



**DEVELOPMENT GAPS IN ASEAN AS CRUCIAL SECURITY ISSUES:
A CHALLENGE TO ASEAN INTEGRATION**

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ABSTRACT

The ASEAN development gap is the disparity that exists between the ASEAN 6 and CLMV groups. The challenge for ASEAN's integration is that the increasingly globalized world and current community-building process of ASEAN could turn the region into the included and the non-include, unless ASEAN can find appropriate approaches to sustainably bridging the crucial development gaps among itself. Such possibility would threaten the stability of ASEAN from within rather than from outside. This paper provides the discussion on the income gap, the infrastructure gap, trade gap and the institutional gap in order to understand possible outcomes and on what has to be prioritized in the community-building process of ASEAN. Lastly, this paper focuses on regional institution-building and caring for the most vulnerable as the new ASEAN way to bridging the development gaps and for a sustainable ASEAN community in the future.

Keywords: *Development, Gaps, ASEAN, Security, Integration.*

INTRODUCTION

ASEAN consists of a heterogeneous group of countries with wide economic development disparities. Despite ASEAN's long integration process, there is still a wide variation between the member countries in terms of economic and social development.¹ ASEAN is facing a paradox as it is turning itself into an ASEAN community. The deeper

¹ Menon Jayant, *Narrowing the Development Divide in ASEAN: The Role of Policy* (ADB Working Paper Series on Regional Economic Integration, No 100, 2012) p. 8-10.

its member integrate the development gaps among them, the more appear to widen.² There are increasing concerns on the possibility of creating a two-tiered ASEAN from this situation.

To overcome the challenge of a divided ASEAN community, this paper takes a broader approach to the issue of development gaps. Development contains a number of dimensions from economies, politics, society, education, and health sector to the environment, which are tools for achieving the ultimate objective of human development.³ Development gaps arise when there is an unequal level of development between countries and regions around the world. Todaro,⁴ for example, asserted that the meaning and objectives of development should include the provision of basic needs, reducing inequality, raising living standards through appropriate economic growth, improving self-esteem in relation to the developed countries, and expanding freedom of choice in the market and beyond.

Sen⁵, on the other hand, sees development as a process of expanding the real freedom that people enjoy. In 1990s, the UNDP introduced the Human Development Index (HDI), which is now being widely used as an indicator of socio-economic development. This index is a simple average of three indexes which consist of longevity, education, and living standard. Hence, the definition of development gaps is multifaceted and changes with time. The development gaps in the ASEAN community are assessed from namely: (1) income gap, (2) infrastructure gap, (3) trade gap and (4) institution gap.

INCOME GAP

Fast growing economies have a better chance to increase the income of their population. The most common indices are GDP, per capita GDP, and poverty level. Income gap can also be seen from the human development perspectives with the most common and comprehensive being the HDI, along with its gender related development index (GDI). The variation in per capita GDP is strikingly vast in ASEAN, with per capita GDP varying from as low as USD1420.50 in Myanmar to as high as USD 52,962 in Singapore for the year 2017. Singapore's per capita GDP is more than the sum total of per capita GDP of the rest of the ASEAN member countries. This fact shows the imbalances among ASEAN members.⁶ The level of disparity can easily be understood by the fact that combined per capita GDP of Cambodia, Myanmar, Laos, Viet Nam (CLMV) is approximately eleven times less than the per capita of Singapore.

² Daniel Brooks *et al*, *Closing Development Gaps: Challenges and Policy Option* (ADB Economics Working Paper Series, No.209, 2010) p.15-17.

³ Bui Truong Giang, 'ASEAN's Perceptions on Security, Economic Security and Development Gap in ASEAN' (2004) 5(97) *World Economic Problems Review* 164, 172.

⁴ Michael Todaro, *Economic Development* (8th edn, Pearson Education 2003).

⁵ Amartya Sen, *Development as Freedom* (Knopf Press, 1999).

⁶ Asian Development Bank, 'Southeast Asia Economy' (17 November 2017) < www.adb.org/data/southeast-asia-economy > accessed 29 March 2018

Singapore is emerging as a dominating country among the ASEAN member countries. This shows the gap among ASEAN countries is huge and among individual members it is extremely high, both in absolute and relative terms. In terms of comparison of per capita income of ASEAN as a whole with individual member countries, income disparity will become crystal clear. Singapore and Brunei has per capita GDP 14.46 times and approximately ten times more than the average ASEAN per capita GDP. Indonesia is the biggest economy among the ASEAN countries but her per capita GDP is almost equals to the ASEAN average. Whereas the Thai economy is the second largest economy followed by Malaysia, Singapore and Philippines, per capita GDP of Singapore and Brunei is un-matchable as far as comparison of ASEAN countries are concerned.⁷

INFRASTRUCTURE GAP

Infrastructure is the back bone of any economy. Disparity in infrastructure availability is also the biggest threat ASEAN is facing. The paved road ratio in Singapore and Thailand is almost hundred per cent, followed by Malaysia (92.8%) and Brunei (87.2%). In Philippines, Laos, Cambodia and Myanmar it is less than 45%. Poor infrastructure such as the transportation system and utilities are barriers to mobility and technological transfer in the ASEAN member, which widen the development gap among ASEAN community members.

Another situation that exposes the large gaps among ASEAN member countries is in the categories such as information, science and technology, energy and telecommunications. These gaps further divide the ASEAN community members into three groups, the first group with best developed infrastructure includes Brunei, Singapore, Thailand and Malaysia, the second of medium developed ones includes Philippines and Indonesia, and last with poor infrastructure includes CLMV countries.⁸

Apart from that, the high gap of internet users among the groups is a warning for the digital divide in ASEAN community, which would further widen other dimensions of the development gaps among ASEAN member economies. For example fixed broadband internet subscriber per 10,000 in Viet Nam is 3631.4, followed by Thailand at 2672.6 and Malaysia at 2078.5.⁹ According to International Energy Agency,¹⁰ Thailand, Indonesia, Viet Nam household electrification rate is more than 90%, but in Lao and Myanmar, it is less than 50%. Cambodia, having only 20.5% of house electrified, shows the disparity in energy infrastructure.

⁷ Byron Ramirez & Anchalee Poittiwong, 'ASEAN Economic Integration: Opportunities and Challenges that Lie Ahead' (International Policy Digest, 6 January 2016) <https://intpolicydigest.org/2016/01/06/asean-economic-integration-opportunities-and-challenges-that-lie-ahead> accessed 7 February 2018

⁸ Alfredo Perdiguero, 'Infrastructure Financing Challenges in Southeast Asia (31 August 2017) <www.unescap.org/sites/default/files/SEA-01-DAY> accessed on 6 February 2018.

⁹ Kevin Hartley, 'ASEAN's Broadband Infrastructure Imperative' *The Diplomat* (Tokyo 6 November 2016) 7.

¹⁰ International Energy Agency, 'Southeast Asia Energy Outlook 2017' <www.iea.org/publication/freepublications/publication/WEO2017SpecialReport-SoutheastAsiaEnergyOutlook.pdf> accessed on 8 February 2018.

TRADE GAP

Predominately, all the ASEAN economies are based on export led growth and more development also suggests more integration with the rest of the world, which further enhance development. Hence, integration with the rest of the world is a very important phenomenon because it not only enhances growth but also prompt the technological know-how in the country. All the ASEAN member countries have had access to World Trade Organization (WTO) for a long time, while the CLMV are approaching this overarching international institution in the last decade. Proportion of merchandise trade as percentage of GDP and Foreign Direct Investment inward stock and the net FDI inflow as a percentage of GDP should be considered as important aspects of measuring the integration gap.¹¹

According to the ASEAN Secretariat¹², Singapore's merchandise trade as percentage of GDP is highest among any ASEAN member country, unparalleled in comparison of any ASEAN member country. Only Malaysia, Viet Nam and Thailand, showing sign of openness with rest of the world, whereas Philippines, Indonesia, Laos are lagging behind in openness of trade. The implication of this phenomenon suggests that the benefit of economic openness among ASEAN is not properly being harnessed by majority of the member countries.

Integration of economies can also be adjudged by the inflow of technologies or skill in the form of FDI. Singapore and Brunei are undeclared leaders. FDI inward stock is of 199.3% of GDP in Singapore, while in 81.3% for Brunei. Viet Nam (63.3%) and Cambodia (51.3%) are catching up their leader for the year 2017. FDI net inflow as percentage of GDP of Singapore is approximately 13 times more than Malaysia. Whereas this figure for was Thailand (2.3%), Philippines (1.2%), and Laos (2.8%). The gap in FDI activities also reflected among ASEAN active regional players and CLMV as newcomers with negligible amount.¹³

INSTITUTION GAP

Heterogeneity in economic and political systems is a key determinant in dealing with the gaps in ASEAN. Volz¹⁴ showed that ASEAN members encompass the full scale of political and economic systems, ranging from free democracies to authoritarian regimes and free market economies to planned economies. The gap in the level of economic freedom is huge. According to the classification done by the Heritage Foundation, the

¹¹ Vannarith, Chheang, 'Narrowing the Development Gap in ASEAN' *Khmer Times* (Phnom Penh, 18 January 2016) <www.khmertimeskh.com/news/20092/narrowing-the-development-gap-in-asean/> accessed on 6 February 2018

¹² ASEAN Secretariat, *ASEAN Economic Community Chart book 2016* (2016) <www.aseanstats.org/wp-content/uploads/2016/11/AEC-Chartbook-2016-pdf> accessed on 6 February 2018.

¹³ ASEAN Secretariat, *ASEAN Economic Integration Brief* (2017) <www.asean.org/storage/2017/06/AEIB-No-June-2017-rev.pdf> accessed on 6 February 2018

¹⁴ Volt Ung, "Economic Cooperation in ASEAN and the Rise of China." Paper prepared for Conference of Regenerations: New Leader, New Visions in Southeast Asia, organised by the Council of Southeast Asian Studies, Yale University, 1-12 November 2005.

people of Singapore, Malaysia and Thailand live in “free societies”. Philippines and Indonesia are classified as “mostly free”, whereas Lao, Myanmar and Cambodia are “mostly unfree” societies. Though this kind of approach may not fit every country, this shows the diversity in economic rights among ASEAN countries.

There also exists an asymmetry in governance among ASEAN member countries. Public institutions for governance are also a key determinant to measure this institutional gap. There exist large gaps among member countries in terms of government effectiveness, law enforcement, regulatory quality of government and political stability, which hinders the deeper integration among ASEAN member countries. ASEAN existence depends upon the political stability of the member countries. As far as political stability is concerned, Singapore and Brunei are leading the political stability index and doing better than the other ASEAN countries. The rest of the ASEAN members are not even appearing to be approaching towards the average for the year 2020. Political conditions in 4 out of the 10 countries under study deteriorated in comparison with their performance in 2016, suggesting uncertain political stability will always be a cause of concern in future.

Corruption is a major threat to any economy. Transparency International’s Corruption Perception Index (CPI) 2017 ranked Singapore as the most corruption free countries among ASEAN. Singapore is followed by Brunei.¹⁵ 8 out of 10 ASEAN member countries have triple digit rank in CPI, with Myanmar as most corrupt country among all the ASEAN member countries.

Regarding the overall competitiveness, there exists very large gaps among ASEAN member countries. According to the Global Competitive Report 2017, Singapore is top among the ASEAN countries, with highest competitiveness index. Five other ASEAN countries managed to rank above 50, suggesting the existence of a competitiveness gap.

RECOMMENDATIONS TO NARROW THE DEVELOPMENT GAPS

Henceforth, it is clear that the persistence of development gaps among the ASEAN member countries is unsustainable for ASEAN’s future effectiveness. Real regional integration will require all countries to achieve minimum standards of economic and social development. Without such development, ASEAN integration would be biased one, in favour of the most developed ASEAN members. Considering the overall scenario, the following key points require greater attention from ASEAN community to reduce the development gaps.

1. It is clear that there are wide gaps amongst ASEAN member countries on governance issues. Some countries trail behind the world average in indicators related to freedom of expression, rule of law, and control of corruption.

¹⁵ Livingasean, ‘8 ASEAN Countries Fare Badly on Corruption Index’ (23 July 2017) <www.livingasean.com/explore/8-asean-countries-fare-badly-corrption-index/> accessed on 6 February 2018.

Member countries that are relatively well-off also fail to rank sufficiently in one or another of these indicators. Key requirements are good decision-making in government, civil society and the private sector i.e. minimum standards for governance are required both within and amongst ASEAN member countries. Good governance is necessary in order to maintain competitiveness in member countries with respect to other members of ASEAN. Inclusive and sustainable development can also be achieved through good governance. Governance can be strengthened by the following suggestions:

- a. Ensure adherence to international norms and standards in governance.
 - b. Adopt strong institutions, with more formal regional bodies, legally binding rules and regulations and fair and transparent dispute settlement mechanisms.
2. There should be a fully supported cohesion policy, aimed at diminishing the development gaps between winners and losers of the integration process. The solution is therefore to reduce some of the obvious disparities between member countries, which in turn, would strengthen the position of ASEAN as a bloc against other large trading powers in the world.
- a. Developed members should provide the others with flexibility and incentives, whereas the less developed members of ASEAN should further engage in legal and institutional reforms and domestic market development.
 - b. CLMV countries should accelerate further internal liberalization, which includes revamping of legal systems accordingly with international rules and regional commitments, streamlining governmental and social institutions for the sake of national development.
 - c. Regional economic institutions should set out specific liberalization conditions appropriate to each type of beneficiaries and grant more special and preferential treatment for less developed countries through more effective and substantive technical assistance programs. They should also create more opportunities for the region, and especially for the CLMV countries, to absorb “best practices” in ASEAN. Cooperation and integration process is also a way to build up capacity for the less developed in ASEAN.
 - d. Increase intra-member development investment flows.
 - e. Provide more development resources by use of some of the region’s substantial financial reserves.

CONCLUSION

Development gaps generate differences in the abilities of the integration process among ASEAN members. The least developed countries run the risk of getting only minimum benefits from integration within and outside of ASEAN because they are not able to make use of the advantages and benefits of trade liberalization. The present situation of development gaps reflects gigantic imbalances in the integration capacity of some ASEAN member countries. These imbalances are restricting ASEAN countries from becoming deeper and wider integrated entities.

Distortion in developments among ASEAN member countries creates hurdles to form a compatible financial market, which would result in regional economic instability or even crisis. A glaring foreign investment gap could make some members “less included”. The reality nowadays is quite different from the period before the mid-1980s, when ASEAN countries still showed marked differences in policies and attitude towards FDI. The convergence of national FDI policies is happening in ASEAN particularly since the 1997s regional economic crisis, but it also raises questions of competition among ASEAN governments for more foreign investment, while integrating for the common interest. The gap in incentives would leave some “less attractive” ASEAN members behind, who could not access the capital for development.

Development gaps among ASEAN members disenchant member countries form a stronger organization and induce them to seek bilateral relationships with non- ASEAN members, which is an ominous sign to the very existence of ASEAN. Thus, bridging the development gaps should be considered as a core mission in the ASEAN integration process. Nesadurai¹⁶ observes that the potential benefits of the ASEAN integration process cannot be realized if due consideration is not given to socio-economic gaps among and within ASEAN members. From this perspective, it is very imperative for ASEAN members to chalk out a clearer strategy to bridge these gaps by establishing appropriate regional institutions and rules to transform ASEAN from an inter-governmental cooperation structure into a regional institution, including closer financial and monetary cooperation in ASEAN. Apart from that, ASEAN countries should turn their focus towards giving priority to the poor and vulnerable, because without focusing on the most vulnerable in ASEAN, the critical gaps would likely turn out to be the “critical point of crisis”, which would then be destructive to the ASEAN community.

¹⁶ Helen Nesadurai, “The Indo-Chinese Enlargement in ASEAN: Implication for Regional Economic Integration (2003) Working Paper No.56, Institute of Defence and Strategic Studies Singapore.

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