

Asean Economic Integration in Theory and Practice

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For most ASEAN countries, exports are one of the biggest contributors to the country's GDP. Free Trade Agreement (FTA), in particular, plays a significant role in stimulating regional economic growth. ASEAN has made substantial progress since its establishment in 1967, from 1981 preferential trade agreement to a full economic community in 2015. Since then, the community has been aiming towards the removal of trade restrictions and the liberalization of various industries, such as manufacturing, tourism and financial services.

In terms of theory, there are 5 levels of economic integration: free trade, customs union, common market, economic union and political union. For ASEAN, it is still in the regional free trade stage, aiming towards a single market and production base on the basis of "four freedoms" (the free flow of goods, services and investments, labour and capital). However, 5 years after AEC establishment, ASEAN nations are still struggling with integration, and this is largely due to differences in the number of population, income, developmental stages, and economic structure among the 10 nations. Despite the constant decline in tariffs, non-tariff barriers are on the rise. The percentage of foreign equity ownership permitted also varies among countries, from 49% in Thailand to 100% in Singapore.

For labour, there are 8 professions that can move around in ASEAN with some domestic local restrictions: doctors, dentists, nurses, architects, engineers, accountants, surveyors, and tourism professionals. However, these 8 professions only account for a very small share of labour movements. Out of 2.9 million labour registered in Thailand, only 390 belong to one of the 8 professions.

At the borders of countries, especially at the border between Laos and Thailand, there is daily trade of goods and movement of both day workers and migrants. Due to differences in regulations, this allows for creation of many Thai illegal services, for example, Casinos at the border of Thailand and Cambodia.

As we are moving towards a deeper economic integration, there is a need for a more efficient, innovative and secured domestic and cross-border transactions. Incorporating a single standardized system, such as QR codes, will help promote e-payment by local currency, reduce the costs of payments, and remittance.

In my opinion, ASEAN still has a long way to go until it develops into a successful economic community. Due to the high level of diversity compared to the EU, ASEAN may take much longer to succeed. To get there, we must develop the necessary infrastructure to further improve the flow of capital and reduce the gap of inequality in each nation. This may include improving the education system, in order to improve labour skills and move our production towards high valued commodities. As our businesses face digital disruptions, current efforts by governments may not be adequate. Income distribution to rural areas is also needed, as urbanization brings pressure onto our current infrastructure and job markets. These problems signal a need for an innovative policy, for each government to work closely with their domestic private sectors and non-government organisations. Especially during the time of COVID-19, ASEAN nations must collaborate to bring the situation back to normal as soon as possible and invent the best solution for our economic community as a whole, not just for one nation.

Covid-19, Labour & CLMVT

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The outbreak of Covid-19 is a global health crisis that has had a tremendous impact on the way we perceive the world and our everyday lives. Not only that the disease challenges our health sector, but it also puts in place daily restrictions, social distancing, temporary closure of non essential businesses, or in other words, refraining from doing what is inherently human.

Although every country is somewhat impacted by the pandemic, the level of impact differs between countries, based on geographical locations and income groups. For Thailand, all economic indicators appear negative. As of May 2020, Bank of Thailand announced that the forecasted economic growth would be approximately -0.6% to -5%. The policy interest rate has also been cut 3 times this year, and the current rate is 0.5%. During the first quarter of 2020, Covid-19 seemed to have an impact only at a regional level, while the aggregate working hours dropped by 6.5% in Asia, the working hours dropped by only roughly 1.5% in other regions. However, by the second quarter of 2020, this changed dramatically and Covid-19 has spread to almost every country.

Aside from having the level of impact differ among countries, the level of impact also varies based on the person's profession. The most vulnerable groups are retail, manufacturing, real estate and accommodation. On the other hand, the groups that are least affected include utilities, public administration, health and education. In terms of job flexibility, "Gig" or jobs that last a certain period of time, often as long as the company needs, have a big advantage in

the time of COVID-19. Examples of these jobs are independent contractors, and online perform workers.

In my opinion, one policy that should be implemented by the government is a 3-month wage subsidy for businesses to keep workers employed (for formal workers) and income support (for informal workers). The policy was implemented in New Zealand and it was successful in keeping the domestic business open, as well as, providing income for non-essential employees and informal workers who are the most vulnerable group in the time of COVID-19. There should also be no discrimination in selecting the applicants. All workers who are unable to work should receive this wage subsidy. I believe this this wage subsidy would be more effective than the current 5000-baht cash relief from Thai government because it decreases the paperwork burden imposed on the poor, there would be no argument in the selection process and all employees who are forced to be out of work during the time of COVID-19 are eligible.