



ECONOMIC: Development Gap

How can ASEAN reduce the socio-economic inequality among its member countries?

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ECONOMICS: SOCIO-ECONOMIC INEQUALITY

1. Issue Introduction:

This topic aims to explore the possible approaches to reduce the socio-economic inequality among ASEAN member countries. This info sheet discusses the economic issues as well as the socio-economic status of ASEAN member countries.

2. Background

ASEAN has 10 member countries and they are split into the 6 larger economies, also known as the ASEAN-6, and the CLMV. However, even within the 6 larger economies, there still remains a large disparity between the 6th largest and the largest economy.

Socio-economic inequality is a major issue economically as it impedes ASEAN from prospering. Hence, it is vital for ASEAN to reduce the socio-economic inequality between its member countries for the community to be able to prosper and grow. With the global economy getting increasingly integrated and stronger, ASEAN cannot be left out.

Looking at this issue in ASEAN itself, the socio-economic disparity would fuel distrust and pose a threat to the region's solidarity, making it an important issue for ASEAN to tackle.

In response to this issue, ASEAN is attempting to form a new community across ASEAN nations known as the ASEAN Economic Community by 2015 (AEC 2015). This community plans to create an open-market in a highly competitive economic region and being able to economically develop in a global economy.

3. What has been done

Banks are vital in ASEAN's endeavours for financial integration as they are the primary financial intermediary in the region. Therefore, ASEAN came up with the ASEAN Banking Integration Framework (ABIF). This will eventually allow ASEAN banks to operate freely in ASEAN countries by 2020. Its objective is to create stronger, more well managed banks to be available to a bigger market throughout the region. The banking integration framework enables any two ASEAN countries to enter new reciprocal bilateral agreements, providing qualified banks a greater market access and the ability to operate as domestic banks.

4. Challenges faced

For the countries with transitional economies, such as the CLMV countries, there are multiple issues hindering them from being able to grow economically.

4.1. Low Capital

Firstly, most of these countries have low capital. Without capital, they are unable to build or improve infrastructure. Such infrastructure include roads, bridges and telecommunication. Such infrastructure are vital to the growth of the country.

Roads enable the smooth flow of traffic. With roads that are poorly built or roads not mapped out in an organised manner, the citizens in the country are unable to travel to and fro with ease and hence the time taken for transportation will be very high. This would impede growth as valuable time that could be spent on other things.

Bridges increase the efficiency of traffic. With bridges, the citizens in the country get to travel shorter distances to cross a dangerous areas. They would not have to travel that few extra kilometres just to find a safe route to get to the same destination. This results in shorter journeys and translates into more efficient use of time and other resources.

Telecommunications will make communication among 2 or more parties more convenient and efficient. Especially in rural areas, the lack of telecommunications mean that in order to convey a simple message, one person has to physically travel to that place to communicate to another person. This method of communication is extremely slow and inefficient. With telecommunications, with quicker communication, the productivity of the citizens will be much higher.

In a nutshell, these 3 improvements to a country's infrastructure will really increase the productivity of the people and ultimately results in increased growth of the country.

4.2. Large percentage of population in agricultural sector

ASEAN countries with transitional economies tend to have a larger, labour intensive, primary sector and smaller secondary, manufacturing and other production and distribution services, and tertiary sectors, commercial services such as advertising and sales which support production and distribution. With a large amount of the labour force in the primary sector, there is not much growth in the economy as compared to having a larger secondary or tertiary sector.

Hence, to increase competitiveness within ASEAN, member states have to consider shifting their labour force from the primary to the secondary sector and eventually the tertiary sector. This would enable growth in the country's economy.

4.3. Education Opportunities

Another challenge that these countries face would be the educational opportunities. In areas such as education standards and the availability of schools, they may be lacking as compared to a country with developed educational infrastructure and organisation. Two such cases are presented below.

Case Study 1: Myanmar

Comparing Myanmar's current education standard to its past, education standards have dropped drastically. Up to 1948, it boasted one of the highest literacy rates in Asia. A large part of why Myanmar's education has gone spiralling downwards is due to internal conflict, such as the 8888 uprising which was started by students in Yangon on 8 Aug 1988.

Currently, its education system is in an abysmal state, spending only 1.3% of its GDP on education. Consequently, the education system has disintegrated and students now spend very little time in school, with few making it to university. As of now, its entry rate into universities is also one of the lowest in the world. Those who do make it to university will not only have to pay high fees, but will not be allowed to choose their area of study. The government assigns undergraduates their specialisation based on the scores of their matriculation exam, regardless of whether or not they have any interest in the subject, and despite the fact that there are almost no jobs in certain fields. As a result, students continue to be assigned unpopular subjects like zoology.

Case Study 2: Vietnam

In Vietnam, the higher education system is facing several issues, such as outdated curricula, a lecturer-centred educational method and a disconnect between theory and practical training. Class discussion are not as pervasive as the western education system and students generally progress through rote learning. The repercussions of these issues affect the economy deeply. It causes large numbers of graduates unemployed due to the lack of practical training, which in turn drive up inflation. What is more, apart from degrees offered by partner universities overseas, qualifications from Vietnamese universities are generally not recognised worldwide.

Vietnam's public schools are underfunded. To make matters worse, the dropout rate after fifth grade is very high in the rural and mountainous areas as the majority of the students live in poverty, making them unable to afford to continue attending secondary school or university. Most of the households there also feel that child labour is more valuable than education. With students not coming to school or dropping out, this would cause the qualified workforce to decrease and this has an adverse effect on employment.

Appendix

ASEAN countries GDP

Country	2009	2010	2011	2012	2013
Brunei Darussalam	10,815.4	12,401.9	16,691.4	16,969.7	16,117.5
Cambodia	10,353.7	11,229.3	12,803.9	14,010.9	15,511.1
Indonesia	545,854.5	710,068.3	846,522.6	874,485.9	860,849.5
Lao PDR	5,594.9	6,752.0	8,060.6	9,398.3	10,283.2
Malaysia	202,627.4	243,429.0	289,517.2	305,389.7	312,071.6
Myanmar	31,831.6	42,228.6	51,518.2	53,961.4	54,661.2
Philippines	168,643.9	199,975.9	224,107.8	250,603.0	269,024.0
Singapore	192,408.4	236,421.8	274,038.0	286,908.7	297,941.3
Thailand	264,040.9	319,276.5	345,825.5	366,126.6	387,573.8
Vietnam	106,018.3	116,299.9	135,541.1	155,820.0	171,219.3

In USD Millions

Table taken from: <http://www.asean.org/component/zoo/item/macroeconomic-indicators>

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