be based on the notion of sharing the benefit mutually among the countries.

## **2. Accelerate the Economic Development of CLMV Countries through the Declaration on Narrowing Development Gap**

The Declaration on Narrowing Development Gap becomes a base for ASEAN to put its concern on taking the development inequality as a regional problem, including the economic disparities. It also becomes the agenda for ASEAN to narrow the disparities in order to achieve the maximal cooperation. After the intensification of the regional cooperation, it is seen that ASEAN has the linkage in the relations among member states. Thus, to share the reciprocal benefit among states becomes one of the reasons for ASEAN to conduct the agenda to narrow the economic disparities.

In this framework, the ASEAN Member States declared the benefits of this cooperation have not been distributed evenly and the needs of working together in the devotion of special efforts and resources. Then, ASEAN also invited the stakeholders that have cooperation with the ASEAN to assist for the realization of this agenda.

According to the report, the assistance by the ASEAN-6 and the other institutions during the period of 2002-2008 were:

Table 7. Contributions to CLMV Countries in Narrowing Development Gap (2002-2008)

Donors	Projects	Funding <sup>1</sup>	Infrastructure		HRD <sup>2</sup>			ICT <sup>3</sup>	REI <sup>4</sup>				Tourism	General Coverage
			Transport	Energy	PSCB <sup>5</sup>	Employment	Education		Trade	Customs	Standard	Investmnt		
<b>ASEAN-6</b>														
Brunei	13	1,592,517,80			9		1	2	1					
Indonesia	16	1,263,221	2	4	5	2							2	1
Malaysia	66	5,246,738	6		18	2		15	8	7	8			2
Philippines	9	557,932			1	4					3			2
Singapore	59	24,266,901.50	1		17	17		7	8	1	3		4	11
Thailand	14	481,902	1	2	6			2				1	1	1
<b>Dialogue Partner</b>														
Australia	3	999,240				1			1		1			
China	1	200,000	1											
Denmark	1	622,395							1					
EU	5	1,113,039		4		1								
India	5	3,272,066	1		2				1		1			
Japan	47	8,085,311	4	4	18	2	1	2	6	1		2	4	3
New Zealand	2	412,650								1	1			
South Korea	7	5,125,127	1					3	3					
UNDP	3	445,970			1	1			1					
<b>Development Agencies</b>														
ILO	1	16,000				1								
World Bank	2	29,000							1			1		
ASEAN Bankers Association (ABA)	2	19,159										2		
Norway (UNIDO)	2	1,528,502									2			
Hanns Seidel Foundation	3	56,047			1				1					1

Source: Narrowing Development Gap: Drivers and Policy Options (McGillivray and Carpenter, 2003)

<sup>1</sup> In Million US Dollar

<sup>2</sup> HRD = Human Resources Development

<sup>3</sup> ICT = Informations and Communication Technology

<sup>4</sup> REI = Regional Economic Integration

<sup>5</sup> PSCB = Public Sector Capacity Building



Referring to Table 7, the contributions under Declaration on NDG and IAI work plans from several stakeholders in accelerating the convergence of development and economic disparities among ASEAN member states are categorized into several actors. First category is the ASEAN-6 countries. During 2002-2008, there were 221 projects from the grand total of 261 projects under these frameworks funded by Brunei, Indonesia, Malaysia, Philippines, Singapore, and Thailand.

Second category is the ASEAN dialog partners. The ASEAN dialog partners were also significant donors, since there are several cooperations involving the dialog partners. Thus, to support the CLMV countries development gap is also a form of reciprocal effect from the interdependence among these countries. Lastly, the donors in funding the narrowing development gap project are the development agencies. These type of donors are coming multilaterally from the organizations.

The ASEAN-6 members contributed US\$ 34 million with 177 projects with Singapore as the biggest contributor. Singapore supported 34 percent for 59 projects. Then followed by the ASEAN dialog partners that gave US\$ 20,3 million for 74 projects. Japan was the biggest donors for the CLMV countries. Finally, the development agencies contributed US\$ 1.7 million for 10 projects. Among the agencies, United Nations Industrial Development Organization (UNIDO) contributes the most.

However, the report cannot be used to compare the bilateral funding of foreign aids because the report only covers the donors and projects from these

three categories. Meanwhile, there are supporting fund in development from CLMV countries which are given through agreements and cooperation bilaterally. For instance, China's contributions under the ASEAN IAI Work Plan only US\$ 200.000 but China is also known by giving the assistance through the bilateral Momerandum of Understanding for the Southeast Asia countries.

CLMV countries distributed the aid from the IAI and NDG in the different variation of allocation. From the current period of 2002-2010, Vietnam was the biggest recipient followed by the Cambodia, Laos, and Myanmar. The disbursement from official development assistance under the IAI and NDG projects were also distributed differently according to each CLMV countries focus and need.

As the highest recipient of donors, Vietnam focused the donors on the acceleration of education and human resources development. Cambodia also focused on the development of education, while Laos put the biggest allocation of their total grant for the development of infrastructure. During the period of 2002-2010, from the total funding and project 50 percent were allocated for infrastructure and following the other 23 percent for the education sectors. The rest of donors were distributed to the other social and economic sectors. Finally, Myanmar focused to use the funding on the humanitarian assistance. The humanitarian assistance is needed after the Cyclone Nargis happened in Myanmar which is one of a biggest natural disaster in Myanmar causing a downfall of economic sector and the death of more than twenty thousand of population in Myanmar.

To conclude, under the Work Plan, there are total of 261 projects have been implemented. The contributions from the ASEAN-6, Dialog Partners, and the development agencies reflected the commitment in narrowing the economic and development gap by assisting the CLMV countries to enhance its capacity.

Besides giving the donors under these framework, within The ASEAN Secretariat, there is the Division of Initiative for ASEAN Integration and Narrowing Development Gap. This division's job description is to monitor the development on gap reduces and also to facilitate the process of implementation towards these frameworks. Furthermore, besides monitoring the progress of narrowing the gap within the CLMV countries, this division also has a coordination with other stakeholders to assist the process of narrowing development gap.

Furthermore, the Declaration on Narrowing Development Gap will be implemented in the IAI. As IAI has more detailed working plan on the process of narrowing the gap. To conclude, IAI's implementation is mentioned in the working plan of the initiative. Here, the Secretariat's Division of IAI and NDG play the role to ensure the implementation of these working plans.

In monitoring the progress to accelerate the initiatives and decleration, The Secretariat has clear deadlines for different working plans. Then, the projects of the working plan are also having different mechanism of implementation in supporting the initiative. Furthermore, one of the key success in accelerating the agenda of narrowing the economic disparities are the assistance from the member states that has been agreed under the framework measures as importance.

The implementation of IAI Working Plan may vary to the member states and other stakeholders, in terms of total fundings and also the projects initiated by them. Taking into example are the efforts of Singapore and Malaysia in working towards the role of ASEAN to narrow the economic disparities. As an implementation towards the working plan, Singapore under the IAI Work Plan II (2009-2015) has conducted several efforts. As the country with the highest GDP and high Human Development Index, Singapore gave a large number on technical assistance under the IAI. The areas of contributions are focusing on the economic development and public administrations sectors (McGillivray, 2003). As the aftermath, Singapore also conducts a review from the individual CLMV governments to address their priority area in conducting the technical assistance for the upcoming years.

Then, Malaysia conducted the Smart School Project collaborated with the government of CLMV countries. Under the framework of IAI, Malaysia provided the enhancement on ICT-based training for schools in the rural areas of CLMV countries. Malaysia invited teachers from CLMV countries to receive an extensive training as a pioneer for the ICT program. The project spent US\$ 500.000 and it provided a tangible solutions for the development in the CLMV countries. It resulted nine schools in the rural area in each CLMV respectively developed the ICT equipment. Then, there is also the ripple effects for the development of ICT for its surrounding schools and community.

Thus, the CLMV countries can accelerate the inadequacy of their economic development with the mutual assistance under the frameworks of IAI

and Declaration on NDG that is established by the ASEAN. In the end, with the massive interconnectedness among the region, the relationship of the member states creates the mutual interdependence in order to have the mutual benefit among others. The implementation of mutual interdependence among the member states is portrayed by ASEAN in its effort to narrow the economic disparities under the Declaration on Narrowing Development Gap.