

ASEAN ECONOMIC INTEGRATION

By Whom? For Whom?

In November 2015, leaders from the ten (10) member states of the Association of Southeast Asian Nations (ASEAN) gathered in Kuala Lumpur, Malaysia to launch the ASEAN Community Vision 2025, a collective undertaking to build a regional community that is politically cohesive, economically integrated, and socially responsible. ASEAN 2025 builds on the ASEAN Community 2015, which member states embarked on in 2009. Both plans for regional integration are built on three pillars of cooperation: Political Security Community, Socio-Cultural Community, and Economic Community. Each of these three pillars has its own roadmap for achieving integration in each respective area. However, the ASEAN Economic Community (AEC) is regarded as the most advanced of all the pillars. While synergies between the three pillars are supposedly recognized, critiques note that the economic integration drives the integration process, at the expense of people's rights, social justice, democracy, and environmental protection. As the ASEAN gears for another ten (10) years of deepening and strengthening regional integration, attention must be given to how the economic community building actually impacts the Southeast Asian peoples on the ground.

ASEAN is being projected as a destination for investments because of its growth rate at 5.3%¹, which is currently faster than the US at 3.1%, and the EU at 2.5%. According to the World Bank, ASEAN is the world's 5th largest economy, after the US, EU, China, and Japan.² The region is also rich with human and natural resources such as fossil fuels, minerals, and forests. Investors are saying that ASEAN will continue this economic 'success' as long as it fulfills its setting up of the ASEAN Economic Community.

Exclusionary Growth, Increasing Wealth Concentration

ASEAN has indeed experienced positive economic growth since the Asian Financial Crisis. Poverty rates (below 1.25 USD PPP) fell from 47% in 1990, to 14% in 2015.³ Unemployment rates in member states also fell from 2.1%-11% in 2004⁴, to 0.5%-6.9% in 2015⁵.

However, these numbers do not adequately reflect the realities on the ground. Raising income thresholds to 1.51 USD, poverty rates in the region become high, standing at above 30% in Laos, above 25% in Indonesia and Philippines, and above 20% in Cambodia and Vietnam.⁶ Despite increases in employment rates, more than half of ASEAN's labor force or 58.8% are employed in vulnerable forms of employment, which lack security and are prone to abuse and exploitation. The incidence rate is higher among women at 62.9% vs among men at 55.9%.⁷

Perhaps, the starkest evidence that growth in the region has not benefited the majority of the population is the rising inequality and concentration of wealth in the hands of a few elite. According to the Credit Suisse Global Wealth Databook 2016, Thailand and Indonesia are the 3rd and 4th most unequal countries in the world, respectively. In Thailand, the richest 1% owns 58% of the total wealth of the country while in Indonesia, the richest 1% owns 49.3%.⁸ The same report shows worrying levels of inequality in all ASEAN countries (See Table 1).

These persistent challenges will not in any way be addressed by the AEC 2025. Instead, these will be worsened.

Table 1

Inequality in ASEAN	
Country	GINI
Brunei	68%
Singapore	74%
Myanmar	74.10%
Vietnam	74.80%
Laos	75.20%
Cambodia	79.50%
Malaysia	80%
Philippines	83.40%
Indonesia	84%
Thailand	85.90%

AEC 2025: Blueprint for Entrenching Corporate Power in the Region

The AEC 2025 outlines the five components of achieving regional economic integration by 2025: (i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centered ASEAN; and (v) A Global ASEAN. In order to achieve these five components, ASEAN member states intend to embark into not only increasing liberalization and deregulation of trading in goods, services, and investments, but also increasing protection for investors and corporations through intellectual property rights as well as enhanced dispute settlement.

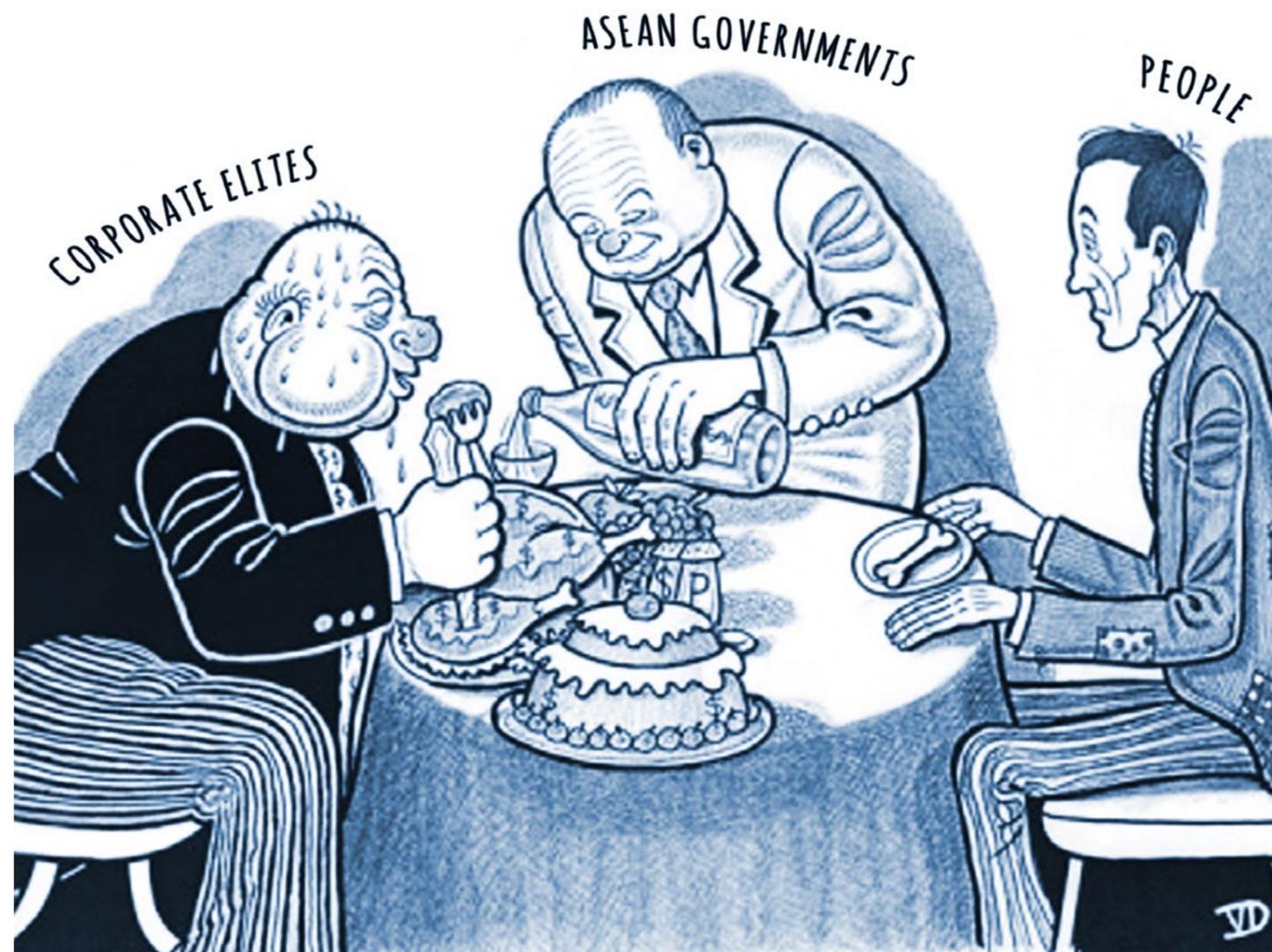
Locking in Liberalization, Locking Out People's Rights

In order to strengthen and deepen liberalization in the region, ASEAN states agreed to key measures such as removing restrictions on trade in services, better trade facilitation measures, financial integration, facilitation of the movement of skilled labor, and linking the region to the global value chains (GVCs). Following these measures in the neoliberal guidebook will indeed increase trade and investment in the region, but eventually will mean harm for the people.

Services Liberalization. Measures are already in place to reduce the limitations on market access and national treatment across services sectors, some of which go beyond commitments made in the World Trade Organization (WTO). Member states have agreed on eight (8) packages for commitments that cover services sectors such as air and maritime transport, construction, distribution, education, financial, health care, telecommunications, and tourism. Although implementation of these packages are met by several challenges, member states are head on in completing the full integration of services in the region by exploring other means to liberalize services as well as attracting more foreign direct investments. Such measures can be fatal to developing member states' weaker services sectors and workers employed under them as foreign services giants are allowed to set up business and operate on equal footing. Moreover, experience with liberalizing services shows that it leads to

lessened peoples access due to privatizing sectors such as education, health, and transport, treating them as sources of profit or private wealth, rather than as public goods that governments should protect for social interest.

Trade Facilitation Measures. The AEC blueprint also contains proposals to improve trade facilitation measures (TF) to further remove infrastructural and other regulatory barriers to trade in the form



Source: <https://austerityisgenocide.wordpress.com/2013/05/26/may-2013/>

of non-tariff measures. ASEAN was successful in removing/reducing most tariffs but non-tariff measures (NTM) that impede free trade have increased from 1634 to 5975 between 2000 and 2015.⁹ The AEC's proposal is to accelerate measures to fully eliminate NTMs. However, NTMs also function as important regulations that protect the people from trade's harmful effects on the environment, health and safety, security, and in some cases, preserve the cultural traditions of a

people. Some NTMs also protect the prerogative of governments in procurement measures to favor domestic over foreign sources to facilitate national economic development. Full elimination of NTMs will not only worsen the flood of cheap goods from more developed member states to lesser developed member states, but also expose the people to potential environmental and health hazards from goods and services entering their country.

the hope of reducing the cost of implementing trade facilitation obligations.¹⁰

The entry of foreign TNCs in building infrastructure and training services may come through direct privatization or through any of the various modalities of public-private partnerships (PPP). These will facilitate increased foreign control over the construction and operation of highways, railways, shipping ports, airports, other public infrastructure, and even related services such as water, power, and telecommunications. This will further edge out local contractors, worsen job losses, cut down wages, and erode labor rights.

Free Movement of Skilled Labor. Free movement of skilled labor is directly related to removing barriers to trade, as it will allow professionals to work from one country to another through Mutual Recognition Arrangements (MRAs). ASEAN member states have eight (8) such MRAs in the following professions: engineering, nursing, architectural services, medical practitioners, dental practitioners, tourism professionals. Framework agreements are also in place for developing MRAs in surveying qualifications and accountancy services. While freedom of movement allows individual professionals greater access, it also has the potential to worsen the already lopsided migration of workers from poorer countries to more developed countries to seek better wages and better lives. Moreover, such skills and training are also more available to aspiring professionals in more developed countries. In developing countries, only a few can afford education and training for these professions. Low and semi-skilled workers such as those involved in construction and domestic work are not able to access benefits of movement of labor and are left prone to job insecurity and exploitation both in more developed and less developed member states.

Financial Integration. Member states are pursuing financial integration through liberalizing financial services, banking integration, capital account liberalization, capital market development, harmonized payments and settlement systems, financial inclusion, and capacity building. These measures for financial integration make it easier for corporations to move their money from one place to another without any restriction or consideration on its effects on the local economy. Additionally, deeper financial integration exposes the risk of

Another trade facilitation measure in the blueprint is public-private partnerships for improving infrastructure to facilitate movement of goods and services between borders. These include but not limited to building of roads, air and seaports, software for processing of transactions, and training personnel. Constrained with the agreements on services liberalization and general lack of funds, developing member states may decide to award infrastructure contracts to foreign companies in

member states to contagion wherein financial crisis can quickly spread from one affected member state to others.

Enhancing Participation in the GVCs, including the MSMEs. The broader objective of becoming a highly integrated and cohesive economy is to enhance the ASEAN's participation in global value chains (GVCs) in order to access markets outside the region. Micro, small and medium enterprises (MSMEs), which are the backbone of ASEAN economies, will also be linked to the GVCs. According to member states, this will lead to further economic development and prosperity for ASEAN. However, blindly participating in the GVCs without adequate preparation

and protection of MSMEs will do more harm than good especially to the people employed in MSMEs. Asia Monitor Resource Center, a labor research group, conducted a study and found out how globalization and the increased internationalization of supply chains have been shaped primarily by TNCs. Their globalized operations lowered costs of production for them. In GVCs, "lead firms" or the TNCs outsource the lower-tier chain processes to developing countries, to produce relatively simple outputs and compete with each other on the basis of low cost. The intense competition often pushes developing countries into lowering standards in labor and environment. Workers and communities in the

participating countries are also put into competition against each other as they are dragged into jobs tied to global supply chains.¹¹

Cooperation for Privatization of Services and Exploitation of People and Natural Resources

As ASEAN member states aspire for regional integration, they have also agreed to connectivity and cooperation in sectors such as transportation; information, communication and technology (ICT); energy; food, agriculture, and forestry (FAF), tourism, health, minerals, and science and technology.

The common themes that bind cooperation in these sectors are increasing foreign direct investments and public-private partnerships (PPPs). This allows corporations from within and outside ASEAN to control these industries and lead to the privatization of energy, transportation, and health services; and also pave the way for resource grabs.

Plans for increasing cooperation in developing the minerals sector of the ASEAN leave out indigenous peoples, ethnic minorities, and farmers in developing and implementing policies for mineral development. On the other hand, AEC will intensify its cooperation with the private sector as well as with Dialogue Partners: developed countries such as Australia, Canada, China, the European Union, India, Japan, New Zealand, the Republic of Korea,

Russia, and the United States, who all have interests and the infrastructure to exploit the region's vast mineral resources.

Cooperation in the energy sector will lead to more green house gas (GHG) emissions from ASEAN member states as the region intends to build its own gas pipeline (TransASEAN Gas Pipeline) and increase coal power plants with clean coal technology (CCT) by 2020. In contrast, less attention is given to renewable energy (RE) wherein member states only agreed to decide on a percentage number of share of RE in the ASEAN Energy Mix by 2020.

Cooperation in the area of food, agriculture, and forestry (FAF) is skewed towards export rather than meeting domestic food security needs, and supporting big landlords and big agro-TNCs to access local markets and control farms rather than supporting smallholder and landless farmers. While claiming to support organic products, the goal is to cash in from exporting these products rather than using agro-ecological farming to solve food insecurity problems as well as the environmental and health problems caused by chemical farming. ASEAN member states also want to use the potential of e-commerce in economic development. However, several dangers are present in the e-commerce provisions in the RCEP as being negotiated by ASEAN. According to Computer Professional's Union, Cross-Border Transfer of Electronic Information and the Prohibition on Requirements to Locate Computing Facilities will ease regulations that protect citizen as well as national data, and hand data over to digital giants for profit. Lifting restrictions on data localization and cross-border transfers, while preventing governments to see what exactly digital companies are doing with data under the provision on Source Code Disclosure Prohibition, will further create problems in security, safety, and privacy of citizens.

Fortifying Corporate Rights

Aside from facilitating corporate and elite access and control of ASEAN economies, the AEC blueprint also intends to further solidify their power through strengthened investment protection through dispute settlement, increased engagement of the private sector, and stronger intellectual property protection.

Although the AEC blueprint explicitly promotes the state-to-state Enhanced Dispute Settlement

Mechanism (EDSM), it also stipulates the improvement of investment environment through the ASEAN Comprehensive Investment Agreement (ACIA). The ACIA contains provisions for Investor-State Dispute Settlement (ISDS), an investor-state arbitration system that allows foreign investors to sue governments over actions perceived as detrimental to expected future profits. The ISDS essentially allows corporations to override environmental, labor, and other social protection and regulatory measures implemented by the host government. Such arbitrations are often in international courts away from public scrutiny such as the International Centre for Settlement of Investment Disputes (ICSID) and UN Commission on International Trade Law (UNCITRAL).

Among the plans in the AEC blueprint for strengthened private sector engagement is assigning the ASEAN-Business Advisory Council (ASEAN-BAC) (See Box 2). to lead the consultative process among private sector in developing inputs to the implementation of the blueprint, and mandating relevant ASEAN bodies to institutionalize within each body a consultative process with lead private sector entities (business associations and business councils) as well as ASEAN-BAC representatives.

Stronger protection for intellectual property is on its way through the ASEAN Intellectual Property Strategic Plan for 2016-2025. Additionally, the RCEP, which ASEAN states are negotiating, contains provisions that can be harmful to people's access to medicines and farmer's control over seeds and agricultural production. In RCEP, the proposed IPR provisions include extending copyright terms to author's life plus 70 years after death; patent rules for medicines include clauses that indicate mandatory extension of patent terms upon the request of Parties to compensate for unreasonable delays (more than 4 years) in granting the patent; and Penalties for copyright infringement are calculated based on the assumption that infringed works were sold at full retail market value even if the infringer has not sought or made any profit from the infringed work/s.¹²

In contrast, protection for people's rights remains very weak. There are no plans to institutionalize engagement for other stakeholders such as civil society groups, indigenous peoples, farmers, workers, and others who are always left out of these secretive processes that will definitely affect their livelihoods.

Box 1

RCEP and Competing Interests in Regional Economic Integration

The Regional Comprehensive Economic Partnership Agreement (RCEP) is deemed essential, if not central to ASEAN's economic integration and aspirations for asserting its centrality in global and regional engagements. There is so much overlap in the policy content of RCEP and the AEC, especially in the areas of investment, services, and intellectual property.

However, although ASEAN member states chair several committees and working groups in the negotiations, it is frequently pointed out that the RCEP is more China-led. China treats RCEP as crucial component to the success of its Belt and Road Initiative. On the other hand, countries involved in the TransPacific Partnership Agreement (TPP), Australia, New Zealand, Japan, and South Korea are pushing for TPP provisions in the RCEP, such as ISDS, stronger intellectual property rights protection, and e-commerce rules.

With different competing interests in the RCEP, the question remains whether ASEAN is able to assert its centrality, or whether it serves as a mere pawn to realize the interests of bigger economic and political powers it is negotiating with.

Source: IBON International. 2017, October. EAS: Disarming Democracy in Asia Pacific.

There are no existing accountability mechanisms that protect people from human rights violations caused by corporate operations. Likewise, investments in the region are often facilitated by increased militarism in order to silence protests against low wages and dangerous working conditions, destructive mining, palm oil plantations, coal power plants, etc. The ASEAN Intergovernmental Commission on Human Rights (AICHR) remains toothless. A climate of impunity reigns in the region as human rights violations increase.

Box 2

Who are the Members of the ASEAN-BAC?

ASEAN-BAC members are appointed by their respective Governments comprising CEOs of companies from each member country and represented by three members per member country. Although MSMEs are the backbone of most ASEAN countries, only one out of the three represent their interests. Below are some of the members of the ASEAN-BAC.

Manuel V. Pangilinan, Philippines. Chairman of Metro Pacific Investments Corp (MPIC), Philex Mining Corporation, and Philippines Long Distance Company (PLDT). These businesses are owned/partly owned by Hong Kong-based First Pacific Company Limited chaired by Indonesian-Chinese businessman Anthoni Salim. MPIC has investments in water, sanitation, sewerage, health, and energy, including coal power. Philex mining company is involved in several cases of environmental destruction and FPIC-related issues. Pangilinan is also the chair of TV5, also involved in union busting and summary retrenchment of employees.

Prijono Sugiarto, Indonesia. President Director PT Astra International Tbk and President Commissioner of Astra Agro Lestari, the second-largest oil palm grower in Indonesia, the world's top palm oil producing country. Despite committing to sustainability, Astra was unable to control massive forest fires in its concessions in 2015.

Oknha Van Sou Ieng, Cambodia. Chairman of the Garment Manufacturers Association in Cambodia (GMAC). President of the Cambodia Federation of Employer and Business Association (CAMFEBA). GMAC has pursued short-term contracts, making it easy to fire factory workers including pregnant women and those who participate in strikes. In reaction to the government's proposal to raise garment workers' wages to 150 USD/month, GMAC voiced that it will damage their ability to compete with other lower-wage countries, proposing instead 147 USD/month vs the 171 USD/month demand by unions.

U Win Aung, Myanmar. President of The Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI). He is also a business tycoon who founded Dagon International with Win Thein, an Army Captain. He involved in timber trade, construction and import-export, and has his licenses allegedly fast tracked due to his close ties with the military.

Sources:

Cordillera Peoples Alliance. (2005, November 17). *The Myth of Safe and Responsible Mining*. Retrieved from <http://www.caphils.org/campaigns/mining%20safety%20statement%2005.htm>
 Moe.W. (2007, November 5). *Dagon Win Aung: The Importance of Being Well-Connected*. *The Irrawaddy*. Retrieved from http://www2.irrawaddy.com/article.php?art_id=9223
 Passi, S. (2012 September 9). *The bottom line*. *Southeast Asia Globe*. Retrieved from <http://sea-globe.com/the-bottom-line/>
 Mongabay.com. (2016, October 2016 7). *Fires ravaged forests in Indonesian palm oil giant Astra's land in 2015*. Retrieved from <https://news.mongabay.com/2016/10/fires-ravaged-forests-in-indonesian-palm-oil-giant-astras-land-in-2015/>

What do people demand?

Becoming an economic superpower that would benefit local elites and TNCs while impoverishing the people should not be the end goal of ASEAN integration. Regional integration should put people's rights at the core of its policies and plans, instead of giving more power to corporations to exploit the region's people and resources to extract increasing profits. In response to the corporate-led neoliberal AEC, the people in Southeast Asia are demanding for a regional integration that will promote development justice. In particular, this regional integration should¹³:

Uphold people's sovereignty and human rights. ASEAN member states must end policies, laws and institutional practices, including free trade and investment agreements that violate the people's rights and especially those that work against poor, marginalized and disadvantaged groups, against CSOs that work among them, and against social or political movements calling for reforms.

Inclusiveness and democratization of decision-making. Member states must actively engage full citizen participation in policy formulation, implementation, and monitoring and review at local, national, and regional levels. Meaningful engagement of civil society, with focus on traditionally underrepresented groups such as women, basic sectors (workers and farmers), youth, disabled persons, ethnic minorities and indigenous peoples must be institutionalized.

Solidarity, cooperation, and complementarity among states and peoples. Economic cooperation and integration should strive not only to eradicate poverty but also inequality between and within ASEAN member states. They should also value, respect, protect and fulfill people's rights; economic, social, gender, ecological and climate justice; self-determination and self-sufficiency. Cooperation and solidarity should be translated into special plans for the least developed countries to maximize the benefits of integration.

Friendship and peaceful coexistence. Settlement of all international disputes by peaceful means must be institutionally upheld and supported, such as by negotiation, conciliation, arbitration or judicial settlement as well as other peaceful means of the parties' own choice, in conformity with the UN Charter.

Ecological sustainability. Pursuing ecological sustainability should be directly linked to economic activities, should go into the direction of eliminating wasteful, destructive, and pollutive patterns of production and consumption, and should be integral to and enforceable within the institutions of the ASEAN member states.

Accountability of governments and private sector. Effective mechanisms to ensure accountability from both governments and private sector must be set up. Accountability mechanisms are important to make governments and private sector accountable to their commitments and actions. Likewise, civil society must have meaningful participation in these accountability mechanisms.



WHAT CAN YOU DO?

The demand for a truly people-centered regional integration makes it an imperative for us to organize our ranks and resist the corporate-led neoliberal ASEAN Economic Community. We need coordinated actions and awareness-raising activities to get our message across.



SPREAD THE WORD

Help us spread the word by conducting awareness-raising activities in your area such as seminars, workshops and fora.



ORGANIZE ACTIONS

Reach out to and co-organize actions and protests with existing campaigns and platforms against corporate power and ASEAN free trade agreements.



REACH OUT TO MEDIA

Share materials through print & social media and engage the press by writing an opinion piece or organizing a media conference.

REFERENCES:

- 1 Focus Economics. (2017, October 18). Economic Snapshot for ASEAN. Retrieved from <https://www.focus-economics.com/regions/asean>
- 2 ASEAN UP. (2017, September 16) . ASEAN infographics: population, market, economy. Retrieved from <https://aseanup.com/asean-infographics-population-market-economy/>
- 3 ASEAN Secretariat.(2017). ASEAN Statistical Report on Millennium Development Goals 2017. Retrieved from http://asean.org/storage/2012/05/ASEAN_MDG_2017.pdf
- 4 ASEAN Secretariat. (2015). ASEAN Statistical Yearbook 2015. Retrieved from http://www.aseanstats.org/wp-content/uploads/2016/10/ASEAN-Statistical-Yearbook-2015_small_size.pdf
- 5 ASEAN Secretariat . (2016). ASEAN Statistical Leaflet 2016. Retrieved from http://www.aseanstats.org/wp-content/uploads/2016/10/ASEAN_Stats_Leaflet2016_web.pdf
- 6 Hartley, K. (2017, April 23). Inequality Looms beneath the shiny surface of Southeast Asia's growth. Channel News Asia. Retrieved from <http://www.channel-newsasia.com/news/asiapacific/commentary-inequality-loom-beneath-the-shiny-facade-of-8743726>
- 7 International Labor Organization & Asian Development Bank. (2014). ASEAN Community 2015: Managing integration for better jobs and shared prosperity. Retrieved from <https://www.adb.org/sites/default/files/publication/42818/asean-community-2015-managing-integration.pdf>
- 8 Withnall, A. (2016, November 23). All the world's most unequal countries revealed in one chart. The Independent. Retrieved from <http://www.independent.co.uk/news/world/politics/credit-suisse-global-wealth-world-most-unequal-countries-revealed-a7434431.html>
- 9 Menon, J, and Melendez, A. (2017, August 24).(Re)realizing the ASEAN Economic Community. EastAsia Forum. Retrieved from <http://www.eastasiaforum.org/2017/08/24/rerealising-the-asean-economic-community/>
- 10 IBON International.(2013). Primer on WTO Bali Package. Retrieved from <http://iboninternational.org/resources/15/02/03/ibon-primer-wto-bali-package>
- 11 Asia Monitor Resource Center. (2011). Global Supply Chains and their Impact on the Labor Movement in Asia. Retrieved from <http://www.amrc.org.hk/content/global-supply-chains-and-their-impact-labour-movement-asia>
- 12 Asia Pacific Research Network. (2016). Corporate Wishlist, Threat to People's Rights. Retrieved from aprnnet.org/wp-content/.../07/RCEP-BRIEFER-PAGES-no-bleed-with-text-boxes.pdf
- 13 IBON International. (2015, April). ASEAN Economic Community, For Whom?. Retrieved from <http://iboninternational.org/sites/ibon/files/resources/IBON%20Policy%20Brief%20on%20ASEAN%20integration.pdf>



Asia Pacific Research Network (APRN)
114 Timog Avenue, Quezon City
1103 Philippines
Phone: +63 2 927 7060 to 61
Email: secretariat@aprnnet.org
<http://www.aprnnet.org>