

The Roles of ASEAN in Narrowing Economic Disparities among ASEAN Member States

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Abstract

The effect of deepening integration, in the aspect of economic cooperation, among the members of ASEAN should be shared equally by all the member states. However, along the establishment of the integration, the economic disparities become one of the obstacles for ASEAN's economic cooperation. Economic disparities will lead to the different implementation on the further integration and the stagnancy of growth. Thus, to narrow the economic disparities become one of the concerns for ASEAN. This article tries to describe the roles on ASEAN in narrowing economic disparities among ASEAN Member States. The study will be based on the establishment of Declaration on Narrowing Development Gap (2000) and the Initiative for ASEAN Integration (2002).

Keywords: ASEAN Economic Integration, economic disparities, Declaration on Narrowing Development Gap, Initiative for ASEAN Integration

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, in 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” (ASEAN Secretariat, 2013). Thus, the economic disparities among ASEAN Member States become one of the concerns for ASEAN.

In this research, the quantitative measure to indicate the disparities among the member states that will be used is the Gross Domestic Product (GDP). GDP becomes the global indicator in showing one country’s economic condition and also the resulted from producing goods and services. Analyzing from the GDP of ASEAN, all the member states have different background of the quantitative economic measure that portrayed by the GDP. For instance, Singapore mentioned as the developed countries, Brunei Darussalam as the wealth countries with the stock of crude oils. Then, Indonesia, Thailand, Philippines and Malaysia become the states 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.

Table 1 GDP of ASEAN Member States (in Million 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; Ramadan, Aisha Al-Alim;, 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 from the GDP of The Philippines. However, if we are looking to the total GDP's per capita the large gap does exist 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.

In response towards this matters, ASEAN continued by establishing the Declaration on Narrowing Development Gap to enable the CLMV countries accelerating the economic disparity. The aim of establishing this declaration is to make the benefits of ASEAN economic integration is shared among the member states. The Declaration on Narrowing Development Gap focused on Cambodia, Lao PDR, Myanmar, and Vietnam as the lowest economic measure.

This research uses concept of regional inequality, concept of role in international organization, and concept of interdependence. Firstly, 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.

Then, 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 decisions 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.

Finally, concept of interdependence offers an approach 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. Thus, the form of cooperation and the problems towards ASEAN economic disparities further describes in this academic research.

ASEAN Economic Integration

The ASEAN integration is not merely on the political sector, but also the integration on the economic aspects. It is a realization on potential resources to create an economic integration, such as the amount of population in the ASEAN member states. ASEAN consists of more than 600 millions of people, and it is still growing (Vinayak HV, 2014). It is the huge opportunity for market and also the resources of labor. ASEAN is claimed as the new promising region and with the hope of these promising notion, ASEAN Member States could get benefit resulted from the economic cooperation. In order to pursue the maximization of economic interest and expansion of its market, ASEAN established economic cooperation among its member states. Since, the end of twentieth century, ASEAN created

several initiatives of economic integration with its end goal to focus on the establishment of single market and increasing the capability of facing the international market (Weatherbee, 2009)

In pursuit to grow the economic in the region among ASEAN Member States, ASEAN conducts more intense regional cooperation. During the 9th ASEAN Summit, the intention to establish ASEAN Economic Community (AEC) was expressed on October 7, 2003. Before reaching the year of 2015, in implementing the AEC it is divided into several phases based on the year to monitor and evaluate the progress. The accomplishment was divided into Phase I (2008-2009), Phase II (2009-2011), Phase III (2012-2013), and Phase IV and Phase IV (2014–2015). The data from the AEC Scorecard from Phase I (2008–2009) was 86.7%. Then, the accomplishment rate of the Phase II (2009–2011) rate fell to 54.6% (ADB Institute, 2014).

Furthermore, to support the economic integration ASEAN established several frameworks, such as initiatives on ASEAN Integration (2000 and 2009) and the Declaration on Narrowing Development Gap (2001) which aims to decrease the economic disparities, where the regional inequality that caused by economic disparities become an obstacle to reach the integration and cooperation of economic among region.

The Indicator of Economic Disparities

The ASEAN envision establishing equitably shared economic benefits through its economic community. It is become the concern of ASEAN because the condition of being unequal in doing the cooperation is also argue as the

obstacle in having the deeper cooperation. The issue of economic disparities has risen up after the global financial crisis 2008. There is the famous saying to describe the condition of disparity. It is commonly said as “the rich will become richer while poor will become poorer”. Actually this saying explains of what happens at the aftermath of financial crisis 2008, several economic sectors were collapsed. Taking for the example is the manufacturing sectors. Many factories were closed. Then, it leads to the shifting of job market. After the crisis, labor works were replaced by the machinery. Then, it leads the shifting of job market and caused the structural unemployment. Structural unemployment defines as changing the demands of job market that usually caused by the obsolescence of technology.

The shift of job market argued to cause the income declination for the economic condition. We realize that the change of technology caused the demand for skilled labor is increase, while the supply of labor is increase. Thus, the wage for the unskilled labor will fall. This illustration portrays how the massive disparities during the aftermath of 2008 financial crisis happened (Stiglitz, 2012).

Now, in order to describe the ASEAN economic disparities, this research would like to begin with the diversities within the ASEAN Member States. Since, the condition of ASEAN Member States are so diverse, in terms of resources, population, and political condition, hence the disparities among the member states is inevitable. Firstly, the difference starting point becomes the highlight in this case. The differences among the member states where the latest member of ASEAN, the CLMV Countries, are the countries who need to narrow its economic

disparities among other member states. Thus, difference of starting point measures as one of the reason the gap does exist in this regional organization.

Secondly, there are the differences of political condition within the member states. The formal institution of countries in the ASEAN has great differences, where Brunei is the absolute monarchy countries, three constitutional monarchy system (Malaysia, Thailand, and Cambodia), three representative republic (Indonesia, Philippines, Singapore), and two socialist states (Lao PDR and Myanmar). Also, Myanmar is in the transition of civil law from the regime of the military junta (World Politics Review, 2015). The difference systems of formal institution influence also the system of a country.

The international system usually uses Gross Domestic Product (GDP) as a global indicator to show one country's economic condition. The GDP defines as "the market value of all final goods and services produced within a country in a given period time" (Mankiw, 2004). However, there are arguments contras with the use of GDP to portray the economics of a country. The lacks of GDP are it only measures the market prices to value good and services, and also the environmental quality. Even though GDP is not a perfect measure of well-being there is an argument of:

"A large GDP does in fact help us to lead a good life. For instance, GDP does not measure the quality of education, but nations with larger GDP can afford better educational systems. In short, GDP does not directly

measure those things that make life worthwhile, but it does measure our ability to obtain the inputs into a worthwhile life” (Mankiw, 2004).

The Problems of Economic Disparities

Hence, the disparities of economic policies among member states make the benefit of the economic integration is not shared evenly. However, the ASEAN Member States then agree to extend the deadline for the CLMV Countries to reduce its tariff. It agreed on the AEC Blueprint that the CLMV will be given deadline until 2018 to implement the Protocol to Amend the CEPT Agreement for the Elimination of Tariff and Import Duties.

Secondly, the lack of opportunity also becomes challenges for ASEAN while deepen its economic cooperation with the wide disparities among its member states. Small and Medium Enterprises (SMEs) in the region are still developing in several countries (Vutha, 2014). The establishment of AEC will lead to the open market. Thus, the member states should ensure their local products will be able to compete in price and quality to prevent the lack of opportunity to compete with products from foreign countries.

Finally, the economic disparities will effect on the labor movement. As it is agreed by the Member States, in the ASEAN Economic Community on its first pillar of Single Market and Production Base stated there on the fifth point of the Blueprint that the members agree to establish the free flow of skilled labor. The ASEAN supports to ease the mobility of skilled labor and professionals among the region (ASEAN Secretariat, 2014). It is supported by the facilitation of visa

issuance and employment. The enhancement of professional workers mobility was arranged under Mutual Recognition Arrangements in 2005 where it is stated that eight qualifications of professional services are engineer, nurse, architect, geospatial surveyors, medical and dental practitioners, accountants, and tourism professionals

In order to understand the roles of ASEAN in narrowing economic disparities, the establishment of Initiative for ASEAN Integration and Declaration on Narrowing Development Gap are the key in describing the roles of ASEAN as arena as a forum where the member states use ASEAN as regional organization in enhancing the cooperation to tackle the problems. These two frameworks 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.

The Roles of ASEAN in Narrowing Economic Disparities among ASEAN Member States

Based on the approach of concept of interdependence, the economic cooperation and partnership among several states will lead to the mutual benefit for each state's 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 based on the mutual partnership where every member states will be able to share the benefits equally. Then,

several economic cooperation 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 problem for ASEAN to conduct economic integration in the region, then ASEAN efforts to enhance its cooperation. The effort offers by the ASEAN is providing the role 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. The cooperation developed from the simpler to be more detailed one. There are two kind 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 cooperation is the cooperation of ASEAN Member States through AFTA. Even though, many skeptical views regarding the establishment of AFTA since this integration was 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 significance increased and the Intra-ASEAN trade grew faster grew faster. Furthermore, in addressing the problem of economic disparities, the cooperation in AFTA created the exception for the CLMV countries. The exception was by giving the extension

of deadline to pursue the goal of the agreement on several AFTA agreements, such as the reducing of tariff and other trade barriers (Ahmad, 2013).

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

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, where the global linkage of cooperation and relations will lead to the existence towards the intensification of relations in the international system. Thus, ASEAN’s roles 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 cooperation that leads to the global interdependence. The intensification of ASEAN’s partnership to the dialog partners portray on the intensification on negotiation to share the reciprocal benefits among parties. By 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.

Conclusion

The economic disparities happened since the CLMV are the latest member states of ASEAN. The differences of starting point among the CLMV and the

ASEAN-6 also followed by the reason of difference political condition within the member states. The CLMV countries tend to have the instability within the political and formal institution. The transitions and changes mostly happen in the CLMV countries compares to the other member states. Thus, this condition becomes the obstacles for the CLMV countries to adjust the policies of ASEAN and to catch up the development with the other member states.

However, ASEAN puts a concern on the idea of narrowing the economic disparities. ASEAN established the Declaration on Narrowing Development Gap (NDG) and the Initiative for ASEAN Integration (IAI). These two frameworks are complement to each others. The Declaration on NDG was established in 2000. The Declaration becomes a framework where the member states agreed that disparities become the problem of ASEAN. Furthermore, the IAI is the derivation from the declaration. The initiative consists of the working plan to narrow the economic disparities. Until 2016, ASEAN has three working plan of IAI (2002 - 2008, 2009 - 2015, 2016 – 2025).

In order to establish ASEAN economic integration, ASEAN needs to narrow the economic disparities as its priority. Thus, ASEAN as an international organization has its role of arena to create policies for its member states. Thus, the role of ASEAN to narrow the economic disparities, especially with the CLMV countries are intensifying the economic cooperation among the member states and accelerating the economic development of CLMV countries through the Declaration on Narrowing Development Gap.

The roles of ASEAN are based on the principle of mutual benefit and reciprocal effect from the economic integration as been agreed by the member states in the ASEAN Charter. Then, it is become very important for ASEAN to prioritize the narrowing of economic disparities since it is one of the aim for ASEAN to alleviate the poverty among the member states and to narrow the development gap through the mutual assistance.

This research describe by portraying the previous working plan of ASEAN. Firstly, the intensification of economic cooperation is described by the development of cooperation within the ASEAN member states. This cooperation leads to the narrowing economic disparities. It can be seen that several policies are adjusted for the CLMV countries. For example is the different deadlines of tariff-reduction regulation in AFTA for the CLMV countries and the intensification of cooperation with ASEAN dialog partners to assist the CLMV countries.

Finally, the acceleration of economic development is emphasized on the establishment of Declaration on Narrowing Development Gap. This declaration derived the working plans in Initiative for ASEAN Integration, where the initiatives have different project to assist the CLMV countries in accelerating their economic development. Thus, this undergraduate thesis is able to answer the research question regarding the roles of ASEAN in narrowing economic disparities among ASEAN member states in order to establish the economic integration.

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