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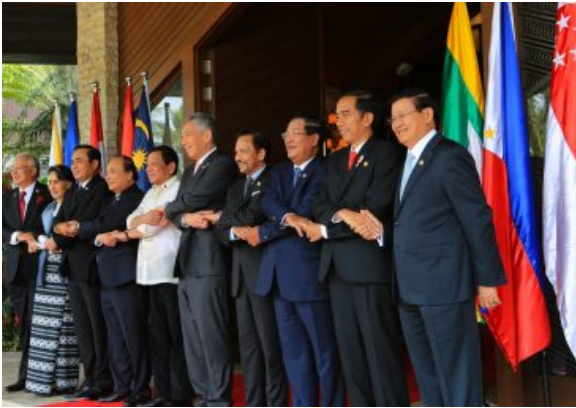


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What is the Future of Integration and Inequality in ASEAN?

Southeast Asia should be more conscious of inequality now while it is still rapidly developing.

By **Aédán Mordecai**

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While ASEAN is looking to integrate further with the continuing development of the ASEAN Economic Community (AEC), other parts of the world are questioning whether economic globalization is the best way forward. The Brexit and Trump phenomena highlight the perception of a significant number that low cost labor and low cost imports from abroad are collectively “destroying” many jobs, particularly in traditional sectors.

Much of this discontent can be traced back to inequality and how globalization, rightly or wrongly, exacerbates the problem. ASEAN, unlike Europe and the United States, has largely been sheltered from that tide of public sentiment. Should Southeast Asia be more conscious of inequality as it moves towards becoming a single market before it develops into a destabilizing issue?

It makes sense to first consider why ASEAN has not experienced the same anti-globalization movement that has been witnessed elsewhere. The fact that ASEAN can be confidently labelled a winner within the current global economic system is the most obvious reason. ASEAN nations’ strategy of export-orientated growth and trade openness has resulted in rapid rates of economic progress in the last few decades, lifting millions out of poverty, and **winning many admirers in the process**.

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While a rosy picture is often painted regarding ASEAN’s economy, inevitably it is not perfect; a closer look shows deficiencies in development. Inequality is as much of an issue in the region as anywhere else and can be viewed when comparing whole economies or perhaps more importantly, within the states themselves. There is an obvious gap between the richest members of ASEAN and those still in early stages of development, often labelled the CLMV (Cambodia, Laos, Myanmar and Vietnam) nations, but the **gap is closing rapidly** as this group experience high rates of growth.

More worryingly, is the increasingly entrenched differences emerging within countries internally. Singapore, ever the standard bearer of development in the region, has one of the highest GINI coefficients (a higher GINI coefficient indicates a less equitable distribution of income) in the developed world, with Thailand and Malaysia ranking even worse. Not a single ASEAN nation could be considered one of the **more equitable economies globally**.

The source of inequality in the region can be linked to various factors depending on the country. In Indonesia, where the **four richest individuals hold more wealth than the poorest 100 million**, access to education and healthcare in particular vary wildly across the archipelago as the lack of sufficient infrastructure makes it difficult to deliver local services equally, made more challenging by the physical geography of the country. Elsewhere, Myanmar has eight broad ethnic groups, resulting in a complex political and social landscape, making economic development difficult in large regions since the opening up of the economy. These examples illustrate how the pattern of inequality materializes from complex sets of conditions unique to each country, making it difficult to pick one underlying factor. Perhaps what the region does have in common is a lack of a concerted effort and political will to improve domestic inequality. With AEC in full swing, one must ask how internal inequality will be affected by further economic integration.

The AEC is ASEAN's attempt at producing a single market in order to become more competitive as a region, boosting growth. While not many can argue against accelerating growth, one must consider the impact on inequality. Some posit that globalization and economic integration in theory should benefit lower skilled workers in developing economies; however increasingly evidence shows that **this isn't always the case**. Many occupying a lower socioeconomic status aren't in the position to take advantage of the opportunities that offer themselves from regional integration, through a lack of required skills or the inability to access finance are among the many barriers that exist, whether they be of a social, economic or institutional nature.

The AEC itself does in fact highlight the need for inclusive growth, aiming to close the development gap that exists in the region both within and between countries. The main institutional vehicle for combating inequality in ASEAN is via the Initiative for ASEAN Integration (IAI) Work Plan focusing on the CLMV nations and helping to fast-track their development and in turn make ASEAN more competitive as a bloc. The first IAI work plan began in 2002 and ASEAN is now in the third iteration of the project, as it focuses on infrastructure and helping micro to small and mediums sized enterprises (MSMEs).

Even with the existence of programs such as the IAI, there are serious questions regarding the impact ASEAN can have on mitigating domestic inequality. When considering a core principle of the institution revolves around non-interference, it is fair to conclude that ASEAN is limited in its ability to resolve domestic issues, especially given their limited resources. Regardless, inequality is arguably best addressed at a local level where the domestic situation is best understood. The fate of internal equality is therefore essentially at the mercy of local power structures and the willingness to provide equal opportunities. This does not bode well in a region with **above average levels of corruption** and regressing **forms of democracy**.

With the AEC and economic integration forging steadily ahead, it's imperative that a more honest and urgent discussion regarding inequality in the region takes place. Only when those in power realize it is in their interest to stem the growing inequality, can progress be made. If they value political and regional stability long term then a higher priority would be put on creating more opportunities for all, as it is far easier to narrow the gap when economies are growing compared to when the region becomes more mature economically. The result of complacency regarding inequality is unfolding as we speak in Western societies, providing all the warnings ASEAN leaders should need to be convinced that this is an issue that deserves more than just lip service.

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