

Parahyangan Catholic University Faculty of Social and Political Sciences Department of International Relations

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SK BAN –PT NO: 451/SK/BAN-PT/Akred/S/XI/2014

Initiative for ASEAN Integration Work Plan II for Improving Human Development of Cambodia, Laos, Myanmar, and Viet Nam towards Competitive Market Region (2009-2015)

Thesis

By
Togu Alexander Nadrian
2015330137

Bandung 2019



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This statement I made with full responsibility and I am ready to withstood any consequences based on established rules and norm if in the future this statement is proven to be invalid.

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ABSTRACT

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Title : Initiative for ASEAN Integration Work Plan II for

Improving Human Development Cambodia, Laos, Myanmar, Viet Nam towards Competitive Market

Region (2009-2015)

The fragmented economic circumstances of ASEAN member states created wide gap of development within it. In term of development, ASEAN is classified into ASEAN-6 and CLMV. ASEAN undertakes to narrow the development gap through Initiatives for ASEAN Integration. Launched in 2003 and finished at 2008, due to positive result, ASEAN decided to expand the Initiative for ASEAN Integration Work Plan II into Initiative for ASEAN Integration Work Plan II. As the Initiative for ASEAN Integration Work Plan ii included in ASEAN Economic Community blue print, the writer assumed that the existence of Initiative for ASEAN Integration Work Plan II could help ASEAN be prepared for Competitive Market Region.

The writer would like to examine how Initiative for ASEAN Integration Work Plan II could improve the development. Human development concept would be exercised to examine the expected result for CLMV. Afterwards, the writer would examine its expected output on Global Competitiveness Index of CLMV to analyze how Initiative for ASEAN Integration Work Plan II enhances the competitiveness of CLMV in order to achieve Competitive Market Region as ASEAN Economic Community Pillar.

Keywords: CLMV, Initiatives for ASEAN Integration, Human Development, Global Competitiveness Index

ABSTRAKSI

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Judul : Initiatives for ASEAN Integration Work Plan II for

Improving Development Cambodia, Laos, Myanmar, Viet Nam towards Competitive Market Region (2009-

2015)

Keadaan ekonomi yang terfragmentasi dari negara-negara anggota ASEAN menciptakan kesenjangan pembangunan yang luas di dalamnya. Dalam hal pembangunan, ASEAN diklasifikasikan ke dalam ASEAN-6 dan CLMV. ASEAN berupaya mempersempit kesenjangan pembangunan melalui Initiatives for ASEAN Integration. Diluncurkan pada tahun 2003 dan selesai pada tahun 2008, karena hasil yang positif, ASEAN memutuskan untuk memperpanjang Initiatives for ASEAN Integration menjadi Initiatives for ASEAN Integration Work Plan II. Karena Initiatives for ASEAN Integration Work Plan II termasuk dalam ASEAN Economic Community blue print, penulis berasumsi bahwa keberadaan Initiatives for ASEAN Integration Work Plan II dapat membantu ASEAN mempersiapkan diri untuk Masyarakat Ekonomi ASEAN yang kompetitif.

Penulis ingin memeriksa bagaimana Inisiatif untuk Initiatives for ASEAN Integration Work Plan II dapat meningkatkan pembangunan. Konsep Human Development akan dipergunakan untuk memeriksa hasil yang diharapkan untuk CLMV. Setelah itu, penulis akan memeriksa output yang diharapkan pada Indeks Daya Saing Global CLMV untuk menganalisis bagaimana Inisiatif untuk Rencana Kerja Integrasi ASEAN II meningkatkan daya saing CLMV untuk mencapai Wilayah Pasar Bersaing sebagai Pilar Komunitas Ekonomi ASEAN.

Kata kunci: CLMV, Initiatives for ASEAN Integration, Human Development, Global Competitiveness Index

PREFACE

The widening development gap between states is occurred in any part of the world. ASEAN that mostly comprised of developing countries also experience development gap within it. To narrow the development gap, ASEAN as regional organization shall exist and help to narrow the gap by improve the development of the least. Traditional development indicator could not solely indicate the development. Human development as modern concept development exists to measure the development of a state in modern circumstance. Due to an ASEAN Economic Community pillar said as Competitive Market Region, ASEAN effort to achieve competitiveness and improve the development of CLMV should be worked hand in hand.

This thesis purposively to examine the Initiatives for ASEAN Integration Work Plan II would be worked to improve the human development of CLMV. The writer hopes for whom read this thesis would wonder over the existence of ASEAN to improve the development of CLMV. ASEAN has strength and weakness in exercise its mandate. Alongside of it, ASEAN has several specific program and agreement to improve the development of CLMV. Therefore, this thesis would be an instance of an examination on ASEAN program. Hopefully, the reader would have

interest to scrutinize another ASEAN program related to human development afterwards.

The writer would first like to acknowledge favors and support given by those important around him;

First, an utmost gratitude towards God. Only by His grace that the writer finally could finish this thesis.

My utmost gratitude to my parents and family whom never give up to supports my study.

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Charles Anthony Nindyo Setiawan

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Lastly, I would like to thank Universitas Katolik Parahyangan. I will not regret for the time I had dedicated to study in Unpar. I wish for the best for the future of Unpar and the rest of students.

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LIST OF ABBREVIATION

ASEAN Association of Southeast Asian Nations

ADF ASEAN Development Fund

AEC ASEAN Economic Community

CLMV Cambodia, Laos, Myanmar, Viet Nam

CU Custom Union

FTA Free Trade Area

GCI Global Competitiveness Index

GDP Gross Domestic Product

GNI Gross National Income

HDI Human Development Index

IAI Initiatives for ASEAN Integration

UN United Nations

CHAPTER 1

INTRODUCTION

1.1 Research Background

Association of Southeast Asian Nations (ASEAN) established on August 8th, 1967. ASEAN consist of 10 members namely: Indonesia, Malaysia, Singapore, Thailand, Philippines, Brunei Darussalam, Viet Nam, Laos, Myanmar, Cambodia. Unfortunately, fragmented economic growth and socio-political issues made different progress upon development. Cambodia, Laos, Myanmar, and Viet Nam (CLMV) are left in development progress. Therefore ASEAN as platform for improve welfare been urged to narrow the developmental gap between CLMV and the rest of member states. ASEAN established ASEAN Economic Community (AEC) in 2009 as a blueprint towards significant economic progress. Competitive Market Region stands as one of a pillar in AEC that shall be achieved. Nevertheless CLMV needs much progress to compete with ASEAN-6. In 2009-2015 ASEAN had done several efforts in order to narrowing development gap between ASEAN-6 and CLMV such as Initiative for ASEAN Integration (IAI) Work Plan II. ASEAN need to improve development of CLMV in order to create competitive market region as a pillar of ASEAN Economic Community.

Fragmented economic capability of Southeast Asian nations triggered the desires to strengthen its region economically. Marked by signing of ASEAN Charter in Bangkok by Indonesia, Singapore, Malaysia, Thailand, and Philippines in 1967, ASEAN was a profound mean for economic, social, culture, and promotion of peace and stability guided by United Nations Charter principles. After 9 years, ASEAN members issued a document named Bali Concord as historical movement for ASEAN to strengthen its existence.

Through the years, ASEAN became important regional actor that brought interest of its nation members. Significance of ASEAN could be seen by increasing of its member states, namely Brunei Darussalam joined on 8 January 1984, Viet Nam joined on 28 July 1995, Laos and Myanmar on 23 July 1997, and Cambodia on 30 April 1999.³ Non-interference principle of ASEAN prevents called nations from any assertion by its nation members and also attracted them to joint.

However, regardless non-interference principle, the distinction of sociopolitical and economic background each nation members hamper progress especially for latter joining members. Cambodia, Laos, Myanmar, and Viet Nam (CLMV) left far behind compared to other nation members that so called ASEAN-6 in term of development. This kind of situation raised ASEAN concern over developmental gap

¹ "The Founding of ASEAN", History, *ASEAN*, accessed on 5 September 2018 http://asean.org/asean/about-asean/history/

² "The Declaration of ASEAN Concord, Bali, Indonesia, 24 February 1976", The Declaration of ASEAN Concord, Bali, Indonesia 24 February 1976, *ASEAN*, accessed on 5 September 2018 http://asean.org/?static_post=declaration-of-asean-concord-indonesia-24-february-1976

³ "Membership", ASEAN, *Nuclear Threat Initiatives*, Last updated on August 31, 2018, accessed on 5 September 2018 https://www.nti.org/learn/treaties-and-regimes/association-southeast-asian-nations-asean/

that diverse ASEAN into "two tier". Such gap forced ASEAN to be aware of its existence as regional platform to bolster economic capacity. Realized that the developmental gap needed to be narrowed by effective means, in November 2000, ASEAN leaders agreed to launch "Initiatives for ASEAN Integration" (IAI) as a special program purposively to narrowing developmental gap between CLMV and ASEAN-6.

The development concept that determines ASEAN fragmentation is not merely based on traditional concept of development, yet also Human Development. Todaro defined concept of development as the mean to improve quality of human live. The given universal concept by United Nations Development Programme (UNDP) regards of Human Development to assess development of a country shall be a basis. The growth of human development related to the growth of global competitiveness. By improving the quality of the human development —which means improve the human development index indicators, it could create better opportunity for human to live. Afterwards, it would help to create better job with great human resource quality. Therefore, it could help to increase the competitiveness.

⁴ "Background", Overview, *ASEAN*, accessed on 5 September 2018 http://asean.org/asean-economic-community/initiative-for-asean-integration-iai-and-narrowing-the-development-gap-ndg/overview-2/

⁵ Caballero-Anthony, Mely. "Bridging Development Gaps in Southeast Asia: Towards an ASEAN Community." *UNISCI Discussion Papers* no. 11 (2006): 37-48.

https://search.proquest.com/docview/224065189?accountid=31495.

⁶ Arisman, "Determinant of Human Development Index in ASEAN Countries," *Jurnal Ilmu Ekonomi* 7, no. 1 (January 15, 2018), 113-122.

⁷ Muchdie, "Human Development, Global Competitiveness, and happiness: A Cross-Nation Path Analysis", *International Journal of Advanced Research 5, no.10* (August 10, 2017), 779-790.

IAI made to be deepen through Bali Concord II that adopted by ASEAN Leaders in 2003. Bali Concord II emphasized if ASEAN integration need to be applied through technical and development cooperation. CLMV and ASEAN-6 were urged to be integrated by acceleration of development also as mean towards ASEAN Integration. Practical measure of IAI codified in IAI Work Plan I (2002-2008), Work Plan II (2009-2015), and Vientiane Action Programme in regards to achieve ASEAN Vision 2020.8

The IAI Work Plan I successfully implemented 134 projects by total value for approximately US\$211 million.⁹ Take hindsight how IAI Work Plan I worked, IAI Work Plan II issued within profound inclination for ASEAN Economic Community (AEC).¹⁰ IAI Work Plan II expected to be an effective program to improve the development of CLMV, meanwhile preparing CLMV due to AEC that comes into effect on December 2015.

AEC consist of 4 pillars that shall be achieved namely: Single Market and Production Base; Competitive Economic Region; Equitable Economic Development; Integration into the Global Economy. Mentioned 4 pillars are intersected. Hence, IAI Work Plan II shall be effectively worked so, then CLMV could be prepared when AEC comes into effect.

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⁸ Initiatives for ASEAN Integration (IAI) Strategic Framework and IAI Work Plan 2 (2009-2015), *ASEAN*, available from https://www.asean.org/storage/images/archive/22325.pdf

⁹ Ibid.

¹⁰ Ibid.

Competitive Economic Region called as one of AEC pillars will be the focus of this paper. Enhancement of development for CLMV would be very important in order to compete in ASEAN region as mean towards ASEAN Integration.

Through aforementioned explanation in regards with development within ASEAN, the writer would like to analyze how IAI could improving CLMV human development rather to decrease ASEAN-6 pace. All in all, this research will focus on how IAI Work Plan II could improve the development of CLMV and support others AEC pillar which is to establish Competitive Economic Region. The writer would entertain an analysis on expected outcome if IAI Work Plan II projects are implemented. Hence this research titled Initiatives for ASEAN Integration Work Plan II for Improving Development of Cambodia, Laos, Myanmar, and Viet Nam towards Competitive Economic Region (2009-2015).

1.2. Problem Identification

Cambodia, Laos, Myanmar, and Viet Nam are slower compared to other ASEAN in terms of human development. Their internal socio-political and economic conditions hamper their own progress of development. Socio-political compasses any extent of development of any nations. The non-interference principle by ASEAN also could be an obstacle to due to its inability to pushes nation members.

Enhanced interaction between member states is needed. The non-interference principle restrained deeper interaction between member states. Creation of ASEAN

Integration could be achieved by constructive dialogue. However constructive manner that desired by non-interference principle yet become the obstacle for enhancement of interaction.¹¹ A challenge for ASEAN to create deeper dialogue between member states while upholding the non-interference principle.

ASEAN member states also are developing states. The member states are vulnerable due to any external variable such as trade wars, crisis, and highly strict global policy such as but not limited to adoption over environmental concern. ¹² If so, Initiatives for ASEAN Integration (IAI) could not work effectively. ASEAN needs external assistance to narrowing developmental gap. However there is no entity that could be forced to provide any assistance. ASEAN needs to either bargain or attract external actor through investment opportunity in order to grant any capital. Meanwhile ASEAN located in very strategic location for flows of goods and services yet ASEAN need to improve them self. ¹³ It is quite a dilemma for ASEAN between improving by inward orientation or intensifies external cooperation while prone to the influence of great powers.

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¹¹Mieke Molthof, "ASEAN and the Principle of Non-Interference," *E-International Relations Students*, February 8, 2012, accessed on 5 September 2018 https://www.e-ir.info/2012/02/08/asean-and-the-principle-of-non-interference/

¹²Chheang Vannarith, "Narrowing Development Gap in ASEAN," *Khmer Times*, January 18, 2016, accessed on 5 September 2018 https://www.khmertimeskh.com/news/20092/narrowing-the-development-gap-in-asean/

¹³Carmen Ho, "Laos plays pivotal role in ASEAN," *China Daily Asia*, September 16, 2016, accessed on 5 September 2018 https://www.chinadailyasia.com/asiaweekly/2016-09/16/content 15496572.html

The new members joint ASEAN by their vulnerability within domestic problems.¹⁴ They established by weak political regime and lenient institutional structure. It hampered them to gain their development. Thus, ASEAN as an institution that uphold non-interference principle could not give their hand to embrace also strengthen their domestic leverage.¹⁵

Internal factor such people's fear to competition could hamper progress for narrowing developmental gap. Then again, ASEAN could not intruded internal condition of member states. Substantive approach to tackle its fear would be proper yet not so effective due to lack difference linguistic ability within people of member states.

1.2.1. Research Limitation

This research will analyze ASEAN scheme on narrowing development gap. However, this research will not discuss about ASEAN's internal matter such as policy making, yet focus only ASEAN output purposively improving Cambodia, Laos, Myanmar, Viet Nam development. This research stresses on limited development measure, namely Human Development Index. Concept of development that will be frequently used is human development. Through implication of

 14 The New members are states which joined ASEAN in the 1990s namely Cambodia, Myanmar, Laos, Viet Nam.

¹⁵ Rokiah Alavi and Aisha Al-Alim Ramadhan,"Narrowing Developmental Gaps in ASEAN", *Journal of Economic Cooperation* (2008), p 29-60.

development enhancement in CLMV, its impact will be examined by seeing member states Human Development Index. Competitiveness of a region shall be assessed by *Global Competitiveness Index* in CLMV, thus it will be compared by the whole ASEAN-6.¹⁶

The writer would only entertain specific analyzes on CLMV Human Development in 2009-2015. The period of IAI Work Plan II becomes the main reason why the author delimits the research on 2009-2015. The period of 200-92015 is quite relevant compared to the other period of IAI. IAI Work Plan I takes year 2002-2008 and IAI Work Plan III takes 2015-2020. The author perceived that period of IAI Work Plan I was too old to be examined again yet the Work Plan III has not been done. Thus, it would not provide much of data and afraid that the result would not be relevant.

The writer also realizes that there are some concerns over the timeline selection (2009-2015). The writer would like to examine the human development of CLMV within this period, however the writer is mostly provide the data in 2009 and 2015. There are not much data in the each year account. Albeit so, the writer utilize graphic in order to explain the improvement of HDI indicators of each state. This could explain the improvement of HDI indicators of the states in every years within

¹⁶ Global Competitiveness Index is a measurement to rate the level of productivity of a country, conditions of public institutions and technical conditions. Such condition determines the competitiveness of a country compared to other countries globally. This Index was founded by World Economic Forum. Source: "The Global Competitiveness Report 2012-2013", *World Economic Forum* http://www.economy.ge/uploads/ek_ciprebshi/reitingebi/reitingebi_eng/gci.pdf accessed on 21 July 2019.

2009-2015. Therefore, there would not be detail explanation of each year improvement due to efficiency of analysis.

The indicators that provided in the chapter 3.1 would not be *apple to apple* comparison. In the chapter 3.1., the writer provided different indicators in each state. This manner of comparison indicates the way writer would to explain the human development profile of each state. The writer perceives that every state has different weakness and strength. In the chapter 3.1., the writer describes general information about the human development profile of the states. Therefore, the indicators that selected by writer are based on the description of strength and weakness of each state.

Unfortunately, ASEAN has not published the full report of implementation of IAI Work Plan II. It delimit into publication of proposals of programs. Therefore, writer would only entertain such analysis on expected outcome if it is implemented. ASEAN also does not scrutinize the term of Competitive Market Region. The writer did not find any specific tool or measurement that ASEAN refer to measure competitiveness level. Therefore, the writer would only use Global Competitiveness Index to measure Competitive Market Region.

1.2.2. Research Question

This paper will be conducted according to a Research Question written as "How did Initiatives for ASEAN Integration Work Plan II improve human

development of CLMV to achieve Competitive Economic Region as an ASEAN Economic Community pillar?"

1.3. Purpose of the Research

Improving development of CLMV is a vital objective that ASEAN shall do purposively to achieve integration of ASEAN. The existence of ASEAN as platform to enhance economic situation shall be done through ASEAN Economic Community. Therefore, this paper would like to examine how *Initiative for ASEAN Integration* Work Plan II could be exercised towards improving human development of CLMV in order to achieve competitive market region as a goal of ASEAN Economic Community.

1.4. Literature Review

Regards of any context means upon Initiatives for ASEAN Integration for improving development of Cambodia, Laos, Myanmar, Viet Nam towards Competitive Market Region of ASEAN, there are three journals that further support for purpose of this research. The first journal titled *The ASEAN Development Divide* and the Initiative for ASEAN Integration by Rodolfo C. Severino.¹⁷ The journal argues that the division between ASEAN-6 and CLMV shall not only base on these

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¹⁷ Severino, Rodolfo C. "The ASEAN Developmental Divide and the Initiative for ASEAN Integration." *ASEAN Economic Bulletin* 24, no. 1 (04, 2007): 35-44. https://search.proquest.com/docview/219630092?accountid=31495.

tiers, yet also among the ASEAN-6 and CLMV members. Slowing pace on ASEAN Integration is not the responsible of CLMV.

Due to the new entry of CLMV, it was slowing the pace for ASEAN Economic Integration. CLMV only created small extent of total ASEAN market.¹⁸ This shown that domestic economic power affects regional market integration. For an instance, motor vehicle inclusion in AFTA coverage. Malaysia, Philippines, and Indonesia have diversity of interest in aforementioned issue. It hampered ASEAN to narrow developmental gap.

Nevertheless the difficult transition of CLMV from State-centric to market-oriented shall be studied in further time. Larger involvement from CLMV has to be significant in order to narrowing exist developmental gap between CLMV and ASEAN-6. There are two reforms that shall be applied, which are domestic policy and governance reform. Also any possible external assistance has to take role in reforming CLMV.

The second journal is titled *Integration of the CLMV Countries with the Association of Southeast Asian Nations* by Pawel Soja published on The Polish Quarterly of International Affairs in 2017.¹⁹ This journal argues that The engagement of CLMV just not merely a mark for diplomacy award for ASEAN, yet there were 3

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¹⁸ Ibid.

¹⁹ Soja, Paweł. "Integration of the CLMV Countries with the Association of Southeast Asian Nations." *The Polish Quarterly of International Affairs* 26, no. 4 (2017): 44-69. https://search.proquest.com/docview/2052625144?accountid=31495.

main reason in which to counterbalancing China's domination in that era; to increase the rate of economic growth; and to further develop ASEAN especially CLMV into modern state.²⁰

In the other hand, CLMV were having complex circumstances within their states. CLMV classified into two circumstances, the first one is Viet Nam. In 1992, Viet Nam Government adopted new constitution that made significant changes by upholding Doi Moi principle.²¹ Aforementioned constitution led to separation of power between the state and Communist Party, also marked the end of the orthodox model of communism. Through this profound change, Viet Nam began to export crude oil.²² Through the occurred growth, Viet Nam recognized as one of the most rapid nation in economic development. Even the United States established a good economic relationship with Viet Nam despite of their carnage history due to how prospective Viet Nam was.²³

However, CLM nations did not experience such significant change. Their domestic political issue hampered them to achieve rapid development. For an instance, Cambodia and Myanmar may already be recognized as democratic states.

²⁰ Ibid.

²¹ Ibid.

²² Ibid.

²³ Ibid.

However, their structures of bureaucracy are not solemnly support for freedom of expression. Internal tension still impeded them away from democracy.²⁴

The Initiative for ASEAN Integration (AIA) issued as the key instrument to narrow the developmental gap between CLMV and ASEAN-6. AIA is not the only assistance measure for narrowing developmental gap. Any external assistant, in particular, ASEAN Development Fund (ADF) also became an exceptional intergovernmental project to assist less developed countries. However, CLMV still shown insufficient commitment to join actions directed at the CLMV countries. In the other hand, Linkage between ASEAN and other assistance institutions are weak. ASEAN governance needs to be improved to fulfill any requirement expected by external aid assistance such as World Bank. Liberalization of CLMV could be encouraged through norm understanding, since ASEAN uphold democratic principal.

The third journal is titled *Understanding the ASEAN Development Gap* by Mark Mcgillivray, Simon Feeny and Sasi Lamsiraroj published by Routledge in 2013.²⁵ This journal defines that development is not solely a rigid concept yet it development could be perceived in any measure that in accordance with the needs of the subject.²⁶ Achievement of development could be measured through level of health, education, and income. Any factors that drive towards achievement of

²⁶ Ibid., 21.

²⁴ Ibid.

²⁵ McGillivray, Feeny Mark, Simon and Iamsiraroj, "Understanding the ASEAN development gaps, in Narrowing the development gap in ASEAN: drivers and policy options," Routledge, Abingdon, England, p. 21-64.

development are too wide yet any quantitative indicator of it is not available. In 1990, UNDP released a report that incline to shift perception of traditional development to a non-traditional development so called Human Development.²⁷ However any data regarding the measurement for achievement are available widely. The measurement of development gap is using Multidimensional Development Achievement. Human Development Index and Grass National Income are quantitative measure of development gap.

The gap within ASEAN could be listed in various measures. It leads to multidimensional development achievement.²⁸ The various mean to measure the gap within ASEAN could be quantified by Human Development Index and GNI per Capita.²⁹Population within each ASEAN members' shall be the most mean to be considered in selecting the gap measurement. Afterwards, the development gap measurement would be branched out into precedent means of development.

Lastly, the writer would like to review from a journal titled as "Economic Growth, Human Development, and Global Competitiveness" written by Muchdie. This paper analyzed the relation between economic growth, human development, and

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²⁷ Human Development takes human's freedom as main objectives of development. It enlarges the people's freedom to choose. Subsequently, human have to be educated and have decent standard of living. (UNDP, 1990:10)

²⁸ McGillivray, p. 26

²⁹ Ibid., 28

global competitiveness. Cited from Michael Porter, Muchdie said that the fundamental goal of economic policy is to enhance competitiveness.³⁰

The embarking of competitiveness concept made it plays important role in economic development. Human development becomes a moderator variable inbetween economic growth and competitiveness.³¹ In order to improve competitiveness of a state, government shall invest in education, research, innovation, and technological infrastructure.³² To measure its index, integration of macro and microeconomic is occurred towards Global Competitiveness Index.³³ Human development becomes alternative approach to measure a part of economic growth. It is more an approach to measure social justice than economic.³⁴ Human development also related to competitiveness.

Muchdie analyze the direct and indirect impact between the three variables. Muchdie used path analysis model by Sewall Wright.³⁵ He selects around 155 countries from UNDP and 178 countries from World Bank. To measure competitiveness, Muchdie used Global Competitiveness Index, GDP growth to

³⁰ Muchdie, "Economic Growth, Human Development, and Global Competitiveness" *International Journal of Social Science and Economic Research* 1, no.10 (January 2016): 1718

³¹ Ibid.

³² Ibid., 1719

³³ Ibid., 1720

³⁴ Ibid.

³⁵ Ibid., 1722

measure economic growth and Human Development Index to measure Human Development. Most of all, Muchdie used 123 countries to analyze.³⁶

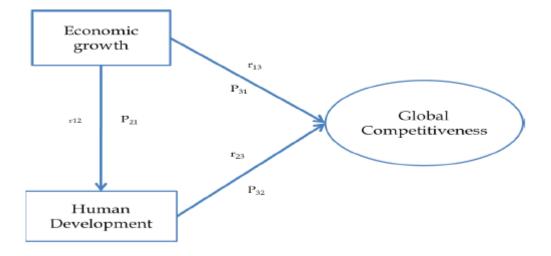


Figure 1.1. Path Model Analysis the Impact in-between Economic Growth, Global Competitiveness and Human Development. Source: Muchdie, "Economic Growth, Human Development, and Global Competitiveness" *International Journal of Social Science and Economic Research* 1, no.10 (January 2016): 1722

It resulted that economic growth had negative impact on human development yet created a direct and positive impact for global competitiveness.³⁷ Other than that, it also resulted that human development had positive and significant direct impact on global competitiveness.³⁸ Lastly, result showed that economic growth had negative and indirect negative impact toward global competitiveness.

The writer thought that traditional indicator such as GDP is no longer the utmost relevant indicator to development. Social development such as human

³⁷ Ibid., 1732

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³⁶ Ibid., 1723

³⁸ Ibid.

development has become relevant into modern development society. Human development proved to enhance competitiveness. Therefore, related to this thesis, he writer argues that if IAI Work Plan 2 could improve the human development of CLMV, then it could help it to achieve Competitive Market Region.

1.5. Theoretical Framework

In regards with this research, the topic of this research is related to the International Relations Sciences. Multidisciplinary theories are needed corresponding to the complexity of international relation issues. In this topic, the research will focus on international political economy issue as an international relations issue. Theories related to the topic will be functioned to scrutinize the issue.

Liberalism Institutionalism

Regional economic integration in Europe became an inspiration for other states. Nation states started to believe that conflict between states could be delimited through common interest in trade and economic collaboration in regional level.³⁹ Robert Keohane and Joseph Nye explained that scope of cooperation could be explained through membership of international institutions.⁴⁰ Keohane and Nye describe Liberalism Institutionalism through assumption that cooperation between

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³⁹ Scott Burchill, Andrew Linklater, ed. Al., *Theories of International Relations*, (New York: Palgrave Macmillian, 2005), 64

⁴⁰ Ibid.

states should be organized and formalized within institution. The sense of institutions means that a set of rule that could govern members behavior towards specific policy. 41 Liberalism Institutionalism perceives that international relation is not a zerosum game. 42 Cooperation could maximize every member interest. Set of rules would govern to efficiency of cooperation between members. Furthermore, it would enhance trust, continuity, and stability of the cooperation.

Liberalism Institutionalism shares the perception of neo-realism and neoliberalism that there is a prospect for cooperation within an anarchical world.⁴³ Anarchy is perceived as a mean that could be mitigated by regime and institutional cooperation which improve the level of regularity and predictability to international relations. 44 Despite of neo-realism and neo-liberalism common assumption about cooperation, they have different perception on the gain from cooperation. Neorealism perceives that state could obtain relative gain from cooperation, yet neoliberalism thought that state could get absolute gain as output of cooperation.⁴⁵

Enacting the Liberalism Institutionalism assumption does not merely there would not be conflict. The idea of cooperation could lead to conflict in different manner. The idea of economic interdependence within liberalism institutionalism could imply such misleading degree of equality and shared vulnerability of economic

⁴¹ Ibid.

⁴² Ibid, 65

⁴³ Ibid, 63 44 Ibid, 65

⁴⁵ Ibid.

forces globally.⁴⁶ The power relation between states does not be diminished. The hegemony would have leverage compared to the other state. For an instance, the United States could frame the institutions regulation and law is inclined with them. The conflict and cooperation is formed in the new manner. Nevertheless, the Liberalism Institutionalism assumed that it would be channelled into more peaceful form.⁴⁷

International Organization as Arena

Arnold Wolfers stated the role international organizations could be an independent actor, arena and instrument.⁴⁸ The various role of international organization would lead to various perceptions on an international organization. Every international organization has their significant role. Thus, this thesis would exercise the role of international organizations as arena.

Role as arena means that international organization becomes an arena or forums which actions take place.⁴⁹ International organizations provide the arena for member states to discuss or negotiate to achieve an agreement. In this arena, the discussion that occurred could be in harmonious or vicious manner. It depends on the issue that discussed and every states' stance. Stanley Hoffman once said that international organization as arena and a stake it has been useful to each of the

¹⁷ Ibid

⁴⁹ Ibid

⁴⁶ Ibid, 66

⁴⁸ Clive Archer, *International Organization* (London: Routledge, 2001), p. 68-92

competing groups eager to get not only a forum for their views but also diplomatic reinforcement for their policies.⁵⁰

Through this role, the writer would examine the role of ASEAN as arena. The writer perceived that ASEAN would become an effective arena to issued agreements. ASEAN established many forms of agreement in various sectors. ASEAN effort to narrow the development gap also started from agreement first, than implement it.

Economic Theories of Regional Integration

Regional integration has been the concern of many economists. Trade integration in the region is divided into several results, namely: Free Trade Area (FTA), Custom Unions (CU), and Common Market. FTA is one of the easiest ways to do economic integration, namely by liberalizing internal trade while maintaining its sovereignty at the level of external trade. CU encourages the free movement of production factors - Capital and Human Resources - which means that there is a deep integration.⁵¹ In addition regional integration can also produce currency similarities and fiscal policies. The decision to conduct an economic integration within the region needs to consider also the formation of political integration in the regional region.

According to Jacob Viner, regional economic integration will not only bring equal prosperity to the region.⁵² The form of regional economic integration also

⁵¹ Mary Farrell, Bjorn Hettne, and Luk Van Langenhove, "Global Politics of Regionalism: Theory and Practice", (Pluto Press: 2005): p. 69

⁵² Ibid.

becomes a challenge for countries, especially developing countries which are incorporated. Often found economic integration efforts of the region produce discrimination.

In 1960, regional economic integration became the relevant phenomenon to show the changing trade trends. European integration in 1960 showed a new pattern in international trade which was in a state of imperfect competition.⁵³ At this time the concept of comparative advantage is not based on traditional notions, but leads to new concepts of specialization and economic geography.

The country's contribution to international trade can bring more benefits than before. For example through the achievement of CUs that bring elimination of tariffs can achieve equilibrium. But this can also have a bad impact if it ends with trade diversion. Diversion trade can occur if countries divert their imports to countries that produce better quality of production and leave unfavorable production of developing countries. If this happens, regional economic integration can be disastrous for developing and undeveloped countries. It needs to be further criticized whether the role of countries in the economic integration of the region becomes partners or competitors. In the short term, the economic integration of the region may reduce the tariff of import duty so that it can increase productivity.⁵⁴ But we need to criticize the impact for the long term, which is competition that can have a negative impact on developing and undeveloped countries.

⁵³ Ibid., 70.

⁵⁴ Ibid 72

The concept of regionalism in 1990 changed and differs from traditional regional concepts in earlier times. During the 1990s, regionalism included developing countries as countries that played an important role in regional economic integration. Regional economic integration efforts are seen by developing countries as a platform to increase bargaining power in international trade negotiations.

Human Development

The writer would utilize the concept of Human Development to explain the improvement of development in CLMV. However, to deeply understand the human development, the writer would explain the history of human development. The following explanation is referred to an academic writing titled "The Intellectual History of Development Towards a Widening Potential Repertoire" by Benjamin Knutsson. Credits to Knutsson, this journal is outstanding. He explained the complex notion of development to be easier to be understood.

Knutsson started his explanation about development after the World War 2. To begin with, Knutsson conveyed that development is not regarded socially neutral due to the changing of world order.⁵⁵ The notion of development reinvention was started by post-World War 2. The former colonial areas get through to the concept of developing countries and third world. ⁵⁶ Furthermore, beside the establishment of

⁵⁶ Ibid., 8.

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⁵⁵ Benjamin Knutsson, "The Intellectual History of Development Towards a Widening Repertoire Development," *Perspective*, no. 13 (April 2009): 4

United Nations, after World War 2 there were also establishment of *International Monetary Fund, World Bank*, and *General Agreement on Tariffs and Trade*. These establishments became symbol of reinvention of International Organization.⁵⁷

The 2 superpowers –United States and Soviet Union- shaped the world into bipolar order. They were competing for political influence and shaping the economic system.⁵⁸ Both were utilizing the post-war development needs to gaining their influence –this phrase also called as *geopolitics of poverty*. United States was reconstructing Europe. President Harry Truman marked that modern industrialization is a blueprint for development.⁵⁹ This view of development assumed that national economic power such as Gross National Income per capita and economic growth are equivalent to development and not regarded other issue as development.⁶⁰ Mainstream development thinking was dominated such mentioned above was influence by traditional modernization development thinking.

December 1961 was regarded as the first development decade since during the UN General Assembly the people were keen to accelerate progress towards self-sustaining growth of the century.⁶¹ Multilateral or bilateral aid was speeding up to the developing and third world countries. Furthermore, in the 1964, every donor countries should allocate 1% of GNI to developing countries.⁶² This shown that in this period, the UN started to made global framework to develop the developing and

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⁵⁷ Ibid., 8.

⁵⁸ Ibid., 8.

⁵⁹ Ibid., 9.

⁶⁰ Ibid., 10.

⁶¹ Ibid., 12.

⁶² Ibid., 12.

third world countries. Unfortunately, in 1960-1970 the tradition development thinking that marked development is equal to economic growth still existed, even more, it was dominating.

The 1970s, or so called the second development decade became a milestone to widening the development thinking. The aid given by donor countries was more intended to decrease poverty and increase employment.⁶³ The traditional development which is lining with European modernization thinking was assumed that it is unable to explain the widening gaps between the rich and poor countries.⁶⁴ Such problem issued a dependency theory paradigm where the poor countries that have not ability to produce the final good relied on rich countries. The poor countries just have the ability to provide raw material.

The contested development concept played immense role to debate on multidisciplinary social science, challenged the traditional development thinking by various development movement that labeled as another development. Environment problems that resulted by traditional development thinking was the starting point for *another development* thinking. *Another development* thinking would be: need-oriented, endogenous, self-reliant, ecologically sound, and based on structural transformation. Furthermore, the another development was debated and resulted to the revision of another development paradigm, namely: Basic needs, self-reliance,

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⁶³ Ibid., 16.

⁶⁴ Ibid., 17.

⁶⁵ Ibid., 18-19.

⁶⁶ Ibid., 19.

ecodevelopment, women and development, and ethnodevelopment.⁶⁷ Development thinking became more complex and multi-dimensional.

The 1980s was called as third development decade yet also referred as "the lost decade" of development. 68The whole idea of another development was diminished and reversed into traditional development thinking. Issues such macroeconomic stability, budget balance, inflation rate was occupied and once again became assumption for development approach. 69 Foreign Direct Investment (FDI) was a preferred measure to gain national capital and to develop compared to traditional development assistance such as donor. 70

However, the Brundtland commission –Commission on Environment and Development-⁷¹ conveyed that traditional development thinking fails to address the needs of present and future generation.⁷² The widening gap between poor and rich countries was still widening.⁷³ This leaves critics on western centric development thinking. The Brundtland Commission was open sustainable development discourse for gaining insight.⁷⁴

⁶⁷ Ibid., 20.

⁶⁸ Ibid., 22.

⁶⁹ Ibid., 23.

⁷⁰ Ibid., 25.

⁷¹ The United Nations was established the Commission on Environment and Development on 1984. The Commission also called as Brundtland Commission which was referred to its chair, Gro Harlem Brundtland. "The Brundtland Commission", Sustainable Development 2015, https://www.sustainabledevelopment2015.org/AdvocacyToolkit/index.php/earth-summit-history/past-earth-summits/58-the-brundtland-commission accessed on 28 May 2019.

⁷² Knutsson, p. 26

⁷³ Ibid.

⁷⁴ Ibid., 28.

The 1990s, which Cold War had ended, was a complex period. New issues identity politics and violation of human rights was emerged. Along with that, the global inequalities still existed. In this period, the development debate was shifted into democracy and human right sphere. Good governance became important aspect in order to grant development assistance. The good governance phrase influenced structural adjustment in incorporate social dimensions and the conception of human right. This re-adjusment also play role to establish the new conception called human development.

Individual Capability Deprivation become the center of human development discourse, which initiated by Amartya Sen. Sen was published human development concept through his book titled Development as Freedom. Increasing GNP or individual income is certainly an important thing to expanded the freedom that can be enjoyed by society. But freedom is also determined by other determinants such as social and economic arrangements. The process of industrialization or technology or socialization of modernization contributes to expanding human freedom, but freedom also depends on other influences. If freedom is a development, then of course there is an opinion that concentrates on a comprehensive object. Development requires the absence of sources of inhibition of freedom such as: Poverty as tyranny, lack of economic opportunities, neglects of public facilities such as intolerance.

⁷⁵ Ibid.

⁷⁶ Ibid., 30.

⁷⁷ Ibid., 31.

⁷⁸ Ibid 32

⁷⁹ Amartya Sen, "Development as Freedom" Alfred A. Knopf, Inc. (New York: 1999): 3

Sometimes a lack of substantive freedom relates directly to economic poverty, which deprives people of freedom to satisfy hunger, or to obtain adequate nutrition, or to get a solution for treatable diseases, or the opportunity to dress adequately or be protected, or to enjoy clean water or facilities sanitation. In other cases, such ignorance is closely related to the lack of public facilities and social care, such as the absence of epidemiological programs, or organized arrangements for health care or educational facilities, or from effective institutions for the maintenance of local peace and order. Still in other cases, violations of freedom result directly from denial of political and civil liberties by authoritarian regimes and from restrictions imposed on the freedom to participate in the social, political and economic life of the community. 80 Freedom is the main thing for achieving development for two reasons, namely: (1) evaluative reasons: assessing the progress of existing public freedom, (2) the reasons for effectiveness: the achievement of development is dependent on people's freedom. The relationship between individual freedom and the achievement of social development goes like constitutive connectivity. What can be achieved by society is influenced by economic opportunities, political freedom, social ability, and can achieve good health conditions, basic education.⁸¹

Human Development concept combines between growth and equity through Human Development Index (HDI) by UNDP. HDI is comprised of calculation between long and healthy life that reflected through Life Expectancy, Knowledge that

⁸⁰ Ibid., 4.

⁸¹ Ibid., 5.

reflected by Education Index, and Decent Standard of Living that reflected by Gross National Income.⁸² Human Development Index is a proper measure to examine human development in a country.

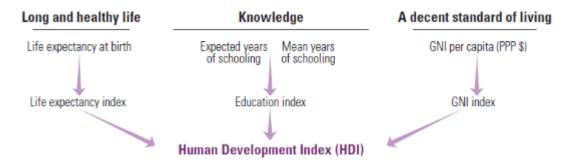


Figure 1.2. Human Development Index indicators. Source: "Human Development Index," *United Nations Development Programme*, http://hdr.undp.org/en/content/human-development-index-hdi

Global Competitiveness

Competitiveness is used to analyze nations or firms performance compared to the others. People would to refer international competitiveness as global competitiveness. Nevertheless, both are different framework. International competitiveness can be seen as a result and determining factor, yet global competitiveness examines the microeconomic, mesoeconomic, and macroeconomic in order to measure competitiveness level of a nation. 83

To be more specific, the writer would refer the definition of competitiveness to "Set of institutions, policies, and factors that determine the level of productivity of a country" that conveyed by The Global Competitiveness Report of the World

⁸² "Human Development Index," *United Nations Development Programme*, accessed on 28 May 2019, http://hdr.undp.org/en/content/human-development-index-hdi

⁸³ Alain Nurbel, "The Global Competitiveness Of The Nation: A Conceptual Discussion" *Journal of Business & Economic Research* 5, no. 10 (October 2007): 63

Economic Forum.⁸⁴ World Economic Forum uses Global Competitiveness Index to measure competitiveness of a state. There are 12 pillars of competitiveness, namely Institutions, Infrastructure, ICT adoption, Macroeconomic stability, health, skills, product market, labour market, financial system, market size, business dynamism, innovation capability.⁸⁵ These twelve pillar will result in such scorecard, then it measured the level of competitiveness of a state.

1.6 Research Methods

The research method of this paper will be conducted by qualitative research. The general characteristics of qualitative research focus on data collection, analysis, and writing. Reference said that qualitative research topic should be referred to narrative, phenomenology, ethnology, case study, and grounded theory. There are research steps to be follow in order to conduct a qualitative research. The writer shall identify references, literature, and specific design that relevant to the approach that relevant to the topic. After that, the writer shall provide brief information regarding the design, field of study, and definition of it. The topic should be discussed in regards with its appropriate strategy to be implemented. Lastly, writer shall identify main aspects of the design such as title, problem, research questions, data collection,

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⁸⁴ Ibid., Muchdie, 1719

⁸⁵ Klaus Schab, "The Global Competitiveness Report 2018" World Economic Forum, 2018: 2 http://www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf accessed on 1 August 2019

⁸⁶ John W. Creswell, "Qualitative, Quantitative, and Research Design" (United States of America: SAGE Publications, Inc., 2014), p. 187

⁸⁷ Ibid.

⁸⁸ Ibid.

and analysis. Mentioned steps produce any information regarding the object of this research problem which is the impact of implication from improving human development of CLMV towards economic regional integration.

1.6.1 Data Collection

The researcher needs to collect data in order to conduct discussion or research in regards with its research topic. Data collection could be conducted through unstructured or semi structured observations and interviews, documents, and visual materials.⁸⁹There are several steps that become such protocol in order to collect information. The researcher shall meticulously select sites or individuals for the study. Then, indicate the type of data that would be collected. In the sphere of qualitative research, the researcher may collect data in various forms.

Data collection has to consider multiples data that beyond the typical reference point of conducting interviews. 90 One of the most important steps in data collection is to find people or places that could gain access in order to provide good data. 91 Researcher also needs to do "field issues" so then if the researcher finds the field is proved inadequate, research shall leave the field. Data collection could be taken from any valid sources such as journal, archive, official memo, news, report,

⁸⁹ Ibid, 189

⁹⁰ John W. Creswell, "Qualitative Inquiry and Research Design" (United States of America: SAGE Publications, Inc., 2013): 118.

⁹¹ Ibid.

and letters.⁹² Withstanding with the data collection forms, researcher shall be specific regarding the types and concerning over the strength and weakness of the data. After gathering data, this paper will elaborate the data that already gathered, afterwards, elaborate with the theory and measurement.

1.7 Thesis Structure

This paper is focusing on elaborate the way ASEAN improve development of Cambodia, Laos, Myanmar, and Viet Nam. Therefore this paper will attempt to answer the question written as how did Initiative for ASEAN Integration Work Plan II improve human development of CLMV towards Competitive Economic Region as an ASEAN Economic Community pillar.

- Chapter one elaborates the research background, research identification, research limitation, literatures review, theoretical framework and thesis structure within the thesis.
- Chapter two elaborates the role and dynamics of ASEAN specifically for improving the development of CLMV and scrutinize the process of IAI Work Plan I into IAI Work Plan II.
- Chapter three elaborates the expected output of IAI Work Plan II and it impact towards Competitive Market Region through examine the Human Development Profile of Cambodia, Laos, Myanmar, and Viet Nam. Thus examine

⁹² John W. Creswell, "Educational Research Fourth Edition," (Boston: Pearson Education, 2012): p. 223.

The expected output related to human development index if the proposed project of IAI Work Plan II implemented. Afterwards, examine the Global Competitiveness Index of each CLMV countries.

• **Chapter four** will conclude the result of this research.