



South-East Asia Regional Economic Integration and Cooperation

Deepening and Broadening the Benefits for
Human Development

Human Development Report Unit (HDRU)
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The image selected for this Report, with its kaleidoscope of seashells, symbolizes the importance of the surrounding high seas for Southeast Asian countries and the maritime character that shaped the societies and economies of the majority of these countries. The threads linking the seashells capture the interconnectedness of the lives of people in the region, underlining the importance of regional economic integration and cooperation for human development.

Cover Photo by Revati Chawla

**SOUTH-EAST ASIA REGIONAL ECONOMIC
INTEGRATION AND COOPERATION**

**DEEPENING AND BROADENING THE BENEFITS FOR
HUMAN DEVELOPMENT**

FOREWORD

It is in every country's interest to support prosperity in its neighbourhood. At a time when the South-East Asian countries are increasingly integrating into the global economy, this Report serves to refocus attention on the very tangible gains for human development that can be achieved through deeper economic integration and broader cooperation. An important issue addressed is the bridging of inequalities between countries of South-East Asia, focusing especially on the most disadvantaged among them. The countries covered in the Report are Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Timor-Leste and Viet Nam.

The overarching message is that by jointly taking action on issues that transcend national boundaries, countries can maximise their development prospects and increase their capacities to alleviate poverty, promote regional peace and security, and achieve sustainable development. Cooperation that further integrates the region expands opportunities of participating countries, particularly those with less developed economies, to realise faster and more equitable economic growth and higher achievements of human development for South-East Asia.

This project took shape at the initiative of the UNDP Country Office in the Philippines. UNDP's Human Development Report Unit (HDRU), based at the Regional Centre in Colombo (RCC), led in the completion of the work, which was managed in a three-way partnership among APRI, the UNDP-ASEAN Partnership Facility (APF), Jakarta, and the Philippines Country Office.

We hope that the process of research, consultations and writing of the Report, involving numerous stakeholders from the subregion, has stimulated interest in the human development potential of regional economic integration and cooperation in South-East Asia. In so doing, the Report is expected to contribute to increased impetus in working toward a more closely intertwined South-East Asian community and a higher standard of human development for all in this highly diverse region of great potential.



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PREFACE

This Report looks into regional economic integration and broader regional cooperation in the South-East Asia context and examines how to deepen and broaden the benefits gained from such integration and cooperation for human development.

There are a number of reasons why economic integration and broader regional cooperation merit serious attention by stakeholders in this subregion to further the well being of people in South-East Asia.

- There is shared interest among the states to cooperate for regional peace and prosperity. The ASEAN Vision 2020 adopted by the ASEAN Heads of State and Government in Kuala Lumpur in 1997 envisions “a socially cohesive and caring ASEAN where all will enjoy the opportunities for total human development and higher quality of life.”
- There is a shared goal of eliminating poverty and unemployment, and promoting human capital development.
- Many countries share common boundaries, and developments in one country can have significant and immediate spill-over effects—both positive and negative—in others.
- There are agreements such as the ASEAN Free Trade Area, the ASEAN Investment Area, and the joint Mekong River Development Programme which bind the countries towards a more integrated subregional economy.
- There is common interest to establish the region as a prime destination for foreign direct investment.
- There is knowledge to be shared among the countries in such areas as governance, human resource development, design of social development programmes and safety nets, and technology.
- There are common challenges and threats facing the countries, such as transmission of HIV/AIDS, transnational crime including drug trafficking, human trafficking, piracy, labor migration, political instabilities including ethnic conflicts, financial market volatility, unanticipated impacts of globalization and transboundary pollution.
- There is an active movement of people’s organizations and civil society wishing to engage in more active dialogue with governments in the context of regional development challenges.

The members of ASEAN believe it is important to reduce cross-country inequalities so that the whole of South-East Asia can compete on even footing with the rest of the world. Any lag or bottleneck in one part of the region could drag the rest, and special attention, assistance, and cooperation from the others would be needed if the region’s progress is to move at steady pace. This is the gist of the “Initiative for ASEAN Integration” which is guided by Dr. Mahathir’s principle of “prosper thy neighbor” and by doing so, “prosper ASEAN”.

There is clearly a strong “regional identity” in the countries and in the subregion, and this is supported by ASEAN as a multi-country community in South-East Asia that can commit to the issues addressed here. The document can provide baselines and benchmarks for assessing the progress on ASEAN Vision 2020 and its related actions and plans, particularly in view of the completion of the Hanoi Plan of Action and the current implementation of the Vientiane Plan of Action.

ABBREVIATIONS

ADB	Asian Development Bank
AFTA	ASEAN Free Trade Area
AIDS	Acquired Immunodeficiency Syndrome
AP-A2J	Asia Pacific Access to Justice/Asia Pacific Rights and Justice Initiative
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South-East Asian Nations
CLMV	Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam
CSO	Civil Society Organization
EU	European Union
FDI	Foreign Direct Investment
GDI	Gender-related Development Index
GDP	Gross Domestic Product
GMS	Greater Mekong Subregion
GTAP	Global Trade Analysis Project
HDI	Human Development Index
HER	Human Expenditure Report
HIV	Human Immunodeficiency Virus
HPI-1	Human Poverty Index for developing countries
ICT	Information and Communications Technology
ILO	International Labour Organization
IPEC	International Programme for Elimination of Child Labour
Lao PDR	Lao People's Democratic Republic
MDG	Millennium Development Goals
MFN	Most Favoured Nation
MIMAP	Microeconomic Impact of Macroeconomic Adjustment Policies
NGO	Non-Governmental Organization
PER	Public Expenditure Ratio
PPP	Purchasing Power Parity
RETA	Regional Technical Assistance Programme
SAR	Social Allocation Ratio
SARS	Severe Acute Respiratory Syndrome
SPR	Social Priority Ratio
TICW	Trafficking in Children and Women
TUGI	The Urban Governance Initiative
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific

1. INTRODUCTION

Human development involves expanding choices in life for people. This expansion takes place through their improved capabilities, which enable them to use their full potential to lead lives that are of value to them. As the first global Human Development Report published by the United Nations Development Programme (UNDP) put it, the real wealth of a nation is its people and the purpose of development is to create an enabling environment for people to enjoy long, healthy, productive and creative lives (UNDP, 1990). Viewed in this light, economic growth is essential but is not the goal in itself; instead, it is a means for achieving human development.

Regional economic integration and regional cooperation can play an important role in promoting economic growth as well as human development. This Report explores how they can contribute towards deepening and broadening benefits for human development among people of South-East Asia. Regional economic integration is a process by which a group of nations brings down tariff and non-tariff barriers for the free flow of goods, services and factors of production among each other in an effort to increase efficiency and productivity, thus raising output and lowering costs. The resulting increase in economic activity, it is hoped, will lead to far-reaching benefits, lifting standards of living in the region. Regional cooperation provides a means for countries to address problems that transcend national boundaries together, to learn from each other, to help each other and to promote their collective well-being.

A striking characteristic of South-East Asian countries is the wide disparities among them. The region contains one of the most populous countries in the world (Indonesia, population: 225.3 million) as well as one of the least (Brunei, population: 374,000). Gross domestic product (GDP) per capita averaged US\$ 1,266 in South-East Asia but ranged between US\$ 179 in Myanmar and US\$ 20,987 in Singapore in 2003. Wide differences also exist on a number of development indicators between the countries with comparatively high levels of per capita income (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and those at the lower end of the income scale (Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam, referred to as CLMV, and Timor-Leste). Indeed, Cambodia, Lao People's Democratic Republic and Myanmar are among the Least Developed Countries¹ (LDCs) of the world. The political systems in the subregion also differ greatly from one country to another, as do sociocultural characteristics.

1.1 EVOLUTION OF ASEAN AND SOUTH-EAST ASIA

In spite of this diversity, however, there is a shared interest among South-East Asian countries in cooperating for peace and prosperity. The Association of South-East Asian Nations (ASEAN) was formed at Bangkok on 8 August 1967 to bind members in friendship and cooperation and take up joint efforts for development and peace. The founding members were Indonesia, Malaysia, Philippines, Singapore and Thailand, known as the ASEAN-5. They were joined later by Brunei Darussalam (1984), Viet Nam (1995), Lao People's Democratic Republic and Myanmar (1997) and Cambodia (1999).

The document that affirms the establishment of the grouping is the ASEAN Declaration of 1967, which states that the aims and purposes of the Association are:

- To accelerate economic growth, social progress and cultural development in the region through joint endeavours in the spirit of equality and partnership in order to strengthen the foundation for a prosperous and peaceful community of South-East Asian nations.
- To promote regional peace and stability through abiding respect for justice and the rule of law in the relationship among countries in the region and the adherence to the principles of the United Nations Charter.

¹ In the triennial review conducted in 2003 to determine countries to be added to or graduated from the list of LDCs, the Committee for Development Policy (CDP) based its identification of these countries on the three dimensions of a country's state of development, namely, (i) its income level; (ii) its stock of human assets; and (iii) economic vulnerability. GNI per-capita was used as an indicator of income, the Human Assets Index (HAI) as an indicator of the stock of human assets and the Economic Vulnerability Index (EVI) as an indicator of economic susceptibility. Thresholds for inclusion in the list of LDCs are population less than 75 million; per-capita GNI less than US\$ 750; HAI less than 55; and EVI greater than 37. A country must meet all the criteria.

- To promote active collaboration and mutual assistance on matters of common interest in the economic, social, cultural, technical, scientific and administrative fields.
- To provide assistance to each other in the form of training and research facilities in the educational, professional, technical and administrative spheres.
- To collaborate more effectively for the greater utilization of their agriculture and industries, the expansion of their trade, including the study of the problems of international commodity trade, the improvement of their transportation and communication facilities and the raising of the living standards of their people.
- To promote South-East Asian studies.
- To maintain close and beneficial cooperation with existing international and regional organizations with similar aims and purposes, and explore all avenues for even closer cooperation among themselves (ASEAN, 1967).

ASEAN has made a significant contribution to the development of the region following principles of consensus decision-making, non-interference in the domestic affairs of member countries and paying attention to the specific needs of member countries. For the first 10 years of its existence, it remained principally a political organization, focusing on resolving conflicts in the region. Economic and social cooperation was initially not a priority and trade among members was insignificant. Between 1967 and the early 1970s, the share of intra-ASEAN trade in the total trade of member countries was between 12 and 15 per cent. Some of the earliest economic cooperation schemes of ASEAN were aimed at addressing this situation and a number of industrial cooperation initiatives enabled members to increase capacity and specialize in some products.

After the Bali Summit of 1976, ASEAN's focus widened to include economic and social cooperation. The Preferential Trading Arrangement of 1977 accorded tariff preferences for trade among ASEAN nations and this was deepened 10 years later. In 1992, a Framework Agreement on Enhancing Economic Cooperation was adopted, which included a scheme for the creation of an ASEAN Free Trade Area (AFTA) aimed at increasing the region's competitive advantage as a single production unit. The ASEAN region has a population of about 500 million, with a combined GDP of US\$ 737 billion and total trade of US\$ 720 billion in 2002. AFTA came into effect in 2002 and intra-ASEAN trade, which has been rising steadily since 1993, now accounts for nearly 30 per cent of the region's total trade.

In accordance with their desire to build a community of caring societies, in 1995 ASEAN leaders resolved to deepen functional cooperation in order to bring shared prosperity to all members. The Framework for Elevating Functional Cooperation to a Higher Plane was adopted in 1996 with a focus on human development, technological competitiveness, and social cohesiveness. Several plans of action guide functional cooperation in the areas of social development, culture and information, science and technology, the environment, drug abuse, and transnational crime.

In 1997, ASEAN leaders adopted ASEAN Vision 2020, which called for ASEAN Partnership in Dynamic Development, aimed at forging closer economic integration within the region (ASEAN, 1997). The vision statement resolved to create a stable, prosperous and highly competitive region in which there would be a free flow of goods, services, investments and capital, as well as equitable economic development and reduced poverty and socio-economic disparities. The Hanoi Plan of Action (ASEAN, 1998b) was the first in a series of plans aimed at realizing this vision and the latest is contained in the Vientiane Action Programme (ASEAN, 2004b), which sets out goals and strategies towards creating an ASEAN Community as outlined in the Declaration of ASEAN Concord II of 2003, known as Bali Concord II (ASEAN, 2003). The second Bali Concord foreshadows the establishment of such a Community, based on three mutually reinforcing pillars of political and security cooperation, economic cooperation and socio-cultural cooperation.

In 2000, ASEAN leaders launched the Initiative for ASEAN Integration with a view towards narrowing the development gaps within ASEAN and assisting the newer members in the process of regional integration (ASEAN, 2005). Four areas have been singled out for priority attention, namely infrastructure including energy, human resources development, information and communications technology (ICT), and capacity-building for regional economic integration. Starting in January 2002, preferential tariffs are also offered to newer members by older members on a voluntary and bilateral basis.

In addition to trade and investment liberalization, economic cooperation is being pursued in the region through the development of a trans-ASEAN transport network. Member countries are also building energy networks, consisting of the ASEAN power grid and the trans-ASEAN gas pipeline. ASEAN is promoting the interoperability and interconnectivity of national telecommunications equipment and services and cooperating in ICT through the e-ASEAN Initiative (1999), the e-ASEAN Framework Agreement (2000) and the Manila Declaration (2002).

1.2 OBJECTIVES AND RATIONALE OF THE REPORT

The principal objective of the Report is to explore the role regional economic integration and regional cooperation can play in enhancing human development and spreading its benefits more widely among the people of the region. Despite their diversity, common interests and the will to be together bind the countries of South-East Asia. The region's strong identity is expressed through ASEAN and this Report can provide baselines and benchmarks for assessing progress on ASEAN Vision 2020 and related actions and plans.

Following the introduction, the status and trends of human development in South-East Asia, along with an assessment of progress in achieving the Millennium Development Goals (MDGs) in the region, are set out and major issues and concerns identified. A conceptual framework explaining the factors that determine the status of human development in a country and illustrating the role regional economic integration and regional cooperation can play in enhancing the benefits of human development follows. Empirical evidence of the impact of regional economic integration on human development is presented in the fourth section and the major issues involved are identified, while the fifth section discusses empirical evidence of regional cooperation in South-East Asia and assesses its impact in terms of human development. A concluding section also presents recommendations for leveraging the gains from regional integration and cooperation into far-reaching human development benefits for the citizens of the region, particularly the relatively less well off.

2. STATUS OF HUMAN DEVELOPMENT IN SOUTH-EAST ASIA

2.1 MEASURING HUMAN DEVELOPMENT

The UNDP has developed several indices to measure the level of human development in a country. The most popularly used is the human development index (HDI), which is a composite index measuring average achievements in a country in three basic dimensions of human development: a long and healthy life, as measured by life expectancy at birth; knowledge, as measured by the adult literacy rate and the combined gross enrolment ratio for primary, secondary and tertiary schools; and a decent standard of living, as measured by GDP per capita in purchasing power parity (PPP) United States dollars. Each component is scored on a scale of 0 to 1 and the HDI is a simple average of the individual component scores. In 2003, the values of the HDI ranged from 0.281 for Niger to 0.963 for Norway (UNDP, 2005).

Other indices of human development are the gender-related development index (GDI) and the human poverty index for developing countries (HPI-1). The GDI is similar to the HDI but, in addition, introduces a 'penalty' for male-female gaps, taking into account gender inequalities in life expectancy, educational attainment and standard of living. HPI-1, in contrast to the HDI, focuses on deprivations in the three basic dimensions of human development: vulnerability to death at a relatively early age, as indicated by the probability at birth of not surviving to the age of 40; exclusion from the world of learning, as indicated by the adult illiteracy rate; and lack of access to economic provisioning, as indicated by the percentage of the population without sustainable access to an improved water source, as well as the percentage of children underweight for age².

2.2 PRESENT STATUS OF HUMAN DEVELOPMENT IN SOUTH-EAST ASIA

South-East Asia stands out for the disparities observed between countries in the region in human development achievements. The HDI in 2003 ranged from 0.907 in Singapore, which ranked 25th out of 177 countries, to 0.513 in Timor-Leste, which ranked 140th (Tables 1 and 2). Variations in the GDI and in HPI-1 were equally large. The GDI was lower than the HDI in all countries of the region, implying that levels of human development for women were lower than those for men. However, the GDI in Malaysia was 0.791 compared with a value of 0.540 in Lao People's Democratic Republic, indicating that gender development tends to keep pace with overall human development in South-East Asia. With regard to HPI-1, Cambodia and Lao People's Democratic Republic, in particular, had a higher level of human poverty relative to their neighbours in South-East Asia. Only 6.3 per cent of the population of Singapore could be considered deprived of basic human capabilities, whereas over 40 per cent of the population in Cambodia and Lao People's Democratic Republic could be similarly classified.

Table 1. Human Development Indicators for South-East Asia, 2003

Country	HDI	Classification of HDI rank	GDI	HPI (%)
Singapore	0.907	High	--	6.3
Brunei Darussalam	0.866	High	--	--
Malaysia	0.796	Medium	0.791	8.9
Thailand	0.778	Medium	0.774	12.8
Philippines	0.758	Medium	0.755	16.3
Indonesia	0.697	Medium	0.691	17.8
Viet Nam	0.704	Medium	0.702	21.2
Cambodia	0.571	Medium	0.567	41.3
Myanmar	0.578	Medium	--	21.9
Lao People's Dem. Rep.	0.545	Medium	0.540	38.2
Timor-Leste	0.513	Medium	--	--

Note: "--" indicates data not available.

Source: UNDP Human Development Report, 2005.

² A third index, not discussed further here, is the gender empowerment measure, which focuses on the relative participation of women and men in political and economic life.

Singapore and Brunei Darussalam, the smallest countries in the region in terms of population and geographic size, were both in the “high human development” category based on their HDI values, which averaged 0.886 in 2003. Life expectancy, educational achievement and standards of living in those countries were close to levels in Japan and Republic of Korea, in East Asia, as well as to some developed countries in the European Union (EU). All the other countries were in the “medium human development” category. It is noteworthy that no country is in the ‘Low human development’ category. At the top end of the category, Malaysia, Philippines and Thailand, with an average HDI of 0.777, were relatively close to each other in terms of life expectancy and educational attainment but with greater variation in terms of standards of living. Indonesia and Viet Nam, whose HDI index averaged 0.700, were in the middle, with values for the components of the index somewhat below the former group but comparable to each other. Cambodia, Lao People’s Democratic Republic, Myanmar and Timor-Leste, in contrast, were in the lower end of the category and were clearly lagging in terms of human development. The average HDI in this group was only 0.551, with Timor-Leste falling furthest behind. Standards of living were also particularly low in Myanmar and Timor-Leste.

Table 2. Components of the Human Development Index in South-East Asia, 2003

Country	GDP	Life expectancy	Education	HDI	
	index	index	index	Value	Rank
	Value	Value	Value		
Singapore	0.92	0.89	0.91	0.907	25
Brunei Darussalam	0.88	0.86	0.86	0.866	33
Malaysia	0.76	0.80	0.83	0.796	61
Thailand	0.72	0.75	0.86	0.768	73
Philippines	0.63	0.76	0.89	0.758	84
Viet Nam	0.54	0.76	0.82	0.691	108
Indonesia	0.59	0.70	0.81	0.697	110
Myanmar	0.39	0.59	0.76	0.578	129
Cambodia	0.51	0.52	0.69	0.571	130
Lao People’s Dem. Rep.	0.48	0.49	0.66	0.545	133
Timor-Leste	0.39	0.51	0.64	0.513	158

Source: UNDP Human Development Report, 2005.

Comparing the 11 countries of South-East Asia with each other, the value of the education index ranged from 0.64 Timor-Leste to 0.91 in Singapore and 0.86 in Brunei Darussalam. Similarly, the life expectancy index in Singapore was more than double that in Timor-Leste, where the standard of living was less than 30 per cent of that in the former. It is clear that those wide gaps will have to be bridged if the subregion is to progress together in a sustainable manner.

2.3 TRENDS IN HUMAN DEVELOPMENT IN SOUTH-EAST ASIA

The status of human development in South-East Asia has generally improved since 1995. Although strictly comparisons of HDI rankings over time may not be the best way to capture trends (as the number of countries change from year to year, methods and sources also vary to an extent), one can make some broad observations regarding the relative positions of the different countries based on the HDI rankings. Singapore, Brunei Darussalam and Cambodia appear to have seen a significant improvement in their HDI ranks between 1991 and 2002, whereas other countries experienced little change or a decline in rank. The effect of the 1997-1998 Asian financial crisis on the rankings for Indonesia and Thailand, in particular, is noticeable. Intercountry disparities in HDI ranks have also increased, as indicated by the coefficient of variation in the ranks, which increased from 41.6 in 1991 to 47.2 in 2002 (Table 3).

Table 3. Human Development Index Ranking of South-East Asian Countries, 1991-2004

Country	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Singapore	37	40	43	43	35	34	26	28	22	24	26	25	28	25
Brunei	42	41	44	44	41	36	38	35	25	32	32	32	31	33
Malaysia	52	51	57	57	59	53	60	60	56	61	56	59	58	59
Thailand	66	69	74	54	58	52	59	59	67	76	66	70	74	76
Philippines	84	80	92	99	100	95	98	98	77	77	70	77	85	83
Indonesia	98	98	108	105	104	102	99	96	105	109	102	110	112	111
Viet Nam	99	102	115	116	120	121	121	122	110	108	101	109	109	112
Myanmar	106	111	123	130	132	133	131	131	128	125	118	127	131	130
Lao PDR	128	129	141	133	138	138	136	136	140	140	131	143	135	132
Cambodia	140	136	148	147	153	156	153	140	137	136	121	130	130	135
T. Leste	--	--	--	--	--	--	--	--	--	--	--	--	--	158
CV	41.6	40.9	40.9	43.0	45.5	49.2	47.9	46.8	50.7	46.6	45.6	47.2	45.4	45.6

Note: "--" indicates data not available; the rankings across the years are not exactly comparable as the total numbers of countries is different for different years.

Source: Human Development Report, 1991-2004.

A comparison of economic growth and human development achievements in South-East Asia with those in other regions such as East Asia and Europe shows that South-East Asia has much lower average per capita income and more disparate human development achievements than the others. Thus, the problem for the region is not only the low average level of human development but also the wide disparities across countries, which have not been narrowed during the last decade. The challenge before South-East Asia therefore is to raise the level of human development, particularly in lagging countries, thereby reversing the lack of convergence in the region. To what extent can regional economic integration as well as regional cooperation be expected to help? The Report explores this issue.

2.4 ASSESSING HUMAN DEVELOPMENT THROUGH THE MILLENNIUM DEVELOPMENT GOALS

In September 2000 at the Millennium Summit, the Member States of the United Nations issued the Millennium Declaration, committing themselves to a series of targets, most of which were to be achieved by 2015. Known as the Millennium Development Goals (MDGs), they represent a framework for monitoring important globally-agreed development goals. There are eight MDGs (Table 3), each with specific targets to be measured by various indicators. The goals include targets for poverty reduction, gender equality, environmental sustainability, educational attainment, as well as health improvements (UNDP, 2003b). In the context of South-East Asia, the MDGs and ASEAN Vision 2020 can be thought of as complementary. The MDGs are geared towards the reduction of human poverty by 2015. ASEAN Vision 2020 is more focused on economic cooperation as means to attain sustainable development in the region but progress on the goals implies progress in attaining the Vision.

Table 4. The Millennium Development Goals

Goal 1	Eradicate extreme poverty and hunger
Goal 2	Achieve universal primary education
Goal 3	Promote gender equality and empower women
Goal 4	Reduce child mortality
Goal 5	Improve maternal health
Goal 6	Combat HIV/AIDS, malaria and other diseases
Goal 7	Ensure environmental sustainability
Goal 8	Develop a global partnership for development

Goal 1 – Eradicate extreme poverty and hunger

Using the international poverty line definition of US\$1 a day, the first target under Goal 1 is to halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 a day. Indicators used to assess progress in meeting this target are the proportion of the population below US\$1 per day at 1993 PPP; the poverty gap ratio; and the share of the poorest quintile in national consumption. As noted earlier, South-East Asia is a region with wide disparities in the incidence of poverty. While poverty is negligible in Singapore, it is substantial in Timor-Leste, where the percentage of the population living in poverty was over 40 per cent in 2001. Poverty incidence continues to be high in several other countries of the region, despite progress in poverty reduction. In Viet Nam, 37 per cent of the population is poor in 2002, while in Cambodia the figure is 35.7 per cent and in the Philippines, it is 33.7 per cent. The situation is only somewhat better in Lao People's Democratic Republic and Myanmar, where 29 per cent and 22.9 per cent of the population respectively falls below the poverty line. Poverty incidence in Indonesia also continues to be in double-digits at 18.2 per cent in 2002.

The incidence of poverty has been declining in most South-East Asian countries over the course of the last several years. Malaysia has been one of the developing countries in Asia that has undertaken an impressive and successful poverty reduction programme. The country's incidence of poverty has declined drastically since 1970, when 49.3 per cent of the population was officially poor, to 20.7 per cent in 1985. By 1995, the figure had fallen to 8.7 per cent and further to 5.1 per cent by 2002. Lao People's Democratic Republic, the Philippines, Cambodia, and Viet Nam are some of the other developing countries in South-East Asia to demonstrate a declining trend in poverty incidence in the last decade. During the Asian financial crisis many countries suffered a setback to their poverty reduction efforts. For example, in Indonesia, the percentage of the population living below the poverty line rose from 15.1 per cent in 1990 to 23.4 in 1999 before beginning to fall. However, Thailand has shown remarkable progress by achieving the poverty reduction target of halving the incidence of poverty early, as the percentage has fallen from 27.2 per cent in 1990 to 9.8 per cent in 2002. Unfortunately, poverty incidence has risen in Timor-Leste from 37 per cent of the population in 1993 to 41 per cent in 2001.

Within individual countries in the region, rural-urban disparities in poverty incidence continue to be wide. For example, farmers in rural areas with low levels of education and limited access to resources constitute about 90 per cent of the poor in Viet Nam.

In Indonesia, disparities between regions, provinces, districts, and cities in the incidence of poverty are striking. The situation in the Philippines is similar, with the highest incidence of poverty occurring in Mindanao, where 66 per cent of the population falls below the poverty line, and the lowest in Metro Manila, where 8.7 per cent of the population is poor. The rate of poverty reduction also tends to be faster in urban as compared with rural areas. This was true in Cambodia, for example, and in Viet Nam, where poverty incidence decreased by two thirds between 1993 and 1998 in urban areas but by less than one third in rural areas.

The second target under Goal 1 is to halve, between 1990 and 2015, the proportion of people who suffer from hunger. One of the indicators for this target relates to the percentage of underweight children under five years of age. Malnutrition among children below the age of five is still very high in most countries of South-East Asia, with the exception of Singapore and Brunei Darussalam, despite declining in recent years. In addition, there are large intraregional and intracountry differences in the incidence of child malnutrition. In Cambodia, 45 per cent of children below the age of five was underweight in 2000 and 44.6 per cent had stunted growth. Thailand is the only country in the region to have attained the target the percentage of underweight children having fallen from 18.6 per cent in 1990 to 8.6 per cent in 2002, better than the 9.3 per cent target to be attained by 2015.

Goal 2 – Achieve universal primary education

The target under Goal 2 is to ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling and the principal indicator for assessing progress in meeting the target is the net enrolment ratio in primary education. South-East Asian countries have made basic education more accessible during the last decade. Although the HDI ranks of Cambodia, Lao People's Democratic Republic and Viet Nam are very low, those countries have nevertheless made remarkable progress in increasing access to basic education. For example, the net primary school enrolment ratio in Lao People's Democratic Republic increased from 61.4 per cent in 1990 to 81.4 per cent in 2001, while in Viet Nam, it rose from 90.5 to 94 per cent in the same period. The net primary school enrolment ratio was 86.2 per cent in 2001 in Cambodia. Progress in Thailand has also been noteworthy, as the net enrolment rate in primary school increased from 75.9 per cent in 1990 to 86.3 per cent in 2001.

In the case of Indonesia and the Philippines, the net enrolment ratio has declined in recent years, owing mainly to the Asian financial crisis. In both countries, the ratio had fallen from 97.5 per cent in 1990 to 92.1 per cent in Indonesia and 93 per cent in the Philippines by 2001. The situation in Myanmar is particularly disturbing as the net primary school enrolment ratio actually declined from 99.5 per cent in 1990, indicating almost universal access, to a dismal 74.2 per cent in 2001. Again, intra-country disparities stand out in South-East Asia, where rural-urban differences in access to primary education are compounded by gender-based differences. There are also problems of access to education for vulnerable groups, such as children of seafarers, homeless children, migrant and stateless children, and children with HIV/AIDS.

Goal 3 – Promote gender equality and empower women

The target under Goal 3 is to eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015. The principal indicator used for assessing progress in meeting the goal is the ratio of girls to boys at each level of education. South-East Asian countries made significant progress in narrowing the gender gap in the access to education over the last decade. Progress has been particularly noticeable in CLMV countries, where the ratio of girls to boys in primary, secondary and tertiary education increased significantly between 1990 and 2001. Thailand is the only country in South-East Asia where the ratio of girls to boys in primary and secondary education decreased from 0.98 in 1990 to 0.95 in 2001. In tertiary education, the ratio declined from 1.18 in 1990 to 0.82 in 2000. In Viet Nam, there is no gender difference in primary education enrolment but it shows up in the secondary age group. In the Philippines, however, the gender difference in enrolment ratios favours girls at the secondary and tertiary levels of education while at the primary level the relative enrolment ratio was 0.99 in 2001.

Other indicators for assessing progress on goal 3 relate to female versus male literacy rates, as well as to the share of women in wage employment in the non-agricultural sector and to the proportion of seats held by women in national parliaments. On the participation of women in the labour force, there are still more men than women engaged in wage labour in the region. The MDG reports broadly indicate trends for the period between the late 1990s and early years of the first decade of the 21st century. These reports indicate that the share of women in the non-agricultural labour force has increased in almost all countries even though the share dropped in the immediate aftermath of the Asian financial crisis in some countries. In terms of political participation, there have been improvements in some countries of the region and setbacks in others. Cambodia, Lao People's Democratic Republic and Viet Nam, where 25 per cent of the delegates in the National Assembly are female, have all made progress. In contrast, the share of seats held by women in national parliaments decreased in Indonesia and Thailand. Bureaucracies in public administration in the Philippines and Thailand are primarily staffed by women, but more men than women are appointed to managerial and executive positions.

Goal 4 – Reduce child mortality

The target under Goal 4 is to reduce by two thirds, between 1990 and 2015, the under-five mortality rate. The indicators for assessing progress in attaining the goal are the under-five mortality rate, the infant mortality rate and the proportion of 1-year-old children immunized against measles. Cambodia, Myanmar, Lao People's Democratic Republic and Timor-Leste are lagging far behind in achieving Goal 4. In 2001, the mortality rate for infants under one year of age was 95 per 1,000 live births in Cambodia, 90 in Lao People's Democratic Republic, 85 in Timor-Leste and 48 in Myanmar, while the under-five mortality rate was 135, 105, 144 and 110 in those countries respectively. In contrast, the infant mortality rate was less than 10 in Singapore, Brunei and Malaysia, and between 20 and 35 in Indonesia, the Philippines, Thailand and Viet Nam. Both the infant mortality rate and under-five mortality rate declined in most countries in the 1990s but progress is still not satisfactory. In Cambodia, the infant mortality rate actually increased in the 1990s.

Goal 5 – Improve maternal health

The target under Goal 5 is to reduce by three quarters, between 1990 and 2015, the maternal mortality ratio. The proportion of births attended by skilled health personnel is another indicator used to assess the state of maternal health. Very high rates of maternal mortality in many of the poorer countries of South-East Asia testify to generally deficient conditions for maternal health. Those conditions are even worse in rural areas, so that overall maternal mortality rates disguise rural-urban differences in many countries. In Cambodia, the average maternal mortality rate was 437 per 100,000 live births in 1994-2000, while in Myanmar, according to the 2005 MDG report, it was 178 per 100,000 live births in urban areas and 281 per 100,000 live births in rural areas in the year 1999. Lao People's Democratic Republic has made some progress in this area as the maternal mortality rate declined from 750 in 1990 to 650 in 2001 and the percentage of births attended by skilled health workers increased from 14 per cent in 1990 to 19.4 per cent in 2001. The maternal mortality rate was lower in Indonesia and the Philippines, at 307 during 1998 to 2002 in Indonesia (MDG Report, Indonesia, 2004) and at 172 in the Philippines in 1998 (MDG Report, Philippines 2004). Brunei Darussalam, Malaysia, Singapore and Thailand have very low maternal mortality rates below 100. Wide intra-regional differences in maternal health in South-East Asia are evident in this comparison.

Goal 6 – Combat HIV/AIDS, malaria and other diseases

There are two targets under Goal 6, first, to have halted by 2015 and begun to reverse the spread of HIV/AIDS and, second, by the same date, to have halted and begun to reverse the incidence of malaria and other diseases. Indicators under the first target relate to HIV prevalence rates among young people, condom use and the number of children orphaned by the disease. South-East Asian countries can be divided into groups according to their experience with HIV/AIDS. Cambodia, Myanmar and Thailand are countries where the epidemic hit early. Indonesia and Viet Nam are now starting to experience the epidemic and need to mount swift, effective responses. In contrast, the Philippines, Timor-Leste and Lao People's Democratic Republic still have extremely low levels of HIV prevalence, even among high-risk groups. In Indonesia, and Viet Nam, the recent rise in HIV infection among drug-injectors appears to have spurred a subsequent rise among non-injectors with sexually risky behaviour. A recent survey conducted in three cities in Indonesia found that 88 per cent of drug-injectors had used non-sterile needles or

syringes in the preceding week, yet fewer than one third said they felt at high risk of HIV infection (Pisani et al., 2003). When injecting drug users were tested for HIV, very high rates of infection were found. One in two injecting drug users in Indonesia's capital, Jakarta, now tests positive for HIV, while in far-flung cities such as Pontianak (in West Kalimantan province on the island of Borneo) more than 70 per cent of drug-injectors who request HIV tests have discovered that they are HIV-positive (MAP, 2004). Injecting drug use by sex workers makes Viet Nam's epidemic particularly explosive. There is a steep rise in HIV prevalence detected in some Vietnamese cities, where the virus now appears to be spreading freely among at-risk groups. In some parts of Myanmar, HIV has acquired a strong foothold among people who have been exposed to a high risk of infection for several years. The situation varies across the country, but HIV has already become entrenched in lower-risk populations in several parts of Myanmar.

Cambodia and Thailand have introduced large-scale prevention programmes to address the sexual transmission of HIV and have seen significant reductions in risky behaviour. New cases of HIV and other sexually transmitted infections have been on a declining trend. Thailand has also shown that a pragmatic response that is well funded and politically supported can change the course of the epidemic. National adult HIV prevalence continues to edge lower, with the latest estimates putting it at around 1.5 per cent at the end of 2003. Recharged commitment and revised strategies are now needed, however, to confront an epidemic that has entered a new phase. Timor-Leste could be poised for an HIV outbreak as nearly 6 out of 10 sex workers in the country had never heard of AIDS, 4 out of 10 did not recognize a condom when shown one and none consistently used a condom with clients (Pisani and Dili STI survey team, 2004).

Goal 7 – Ensure environmental sustainability

There are three targets under Goal 7: to integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources; to halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation; and to have achieved a significant improvement by 2020 in the lives of at least 100 million slum dwellers.

South-East Asian countries are rich in biodiversity but all are producers of timber, with the exception of Singapore. The timber export boom, which began in the 1960s, has resulted in an alarming rate of deforestation in those countries. Commercial logging, as well as illegal logging, slash-and-burn agriculture and collection of wood for fuel are all responsible for deforestation. Though the MDG has resulted in some positive changes, forest cover has declined in most countries. In Malaysia and Indonesia, the percentage area under forest declined from about 65 per cent in 1990 to 58 per cent in 2000, while in Cambodia it declined from 56.1 per cent in 1990 to 52.9 per cent in 2001. Other countries have also experienced significant declines in forest area and forest quality has deteriorated in most countries in the last decade. In recent years, however, some progress has been made in forest areas under protection. For example, in Indonesia the ratio of protected areas to the total forest area has increased from 0.1 per cent in 1990 to 18.5 per cent in 2000. Lao People's Democratic Republic and Myanmar also show some positive changes.

Cambodia, Lao People's Democratic Republic and Timor-Leste are the only three countries in South-East Asia that are far behind in achieving the target of providing sustainable access to safe drinking water to their populations. The percentage of the population with access to safe drinking water in the year 2000 was 54 and 26 per cent in urban and rural areas respectively in Cambodia; 61 and 21 per cent in urban and rural area respectively in Lao People's Democratic Republic and 18.6 per cent in Timor-Leste. In contrast, Indonesia, Viet Nam and Myanmar have achieved significant progress in providing safe drinking water to a majority of their populations. The proportion of the population with access to safe drinking water increased from 56 per cent in 1990 to 78 per cent in 2001 in Indonesia, while, in the same period, the increase in Viet Nam was from 55 to 77 per cent and in Myanmar from 32 to 72 per cent. Cambodia and Lao People's Democratic Republic also lag other countries in providing sustainable access to basic sanitation. Around 17 per cent of the population in Cambodia and 30 per cent in Lao People's Democratic Republic have access to improved sanitation, while the comparable figure in Singapore is 100 per cent and in Thailand it is 96 per cent. In Philippines, 83 per cent of the population has access to improved sanitation but the figure is only 55 per cent in Indonesia.

The overall status of the countries of South-East Asia with respect to the MDGs is summarized in Table 5. The table indicates that many countries have made good progress on the second and third MDGs, relating to universal primary education and gender equality and empowerment. Those MDGs have either been achieved or the countries are on track to do so. The first MDG, on eradicating poverty, has not been met in the Philippines and Lao People’s Democratic Republic, while the fourth MDG on reducing child mortality is still distant for the CLMV countries; in fact, Cambodia is slipping behind on child mortality. The seventh MDG, on environmental sustainability, also poses a problem for CLMV countries, as well as the Philippines.

In summary, there are some major areas of concern with respect to human development in South-East Asia. First, achievements are low in many countries and, in some cases, long-term trends are also negative. Wide disparities exist between countries in levels of human development, with little or no convergence between countries in the long run. In order to promote human development in the region, there is a clear need to address those concerns.

Table 5. Progress Towards Selected MDGs in South-East Asian Countries

Country	Goal 1 Eradicate extreme poverty and hunger	Goal 2 Achieve universal primary education	Goal 3 Promote gender equality and empower women	Goal 4 Reduce child mortality	Goal 7 Ensure environmental sustainability
Singapore	N/A	On track	On track	On track	On track
Brunei Darussalam	N/A	On track	On track	On track	On track
Malaysia	N/A	Achieved	Achieved	On track	--
Thailand	On track	--	--	On track	On track
Philippines	Far behind	Achieved	On track	On track	Far behind
Indonesia	On track	--	--	--	--
Viet Nam	On track	--	On track	Lagging	Lagging
Cambodia	On track	On track	--	Slipping back	--
Myanmar	On track	--	--	Far behind	Far behind
Lao People’s Dem. Rep.	Far behind	On track	On track	On track	Far behind
Timor-Leste	--	--	--	--	--

Note: "--" indicates data not available.

Source: UNDP, 2002.

3. REGIONAL ECONOMIC INTEGRATION, REGIONAL COOPERATION AND HUMAN DEVELOPMENT: A CONCEPTUAL FRAMEWORK

People want many things in life other than income, such as better health, education, a better environment and more freedom. The goal of development is to provide those choices to human beings. Human development has five aspects, namely empowerment, cooperation, equity, sustainability and security. Empowerment implies the acquisition of capabilities that make free choice possible, as well as participation in decision-making and allows people to become active agents in their own development. Cooperation is a sense of belonging, which is an important source of well-being. Human development is concerned not just with people as individuals but also with how they interact and cooperate in communities.

Equity in human development means seeking equity in basic capabilities and opportunities; each individual should have an equal access to development opportunities in life. Sustainability implies not only environmental sustainability, but also sustainability of people's opportunities to freely exercise their basic capabilities. Security implies economic security, food security, health security, personal security, political security and cultural security. As can be seen, human development is a holistic concept that ensures the overall development of human beings and society. It has emerged not only as a measure or goal of development but has also evolved to become a model or a human-centered development paradigm.

3.1 WHAT DETERMINES HUMAN DEVELOPMENT?

Conceptually speaking, the level of human development in any society is determined by three sets of factors: the macroeconomic environment; social policy, particularly in sectors related to human development, such as education, health and nutrition; and the microenvironment that governs the empowerment of people and community participation.

An enabling macroeconomic environment

There is no comprehensive theory of human development available in the literature at present. However, considerable work has been done to understand the two-way relationship between a favourable macroeconomic environment and human development. There is basic agreement that if human development is the goal, economic growth is a means to achieve it, as it would be difficult to promote human development without promoting economic growth. However, economic growth, while necessary, is not a sufficient condition for human development. The links between economic growth and human development need to be identified and forged through appropriate interventions, so that one leads to the other. Failure to do this means that economic growth is likely to be jobless, in not generating enough employment; voiceless, in the sense of being regressive and non-participatory; ruthless, in widening disparities between people and regions; rootless, in demolishing local sociocultural diversity; or futureless, in being non-sustainable (UNDP, 1996).

In order for economic growth to promote human development, it should have certain basic characteristics. Economic growth should provide productive and well-paid work to those who seek it and it should improve people's access to productive assets, such as land, as well as physical infrastructure and financial credit so as to increase economic opportunities. Growth should be equitable in providing economic opportunities to all, men and women alike, including in different regions as well as from different socio-economic groups. Finally, it should be environmentally friendly and sustainable.

It should be noted that human development also promotes economic growth. It promotes worker productivity and skills, while making economic growth participatory and labour-intensive. It tends to make economic growth broad-based and sustainable and it enables countries to access global opportunities to increase economic growth. In short, economic growth and human development are complementary and promoting one without the other is likely to lead to non-sustainable development. People can access better opportunities in life only in an environment where economic growth facilitates improvements in human development and a policy framework that builds close linkages between the two is called for.

As discussed in several Human Development Reports, there are two pre-requisites before people-centered development as outlined in the paradigm above can emerge. First, peace, or a lack of violence and wars, and political stability are necessary and, second, supportive governance and a favourable institutional environment are required. The former guarantees safety and security in development, while the latter ensures the right kinds of intervention from Government and civil society to facilitate the development process.

Following the Asian financial crisis, good governance surfaced as an important variable in sustaining future growth and stability in the region. While institutional weaknesses were not necessarily the cause of the financial crisis, the lack of Government accountability and transparency, corruption, highly-centralized control and poor policy coordination exacerbated the crisis. Governance is basically defined as the exercise of economic, political, and administrative powers in managing the state's resource endowment. This is done through institutionalized processes and mechanisms in which civil society groups and individuals articulate their interests, exercise their rights, perform their obligations and mediate their differences (UNDP, 1998 and Shah, 1994).

Good governance has five components: transparency, which refers to the guaranteed free flow of information, and where institutions and processes are directly accessible to those concerned with them; accountability, which refers to the responsibility of decision-makers in Government, the private sector and civil society to the public and to institutional stakeholders; the rule of law, which refers to the fair and impartial enforcement of rules and legal frameworks; efficient and effective governance, which refers to the ability of institutions and processes to produce outcomes that meet society's needs while making the best use of resources; and a participatory process, which refers to mediating differences and reaching a broad consensus on political, economic and social priorities (UNDP, 1998).

Good governance and regional integration and cooperation are mutually reinforcing. Good governance is important for narrowing the gap between countries and in promoting human development in the region. Good governance, particularly in the areas of transparency and accountability, serves as an important indicator of a state's commitment to international and regional agreements, norms, and standards. Good governance is also a requisite for successful regional cooperation and integration, as economic growth is dependent on competent institutions that accompany free trade and secure the efficient functioning of societies as a whole (Langenhove, 2003). Those institutions establish strong property rights and political stability, which are necessary conditions for encouraging private investment and fostering economic growth (Haggard, 2004b). Ineffective governance at home could militate against regional cooperation and integration³.

Social policy in human development sectors

The second important factor that determines the level of human development is social policy, including policies in sectors such as health and nutrition, literacy and education, labour protection and welfare, and the well-being of people in general. Social policy has two major components. The first consists of insurance against major risks that are present during one's lifetime, such as unemployment, sickness and disability, and old age. Social security or social protection against major risks is important under globalization, which tends to increase uncertainties in the competitive market environment. The second aspect of social policy is the provision of social services, which constitute investments in basic human capital, such as the provision of primary and secondary education and basic health care.

The public sector is an important part of any strategy for achieving higher levels of human development. The proportion of a country's public expenditure going to social sectors indicates their importance to the State and the State's commitment to those sectors, a commitment that is very important when countries are spending an increasing proportion of their incomes on debt servicing and defence. To help in planning and monitoring public spending on human development, four expenditure ratios have been suggested (UNDP, 1991). These ratios are the public expenditure ratio (PER), which is the percentage of national income going in to public expenditure, the social allocation ratio (SAR), which is the percentage of public expenditure earmarked for social services, the social priority ratio (SPR), which is the percentage of social expenditure devoted to human priority concerns, such as elementary education, preventive health care and nutrition, and the human expenditure ratio (HER), which is the percentage of national income devoted to human priority concerns and is the product of the previous three. Based on cross-sectional empirical evidence, norms have been suggested for those ratios. For a country to do well on human

³ As Ninawolo (2003) observed, several factors have constrained regional integration in Africa. They include a lack of political will to establish effective and dynamic trans-national institutions and to implement agreed upon treaties and protocols; the lack of sanctions against non-performance; a heavy reliance on tariffs for fiscal revenues; inadequate mechanisms for equitable sharing of costs and benefits of integration; non-observance of the rule of law and good governance code; poor private sector and civil society participation; and overlapping memberships where members are unable to manage effectively nor fund adequately the many regional integration arrangements to which they belong.

development, HER should be around 5 per cent. That percentage could be achieved if PER is around 25 per cent, SAR around 40 per cent and SPR over 50 per cent (UNDP, 1991). It is important to ensure that all ASEAN countries adhere to those norms so that the funding and efforts directed towards human development are adequate.

Finally, it should be pointed out that apart from the Government, there are two other major stakeholders in the social sector. They are the machinery of administration that implements social sector policies and programmes and the beneficiaries of social services. A social policy that aims at improving the performance of all stakeholders could reap benefits for social sector interventions. The right kind of social policy ensures that the Government is committed to social development as indicated, for example, by the expenditure ratios outlined above, the administrative machinery is adequate, motivated and trained, and beneficiaries are involved with the planning and implementation of social sector programmes (World Bank, 2004).

A favourable microenvironment

People and the communities in which they live are the ultimate beneficiaries of human development. A favourable microenvironment fosters a higher level of human development as it calls for the decentralization of decision-making in administration and the setting-up of enabling institutions, on the one hand, and the empowerment of communities and their active participation in the planning and implementation of human development policies and programmes, on the other. Decentralized decision-making and decentralized administrative structures create a space for communities and civil society organizations to manage social services. That space also enables them to organize and empower people around human development activities, ensuring effective delivery of services so that local needs are satisfied.

Civil society organizations play multiple roles in improving human development. They develop new, innovative approaches and models for effective service delivery and organize communities to empower them to demand the right kind of services. They can make Government machinery accountable to people. Civil society organizations can also network with each other and lead campaigns and movements on critical human development issues such as drugs, violence, disasters and diseases. Lastly, civil society organizations can protect the interests of people against any negative impacts of regional integration policies, should they occur, such as deteriorating labour standards, environmental degradation and loss of livelihood.

3.2 REGIONAL ECONOMIC INTEGRATION AND HUMAN DEVELOPMENT

Regional economic integration and regional cooperation can contribute significantly towards strengthening the three factors discussed earlier that promote human development. Regional economic integration is both a process and a state of affairs. The former implies a dynamic sequence of events, the outcome of which cannot be fully captured by static models, while the latter can be viewed as a means of developing deep and stable relations of labour specialization and division among national economies. Regional economic integration generally proceeds in a hierarchical fashion. The most basic form is a free trade area, such as AFTA, which involves the elimination of tariffs and quotas on most goods. This is followed by a customs union, in which members of a free trade area also adopt a common external tariff. A common market is the next step and involves creating a single market, with common policies on product regulation and the free movement of goods, services and factors of production. The adoption of a common currency by members of a common market creates an economic union, of which the EU is the only example. Harmonization of all economic policies, accompanied by the creation of a supranational state, leads to the last step of full economic and political union.

In order to benefit from regional integration, several conditions have to be satisfied. Those conditions are political commitment of all countries, including rich countries, to higher forms of integration; mutual economic dependence; narrow economic gaps or disparities between countries of the region; similarities at the policy level, particularly in social and human development policies; and, finally, good governance and institutions in order to maximize the benefits of economic integration.

Regional economic integration generally leads to trade liberalization, greater foreign direct investment (FDI), financial and capital account liberalization, and migration of labour. Each can have positive, as well as negative, impacts on human development, depending on how policies are designed and implemented. Whether appropriate action is taken to mitigate the negative

impacts is also an important consideration. Regional economic integration brings many of the benefits of multilateralism but on a smaller scale. It provides access to larger markets for producers, leading to specialization based on the comparative advantage of countries. A region formed through integration attracts increased foreign investment and it also enhances the economic clout of the region with other trading blocs. However, regional integration can have some drawbacks. If preferential treatment diverts more trade than it creates, it may lead to a decrease in welfare.

To trace the transmission mechanism from regional integration to human development, a top-down approach can be applied. The impact of regional economic integration can be measured either from the perspective of a single country (Fukase and Martin, 2001) or using a multi-country framework (Imada et al., 1991). Whatever the perspective adopted, impact studies of regional economic integration can be classified into two categories: studies that deal with the impact of regional economic integration on specific sectors; and studies that adopt a general equilibrium approach. Sectoral effects can be transmitted via trade channels or financial and investment channels and studies of this type abound in the literature (for example, Austria, 1994 and De Dios, 1994). Some studies have more direct implications for human development especially if part of the analysis addresses effects on employment (Orbeta, 2002) or else the study analyzes the impact on a social issue, such as gender (Fontana and Wood, 2000). Whatever the level of analysis, the dimension of human development can be incorporated by adopting an appropriate framework or model. A framework that appears to be quite useful in this context is contained in the World Bank's Poverty Reduction Source Book (Hoekman et al., 2000), which traces the linkages between trade reform and the level of poverty. Another set of studies has been conducted under the Microeconomic Impact of Macroeconomic Adjustment Policies (MIMAP) programme supported by the International Development Research Centre in Canada. In this approach, vulnerable groups or sectors that are likely to be adversely affected by trade reforms, or the "losers", as well as groups likely to benefit, or the "winners", can readily be identified. This is an important consideration when designing safety nets and other measures to mitigate the adverse impacts of regional integration.

The second major category of studies looks at the impact of regional economic integration in a general equilibrium framework (Bourguignon et al., 1991). As in the sectoral studies, the effects work their way through both trade and financial and investment channels. Attention is usually given to the impact of regional economic integration on output growth and resource allocation. This is quite relevant for human development since economic growth is acknowledged to be a necessary condition for poverty alleviation (Hoekman et al. 2000). General equilibrium studies can also be used to pinpoint vulnerable groups, the nature and detail of which depends on the specifications of households in the particular model used. As in the partial equilibrium studies, the dimension of human development can be incorporated in the analysis by using an appropriate framework or model such as MIMAP.

3.3 REGIONAL COOPERATION AND HUMAN DEVELOPMENT

Regional cooperation is essentially a means for countries to address common problems. Regional cooperation furthers human development by facilitating regional economic integration, by helping countries reap maximum benefits from it, and by promoting policies and outcomes that further progress towards the MDGs and human development through cooperation directed specifically to that end.

Regional cooperation aids the process of regional integration in three general ways. First, there are forms of regional cooperation that are intrinsic to the process of regional integration, such as agreements to bring down barriers to trade and the free flow of factors of production. Those forms will not be discussed separately in this Report. Second, regional cooperation on social issues has a direct impact on human development and can hasten the convergence process by helping countries attain the critical threshold of development necessary for regional integration to succeed. That form of regional cooperation will be discussed in the next chapter. Finally, regional cooperation, mainly in the monetary and financial spheres, can provide an enabling environment to help mitigate the potentially adverse impacts of regional integration at the macroeconomic level. The justification for that type of regional cooperation can be sought in phenomena that were highlighted during the 1997 crisis (Montiel, 2003). Spillovers from exchange rate policies present a case for exchange rate coordination, while inadequate supplies of international liquidity and common structural weaknesses in the financial sector and in corporate governance can

be addressed more effectively by cross-country cooperation in the reform process. Information coordination and surveillance, resource coordination or reserve pooling, and exchange rate coordination are forms of regional cooperation that fall in this category. A set of studies under the coordination of the Asian Development Bank (ADB), for example, presents details of specific proposals in this area (ADB, 2003).

Regional functional cooperation can help directly in the promotion of human development. It can address common problems that cut across national boundaries, such as drug trafficking, migration, trafficking of women and children, the spread of trans-boundary diseases of people and animals and so on. It can also promote human development interventions that impact several countries, for example, the promotion of higher education through the creation of an ASEAN University Network or the creation of a tsunami early-warning system. It can also help domestic policy-making by promoting best practices and information sharing. Regional cooperation among civil society organizations including non-governmental organizations (NGOs) can play an important role in initiating campaigns and movements for social causes and human development in the region.

Regional cooperation and integration could help countries promote good governance at home. Theoretically, any initiative for regional integration must prove its worth by taking into account several issues. It should provide an enabling environment for private sector development and strengthen trade integration. It should develop infrastructure programmes in support of economic growth and strengthen the region's interaction with the world. It should build regional environmental programmes and contribute to peace and security. It should reduce social exclusion and foster an inclusive civil society and so help to develop strong public sector institutions and good governance (Langenhove, 2003). States should view those issues as challenges, rather than constraints, in building and enhancing their governance capabilities, particularly if they are committed to greater regional cooperation and integration.

Economic convergence among countries of a region depends to some extent on political convergence and harmonization of standards for effective governance. The present form of ASEAN economic integration is, however, still in the initial stages, as it is limited to a free trade area, AFTA, which was created in order to counter the perceived diversion of foreign investment to other sites, particularly to China, a key concern in ASEAN since the 1990s. The primary aim of proponents of ASEAN economic cooperation so far has been to further the integration of member economies into regional and global investment and production networks, which are regarded as the principal means for enhancing human development.

4. REGIONAL ECONOMIC INTEGRATION AND HUMAN DEVELOPMENT: AN EMPIRICAL ANALYSIS

This chapter presents empirical analysis on the impact of regional economic integration on human development in South-East Asia. Following an examination of the configuration of integration in the region, the conclusion is drawn that regional integration in South-East Asia at present is merely an adjunct to the process of global integration. The empirical analysis proceeds to examine the macroeconomic effects of both greater unilateral and intraregional trade liberalization, as well as inflows of FDI, including a review of the impact of greater financial integration and a more open capital account on human development focusing on the Asian financial crisis of 1997. This is followed by a discussion of intraregional migration. The chapter also identifies major problems and concerns relating to human development that have emerged as a consequence of economic integration and shows how regional cooperation can help in their resolution.

4.1 REGIONAL ECONOMIC INTEGRATION IN SOUTH-EAST ASIA

Since the mid-1980s, East Asia has experienced “regionalization” or market-driven integration. The process was spurred by unilateral reforms in individual economies, as well as FDI within the region, principally from Japan, that followed the logic of the “flying geese” pattern of relocating production processes to lower-cost countries as domestic costs rose (Pangestu and Gooptu, 2003). The East Asia experience can be contrasted to what is termed “regionalism”, which refers to formal economic cooperation and economic arrangements. The EU is the foremost example of successful regionalism, although here, too, further integration is facing an uphill battle.

The more prosperous countries of South-East Asia – Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand referred to as the ASEAN-6 – have moved forward in integrating with the global economy. The admission of the CLMV countries to ASEAN makes the latter a potential force in the global arena but it poses new challenges because those countries are new to international trading arrangements and are economically behind the six other members. The emergence of Timor-Leste adds another dimension to integration and cooperation efforts in South-East Asia.

Even before AFTA came into effect, intraregional trade among ASEAN member countries expanded steadily and was over 29 per cent of total exports in 2002. However, the shares of Singapore, the Philippines, Thailand, Malaysia, Indonesia and Myanmar increased considerably during the period, while the shares of Cambodia and Lao People’s Democratic Republic declined. Intra-ASEAN trade is, however, low compared with the EU, where intraregional trade was 47 per cent of total exports in 1960 and had risen to 61 per cent by 2001. Nevertheless, trade within ASEAN has increased in recent years and may well continue to do in the future.

The full potential impact of AFTA has yet to be realized, as it only came into effect in 2002 and the CLMV countries have a longer timetable for accession. But there are several reasons to doubt that regional economic integration will make a substantial additional contribution to growth in South-East Asia in the near future. It has been observed that AFTA member countries have reduced most-favoured-nation tariff rates along with the preferential AFTA rates and the differences between the two are now quite small. There has been little progress in the harmonization of product standards and in trade facilitation. Combined with the high cost of compliance with rules of origin, this has resulted in a small share of intra-ASEAN trade conducted at the preferential AFTA rates (Soesastro, 2001). In addition, other factors made ASEAN member countries initially reluctant to embark on closer economic integration (Chia, 2000). First, wide differences in levels of economic development, industrial competence and commitment to free trade made it difficult to forge a consensus on economic integration. Second, complementarities among the economies are limited, except perhaps between Brunei Darussalam and Singapore, on the one hand, and the rest of the countries, on the other. A modest degree of complementarity also exists between middle-income South-East Asian economies and the CLMV countries. However, Brunei Darussalam and Singapore have small populations and cannot play the role that Germany and France did in the EU. Finally, South-East Asia remains too small to be economically crucial for individual member countries and economic relations with countries outside the region are likely to continue to be dominant in the foreseeable future. Trade among ASEAN plus China, Japan and Republic of Korea stood at 36.4 per cent in 2002 and has grown rapidly, indicating that this bloc could form a more viable regional trading arrangement.

In this context, the role of formal regional arrangements in South-East Asia appears to be more to facilitate and support unilateral reforms and contribute to multilateral liberalization than to advance regional integration and intraregional trade and investment (Pangestu and Gooptu, 2003). Therefore, in assessing the impact of closer regional integration in South-East Asia, studies that look at the impact of greater global integration should be considered equally relevant.

4.2 THE IMPACT OF GREATER REGIONAL ECONOMIC INTEGRATION ON ECONOMIC PERFORMANCE

Trade liberalization

Early studies on the integration process among ASEAN member countries pointed to its beneficial impact at the macroeconomic level in terms of higher trade volumes and faster economic growth (Nakamura and Yap, 1990 and Imada et al., 1991). More recent studies have affirmed the benefits of closer regional economic integration and even extended the analysis to cover more countries. A recent World Bank study reported similar results (Krumm and Kharas, 2003). The evidence suggests that ASEAN member countries would stand to gain more if the coverage of their regional trade arrangement is expanded. Moreover, benefits would be generally lower if agriculture was excluded from the arrangement.

A study on Viet Nam applied a multi-regional, computable general equilibrium model to determine the impact of several possible trade arrangements, such as accession to AFTA under different scenarios (Fukase and Martin, 2001). The simulation results showed that the static economy-wide effects of AFTA liberalization were relatively small and that there could be substantial losses in terms of trade from the export expansion associated with AFTA liberalization. The results suggest that Viet Nam would gain from extending its AFTA concessions on an MFN basis through unilateral liberalization. Another study on Indonesia, which applied a global, computable general equilibrium model from the Global Trade Analysis Project (GTAP)⁴, shows that full implementation of agreements under the Uruguay Round and Asia-Pacific Economic Cooperation (APEC) will yield substantial benefits for the Indonesian economy (Feridhanusetyawan and Pangestu, 2003). The gains, which are derived mainly from a more efficient allocation of resources, would be magnified if Indonesia were to liberalize unilaterally. Singapore was shown to benefit the most from trade liberalization under different scenarios. Malaysia gained somewhat less than Indonesia, while the benefits accruing to the Philippines were only 30-40 per cent of the Indonesian gains. In contrast, Thailand was adversely affected by trade liberalization under all arrangements considered in the simulation exercises owing to the negative terms of trade effect on the Thai economy, which overwhelmed the gains from more efficient resource allocation. One important conclusion of the study was that AFTA is expected to contribute very little to welfare gains to the five South-East Asian countries considered in the study but that inclusion of agriculture in the various trade arrangements would be generally beneficial to those countries.

Foreign direct investment

Undoubtedly, one of the key factors driving economic growth in the larger economies of South-East Asia in the last two decades has been FDI. Between 1989 and 2003, Singapore received the most FDI, followed by Viet Nam, Malaysia and Thailand but FDI received by CLMV countries has been relatively low. FDI inflows in Brunei Darussalam are largely affected by its oil and gas sector. While FDI has shown a positive trend in Singapore, Brunei Darussalam and Viet Nam in recent years, this has not been the case in other countries. Indonesia, in particular, suffered net outflows of FDI and inflows have been erratic in Malaysia. Intraregional investment among the ten ASEAN member countries peaked at 13.3 per cent of total investment prior to the 1997 financial crisis (ASEAN, 2004a).⁵ After the onset of the crisis, the figure fell to 4.2 per cent in 1999 before recovering to 9 per cent in 2001.

⁴ Hosted by the Center for Global Trade Analysis, Department of Agricultural Economics, Purdue University (<http://www.gtap.agecon.purdue.edu/>).

⁵ This pales in comparison to intraregional FDI in the EU, which reached 60 per cent of total FDI received in 2000 (EuroStat News Release, 2001).

Table 6. Foreign Direct Investment Inflows in ASEAN, 1989-2004 (US\$ million)

	1989 - 1994 (annual avg)	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Brunei	4	583	654	702	573	748	549	526	1,035	3,123	103
Cambodia	26	151	294	168	243	232	149	149	145	87	131
Indonesia	1,524	4,346	6,194	4,678	-356	-2,745	-4,550	-3,279	145	-596	1,023
Laos	19	88	128	86	45	52	34	24	25	19	17
Malaysia	3,964	5,815	7,297	6,323	2,714	3,895	3,788	554	3,203	2,473	4,624
Myanmar	135	318	581	879	684	304	208	192	191	128	556
Philippines	879	1,577	1,618	1,261	1,718	1,725	1,345	982	1,111	319	469
Singapore	4,798	11,503	9,303	13,533	7,594	16,607	17,218	15,038	5,730	11,431	16,060
Thailand	1,942	2,070	2,338	3,882	7,491	6,091	3,350	3,886	947	1,869	1,064
Viet Nam	651	1,780	1,803	2,587	1,700	1,484	1,289	1,300	1,200	1,450	1,610
ASEAN	13,942	28,231	30,209	34,099	22,406	27,853	23,379	19,373	13,733	20,304	25,657

Sources: Data for 1989-1994 are from Table 2 of Mirza and Giroud (2004); 1995-2003 are from the ASEAN Statistical Yearbook 2004; and 2004 data are from UNCTAD, World Investment Report 2005.

The impact of FDI on economic performance has been extensively analyzed and its influence on economic growth measured quantitatively (see, for example, UNCTAD, 1999 and Jalilan and Weiss, 2001). The consensus is that FDI has had a net beneficial impact on economic performance. The channels by which FDI affects growth and development in host countries range from direct effects on employment and training, through multiplier effects from increased expenditure in the local economy, to spillover effects as knowledge and technology are transferred to indigenous firms (Mirza and Giroud, 2004). The latter is often the foremost reason for encouraging FDI.

The surge in FDI in South-East Asia in the late-1980s and 1990s can be attributed primarily to economic restructuring in Japan, following the sharp appreciation of the yen vis-à-vis the United States dollar in 1985. Greater trade liberalization in the region and a more stable macroeconomic environment also induced greater inflows. The more open trade regime, in particular, encouraged the establishment of integrated production processes across South-East Asia. It remains to be seen whether the market effect will become more significant in future as integration proceeds in the region.

Financial and capital account liberalization and the 1997 financial crisis

It has been widely accepted that excessively rapid financial and capital market liberalization was probably the single most important cause of the 1997 financial crisis (Stiglitz, 2003). As an integral part of the so-called "Washington Consensus", financial and capital market liberalization was encouraged and controls on the movement of capital were viewed as impediments to greater economic efficiency. Moreover, greater financial integration was expected to lead to increased diversification of sources of funding, enhancing economic stability. Many of the larger countries in South-East Asia liberalized their capital accounts beginning in 1991.

Despite the potential benefits, there is little evidence that those policies promoted growth, instead there is ample evidence that they imposed huge risks on developing countries (Stiglitz, 2003). As a result of capital account liberalization, many countries in South-East Asia experienced a surge in portfolio or "hot money" inflows.⁶ This resulted in an appreciation of real effective exchange rates, which hurt manufacturing and benefited non-tradable sectors, especially real estate. A consumption boom, driven by faster credit growth, together with the greater availability of foreign exchange stimulated increased imports. Current

⁶ FDI inflows also increased but, as mentioned earlier, the rise in FDI had occurred mainly owing to economic restructuring in Japan, which preceded the liberalization of the capital account in 1991.

account deficits worsened and external debt, particularly short-term, private sector obligations, increased. Capital account liberalization also heightened vulnerabilities emanating from other areas of the economy. In particular, the soft exchange rate peg in most of the crisis countries encouraged foreign borrowing since most central banks implicitly guaranteed a fixed exchange rate in the foreseeable future. Meanwhile, financial systems in most countries were not mature enough in terms of the quality of supervision and regulation. Combined with some unscrupulous practices by some banks and firms, the result were loans of dubious quality. As is well known, the crisis started with the Thai baht and then spread to other countries in East Asia. The 1997 financial crisis epitomizes the risks involved in greater global and regional economic integration if it is carried out too hastily and with insufficient preparation. As mentioned earlier, the impact on human development in the region was substantial.

Labour migration

Asia is one of the most significant regions of the world not only in terms of the cross-border movement of goods and capital but also in terms of the movement of people (Ghosh, 2004). This is particularly true of South-East Asia. The stock of intraregional temporary labour migrants in South-East Asia grew from 300,000-500,000 persons in the early-1970s to a peak of 3-3.5 million persons prior to the onset of the 1997 crisis. Temporary labour migrant flows to major host countries, namely Malaysia, Singapore and Thailand, represent about 7 per cent of their combined labour force. Latest available estimates put the stock of temporary migrants at 3.25 million, about 95 per cent of whom are thought to be unskilled (Manning and Bhatnagar 2004).

Migration is intrinsically related to the level of development, as disparities in living standards together with gaps in labour supply and demand in South-East Asian nations create the conditions for intraregional migration (Yeoh, 2004). Migration has varied effects on home and host countries. In the home country, the most direct benefits come from the remittances and repatriated savings of migrants. However, over-dependence on such inflows is undesirable in the same way that dependence upon a single major export commodity can also be problematic. This is especially the case when business cycles, as well as political and other phenomena, in host countries affect migration and remittances. Temporary migration permits poor households to diversify income sources and reduces the vulnerability of poor communities in general to domestic economic crises. Host countries of migrants also benefit from the supply of low cost labour that is in short supply for them. One key issue is how the beneficial impacts of greater labour mobility in the region can be maximized and costs reduced. This can be achieved through appropriate labour and social policies that are included in the recommendations outlined below.

4.3 THE IMPACT OF GREATER REGIONAL ECONOMIC INTEGRATION ON HUMAN DEVELOPMENT

The experience with the 1997 crisis confirms that greater global and regional integration need not necessarily have beneficial impacts. In the case of trade liberalization and inflows of FDI, evidence at the aggregate level favours more economic openness but the impact on ordinary people, particularly in terms of human development, may not always be encouraging.

In this section, quantitative evidence is examined to determine whether some of those concerns are valid. A useful framework to adopt is that of MIMAP, which permits measures that enhance global and regional economic integration to be treated as macroeconomic adjustment policies. In this framework (Appendix I), aggregate supply and demand of goods and services determine equilibrium output, the overall price level, employment, the aggregate balance of trade in goods and services and international financial flows with the rest of the world. The interface between macroeconomic and household outcomes determines relative output and price levels, which affect sectoral factor demand and supply, factor quantities employed, factor returns and the functional distribution of income. The ownership of, and access to, various productive resources determine the size distribution of income. Relative prices, employment, the level and distribution of public goods and services, and the size and distribution of income, in turn, influence household choices. The latter are translated into outcomes that determine the level of human development. Models of this type can be used to evaluate the impact of macroeconomic adjustment policies on poverty incidence, income distribution, health outcomes, education, gender bias and the environment. Unfortunately, there is a dearth of studies that deal solely with the impact of regional integration in South-East Asia. Based on the studies available, some areas of concern with respect to the impact of economic integration on human development are discussed below.

Government expenditure on human development

The importance of public expenditure in determining the status of human development in a country was noted earlier. The size of the expenditure, however, is likely to be influenced by globalization policies and pressures on Governments to reduce public expenditure to meet fiscal deficit targets. Thus, expenditure on social sectors depends not only on the commitment of Governments to those sectors but it is also significantly influenced by the financial crunch experienced under globalization. Available data on public expenditure indicate that expenditures on social sectors are quite low in countries that are lagging in terms of human development in South-East Asia and more work needs to be done in this area, including calculating the four public expenditure ratios discussed earlier for South-East Asian countries.

Labour and employment

The concerns arising in the field of labour and employment from greater integration are well known (Lanzona, 2001). Workers in many developing countries fear that as a consequence of the entry of China and other labour surplus economies in international trade there will be downward pressure on their wages, leading to further immiserization. Increased domestic unemployment leading to further international migration are other undesirable outcomes. While some industries will benefit from globalization, the process of adjustment could well lead to some short-term job losses. There are also concerns about labour standards and institutions. Workers may be forced to work in sub-standard conditions in order for firms to be competitive. Globalization and increased regional integration have encouraged flexibility in labour markets, which in turn has resulted in the informalization of labour. Outsourcing of work through contracting and sub-contracting tends to promote piecework and home-based work, particularly for women workers, who are usually poorly paid, lack social protection and have limited possibilities for upward mobility in the labour market. There is also the issue of the adequacy of educational institutions in coping with the demands likely to arise as a result of greater economic openness. Inadequate facilities for education and skill formation result in increasing wage and income gaps between those with skills and those without.

Environmental standards

Related to core labour standards is the matter of environmental standards. Under the neo-liberal paradigm, environmental resources are not recognized as natural capital and as a result scant attention is paid to environmental sustainability and the conservation of natural resources. The desire for faster growth has therefore led to rapid environmental degradation in many East Asian countries. Industrialists, who fear a loss of competitiveness, do not welcome the imposition of stricter environmental rules nor are policy makers keen on putting controls on industries so as not to jeopardize economic growth. It goes without saying that a depleted and degraded environment is likely to have an adverse impact on human development.

Poverty and income distribution

Economic growth is a necessary but insufficient condition for poverty reduction. The net positive impact of regional integration at the macroeconomic level in terms of higher levels of GDP indicates that the necessary condition is satisfied. The main channels through which macroeconomic policies affect poverty incidence are employment and wages. The GTAP model was used in a study of the impact of multilateral trade liberalization on poverty in three South-East Asian countries, namely Indonesia, the Philippines and Thailand, by linking it with new international cross-section consumption and earnings data from household surveys (Hertel et al., 2002).⁷ The data showed that the poor were more specialized in their sources of income than the non-poor, making them more vulnerable to changes in trade policy, which tend to favour one sector at the expense of another. The results of the simulations also showed that the aggregate measure of poverty incidence was reduced by trade liberalization in the countries studied. Moreover, households that largely depended on income from the agricultural sector in those countries benefited substantially from the liberalization of trade in that sector in developed countries. In another study, which included Viet Nam, also showed a reduction in aggregate poverty incidence in that country following trade liberalization (Hertel et al., 2003). It should be noted that the favourable impact of trade liberalization on poverty arises mainly from the inclusion of the agriculture sector in the simulation exercises. Since the bulk of the poor are dependent on agriculture to some degree, the national poverty rate tends to fall since trade liberalization raises the profitability of agriculture.

⁷ A related study dealt solely with Indonesia (Hertel et al., 2004).

A review of the impact of trade liberalization on output and income distribution in the Philippines (Yap, 2002) indicates that greater global integration generally has a net positive impact on welfare and poverty reduction but the results for income distribution are mixed. This finding was supported by the sharp increase in the Gini coefficient of the Philippines between 1994 and 1997, when the Government accelerated the implementation of market-oriented policies. Another recent study indicates that several factors contributed to rising income inequality in the larger countries of South-East Asia (Pangestu, 2001). An important consideration is that those countries had either inadequate or non-existent social safety nets or income transfer programmes. South-East Asia did not share the experience of the Republic of Korea and Taiwan Province of China, of an export-oriented strategy accompanied by the spread of industrialization to rural areas, increased rural-urban linkages and rapid increases in non-agriculture employment, especially in the countryside. While labour markets in the larger countries of the region responded to the need for a labour-intensive, export-oriented drive, they were hampered at subsequent stages of the drive by the lack of skilled labour. South-East Asia did not move as fast as North-East Asia to educate its workers, so while labour markets continue to be flexible, there is growing income inequality owing to the sharp rise in the wages of skilled versus unskilled labour. Data on the pattern of poverty incidence and income distribution over time support the general conclusion that greater economic openness has coincided with a reduction in poverty but a worsening income distribution.

The positive impact of FDI on economic growth implies that it too has satisfied the necessary condition for a beneficial effect on poverty. Other channels through which FDI can influence poverty include by reducing the volatility of capital flows and incomes. Compared with other capital flows, FDI is more stable and has a better risk profile and is therefore more conducive to macroeconomic stability. FDI can also improve corporate governance. Companies owned and controlled by foreigners tend to increase productivity more than those under dispersed ownership do. Foreign investors usually observe better standards than domestic firms do, partly because they can afford to do so owing to their higher productivity and partly because they are under greater scrutiny, particularly from civil society groups. Foreign investors also contribute to tax revenues, which can be used to finance improved social safety nets and basic services for the poor (Klein, et al. 2001).

The degree to which FDI induced economic growth and led to poverty reduction in South-East Asia was the subject of a recent study (Jalilan and Weiss, 2001). The relevant results show that FDI inflows were associated with higher economic growth, the association being strongest in countries with higher educational levels. In terms of the relation between growth and poverty, there was a close relation between the growth in average income and the growth in the incomes of the poor. Turning to the question of poverty in ASEAN, the study found evidence that FDI in the region has been poverty-reducing and that this effect was stronger in the region than elsewhere. On average, 40 per cent of the poverty-reducing effect of FDI resulted from the economic growth induced by it, with the remainder resulting from more direct impacts. The obvious candidates for those direct effects include labour training and employment of the poor. Although the growth effect leads to additional job creation over time, this mechanism is the conventional trickle-down path in response to rising mean incomes.

Inflows of FDI could also have contributed to the disparities observed in South-East Asia, both within and among countries. The development disparity among countries is partly caused by differences in the volume of FDI received and partly by policy differences in handling the inflows. Policies that enhance the capability of the economy to benefit from FDI are related to measures to improve the technological capability of domestic firms in order for them to benefit from dealings with, and spillovers from, foreign firms. In addition, Governments can encourage FDI to flow into areas that have greater linkages with the rest of the economy. For example, FDI in rural-based industries would have a more significant impact on poverty reduction. FDI is likely to have contributed to increased income inequality within countries. With the exception of FDI in textiles, foreign investment in manufacturing has employed labour that is relatively skilled and this has increased wage disparities between skilled and unskilled workers.

Health, nutrition and labour standards

To monitor the impact of trade liberalization on other aspects of human development, household models can be linked to standard macroeconomic models. For example, in a study which dealt with the choice of health care facility by households' estimated price and income elasticities, it was found that prices or user fees and income are important determinants of health care choice (Orbeta and Alba, 1998). Moreover, there was a clear tendency for price elasticities to be greater among lower income households, implying that uniform price increases hurt the poor more than the rich. The results showed that the tariff reform programme led to an increase in the cost of private health care and a decline in the cost of public health care, which would have benefited the poor.

A similar approach was adopted to investigate the impact of greater trade liberalization on child labour in Viet Nam (Edmonds and Pavcnik, 2002). Using household panel data, it was determined that child labour fell as rice prices rose. The effect was largest for girls of secondary school age and corresponded to an increase in school attendance by this group. Since trade liberalization, through a relaxation of rice export quotas, resulted in a rise in the average domestic price of rice, the conclusion was drawn that trade liberalization had contributed to a decline in child labour in Viet Nam.

Gender issues⁸

Economic development in South-East Asia in the last two decades has been anchored by the export sector, supported by FDI. From the early-1980s onwards, the increasing importance of export-oriented manufacturing activities in many Asian countries has been associated with a much greater reliance on women's paid labour. It has been argued that their labour constitutes the ultimate foundation of international competitiveness in the region (Gills, 2003). The process was most marked in the high-exporting economies of East and South-East Asia in the 1980s, where the share of female employment in total employment in export processing zones and export-oriented manufacturing industries typically exceeded 70 per cent. The so-called feminization of employment in many Asian countries resulted from the need to remain competitive in a very dynamic and fluid economic environment and therefore for cheaper and more flexible sources of labour.

Feminization was also encouraged by the widespread conviction among employers in East and South-East Asia that female employees are more tractable and subservient to managerial authority, less prone to organize into unions, more willing to accept lower wages because of their own lower reservation and aspiration wages, and easier to dismiss using life-cycle criteria such as marriage and childbirth. However, as the effective relative remuneration of women has improved, in terms of the total package of wage, work and contract conditions, their attractiveness to employers has decreased. The more recent experience with the employment of women has been moves towards casualization of labour, shifts to part-time work or piece-rate contracts and increased reliance on the informal sector through sub-contracted and home-based work. It has been observed that this is part of a wider international tendency of somewhat longer duration: the emergence of international suppliers of goods who rely less and less on direct production within a specific location and more on subcontracting a greater part of their production activities. Those trends have reduced the social protection of women and made them more vulnerable to economic downturns and there is enough empirical evidence to show that children and women are most vulnerable in the adjustment process.

The early feminization of employment has had both positive and negative effects on the women concerned. On the one hand, it has led to greater recognition and remuneration of women's work and typically the relative status and bargaining power of women within households, as well as their own self-worth, have improved thereby leading to greater empowerment. On the other hand, regardless of a woman's participation in productive work, household work remains the primary responsibility of women so that the increase in paid employment actually led to an increase in the burden of work of women. In short, greater global and regional integration in South-East Asia initially led to a rise in the labour force participation rate of women. However, since the early 1990s this has leveled off and women have borne the brunt of the adjustment process brought about by greater competition among domestic and international firms. Not only has labour force participation declined but the degree of casualization and use of informal labour has also risen. The effect of the 1997 crisis on women was also more severe.

⁸ This section draws extensively on Ghosh, 2004.

In this regard, the challenge is to devise mechanisms that reduce gender bias in the adjustment processes inherent in globalization. Social policies that reduce the double burden of work on women, such as the establishment of child-care centres, are needed as are improved protection for people in the informal sector, particularly women, and the elimination of gender bias in the provision of social security.

The social dimensions of migration

Migration has social implications that need to be considered in addition to the economic impact on home and host countries. On the one hand, families and communities of migrants sustain social costs. The absence of the migrant may have significant adverse effects on the family including disruption of relationships and problems with the education and socialization of children, particularly when women migrants have to leave young children behind. On the other, remittance incomes provide crucial benefits. Typically, they enable families back home to lead better material lives than would otherwise have been possible and contribute to expenses towards the education of children, better health care for the sick and elderly in the household, and so on (Ghosh, 2004).

Policies towards labour migration are either absent or lack coherence in both sending and receiving countries. This has at least two important implications. The absence of policies tends to increase the number of undocumented migrant workers who are vulnerable to abuses and violations of human rights. On the part of the sending country, the absence of a policy on overseas employment reveals the inability of the State to protect its citizens working outside its borders (Rico, 2004).

Cross-border migration in Asia is highly gendered, with women migrants largely found in service sectors, especially in domestic work and personal and health care, as well as in entertainment. There is often a fine line between voluntary migration and trafficking in women and girls. Trafficking is a widespread problem, which is on the increase, not only because of growing demand, but also because of larger and more varied sources of supply, given the increasingly precarious livelihood conditions in many rural parts of Asia.

The social impact of the 1997 financial crisis

Many studies have analyzed the social impact of the 1997 crisis extensively (for example, UNESCAP, 1999 and Khandker, 2002). In general, the social consequences were uneven and the vulnerable in urban areas suffered more than the urban rich or rural households (Khandker, 2002). In the words of one account, as the crisis deepened, “unemployment soared, GDP plummeted, and banks closed. The unemployment rate was up fourfold in South Korea, threefold in Thailand, tenfold in Indonesia. In Indonesia, almost 15 per cent of males working in 1997 had lost their jobs by August 1998, and the economic devastation was even worse in the urban areas of the main island, Java. In South Korea, urban poverty almost tripled, with almost a quarter of the population falling into poverty; in Indonesia, poverty doubled. In some countries like Thailand, people thrown out of jobs in the cities could return to their rural homes. However, this put increasing pressure on those in the rural sector. In 1998, GDP in Indonesia fell by 13.1 per cent, in Korea by 6.7 per cent, and in Thailand by 10.8 per cent. Three years after the crisis, Indonesia’s GDP was still 7.5 per cent below that before the crisis, Thailand’s 2.3 per cent lower” (Stiglitz, 2003).

This description is consistent with the upward trend of poverty incidence in Indonesia, Malaysia, the Philippines and Thailand after the crisis that was mentioned earlier. Soaring inflation, particularly in Indonesia, also eroded purchasing power and reduced standards of living. As is well known, lower income groups are generally hardest hit by inflation and empirical analysis shows that the impacts of price changes on poverty were far more significant than the impacts of changes in income (Khandker, 2002).

The contraction in the real economy also led to the reversal of many past achievements in the areas of education and health care. However, the most glaring shortcoming in social policy that was revealed by the crisis was the absence of social safety nets that could have mitigated the difficult adjustment process.⁹ Only after the crisis did Governments realize the importance of social safety nets, not only during a crisis period but also during the process of adjustment that accompanies greater global integration.

Governance concerns

Regional integration among the countries of South-East Asia could benefit in many ways from better governance within each country, even as conversely, good governance could be helped by greater regional integration. In a way, they could be mutually reinforcing and important in narrowing the gap among countries and in promoting human development in the region. Since variations in the quality of governance are a major determinant of disparities in the level of development in South-East Asia, as was discussed earlier, it is appropriate to analyze the impact of greater economic openness and outward orientation on this factor. Two major issues stand out in this area. One is whether greater economic openness has compelled Governments in South-East Asia to improve the quality of governance in order to enhance competitiveness or whether economic growth resulting from greater openness has induced better governance. It has sometimes been argued that Government interventions in some countries, such as Republic of Korea and Taiwan Province of China, succeeded in stimulating economic growth because of the quality of institutions behind the interventions. That is, “good” institutions were necessary for those countries to take advantage of opportunities provided by greater outward orientation. The second issue revolves around the possibility that greater economic openness and adherence to the international rules of the game may have constrained Government action, particularly in the provision of public goods.

The large variation in the quality of governance in South-East Asian countries indicates that greater global economic integration has not influenced governance significantly. On the contrary, it has also been argued that the emphasis on international competitiveness and export promotion often supplanted explicit policy measures against poverty and social inequality (Gills, 2003). In some of the countries of South-East Asia, a clear linkage has emerged between the turn to export-oriented growth, labour controls and the withdrawal of previous social commitments (Haggard, 2004a). Therefore, greater economic openness or, more accurately outward orientation, appears to have had a distinctly negative impact on the quality of governance.

Identifying “winners” and “losers”

The assessment of the impact of greater global and regional economic integration reveals that it has been largely uneven. While many of the larger economies experienced high rates of economic growth during the period of greater economic openness, this did not shield them from the 1997 crisis. Moreover, the gains reported during the period prior to the crisis are measured on a consolidated basis, so that the outcome is a reflection of benefits net of costs. Hence, even if a net positive impact is reported, as is the case in some counterfactual studies, the underlying adjustment process that reallocates resources between industries and sectors results in beneficiaries or “winners” and those adversely affected or “losers”. If the former outnumber the latter consistently, there should be a trend towards convergence, not only within a country but also among countries. However, as seen earlier, economic convergence has been slow in South-East Asia and the disparity between countries continues to be relatively high. Income distribution within countries is also relatively unequal, especially in the larger economies.

While this lack of convergence cannot be attributed to a failure of regionalism, as formal trade arrangements among South-East Asian countries are relatively recent, it can nevertheless be related to the process of regionalization and globalization. The *Human Development Report 1999* expressed the concern that “when the market goes too far in dominating social and political outcomes, the opportunities and rewards of globalization spread unequally and inequitably – concentrating power and wealth in a select group of people, nations and corporations, and marginalizing others” (UNDP, 1999). The ascendancy of neo-liberal economic policies globally has been a major contributor to persistent and rising inequality in many regions of the world.

⁹ Among the five hardest hit countries, only Republic of Korea had an unemployment insurance program at that time.

Tight fiscal and monetary policies to stabilize inflation and reduce budget deficits have generated recessions and poverty surges. Cuts in public expenditure have been a drag on growth, especially when the needs of the poor have not been taken into consideration. Financial liberalization has increased volatility, occasionally leading to financial crises, particularly since the mid-1990s. Ill-conceived privatization programmes have led to the concentration of State assets in the hands of former managers and a small financial elite. Reduced workplace regulation and employment protection, restrictions on collective bargaining, lower public sector employment and reduced public expenditures on education have led to an erosion of minimum wages, a widening wage gap between skilled and unskilled workers and more informal employment. Labour's share in national income has been declining. Tax systems have also become more regressive through a greater reliance on indirect taxes, while public expenditures have become less (Cornia and Court, 2001). Left to their own devices, market forces clearly cannot guarantee convergence. Not only does Government intervention at the domestic level have a role to play but also mechanisms at the regional level can contribute to convergence. The logic for those interventions stems from the theory underlying market failure, positive externalities and the provision of public goods, and will be discussed further below.

To sum up, greater economic openness through global and regional integration has generally benefited countries in South-East Asia. This is manifested by higher inflows of FDI, increased trade flows, greater intraregional migration, faster economic growth and rising standards of living. The impact of trade liberalization and FDI on employment and poverty appear to have been favourable. Greater openness to trade has also been shown to impact positively on health outcomes, child labour, and the environment. The emphasis on export-orientation has led to an increase in the labour participation rate of women.

However, not all aspects of greater global integration have been beneficial, as shown by the 1997 financial crisis. Moreover, the evidence clearly demonstrates that the benefits were largely unevenly distributed both within and among the countries of the region. This is reflected in the large disparities in levels of development between countries and income inequalities within countries. Export and manufacturing sectors in several countries have an enclave nature and work conditions have deteriorated for women and workers in the informal sector. Social protection for unskilled temporary migrants is largely absent. Shortcomings in macroeconomic and social policies, inappropriate approaches to FDI and weak governance and institutions underlie the inequities and there is a need to address those constraints through appropriate policy interventions.

The lack of convergence among South-East Asian countries is perhaps a symptom of deeper structural problems. It is likely that some countries have not achieved the critical threshold of development that would allow them to reap the benefits of globalization and regional integration. Deficiencies in capabilities in terms of human resources and institutions constrain closer regional cooperation, preventing those countries from participating effectively in creating regional arrangements and adding to their difficulties in implementing policies agreed upon. Hence, it may be imperative to attempt to reach a threshold level of human development in key areas in poorer South-East Asian countries within a truncated period of time. Not only will this facilitate regional economic integration and regional cooperation but it will also accelerate the overall process of development.

5. REGIONAL COOPERATION INITIATIVES FOR HUMAN DEVELOPMENT IN SOUTH-EAST ASIA

As discussed in the conceptual framework, the fundamental rationale for regional cooperation in whatever form rests on the recognition by a group of countries of shared opportunities or constraints that provide the basis for joint action (Abonyi, 2003). Regional cooperation can have an impact on human development in two ways. First, it facilitates regional economic integration by engendering a stable regional macroeconomic environment, mainly through financial and monetary cooperation, and by helping low-income countries achieve the critical threshold of development that is necessary to participate effectively in regional arrangements. Regional cooperation can help those countries in skill formation, capacity-building and in developing infrastructure to enable them to attract FDI and open their economies. Regional cooperation can also provide technical advice on how to go about regional integration by sharing best practices that have yielded good results from integration, for example, in identifying sectors where FDI can help to reduce poverty more rapidly. Leading countries can also involve lagging countries in the process of integration by becoming their partners and promoters. Second, regional cooperation directly contributes to human development when countries jointly address common economic and social concerns. The latter includes mechanisms to compensate “losers” in the process of regional economic integration. While the current impetus for regional cooperation is largely driven by the necessities of regional economic integration, it is imperative to highlight the importance of human development as a regional objective. This chapter deals with the relationship between regional cooperation and human development in South-East Asia. It aims to highlight the various human development initiatives undertaken by different regional and international institutions working in the region.

5.1 FORMS AND RATIONALE OF REGIONAL COOPERATION

By taking joint action on issues that transcend national boundaries, countries can enhance their development prospects and boost their capacities to alleviate poverty, promote peace and security and achieve sustainable development. While most regional cooperation agreements in South-East Asia were initially undertaken to provide strategic defence and strengthen the bargaining power of countries in the global political arena, those aims have since expanded to cover various social and economic concerns.

Inter-country cooperation plays a significant role in the promotion of peace and security. Regional collaboration enhances community solidarity, emphasizes common goals among politically or culturally distinct groups, and mitigates political power imbalances among neighbours. Some of the major concerns are the trafficking of women and children, drugs, arms and contraband deals, money laundering and the cross-border movements of fugitives from justice as well as international terrorism. Closer cooperation and coordination among countries in the region are imperative for the resolution of those problems. Regional cooperation that furthers regional integration expands opportunities of participating countries, particularly those with less developed economies, to achieve faster and more equitable economic growth, which enhances regional stability. Through the facilitation of information sharing and best practices, countries can adopt better ways of meeting specific needs and concerns in fields such as governance, health, education, and research and development. Regional cooperation can also enhance social protection. It can serve as a medium for bringing countries together to share information and experiences in order to develop efficient and effective labour markets, reduce peoples’ exposure to risks, protect women and children from exploitation, and provide cost-effective welfare programmes and social safety nets. Cooperation on the environment and natural resources management can also foster more sustainable development in the region.

Social development is a major area of functional cooperation in South-East Asia. ASEAN Social Development Cooperation was recently restructured with a view to revitalizing and refocusing policy cooperation on strategic issues, such as the implications of economic integration and greater trade and services liberalization. Preparations of work plans for social welfare and development as well as disaster management are in progress. Although cost sharing is increasingly used as a modality for funding priority regional activities, ASEAN’s Dialogue Partners – the specialized agencies of the United Nations, the World Bank and other institutions – continue to support projects on labour, health, education, women and children.

5.2 INSTITUTIONAL MECHANISMS FOR REGIONAL COOPERATION IN SOUTH-EAST ASIA

Human development necessitates myriad shared and complementary efforts from the Governments of rich and poor countries, international agencies, local authorities, the private sector and civil society organizations. Those interventions usually aim at overcoming market failures that result in sub-optimal outcomes. Human development initiatives may be launched by Governments or international agencies or both (UNDP, 2003b). Three main institutions promote regional cooperation in South-East Asia: the United Nations, the Greater Mekong Subregion (GMS) Program of ADB and ASEAN.¹⁰

United Nations Agencies

Several agencies of the United Nations work towards the advancement of human development in South-East Asia. Among them are the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), the United Nations Development Programme (UNDP) and the International Labour Organization (ILO).

United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)

As a regional commission of the United Nations, UNESCAP's mandate is to foster cooperation between its members in order to promote economic and social development in the Asia-Pacific region. It fulfills this mandate through: policy advocacy and dialogue on global and regional commitments and critical emerging issues that need the urgent attention of its members; regional knowledge networking to enable its members and associate members to share and discuss information and experiences on good and innovative practices; and training advisory services and other technical assistance aimed at strengthening the capacity of its members and associate members to formulate and implement effective policies and programmes.

UNESCAP's regional cooperation initiatives are generally in the form of a mandate, where Governments reach a set of agreements or resolutions at the policy-level addressing common social and development issues as bases for cooperation, and technical assistance where countries collaborate with UNESCAP to conduct specific development activities. UNESCAP's activities related to human development come in two of its seven programme areas of work, namely social development, including emerging social issues, and poverty reduction.

Social development focuses on strengthening the capacity of members and associate members in the development and implementation of policies and programmes to address persistent and emerging social issues in order to enhance the productivity and quality of human resources. In terms of sustainability, UNESCAP has played a leading role in organizing high-level intergovernmental meetings addressing various issues for improving the productivity and quality of human resources. UNESCAP's traditional clients and partners are national Governments, who determine its work programme and act as key partners in implementing regional cooperation activities. UNESCAP has also involved state or provincial and local governments, NGOs, research and training institutes, the media and the private sector in the planning and implementation of its technical cooperation activities. Although national Governments are traditional target beneficiaries, NGOs, community-based organizations and the private sector are increasingly becoming important beneficiaries of the secretariat's regional cooperation activities.

Poverty and development focuses on strengthening the capacity of UNESCAP members and associate members to identify and analyze opportunities and constraints related to poverty eradication and to design and implement policies and programmes to reduce poverty in accordance with the Millennium Development Goals. In 2003, UNESCAP conducted a review of its two flagship projects, namely, the Millennium Development Goals and the Human Dignity Initiative. The report on MDGs provides a qualitative region-wide assessment of the progress achieved and obstacles encountered in meeting the MDGs in the region. The Human Dignity Initiative has implemented 30 community-based pilot projects in five countries of South-East Asia with the objective of promoting participatory community-based initiatives that improve living conditions in poor and disadvantaged communities. The initiative links grass-roots experiences with the policy-making process and results in a broad-based approach to development.

¹⁰ Another form of regional cooperation is growth triangles, of which there are three in existence in South-East Asia. However, owing to space constraints, growth triangles have not been considered in this Report.

Other activities conducted under the UNESCAP programme on poverty and development include a regional poverty alleviation programme; the replication of a best practices strategy on rural community development based on the Saemaul Undong methodology; cooperation and collaboration with other intergovernmental bodies and NGOs in activities related to rural poverty reduction; and the Conference on Microfinance Policy and Governance organized jointly with other organizations in March 2002 to build knowledge, institutional capacity and public-private sector cooperation in enhancing the effectiveness of microfinance as an instrument of poverty alleviation in the region.

United Nations Development Programme (UNDP)

UNDP is the critical development arm of the United Nations. With a global network in 166 countries, UNDP helps member countries of the United Nations build and share solutions to the challenges of democratic governance, poverty reduction, crisis prevention and recovery, energy and the environment, and HIV/AIDS. UNDP is primarily engaged in global advocacy and analysis to generate knowledge, alliance building and promotion of enabling frameworks on key issues, policy advice and support for national capacity-building, and knowledge networking and sharing of good practices (UNDP, 2004). UNDP is involved in several regional initiatives in the Asia-Pacific region. Of those initiatives, two best exemplify regional cooperation for human development: the Urban Governance Initiative and the Asia Pacific Rights and Justice Initiative.

The Urban Governance Initiative (TUGI) was created by UNDP as a response to the growing trend of urbanization in the region. TUGI is a regional project of the UNDP that acts as a hub for promoting good urban governance through institutional capacity-building, providing policy advisory services, enabling innovations on tools and methodologies for urban governance and ensuring wide information dissemination and collaborative networking between and within cities in the Asia-Pacific region. The TUGI Project popularized a five-point vision for well-governed and sustainable cities to promote socially just, ecologically sustainable, politically participatory, economically productive and culturally vibrant cities. In terms of harbouring participation and empowerment among sectors, TUGI employed its well-known report card system. TUGI report cards have been widely accepted and utilized by urban planners and administration.

The Asia Pacific Rights and Justice Initiative (or Asia Pacific Access to Justice, summarized as AP-A2J) of UNDP seeks to promote justice as a significant component in uplifting human development and augmenting poverty reduction efforts in the region. Access to justice is a major area of UNDP's democratic governance practice and a critical strategy for poverty reduction. The goal of UNDP's community of practice in Asia and the Pacific is to enhance access to justice and justice-related development policies and programmes for poor and disadvantaged people. AP-A2J involves approximately 30 UNDP staff from 17 country offices in the region and is supported by an electronic network of more than 80 members globally (UNDP, 2003a). The community has used a bottom-up process to achieve two major results: policy and tool development; and individual and organizational capacities to transform knowledge into practice. Its strength lies in the promotion of the empowerment, equity and accountability dimensions of human development. The AP-A2J network has identified priority disadvantaged groups in the region to focus on in the practice of development, namely the urban and rural poor, ethnic and indigenous minorities, women, migrants and internally displaced persons, persons living with HIV/AIDSs, and persons with physical or mental impairment.

International Labour Organization (ILO)

Apart from UNDP, the ILO also makes a considerable contribution in fostering regional cooperation initiatives for human development in South-East Asia within the United Nations. ILO seeks to promote social justice and internationally recognized human and labour rights. It formulates international labour standards in the form of conventions and recommendations setting minimum standards of basic labour rights: freedom of association; the right to organize; collective bargaining; abolition of forced labour; equality of opportunity and treatment; and other standards regulating conditions across the entire spectrum of work-related issues. It provides technical assistance primarily in the fields of vocational training and vocational rehabilitation, employment policy, labour administration, labour law and industrial relations, working conditions, management development, cooperatives, social security, labour statistics, and occupational safety and health (ILO website).

ILO implemented the Trafficking in Children and Women (TICW) project in 1997 through its International Programme for the Elimination of Child Labour (IPEC) in an effort to combat child labour in five countries in the Greater Mekong subregion, namely; Cambodia, Lao People's Democratic Republic, Thailand, Viet Nam and China's Yunnan Province. The TICW project consisted of several interventions for raising awareness, advocacy, capacity-building at national and local levels, and direct assistance to communities in the GMS. By mobilizing a broad alliance of stakeholders, the TICW Project covered work in education, skills training, employment creation, alternative livelihoods and legal literacy.

Asian Development Bank (ADB)

The GMS Program of ADB, which began in 1992, has the goal of promoting economic and social development by forging strong economic linkages between countries in the subregion.¹¹ For a period of ten years, the thrust of the GMS Program has been the development of infrastructure to enable the harnessing and sharing of the resource base and promoting the freer flow of goods and people in the subregion. Economic linkages among the six countries in the GMS have greatly strengthened in the first decade of intervention through a series of infrastructure and other projects, with overall investment amounting to about \$2 billion (ADB, 2002). ADB has designed a 10-year strategic framework that aims to extend the success of the GMS Program and articulates a vision of a more integrated, prosperous and equitable Mekong subregion. The new programme builds on successes to date and lessons learned in implementation, and addresses trends and challenges that beset the subregion.

An array of regional technical assistance initiatives has enabled the GMS Program to address the problem of inadequate access of people to opportunities beyond employment and livelihood. Some of those initiatives are: Preventive Education in the Cross-Border Areas; Small Scale Regional Technical Assistance for Drug Eradication in the GMS; Roll Back Malaria Initiative for the Greater Mekong Subregion; Preventing HIV/AIDS among Mobile Populations in the Greater Mekong Subregion; Study of Health and Education Needs of Ethnic Minorities; Prevention and Control of HIV/AIDS in the GMS; and Cooperation in Employment Promotion and Training.

Association of South-East Asian Nations (ASEAN)

ASEAN's evolution was discussed earlier in the introduction. Here, the focus of the discussion will be on ASEAN's initiatives on regional cooperation for human development. Economic cooperation, mentioned in the ASEAN Declaration, became a central goal of ASEAN with the Treaty of Amity and Cooperation in South-East Asia and the first Declaration of ASEAN Concord, known as Bali Concord I (ASEAN, 1976a and 1976b). The explicit reference to economic cooperation in ASEAN's key constitutional documents facilitates action by members on this issue. Nonetheless, it does not guarantee success of the programmes adopted, since that depends on a range of other factors including domestic and external conditions, which shape the incentives and disincentives for regional economic cooperation. Social development cooperation was also emphasized in the key constitutional documents of ASEAN. However, as economic integration intensified after 1992, the level of attention and detail accorded to economic cooperation in ASEAN documents increased sharply, while social development remained categorized under the broad rubric of functional cooperation. This encompasses a wide range of issues ranging from health, rural development and poverty, social welfare, HIV/AIDS, labour, education, disaster relief, sustainable development, and women, youth and children.¹² It was only after the 1997 financial crisis that social development issues became more focused around the fallout from globalization and regional liberalization. Aside from the devastation caused by the financial crisis, the accession of new less developed members into ASEAN in the late-1990s also prompted greater attention to social development and socio-economic issues, largely at their behest.¹³

ASEAN Vision 2020 envisaged the closing of the development gap among member countries through closer economic integration and broad-based development (ASEAN, 1997). A number of social development programmes were outlined in the Hanoi Plan of Action including the Plan of Action on ASEAN Rural Development and Poverty and the ASEAN Plan of Action on Social Safety Nets (ASEAN, 1998b). The establishment of an ASEAN Foundation to finance social development projects aimed

¹¹ The GMS comprises Cambodia, Lao People's Democratic Republic, Myanmar, Thailand, Viet Nam and Yunnan Province of China.

¹² See the 1992 Singapore Declaration (ASEAN, 1992a) and the 1995 Bangkok Declaration (ASEAN, 1995a).

¹³ Telephone interview with senior official of the ASEAN secretariat, 1 December 2003.

at reducing unequal development, poverty and socio-economic disparities was also envisaged. Other ASEAN plans of action deal with more specific sectoral issues, including those on social development, culture and information, science and technology, the environment, drug abuse and control, and transnational crime. Projects and work programmes in areas such as HIV/AIDS, children, skills training for disadvantaged women and youth, and occupational safety and health have also been formulated (ASEAN website).

ASEAN's organizational approach and the "ASEAN way"

Clearly, ASEAN has a very comprehensive framework for dealing with regional integration and cooperation in South-East Asia, including specific programmes designed to deal with human development issues. A summary is presented in Table 7 relating various ASEAN initiatives to the different objectives of regional cooperation. However, an important issue is whether ASEAN has the resources and appropriate philosophy to carry out those programmes effectively.

Table 7. Objectives of Regional Cooperation and Relevant ASEAN Initiatives

Objective of Regional Cooperation	ASEAN Initiative
Compensation of "losers"	ASEAN Plan of Action on Social Safety Nets
Hasten economic convergence	Initiative for ASEAN Integration
Directly enhance human development	Various ASEAN plans of action
Engender regional macroeconomic stability	ASEAN Surveillance Process

The behaviour of ASEAN member States is guided by two sets of norms: regulatory norms, or the ground rules regarding the internal and external relations of member States; and procedural norms, which guide collective decision-making. The primary regulatory or behavioral norm of ASEAN is that of non-interference in the internal affairs of another State, given formal expression in the Treaty of Amity and Cooperation (Job 1999). It is through this principle that ASEAN reassures its members that another member engaging in direct or indirect acts of subversion will not jeopardize its territorial and political integrity. This norm, consequently, also contributes to securing domestic regimes, a key concern in ASEAN since its inception in 1967 that has continued to the present given ongoing nation building and political consolidation in member States.

The procedural norms of ASEAN, collectively referred to as the "ASEAN way", govern the manner in which members engage in collective decision-making. Prescribing means rather than ends, the "ASEAN way" specifies how policy-makers should conduct themselves in the ASEAN context (Busse, 1999). The "ASEAN way" to collective decision-making and problem solving emphasizes informality and an aversion to formal institutions, flexibility, consensus, a high degree of discretion and non-confrontational bargaining styles (Acharya, 1997). Those norms help to reinforce the domestic autonomy of governing regimes by reassuring member states that they will not be publicly pressed to undertake actions that run counter to domestic interests. In Bali Concord II, ASEAN leaders reaffirmed the "fundamental importance of adhering to the principle of non-interference and consensus in ASEAN cooperation" (ASEAN, 2003).

From the mid-1990s, ASEAN Governments adopted an increasing number of rules and procedures to govern regional economic cooperation, consequently reducing to a significant extent their respective individual autonomy or sovereignty in aspects of economic policy. Moreover, inter-State diplomacy in this area also departed from the "ASEAN way" of cooperation as members engaged in hard bargaining, often rather confrontational, over emerging points of contention. ASEAN members were clearly willing to forego the right to non-intervention, albeit partially, by accepting constraints on their freedom of policy choice in economic matters simply because they believed this to be necessary to ensure that AFTA remained credible to foreign investors (Nesadurai, 2003a). Nevertheless, non-interference and adherence to the "ASEAN way" remains fundamental to ASEAN, guiding the behaviour of members in the first instance unless they choose to depart from it in their quest for cooperation (Capie, 2003).

The ASEAN secretariat has increasingly adopted a pro-active role in raising awareness of new issues in social and human development that require regional solutions, as well as in identifying and drawing up regional projects. In this regard, the secretariat often works closely with relevant United Nations agencies.¹⁴ The proposal to explore the impact of regional economic integration on social development and welfare is a secretariat initiative, supported strongly by the new members of ASEAN. This is in contrast to the period before 1993 when national Governments tended to propose projects for consideration at the ASEAN level that, more often than not, were projects that met national priorities but were not of interest to other member Governments. It is for this reason that many ASEAN projects failed to be supported at the regional level. At present, cooperation in social development tends to be more purposive, guided by programmatic plans and is no longer ad-hoc or piecemeal. The infrastructure for social development cooperation has also been transformed with the establishment of specialized networks in a range of social development fields.

Aside from specialized funds to finance specific ASEAN projects, such as the ASEAN Fund, the Science and Technology Fund and the Cultural Fund, ASEAN has to date relied heavily on dialogue partner States to fund ASEAN projects. Although member Governments make an annual contribution to ASEAN, this is largely used for operational expenditure, particularly secretariat staff salaries. While ASEAN has benefited from dialogue partner funding, this trend nonetheless increases ASEAN's dependence on external funding and subjects the institution to conditionalities imposed by funding Governments. Rather than function as an official funding arm of ASEAN, the ASEAN Foundation is mandated to raise funds from other international foundations, charities and the private sector. Its establishment potentially increases the sources of funding for ASEAN and it could reduce dependency on dialogue partners if it were strengthened and greater efforts were made to transform it into a viable source of funding for ASEAN cooperation on social development.

ASEAN networks to enhance regional cooperation

ASEAN has very well-established networks of governance, particularly with other States, other relevant international and regional organizations and with the private business sector. Unfortunately, its links with civil society are limited in comparison, which could have some bearing on the efficacy and accountability of ASEAN's social development programmes and, more broadly, of ASEAN as a regional institution.

ASEAN has an extensive network with non-member States through its dialogue partners scheme. The dialogue partners include Australia, Canada, China, the EU, India, Japan, Republic of Korea, New Zealand, Russian Federation and the United States of America. The best developed of those relationships involves Australia, which became ASEAN's first dialogue partner in 1974. Two flagship projects of ASEAN, Initiative for ASEAN Integration and Mekong Basin Development, receive external funding from dialogue partners such as Australia, Japan, China, Republic of Korea and may do so from India, while ASEAN contributes in kind through a range of technical assistance programmes and other non-financial contributions.

ASEAN's most extensive extra-regional cooperation is with North-East Asian States through the ASEAN+3 process. This involves networking at the level of leaders, ministers, senior officials and the private sector. Through those processes, a number of significant cooperative projects have been initiated, the most notable being the Chiang Mai initiative of bilateral currency swap agreements. Other joint projects include those aimed at helping small and medium-scale enterprises through training and technical assistance, human resource development, electronic-learning, food security, the environment and energy cooperation. ASEAN also has extensive networks with several agencies of the United Nations.

ASEAN has developed strong networks with the private sector, particularly since the mid-1990s, and it has long sought inputs from the ASEAN Chambers of Commerce and Industry, from whom valuable suggestions were received that went into the initial design of AFTA in the early 1990s (Bowles and MacLean, 1996). At the Seventh ASEAN Summit in Brunei in 2001, ASEAN leaders decided to establish the ASEAN Business Advisory Council to provide private sector input into various ASEAN programmes on economic integration and economic development. This is now the primary vehicle for private sector feedback and guidance to

¹⁴ This section draws extensively on a telephone interview with a senior official of the ASEAN secretariat on 1 December 2003.

ASEAN on matters pertaining to ASEAN economic integration and ASEAN economic competitiveness. Networks with foreign businesses also exist in ASEAN, notably the United States-ASEAN Business Council, the AFTA-Closer Economic Relations Business Council with Australia and New Zealand and the ASEAN-China Business Council, while efforts are underway to form an ASEAN-India Business Council. Links with the business sectors of key ASEAN dialogue partners are also planned.

Unlike ASEAN's links with other States, international organizations and private business, hardly any formal channels exist between ASEAN and NGOs. Around 57 NGOs are affiliated with ASEAN but most of those are professional, industry and special interest associations that gather on an ASEAN-wide basis. Nevertheless, there is considerable potential for engagement between ASEAN and civil society organizations, with some very encouraging encounters to date. There is growing interest in the region about the role civil society can play in complementing the tasks of regional institutions in national, social and economic development. It is widely believed that an empowered civil society, working in partnership with regional agencies and the business sector, is essential to address regional poverty and social development successfully in the decades ahead.

The forging of working relationships, together with an ongoing process of dialogue, between regional institutions, civil society organizations and bilateral and multilateral lending and development institutions is essential for the design and implementation of social and economic development programmes in the region. Through such a process, new mechanisms that would allow civil society organizations to play a more active role in the design, planning and implementation of regional development programmes could be identified. Civil society organizations, Governments and regional and international institutions could also agree on steps to be taken to strengthen civil society capacities to participate actively in regional development. The growth in the recognition of the crucial role played by civil society in furthering human development initiatives is implicit in the initiatives of several regional organizations, particularly UNDP and ILO, although South-East Asia in general has yet to witness regional cooperation initiatives led by civil society.

This chapter has provided a review of selected human development initiatives by regional and international organizations operating in South-East Asia. However, it is important to note that it has not been possible to measure the impact on human development of the various regional cooperation arrangements and initiatives discussed owing to the dearth of relevant information. Consequently, the identification of best practices in human development initiatives at the regional level has not been possible and more work is needed in this area.

6. CONCLUSIONS AND RECOMMENDATIONS

The principal objective of the Report is to explore how and the extent to which the benefits of human development can be deepened and broadened through regional economic integration and regional cooperation. Although South-East Asian countries have shown considerable progress in human development over the years, the average level of human development in the region is still low compared with other more developed regions. Furthermore, less developed countries in the region such as Cambodia, Lao People's Democratic Republic, Myanmar, Viet Nam and Timor-Leste often lag far behind the others on most measures of human development and there are few signs of them catching up. Achievements in terms of the MDGs show that progress has been made but convergence between countries in the region is still small. The challenge before South-East Asia at present is not only to raise the average level of human development but also to bridge the gap between rich and poor countries in the region and regional integration and cooperation could play a significant role in meeting this challenge.

In this chapter, some important questions on the relationship between regional integration, regional cooperation and human development need to be answered. To what extent have regional integration and regional cooperation contributed towards promoting human development in South-East Asian countries? What are the problems and constraints that need to be addressed to enable regional integration and cooperation to deepen and broaden the benefits of human development in the region? Last, but not least, what approach should be followed in order to realize the full human development potential of South-East Asian countries in the future?

As discussed earlier, the status of human development in any society depends on the macroeconomic environment, social policy in human development sectors and the microenvironment. Although economic growth is a necessary pre-requisite, it does not guarantee human development unless a development path that is conducive to it is followed. Social policy also has to be designed in a way that promotes human development, while administrative decentralization and the participation of empowered communities in decentralized decision-making are essential for human development to reach all sections of the population. Therefore, the recommendations made in this chapter are broadly classified under three heads: promoting regional and global integration to create an enabling macroeconomic environment; regional cooperation for social development, focusing on social policy in human development sectors; and the promotion of an appropriate microenvironment. In addition, some concerns that need particular attention at the regional level have also been identified.

Regional integration to create an enabling macroenvironment

Empirical evidence from South-East Asian countries suggests that greater economic openness contributed to economic growth as well as to poverty reduction, employment generation and improved human development in the region. Therefore, further economic integration of those countries with the regional and global economy should be pursued. However, there appears to be limited scope for accessing the gains from integration solely within South-East Asia, as the region has yet to reach a level at which "closed regionalism" could provide substantial gains. Deeper integration beyond AFTA is needed and less developed members of ASEAN should be helped, including through intra-ASEAN preferences, to become more competitive and engaged with global production, trade and investment networks. Participation in the global economy will help in raising GDP and standards of living in those countries and reduce economic and social disparities within the region. It should be noted, however, that significant differences between ASEAN and the EU prevent the former from emulating the latter in further globalization and South-East Asia will have to follow its own path to economic integration beyond the region. Trading arrangements of the ASEAN+1 or ASEAN+3 types could be useful in the absence of greater multilateral integration under the World Trade Organization but this requires further study. An area where South-East Asia could be more effective is in addressing the issues arising from greater economic integration at the global level. As a trading bloc, ASEAN is in a position to question the rules and institutional structures of globalization collectively, so lending its weight to other developing countries.

Another important conclusion from the evidence in South-East Asia is that despite the gains from integration, convergence among the countries of the region has been limited and, in particular, countries that are lagging behind do not seem to be catching up. The reasons why some countries have gained from opening their economies and others, such as the CMLV countries and Timor-Leste, have not can be identified as resulting from shortcomings in social policy, poor macroeconomic policies, such as insufficient attention to physical infrastructure, an inappropriate approach to FDI, and weak governance and

institutions. All four areas are in the realm of domestic or national policymaking. The absence of violence and wars, together with political stability, are also needed before countries can benefit from greater integration. Clearly, those constraints will have to be addressed before lagging countries can gain more from liberalization.

Regional cooperation to promote social development and combat adverse effects of globalization

This raises the question as to how domestic policy making could be influenced in order to promote regional and global economic integration. Regional cooperation, with its multiple approaches, can contribute significantly in this area. In this context, however, there is a need to resolve an important issue relating to the regulatory norms of ASEAN. South-East Asian countries will have to decide whether they should agree to a region-wide system of human rights to help countries achieve the critical threshold of development for integration to be successful. In this regard, the experience of the EU is relevant. It has been suggested that in Europe “respect for human rights and fundamental freedoms should not be viewed as an objective to be pursued per se on a region-wide level but rather as a key component of any advanced cooperation and integration experience rooted in a regional model of society. The ultimate success of any regional integration arrangement would ultimately be guaranteed also by the full observance of human rights” (Schiavone, 2001).

Since the discussion of human rights is a very sensitive topic in South-East Asia, the focus could be placed on economic, social and cultural rights, such as the right to work, the right to social security and the right to education, which essentially entitle the individual to ask for and obtain a series of benefits and services from the State. Labour and environmental standards could also be incorporated in this framework. The MDGs adopted by each country are an ideal foundation for a regional system of human rights. Establishment of this system of human rights at the regional level offers a chance to countries with a shared tradition and a common understanding of basic values to adopt their own version and to identify a proper enforcement machinery. Rights also lend moral legitimacy and the principle of social justice to the objectives of human development. The rights perspective helps shift the priority to the most deprived and excluded (UNDP, 2000). Details of this framework could be the subject of future studies and debate. There are several advantages associated with establishing such a system of human rights at the regional level. First, it will not be tainted by the perception that it is an imposition of Western democracies. Second, putting the standards down in black and white provides policy makers with a goal to strive for and civil society with a norm by which to measure the performance of Government. Last, and perhaps most relevant, a region-based system augments the accountability process since it opens the door to a peer review mechanism.

The process of promoting and implementing such a regional system of human rights should be an integral part of regional cooperation. One suggestion is to establish a procedure similar to the ASEAN Surveillance Process and the Manila Framework Group.¹⁵ A peer review process can be established along the same lines for the region-based system of human rights, perhaps with an international organization being the outside observer. However, both the Surveillance Process and the Group have been criticized for being too informal and non-confrontational. A similar situation should be avoided with the system of human rights, otherwise it will lose its purpose and become a mere set of platitudes.

Empirical studies have shown that although regional and global economic integration can promote economic growth, if countries are equipped to take advantage of the opportunities offered, it can also have an adverse impact on human development. In many cases, GDP has increased but so have income inequalities and “losers” appear to outnumber “winners”. In fact, several major concerns related to human development have emerged after the spread of globalization. In the case of South-East Asia, those concerns have arisen in areas such as labour standards and wage inequalities, poverty and income distribution, environmental standards, health and nutrition, education and skill formation, gender inequality and migration. Issues related to human development arising from globalization can be addressed through proper policy design in problem sectors and by

¹⁵ The ASEAN Surveillance Process operates on the principles of peer review and mutual interest among ASEAN member countries. It has two mechanisms: a monitoring mechanism that allows early detection of problems that might affect the economy, in general, and the financial sector, in particular; and a peer review mechanism that focuses on the policy measures needed to address the issues identified in the monitoring exercises quickly.

documenting best practices and disseminating them to policy makers. Promoting the participation of civil society organizations in decentralized decision-making, organizing capacity-building and training and making adequate funds available to fight the adverse effects of globalization are other important steps that could be taken.

Several regional and international institutions and organizations have initiated projects to promote regional cooperation in the field of human development in this region, in areas such as social development, poverty eradication, MDGs, urban governance, HIV/AIDS, energy and environment, disaster management, labour laws and social protection, and child labour. However, systematic studies of the impact of those projects on human development have not been undertaken so it is not possible to make a complete assessment of the efficacy of those programmes, although preliminary assessment is contained in Appendix II.

ASEAN itself has initiated several projects related to regional economic as well as social cooperation in South-East Asia, to promote meaningful regional economic integration and human development. The main objective of ASEAN projects on economic cooperation is to deepen the integration of member countries into global investment and production networks rather than to increase intraregional trading links at the expense of extraregional economic relationships. ASEAN projects on social cooperation promote social development in the region, the major areas being rural development and poverty, the informal sector and microfinance, and social services. Again, no systematic studies are available on those projects for an assessment to be made of their impact.

Promoting an enabling microenvironment

A microenvironment favourable to human development entails the participation of empowered communities in decision-making through decentralized administrative structures. It is therefore related to the administration of the State and to the role of civil society organizations and both aspects can be influenced by functional cooperation at the regional level. The issues regarding administrative decentralization can be dealt with through cooperation at the level of States, while community participation requires the support of civil society organizations. There is a clear realization in the region regarding the importance of such organizations in enhancing regional cooperation as well as human development although studies on this subject are limited and further work will be needed before a strategy can be formulated for creating a favourable microenvironment.

Some critical issues in human development in South-East Asia

Some critical issues that need focused attention for the purpose of promoting human development in the region are listed below. Some issues are cross-border in nature and address regional problems, while others are domestic and include issues related to the preconditions for accessing the benefits of globalization as well as others directly related to human development.

- **Governance**

As noted earlier, good governance is extremely important for promoting human development within a country as well as for regional integration and cooperation. Good governance has also been identified as a major factor explaining why some countries lag behind and why convergence in human development achievements in the region has been poor. There is, therefore, an urgent need to foster good governance in the region.

- **Funding for human development**

Related to governance is the issue of public expenditure on human development, which reflects the commitment of Governments to this issue. Steps should be taken to ensure that public expenditure on human development is adequate and regional funds available for helping countries raise spending in this area should be increased.

- **Migration**

Migration of workers in search of work, much of which is temporary, is an important issue in human development that cuts across national boundaries. Efforts to help migrant workers need to be intensified.

- **Informal labour**

With increased labour market flexibility, workers in the informal sector have emerged as an important problem area. Not only is employment uncertain for those workers but they also have little or no social protection and they make up the most vulnerable segment of the labour force in South-East Asia. Conditions of work in the informal sector need to be improved on an urgent basis, particularly as women and children constitute an important part of the informal labour force and an important related issue concerns child labour.

- **Environmental standards**

Environmental depletion and degradation are closely related to human development. Since environment affects health and nutrition as well as livelihood of the poor, there is a need to focus on this issue for the purpose of promoting human development.

- **Civil society organizations**

Civil society organizations and community participation seem not to receive the attention they deserve. Since the participation of those organizations is critical for ensuring that the benefits of human development programmes reach all levels of society, there is a need to recognize and incorporate their role in human development strategies at all levels.

- **HIV/AIDS, transboundary diseases and disaster management**

Many countries in South-East Asia are grappling with a resurgence in HIV infections and the region has had to deal with SARS, avian influenza and the Indian Ocean tsunami within the space of a few years. All these issues pose serious threats to human health and human survival and there is considerable scope for regional cooperation on all of them. ASEAN has already initiated action in those areas but there is a need to intensify efforts and to allocate more funds to them.

- **CLMV and Timor-Leste**

South-East Asia's prosperity and well being hinge on bridging the gap between rich and poor countries in the region. There is a need to focus on the problems and constraints that hamper progress in the countries that have fallen behind. In this regard, making use of the human rights approach to foster human development may well be a good solution. There is a need to work intensively on promoting this approach so that efforts at the regional level can have a significant impact on those countries.

The concept and content of regional integration and regional cooperation need to be sharpened so that they can play a greater role in deepening and broadening the benefits of human development for the people of South-East Asia. The region's own vision of a community of caring societies, bonded by the spirit of partnership, is certain to be achieved with the right approach and the right actions.

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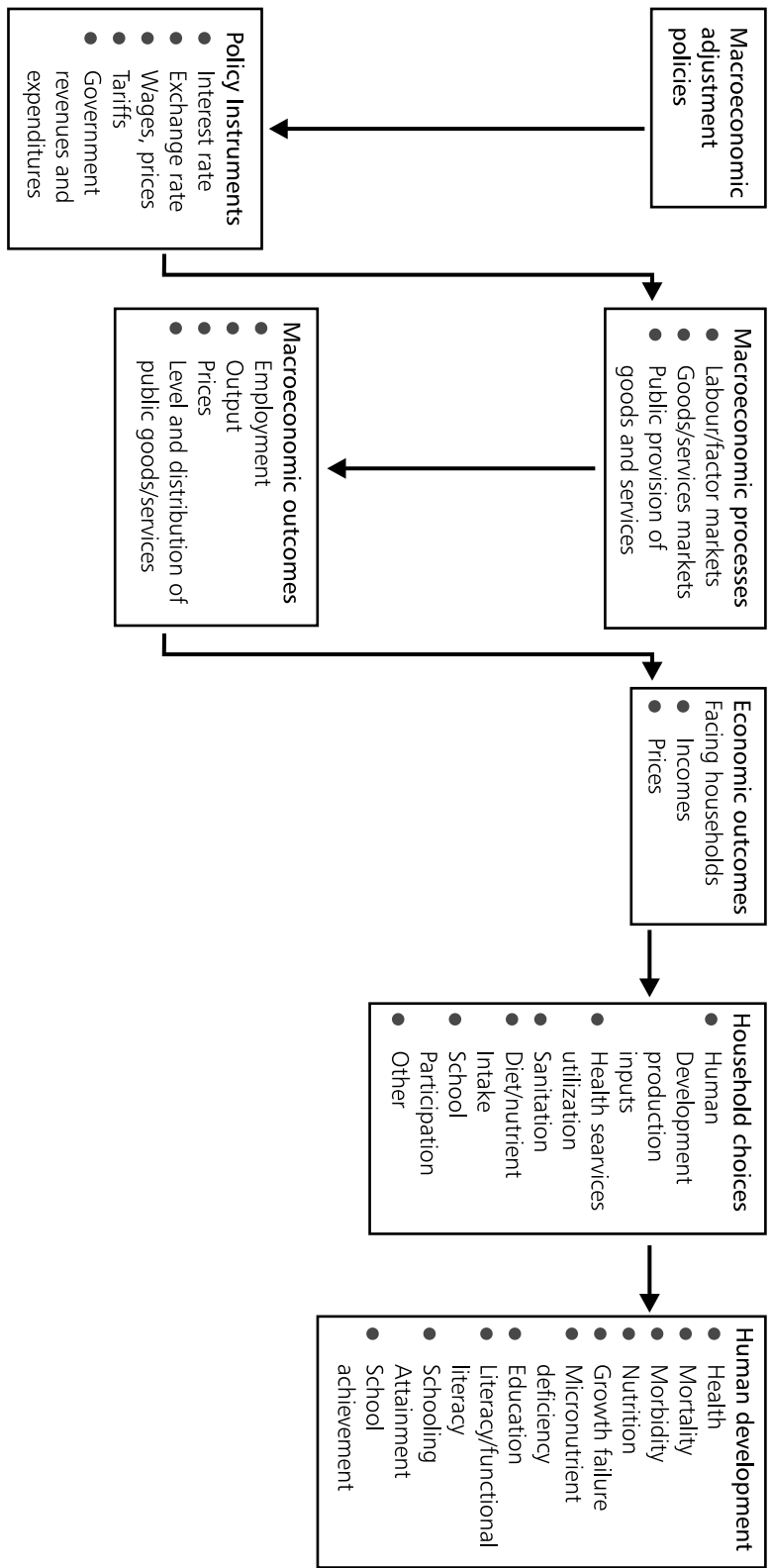
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APPENDIX I.

ANALYTICAL FRAMEWORK FOR ASSESSING THE MICROECONOMIC IMPACT OF MACROECONOMIC ADJUSTMENT POLICIES



Source: Adapted from Table 1 in Herrin, 1992.

APPENDIX II.

SUMMARY ASSESSMENT OF HUMAN DEVELOPMENT INITIATIVES IN SOUTH-EAST ASIA

While a full and rigorous assessment of the impact of human development initiatives by regional and international institutions in South-East Asia must await further research, a preliminary appraisal could serve to highlight the use of regional cooperation in pursuit of human development objectives.

Agency	ASEAN (ASEAN Vision 2020; Hanoi Plan of Action)	ADB (GMS Program)	UNESCAP (Social Development Subprogramme; Poverty and Development Subprogramme; Human Dignity Initiative)	UNDP (TUGI Project; AP-A2J Initiative)	ILO (TICW Project)
Environmental sustainability	<p>Envisions a sustainable environment in the entire region for increasing the level of human development of its people.</p> <p>Crafted an array of programmes that aim to engender a sustainable environment.</p>	<p>Recognizes the need to balance heavy infrastructure development with the sustainability of natural resources.</p> <p>Links sustainable development initiative to poverty reduction and social development.</p>	<p>Established central administrative bodies, i.e. Poverty Centre, in spearheading initiatives that further environmental sustainability and human development.</p> <p>Employs participatory processes in the realization of the MDGs.</p>	<p>Developed advocacy and awareness programmes of good urban governance, which include ecologically sustainable aspects.</p> <p>Information dissemination as means to increase knowledge and participation of stakeholders.</p>	N/A
Empowerment	<p>Foresees greater cooperation and consultation between and among member countries.</p> <p>Envisions an empowered society that considers the interests of the marginalized and disadvantaged sectors.</p>	<p>Intends to foster greater and meaningful participation of project stakeholders at the national and local levels.</p> <p>Puts emphasis on the need to strengthen the capacity of stakeholders in expressing their demands and interests</p>	<p>Involves national and local institutions, including NGOs, civil society and the private sector, in programme implementation.</p> <p>Employs participatory processes in the realization of the MDGs.</p>	<p>Adopted empowering mechanisms, e.g. TUGI Report Card system, in eliciting the demands and interests of various stakeholders.</p> <p>Information dissemination as means to increase knowledge and participation of stakeholders.</p>	<p>Employs participatory processes in the planning and implementation at the national and local levels.</p> <p>Strengthened the idea of stakeholder ownership in programme implementation.</p>

Agency	ASEAN (ASEAN Vision 2020; Hanoi Plan of Action)	ADB (GMS Program)	UNESCAP (Social Development Subprogramme; Poverty and Development Subprogramme; Human Dignity Initiative)	UNDP (TUGI Project; AP-A2J Initiative)	ILO (TICW Project)
<i>Empowerment ... (Contd)</i>	Encourages the opening up of avenues to foster greater and substantive participation within its member countries.	Sees project stakeholders as partners and joint-implementers rather than passive beneficiaries.	Recognizes and utilizes the community-experiences of UNESCAP's extensive network of institutions, including grassroots organizations.	Established avenues for disadvantaged sectors to address issues, demands and grievances.	N/A
Equity	<p>Envisions open ASEAN societies that provide opportunities to all its people, regardless of gender, race, religion, language, or social and cultural background.</p> <p>Created specific programmes that promote better opportunities for its people, e.g. Rural Development and Poverty Eradication Programme and the ASEAN Plan of Action on Social Safety Nets.</p>	<p>Shifted direction of programme interventions from purely economic to a more holistic development-oriented track.</p> <p>Expanded scope of programmes to cover skills development and health concerns of all project stakeholders.</p>	<p>Targets community-based organizations private sector as beneficiaries of the secretariat's regional cooperation activities.</p> <p>Aims to achieve gender equity within its internal structure, i.e. balancing gender ratio of its programme staff.</p> <p>Developed advocacy campaigns that increase the awareness of target beneficiaries on the state of poverty in the region.</p>	Launched the Asia Pacific Rights and Justice Initiative that integrates the crosscutting principle of equity with access to remedies for grievances of the poor and disadvantaged people.	Women and children who were rescued from trafficking benefited from income generation schemes, educational and skills training, microcredit and awareness-raising interventions.

Agency	ASEAN (ASEAN Vision 2020; Hanoi Plan of Action)	ADB (GMS Program)	UNESCAP (Social Development Subprogramme; Poverty and Development Subprogramme; Human Dignity Initiative)	UNDP (TUGI Project; AP-A2J Initiative)	ILO (TICW Project)
<i>Equity ... (Contd)</i>	N/A	N/A	Created various programmes, in close collaboration with national counterpart organizations, that spur equity in the region.	N/A	N/A
Productivity	<p>Aims to create a technologically competitive manpower competent in strategic and enabling technologies.</p> <p>Formed a host of specific programmes to enhance the skills and capacity of its people, e.g. ASEAN Science and Technology Human Resource Programme and ASEAN Work Programmes on Informal Sector Development as well as Skills Development for Out-of-School Youth.</p>	<p>Implemented various RETA programmes in recipient countries.</p> <p>Investments made on health and education services preceded skills training and higher education.</p>	N/A	N/A	<p>Community projects prompted access to basic services, skills training and income generation of targeted beneficiaries.</p> <p>Collaborated with international organizations that resulted in specific courses of actions.</p>

Agency	ASEAN (ASEAN Vision 2020; Hanoi Plan of Action)	ADB (GMS Program)	UNESCAP (Social Development Subprogramme; Poverty and Development Subprogramme; Human Dignity Initiative)	UNDP (TUGI Project; AP-A2J Initiative)	ILO (TICW Project)
Accountability	<p>Identified common areas of cooperation that can foster a system of accountability among member countries, e.g. environmental pollution and degradation, drug trafficking, trafficking in women and children, and other transnational crimes.</p> <p>Aims to facilitate information exchanges across its member states on human rights fundamental freedoms in accordance with the Charter of the United Nations, the United Nations Declaration of Human Rights and the Vienna Declaration.</p>	N/A	N/A	<p>Provided an elaborate discussion on the various mechanisms of strengthening the access to justice of the marginalized and disadvantaged by holding political leaders accountable for their actions through policy tools and networks of practitioners.</p>	<p>Facilitated Government participation in the Project through issuance of decrees and provision of additional resources.</p>

APPENDIX III.

SELECTED INFORMATION ON THE STATE OF SOUTH-EAST ASIA'S REGIONAL INTEGRATION AND COOPERATION

Table III.1. Summary intra-ASEAN exports as a percentage of all exports, by ASEAN country 1990 to 2002

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Brunei Darussalam	20.9	19.8	25.9	22.8	26.2	22.2	21.4	20.9	9.3	25.1	23.2	16.7	18.8
Cambodia	74.6	44.3	67.4	51.1	77.1	63.1	39.5	59.8	42.4	30.3	6.8	5.9	7.8
Indonesia	10.0	11.5	13.4	13.6	14.9	14.3	15.4	17.1	19.1	17.0	17.5	16.9	17.4
Lao PDR	68.4	56.0	43.5	40.8	52.8	55.0	79.5	18.1	40.2	51.6	42.6	44.6	44.9
Malaysia	29.5	29.4	29.9	28.4	27.9	27.6	28.5	28.1	24.3	23.8	26.6	25.1	33.9
Myanmar	28.2	19.0	18.4	19.4	23.0	30.3	25.4	20.6	15.5	19.2	21.1	35.4	44.6
Philippines	7.3	7.2	5.6	7.0	10.6	13.6	13.1	13.8	13.0	14.1	15.7	15.5	25.3
Singapore	22.4	23.7	22.5	24.9	29.8	30.3	29.3	27.8	23.9	25.8	27.4	27.0	36.5
Thailand	11.9	12.1	13.5	17.2	20.5	20.8	20.7	21.3	17.5	18.6	19.3	19.3	23.7
Viet Nam	13.8	24.0	19.7	21.5	22.0	19.8	23.8	21.3	21.7	21.8	18.1	17.0	13.6
ASEAN	19.0	19.8	20.1	21.4	24.4	24.6	24.5	24.0	21.2	21.7	23.0	22.4	29.0

Source: IMF Direction of Trade Statistics, 2003

Table III.2. Summary intra-ASEAN+3 exports as a percentage of all exports, by ASEAN+3 country 1990 to 2002

Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Brunei Darussalam	91.5	92.8	93.3	95.1	94.5	93.4	93.1	92.1	72.1	78.8	78.5	79.3	77.8
Cambodia	82.5	53.7	72.7	80.9	80.7	66.5	43.7	68.3	47.8	32.1	9.9	8.3	12.6
Indonesia	61.1	59.1	55.4	53.4	52.0	51.6	52.0	51.1	46.8	49.3	52.1	50.6	50.7
Lao PDR	84.6	63.3	57.2	55.8	57.1	59.5	80.5	22.1	46.9	56.4	47.0	47.8	48.2
Malaysia	51.5	51.6	48.5	47.4	45.9	45.3	47.4	46.3	39.8	41.1	46.0	46.1	46.4
Myanmar	45.5	46.6	43.0	45.8	45.2	49.8	45.3	35.8	28.6	33.4	33.3	45.3	49.4
Philippines	30.6	31.3	26.3	26.6	29.1	33.1	34.4	33.1	30.2	31.7	35.3	37.0	40.4
Singapore	34.8	36.1	33.9	37.7	41.6	43.2	43.9	41.0	36.5	39.8	42.4	42.9	44.0
Thailand	32.0	32.6	33.9	36.6	40.8	41.7	42.6	41.3	35.6	37.4	40.0	40.9	41.4
Viet Nam	28.7	60.0	54.8	60.8	60.5	56.4	56.6	48.4	45.2	46.5	48.9	45.9	37.8
China	22.0	23.5	22.0	26.2	27.3	30.6	32.2	29.3	25.6	26.9	28.2	28.6	26.9
Japan	24.4	26.3	27.0	30.3	32.9	35.8	36.5	34.4	27.0	29.4	32.8	33.1	35.9
Rep of Korea	26.2	28.6	30.1	31.3	31.8	33.6	34.5	33.8	29.8	32.9	34.4	34.1	35.5
ASEAN +3	29.1	30.9	30.9	33.5	35.4	37.6	38.7	36.6	30.8	33.0	35.7	35.8	36.4

Source: IMF Direction of Trade Statistics, 2003

Table III.3: Effect on economic welfare of various regional trade proposals

Proposal	% of GDP (% of GDP excluding agricultural liberalization)				
	ASEAN	China	Korea	Japan	USA
China+Korea+Japan	-0.26 (-0.16)	+0.1 (-0.2)	+1.0 (+0.6)	+0.1 (+0.2)	+0.0 (+0.0)
ASEAN-China	+0.9 (+0.5)	+0.0 (+0.1)	-0.1 (-0.1)	+0.0 (+0.0)	+0.0 (+0.0)
ASEAN-Japan	+1.1 (+0.2)	-0.1 (-0.1)	-0.2 (-0.1)	+0.0 (+0.1)	+0.0 (+0.0)
ASEAN+3	+1.5 (+0.6)	+0.1 (-0.2)	+1.1 (+0.8)	+0.2 (+0.2)	-0.1 (+0.0)
Asean+3+CER	+1.3 (+0.6)	+0.0 (-0.1)	+1.1 (+0.9)	+0.2 (+0.2)	-0.1 (+0.0)
APEC Liberalization (MFN)	+0.7	+0.5	+0.7	+0.4	-0.0
APEC Preferential Liberalization	+0.8	+0.6	+0.9	+0.4	-0.0

Note: (1) Calculations for ASEAN include only Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Viet Nam; (2) CER includes Australia and New Zealand; (3) Figures in parentheses refer to net welfare effects when agriculture is excluded.

Source: Krumm and Kharras, 2003

Table III.4: Foreign direct investment flows in ASEAN, 1989-2002 (US\$ million)

Country	1989-1994 (annual average)	1995	1996	1997	1998	1999	2000	2001	2002
Brunei	4	583	654	702	573	596	600	244	1035
Cambodia	26	162	586	-15	230	214	179	113	54
Indonesia	1524	4346	6194	4677	-356	-2745	-4550	-3277	-1523
Laos	19	88	128	86	45	52	34	24	25
Malaysia	3964	5816	7296	6324	2714	3895	3788	554	3203
Myanmar	135	277	310	387	314	253	255	123	129
Philippines	879	1459	1520	1249	1752	578	1241	1792	823
Singapore	4798	8788	8608	10746	6389	11803	5407	8609	7655
Thailand	1942	2068	2271	3626	5143	3561	2813	3759	1068
Viet Nam	651	1780	1803	2587	1700	1484	1289	1300	1200
ASEAN	13942	25367	29370	30369	18504	19691	11056	13241	13669

Source: Mirza and Giroud, 2004

Table III.5: Intra-ASEAN FDI as a percentage of total FDI by host country, 1995-2001

Host country	1995	1996	1997	1998	1999	2000	2001
Brunei	53.4	54.0	54.8	43.1	0.6	1.9	2.0
Cambodia	na	na	na	na	na	Na	na
Indonesia	14.0	3.1	5.8	10.8	15.6	5.1	7.3
Lao PDR	7.4	80.2	74.9	62.9	60.4	40.3	12.9
Malaysia	30.2	19.8	41.2	14.4	11.4	-14.2	41.5
Myanmar	30.4	39.3	36.8	22.5	13.6	35.6	35.1
Philippines	15.3	4.6	11.3	6.2	8.1	8.3	21.2
Singapore	8.2	9.3	5.6	4.3	0.7	4.5	-2.0
Thailand	8.0	13.6	8.2	7.7	9.3	11.9	42.5
Viet Nam	21.8	18.2	21.2	23.5	19.5	15.7	18.6
ASEAN	14.9	12.1	13.3	9.5	4.2	8.3	9.0

Source: ASEAN Statistical Yearbook, 2003

Table III.6: Stock of Intra-Regional Temporary Labor Migrants in South-East Asia (In Thousands)

	Early 1970s	Early 1980s	Early 1990s	1996-97	2001-2002
Within SE Asia	300-500	500-1000	2,000-2,500	3,000-3,500	3,000-3,250

Details for the Latest Estimates, 2000-2002 (In Thousands)

Country of Origin	Destination				Total	Outside SE Asia
	Malaysia	Thailand	South-East Asia Within Singapore	Other		
Indonesia	1500	na	200	50	1750	1000
Myanmar	5	500	2	5	512	100
Philippines	300	10	150	20	480	2000-2500
Malaysia	XX	5	300	10	315	20
Indochina states	25	75	5	5	110	50
Other	10	5	2	20	37	300
Total	1840	595	659	110	3204	3650-4150

Source: Manning and Bhatnagar, 2004

APPENDIX IV.

SELECTED INFORMATION ON THE STATE OF SOUTH-EAST ASIA'S HUMAN DEVELOPMENT

Table IV.1: Poverty and income distribution in South-East Asia

	1976	1980	1984	1990	1996	1999	2002
Indonesia							
Poverty Incidence	40.1	28.5	21.7	15.1	17.7	18.2	18.2
Gini	34	34	33	32	36	31	33
Malaysia							
	1970	-	-	1990	1995	1997	1999
Poverty Incidence	52.4	-	-	17.1	9.3	6.8	8.1
Gini	1979	1984	1987	1990	1995	1997	1999
	50.5	48.3	45.8	44.6	46.4	47.0	44.3
Philippines							
	1971	1985	1988	1991	1994	1997	2000
Poverty Incidence	52.0	44.2	40.2	39.9	35.5	31.8	33.7
Gini	53.0	44.7	44.4	46.8	45.1	48.7	48.2
Thailand							
	1976	1981	1988	1990	1996	1998	1999
Poverty Incidence	31.0	23.0	32.6	27.2	11.4	13.0	15.9
Gini			48.5	52.4	51.5	51.1	53.3
Cambodia							
	1990	1996	1997	1998	2000	2002	2003
Poverty Incidence	48.3	36.70	38.4	36.9	39.7	37.2	35.7
Gini	41.6	41.6	41.6	41.5	41.4	41.5	41.6
Lao PDR							
	1990	1996	1997	1998	2000	2002	2003
Poverty Incidence	53.0	41.3	38.4	39.5	35.1	31.0	29.0
Gini	32.6	36.5	36.5	36.5	36.5	36.5	36.5
Viet Nam							
	1990	1996	1998	1999	2000	2002	2003
Poverty Incidence	50.8	25.4	18.8	18.0	15.2	10.4	8.4
Gini	35.0	35.5	35.4	35.1	35.3	35.8	36.3

Note:

- (1) Poverty incidence for Indonesia, Thailand, Lao PDR, and Cambodia is based on the percentage of population below poverty line; for the Philippines and Malaysia, it is percentage of households below poverty line;
- (2) Poverty incidence is based on a national poverty line for Indonesia, Malaysia, the Philippines, and Thailand. For Cambodia, Lao PDR and Viet Nam, it is based on the \$1 a day threshold;
- (3) The Gini index is based on income data except for Indonesia which is based on expenditure data. In Thailand, the Gini index was measured with respect to the per capita household income appropriately weighted by a population weight given to each household;
- (4) "--" indicates data not available

Sources of Data:

Indonesia: Said and Widyanti (2002) used data from Badan Pusat Statistik (BPS) and various National Economic Surveys (or Susenas). Data for 2002 were obtained from BPS.

Malaysia: Data on poverty incidence for 1970 and 1995-1999 and the Gini indices were obtained from Zin (2002) which are consistent with data from ADB (2001), from which the 1990 figure was obtained.

Philippines: Family Income and Expenditure Survey, various years. Gini for 1971 is an estimate.

Thailand: Data for poverty incidence and Gini indices were obtained from Natenuj (2002). The data for poverty incidence for 1976 and 1981 were obtained from a report of the Thailand Development Research Institute (TDRI) while data for later years were obtained from the Development Evaluation Division, National Economic and Social Development Board.

Cambodia, Lao PDR and Viet Nam: The data were obtained from the World Bank East Asia Regional Update, November 2002 and are reported in the website of the Asia Regional Information Center of the ADB (www.aric.adb.org).

Table IV.2: Net enrolment estimates for primary education in select South-East Asian countries

Country	Earlier Estimates	Current Estimates
Brunei Darussalam*	89% (1991)	89% (1998)
Cambodia	81% (1993)*	87% (2001)
Indonesia	88.7% (1992)	92-93% (2000-2001)
Lao PDR	58% (1991)	83% (2002)
Malaysia*	95% (1990)	94% (1998)
Myanmar*	94% (1990)	97% (1998)
Philippines**	85.1% (1991)	96.9% (2001)
Singapore*	90% (1990)	91% (1996)
Thailand	70.1% (1992)	80.4% (1998)
Viet Nam	86% (1990)	94.8% (1999)

Note: * UNESCAP-UNDP Promoting Millennium Development Goals in the Asia Pacific, 2003; ** The Philippine MDG Progress Report used "participation rate".

Source: Various MDG reports from cited countries.

Table IV.3: Ratio of girls to boys in primary education in select South-East Asian countries

Country	Earlier Estimates	Latest Estimates
Brunei Darussalam	101% (1991)	104% (1998)
Cambodia	56% (1997)	48.3% (2001)
Indonesia	80% (1990)	85% (1995)
Lao PDR	77% (1991)	84% (2002)
Malaysia	103% (1990)	105% (1998)
Myanmar	90% (1990)	97% (1998)
Philippines	--	96% (2000-2001)
Singapore	80% (1990)	--
Thailand	93% (1990)	99% (1999)
Viet Nam		87% (1998)

Note: "--" indicates data not available

Source: UNESCAP-UNDP Promoting Millennium Development Goals in the Asia Pacific, 2003

Table IV.4: Adult literacy rates, secondary and tertiary enrolment in South-East Asian countries

Country	Adult literacy Rate (% ages 15 and above), 2003	Net secondary Enrolment ratio (%), 2002/03	Tertiary students in Science, math and engineering (% of all tertiary students), 1998-2003
Singapore	92.5	--	--
Brunei Darussalam	92.7	--	8
Malaysia	88.7	70	40
Thailand	92.6	--	--
Philippines	92.6	59	25
Viet Nam	90.3	65	20
Indonesia	87.9	54	--
Myanmar	89.7	35	42
Cambodia	73.6	24	17
Lao PDR	68.7	35	8
Timor-Leste	--	--	--

Note: "--" indicates data not available

Source: UNDP Human Development Report, 2005

Table IV.5: Labor force participation rates

Country	Men				Women			
	1980	1990	1995	Latest year	1980	1990	1995	Latest year
China	87.9	85	85.6		69.5	73	73.7	
Hong Kong, China	80.9	78.9	76.6	75.5	45.7	46.6	47.6	48.5
South Korea	76.4	74	76.5	74.4	42.8	47	48.3	47.4
Cambodia	83.7	84.3	87.1	81.2	82.4	82	82.6	73.5
Indonesia	84.7	82.7	82.3	84.6	44.3	44.6	52.8	51.5
Malaysia	82.5	81.9	83.2	82.8	41.2	45.2	48.9	44.7
Philippines	83.5	81.8	82.1	81.8	45.0	47.5	49	50
Singapore	80.9	79.2	78.4	77.5	44.3	50.3	50	51.3
Thailand	87.8	87.7	86.4	80.3	76.6	76.3	73.5	64.2
Viet Nam	87.1	85.2	83.5	--	70.0	75.9	74.6	--

Notes: (1) The latest year varies according to country, from 1998 to 2001 (2) The data relate to population aged 15 years and above; (3) "--" indicates data not available

Source: Ghosh 2004; ILO Key Indicators of the Labour Market, 1999 and 2003

Table IV.6: Under-5 Mortality Rate (U5MR) per 1,000 live births

Country	Earlier Estimates	Latest Estimates
Brunei Darussalam	11 (1990)	6 (2001)
Cambodia	115 (1988)	124 (1998); 138 (2001)
Indonesia	91 (1990)	45 (2001)
Lao PDR	170 (1990)	106 (1999), 100 (2001)
Malaysia	21 (1990)	8 (2001)
Myanmar	130 (1990)	109 (2001)
Philippines	80 (1990)	48 (1998), 38 (2001)
Singapore	8 (1990)	4 (2001)
Thailand	40 (1990)	28 (2001)
Viet Nam	55 (1990)	42 (2000), 38 (2001)

Source: UNESCAP-UNDP Promoting Millennium Development Goals in the Asia Pacific, 2003

Table IV.7: Infant Mortality Rate (IMR) per 1,000 live births in select South-East Asian countries

Country	Earlier Estimates	Latest Estimates
Brunei Darussalam	10 (1990)	6 (2001)
Cambodia	79 (1988)	95 (1998), 97 (2001)
Indonesia	68 (1986-1991)	35 (1998-2002)
Lao PDR	134 (1990)	82 (1999), 87 (2001)
Malaysia	16 (1990)	8 (2001)
Myanmar	91 (1990)	77 (2001)
Philippines	57 (1990)	35 (1998), 29 (2001)
Singapore	7 (1990)	3 (2001)
Thailand	38 (1989), 34 (1990)	26 (1995-1996), 24 (2001)
Viet Nam	58 (1990)	31 (2000), 30 (2001)

Source: UNESCAP-UNDP Promoting Millennium Development Goals in the Asia Pacific, 2003

Table IV.8: Maternal Mortality Ratio (MMR) per 100,000 live births in select South-East Asian countries

Country	Earlier Estimates	Latest Estimates
Cambodia	473 (1995)	437* (1994-2000)
Lao PDR	750 (1990)	530 (2000)
Indonesia	--	307 (1998-2000)
Myanmar	--	170 (2001)
Thailand	36.2 (1990)	24 (2002)
Philippines	209 (1987-1993)	172 (1991-1997)
Viet Nam	200 (1990)	100 (2000)

Notes: * Average for the period indicated; "--" indicates data not available

Source: UNESCAP-UNDP Promoting Millennium Development Goals in the Asia Pacific, 2003

Table IV.9: HIV infection and prevalence rate estimates (PRE)* in select South-East Asian countries

Country	HIV Infection Estimates	Female Low PRE 1999	Female Low PRE 2001	Male Low PRE 1999	Male Low PRE 2001
Cambodia		2.31%	1.99%	0.94%	0.77%
Indonesia	2,685 (2003)	0.02%	0.05%	0.01%	0.05%
Lao PDR		0.05%	0.02%	0.02%	0.03%
Malaysia		0.08%	0.09%	0.32%	0.56%
Myanmar	20,000 (2001); 180,000 (2002)	1.13%	0.18%	0.42%	0.17%
Philippines	1,441(2000)	0.04%	0.01%	0.01%	0.01%
Singapore		0.10%	0.12%	0.09%	0.12%
Thailand	143,000 (1991); 19,000 (2003)	1.53%	1.32%	0.47%	0.88%
Viet Nam	52,495 (2002)	0.09%	0.13%	0.15%	0.25%

Notes: * Prevalence among 15-24 year old group

Source: UNESCAP-UNDP Promoting Millennium Development Goals in the Asia Pacific 2003.

Table IV.10: Forest cover estimates in select South-East Asian countries

Country	Percentage of Forest Cover Estimates
Brunei Darussalam	Decreased from 85.8% to 83.9% (1990-2000)
Cambodia	Decreased from 79% to 58% (1969-1997); from 56.1% to 52.9% (1990-2000)
Indonesia	Decreased from 67.7% to 64.2% (1993-2001); from 65.2% to 58% (1990-2000)
Lao PDR	Decreased from 56.7% to 54.4% (1990-2000)
Malaysia	Decreased from 65.9% to 58.7% (1990-2000)
Myanmar	Decreased from 60.2% to 52.3% (1990-2000)
Philippines	Decreased from 20.5% to 18% (1990-1997); from 22.4% to 19.4% (1990-2000)
Singapore	No change at 3.3% (1990-2000)
Thailand	Decreased from 28% to 25.3% (1990-1998); from 31.1% to 28.9% (1990-2000)
Timor Leste	Decreased from 36.6% to 34.3% (1990-2000)
Viet Nam	Grew from 28.6% to 30.2% (1990-2000); currently at 34% (2002)

Source: UNESCAP-UNDP Promoting Millennium Development Goals in the Asia Pacific, 2003



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