

**JETRO—ERIA SYMPOSIUM**  
*East Asia Beyond the Global Economic  
Crisis*  
**Tokyo, December 1, 2009**

**Social policies and regional integration: A consideration**  
Khoo Boo Teik

# 1. Questions from two crises

- ▶ Risks of excessive dependence on external investment?
- ▶ Unstable global financial architecture?
- ▶ An impetus towards regional integration via mechanisms of financial cooperation?
- ▶ Risks of excessive dependence on external demand?
- ▶ Unsustainable structure of global demand?
- ▶ An impetus towards regional integration via social policies that offset declining exports?

1997–1998 crisis

2008–2009 crisis

## 2. How can better social services give an impetus towards integration?

- ▶ **Can this global polarity persist?**
  - production sites: low-wages, high savings, weak currency
  - consumption sites: cheap imports, high debt, strong currency
- ▶ **Can high social need but low 'effective demand' be allowed to persist?**
  - new sources of needs and demands for services
  - declining external markets
- ▶ **Will internal inequalities and intra-regional disparities spur**
  - cross-border 'illegal labor migrations'
  - non-traditional security issues?
- ▶ **Can social policies bolster internal demand and reduce regional problems?**
  - incorporating higher social equity into economic development
  - broadening and strengthening social safety nets
  - creating regional governance standards for working and living conditions

# 3. An internal market on US\$2 a day?

## Progress in Reducing US\$2-a-Day Poverty Since 1990

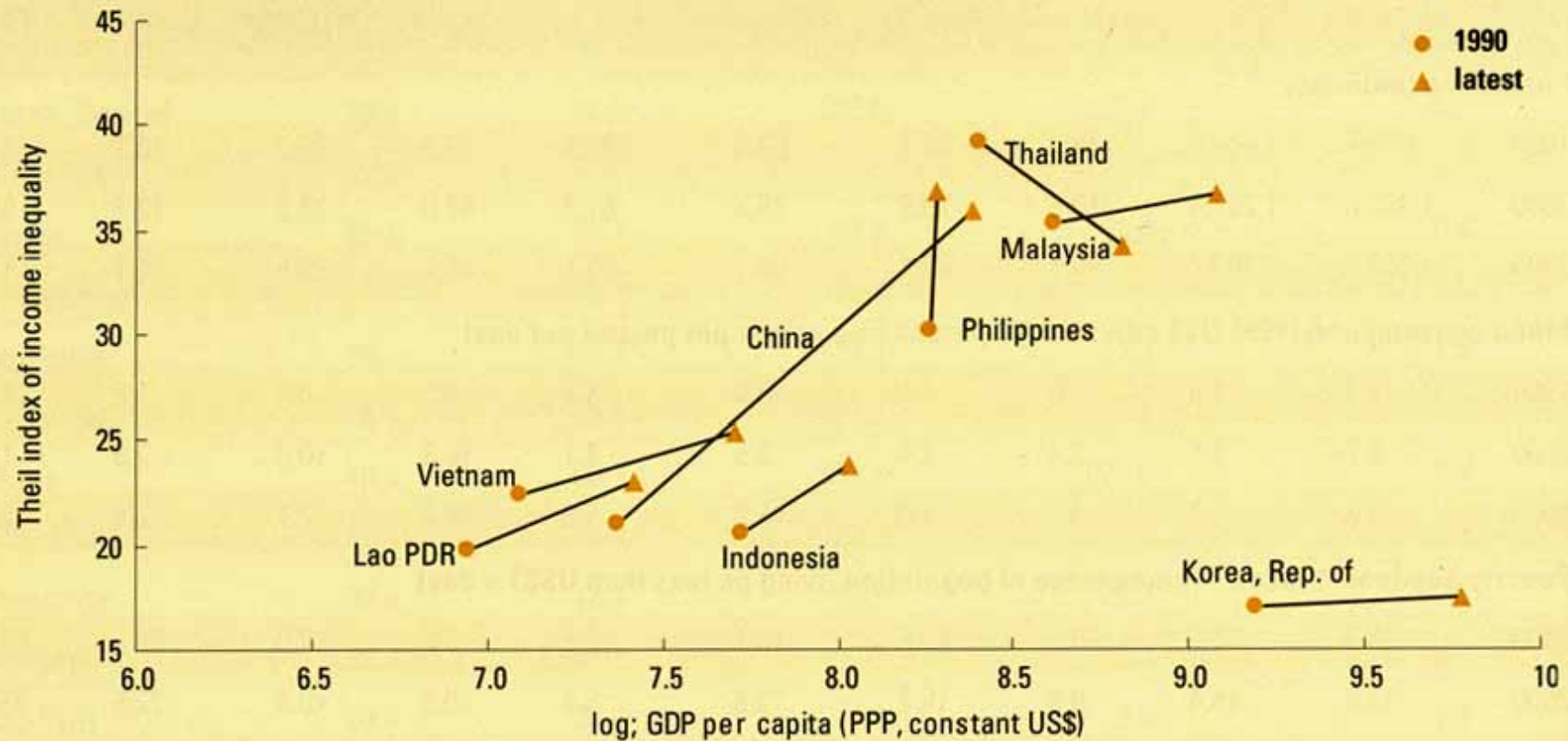
Indicator	East Asia and Pacific	Cambodia	China	Indonesia	Korea, Rep. of	Lao PDR	Malaysia	Philippines	Thailand	Vietnam
<b>Headcount index (% of population living on less than US\$2 a day)</b>										
1990	66.9	76.3	69.9	71.1	<0.5	89.6	18.5	53.5	47.0	87.0
2000	45.8	67.8	44.8	59.5	<0.5	79.4	9.7	47.2	35.6	63.5
2005	31.3	62.1	28.6	44.4	<0.5	68.6	5.5	41.9	22.8	49.1
<b>Number of poor (millions living on less than US\$2 a day)</b>										
1990	1,060.8	7.9	799.6	126.7	—	3.7	3.4	33.5	26.1	57.6
2000	819.9	8.6	567.4	125.3	—	4.3	2.3	36.0	22.0	50.7
2005	584.5	8.7	373.5	100.5	—	4.2	1.4	35.1	14.8	42.3

Source: World Bank 2006a.

Note: — = no data are available.

# 4. No comfort in rising inequality

Inequality Has Been Rising in Much of East Asia Since 1990



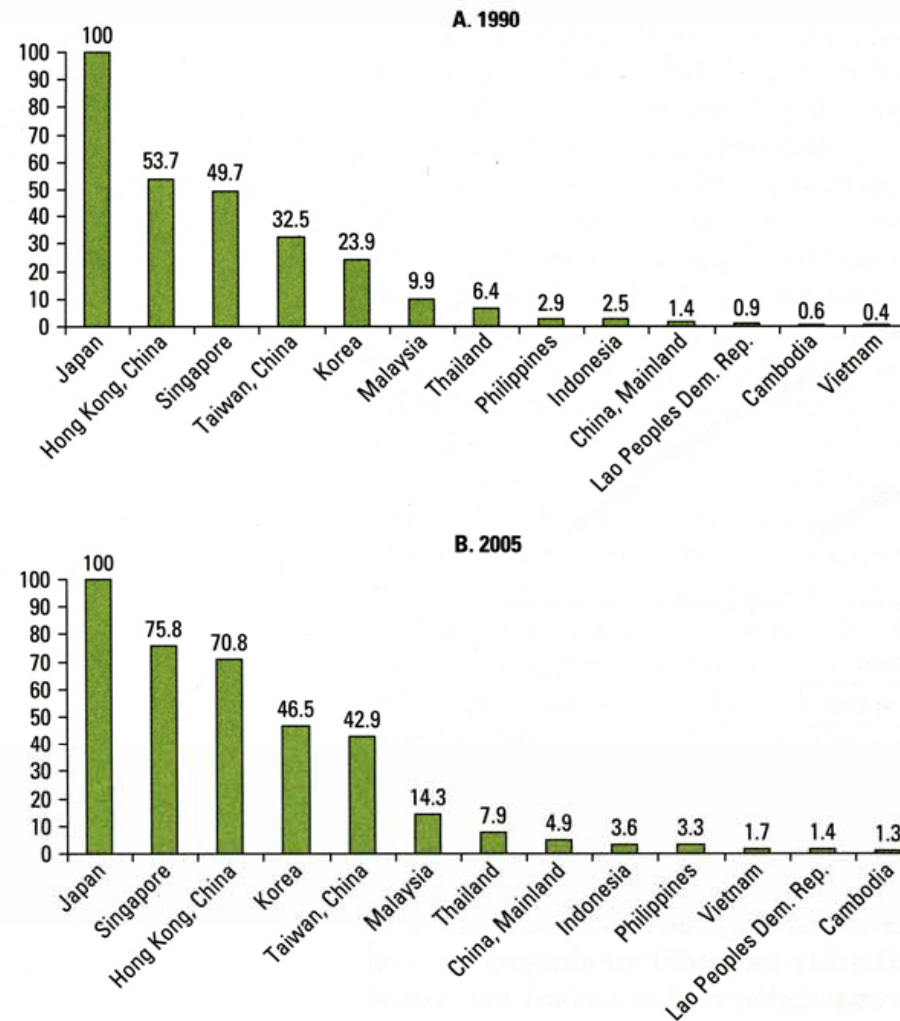
Source: World Bank staff estimates based on household surveys.

Note: PPP = purchasing power parity.



# 5. Can vast income disparities support a stable regional market?

Nominal income per capita in select Asian economies, 1990 and 2005



Source: IMF, *International Financial Statistics* (various years).

# 6. Social services: a source of growing demand

**East Asia's Urban Population Will Rise by More Than 500 Million in the Next 25 Years**  
*current share and level of urban population and projected growth, 2005–30*

Country	Share urban (%)		Urban population (millions)		Annual growth rate
	2005	2030	2005	2030	2005–10
Korea, Rep. of	80.8	86.3	38.6	42.4	0.6
Malaysia	67.3	81.9	17.1	28.4	3.0
Japan	65.8	73.7	84.3	90.4	0.4
Philippines	62.7	76.7	52.1	87.5	2.8
Mongolia	56.7	65.7	1.5	2.2	1.5
Indonesia	48.1	68.9	107.2	186.7	3.6
China	40.4	60.3	531.8	872.6	2.7
Thailand	32.3	45.8	20.7	33.8	1.8
Myanmar	30.6	48.4	15.5	29.3	2.9
Vietnam	26.4	41.8	22.2	45.2	3.0
Lao PDR	20.6	34.0	1.2	3.2	4.0
Cambodia	19.7	37.0	2.8	7.9	4.9
East Asia	44.2	62.0	921.3	1,463.0	2.6
World	48.7	59.9	3,150.5	4,912.5	2.0

Source: World Urbanization Prospects: The 2005 Revision Population Database, United Nations Population Division, <http://esa.un.org/unup/>.

# 7. The centrality of social policy I: a Malaysian experience

Sector	% of total government development expenditure Malaysia Plan (MP) periods						
	2 <sup>nd</sup> MP	3 <sup>rd</sup> MP	4 <sup>th</sup> MP	5 <sup>th</sup> MP	6 <sup>th</sup> MP	7 <sup>th</sup> MP	8 <sup>th</sup> MP
Education & training	9.38	7.31	10.12	16.1	13.4	19.9	19.9
Health & population	2.47	1.45	1.59	2.6	4.4	3.8	3.8
Information & broadcasting	1.15	0.33	0.18	0.1	0.2	0.2	0.2
Housing	2.24	6.04	8.49	4.1	3.3	3.4	3.4
Other areas	2.11	1.98	1.14	1.9	3.5	4.4	4.4
<b>Total</b>	<b>17.35</b>	<b>17.15</b>	<b>21.53</b>	<b>24.8</b>	<b>24.8</b>	<b>31.6</b>	<b>31.6</b>
% poor households	49.3		29.2		15.0		5.1
HDI value				0.696	0.721	0.760	0.790



## 8. The centrality of social policy II: Economic Development, Malaysia 1960–2000

	1960	1970	1980	1990	2000
<b><i>GDP (RM million)</i></b>	5,723 (1970 prices)	12,308 (1970 prices)	26,188 (1970 prices)	79,103 (1978 prices)	210,557 (1987 prices)
<b><i>Shares of GDP (%)</i></b>					
Agriculture	37.8	30.8	22.2	18.7	12.8
Manufacturing	8.7	13.4	20.5	27.0	34.7
Services		41.9	45.1	42.3	49.7
<b><i>Shares of total export value (%)</i></b>					
Top 5 primary commodities	66.1	56.0	39.2	18.8	4.8
Manufacturing products	8.5	11.9	22.2	60.4	85.2
<b><i>Shares of total employment (%)</i></b>					
Agriculture	55.2	53.5	39.7	27.8	16.1
Manufacturing	6.4	11.9	15.7	19.5	27.5
Services		32.5	37.3	45.7	47.5

## 9. Variations, diversities and differences

- ▶ **Difficult to imagine integration across**
  - ideational variations
  - identity differences
  - normative diversities
  
- ▶ **Difficult to manage competing concerns**
  - states and security issues
  - trade, investment and currency flows
  - Industrial structures and complementarities
  
- ▶ **Is it any easier to realize integration across**
  - vast material ranges
  - persistence of severe poverty
  - huge gaps in income, wealth and well-being?

# 10. An iconic moment: No integration without incorporation

