

# Impacts of a complete asean economic integration

Business



Over the years, attempts at economic integration have increasingly become the essential focus in different countries.

It happens because economic integration brings forth many benefits to the member states including the creation of trade and competitive environment. Through the removal of trade barriers, there is an exponential potential of realizing economies of scale and with increased economic growth (Lamberte, 2005). There is a stimulation of investment by both locals and foreigners due to the large market incentive, hence limited risk. This paper will tend to analyze the impacts that ASEAN integration will bring forth to the member states. It will be done through focusing on the past trend, the current position, and the aspirations of the integration in relation to the measures that are taken to make sure that the ambitions of the integration are achieved.

Association of Southeast Asian Nations (ASEAN) was established on 8 August, 1967 in Bangkok and Thailand through the signing of the ASEAN Declaration by such founding countries as Malaysia, Philippines, Singapore and Thailand. Later, Brunei Darussalam became a member on 7 January, 1984, Viet Nam on 28 July, 1995, Myanmar and Lao PDR on 23 July, 1997, while Cambodia later joined on 30 April, 1999, hence encompassing member states of the current ASEAN. The ASEAN leaders held a summit in Kuala Lumpur in December, 1997. The main objective of the meeting was to forge a strategy of transforming ASEAN into a prosperous, stable, and competent region with equitable economic growth while realizing reduced poverty and socioeconomic disparities. It was a part of the developed ASEAN vision 2020.

In 2007, the members of ASEAN affirmed their strong commitment to hasten the development of an ASEAN community by 2015. It was in line with the existing ASEAN vision 2020. The leaders cooperatively agreed to transform ASEAN into a region with free mobility of goods, services, flow of capital, and skilled labor. There were rising concerns of ASEAN during its preliminary stages of establishment concerning political security of the Southeast Asia, but with time they were substituted with regional cooperation. It was realized in 1976 where member countries decided to engage in the coordinated investment projects to complement economic structures within the member states. In the following year, the trading arrangements among members of ASEAN were established to stimulate greater inter-regional trade and coordinate policies on industrialization.

These trading arrangements aimed at reducing tariffs and non-tariff barriers to commodities produced by member countries (Lamberte, 2005). In December 1998, the Hanoi Plan of action was adopted. This plan clearly stipulated the need for promotion of the economic integration of the ASEAN countries. The member countries would focus on working together for the economic development of strategies that encourage equitable growth while promoting both national and regional resilience. They would base upon existing economic cooperation efforts to bridge the niche in the level of development among member countries. It will foresee that multilateral trading relations remain fair and open in the process of realizing global competitiveness (Lamberte, 2005).

The ASEAN community is based on three pillars that include Political Security Community, Economic Community, and ASEAN Socio-Cultural Community. All <https://assignbuster.com/impacts-of-a-complete-asean-economic-integration/>

three pillars complement each other and ensure that the community building process is realized, thus greater economic integration can be achieved.

Greater economic integration of the ASEAN countries has accelerated economic growth, social progress, and cultural development of the region.

Through cooperative association and working together in the principle of equality and partnership, there has been an establishment of strong foundations. It fosters the environment for prosperity and peace for the Southeast Asian nations. The stability in the region has greatly contributed to the increased economic relations between member countries, thus stimulating economic development.

The increased integration of the ASEAN countries on the economic front would enable adequate utilization of resources. Through joint collaboration among member countries, the agricultural resources and industries will be optimized. The growth and expansion of trade due to the increased market quota ensures more production of commodities, hence effective exploitation of available resources (Lamberte, 2005). These dynamics in the economic industry ensure that social amenities and infrastructure are accessed. For example, road and communication facilities improve the peoples' living standards. Economic integration in the ASEAN countries has greatly promoted good international cooperation.

It occurs through facilitating member countries to outsource economically viable ideas from other regional constructs that share the same economic objectives. It can be achieved through maintaining close and mutually beneficial cooperation with established international and regional bodies or institutions (Plummer, 2006). Furthermore, it facilitates exploitation of all <https://assignbuster.com/impacts-of-a-complete-asean-economic-integration/>

avenues for greater cooperation among themselves. The establishment of the ASEAN economic integration has promoted the emergence of unions. Due to the stipulated guidelines and timelines planned by ASEAN to achieve the vision of economic union by 2015, the unions have gradually grown to foster decent working conditions. They essentially engage in the process of improving workers' standards of operations and lobbying for their rights.

Unions promote equitable opportunities, security, and justice among member countries. (Rana, 2006). These unions have continuously been the voice for the society's vulnerable and weak groups in the ASEAN countries. The greater integration between the ASEAN countries will foresee the increased complexity in the unions (Plummer, 2006). It will lead to the efficient representation of workers' voices, thus promoting sustainability of the economic integration and more cooperation.

The adverse weather conditions affecting the ASEAN countries can be minimized through greater integration among the members. These climate change events ranging from temperature fluctuations to sea level rise pose a big challenge. It is observed that most ASEAN cities are located along the coasts and river deltas. Hence they are at high risk. The demographic representation points out that the majority of people live in these big cities, as depicted by Malaysia and Singapore.

Through economic integration, the ASEAN countries are able to devise a mechanism to curb this economic challenge to ensure continued development (Rana, 2006). The governments will engage in the proactive approaches to mitigate the threat. It can be achieved through putting in

place programs that aim at alleviating and adapting to the impacts of the climate change. The ASEAN economic integration will lead to the development of infrastructure. It will be a great key to connecting the region. The ASEAN community aims at integrating transport facilities and logistics within the region.

ASEAN is working on an agreement that will create transport linkages in the region. These agreements will include road networks, railway links, and gas pipeline. It will create smooth flow of goods in the region as well as movement of people. As a result, there will be a remarkable growth in the economy. The improved economic integration among the ASEAN countries will promote globalization and increased logistical mobility among the member countries. Malaysia and Singapore are the biggest trade partners in the ASEAN community union due to the improved transport infrastructure.

The Rapid Transit System (RTS) that is a high-speed railway line linking Malaysia and Singapore is being developed and scheduled to be launched in 2018. This project has been developed as a result of integration between two economies and to facilitate increased trade (Plummer, 2006). The development of this infrastructure plying through Tanjung Pateri in Joho Baru and Woodlands in Singapore is aimed at developing a town in Iskandar Malaysia. In retrospect, the integration of the two member countries' economies has ensured that more opportunities are created for the citizens. Through the high-speed rail network developed by Singapore and Malaysia, there has been the establishment of common customs, immigration, and Quarantine facilities.

It reduces bureaucracy in the immigration checkpoints, which boosts efficient service delivery. Economic integration among the ASEAN countries has been an objective in fostering greater political stability among the member states. Various political observers had predicted that similar to other plans aimed at initiating regional organization, ASEAN was doomed to wither in the blast of the complicated and hostile regional situation. The Singapore prime minister S. Jayakumar observed that the western press postulated the skeptical description of the union in a form of a row of dominoes that were about to fall on each other.

In the political and security matters, the community has gradually progressed from a sub-regional organization to a central voice for peace and justice in the Asia-Pacific and world issues. Periods of socioeconomic progress are usually associated with fundamental shifts in the power relations among member states. In addition, increased economic globalization associated with structural adjustments of the countries' economies could pose challenges to the social order. The nations of the Asian-Pacific region acknowledge the fact that they are economically successful. It discourages any form of tensions and armed conflict that are bad for their economies. Hence, any emerging issues are usually addressed.

Greater economic integration among the ASEAN countries entails increased mobility of people, goods, and capital, thus demanding complex management structures. The structures will address the flows across borders and work closer with the ASEAN members (Plummer, 2006). As a result, both the Asia-European meeting processes inclusive of ASEAN are promoting more constructive and cooperative plans to the international relations in the <https://assignbuster.com/impacts-of-a-complete-asean-economic-integration/>

region. Combating drug abuse and crime in the bigger ASEAN countries emerges as an impact of a wider scope of economic integration. The increase in the complexity of economic structures between Singapore and Malaysia has seen higher rates of crime and drug trafficking. ASEAN community proposed a collective regional response to the abuse of drugs and illicit trafficking since its early formation.

The leaders called for intensified cooperation among member states and international bodies in the prevention and eradication of the narcotics abuse and illegal drug trafficking. A plan was devised to combat social vices that negatively influenced the economic development of the member countries. It involved a cohesive regional strategy to fight transitional crimes through the exchange of information. Furthermore, they are working together on the legal and law enforcement matters, capacity building in institutions, training, and increased regional cooperation. These measures involve criminalization of specific crimes involving drug trafficking as a form of legal cooperation (Plummer, 2006). The developed regional action plan encouraged the ASEAN member countries to embrace homogeneity in views.

It also enhanced the effective coordination on the national, regional, and even at international levels. Empowering Non-Governmental Organizations with an objective of eradicating drug abuse was also advocated by the plan. It represented the significant shift from the general perception of the drug menace as a simple social and health problem (Tumbarello, 2007). It would change the mindset of the drug abuse to that with a huge impact on the national security, stability, economic success, and resilience. The ASEAN



economic integration has facilitated free flow of goods among the member states.

The establishment of the single market has encouraged the formation of strong development networks. It has led to ASEAN being a global supply chain. The member states aim at eliminating all import duties on products apart from those that are regarded as highly sensitive. The free flow of goods can only be achieved through the elimination of tariffs and non-tariffs. It will lead to great economic growth among the member countries. The ASEAN community has achieved a great goal of the reduction of tariffs in order to enable a free flow of goods among the member states.

Through the ASEAN Free Trade Area, tariffs will be reduced, so that the member states can transfer goods effectively. The ASEAN Economic integration has been achieved through several acts. The Rule of origin sets conditions that the goods manufactured for the export within the member countries should be given special priorities. It will enhance business development among the member states (Tumbarello, 2007). The greater impact of economic integration will give the member countries priorities to exchange goods freely, thereby leading to booming of businesses. As a result, there will be a great economic development in the region.

The tariffs within the region will be eliminated in accordance with the agreements and protocols signed by the members. Economic integration will enhance the trade facilitation. All processes and procedures that bring out trade barriers will be reduced. It will cut all transaction costs, hence facilitating the exchange of goods and services. The citizens of the member

states will have a greater choice of goods due to the increased intra-region trade. It will create a free market for goods and services as well as creating opportunities for the investment (Tumbarello, 2007).

The ASEAN community aims at promoting transparency and visibility in all undertakings that are within international trade. It also aims at incorporating standards to promote greater efficiency in trade. It will enhance greater participation of the private sector in the economy. Increased trade among the member states will result in greater entrepreneurship and innovations in services, thus leading to the economic development. Economic integration will enhance the free flow of services.

In enhancing the free flow of services, the member states work for the harmonization and standardization. It is done with a perspective of facilitating the free movement and exchange of services among the member states. All restrictions that hinder the free flow of services within the region will be reduced. The member states will enhance establishment of industries across the borders, hence leading to high economic growth. Better quality and efficient services within the member states will be a great benefit for the customers. The economic integration among the member states will impact the free flow of skilled labor.

The member states will benefit from greater mobility of services and qualified professionals, namely the professionals in the field of medicine and accountancy, as it has been signed in the Mutual Recognition Agreements. These member states have facilitated issuance of visas for professionals, skilled laborers, and other individuals who are engaged into investment

related activities. Economic Integration will enhance research skills of each member country, thereby promoting job placement as well as efficient flow of market information. It will enhance greater job creation (Tumbarello, 2007). Due to the high job creation, the gap between the rich and the poor will be reduced. It will result in high purchasing power of goods and services by the customers.

Because of the free flow of skilled labor, there will be an exchange of professional skills leading to job creation, hence promoting economic development. Great investment opportunities have been realized due to the economic integration. The member states of the ASEAN community have put in place investment agreements that also include investment guarantees. These agreements are meant to cater for the increasing competition because of the foreign direct investment. These agreements will increase investment opportunities as well as create a conducive environment for the investment. New investments and reinvestments will ensure a great development of the ASEAN economies.

In order to strengthen economic ties between the member states, the ASEAN members have put into place measures and provisions that will ensure that investment disputes are resettled. It is aimed at transferring profits and dividends to the member states of the investor and at the complete protection of the investors. It has also put measures to compensate for the losses that come from strife. All these measures will increase investment opportunities and provide economic growth. Conducive environment that promotes new investments and growth has been put into place.

These measures promote investment among the member states and growth of small, medium, and multinational enterprises. The states also work to promote joint investment missions as well as extend industrial cooperation. The communities have gone further to improve the investment environment in industries by undertaking measures that facilitate investment and increased transparency and eliminate barriers to the investment. These measures will create a very conducive environment for the investment. ASEAN is also promoting cooperation among its members in order to increase the development of small and medium enterprises. They encourage annual matchmaking workshops that will enhance promotion of small and medium enterprise joint ventures.

In order to support these businesses, ASEAN is organizing a funding framework that includes export financing and credit guarantee schemes (Tumbarello, 2007). These measures will boost the investment of the member states as well as the economic development. The ASEAN economic integration will enhance the improvement of agriculture, increased food security, and protection of the environment. The member states are aimed at increasing food production and stabilization of food supply in the region. The ASEAN countries have established integrated food framework that will enhance food security.

Food security and agricultural improvement will lead to greater economic development of the member states. By the year 2015, the ASEAN countries intend to establish a single market for all ten member countries. It will create the free flow of goods and services within the member states, hence promoting the economic development of the member states. Economic

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integration among the ASEAN countries will result in the promotion of tourism within the region, thereby enhancing economic development. Free movement of people within the region due to the reduced tariffs will boost tourism in the area. Countries such as Malaysia and Singapore will have increased revenue from tourism since they have much experience and have heavily invested in the tourism sector.

In the energy sector, the ASEAN countries have signed a memorandum of understanding on the power grid. The member states are aimed at increasing the ability to respond in the emergencies concerning the petroleum shortage. It will ensure that the member states have a steady supply of energy, hence promoting the economic development. Economic integration in the ASEAN community has led to the flow of capital. There have been efforts to integrate financial markets through the use of the financial services liberalization.

Market strengthening and development have been enhanced through the economic integration. The member states are also aimed at developing the local currency bond market. It will enhance great economic development. Economic integration of the ASEAN countries is aimed at the consumer protection. It will be enhanced by the regional cooperation initiatives. As a result, it will increase consumer participation in the economy building.

Moreover, economic development will be achieved since all the stakeholders participate fully in the building of the economy. Though the ASEAN integration has considerable positive impacts on the economy of the member states, there are some challenges that the integration has faced.

These challenges are classified as internal and external challenges. Internal challenges include unresolved territorial disputes among the member states. The external challenges that the economic integration of the ASEAN countries faces include globalization, regional imbalances, increased crime rates, rise of social classes, and lack of the engagement mechanism (Rana, 2006). There has been fierce and unhealthy completion among the member states.

In addition to this, some of the ASEAN countries have been involved into international banking and investing in foreign countries in order to strengthen their financial capabilities. It was done to avoid financial crisis. Another challenge that the member countries face due to the economic integration is the members' ability to cooperate and coordinate.