ABSTRACT: ASEAN was formed in 1967 to promote harmony and peaceful socio-economic relations amongst its members. Being the third biggest economy in Asia and the seventh largest globally in 2016, the region offers immense economic opportunities to its members. However, there are wide socio-economic disparities, primarily due to the existing differences in their GDP per capita levels and the Human development indexes (HDI), which has almost divided ASEAN-10 region into ASEAN-6 and ASEAN-4 (CLMV). There have been increasing concerns on the creation of this two-tiered structure in the ASEAN region. Various efforts such as Hanoi Plan of Action (HPA), Initiatives for ASEAN Integration (IAI) and the Declaration of ASEAN Community were initiated in view of this concern. The formation of ASEAN Economic Community (AEC) on December 31, 2015 is a unique development in ASEAN, which was aimed towards promoting regional economic cooperation and integration in the ASEAN regional bloc. Against this background, the objective of this paper is to examine the existence of development gap in ASEAN. This article throws light on the initiatives taken for narrowing the development gap and issues and challenges faced in reducing this gap. It emphasizes that as ASEAN is working towards the realization of its ASEAN Community 2025 vision of an integrated, peaceful and stable community with shared prosperity, it must make sincere efforts to tackle the issues of socio-economic disparities amongst its members, which would effectively result in narrowing of the development gap.

Keywords: ASEAN Economic Community (AEC), Human development indexes (HDI), Hanoi Plan of Action (HPA), ASEAN Integration (IAI).

I. INTRODUCTION

The formation of ASEAN Economic Community (AEC) is a unique development in ASEAN. It was formed on December 31, 2015, with the objective of promoting regional economic cooperation and integration and achieving an equal society by creating a single and unified production base along with an economically competitive region [1]. The draft of AEC contained all the good features that the bigger regional trade organizations such as EU had. According to the ASEAN Secratariat, the region is unique as it is the third biggest economy in Asia and the seventh largest globally in 2016, with its GDP amounting to US 2.6 trillion $ and a population touching over 622 million people, thus offering huge economic opportunities for growth for its existing and potential investors [2].

Despite some historical tensions among its members, the ASEAN region was formed to promote harmony and peaceful socio-economic relations amongst its members. However, the existence of widening socio-economic disparities, leading to development gap amongst the member nations is an obstacle to achieving an inclusive and prosperous ASEAN. The presence of development gaps between countries or sub-regions is primarily due to the existing differences in their GDP per capita levels and their Human development indexes (HDI). This inequality, which has almost divided ASEAN region into a two-tiered structure of ASEAN-6 and ASEAN-4 [3] has been the cause of several political crises and social issues.

While CLMV countries recorded higher GDP growth than the ASEAN-6, GDP per capita in ASEAN-6 was still 2.7 times the GDP per capita in CLMV countries in 2016. The poverty levels of ASEAN-4 are still high at 18 percent as compared to that for ASEAN-6 at 13 %. The average poverty levels for the region as a whole are at 14% [4]. The per capita GDP PPP for Singapore was at staggering 89,103.159 (US $) and for Brunei is 77,420.612 whereas that for Cambodia is strikingly low for Cambodia at 4001.76 in 2016 as per the World Bank database (World Development Indicator Reports). The HDI also varies significantly amongst the countries with Singapore being at 0.932 and that for Cambodia at 0.578. The extent of urbanization also differs significantly amongst the Southeast...
Asian nations with Singapore being the most urbanized as compared to Myanmar where majority still lives in the rural set up [5]. There are increasing concerns on the creation of this two-tiered ASEAN region. Various efforts such as Hanoi Plan of Action (HPA), Initiatives for ASEAN Integration (IAI) and the Declaration of ASEAN Community were initiated in view of this concern. This is reflected in the Declaration of the Sixth ASEAN Summit in Hanoi in December 1998, whose focus is to “narrow the development gap among Member Countries to reduce poverty and socio-economic disparity in the region” and “facilitate economic integration of new ASEAN members” [6]. Against this background, the objective of this paper is to examine the existence of development gap in ASEAN. This article throws light on the initiatives taken for narrowing the development gap and issues and challenges faced in reducing this gap. It emphasizes that as ASEAN is working towards the realization of its ASEAN Community 2025 vision of an integrated, peaceful and stable community with shared prosperity [7], it must make sincere efforts to tackle the issues of socio-economic disparities amongst its members, which would effectively result in narrowing of the development gap.

The structure of this paper is as follows. Section 2 focuses on the meaning and concepts of Growth and Development, with focus on the meaning of Development Gap. Section 3 describes the ASEAN region as it stands today. Section 4 focuses on the extent and magnitude of the Development Gap in ASEAN. Section 5 describes briefly some of the major ASEAN initiatives for narrowing this gap. Section 6 analyzes some of the major issues and challenges faced in narrowing this gap. The final section 7 concludes with some policy recommendations.

II. MEANING OF GROWTH AND DEVELOPMENT

Growth refers to the long-term growth in the Gross Domestic Product levels, both in nominal terms as well as Purchasing Power Parity (PPP) terms. When divided by the number of people living in a particular country, it provides a figure of GDP Per Capita, which is usually expressed in US dollars. Development is a much broader term than growth and it reflects on how a country tries to improve the living standards of its people. The interpretation and understanding of the concept of “development” has witnessed a lot of change over the years. In the narrow definition, economic growth and economic development have always been used interchangeably. However, in the late 1970s and early 80s, Michael P. Todaro (1982) emphasized on the need to differentiate between the two as the concept of development was much broader than that of growth. According to him, “development” actually means the “process of improving the quality of all human lives” and there are three basic values attached to it, namely: providing basic needs and raising people’s living levels through rapid economic growth, improving people’s self esteem through promoting human dignity and respect, and expanding people’s freedom of choice by widening the gamut of their choice variables. According to him, therefore, the word development should be as a “multidimensional process involving changes in structures, attitudes and institutions, as well as the acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty.” [8]. Sen, Amartya (1999), on the other hand, sees development as “a process of expanding the real freedom that people enjoy” [9]. In this paper, the multifaceted concept of development will be used to explain development gaps in ASEAN.

In the 1990s, Human Development Index (HDI) was introduced by the UNDP [10], which is now being widely used as an indicator for measuring development. This index is based on a simple average of three indexes, namely:

1. Longevity, measured by the expectancy of life at birth;
2. Education, measured by the adult literacy rates and the combined primary, secondary, and tertiary education enrollments; and
3. Living standard, measured by GDP per capita in Purchasing Power Parity terms.

III. ASEAN AS IT STANDS TODAY

The Association of Southeast Asian Nations, or ASEAN, was established on 8 August 1967 in Bangkok, Thailand, with the signing of the ASEAN Declaration (Bangkok Declaration) by its five Founding Members, called as the ASEAN-5, namely Indonesia, Malaysia, Philippines, Singapore and Thailand. Brunei Darussalam became a member of ASEAN on 7 January 1984, followed by Viet Nam on 28 July 1995, Lao PDR and Myanmar on 23 July 1997, and finally, Cambodia on 30 April 1999.

Table 1: ASEAN’s GDP (in US $ million at current prices).

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP</th>
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<tbody>
<tr>
<td>1967</td>
<td>23</td>
</tr>
<tr>
<td>1984</td>
<td>216</td>
</tr>
<tr>
<td>1995</td>
<td>648</td>
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<td>1997</td>
<td>719</td>
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<td>1999</td>
<td>577</td>
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<tr>
<td>2008</td>
<td>1619</td>
</tr>
<tr>
<td>2016</td>
<td>2549</td>
</tr>
</tbody>
</table>

(Source: ASEAN Secretariat)
All the ten members combined together now make up today’s ASEAN, or ASEAN-10. In 2016, ASEAN collectively stood as the 6th largest economy in the world with a combined GDP of US$2.55 trillion [11] (Table 1). The above clearly shows an impressive growth of ASEAN’s GDP figures from 1967-2016, except for the year 1998 when the region suffered from the massive Asian Financial Crisis, which slowed its growth. The happenings of the massive global financial crisis of 2008 also affected the region adversely. According to the ASEAN Post, its combined population would be huge more than 630 million, thus making it the fourth largest in the world behind India, China and the EU, with 60% of its population being below the age of 30, which translates into massive third largest labor force, behind only India and China [12].

The ASEAN countries vary in size. Its largest economy of Indonesia, at 1.86 million square kilometers, is 2,605 times bigger than the size of Singapore, which has 714 square kilometers only. The Sultanate of Brunei has only 423,000 people while Indonesia has 238 million people [13]. Singapore is most urbanized with 100% per cent urban population whereas Cambodia is mainly a rural economy with its urbanization rate at 21% only [14].

As per the official ASEAN statistics, the broad macro figures for the ASEAN region as a whole are impressive. The total population of ASEAN has gone up from 185 million in 1967 to 634 million in 2016. GDP per capita has increased from US$ 122 in 1967 to US$ 4,021 in 2016 [15] (Table 2).

### Table 2: ASEAN’s GDP per capita (in US $ million at current prices).

<table>
<thead>
<tr>
<th>Year</th>
<th>GDP per capita</th>
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<tbody>
<tr>
<td>1967</td>
<td>122</td>
</tr>
<tr>
<td>1984</td>
<td>756</td>
</tr>
<tr>
<td>1995</td>
<td>1556</td>
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<tr>
<td>1997</td>
<td>1135</td>
</tr>
<tr>
<td>1999</td>
<td>1462</td>
</tr>
<tr>
<td>2016</td>
<td>4021</td>
</tr>
</tbody>
</table>

(Source: ASEAN Secretariat)

Since 1999, the ASEAN-10 achieved real GDP growth rates between 2.5% and 7.5%. In terms of trade, the total trade has increased from US$ billion 10 in 1967 to 2291 in 2016. Meanwhile, ASEAN share in the world GDP (% based on $ PPP) has almost doubled from 3.3% in 1967 to 6.2% in 2016. It is expected that if the ASEAN economies continue to grow at the same speed, they would be able to double their combined purchasing power by the year 2023. In terms of the Human Development Index also, the life expectancy has gone up from 56 years to 71 years from 1967 to 2016 [16].

### Poverty reduction in ASEAN

Vigorous efforts to achieve rapid and robust economic growth by ASEAN have led to a decline in the percentage of population living below $1.25 PPP per day, from 47% in 1990 to 14% in 2015. See Figure 1 below. These numbers look very impressive when one considers the Millennium Development Goals (MDG) target of 24%.

![Poverty Rate in ASEAN: (% Population living below $1.25 PPP per day)](image)

**Fig. 1. Poverty Rate in ASEAN: (% Population living below $1.25 PPP per day). (Source: ASEAN Secretariat).**

This pace of poverty reduction has been more rapid in the case of CLMV (ASEAN-4) countries than in ASEAN-6. Since 1999, after which they joined the ASEAN, the CLMV countries have been consistently achieving real GDP.
growth of over 6.1%, which went up to as high as 9.6% in the year 2015 [17]. While CLMV countries recorded higher GDP growth than the ASEAN-6, GDP per capita in ASEAN-6 was still 2.7 times the GDP per capita in CLMV countries in 2016. The poverty levels of ASEAN-4 are still high at 18 percent as compared to that for ASEAN-6 at 13%. The average poverty levels for the region as a whole are at 14%. According to the ASEAN Statistical Report on Millennium Development Goals 2017, published by the ASEAN Secretariat [18], the poverty rates in CLMV countries are still higher. The poverty rate in Cambodia is 24%, Lao PDR is 29% and that for Vietnam is 17% in the year 2015.

IV. DEVELOPMENT GAP IN ASEAN

Development gap means the existence of unequal and dissimilar levels of development amongst the states of a nation or countries of a region or world at large. The gap becomes more visible when one looks at the per capita income level differences, the poverty level variations and/or other socio-economic indicators. Narrowing the Development Gap in ASEAN refers to reducing various forms of socio-economic disparities that exist among and within Member States of ASEAN. The present article focuses on the figures of GDP Per Capita and HDI for highlighting the existence of development gap among the ASEAN-6 and ASEAN-4 economies.

Despite the above described impressive figures and robust economic growth, disparities can be seen when one sees the differences between their per capita GDP figures as well as their human development indices. ASEAN-4 is relatively poorer as compared to the ASEAN-6, when compared in terms of their per capita income levels as well as their HDR indexes.

Figure 2 compares the ASEAN countries on the basis of their GDP Per Capita figures at PPP Current international $ for the years 1990 and 2017. These figures have been accessed online from the World Bank website [19]. The figures above clearly show that there are significant income disparities amongst the ASEAN countries. Singapore and Brunei fall under the high-income countries. The Per Capita GDP of Singapore is huge at 89,103.16 measured at current international dollars and that for Brunei is also high at 77,420.62. Compared in this way, Singapore’s GDP Per Capita is almost 24 times and that of Brunei is nearly 20 times that of Cambodia, whose PC GDP is only 3,736.96 US$ in 2016. Hence, a closer look shows the presence of a two-tiered structure of ASEAN, which is a matter of concern.

Among the ASEAN-6 countries also, disparities can be seen. Singapore and Brunei are at the top falling in the bracket of high-income countries, while Malaysia, Thailand and Philippines can be clubbed as upper middle-income countries. Indonesia falls under the lower middle-income group. Though it can be seen that the gap amongst the six old members of ASEAN is getting smaller.

According to the World Bank Human Development Index Trends for the years 1990-2016, one can see that Singapore and Brunei fall within the ‘High HDI’ category, with their HDI values at 0.950 and 0.852 respectively (Fig. 3). These values are based on the HDR indicators (Standard of living as measured by GDP, Expectancy of life at birth in years and Education as measured by the gross enrolment ratio).
According to the figure 3, Laos PDR, Cambodia and Myanmar fall under the low human development category with HDI values ranging between the values of 0.578 to 0.601. Malaysia, Thailand and Philippines with their respective values at 0.799, 0.748 and 0.696 can be termed as medium category in terms of human development.

V. THE ASEAN INITIATIVES FOR NARROWING THE DEVELOPMENT GAP

The above analysis makes it very clear that there exist wide disparities amongst the ASEAN Members, which makes it look like a two or multi-tiered region. Such disparities exert a negative impact on the long-term growth and stability within in the region, thereby becoming a potential root cause of any conflict/s that may exist today or in future.

Realization of these facts have prompted the leaders of ASEAN to go ahead with strengthening the existing regional and sub-regional institutions and implementing new initiatives for Narrowing the Development Gap (NDG). The initial concern for narrowing the presence of this development gap among member states was expressed at the 6th ASEAN Summit in Hanoi in 1998. The overall goal of the NDG is to promote, through concerted efforts, effective cooperation and mutual assistance to narrow the development gap among ASEAN Member States (AMS) and the rest of the world [20].

One such major initiative in this direction has been the Initiative for ASEAN Integration (IAI), which was launched by Singapore’s then-Prime Minister Goh Chok Tong at the Fourth Informal Summit, held in Singapore in 2000. The prime objective of launching IAI was to narrow the development gap in ASEAN, especially that of old ASEAN-6, with the newer members of Cambodia, Lao PDR, Myanmar and Vietnam (CLMV). This was to be done by mobilizing the training resources of ASEAN along with that from its Dialogue Partners and the international development agencies to assist the CLMV countries pick up faster growth and catch up with their faster growing members.

It has been clearly emphasized by the Leaders that the IAI shall essentially be implemented as a mechanism for ASEAN-6 to help the CLMV countries. The objective was also to make serious efforts at enhancing ASEAN’s competitiveness and accelerating regional integration, thereby providing a platform to the developed ASEAN members for helping CLMV countries for achieving faster growth. To kick-start the Initiative, Singapore pledged S$59.54 million for projects that were carried out over the first five years from 2001 to 2005 [21].

The efforts to narrow the development gap were to be driven primarily through the IAI Work Plan. The first phase of the IAI Work Plan was implemented from 2002-2008, while that for the second phase was from 2009-2015. The IAI Work Plan Phase III is from 2016-2022 [22]. The first IAI Work Plan for the period 2002-2008 accomplished implementation of a total of 134 projects/programs attracting a total investment of about USD 191 million from ASEAN-6, and about USD 20 million by dialogue partners, development agencies and other partners [23]. As on January 25, 2010, the total number of IAI projects completed by ASEAN-6 under the Work Plan 11 was total 55 in number, contributing a total of 3,024,713.14 whereas that by the dialogue partners was one in number, contributing to a total 3,75,010 [24].

In the year 2003, the ASEAN Foreign Ministers adopted the Hanoi Declaration on Narrowing the Development Gap (NDG) for Closer ASEAN Integration. The ASEAN leaders in the Declaration of the ASEAN Cord (Bali Concord II) further expressed that the deepening and broadening of ASEAN Integration would not be complete without the
technical and economic cooperation involving CLMV countries. The Bali Concord II has been the most significant as it provides a clear framework for the modalities of how the member nations will work to achieve the goal of narrowing the development gap in ASEAN.

In this regard, the Vientiane Action Program 2004-2010 and a medium-term development plan to realize ASEAN Vision 2020 also highlighted make efforts for narrowing the development gaps of the CLMV and other sub-regional areas for realizing the vision of a unified ASEAN Community. In their 13th Summit also in 2007, the leaders unanimously agreed that for ensuring the full benefits of ASEAN’s integration, it was very important to narrow the development gap, which still remained an unfinished task and which was important for the realization of the ASEAN Community 2015.

**The AEC 2015 & The AEC blueprint 2025**

In 2003, the ASEAN leaders agreed to establish an ASEAN Community by 2015, which comprised of the three pillar of economic, socio-cultural and political-securities communities. The establishment of the ASEAN Economic Community (AEC) in 2015 is a major milestone in the regional economic integration agenda in ASEAN. In 2014, AEC was collectively the third largest economy in Asia and the seventh largest in the world [25]. In this regard, they also signed the ASEAN Charter in 2007 to transform ASEAN into a rule-based intergovernmental organization.

The AEC Blueprint 2025, adopted by the ASEAN Leaders at the 27th ASEAN Summit on 22 November 2015 in Kuala Lumpur, Malaysia, provides broad directions through strategic measures for the AEC from 2016 to 2025 [26]. Along with the ASEAN Community Vision 2025, and the ASEAN Political-Security Community (APSC) Blueprint 2025 and the ASEAN Socio-Cultural Community (ASCC) Blueprint 2025, the AEC Blueprint 2025 forms part of “ASEAN 2025: Forging Ahead Together”. It succeeded the AEC Blueprint (2008-2015), which was adopted in 2007. This new Blueprint will not only ensure that the there is ample cooperation and integration amongst all the ASEAN Member States, but also that they contribute to the goal of shared prosperity by completely integrating with the complex global community.

The inaugural issue of the “ASEAN Economic Integration Brief (AEIB) was released on 30 June 2017. The AEIB provides regular updates on ASEAN economic integration progress and outcomes, and is a demonstration of ASEAN’s commitment to strengthen communication and outreach to raise stakeholder awareness of the AEC. It also features regular sections on economic outlook and select statistical indicators as well as thematic articles on issues relevant to the AEC [27].

**VI. ISSUES AND CHALLENGES IN NARROWING THE DEVELOPMENT GAP**

ASEAN is making all efforts to implement the Initiative for ASEAN Integration Work Plan III to narrow the development gap within the region. The focus of the IAI program is on priority areas such as those in the field of physical infrastructure and human resource development, information and communications technology and promoting regional economic integration in the CLMV countries. The more advanced ASEAN nations are committed towards supporting CLMV in terms of technical support, human resource development as well as enhancing the productive capacity of the Small and Medium Enterprise (SMEs) of their lesser developed counterparts. However, there are constraints that exist related to their institutional capacity, socio-economic infrastructure and capital and human resources etc.

One of the major problems is lack of funds. The major funding source for the ASEAN projects are the external development funding agencies, which lack proper disbursement and implementation as a result of which several projects fail to materialize. There are challenges also in implementing IAI. Lack of coordination and cooperation among the key stakeholders in implementing projects, thus leading to issues of governance, accountability and transparency have been the main bottlenecks that have to be tackled. Financial constraints, weak institutional capacity, lack of political will and conflicting interests are some of the major obstacles that these countries face.

There are several issues with the functioning of the private sector, particularly the SMEs, face lot of hurdles in increasing their competitiveness and production and export capacity, even within the region, mainly due to lack of proper market information, internal funding sources and existence of non-tariff trade barriers. More technical and financial support as well as rigorous policy reforms are needed to help this sector.

An important emerging challenge for the CLMV countries relates to tackling cross-border migration effectively. Labor from all these countries moves to the developed ASEAN nations in search of better employment opportunities and living standards. There is a need for more technical support for these countries for managing the migration issues, such as human trafficking and human rights violation associated with this cross-border migration. This is very important if the development gap has to be narrowed within ASEAN.

There are several priority areas where major financial and technical support is needed for the CLMV countries. One can notice the absence or lack of political will to initiate proper policy reforms and liberalization measures which has been certainly hindering the progress on narrowing the development gap in the region. On top of these, there exists divergence in the political ideology and socio-political conflicts has added to the magnitude of the problem.

The European Union, too, has experienced similar problems but it has effectively managed these issues due to their...
strong political willingness to tackle the developmental issues. The failure to do so by the ASEAN leaders has resulted in the failure of narrowing their development gap, which, consequently, has also affected negatively the process of achieving regional integration.

VII. POLICY RECOMMENDATIONS AND CONCLUDING REMARKS

It is very important and essential for the CLMV countries to adopt liberal policy measures and strengthen their institutional mechanism to give a boost to its trade facilitation and investment promotion so that growth gains momentum. More emphasis has to be on promoting and intensifying the coordinated efforts amongst the ASEAN members for achieving regional integration. More resources have to be mobilized and provided by the developed ASEAN nations and more coordinated efforts are required if the development gap has to be narrowed down. It can clearly be seen that there are obstacles when it comes to liberalizing the short-term and long-term capital markets in ASEAN. Regulating and managing the movements of labor, especially the unskilled ones is also not a small issue. There are bound to be differences amongst the ASEAN-4 and ASEAN-6 as the former will be slower in achieving their trade and finance liberalization targets. Hence the gap remains wide still. Political uncertainties, such as those in Thailand and Myanmar are another reason for the persistence of the gap.

In their terms of reference for the use of the ASEAN Development Fund (ADF), the ASEAN leaders have reiterated that the ASEAN Development Fund may be used to leverage funding of regional cooperation programs and projects from dialogue partners and other donors, provide seed funding for initial activities of large scale projects, and to provide full funding support to small and short-term projects of a confidential or strategic nature. Encouraging and promoting the private sector to increase their funding resources for the growth of the CLMV countries is very essential, keeping in view of the contributions of the private enterprises, regional foundations and the NGOs. It has not been possible for the IAI Work Plan to provide that kind of funding for financing the physical infrastructure projects of the private sector. Hence, more efforts are required on the part of the Work Plan to adopt a strategy for attracting investments from the private sector. The IAI Work Plan also has to ensure that the CLMV countries implement a national single window system for integrating into the regional development agenda.

Strong political will and a well-planned strategy for resolving conflicts, allocating more resources, speedy implementation of policies and programs, with special focus on the private sector and ensuring effective governance and accountability are considered to be important factors that can hasten the process of narrowing the development gap and deepen the integration process of the ASEAN region.

REFERENCES

[2]. Ibid.
[3]. ASEAN-6 refers to Brunei, Indonesia, Malaysia, Philippines, Singapore and Thailand whereas ASEAN-4 refers to Cambodia, Laos, Myanmar and Vietnam (CLMV).
[17]. Ibid.

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