

# ***A Comparative Analysis of Policy Responses to Development Gaps in ASEAN: Examining the Effectiveness of Macroeconomic and Regional Integration Strategies***

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**Abstract:** Association of Southeast Asian Nations (ASEAN) integration was originally developed to respond more effectively to political and economic pressures from outside and collective bargaining power with a unified regional organisation. However, the significant disparity in development levels among ASEAN member States posed a challenge to that goal and to the sustainable economic development of ASEAN. This paper will analyse all aspects of the existing disparity in the level of development of ASEAN member countries and the reasons behind it. It will also present and analyse existing policies and mechanisms in ASEAN that address the imbalance in the level of development. To analyse the challenges for ASEAN to address the issue of imbalance in the level of development in the light of the effectiveness of the current ASEAN response to the imbalance in the level of development and the objective and realistic context of the ASEAN member States in terms of the comparison between the countries with high level of development and the countries with low level of development. ASEAN's macro-control policies, influenced by the system, do pay attention to the key factors affecting high and low levels of development, but ASEAN lacks targeted response programmes for countries and regions with complex political contexts.

**Keywords:** ASEAN, Regional integration, Development level, Macroeconomic policy.

## **1. Introduction**

The main objective of the establishment of the ASEAN Economic Community (AEC) and the advancement of ASEAN integration is to promote economic integration among member countries, remove trade barriers and enhance economic competitiveness within the region through the creation of a single market and production base. However, despite the progress made towards that goal, narrowing the economic gaps, which stemmed from the uneven levels of economic development, infrastructure and technological capabilities among member States, remained one of the main challenges. This phenomenon will only intensify if the obvious development gaps between countries in the regional integration process cannot be overcome. Economically, it would affect the equality of intraregional trade and the effectiveness of cooperation, weakening the dynamics of economic growth in the region. Politically, it creates instability, and people in underdeveloped countries may feel marginalized, affecting the overall security situation in the region. Diplomatically, it will weaken trust and the willingness to cooperate among member States, increase the likelihood of conflicts and

friction between countries, and lead to difficulties in the coordination and implementation of intraregional policies. As emerging countries in the post-colonial era, the level of development among Southeast Asian countries after the Second World War varied due to several reasons, including history and geopolitical systems. To address economic inequalities caused by development gaps, ASEAN countries have formulated several policy responses, including infrastructure development, human resource development, and ICT application development programs under the Initiative for ASEAN Integration; subregional development programs such as the Mekong Subregion Regional Cooperation Project (Mekong SARCP); and financial integration and digital economy development frameworks. However, the contribution of these policies to narrowing the development gap has been limited, based mainly on insufficient policy implementation, an uneven investment climate and insufficient financing. This paper will endeavor to analyze ASEAN's policy responses to development imbalances and the challenges faced by these policies through a comparative political research approach by comparing the differences in the national contexts of the more developed and less developed countries in the ASEAN integration process. Based on the results of these comparisons, they inform the modelling of policies to bridge development gaps in the regional integration process.

## 2. Literature Review

The disparity in economic development among ASEAN countries stems from unequal levels of development between different countries and subnational regions and regions. In contrast, most of the analyze methods on the degree of development use the level of GDP per capita and growth for assessment. However, the limitations of GDP per capita levels in measuring people's well-being have prompted other scholars to create other, more detailed and varied indicators to measure disparities in levels of development, such as life expectancy, adult literacy rates and purchasing power [1]. Yet, in a multidimensional comparison, the ASEAN countries have a high degree of convergence in their assessments of development across dimensions, with countries with higher average incomes having lower poverty rates, higher literacy rates, and higher life expectancy. Taken together, these measures allow ASEAN countries to be categorized into three main groups: high development countries, as exemplified by Singapore and Brunei; medium development countries, as exemplified by Malaysia and Thailand; and low development countries, as exemplified by Myanmar and Cambodia [2].

According to the perspective of constructivist theory, regional integration emphasizes that inter-state relations are not only based on material interests but are also governed by factors such as social interaction, identity and norms [3]. In this case, ASEAN members have gradually developed a collective identity because of historical, cultural and social exchanges. This sense of identity has helped to reduce suspicion and mistrust among countries and strengthened the willingness of member countries to cooperate, thereby promoting regional integration and establishing the basis for a series of regional norms that have been developed by countries in the region. On this basis, trade and investment among member countries in the region have become increasingly close, and intraregional markets have begun to integrate; politically, ASEAN can be relied upon to prompt countries to deal with common political and security issues through dialogue in regional organizations and multilateral mechanisms for the settlement of disputes, reducing the likelihood of conflict; and culturally, intraregional cohesion has been strengthened through cultural exchanges and cooperation in education. Therefore, from the perspective of constructivist theory, the disparity in living standards caused by uneven levels of development among countries within a region developing regional integration can undermine the collective identity of member countries within the region, thereby undermining the progress of ASEAN regional integration.

ASEAN was also established to overcome the differences in the level of development of the countries in the region, to reduce their dependence on external markets and to strengthen their influence in the international economic arena. ASEAN's main response to this is covered under the

Initiative for ASEAN Integration (IAI), which focuses on providing technical and financial support to less developed countries and direct support to less developed countries and regions through a macro-regulatory approach [4]. The program is divided into four main phases; in the first phase, IAI's main objective is to narrow the development gap between the six old member countries - Singapore, Malaysia, Indonesia, Thailand, Brunei Darussalam and the Philippines - and the four new member countries - Cambodia, Laos, Myanmar and Viet Nam - mainly through the provision of support by the old member countries to the new member countries in the areas of human resource development, infrastructure, information and communications technology, and rural development and poverty alleviation support. The second phase builds on the first phase by introducing areas of co-operation in trade and investment, food security, disaster management and further consolidates the results of Phase I. The third phase builds on the previous investments in science and technology, innovation and research and development, whilst focusing on environmental protection and sustainable development issues. In the fourth and current phase, the IAI work program will focus more on the resilience and adaptive capacity of the economic development of ASEAN countries in the context of the post-pandemic era, while strengthening the adaptation of the digital economy to the Fourth Industrial Revolution. All four phases of work have made some progress, however, progress in ASEAN's policy response to development imbalances has remained limited due to a few objective factors, mainly related to objective conditions and, to a lesser extent, to problems of coordination among member countries. Firstly, in terms of geography, a high-development country such as Singapore, which has extremely high standards of development in all areas, can easily attract investment because of its geographical location on the Straits of Malacca [5], whereas country like Laos, a landlocked country with no access to the sea, means that domestic logistics costs are high and transport capacity naturally lags behind that of coastal countries. Secondly, according to the operating logic of capitalism, foreign investors are more inclined to invest in developed countries and regions because the return on investment in developed regions is generally higher than that in less developed regions, which is a law of development that cannot be changed by ASEAN's macro-control policies. Viewed collectively, there are many fundamental difficulties to be overcome to completely resolve the imbalance in the level of development of the ASEAN countries.

### **3. Phenomena and Analyses**

Based on the literature review, the gap in the level of development between ASEAN countries and regions needs to be compared in several ways to get a concrete idea of the magnitude of the gap in the level of development in different areas between countries. At the same time, the policy instruments available in ASEAN to address the imbalance in the level of development are analyzed to illustrate the challenges in the implementation of these policies in the context of indicators and objective factors in the measurement of the level of development.

#### **3.1. Gaps in Development**

According to available academic studies, ASEAN countries are clearly stratified due to various indicators of their level of development [2]. Therefore, in this study, by comparing the data of different indicators of the level of development to analyze the structural causes of the uneven level of development of the ASEAN countries. Using the World Bank's statistics for GDP per capita in 2020 as an example, the annual per capita GDP of Singapore and Brunei are among the high development level countries in ASEAN, at US\$61,466.6 and US\$27,179.35 respectively. The annual GDP per capita of Thailand and Malaysia in 2020 will be US\$10,164.34 and US\$7,001.85 respectively, which is in the middle level of ASEAN, while the rest of the countries have a GDP per capita of less than US\$4,000 in 2020, which belongs to the low level [6]. This shows that there are

significant differences in the economic structure of ASEAN countries, such as a highly developed services and industrial base in a high-development country such as Singapore, and a dependence on agriculture or primary product exports in a low-development country such as Cambodia and Myanmar. At the same time, differences in GDP per capita also reflect differences in policymaking and governance capacity across countries, which can affect the efficiency of attracting foreign investment and promoting technological innovation and industrial upgrading.

In terms of tertiary education enrolment, according to the 2019 statistics, Singapore is way ahead with 84.79 per cent, Malaysia and Thailand are at 45.1 per cent and 49.29 per cent respectively, while the rest fall short of 40 per cent, and in between, Myanmar's Laos and Cambodia's even fall short of 20 per cent [7]. The comparison also shows that countries with high tertiary enrolment rates, such as Singapore, Malaysia and Thailand, can compete globally since they usually have stronger professional skills and innovative capabilities that drive economic development, technological advancement and social progress to produce a larger pool of high-quality labor, which in turn maintains a high level of development. Feedback from data on GDP per capita and enrolment in tertiary education shows that the level of development in ASEAN countries is deeply tied to the socio-economic structure, and that several areas need to be reformed to eliminate the problem of uneven development in ASEAN.

### 3.2. ASEAN's Existing Policy Responses

ASEAN's current response is mainly in the form of macro-policy regulation, including the Initiative for ASEAN Integration (IAI), Sub-Regional Cooperation Program (SRCP), ASEAN Comprehensive Recovery Framework (ACRF), RCEP's external cooperation, and other related programs and policies to achieve the effect of regulating the level of development. The main element of the Initiative for ASEAN Integration (IAI) is the provision of technical assistance and financial support through developed member countries to less developed member countries, such as the development of infrastructure and the implementation of human resource development programs, to help them upgrade their level of economic development [4]. The development of infrastructure in the region will, firstly, promote employment and, secondly, facilitate access to transport capacity, energy use and strengthen the communications network, which will reduce the production and transaction costs of enterprises and enhance their overall competitiveness. The human resources agenda, on the other hand, focuses on the huge gap in tertiary education enrolment and the share of skilled labor among ASEAN countries, which can be bridged by strengthening education and vocational training, enhancing productivity and innovation, and upgrading the skills and qualifications of the labor force, with the ultimate aim of improving the social fabric of the less developed countries, which has no potential for development [7].

Another major ASEAN policy response has been the Subregional Development Program, which is based on the concept of the growth pole theory, which can also be understood to mean that developed countries, like Singapore, act as engines of regional economic growth and drive the development of neighboring less-developed countries [8]. The economic benefits of the existing Singapore growth poles will only accrue to Malaysia and Sumatra in Indonesia to varying degrees, and the regions that are not exposed to the Singapore growth poles will only widen the gap in development levels over time. To that end, ASEAN's subregional development programs aimed to build multiple growth poles within ASEAN to cover more regions, targeting areas within ASEAN member States that were lagging in terms of economic development. This includes several development programs, such as the Greater Mekong Subregion Economic Cooperation Program (GMS), which covers six countries in the Mekong River Basin: Cambodia, Southwest China, Laos, Myanmar, Thailand, and Viet Nam, and which aims to promote economic integration within the subregion by strengthening infrastructure, promoting cross-border trade and investment, and boosting

tourism [9]. In addition, programs such as the Indonesia-Malaysia-Thailand Growth Triangle and the Eastern ASEAN Growth Area (EAGA) comprising Brunei, Indonesia, Sarawak, Malaysia and the southern islands of the Philippines, which cover most of the ASEAN countries, aim to enhance the economies of the less developed regions through the promotion of the economies of the less developed regions by the already developed regions.

Furthermore, ASEAN has developed large-scale macro programs that have evolved over time. For example, during the outbreak, ASEAN developed the ASEAN Comprehensive Recovery Framework (ACRF), a comprehensive ASEAN strategy to respond to Covid-19 and its socio-economic impacts, which focuses on macro-regulation to help countries strengthen their national capacity for outbreak prevention and control and to support the economic revitalization of industries. At the same time, the framework also supports the acceleration of digital innovation and infrastructure development in the region to enhance ASEAN's competitiveness in the global digital economy [10]. ASEAN has also extended its cooperation program beyond ASEAN by signing Regional Comprehensive Economic Partnership Agreements (RCEP) with five neighboring developed economies, namely China, Japan, the Republic of Korea, Australia and New Zealand. Through multilateral cooperation mechanisms, RCEP helps countries at different levels of development within ASEAN to find economic complementarities with each other, promotes upgrading of industries and transfer of technology within the region, helps to strengthen the integration of supply chains within the region, enables less developed countries to better integrate into the global supply chain network [11]. RCEP also supports the development of small and medium-sized enterprises (SMEs) and the promotion of trade and investment and supports ASEAN to address the problem of uneven levels of development. By cooperating with external economies, ASEAN could help less developed regions attract external investment more easily than ever before and help countries at different levels of development within ASEAN to find economic complementarities with each other.

### 3.3. Challenges

As a regional organization, most of ASEAN's policies can only be formulated at the macro level, and the efficiency of the implementation of macro policies depends on the attitudes and implementation capacity of the member countries. Countries like Singapore and Brunei that are administratively efficient, coupled with their small areas of governance, Singapore's location on the Straits of Malacca and Brunei's access to oil resources, have resulted in the two countries having ample advantages in terms of national economic development. In contrast, in States such as Myanmar, many armed forces are entrenched in the border areas and have a different position from that of the central Government, making it difficult to fundamentally implement State policies. Coupled with the problems of inadequate regulations, corruption and legal uncertainty in less developed regions caused by differences in administrative capacity in different countries. As a result, foreign direct investment is more inclined to go to countries or regions with stable social environments, a situation that will continue to persist if the social environments in less developed regions do not improve [12]. ASEAN, as an inter-state organization without sovereign powers and in the process of regional integration, does not currently have the power to demand that less developed countries improve their investment climate. In addition to foreign direct investment, human resource development, one of the most important elements of the Initiative for ASEAN Integration (IAI), will also be negatively affected. Due to the differences in the level of development that already exists and the differences in the amount of investment received by the different ASEAN countries, citizens of less developed regions are more inclined to go to places with higher wages and a better standard of living when they are more highly educated or have a greater ability to work [13].

ASEAN's macroeconomic policies also suffer from a serious lack of financial support. Less developed countries, with limited fiscal revenues of their own, are more likely to see a decrease in

their external financing when global economic uncertainty increases or when the investment climate is unfavorable, making the sources of financing for national macroeconomic control policies unstable [14]. The less developed countries within ASEAN, unlike the developed countries of Singapore and Brunei, have a larger land area and therefore a greater need for infrastructure investment. On the other hand, the lack of strict financial regulation in the less developed ASEAN countries has led to the possibility of excessive lending by banks and financial institutions, leaving the less developed countries with huge public debt burdens while infrastructure investment and construction programs have been thwarted [15]. However, with the implementation of RCEP, ASEAN can attract financial and technical support from neighboring countries, such as China and Japan, to less developed countries to gradually solve the problem of shortage of funds. Nevertheless, institutions and norms for financial regulation and a sound tax system in less developed regions must be established early to avoid further exacerbating economic imbalances and debt problems.

#### 4. Conclusion

The details of the work of ASEAN's existing policies to address development imbalances do focus on the underlying causes of the imbalances in the level of development of ASEAN countries and the formulation of responses to those causes. For example, for the less developed regions, education and skills training provide the basis for improving the quality of human resources and the overall education rate of the society; and investment in infrastructure provides the basis for improving transport, attracting foreign investment, creating employment and other quality economic returns. However, some of the difficulties it is facing can be improved in the short term, while others require systemic reforms in ASEAN. Problems such as the brain drain in the less developed countries of ASEAN are well within the purview of ASEAN to establish corresponding policies to encourage the building of talent in the less developed regions in the form of macro-control economic subsidies. For the issue of financial regulation, standards can be established at the ASEAN level to create a sound financial system for financial issues in ASEAN cooperation projects in less developed regions. However, regarding the administrative efficiency of governments in less developed regions, ASEAN does not have the authority to intervene in the internal affairs of its member states at the present time, but in the future ASEAN has every reason to strengthen its own influence through the Joint Security and Counter-Terrorism Framework (JSCTF), the Joint Fight Against Corruption (JFAC) and other modes of work programmes, which are very radical and the feasibility of which needs to be analysed with greater care in the future.

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